



DERBY CITY COUNCIL

**COUNCIL CABINET**  
**18 MAY 2004**

**ITEM 25**

Report of the Director of Finance and  
Director of Corporate Services

## **Financial and Contract Procedure Matters Report**

### **RECOMMENDATIONS**

- 1.1 To approve the extension of the contract for the disposal of refrigerators and freezers by 6 months to 13 August 2005, subject to satisfactory terms being negotiated in conjunction with the Director of Finance and Chief Legal Officer.
- 1.2 To approve the addition of the Planning Delivery Grant 2004/2005 and associated expenditure budgets to the Development and Cultural Services department revenue budget 2004/2005 as detailed at paragraph 2.2.
- 1.3 To approve the Director of Finance, on behalf of the Council, to sign the Funding Agreement for the 3 Cities Town Net project as detailed at paragraph 2.3.
- 1.4 To approve a licensed deficit of £5,568 for Peartree Infants School.
- 1.5 To approve in principle the commitment of Local Public Service Agreement (LPSA) reward funding to fund existing projects up to end of 2007/8, to ensure that staff contracts can be continued and LPSA performance sustained.
- 1.6 To approve the appointment of Bartlett Scott Edgar to operate the Council's recruitment advertising agency contract from 1 July 2004.

### **SUPPORTING INFORMATION**

#### **2.1 Disposal of Refrigerators and Freezers**

- 2.1.1 The Council is obliged to provide a service for the destruction of refrigerators and freezers by a Directive of the European Union (EU), Reg (EC) No 2037/2000 and as transposed into British law.
- 2.1.2 The EU have introduced the Waste Electrical and Electronic Equipment Directive (WEEE Directive) which has been transposed into British law and the British Regulations will come into force on 13 August 2005. From August 2005 retailers and manufacturers of this equipment will have to take away these items at no cost to the Council and make their own appropriate disposal arrangements.

- 2.1.3 The Council currently has a contract with Sims Metals to provide this service to February 2005, therefore requiring further service provision arrangements to be made to August 2005. It is proposed to extend the contract with Sims Metal by 6 months to provide this.
- 2.1.4 The cost of extending the contract on existing terms is estimated at approximately £84,000 at current volume levels, which can be covered from the annual revenue budget of £167,700. However, there is some likelihood of higher volumes resulting in costs increasing to over £100,000, therefore under Contract Procedure Rule xx Council Cabinet approval is sought. The annual inflationary increase, provisionally identified at Retail Price Index, can be contained within the annual budget.
- 2.1.5 Any on-going budget saving will need to be considered during the 2005/2006 budget process.

## 2.2 Planning Delivery Grant 2004/2005

2.2.1 The Council has been granted a Planning Delivery Grant of £126,159 for 2004/2005, compared to £134,206 for 2003/2004. This is to be added to the Development and Cultural Services approved revenue budget 2004/2005 with matching expenditure budgets to reflect its continued application, in line with that previously approved for the 2003/2004 grant and the strategy agreed as part of the 2004/2005 budget proposals. The budget additions are shown in Table 1 below:

**Table 1 - revenue budget additions 2004/2005**

Development and Cultural Services department	Employees	Running Costs	External Income	Net Controllable Budget
	£'000	£'000	£'000	£'000
Planning Development Grant				
Business Support - Development Assistant post	16			16
Traffic & Transportation - Highways development control	8			8
Plans and Policies - section 106 negotiations		7		7
Environmental Sustainability - Heritage Advice		4		4
Development Control - £65k for 2 planning officers and overtime for existing staff and £26k for agency payments for traffic impact assessments, Arboriculture and Development Control advice	65	26	(126)	(35)
<b>Total</b>	<b>89</b>	<b>37</b>	<b>(126)</b>	<b>0</b>

## 2.3 Town Net Cities Project

2.3.1 The City Council has joined forces with Leicester Shire Promotions, who represent Leicester City and County Councils, and Nottingham City Council in this European funded project to bring greater investment to the East Midlands by presenting the 3 Cities as a single destination to investors and businesses. Derby is the lead 3 Cities English partner, together with partners from Netherlands, Norway, Sweden, Germany and Denmark, the latter being the Accountable Body for the whole project.

