



Derby City Council

COUNCIL CABINET
13 July 2016

Report of the Leader of the Council

ITEM 19

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:
 - acceptance of grant
 - approval of new joint agreement
 - changes to the current 2016/17 capital programme
 - approval of waiver.
- 1.2 The report also highlights external funding opportunities including Local Growth Fund money for economic infrastructure schemes in Derby and the D2N2 Investment Strategy for European Structural Funds.

RECOMMENDATION

- 2.1 To approve acceptance of £518,000 from Southern Derbyshire Clinical Commissioning Group (CCG) for the national Future in Mind Programme and to transfer the funding into an earmarked reserve, as detailed in section 4.
- 2.2 To approve a new joint agreement with Derby University and other partners, which requires a commitment to 2 years of in-kind contributions with a total value of £326,007, as detailed in section 5.
- 2.3 To approve changes, including additions, to the capital programme, as detailed in section 6 and appendices 2 & 3. This includes an addition to the property rationalisation programme of £240,000 to allow for compensation payments.
- 2.4 To approve changes to Derby City Council's Local Growth Fund Round 1 (LGF1) schemes, as detailed in section 7.
- 2.5 To approve Derby City Council's revised bids to D2N2 Local Enterprise Partnership for Local Growth Fund Round 3 (LGF3), as detailed in section 8.

- 2.6 To note the requirement for Council match funding should the bid for LGF3 be successful, as detailed in section 8.

- 2.7 To approve a waiver to further extend the contract for the provision of temporary agency workers for six months, as detailed in section 9.

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 Acceptance of Future in Mind Grant

- 4.1 Future in Mind is a new CCG funding allocation aimed at improving the mental health and well-being of children and young people. CCGs were required to produce a draft plan to release their full funding allocations. The funding will be used in accordance with the final plan, which is still in development at the local level and will become operational during the 2017/18 financial year.
- 4.2 It is recommended Cabinet approves acceptance of £518,000 from Southern Derbyshire CCG for the Future in Mind Programme and to transfer into an earmarked reserve.

5 Approval of New Joint Agreement with Derby University

- 5.1 The University of Derby submitted a successful bid to Sport England's Get Healthy Get Active Fund in 2015 for funding of £437,376. As a result, the University will be the lead partner in the 'Derby a City on the Move' project. The partnership for the project includes University of Derby, Derby City Council, Derby County Community Trust, Derby College and Sporting Futures.
- 5.2 The project will align partner resources to coordinate a city wide approach to target individuals who are inactive and currently do less than 30 minutes of physical activity a week. It is anticipated that over the life of the project 10,000 inactive people will engage with the project with 5,644 staying engaged and active after a 12 month period.
- 5.3 The total partner in-kind contribution from Derby City Council to the project set out in the Award Agreement from Sport England is £382,785. Due to the amended project timescales this report seeks approval for contribution to the project from 1 June 2016 to 31 March 2018 for £326,007.
- 5.4 The contribution will be delivered by the existing Health and Participation team structure in the Community Leisure service, which is responsible for changing behaviours in physical activity through targeting populations and communities across Derby. The budget for this team is fully funded within the Medium Term Financial Plan. The agreement would formally commit the Council to this level of budget until the end of 2017/18.
- 5.5 It is recommended the Council enters into a new joint agreement with Derby University and the other partners. This will require a commitment to 2 years of in-kind contributions with a total value of £326,007.

6 Update on Capital Programme 2016/17

- 6.1 The latest programme approved by Cabinet at 9 March 2016 was £108,987,000. Additions to the 2016/17 programme resulting from slippage from 2015/16 total £6,697,000 (appendix 2a). Additions to the programme that have been agreed under the Scheme of Delegation total £655,000 (Appendix 2b).
- 6.2 Cabinet at its meeting on 16 May 2016 authorised the demolition of the Cattle Market once the existing leases have been terminated.
- 6.3 The Council has now terminated all the leases, with effect from 30 June 2016, of all but two of the tenants who occupied premises at the Cattle Market. As part of this process compensation payments have been agreed with the majority of affected tenants. The level of compensation payable is set out in statute and is based on a multiple of the rateable value of the premises occupied by the relevant tenants. It is estimated that the total level of compensation payable is £240,000.
- 6.4 The compensation payments will be funded from the capital receipts earmarked for the property rationalisation programme. There are sufficient funds available to make these payments. It is therefore proposed that a figure of £240,000 be added to the property rationalisation programme in 2016/17 to allow compensation payments to be made to the former tenants at the Cattle Market. Officers will continue to work with the remaining Tenants on site to endeavour to minimise the disruption to their respective businesses.
- 6.5 A net reduction to the Regeneration Programme of £7,851,000 is required. Changes over £200,000 are as follows:
- Slippage into 2017/18 on the City Centre Acceleration Development Scheme of £500,000. This is the Council contribution to highway works that may be required in connection to the Infinity Park and the T12 road. Traffic counts will be taken at defined times during the 12 months following the opening of the road, and if triggers are hit then the Council is legally bound to contribute £500,000 towards highways improvement works as determined by the Highways Agency.
- 6.6 A number of schemes on the Regeneration Capital Programme offer financial assistance to businesses to encourage development and job creation and spend on these schemes is dependent upon demand and take-up from applicants. Each year the annual budgets are reviewed and re-profiled based on performance in the previous year and the pipeline of applications under appraisal. Therefore, the following changes are necessary:
- Re-profile of £682,000 from 2016/17 to 2017/18 on the Townscape Heritage Initiative Scheme. Due to a slow uptake from property owners in the Green Lane conservation area, a re-profile of the scheme budget has been agreed with the Heritage Lottery Fund.
 - Re-profile of £4,015,000 from 2016/17 to 2017/18 on the City Living Initiative. This scheme is a rolling programme of financial assistance to

