



Derby City Council

COUNCIL CABINET
07 September 2016

Report of the Leader of the Council

ITEM 14

Contract and Financial Procedure Matters Report

SUMMARY

- 1.1 This report deals with the following items that require reporting to and approval by Council Cabinet under Contract and Financial Procedure rules:
- Tender and creation of framework agreements
 - Changes to the annual Minimum Revenue Provision (MRP) Statement of 2016/17
 - Bid for Funding
 - Acceptance of Funding
 - Retender of contract
 - Changes to the current 2016/17 Capital programme.

RECOMMENDATION

- 2.1 To approve the tender and subsequent creation of two framework agreements for Best Interest Assessors and Doctors at an annual cost of circa £165,000 a year, as detailed in section 4.
- 2.2 To recommend to Full Council the revised annual Minimum Revenue Provision (MRP) Statement for 2016/17, as detailed in section 5 and Appendix 2.
- 2.3 To approve a bid to the Department for Transport for Access Grant and to delegate approval to the Strategic Director of Communities and Place, in consultation with the Director of Finance to accept any grant offer, subject to acceptable grant conditions, as detailed in section 6.
- 2.4 To approve the application to Nottingham City Council for £343,000 of Go Ultra Low Funding and to delegate approval to accept the funding to the Strategic Director of Communities and Place, in consultation with the Director of Finance, as detailed in section 7.
- 2.5 To approve the application to Joint Air Quality Unit (JAQU) for funding of £329,810 for the initial phases of the scoping study requirements for Clean Air Zones (CAZ) and to delegate approval to accept the funding to the Strategic Director of Communities and Place, in consultation with the Director of Finance, as detailed in section 8.

- 2.6 To approve the combined retender for Domiciliary Care in Extra Care schemes including caps for increases in charges levied to residents for emergency care and maximum rates payable by the council for Core Care, as detailed in section 9.
- 2.7 To approve changes, including additions to the capital programme, in section 10 and Appendices 3 and 4.

REASONS FOR RECOMMENDATIONS

- 3.1 To comply with the Council's Contract and Financial Procedure rules.



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Report of the Chief Executive

SUPPORTING INFORMATION

4 Tender and creation of framework agreements

- 4.1 The Council in its capacity as the supervising body has a legal duty to ensure Best Interest Assessors (BIA) and doctors are available to complete a range of assessments in hospitals, care homes and nursing homes. In 2014 the supreme court ruling significantly lowered the threshold for Deprivation of Liberty Safeguards (DoLS) required. As a result the Council has seen a twenty fold increase in requests for DoLS authorisations.
- 4.2 To meet the need for BIAs and doctors there is a need to create two framework agreements. The use of external professionals will help the Council meet the growing requirement for safeguarding assessments.
- 4.3 It is recommended that the tender and creation of two frameworks for Best Interest Assessors and Section 12 doctors to provide DoLS assessments at an annual cost of circa £165,000 per annum is approved. This will be funded from existing budgets.

5 Revised Annual Minimum Revenue Provision (MRP) Statement

- 5.1 Department for Communities and Government guidance requires the authority to approve an annual MRP Statement at Full Council. The 2016/17 annual MRP statement was approved at Full Council on the 3rd February 2016 as part of the Capital Budget report. The DCLG Guidance states that if variations to the terms of the original statement are made during the year, the revised statement must be approved.
- 5.2 The Council's Treasury Management advisers, Arlingclose, reviewed Derby's MRP statement to establish potential savings and advise on a prudent approach. Following the review, variations are recommended to the following elements of the MRP statement which are arguably more prudent and deliver savings in the short term.
- 5.3 **Policy for capital expenditure incurred before 1st April 2008 and for Supported Capital Expenditure.** The original policy for capital expenditure incurred before 1st April 2008 and for supported capital expenditure was based on straight line basis over the remaining useful life in respect of that expenditure. The revised policy is to move to annuity basis over the remaining life in respect of that expenditure.
- 5.4 **Policy for transferred debt.** The original policy for transferred debt was 4% reducing balance. The revised policy is to move to annuity basis over 50 years.

- 5.5 Asset life on an annuity basis is option 3 in the CLG Guidance. Annuity basis results in lower MRP charges in earlier years, which increase gradually over time with higher MRP charges in the later years taking into effect the time value of money.
- 5.6 As it is not possible to identify the exact assets the transferred debt relates to, 50 years has been decided on, on the basis the guidance states that if no life can reasonably be attributed to an asset, the life should be taken to be a maximum of 50 years. This has the advantage of satisfying the Council liability over a 50 year period, whereas the current policy would take until 2141.
- 5.7 It is recommended that the changes to the MRP statement are recommended to Full Council for approval.