2.3.2 The Council has secured, on behalf of the 3 English Cities, European Regional Development fund Interreg funding of 355,000 euros (£236,500) over three years. An equal value of matched funding has been required and secured without any additional financial implication to the Council as follows, in the sterling equivalent ...

- £17,500 per annum from each of the 3 Cities for each of the three years. The City Councils contribution being met from a £15,000 budget currently used for an annual contribution to East Midlands Development Agency towards marketing costs. Agreement has been given by them to divert this to the project. The balance has been found from the existing Economic Development and tourism budget.
- £39,000 total 3 Cities 'contribution in kind' accounted for by the costs of permanent existing staff time input to the project.
- £40,000 total 'contribution in kind' from East Midlands Airport.

These are the original sterling figures, which will however, move in line with the official Euro exchange rate. The costs and value of the funding will be monitored with this in mind.

2.3.3 The project is now underway and this funding needs to be claimed. A pre-condition of the claim for funding is that there needs to be in place a Funding Agreement between Derby City Council and the Accountable Body. One condition is that this requires a Funding Agreement. Cabinet is asked to approve the Director of Finance, on behalf of the Council, to sign the Funding Agreement.

## **2.4 Peartree Infants School Licensed deficit**

2.4.1 Members are asked to approve a licensed deficit of £5,568 for Peartree infants School. The school is carrying forward an overspend of £14,871 at the end of 2003/2004 which is 1.1% of the school's budget, mainly because of staffing overspends. The budget should come back substantially into balance by the end of 2005/2006.

## **2.5 Funding for Derby's Local Public Service Agreement – LPSA**

2.5.1 Derby's current LPSA concludes on 31 March 2005. The Council has used a combination of pump-priming funding from ODPM, allocations from the Neighbourhood Renewal Fund – NRF - and additional revenue budget allocations to support a variety of projects designed to achieve these targets. Details are given in Appendix 2.

2.5.2 To sustain the performance beyond the LPSA period in these key areas, on-going resources will continue to be required after the agreement concludes. The working assumption has been that this will be provided by the reward funding available on achievement of LPSA targets. The revenue budget approved by Cabinet on 24 February confirmed the policy framework, stating that 'For 2005/6 and 2006/7 indicative budgets, it has been assumed that services currently supported from LPSA pump priming grant will continue to be supported as the first call on LPSA reward grant. The remainder of any LPSA reward grant received will be treated as a non-earmarked corporate reserve.'

- 2.5.3 There is a need to clarify the status of current LPSA projects as about half of all staff delivering the projects are employed on fixed term contracts. Other staff are on permanent contracts, but with departmental budgets carrying the risk that funding will be continued, an issue which would also benefit from early resolution.
- 2.5.4 It is estimated that if all of our current LPSA projects continued into 2005/6, there would be a cost of £430,000 over the base budget provision, although this would reduce to the extent that some or all of the current £250,000 contribution from the NRF continues. A maximum of £5.4m of one-off reward funding is potentially available to the Council, depending on the extent to which LPSA targets are achieved, to be paid in 2005/6 and 2006/7. The actual amount of reward funding cannot be estimated with certainty, but on current performance it is expected that most targets will be met sufficiently to secure at least some reward funding from the target. This is on the assumption that current performance trends can be sustained until the end of 2004/5, which in part depends on projects being adequately staffed. Subject to this, the scale of overall reward funding will be more than sufficient to sustain the LPSA projects for three further years to the end of 2007/8.
- 2.5.5 Agreement by Cabinet to the principle that funding for LPSA projects will continue to the end of 2007/8 will enable departments to plan to continue projects and to confirm to staff that contracts will continue. This will enhance the prospect of meeting LPSA reward targets as well as the prospect of sustaining performance subsequent to the LPSA period. Such agreement in principle would be subject to further review and scrutiny of the precise costs of these projects within the budget process for 2005/6, as part of the determination of cash limits, and resolution of the scale of any further funding from the NRF beyond 2004/5.

