

Compliance with Contract and Financial Procedure Rules

SUMMARY

- 1.1 To seek approval by Council Cabinet under Contract and Financial Procedure rules for the following:
- Use of Budget Risk Reserve – Pay Award for 2018/19 likely to be agreed at 2% rather than the 1% we had budgeted for;
 - Additional funding for Social Care pressures – Social Care Grant of £717,856 received as a ‘one off’ as part of the Final Local Government Finance Settlement in February 2018;
 - Use capital receipts flexibility;
 - Derbyshire Countywide Business Rates Pilot – update and impact on the Council;
 - Use of Reserves – Dedicated Schools Grant;
 - Use of Reserves – Public Health Reserve;
 - Opportunity Areas – Life Skills Grant;
 - Use of Reserves/additions to Capital Programme – Regeneration Reserve – I Hub Phase 2;
 - Procurement Process – The provision of a Direct Payment Support Service for Adults aged 18+yrs;
 - Use of Budget Risk Reserve – Apprentice Levy, resource requirements;
 - To approve the submission of a pre-compliance funding request to D2N2 for £3.4m of the Local Growth Fund (LGF) allocation for the Performance Venue project ;
 - To approve the inclusion of the Local Growth Fund (LGF) grant for the Silk Mill project on the Regeneration Capital Programme.

RECOMMENDATION

- 2.1 To approve the use of the budget risk reserve to provide funding to mitigate the impact of any agreed pay award above the one per cent assumption in the current Medium Term Financial Plan, and delegate authority to the Section 151 officer to determine its allocation throughout 2018/19 as detailed in section 4.0.

- 2.2 To approve the addition of £717,856 for 'one off' funding to support our Social Care pressures, allocated in the final Local Government Finance settlement on 6 February 2018 and to approve the delegated authority for allocating the use of the £717,856 Social Care funding to the Strategic Director of People Services in consultation with the Section 151 Officer and the relevant Cabinet Member as detailed in section 4.3.
- 2.3 To recommend to Full Council that the Council applies to Government to adopt the discretion to use a proportion of capital receipts to fund 'one off' revenue costs aligned to transformational change projects as detailed in section 4.5.
- 2.4 To note the inclusion of Derby City Council in the 'Business Rates Pilot in Derbyshire' in 2018/19 with potential additional 'one off' income of circa £6 million in 2018/19, and agree that the options for making best use of this funding will be subject to a further report that will be brought back to Cabinet as detailed in section 4.8.
- 2.5 To approve the use of £862,000 of Dedicated Schools Grant Reserve as detailed in section 4.14.
- 2.6 To approve the use of £300,000 from the Public Health Reserve to support the continuation of the Livewell Project as detailed in section 4.16.
- 2.7 To approve the allocation of £999,985 of devolved funding and grants to Derby schools based on a formula allocation as approved by the Department for Education funded from the Opportunity Areas Life Skills Grant as detailed in section 4.18.
- 2.8 To approve the use of £300,000 from the Regeneration Reserve to support the development of Infinity Park to make it more 'development ready' and to add this to the Capital Programme as detailed in section 4.21.
- 2.9 To approve entering into a procurement process for the provision of a Direct Payment Support Service for Adults aged 18+yrs including third party account management, payroll, Personal Assistant recruitment and employment and third party brokerage as detailed in section 4.24.
- 2.10 To approve the use of the budget risk reserve to provide funding of £89,000 for resources required to maximise the benefits of the Apprentice Levy as detailed in section 4.28.
- 2.11 To approve the addition of £3.7m to the Regeneration Capital Programme for the Local Growth Fund grant to the Silk Mill project as detailed in section 4.30.
- 2.12 To approve the submission of a pre-compliance funding request to D2N2 for £3.4m of the Local Growth Fund allocation for the Performance Venue project as detailed in section 4.33.

REASONS FOR RECOMMENDATIONS

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



SUPPORTING INFORMATION

4.0 Use of Reserves – Pay Award

One of the key budget assumptions in the Council Budget Proposals that was agreed by Full Council on 24 January 2018 was that the 2018/19 pay award would be settled at 1%. Subsequently it has been established that the pay award is likely to increase to at least 2% with some of the lower grades experiencing a greater increase. The 2% offer has recently been accepted by the GMB trade union. A 2% award will result in a further permanent pressure of circa £1,000,000 in our base budget.

4.1 It is proposed to mitigate this anticipated increased pressure in the 2018/2019 budget by use of the budget risk reserve. Monitoring of the costs will take place throughout the year and the Section 151 officer will take appropriate action when necessary. The subsequent permanent pressure will need to be taken into account in the 2019/20-2022/23 Medium Term Financial Plan.

