



## **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:
- Contract waivers – Children and Young People's department
  - Co-location capital grant
  - Final Dedicated Schools Grant allocation
  - Additions and amendments to the capital programme
  - Employee 'Mediation' project
  - Section 106 capital funding
  - Job evaluation/equal pay
  - Fuel allowance for parents
  - Additional grant allocation – Children and Young People's department
  - Transfer of budgets between departments – Climate Change unit
  - Human Resources -HR- review
  - Licensed deficit – Merrill College.

### **RECOMMENDATIONS**

- 2.1 To waive Contract Procedure Rule 15 and approve in principle an extension of the existing contract with the Community Service Volunteers for an additional one year until 31 March 2011 with a further one year option subject to:
- a. agreement being reached on a revised specification and contract conditions
  - b. the annual contract sum for the additional year being not greater than £98,428
  - c. the Assistant Director, Performance and Commissioning, in Children and Young People Department being satisfied that the new contract sum represents value for money based on the service required under the new specification.

- 2.2 To waive Contract Procedure Rule 15 and approve in principle entering into a contract with the Action for Children for three years with a two year option to provide a family support service at Stepping Lane, subject to:
- a. agreement being reached on a revised and reduced specification
  - b. the revised annual contract sum being less than the present £225,000 and the Assistant Director, Locality Services, in Children and Young People Department being satisfied that it represents value for money based on the service required under the new reduced specification
  - c. Both the new specification and the revised annual fee being agreed before 31 October 2009.
- 2.3 To add a grant funded scheme amounting to £325k for units for care leavers to the capital programme, as shown at paragraph 3.2.1.
- 2.4 To amend the Schools Budget to take account of the final Dedicated Schools Grant allocation and to use the £294k increase to partly fund the 2008/09 overspend on the central Schools Budget.
- 2.5 To add the capital scheme at Beaufort Primary School set out in paragraph 3.4.1 to the capital programme and to request scheme commencement.
- 2.6 To amend capital programme schemes relating to Ash Croft Primary School, St Andrews School and Government Connect as set out in paragraphs 3.4.2 to 3.4.5.
- 2.7 To amend the capital programme for 2009/2010 to include additional Section 106 funding to support already approved schemes as outlined in paragraph 3.4.6.
- 2.8 To add schemes to the capital programme and approve scheme commencements for Derby Live improvements and car park improvements, subject to the approval of new borrowing by full Council.
- 2.9 To approve an allocation of £50,000 from the Modernisation Fund to support an employee mediation project.
- 2.10 To approve funding totalling £161k from the corporate job evaluation budget 2009/10 of £2.5m to fund on-going job evaluation employee costs and equal pay issues.
- 2.11 To amend the fuel allowance paid to parents of pupils with special educational needs to a "sliding scale" of payment per mile dependent on the distance travelled as set out in paragraph 3.7.5 and to only agree to a fuel allowance when there are no spare places in a taxi going to the same school.
- 2.12 To add the expenditure and income relating to the Consortia Support grant of £453k to the Children and Young People's department budget as outlined in paragraph 3.8.
- 2.13 To transfer budgets between from Regeneration and Community department to Corporate and Adult Services department as set out in section 3.9 to fund the Climate Change Unit.

- 2.14 To approve the funding of £392k for the Human Resources - HR- Review and Employee Service Centre implementation costs from the Transformation Reserve.
- 2.15 To approve the one-off budget transfers in 2009/10 and permanent budget transfers from 2010/11 for the Employee Service Centre and release of the HR review corporate savings as detailed in paragraph 3.10.4.
- 2.16 To approve a licensed deficit of £45,607 for Merrill College as outlined in paragraph 3.11.