6 Bid to Department for Transport for Access Fund grant

- 6.1 The DfT have invited local transport authorities in England to submit bids for the Access Fund. The Fund supports the local economy by delivering access to new and existing employment, education and training and increasing levels of physical activity through walking and cycling.
- 6.2 The Access Fund bid will be led by Nottingham City Council with support from Derby City Council and other parties, including businesses, service providers and other interested stakeholders. Bids need to express a minimum interest of £350,000 and a maximum of £1,500,000 for an individual transport authority, across three years from 2017/18 on. Therefore, the maximum bid value for a Derby / Nottingham urban area would be £3m.
- 6.3 The minimum match funding is 10% for revenue only bids (which must be sourced locally). Contributions from local businesses will be sought. Failing this, other match funding support will be investigated, including LTP capital budgets and potential bids including Local Growth Fund.
- 6.4 It is recommended approval is given to bid for Access Funding and approval to accept the grant is delegated to the Strategic Director of Communities and Place and Director of Finance. Acceptance of the grant will only proceed if match funding has been attained without creating a new revenue pressure.

7 Bid for Go Ultra Low funding

- 7.1 In December 2014 the Office for Low Emission Vehicles (OLEV) launched the £35m City Scheme designed to encourage the acceleration of the take up of low emission vehicles. The City Scheme is run in partnership with Go Ultra Low (GUL), a jointly funded partnership between Government and several car manufacturers. Local authorities were invited to bid for a share of this fund.
- 7.2 In October 2015 a bid was submitted by Nottingham City Council. The bid was made in consultation with Nottinghamshire County Council and Derby City Council in order to deliver a package of measures to encourage the take up of an additional 10,000 Ultra Low Emission Vehicles (ULEV) in the Nottingham and Derby area. In February 2016 OLEV confirmed that a grant of £6.12million had been awarded to Nottingham City Council.

- 7.3 Successful access to part of the award would enable us to deliver a range of measures and build upon progress already made through the Local Sustainable Transport Funding process. The activities proposed in Derby will support local economic growth and help to reduce the carbon and nitrogen dioxide impacts of transport. Examples include the...
- expansion of the electric charging infrastructure provision for the public
 - introduction of a support package to encourage businesses to take up low emission vehicles
 - consideration of public sector pool cars and vans to change to low emission vehicles
 - contribution towards the consideration of a Clean Air Zone.
- 7.4 The detail and conditions of the grant funding is subject to confirmation. Prior to accepting the funding, the conditions will be reviewed to ensure we can use the funding as proposed and comply with all conditions.
- 7.5 It is recommended Cabinet approves a bid for to Nottingham City Council for £343,000 of the Go Ultra Low Funding and delegates approval to accept the funding to the Strategic Director of Communities and Place in consultation with the Director of Finance. Acceptance of any grant will only proceed if any required match funding has been attained without creating a new revenue pressure.
- 8 Scoping study requirements for Clean Air Zones (CAZ)**
- 8.1 In response to tackling air quality issues in a number of urban areas, the Government are seeking to bring forward legislation to require these areas, which include Derby, to introduce Clean Air Zones. It has been confirmed that this proposal will be pursued irrespective of the Brexit referendum result.
- 8.2 The initiative is being progressed at Government level by the Joint Air Quality Unit (JAQU) of the Department for Environment, Food & Rural Affairs (DEFRA) and the Department of Transport (DfT). At the JAQU's request an outline of the scoping study requirements has been submitted by the Council to inform them of the processes and necessary financial resources required to undertake the initial work for the project. Following on from that a business case has now been put together for submission to the JAQU for funding of the initial project.
- 8.3 The bid for the scoping study covers the evidence collection for the baseline data both in terms of air quality and traffic data, transport and air quality modelling and scoping of the options, for a Clean Air Zone in Derby
- 8.4 The detailed conditions of the grant funding are not currently known. Prior to accepting the funding, the grant conditions will be reviewed to ensure we are able to use the funding as proposed and comply with all conditions.
- 8.5 It is recommended Council approves the application to Joint Air Quality Unit (JAQU) for £328,810 funding and to delegate approval to accept the funding to the Strategic Director of Communities and Place, in consultation with the Director of Finance.

Acceptance of any grant will only proceed if any required match funding has been attained without creating a new revenue pressure.