convert redundant office accommodation into residential units. The re-profile is based on the applications under appraisal as at the start of 2016/17.

- Re-profile of £110,000 from 2016/17 to 2017/18 on the Darley Abbey Mills Scheme. This is a grant to the owners of the Mills to facilitate sympathetic improvements to the exterior of this World Heritage Site building. The £110,000 is for match funding the restoration of the external fabric of Long Mill. This phase has been put back into 2017/18 by the Mill Owners due to the needs of the businesses operating from the building, and also to ensure time is spent making sure conservation features are retained.
- Re-profile of £1,000,000 from 2016/17 to 2017/18 on the Derby Enterprise Growth Fund Scheme. This scheme relies on repayment of existing loans in order to re-finance new loans and although this is rigorously monitored, the budget for 2016/17 has been reduced to take in to account the applicant process and expected available funding as at the end May. This will be reviewed throughout the year and changes made accordingly.

6.7 A number of the schemes on the Regeneration Capital Programme are dependent on external funding. The appraisal and due diligence process to secure the funding can take longer than forecast and is partially out of the Council's control as an external funding body manages the process and is responsible for making much of it happen. Long appraisal periods will push back the start of work and spend on the scheme, and prompt a re-profile of budgets. Therefore, the following changes are necessary:

- Re-profile of £680,000 from 2016/17 to 2017/18 on the Infinity Park Derby scheme and re-profile of £684,000 from 2016/17 to 2017/18 on the Access Osmaston scheme. Both of these schemes are predominantly funded by Local Growth Fund. Original budgets assumed funding contracts would be in place and work started in Summer 2015, however this did not actually happen until February 2016.
- Re-profile of £180,000 from 2016/17 to 2017/18 on the St Peters Cross Scheme. This is the Council's match funding for a Local Growth Fund scheme to support public realm and active travel infrastructure in the city centre. Negotiations continue with the funding body about this project, to ensure the Council can deliver the level of outputs required. The opportunity for re-submission of the funding application and secure investment for Derby has been given however because of the length of appraisal the Council match is not now required until 2017/18.

6.8 A reallocation and re-profiling of the HRA programme for 2016/17 and 2017/18 has been necessary because a forecast for the year was included for the HRA original budget but detailed scheme forecasting had not been undertaken at the time of setting

the original budget. These schemes are detailed in Appendix 3.

7 Local Growth Fund – Round 1

- 7.1 In December 2015, Cabinet approved acceptance of Local Growth Fund Round 1 funding for 3 strategic projects – Our City Our River, Infinity Park Derby and Connected Cycle City and Placemaking. Following this approval, D2N2's final decision on the Connected Cycle City and Placemaking project was to award £750,000 funding to the first phase only, namely The Spot. The funding contract for this money is in place and work has started on site, with anticipated completion by November 2016.
- 7.2 The original bid for the remaining £5.65m LGF1 allocation to the Connected Cycle City and Placemaking project proposed further public realm improvements and improvements to pedestrian and cycling infrastructure at key city centre gateways. D2N2 have rejected this proposal but have ring-fenced the £5.65m allocation for Derby. We have been working with D2N2 to develop proposals for how we could use this funding in line with our City Centre Masterplan ambitions.
- 7.3 We have submitted a business case proposing that £4m of this ring-fenced funding is used to support a Becketwell Regeneration scheme. This proposal is to be considered by D2N2's Infrastructure and Investment Board on 29th June. If agreed by this Board then the Council will provide more detailed business case information that satisfies all of D2N2's Local Assurance Framework criteria in order to complete the application process and secure the funding. Cabinet is asked to note this change to the LGF1 scheme.
- 7.4 We will report to a future Cabinet meeting regarding the remaining £1.65m currently unallocated, but ring-fenced for Derby and shown as a budget line within the Regeneration Capital Programme. Our proposals for this funding must have secured match funding and achieve job creation outputs.

8 Local Growth Fund – Round 3

- 8.1 In December 2015, Cabinet granted approval to bid for LGF3 funding for 5 bids, 2 bids led by Traffic and Transportation, and 3 from Regeneration. One of the Regeneration bids was a programme bid for City Centre Masterplan implementation. Following a scoring process we were advised to revise this and bid for specific schemes within the Masterplan. We prepared and submitted these bids in April 2016:
- Derby Silk Mill – Museum of Making
 - Castleward Urban Village
 - Grow-On Space Commercial Development
 - Derby Performance Venue.
- 8.2 Regeneration have communicated regularly throughout the bidding process with colleagues from Accountancy and Estates and briefed Chief Officer Group and Leadership in advance of submitting the bids.