4.2 It is recommended to approve the use of the budget risk reserve to provide funding to mitigate the impact of any agreed pay award in 2018/19 above the assumptions in the current Medium Term Financial Plan and delegate authority to the Section 151 officer to determine its allocation throughout 2018/19.

4.3 Additional Social Care Funding : Local Government Finance Settlement

The Local Government Finance Settlement on 6 February announced extra one off funding for Social Care. Derby City Council's share of this is £717,856. Although this additional funding is welcomed, this is a temporary one year measure that will not altogether alleviate the wider permanent pressures for social care.

4.4 It is recommended to approve the £717,856 one off funding be used to help alleviate the social care pressures we are encountering and to delegate authority for allocating the use of this funding to the Strategic Director of People Services in consultation with the Section 151 officer and the relevant cabinet member.

4.5 Capital Receipts Flexibility

In March 2016 the then Department for Communities and Local Government (DCLG) issued guidance on the flexible use of capital receipts for revenue costs for relevant change and reform projects. This guidance applies with effect from 1 April 2016 to 31 March 2019. The statutory guidance in this allows councils to update their strategy to include flexibility on this during the year but this must go to Full Council and the Ministry for Housing, Communities and Local Government must be notified.

4.6 In order to ensure the Council has full flexibility with its capital receipts for 2018/2019, it requires flexibility within its strategy. Should there be any use of capital receipts in this way, it will be reported throughout the year in capital monitoring updates to

Council.

- 4.7 It is recommended to approve the Council adopts this option for flexible use of capital receipts for revenue costs for reform within its current strategy.

4.8 Derbyshire Business Rates One Year Pilot

Eleven business rates authorities within the county of Derbyshire have joined the Derbyshire Business Rates Pilot in order to provide the most cohesive approach possible to furthering financial sustainability for the eleven councils and to promote economic development and regeneration projects across the county. Approval from Government has been given on the basis of Derbyshire being a good pilot in a two-tier authority area and will be helpful on a proof of concept basis, to enable the Government to develop its 100% Business Rate ambitions from 2020/21.

- 4.9 The membership is made up of the following authorities:

- Amber Valley Borough Council
- Bolsover District Council
- Chesterfield Borough Council
- Derby City Council
- Derbyshire County Council
- Derbyshire Dales District Council
- Derbyshire Fire and Rescue Service
- Erewash Borough Council
- High Peak Borough Council
- North East Derbyshire District Council
- South Derbyshire District Council

- 4.10 The pilot is for one year at this stage and enables each authority to retain a higher proportion of its business rates (in the case of Derby City Council 99%) however the Revenue Support Grant – RSG is no longer allocated to the Council. The pilot will give each authority significant one off extra funding without introducing any ‘new burdens’.

- 4.11 The pilot bid was successful and dividend is to be allocated:

- 70% of the dividend to be retained by each authority
- 30% of the dividend to be allocated and ‘ring fenced’ to support economic growth in the county.

- 4.12 Modelling on the effect of the pilot for each authority and a Memorandum of Understanding are currently being worked up and an update will be brought back to cabinet as soon as the estimated figures have been finalised. The current estimate for Derby is an increase of ‘one off’ funding in 2018/19 of circa £6 million and options for making best use of this funding will be considered by Cabinet when a more precise income figure is worked up.

- 4.13 It is recommended to note the inclusion of Derby City Council in the ‘Business Rates Pilot in Derbyshire’ for 2018/19.

4.14 Use of Reserves – Dedicated Schools Grant

The Dedicated Schools Grant is a ring-fenced grant to fund schools and education services in the City. At their meeting of 6 February 2018, the Schools Forum approved the 2018-19 budgets for the use of the Dedicated Schools Grant which included use of Dedicated Schools Grant reserves to the value of £862,000. The use of reserves are necessary to support additional temporary costs arising from the Special Educational Needs and Disability Strategic Review and an increase in high cost placements.

- 4.15 It is recommended to approve the use of £862,000 of Dedicated Schools Grant Reserve.

4.16 Use of Reserves – Public Health Reserve

The Livewell Service is a healthy lifestyle programme. The use of some of the Public Health reserves will ensure that the service continues to operate at previous year's levels for 2018/2019 despite Government cuts to Public Health funding to the City Council.

- 4.17 It is recommended to approve the use of £300,000 from the Public Health Reserve to support the continuation of the Livewell Project for the financial year 2018/2019.