## **SUPPORTING INFORMATION**

### **3.1 Contract waivers – Children and Young People’s department**

- 3.1.1 The Contract with Community Service Volunteers - CSV, to provide an advocacy service and independent visitor service for children in care in Derby, was first entered into in April 2005. This was to last until 31 March 2008. Since then the contract has been extended, under an option in the contract, for two years and currently ends on 31 March 2010. Under the Council's Contract Procurement Rules it would be a requirement to seek competitive tenders for the service when the current contract ends.
- 3.1.2 However, the Children and Young Persons Act 2008 has the provision for all children in care to have an advocate. This would require a substantial increase in service provision. The regulations and guidance which will provide the details on the Act is expected from summer 2009 but will be released in stages. As yet there is no programme for implementation of the Act.
- 3.1.3. In any tendering process the Children and Young People’s Department would need to be clear about the amount of provision required. It would therefore seem prudent to wait for the regulations and guidance prior to entering into any new tendering process.
- 3.1.4. In these circumstances, and given that the view of the Children and Young People’s Department that Community Service Volunteers is providing a good service, it is proposed to extend their contract for one year with the possibility of a further year pending the release of regulations and guidance. However the opportunity will be taken to review the current specification and contract conditions. The further year’s extension would need to be agreed by Cabinet.
- 3.1.5 The Contract with Action for Children, formerly NCH, to provide a family support service from premises at Stepping Lane was first entered into in July 1999. This was to last until 31 August 2004. Since then the contract has been extended at least three times and it currently ends on 31 August 2010. Under the Council’s Contract Procurement Rules it would be a requirement to seek competitive tenders for the new contract.
- 3.1.6 The position is complicated though by the fact that, in June 2008 the Council awarded a grant of £117,500 to Action for Children to build an extension to the crèche facilities at the premises. This was funded by the Department for Children Schools and Families - DCSF - and becomes repayable, on a sliding scale, to DCSF by the Council, if within 20 years the premises stops being used as a family centre.

- 3.1.7 This repayment provision was passed on to Action for Children in the funding agreement between them and the Council. However, the agreement provides that the Action for Children is not obliged to make any repayment if the Council terminates the contract. Therefore by not extending the current contract the Council could be in a position where not only has it lost the crèche facilities without any compensating sum from Action for Children but it has also has to repay the grant funding to the Department for Children Schools and Families.
- 3.1.8 In these circumstances and given that the view of the Children and Young People's Department that Action for Children are providing a good service it is proposed to extend their contract for a further three years with an option for a further two.
- 3.1.9 There is however an ongoing review of the service which is likely to lead to a reduction in the specification and it is therefore suggested that the proposed extension of the contract is subject to:
- a revised specification being agreed with Action for Children
  - the Assistant Director (Locality Services) of Children and Young People being satisfied that the revised annual contract price for the revised service represents value for money.

## **3.2 Co-location capital grant**

- 3.2.1 Following a joint bid by the Children and Young People's department - CYP - and Housing, a grant of £324,875 has been awarded for the provision of 6 units for care-leavers for whom the Council has a statutory duty. The development will be a Housing scheme in partnership with CYP and English Churches Housing Association (ECHG). The development is to provide accommodation for young people previously in care to develop and encourage independent living and obtain education, training and jobs. Support for these young people will be provided by CYP. Approval is sought to add this to the capital programme. The total cost of the scheme is £424,875, with match funding of £100,000 coming from the facilitation fund within the Housing capital programme.
- 3.2.2 The anticipated profile of spending is £245,000 in 2009/10, with the balance in 2010/11.
- 3.2.3 Ongoing revenue costs for 16 and 17 year olds in care or who are care leavers will be funded from existing Children and Young People's department budgets currently spent on expensive bed and breakfast accommodation and other rental costs relating to supported accommodation. For young people using the service who are not the responsibility of CYP, their rent and service charge will be met by Housing Benefit, while, for over 18s, ECHG receives income from Supporting People contracts. There is capacity in the contract for young people and teenage parents to increase the number of units and support to this service with no extra cost to the Supporting People budget.

### 3.3 Final Dedicated Schools Grant allocation

- 3.3.1 Final allocations of the Dedicated Schools Grant - DSG - to local authorities are always announced after the start of the financial year because they are based on pupil numbers from the January count and these take some months to be finalised. We usually take a cautious approach to the assumed level of DSG funding in the budget. The 2009/10 budget was based on an assumed DSG of £147.550m. The final allocation is in fact £147.844m, an increase of £294,000.
- 3.3.2 The central part of the Schools Budget, excluding balances on Standards Funds, overspent by £340,000 in 2008/09 mainly as a result of increased placements at the Pupil Referral Unit. It is, therefore, proposed that the additional DSG in 2009/10 is used to partly fund the previous year's overspend. This would leave a balance of £46,000 still to fund, which would be subject to a future Cabinet decision and could come from a topslice of surplus school balances, next year's DSG or a combination of both.

