

**Agenda Item No: 7 (i)**

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**14<sup>th</sup> March 2017**

**Report of the Strategic Director for Children's Services**

**CAPITAL FUNDING TO SUPPORT THE REFURBISHMENT OF KITCHENS  
AS PART OF THE UPGRADE OF VENTILATION SYSTEMS: UPGRADE  
OF CATERING EQUIPMENT PROGRAMME 2016-19 – (CHILDREN'S  
SERVICES)**

**1. Purpose of the Report**

To seek approval for capital expenditure on:

- a) Non-routine replacement and upgrading of school kitchen equipment as part of a scheduled upgrade to ventilation systems within Derbyshire schools.
- b) Capitalisation of routine replacement of catering equipment exceeding the value of £10,000 when appropriate.

and to establish a revenue earmarked reserve for the funding of the above.

**2. Information and Analysis**

**a) Non-routine replacement and upgrading of kitchen equipment as part of scheduled upgrade to ventilation systems.**

In accordance with The Gas Safety (Installation and Use) Regulation Act 1998, the Authority is legally required to upgrade kitchen ventilation systems located in Derbyshire Schools. A Cabinet report dated 23<sup>rd</sup> February 2016 has already been approved as part of the Council Services Capital Programme for County Property to carry out such work.

As part of this process and under the terms stated in the contract between Derbyshire Catering Services (DCS) and Schools, it is the responsibility of DCS to purchase and replace catering equipment that does not meet the above gas regulations.

During this process there will also be a requirement for further additional work to be carried out to upgrade related catering equipment which will not only improve the working condition within kitchens but continue to support the increased uptake of school meals.

Work to upgrade the ventilation system will be delivered by County Property under their ventilation framework agreement awarded 1<sup>st</sup> April 2016 until 1<sup>st</sup> April 2020

It is proposed to invest in the replacement of catering equipment at these schools which meet the following criteria and aims:

- Primary schools with kitchen equipment that does not meet the current gas safety regulations
- Upgrade kitchen equipment to support the increase of meals since the launch of Universal Infant Free School Meals
- Meet energy efficiencies and environmental impact from the consumption of gas, electric and water
- Lower running costs and savings to Schools

**b) Purchasing of routine replacement/upgrading catering equipment exceeding the value of £10,000 when appropriate.**

Expenditure on routine replacement of equipment where the replacement value exceeds £10,000 must be treated as capital expenditure in the Authority's accounts and is therefore required to be approved by Cabinet and included within the Authority's Capital Programme. The Catering Service has identified that replacement of the cashless catering system at Aldercar School estimated at £11,430 falls into this category. In addition, the service estimates that over the period 2017-2019 it is likely to spend up to £120,000 on replacement catering equipment where the equipment would need to be treated as capital expenditure.

	<b>Amount (£)</b>	<b>Work Brief</b>
Aldercar High School	11,430	Cashless System upgrade
County Wide	120,000	Replacement/upgrading of catering equipment
<b>Total</b>	<b>131,430</b>	

**3. Financial Considerations**

Over the next two years, Catering Services expects to spend up to £331,135 on schemes over £10,000 and up to £131,430 on the routine replacement/upgrading of catering equipment exceeding the value of £10,000, the capitalisation threshold, in a number of schools.

### **Estimated Capital Expenditure 2017-2019**

	£
Scheduled upgrades to ventilation schemes (including contingency)	331,135
Routine replacements exceeding capitalisation threshold	131,430
Total	462,565

Details of the individual schools which are expected to have ventilation scheme upgrades and the estimates of spend are shown in Appendix 1.

The costs shown in Appendix 1 are estimates at this stage and each project will only go ahead if it is within 10% of the estimate. A contingency of £30,100 is included within the total to ensure sufficient resource.