4.18 Opportunity Areas Life Skills Grant

Council Cabinet, at their meeting of 4 October 2017 accepted grant funding for the Opportunity Areas on behalf of the Department for Education and the local Opportunity Area Board. It is expected that all of the funding Derby City Council receives from the Department for Education through this grant should be awarded to the Opportunity Area programme and allocated in line with the recommendations from the Opportunity Area Board and the Department for Education.

- 4.19 The Opportunity Area Board and the Department for Education have agreed that £999,985 of the funding for the Essential Life Skills Grant should be directed to schools in Derby and Derby College budgets based on the percentage of children and young people on their roll in the January 2017 census and who were aged 5-18 years and eligible for the pupil premium. This was also agreed by School Forum on 6 February 2018 and the Opportunity Area Board on 8 February 2018. This funding would be devolved to schools that are maintained by the Council and awarded as a grant allocation to those that are independently maintained or governed by a Multi Academy Trust. The allocations are outlined in Appendix 2.

- 4.20 It is recommended to approve the allocation of £999,985 of devolved funding and grants to Derby schools based on a formula allocation as approved by the Department for Education funded from the Opportunity Areas Life Skills Grant.

4.21 Use of Reserves – Regeneration Reserves – I Hub Phase 2

The Council has developed and now operates an innovation centre – the iHub – on land owned by Rolls-Royce. The Council has a Marketing Services Agreement with Rolls-Royce for us to act as their agents to bring forward complementary development on the adjacent site at I Hub Phase 2. The Council has secured external funds through the Local Growth Fund - Round 2 to invest in making this adjacent site more

“development-ready”.

- 4.22 A feasibility study has been completed and the report suggests the balance of these funds (£495,000) should be supplemented with £300,000 from the Council's Regeneration Reserve. This extra funding will enable the scope of works to be extended so that the site becomes more development ready and to maximise the potential capital return to the Council as and when this development occurs. The Regeneration Fund Sub Programme Board has endorsed this award subject to Cabinet approval.
- 4.23 It is recommended to approve the use of £300,000 of the Regeneration Reserve to support the development of I Hub Phase 2 to make it more 'development ready' and to add this to the Council's Capital programme.
- 4.24 Procurement Process - The provision of a Direct Payment Support Service for Adults aged 18+yrs**
- 4.25 Of the approximately 1200 Direct Payments that are provided by the Council to adults of working age (those under 65) to use to arrange and pay for their social care support, in excess of 450 individuals purchase 'process support' from a third party organisation. This process support comprises a combination of functions that are needed to help an individual organise and pay for their social care support - such as a brokerage service, account management, payroll functionality (for where individuals employ personal assistants), cheque book holding and advocacy
- 4.26 Historically the Council commissioned the co-ordination of a suite of these types of services from a third party – notwithstanding the services are paid for by individuals themselves using their Direct Payment. This contract has since lapsed and during the intervening period, a number of third party organisations have now entered the market in Derby. In addition, the number of Direct Payments has grown significantly and the Council would now benefit from having greater oversight and engagement with these third parties to ensure that Council funds are being used appropriately and all support functions required are being provided in an open and transparent way, including the costs associated with services being arranged.
- 4.27 It is recommended to approve entering into a procurement process for the provision of a Direct Payment Support Service for Adults aged 18+yrs including third party account management, payroll, Personal Assistant recruitment and employment and third party brokerage. This would initially be a two year contract to the value of £140,000.
- 4.28 Use of Reserves – Apprentice Levy – Resource Requirements**
- The recent decision to manage the implementation of the Levy in-house has led to a review of existing resources. The current staffing structures of Human Resources and the Derby Adult Learning Service do not have sufficient capacity to deliver the implementation of the Levy in the short term and also to support the development and implementation of an Apprenticeship Strategy. Resources of £89,000 are required for a project implementation team for the next financial year.