### 3.4 Additions and amendments to the capital programme

- 3.4.1 **Beaufort Primary School - Phase 3 structural repairs, ceiling replacement and upgrading lighting** - An addition is required to the capital programme to provide a further phase of structural repairs, ceiling replacement and upgraded lighting. The overall estimated cost of the scheme is £130k, funded from Department for Children, Schools and Families (DCSF) Modernisation funding. This will be profiled £127k in 2009/10 and £3k in 2010/11.
- 3.4.2 **Ashcroft Primary School - rewiring of electrical services and new fire alarm** - This scheme was originally approved by Cabinet on 4 September 2008. Approval is sought to amend the 2009/10 - 2011/12 Capital Programme for an increase to the electrical rewire scheme at Ashcroft Primary School. The school has asked for interactive whiteboards and projectors to be fitted in order to improve teaching and learning via Information Technology - IT. The previous approved total of £250k will now require an increase of £14k to be funded from additional school's devolved capital contribution to bring the scheme total to £264k. The funding for the scheme will be made up of £89k from School Devolved Capital and £175k from DCSF Modernisation funding. The revised profile will be £258k in 2009/10 and £6k in 2010/11.
- 3.4.3 **St Andrews Special School** - Further to Cabinet approval on 21 April 2009 for temporary accommodation some modifications are required to the main building and bungalows in order to improve teaching spaces. The estimated cost of this work is £70k. This is to be funded from DCSF Modernisation funding. The overall scheme total will now be £425k. The revised profile will be £415k in 2009/10 and £10k in 2010/11. The unallocated DCSF Modernisation fund now stands at £2,430,395 following the above allocations.
- 3.4.4 **Government Connect** - The Department for Work and Pensions - DWP - has mandated that all transactions between DWP and local authorities must go through the Government Connect - GC - secure network. GC is a recognised and trusted secure government network for all local authorities in England and Wales that enables secure data sharing up to 'Restricted' level across central and local

government. The Council's ICT section has been working with Serco to ensure that the Council is compliant by the DWP deadline of 31 July 2009.

3.4.5 The specifications of the secure connection have been changed by DWP and as result the required effort and costs have significantly increased. Approval is sought to amend the capital programme for the GC project. The previous budget of £175k will now require an increase of £185k to £360k. This increase is to be funded from unallocated corporate ICT capital budget 2009/10 ( £100k), a contribution from Derby Homes for shared elements of the connection (£15k) and by delaying £70k planned repayments to the Modernisation Fund for one year only due from savings resulting from the Telephony Modernisation project.

3.4.6 **Section 106 funding** - The 2009/10 Local Transport Plan Programme, approved by Cabinet included elements of section 106 funding to support specific projects. These contributions are now requested to be allocated against the capital programme. The changes to the programme affect:

- Land Use Policies - Contribution of £10,481 to fund new cycle parking as part of the new station interchange masterplan proposals. To be managed by Cityscape.
- Smarter Choices - Contribution of £30,000 to fund a new business development travel plan post
- Local Safety and Accessibility - Contribution of £68,608 to fund pedestrian refuge, cycle crossing improvements, parking and waiting restrictions at city hospital and footway improvements.
- Strategic Public Transport Improvements - Contribution of £93,159 to funding Kedleston Road improvements and Sinfin route improvements
- Strategic Transport Management and Demand Restraint - Contribution of £80,000 to fund the installation of a CCTV camera at city hospital and modifications to signal controller and Toucan crossing at Uttoxeter New Road.

3.4.7 The Council's Derby Live Service - It is proposed to add the following schemes to the Regeneration and Community capital programme totalling £588,000. These schemes support the infrastructure improvements of the Derby Live Business Model. The changes are ...

- Box Office – Upgrade to existing marketing and box office systems. Total costs are expected to be £175,000. There is the need to create a unified box office across all of Derby LIVE's venues. The current box office ticketing and marketing software has been largely superseded and lacks much of the functionality of more up to date systems and offers a reduced level of customer service. If we are to be effective in our partnership with Derby University, the Council's Derby Live Service urgently needs to procure a new, fit for purpose box office and marketing system and for this to be rolled out to Derby Theatre. The new system would also provide Derby Live with the capacity to offer a mobile box office ticketing service for other venues and event organisers, which could be used across the city and region. It will also have the capacity to include the facility for

'pick a seat' on-line sales, a facility which has been proven in other venues to dramatically increase on-line sale and provide efficiency savings.