- 8.3 There is no Unsupported Borrowing or Derby City Council ‘cash’ match required for any of the projects proposed, although we are proposing service financed borrowing, totalling £4m, to deliver Grow-On Space to build on the highly successful Connect initiative which is to be funded from income received from office rents. At this stage we are requesting Cabinet approval to bid for the Local Growth Fund funding. Further reports will be brought to Cabinet to describe projects in further detail, outline all implications for the Council and seek approval to accept any funding awarded at the culmination of the application process.
- 8.4 At this stage there is no formal announcement of LGF allocations from central government, but our bids are part of D2N2’s efforts to establish a credible pipeline in readiness for negotiations on the area’s next LGF award.

9 Temporary agency worker contract

- 9.1 The Council currently contracts with Matrix CRM for the provision of temporary agency workers across the Council. The initial contract expired 31 December 2015 but was extended by urgent waiver until 30 June 2016 to allow for a review of the different options available and consultation with management and focus groups.
- 9.2 The outcome of the review was that a different approach was required to ensure any new contracts incorporated the flexibility required to meet the changing needs and usage required by the Council in the coming years. The proposed extension will allow officers to undertake the necessary procurement process and the time to set up a new system, transfer data and undertake the correct amount of testing and training prior to the start of a new contract.
- 9.3 The value of spend for the six month period is expected to be in the region of £2.2 million. Although it should be noted that 93.4% of the contract spend relates to actual staff costs and is dependent on the number of agency workers engaged over that period.
- 9.4 It is recommended a waiver to extend the contract for the provision of temporary agency workers for a further six months is approved.

This report has been approved by the following officers:

<p>Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)</p>	<p>Olu Idowu, Head of Legal Services Toni Nash, Head of Corporate Finance Martyn Marples, Director of Finance Nick O’Reilly, Director of Digital Services;</p>
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<p>For more information contact: Background papers: List of appendices:</p>	<p>Mark Nash 01332 643364 e-mail mark.nash@derby.gov.uk None Appendix 1 – Implications Appendix 2 – Summary of changes to the capital programme 2015/16 made under Delegation Appendix 3 – Summary of Changes to the capital programme 2015/16</p>
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	requiring cabinet approval
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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.

a) Additions to the Capital Programme 2016/17 due to slippage from 2015/16 at Outturn

Programme	£000's
Flood Defence	763
Highways and Transport	411
Housing General Fund	10
HRA	573
ICT	68
Property Improvement	27
Property Maintenance	439
Regeneration	3,811
Peoples	369
Vehicles Plant and Equipment	226
Total	6,697

b) Changes to the 2016/17 Capital Programme made under delegation.

Programme	Scheme	£000's
Highways and Transport	Highways Maintenance	96
	Total delegated changes Highways and Transport	96
Housing General Fund	Disabled Facilities Grants	259
	CPO 98 Belper Road	200
	Health Housing Assistance	100
	Total delegated changes to HGF	559
	Total net changes	655

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
Regeneration				
Infinity Park Derby	4,260	3,580	(680)	S
Access Osmaston	974	290	(684)	S
Townscape Heritage Initiative	892	210	(682)	S £642, R1 £40
Darley Abbey Mills	200	90	(110)	S
City Living Initiative	5,515	1,500	(4,015)	S
St Peters Cross	188	8	(180)	S
City Centre Accelerated Development	649	149	(500)	S
Derby Enterprise Growth Fund	1,258	258	(1,000)	S
Total Changes to the Regeneration programme	13,936	6,085	(7,851)	
Property				
Property Rationalisation	316	556	240	A
Total Changes to the Property Programme	316	556	240	
HRA				
Estates Pride	0	1,300	1,300	
PVCU Windows and Doors	0	1,000	1,000	
Capital Salaries	0	540	540	
Kitchens and Bathrooms	10,463	2,300	(8,163)	R1
One off Major Refurbishments	0	750	750	R1
Re-roofing	176	600	424	R1
Disability Adaptations	0	600	600	R1
Communal Door Entry System	0	50	50	R1
New and Repaired Central Heating	0	1,400	1,400	R1
Rewiring/Electrical Upgrades	0	200	200	R1
Solid Wall Insulation	0	350	350	R1
New Build and Acquisitions	8,677	2,000	(6,677)	R1
Hillcrest Road	110	0	(110)	R1
Mackworth College	480	905	425	R1
Ashlea New Build	2,834	1,600	(1,234)	R1
PV Panels	60	0	(60)	R1

Perth Street	0	600	600	R1
The Knoll	0	600	600	R1
Richmond Road	0	220	220	R1
Passenger Lift Replacement	0	270	270	R1
Emergency Call Equipment Replacement	0	100	100	R1
<i>Table continued overleaf</i>				
Total Changes to the HRA Programme	22,800	15,385	(7,415)	
TOTAL CHANGES TO PROGRAMME	37,052	22,026	(15,026)	
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			