- 4.29 It is recommended to approve the use of the budget risk reserve to provide funding £89,000 for resources required to maximise the benefits of the Apprentice Levy. The funding will support two temporary project management posts and additional capacity within the Derby Adult Learning service.
- 4.30 **Pre-compliance LGF3 funding request for the Performance Venue**
£8.9m LGF3 funding is allocated to the Performance Venue project. In order to secure this funding the project has to demonstrate compliance with D2N2's Local Assurance Framework. In practice this means achieving RIBA Stage 4 design, full planning permission and contractor procurement. In order to reach these milestones, D2N2 have a 'pre-compliance funding' facility which will pay for project development costs.
- 4.31 The pre-compliance funding is to be used to for pre-construction costs. This will entail design work for the project and the procurement of an operator for the venue to enable a fully Local Assurance Framework compliant business case to be submitted to D2N2 in early 2020 in line with our existing project plan.
- 4.32 The pre-compliance funding is at Derby City Council's risk until full approval is obtained for the project, following submission of a D2N2 Local Assurance Framework compliant business case. Whereas we are confident of meeting the D2N2 compliance test through robust project management, if this requirement is not met in line with the timeframes outlined in the pre-compliance request letter, then the funding will be subject to clawback from D2N2.
- 4.33 **Local Growth Fund (LGF) grant for the Silk Mill project**
The Silk Mill project is a £16.4m transformation project led by the Derby Museum Trust. An indicative allocation of LGF was approved by D2N2 LEP in March 2017 and the Council have worked with the Museum Trust to secure £3.7m. The Council is the applicant for the LGF bid.
- 4.34 The Full LGF Business Case for the Silk Mill was approved by the D2N2 Infrastructure and Investment Board on 21 December. The funding agreement has now been issued to the Council by Derbyshire County Council (Accountable Body for D2N2 LGF Programme).
- 4.35 Cabinet are asked to approve the inclusion of the LGF grant for the Silk Mill on Regeneration Capital Programme, profiled as follows:
2018/19 - £2.4m
2019/20 - £1.3m
- 4.36 The inclusion of the Silk Mill as an addendum to Financial Matters is due to the need for LGF grant to be paid to the Museum Trust in April 2018. If the payment of grant is delayed it will create cashflow issues for the Trust during the construction phase of the project.
- 4.37 The Council has received the LGF Funding Agreement from Derbyshire County Council (Accountable Body for D2N2 Local Growth Fund) confirming £3.7m for the transformation of the Silk Mill. The project needs to be included to the Regeneration

Capital Programme to enable the Council to pay this grant to the Museums Trust.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Toni Nash, Head of Corporate Finance and Organisation and Governance. Don McLure Interim Strategic Director of Corporate Resources – Section 151 Officer
For more information contact: Background papers: List of appendices:	Toni Nash 01332 641491 e-mail Toni.Nash@derby.gov.uk Appendix 1 - Implications

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 Additional resource requirements are identified in 4.2 of the report.

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 There are sufficient reserves and provision to sustain the recommendations in this report.

Corporate objectives and priorities for change

- 10.1 None directly arising.

Appendix

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School Name	School Type	School Phase	Total £
Borrow Wood Primary School	Mainstream	Primary	3,363
Chellaston Junior School	Mainstream	Primary	7,038
Roe Farm Primary School	Mainstream	Primary	13,450
Griffe Field Primary School	Mainstream	Primary	2,346
Parkview Primary School	Mainstream	Primary	1,095
Beaufort Community Primary School	Mainstream	Primary	11,808
Ashgate Primary School	Mainstream	Primary	11,026
Homefields Primary School	Mainstream	Primary	1,000
Wyndham Primary Academy	Mainstream academy	Primary	15,171
St John Fisher, a Catholic Voluntary Academy	Mainstream academy	Primary	5,083
Landau Forte Academy Moorhead	Mainstream academy	Primary	9,931
Grampian Primary Academy	Mainstream academy	Primary	8,680
Bishop Lonsdale Church of England Primary School and Nursery	Mainstream academy	Primary	5,552
Allenton Primary School	Mainstream academy	Primary	17,595
Akaal Primary School	Mainstream academy	Primary	1,000
Becket Primary School	Mainstream	Primary	8,446
Dale Community Primary School	Mainstream	Primary	14,702
Osmaston Primary School	Mainstream	Primary	23,695
Pear Tree Community Junior School	Mainstream academy	Primary	15,249
Pear Tree Infant School	Mainstream	Primary	5,943
Reigate Park Primary School	Mainstream	Primary	8,602
Rosehill Infant and Nursery School	Mainstream	Primary	2,737
Cottons Farm Primary School	Mainstream	Primary	6,100
Brackensdale Junior School	Mainstream	Primary	9,853
Brackensdale Infant School	Mainstream	Primary	6,569
Lakeside Community Primary School	Mainstream	Primary	14,154
Markeaton Primary School	Mainstream	Primary	4,848
Portway Infant School	Mainstream	Primary	1,251
Portway Junior School	Mainstream	Primary	3,206
Alvaston Junior School	Mainstream	Primary	10,401
Alvaston Infant and Nursery School	Mainstream	Primary	5,865
Shelton Infant School	Mainstream	Primary	3,754
Shelton Junior School	Mainstream	Primary	7,898
Breadsall Hill Top Primary School	Mainstream academy	Primary	9,228
Cavendish Close Junior Academy	Mainstream academy	Primary	8,524
Cavendish Close Infant School	Mainstream	Primary	4,848