- Derby Theatre - Upgrade to existing lighting (£60,000), sound (£120,000) and networking systems (£95,000). Total costs expected to be £275,000. In order for Derby Live to be able to manage the theatre operation at Derby Theatre, it is necessary to network the building to the Derby City Council's IT systems. The installation of the link and cabling, and the networking of computers and phones for City Council staff working throughout the building will cost in the region of £95,000. Derby Live is due to re-start a programme of high quality produced and received events at Derby Theatre from September 2009. Currently Derby Theatre does not have a suitable sound system and the lighting installation requires maintenance and supplementation. As the 'theatre operator' in the partnership with University of Derby, it is expected that Derby Live will purchase the equipment required and retain ownership of the assets.
- Assembly Rooms - Darwin Suite and Guildhall Theatre – Upgrade to existing lighting and sound systems in line with health and safety requirements. Total costs £76,000. The Council through Derby Live has started to produce and co-produce theatre in-house. This programme of work has highlighted the technical limitations of the venues. Arts Council England has provided match funding to an amount from Derby Live's reserve to upgrade the technical facilities in the Darwin Suite and Guildhall Theatre.
- Assembly Rooms – Upgrade to existing tannoy system. Total costs expected to be £62,000. The Tannoy system at the Assembly Rooms is beyond the end of its design life and has started to fail. As well as relaying the shows to the Assembly Rooms dressing rooms and being used to call artists to the stage, the system is also used for making safety announcement in the public areas of the building. For this reason it is an important that the current system is replaced.

3.4.8 The Derby Live schemes are funded from the Derby Live VAT reserve (£450,000), Arts Council England funding carried forward from 2008/2009 (£76,000), and existing service reserves (£62,000).

3.4.9 Commencement of the improvements is subject to business case approval by the Corporate Director - Regeneration and Community and the Corporate Director – Resources.

3.4.10 **Car Park Capital Investment** - Following approval of contracts to manage the Pride Park & Ride and Parksafes car parks it is proposed to add the following schemes to the Capital programme totalling £465,830.

3.4.11 Pride Park & Ride – Introduction of new parking control system. It is proposed to fund the expenditure of £55,830 required to purchase and install all of the necessary parking equipment from the Modernisation Fund. This includes barriers, signs and a pay station. The allocation will be repaid in full during 2009/10 from the increased revenue from Park and Ride.

3.4.12 Bold Lane Multi-Storey Car Park – Replacement and upgrading of existing parking control system. Capital borrowing of £410,000 is required to fund purchase and installation of parking and security equipment, including barriers, signs, pay stations,

bay sensors and a CCTV system. The borrowing will be repaid over 10 years as this is the expected life of the equipment. The costs of borrowing will be repaid from the increased revenue from this car park, through the revised income share contract with the operator. The approved contract with Parksafes increases the estimated Council's share of parking income from £211,000 per annum to £274,000. Unsupported borrowing to finance the capital investment is £56,000 each year for ten years. This will reduce the net revenue income under the new contract to £218,000 and is therefore within existing parking budgets.

|                             |   |
|-----------------------------|---|
|                             | Council income share based on £480,000 net parking income |
| Existing Parksafes Contract | (£211,000)  |
| Tender contract approved    | (£274,000)  |
| Repayment of borrowing      | £56,000   |
| Net revenue income          | (£218,000)  |

3.4.13 Both of the above car park items were included in Tender TD0213 and authorisation to award the contract was given by Cabinet at its meeting on 17 February 2009 within a confidential agenda item, subject to a review of the capital investment which has now been completed.

3.4.14 Under Financial Procedure Rules, increases to total planned borrowing require approval by full Council.

### **3.5 Employee Mediation project**

3.5.1 The Advisory, Conciliation and Arbitration Service - ACAS - has revised its code of practice on disciplinary and grievance procedures. The new code says that employers and employees should seek to resolve disciplinary and grievance issues in the work place, rather than at tribunal. Where this is not possible employers and employees should consider using an independent third party to help resolve problems. Mediation is a process where a neutral person – the mediator – works with people who have a disagreement to help them to find their own solution and reach an agreement.