The Catering Service is expecting to generate a surplus of £525,000 in 2016/17 and it is proposed that the total projected capital expenditure of £462,565 is funded from this underspend. This will require the creation of a “Revenue contribution to Capital outlay” (RCCO) earmarked reserve to ensure that resources are available in future years.

Once all works are completed, it is proposed that any unused reserve will be released to Children’s Services.

The Schools Service Level Agreements for each school benefiting from these works will be amended to ensure that the cost of the investment will be recovered over the length of the contract. This will include recovery of the cost of the investment from the school, should it cancel its contract with Catering Services in favour of another supplier before the sum has been fully recovered.

#### **4. Social Value Considerations**

It is proposed that County Property will coordinate the schemes and work to replace equipment will be undertaken by the successful suppliers, where appropriate, to capture and deliver social value initiatives with specialist suppliers.

Using County Property to implement these schemes has taken into account the use of using the local workforce to carry out projects, the potential of employing apprentices to assist with bespoke duties and the payment of the Living wage to staff.

Other social values have been identified as the continued delivery of school meals to schools and assistance in reducing on-going costs and efficiencies of the Catering Service. These efficiencies will help to reduce the charge to schools, thus allowing schools to use their financial resources in key areas of improvement for local families.

**5. Other Considerations**

In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality and diversity, environmental, health, human resources, legal, property and transport considerations.

**6. Background Papers**

Files held within the Children's Services Department, Catering, Chatsworth Hall Site, Matlock.

**7. Key Decision**

Yes

**8. Call-in**

Is it required that call-in be waived in respect of the decisions proposed in the report? No

**9. Strategic Director's Recommendations**

That Cabinet approves:

- a) Non-routine replacement and upgrading of school kitchen equipment as detailed in the report as part of a scheduled upgrade to ventilation systems within Derbyshire schools.
- b) Capitalisation of routine replacement catering equipment exceeding the value of £10,000 when appropriate.

And that estimated expenditure is added to the 2016/17 Children's Services Capital Programme; and the establishment of a revenue earmarked reserve for the funding of the above.

**Jane Parfremment  
Strategic Director for Children's Services**

## Appendix 1.

Until the commencement of the procurement process, it is difficult to accurately predict the exact cost associated with the ventilation schemes. The following estimated costs are therefore based on current market information and an analysis of individual requirements.

<b>Name of School</b>	<b>Amount (£)</b>	<b>Work Brief</b>
Buxton Junior School	15,000	Replacement and upgrade of cooking equipment
Burbage Primary School	12,000	Replacement and upgrade of cooking equipment
Christ The King Primary School	20,000	Replacement and upgrade of cooking equipment
Fairfield Junior School	17,000	Replacement and upgrade of cooking equipment
Harpur Hill Primary School	20,000	Contribution to upgrade the cooking equipment as part of a development scheme funded by Children's Services Capital Programme
Hulland Primary School	15,000	Replacement and upgrade of cooking equipment
Ironville & Codnor Park Primary School	18,000	Replacement and upgrade of cooking equipment
New Mills Primary School	20,000	Replacement and upgrade of cooking equipment Replacement and upgrade of cooking equipment
Thornsett Primary School	10,000	Replacement and upgrade of cooking equipment
Duffield The Meadows Primary School	17,500	Replacement and upgrade of cooking equipment
Holme Hall Primary School	18,000	Replacement and upgrade of cooking equipment
St John's CofE Primary School, Belper	20,000	Replacement and upgrade of cooking equipment
Whittington Green Secondary School	10,000	Replacement and upgrade of cooking equipment
Willington Primary School	30,427	Replacement and upgrade of cooking equipment
Hasland Infant and Nursery School	35,561	Replacement and upgrade of cooking equipment
St Elizabeth's Primary School	12,219	Replacement and upgrade of cooking equipment

Fitzherbert Primary School	10,328	Replacement and upgrade of cooking equipment
Contingency	30,100	To allow for changes in the above estimates
<b>Total</b>	<b>331,135</b>	