Cherry Tree Hill Primary School	Mainstream	Primary	7,664
Meadow Farm Community Primary School	Mainstream	Primary	3,441
School Name	School Type	School Phase	Total £
Chellaston Infant School	Mainstream	Primary	4,379
Carlyle Infant and Nursery School	Mainstream	Primary	1,564
Gayton Junior School	Mainstream	Primary	5,396
Ridgeway Infant School	Mainstream	Primary	2,033
Wren Park Primary School	Mainstream	Primary	2,737
Ravensdale Infant and Nursery School	Mainstream	Primary	1,095
Ravensdale Junior School	Mainstream	Primary	5,787
Asterdale Primary School	Mainstream	Primary	4,614
Springfield Primary School	Mainstream	Primary	4,848
Chaddesden Park Primary School	Mainstream	Primary	8,055
Silverhill Primary School	Mainstream	Primary	4,066
Oakwood Junior School	Mainstream	Primary	11,104
Oakwood Infant and Nursery School	Mainstream	Primary	5,474
Redwood Primary School	Mainstream	Primary	14,467
Ash Croft Primary School	Mainstream	Primary	5,865
Brookfield Primary School	Mainstream	Primary	2,033
Firs Estate Primary School	Mainstream	Primary	12,903
Lawn Primary School	Mainstream	Primary	3,519
Derwent Primary School	Mainstream academy	Primary	9,619
Mickleover Primary School	Mainstream	Primary	3,050
Arboretum Primary School	Mainstream	Primary	12,356
Derby St Chad's CofE (VC) Nursery and Infant School	Mainstream	Primary	1,877
St James' Church of England Aided Infant School	Mainstream	Primary	1,877
St Mary's Catholic Primary School and Nursery	Mainstream	Primary	5,943
Walter Evans Church of England Aided Primary School	Mainstream academy	Primary	1,000
St George's Catholic Voluntary Academy	Mainstream academy	Primary	4,692
St Werburgh's Church of England VA Primary School	Mainstream	Primary	1,486
St Peter's Church of England Aided Junior School	Mainstream	Primary	2,893
St James' Church of England Aided Junior School	Mainstream	Primary	10,244
St Joseph's Catholic Primary School, Derby	Mainstream	Primary	4,770
St Alban's Catholic Primary School, Chaddesden, Derby	Mainstream	Primary	3,050
Hardwick Primary School	Mainstream	Primary	16,578

Village Primary School	Mainstream	Primary	18,924
Zaytouna Primary School	Mainstream academy	Primary	6,569
The Bemrose School	Mainstream	All Through	35,260
Merrill Academy	Mainstream academy	Secondary	32,160
City of Derby Academy	Mainstream academy	Secondary	25,106
School Name	School Type	School Phase	Total £
Derby Manufacturing UTC	Mainstream academy	Secondary	4,753
Lees Brook Community School	Mainstream academy	Secondary	20,432
Derby Moor Community Sports College	Mainstream	Secondary	37,210
Littleover Community School	Mainstream	Secondary	17,577
Saint Benedict, A Catholic Voluntary Academy	Mainstream academy	Secondary	32,585
Da Vinci Academy	Mainstream academy	Secondary	21,107
Chellaston Academy	Mainstream academy	Secondary	16,304
Murray Park Community School	Mainstream	Secondary	18,944
Noel-Baker Academy	Mainstream academy	Secondary	35,344
West Park School	Mainstream academy	Secondary	19,927
Allestree Woodlands School	Mainstream academy	Secondary	17,706
Landau Forte College	Mainstream academy	Secondary	23,164
St Martins School	Special	Special	4,130
St Giles' School	Special	Special	3,910
St Clare's School	Special	Special	4,130
Ivy House School	Special	Special	1,894
St Andrew's School	Special	Special	2,163
Kingsmead School	Special	Special	2,688
Derby Pride Academy	AP Academy	PRU	1,000
The Kingsmead School	Pupil Referral Unit	PRU	4,130
Newton's Walk	Pupil Referral Unit	PRU	1,799
Royal School for the Deaf (based on 17/18 payment to school)	NMSS		1,776
Derby College		College	108,803
TOTAL			999,985