3.5.2 In 2007/08 there were five disciplinary proceedings and 16 grievances where mediation could have been used. All of these involved interpersonal relationships and/or inappropriate behaviour of some kind. The average cost in officer time in each case is around £2000. Mediation might have resulted in an amicable solution if used early enough, possibly avoiding sickness absence on the part of the complainant. The likely cost of external mediation would have been in the order of £750 - £1500 in each case.

3.5.3 Mediation can lead to:

- reduced manager time dealing with conflicts
- reduced employment tribunal cases
- reduced sick leave
- a process that can usually be concluded in one or two days
- increased staff morale as staff are not drawn into lengthy disputes.



3.5.4 There appears to be a business case to use mediation to resolve some of our grievance cases - and possibly some of our disciplinary cases too. It is envisaged that the project will be implemented using the Council's PRINCE 2 project management methodology with support from a Project Board and volunteers for the project team coming from each department. Direct costs could include:

- Costs for a trial of training an internal mediator - £2,000 per person
- Printing costs in the region of £5,000 for guidance pamphlets, etc.
- Initial budget for proof of external mediation concept - an estimated £25,000 would cover the external cost of mediation in about 20 individual cases.

3.5.5 Including backfill, it looks as though a project budget of £50,000 would be realistic to support a 12 month demonstration project which could prove the concept and embed mediation as part of our culture. It is, therefore, proposed to make an allocation from the Modernisation Fund to support this.

### **3.6 Job evaluation/equal pay**

3.6.1 Continuing resources are required to progress further work in developing and delivering a new pay structure in line with Single Status, and settle outstanding equal pay liabilities during 2009. The Job Evaluation project team has reduced in size by 1.5 Job Analysts and 1 full time administrator, to reflect the resources required at this stage of the project. The remaining employees need to be kept in post until the end of 2009/10 financial year, pending a decision about the required future actions.

3.6.2 The team are currently working on the following:

- equal pay negotiations to settle outstanding tribunal claims
- market research in relation to possible recruitment and retention payments and removal of bonus
- negotiations with Craft worker trade unions regarding the removal of their bonus
- appointment of an NJC approved consultant to review and moderate our job evaluation draft results and development of appropriate terms of reference, etc.
- assessing alternative options for the progression of job evaluation
- production of management information for Equal Pay, HR Review, Freedom Of Information requests, Best Value Performance Indicators, and surveys linked to pay.

3.6.3 The total cost of the job evaluation and equal pay resources required not covered by the personnel core budgets is £161k, as shown in the table below. Funding is sought from the earmarked £2.5m corporate job evaluation budget. The approved budget for 2008/09 was £465k against which £335k was spent and the £130k underspend was returned to the corporate job evaluation reserve.

| <b>Job evaluation and equal pay project budgets 2009/10</b>                    | <b>£000</b> |
|--|-------------|
|  |             |
| Job evaluation and equal pay project team – staffing costs                     | 98          |
| Supplies and services, including cost of the pay modeller system               | 10          |
| Consultancy support for joint review with trade unions on the draft NJC scheme | 18          |
| Consultancy support for equal pay craft workers review                         | 15          |
| Legal resources for equal pay settlements                                      | 20          |
|  |             |
| <b>Total estimated costs</b>   | <b>161</b>  |

### 3.7 Fuel allowance for parents

3.7.1 On 16 August 2006 the decision was taken at a Planning and Transportation Cabinet member meeting to increase the fuel allowance to parents of pupils with special educational needs from 12.9p per mile to 40p per mile. The rationale was that more parents would take up the option of transporting their own children reducing the reliance on taxis and ultimately resulting in a budget saving as taxi contracting is very expensive.

3.7.2 The fuel allowance pays for:

- four trips per day for parents transporting their children to a designated school where they are day pupils
- four weekly journeys if collecting for children who are weekly boarders
- four journeys per holiday to collect children on a 38 week placement
- six return visits a year where the pupil is placed as a 52 week student.

However:

- no budget saving has been achieved
- there has been no additional uptake of parents transporting their children
- expenditure has increased as the parents who continue to transport their children have received additional funding to do so.

