



Council Cabinet
21 November 2023

Report sponsors:

Councillor Baggy Shanker Leader of the Council
and Cabinet Member for Strategy, Governance
and Finance

ITEM 11

Alison Parkin, Director of Financial Services

Report author: Toni Nash, Head of Finance

Compliance with Contract and Financial Procedure Rules

Purpose

1.1

- A bid for and acceptance of £1.626m to the Department for Education funded Recruitment and Retention programme and associated delegations
- Acceptance of a revised repayment plan for an existing Derby Enterprise Growth Fund (DEGF) loan (**confidential part of the agenda**)

Recommendations

- 2.1 To note a bid for and acceptance of £1.626m to the Department for Education funded Recruitment & Retention programme, with Derby City as the lead for the project, as outlined in section 4.1.
- 2.2 To delegate to the Strategic Director for People's Services, in consultation with Cabinet Member for Children's Social Care, Learning and Skills and the Director of Financial Services, authority to accept the grant and use it as per the terms and conditions agreed.
- 2.3 To approve the revised loan repayment plan as set out in section 4.2 for existing DEGF capital loans to Company A, in order that a revised loan agreement can be drawn up and revised repayments collected.

Reason

- 3.1 To comply with Contract and Financial Procedure Rules.

Supporting information

- 4.1 **Bid for DfE Funding for Recruitment and Retention funding of £1.626m**
The D2N2 authorities have successfully applied to join the Department for Education Fostering Recruitment and Retention programme. The Council as the lead for the D2N2 partnership will receive £1.626m to implement:

- A fostering regional recruitment hub to manage prospective foster carers journey from initial enquiry through to their application
 - A DfE managed communications campaign to drive traffic to the regional recruitment support hub once operational
 - A Mockingbird constellation per partner Local Authority to provide support for foster carers, potentially reducing de-registrations. This is an extended family model that provides sleepovers and short breaks, peer support, regular joint planning and training, and social activities. This improves the stability of fostering placements and strengthens the relationships between carers, children, and young people, fostering services and birth families
- 4.1.1 Derby City Council will lead the D2N2 partnership design and implementation, with the regional recruitment support hub collocated within Derby City offices. Each Local Authority will set up one Mockingbird constellation, locally run, but with Derby City Council oversight. Best practice from the implementation of Adoption East Midlands and ongoing wider collaboration will inform the project design.
- 4.1.2 Recruitment Support hub £0.969m
The total amount of funding awarded for the recruitment support hub is £0.969m. Grants will be issued under section 31 of the Local Government Act 2003. To release funds there will be a memorandum of understanding (MoU) in place. Funding will be released via two separate s31 grant determination letters, November 2023 and February 2024.
- 4.1.3 Mockingbird £0.657m
Funding for Mockingbird will be delivered to Derby City Council via a s14 grant, which will be paid in arrears. The total Mockingbird funding has been confirmed as £0.657m.
- 4.1.4 As lead Local Authority, Derby City Council will receive and administer the Section 31 and Section 14 Grants to ensure the successful implementation of a D2N2 fostering regional recruitment hub and lead planned Mockingbird constellations.
- 4.1.5 It is anticipated that the DfE Recruitment & Retention Programme will enable:
- An increased regional Local Authority fostering profile resulting in an increase in recruitment of mainstream and specialist foster carers, reducing reliance on external fostering/residential placements that may not offer a local home to children in care
 - Efficiencies through a single regional marketing campaign, online platform, marketing material
 - Improved experience of children in care by ensuring there are more foster carers in children's own communities
 - Increased placement stability for children in care through more foster carers who are better supported and have stronger matches
 - Further alignment of the D2N2 fostering offers, allowing further efficiencies, sharing of best practice and improvements to foster carer journeys.

- 4.1.6 The Recruitment Hub is expected go live in April/May 2024, with the D2N2 partner Local Authorities codesigning and implementing this project. Derby City Council is the lead authority and will host the hub with other Local Authorities seconding resource as appropriate.
- 4.1.7 It is recommended to note a bid for £1.626m to the Department for Education funded Recruitment & Retention programme, with Derby City as the lead for the project.
- 4.1.8 It is recommended to delegate to the Strategic Director for People's Services, in consultation with Cabinet Member for Children's Social Care, Learning and Skills and the Director of Financial Services, authority to accept the grant and use it as per the terms and conditions agreed.
- 4.2 Derby Enterprise Growth Fund (DEGF) loan to Company A**
Two loans totalling £0.344m were awarded to Company A in July and September 2015. Original terms of the loan agreement included interest roll up in the first 5 years after which repayments to commence with full repayment 7 years from drawdown.
- 4.2.1 During this period the local company, classed as a small and medium-sized enterprise – sme, has experienced a variety of trading pressures, and this has led to loan repayments being vastly reduced over the repayment period in question. The current position sees a total balance outstanding of £0.379m, comprising £0.344m principal and £0.035m accrued interest not repaid.
- 4.2.2 Council Officers have remained in regular contact with the company throughout the period and worked with them to support the ongoing business trading and to leverage as high repayment levels as possible. Against this backdrop the Council have now received a more positive trading update, and repayment proposals that would see the Council loan fully repaid by February 2029. The revised repayment plan proposed is as follows:
- The current repayment level of £3,500 per calendar month - pcm to remain in place until December 2023 inclusive
 - Repayments to increase to £5,000 pcm with effect from January 2024 to April 2024 inclusive
 - Repayments to increase to £7,500 pcm with effect from May 2024 until loan repaid in full
- 4.2.3 Company A's latest trading update which provides a more detailed background to the current forecast trading position has been reviewed. The proposal is not without downside business risks in terms of cashflow uncertainties, mainly associated with forecast future order levels and their ability to generate regular and recurring income streams off the back of these contracts. They are also exposed to their business sector in general, and the wider cost constraints and procurement processes that impact on that sector. The Council will continue with regular review meetings to assess position versus forecasts.