9 Combined Retender of Domiciliary Care in Extra Care

- 9.1 A combined re-tender is planned with an annual value of £1.4m to select a provider(s) to deliver the three elements the domiciliary care and support within each of the established extra care schemes: Greenwich Gardens, Handyside Court, Cedar House (Leylands) and Sunnyfield. This care and support will include Planned Care, 24/7 Emergency Care and Support and Core Care and Support.
- 9.2 Combining the tendering of these services will maximise the quality of the services provided and deliver value for money for residents and Council by exploring a range of service delivery models for these schemes. The tender will align the maximum price of Core Care and Support with the increased rates for domiciliary care agreed by Cabinet on 10 February 2016. It will also increase the contribution that residents pay towards the 24/7 Emergency Care, aligning changes in domiciliary care rates over the past four years.
- 9.3 The rates residents pay for 24/7 Emergency Care and Support have not been updated since the start date of the existing contracts. It is proposed to set the maximum percentage increase of 10% for Greenwich, Handyside and Cedars and 5% for Sunnyfield which will align charges with the increases in domiciliary care rates experienced since the start of each respective contract.
- 9.4 The Council also funds Core Care which a flexible allocation of care hours outside of Planned Care and 24/7 Emergency Care. The use of this resource is arranged between the Care Provider, the Housing Provider and the residents. The existing rate has not changed since the start of the existing contracts in 2012 and 2014. The tender will set a maximum rate that the Council will be charged for this service under a new contract based on the current day rate for domiciliary care agreed by the Council in February 2016. Potential providers will bid beneath this rate as part of the tender process.
- 9.5 It is recommended a combined retender for Domiciliary Care in Extra Care schemes, including caps for increases in charges levied to residents for emergency care and maximum rates payable by the council for Core care, as detailed in section 9.1 to 9.4, is approved.

10 Update on Capital Programme 2016/17

- 10.1 The latest programme approved by Cabinet at 3 August 2016 was £95,292,000.
- Additions to the programme that have been agreed under the Scheme of Delegation total £39,000 and are attached at Appendix 3 for information.
 - Reductions to the programme requiring Cabinet approval total £167,000 and are detailed in Appendix 4.
- 10.2 A net change to the Schools Programme of £500,000 is required, this relates to a forecast cost for capital works delivered by schools which is uncontrollable expenditure

incurred by schools and applied to the capital programme at year-end. Historically no forecast has been included within the capital budget with the outturn expenditure incurred appearing at year end against a nil budget. This year a forecast of £500,000 has been added to the programme as a prudent estimate of this type of spend. Expenditure is outside of the School Capital Programme Area, but applied here for accounting purposes. This figure is subject to change outside of the Councils area of control.

10.3 A net change to the HRA Programme of £1,000 is required. Changes over £200,000 are as follows:

- £200,000 reduction to the Estates Pride (EP) programme due to a revised (lower) cost of schemes within the overall EP large scale programme and slippage on major landscaping improvement works at New Sinfin. These works are partly financed through EP plus other funding from DCC General Fund and external partners. A delay in securing this funding has caused the slippage of this particular scheme.

10.4 A net change to the Property Programme of (£312,000) is required. Changes over £200,000 are as follows:

- £316,000 reduction for the major projects rationalisation programme. This is a technical adjustment required to ensure the use of the corporate borrowing in the first instance.

10.5 A net change to the ICT of (£22,000) is required, as detailed at Appendix 4.

10.6 It is recommended the changes to the capital programme detailed in section 10 are approved, which will result in a revised capital programme of £95,164,000.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Olu Idowu, Head of Legal Services Toni Nash, Head of Corporate Finance David Cox, Head of HR Nick O'Reilly, Director of Digital Services
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For more information contact:	Mark Nash 01332 643364 e-mail mark.nash@derby.gov.uk
Background papers:	Relating to section 5, MRP report to Full Council on 3 Feb 2016: See p40 of Appendix A Relating to section 9, Fees and Charges report to 10 Feb 2016 Cabinet: Fees and Charges - Adult Social Care
List of appendices:	Appendix 1 – Implications Appendix 2 – Revised Minimum Revenue Provision Statement 2016/17 Appendix 3 – Summary of changes to the capital programme 2015/16 made under Delegation Appendix 4 – Summary of Changes to the capital programme 2015/16 requiring cabinet approval

IMPLICATIONS

Financial and Value for Money

- 1.1 As detailed in the main body of the report and appendices.

Legal

- 2.1 None directly arising.

Personnel

- 3.1 None directly arising.

IT

- 4.1 None directly arising.

Equalities Impact

- 5.1 None directly arising.

Health and Safety

- 6.1 None directly arising.

Environmental Sustainability

- 7.1 None directly arising.

Property and Asset Management

- 8.1 None directly arising.