3.7.3 The majority of the journeys are local and are for parents taking and collecting their child on a daily basis. However, in some cases, expenditure has actually increased significantly. For example, a parent living in one authority visits her son in another authority and Derby has responsibility for this placement as the pupil was placed before the parent moved. She has the right to 12 return visits per year, costing £1306 annually. This level of payment is far greater than the cost of fuel for the journey which is estimated at £30 on today's fuel costs for an average size car. Another parent has chosen to transport their child, meaning that there is now a place

available on a taxi going to the same school. The Council is therefore paying for the empty place in the taxi while at the same time reimbursing the parent for their fuel.

3.7.4 Information from other authorities does not provide any consistent approach to fuel allowances, with a range from 12.9p to 40p being paid. Some do not provide a fuel allowance when there is a spare seat on a taxi to the school.

3.7.5 The proposal is to set a “sliding scale” of payment per mile dependent on the distance travelled as set out below and only agree to a fuel allowance when there are no spare places in a taxi going to the same school.

| <b>Distance (miles)</b>    | <b>Per mile</b> |
|----------------------------|-----------------|
| Up to 50 per round journey | 40p             |
| 51 – 100                   | 30p             |
| 101 – 200                  | 20p             |
| 201 upwards                | 10p             |

3.7.6 There is no national agreement for fuel reimbursement. Local authorities make local decisions on this matter. If the average car does 30 miles to the gallon, then on a journey of 200 miles the fuel costs will be £30 when petrol or diesel prices are £4.50 a gallon. With a fuel reimbursement of 40p, the Council reimburses a parent £80, meaning that it gives parents the fuel costs plus £50 for ‘wear and tear’ of a car for a journey of 200 miles. Taking the sliding rate on the same journey, the Council will reimburse parents with a total of £65 covering the cost of the fuel and also providing £35 ‘wear and tear’ on the car.

### **3.8 Additional grant allocation – Children and Young People’s department**

3.8.1 The Department for Children, Schools and Families - DCSF - has allocated Derby a one-off grant of £453,432 to assist with the introduction of the next round of 14-16 diplomas. This has been calculated on the basis of £40,000 for each of the eight diplomas (£320,000 in total) which have been recommended for delivery from September 2010, together with £133,432 allocated on the basis of the total 14-19 population in the area.

3.8.2 The use of the grant has already been discussed with the 14-19 Partnership, and it is proposed that the £320,000 should be used for the following purposes:

- 70% to be managed by lead institutions to be spent on staff time, resources and Continuing Professional Development for all of those involved in the Diploma Implementation Group: £224,000.
- 10% local authority administration costs: £32,000
- 10% Marketing, publicity and promotion £32,000
- 5 % establishing a tracking system £16,000
- 5% Contingency Fund £16,000.

3.8.3 It is proposed that the balance of the grant is held by the Council to allow development towards the national Diploma entitlement, which takes effect from 2013. The grant is to support the extra costs associated with the introduction of new diplomas, so there are no continuing revenue costs. There are, however, national concerns over funding the ongoing costs of delivering the diplomas.

### **3.9 Transfer of budgets between departments – Climate Change unit**

3.9.1 A single Climate Change unit has been established in Property Services within the Corporate and Adult Services department. Cabinet approval is requested, in line with financial procedure rules, to transfer the following revenue budgets from other departments in line with staff and functions that have transferred to the new Climate Change Unit.

- from Corporate and Adult Services - Derby Advice £91,286
- from Regeneration and Community department £301,009
- to Corporate and Adult Services - Property Services £392,295.

### **3.10 Human Resources - HR - Review**

3.10.1 The 2010/11 approved indicative revenue budget includes £300k savings target to be delivered from the HR review, made up of £250k for Corporate HR and £50k transferred from Corporate and Adult Services savings target to be achieved by centralising the majority of the devolved HR functions into a new Employee Service Centre - ESC.

3.10.2 In order to put in place new ways of working through the new ESC for the delivery of Human Resources - HR - services there are a number of system and staffing changes to implement. There are one-off costs associated with these changes as detailed in Appendix 2 totalling £392k. As the on-going savings from the project have already been built into the 2010/11 revenue budget repayable funding from the Modernisation Fund is not available. Cabinet approval is therefore sought to fund these costs from the Transformation Reserve. Early implementation of the project from November 2009 will repay £124k of the allocation as explained in paragraph 3.10.3 below.