- 4.2.4 This is the closest the Council has been for many months in formalising a way forward that will see the Council loan fully repaid within a set timeframe. The proposal sees the current repayment profile being retained in the short term (so no worsening of the position), with rapid increases thereafter to a more appropriate level. The Council will reserve the right to press for increased repayments should the company finances allow, whilst not seeking to put the business under undue pressure.
- 4.2.5 It is recommended to approve the revised loan repayment plan as set out in section 4.2 for existing DEGF capital loans to Company A, in order that a revised loan agreement can be drawn up and revised repayments collected.

Public/stakeholder engagement

- 5.1 **DfE Funding for Recruitment and Retention** - Delivery of the DfE Recruitment & Retention Programme is being facilitated by a D2N2 Fostering Directors steering group, alongside a Task and Finish Group for operational managers.
- 5.1.1 **DfE Funding for Recruitment and Retention** - Affected staff will be identified through project design and support the delivery of the recruitment hub. It is not anticipated formal consultation will be required, with vacant posts seconded into.
- 5.1.2 **DfE Funding for Recruitment and Retention** - Engagement with existing foster carers is key to ensure the project's success. The project will engage with carers throughout the design and implementation process.
- 5.2 **DEFG loan repayment plan** - DEGF Officers have remained in close contact with the company Directors and will continue to review matters on a regular basis moving forward.

Other options

- 6.1 **DfE Funding for Recruitment and Retention** - Not applicable.
- 6.2 **DEFG loan repayment plan** - To consider calling up the debt, noting that the loan is unsecured and will result in a significant loss to the Council.

Financial and value for money issues

- 7.1 **DfE Funding for Recruitment and Retention** - The total amount of funding awarded for the recruitment support hub is £0.969m to be spent by April 2025.

A total of £0.657m has been awarded for implementation of the Mockingbird constellations, with the D2N2 partnership advised by the DfE delivery partner that this can be spent past April 2025.

There are no match funding requirements.

- 7.2 **DEFG loan repayment plan** - The £0.344m loan monies were advanced to Company in 2015 and this report does not seek to increase the Council's exposure or approve a further advance. To September 2023, no principal has been repaid but £0.219m interest has been received against the £0.253m interest charge. The original interest rate of 7.49% that has been applied from the date of the loan advances will continue to apply.

- 7.2.1 The repayment proposal put to us by Company A will see the loan principal and interest fully repaid, provided the revised repayments are received in full. This should recoup the original financial outlay and provide interest paid over the extended term to cover the cashflow cost to the Council.

Legal implications

- 8.1 **DfE Funding for Recruitment and Retention** - A legal framework will be agreed by D2N2 partners prior to project implementation outlining the financial and legal framework by which the grant funding will be administered.
- 8.2 **DEFG loan repayment plan** - DEGF Officers will review matters with the Council's/external legal team, in order to execute a revised loan agreement should the proposals be approved.

Climate implications

- 9.1 **DfE Funding for Recruitment and Retention** - Not applicable.
- 9.2 **DEFG loan repayment plan** - The business will continue to operate from its office/factory base locally and there will be no impact on any climate change outputs.

Socio-Economic implications

- 10.1 **DfE Funding for Recruitment and Retention** - Not applicable.
- 10.2 If the revised repayment profile were not approved or the loan called in there could be a risk to the jobs currently being supported, and a wider risk that the large office premises occupied by Company A will become vacant.

Other significant implications

- 11.1 **DfE Funding for Recruitment and Retention** - Not applicable.
- 11.2 **DEFG loan repayment plan** - Not applicable

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu, Head of Legal Services	20/10/2023
Finance	Toni Nash – Head of Finance - Corporate	20/10/2023
Service Director(s)		
Report sponsor	Alison Parkin	01/11/2023
Other(s)	Janice Hadfield, Head of Finance – Service Support	12/10/2023
	Ann Webster - Equalities	19/10/2023
Background papers:	N/A	
List of appendices:	N/A	