Risk Management

- 9.1 None directly arising.

Corporate objectives and priorities for change

- 10.1 These recommendations where relevant are in line with approved capital strategy and Asset Management Plans which accord with the Council's corporate priorities.

Appendix 2

Minimum Revenue Position Statement 2016/17

Annual Minimum Revenue Provision Statement 2016/17

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's '*Guidance on Minimum Revenue Provision*'. The latest guidance was issued in 2012.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following policy included in the statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

Minimum Revenue Provision Policy

- For capital expenditure incurred before 1st April 2008 and for supported capital expenditure incurred on or after that date, MRP will be determined by charging an appropriate annuity rate over the remaining life in respect of that expenditure
- For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets as the principal repayment on an annuity with an annual interest rate of 6%, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. *Option 3 in England*
- For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability
- For the transferred debt from other Authorities an appropriate annuity basis will be used over 50 years
- Where loans are made to other bodies for their capital expenditure, no MRP will be charged. However, the capital receipts generated by the annual repayments on those loans will be put aside to repay debt instead

Classification: OFFICIAL

- No MRP will be charged in respect of assets held within the Housing Revenue Account
- Capital expenditure incurred during 2016/17 will not be subject to a MRP charge until 2017/18.

Appendix 3 - Changes to the Capital Programme made under delegated approval.

Area	Scheme	£000's
Schools	School Access Initiative	-16
	Brackensdale Junior – Schools Access Initiative (SAI) Resources and Equipment	5
	Littleover - External SAI improvements for visually impaired pupils	10
	Carlyle Infant School - SAI Toilet modifications	1
	Cherry Tree Hill Primary	-2
	Markeaton Primary	2
	Brackensdale Infant	-15
	Ashcroft Primary	15
	School Devolved Formula Capital	-41
	Rosehill Infants	5
	Brookfield Primary School	16
	Buildings at Risk	-16
	Chellaston Junior	50
	Mickleover Primary School	33
	Total delegated Changes Schools	47
Highways	Local Traffic Management	-28
	Highways Maintenance	20
	Total delegated Changes Highways	-8
	Total Net Changes	39

Appendix 4 - Summary of Changes Requiring Cabinet Approval

Summary of further changes to the capital programme 2016/2017	Latest Approved Capital Programme 2016/17 £000	Revised Capital Programme 2016/17 £000	Change £000	Category
Schools				
Capitalised works delivered by Schools	0	500	500	A
Total Changes to Schools Programme	0	500	500	
HRA				
Estates Pride	1,300	1,100	-200	R1
Capital salaries	540	550	10	R1
Kitchens & bathrooms	2,300	2,354	54	R1
New & replacement heating	1,400	1,550	150	R1
Rewiring/ Electrical	200	250	50	R1
Solid wall insulation	350	287	-63	R1
Total Changes to HRA Programme	6,090	6,091	1	
Property Improvement Programme				
Madeley Centre Fire Risk Assessment (FRA) Works - new fire resistant doors and fire alarm	55	130	75	R2
Rycote - FRA works including Compartmentation	0	120	120	R2
Museum and Art Gallery - fire screen	0	30	30	R2
Silk Mill Museum - EVCs and refugees in staircase	0	55	55	R2
Continued overleaf...				

Summary of further changes to the capital programme 2016/2017	Latest Approved Capital Programme 2016/17	Revised Capital Programme 2016/17	Change	Category
Chellaston Community Centre - elemental replacement including works arising from FRA distribution and façade retention and development	0	20	20	R2
Boulton Lane Community Centre FRA works	0	25	25	R2
Audley Centre Bridge - traffic control measures and steel reinforcements to barrier	0	100	100	R2
Various sites FRA works	305	0	-305	R2
Knightsbridge Recreation Ground Improvements	13	17	4	A
Major Projects Re-Rationalisation	3,256	2,940	-316	R1
Darley Playing Fields replacement boiler	82	90	8	R2
Allen Park Centre replacement boiler	39	52	13	R2
Various sites buildings at risk	270	129	-141	R2
Total Changes To Property Improvement Programme	4,020	3,708	-312	
ICT				
Replacement Peoples Software & Social Care	202	180	-22	S
Total Changes ICT Programme	202	180	-22	
TOTAL CHANGES TO PROGRAMME	10,312	10,479	-167	
Key of Categories				
A				
Additional schemes from new funding secured				
A1				
Scheme increase funded by previous years' reserves income				
S				
Re-phasing				
R1				
Other Adjustments - Scheme Reductions/Increases				
R2				
Re-allocated Within Departments Programme				
R3				
Re-allocated To Different Departments Programme				