3.10.3 The review of staffing has been completed and the new structure agreed which delivers the required savings target. It is now proposed to implement the review ahead of schedule in November 2009 which will generate a one off unbudgeted saving of £124k in 2009/10. This one off savings will be taken to the corporate Transformation reserve as a corporate saving, to partly repay the implementation costs.

3.10.4 The table below shows the effect of implementing the agreed structure on departmental budgets in 2009/10 and the full year effect in 2010/11. Departments will retain the budget identified for the remaining devolved HR functions. Cabinet approval is sought, as required by financial procedure rules, to the budget transfers to create the budget for the new Employee Service centre and generate the savings.

| Department  | 2009/10<br>Part year budget<br>transfer<br>From Nov 2009<br>£000 | From 2010/11<br>Permanent<br>budget transfer<br>£000 |
|---|--|--|
| From:   |  |  |
| Corporate HR  | (154)  | (378)  |
| Corporate and Adult Services                          | (59)   | (145)  |
| Children and Young People                             | (97)   | (237)  |
| Environmental Services                                | (101)  | (249)  |
| Regeneration and Community                            | (18)   | (43)   |
| Resources   | (144)  | (354)  |
| To create the new budget for<br>the ESC               | 449  | 1,105  |
| Net corporate savings<br>generated from the HR Review | (124)  | (301)  |

3.10.5 The total annual savings are estimated to be £301k from 2010/11. In addition, a further corporate saving is expected to be generated from work underway as part of the implementation of an e-recruitment project to reduce employee advertising costs. This saving will count towards the Transforming Derby savings target in 2010/11 of £884k. A further report will be brought back to Cabinet in due course to confirm the saving and budget transfers required.

3.10.6 Further work is continuing on reviewing the non-staffing costs within HR and the required transfers. It is not anticipated that this will yield any further significant savings. However the results and required transfers will be reported to a future Cabinet.

### 3.11 Licensed deficit – Merrill College

3.11.1 Merrill College has submitted a budget plan which has a deficit of £45,607 (1% of its budget) at the end of the 2009/10 financial year. This is because there is an increase in the intake in September 2009, but funding for the increased pupil numbers will not flow through in the budget until the 2010/11 financial year, at the end of which the budget comes back into balance. The plan could not be considered earlier because of the delays in receiving final post-16 budgets from the Learning and Skills Council.

|                                      |   |
|--------------------------------------|---|
| <b>For more information contact:</b> | Keith Howkins, Head of Children and Young People's Finance 01332 716872 e-mail keith.howkins@derby.gov.uk |
| <b>Background papers:</b>            | None  |
| <b>List of appendices:</b>           | Appendix 1 – Implications<br>Appendix 2 – HR Review implementation costs                                  |

|                     |
|---------------------|
| <b>IMPLICATIONS</b> |
|---------------------|

**Financial**

- 1.1 As outlined in the report.

**Legal**

- 2.1 As outlined in the report.

**Personnel**

- 3.1 As outlined in the report.

**Equalities Impact**

- 4.1 As outlined in the report.

**Corporate objectives and priorities for change**

- 5.1 These recommendations, where relevant, are in line with approved budgets which accord with the Council's corporate priorities.

## HR Review Implementation Costs

| Description of costs   | One-off costs<br>£000 |
|--|-----------------------|
| Purchasing and implementation of the new Travel and Subsistence system required to support new ways of working     | 105                   |
| Employee severance costs from reducing number of posts on creation of the ESC                                      | 224                   |
| New ESC Accommodation in line with new ways of working specification   | 28                    |
| ESC IT Equipment including energy efficient thin client technology   | 30                    |
| Recruitment advertising internet advertising pilot   | 5                     |
| Electronic Document Recording and Management System Development required to support new ways of working in the ESC | 90                    |
| <b>Total Estimated Costs</b>   | <b>482</b>            |
| Less other funding secured   |                       |
| Existing HR Budgets  | (22)                  |
| Defra Grant  | (20)                  |
| Travel plan funding  | (20)                  |
| New ways of Working  | (28)                  |
| <b>Total Funding requested from the Transformation reserve</b>   | <b>392</b>            |
| Less part repayment from 2009/10 savings   | (124)                 |
| <b>Net from Transformation Reserve</b>   | <b>268</b>            |