## **2.6 Recruitment Advertising Agency Contract**

- 2.6.1 The Council has a contract with a recruitment agency to place our recruitment adverts with various media, negotiate the best discounts and provide creative design artwork. The current contract expires on 30 June 2004 and following a tendering process it is proposed to award the new contract to Bartlett Scott Edgar from 1 July 2004. The contract will be for three years with an option to extend a further two years, to be reviewed annually.
- 2.6.2 Ten agencies tendered and eight agencies were short-listed and presented to a panel made up of corporate and departmental representatives. The panel evaluated the agencies based on:
- their tender document;
  - a presentation that included a creative element about improving the image of the Council and how they would work with us on a day to day basis
  - questions relating to processes
  - communication
  - media knowledge
  - management information and problem solving
  - cost
  - added value services and quality.

- 2.6.3 Following the evaluation the preferred agency is Bartlett Scott Edgar. They are not the cheapest agency based on the raw figures of the tender but convinced the panel that they could deliver a quality service and had the technology and expertise to help us to reduce costs by better copy editing of adverts and offering good advice about where to advertise and specific campaigns. They have a large public sector client base, a genuine approach and excellent management information. They had researched the Council and Derby and the panel had confidence in their ability to effectively operate the contract. A major selling point is their technology system – it can be loaded across the Council for recruiters to place their advert on line with the ability to provide assistance to improve copy, reduce words and therefore give the Council cost savings.
- 2.6.4 The net recruitment advertising cost to the Council is based on the charge for recruitment advertising placed with the various media less the discount the agency secures for the Council, after retaining their proportion and any charges for design artwork under the agency contract. The net recruitment advertising cost to the Council under this contract would be £565,704, which is 6% or £34k higher than what it would be with the lowest tender. It is anticipated, however, that the service they can provide will generate some cost savings against this. Under Contract Procedure Rule C24.2 this, therefore, requires Council Cabinet approval.

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<b>Background papers:</b>	None
<b>List of appendices:</b>	Appendix 1 – Implications Appendix 2 – Estimated revenue budget implications of LPSA Projects from April 2005

<b>IMPLICATIONS</b>
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**Financial**

1. As detailed in the report.

**Legal**

2. As detailed in the report.

**Personnel**

- 3.1 Continuation of funding for current LPSA projects will have direct implications for the staff delivering those projects, as explained in the report.
- 3.2 The Council's recruitment advertising agency has a key role in helping to promote Derby as a City where people are proud to live and work. Its guidance and expertise are vital to assist the Council to attract and recruit the right people to work for us and deliver services to the people of Derby.

**Equalities impact**

4. None.

**Corporate objectives and priorities for change**

5. The recommendations accord with the Council's Objectives and Priorities as follows:
  - Disposal of Refrigerators and Freezers – the objective of an **Healthy Environment**
  - Planning Delivery grant – the objective of a City of **Integrated Cost Effective Services** and the priority of **Deciding planning applications more quickly whilst maintaining the quality of decision making**
  - Town Net Cities Project – the objective of a City of **Job Opportunities** and the priority of **Promoting the City as a major force for Industry, commerce, culture and tourism**
  - School licensed deficit – the objective of a City of **Education** and the priority of **Tackling under-achievement in schools.**
  - Recruitment Advertising Agency contract – the objective of **Integrated Cost Effective Services** and the priority of **Increasing Value for Money**

## Estimated revenue budget implications of LPSA Projects from April 2005 (£000)

Target	Additional resources currently provided to target (corporate / pump priming)	Additional revenue costs (annual) £000	Includes fixed term staff?	Budget provision made (annual)	Estimated funding gap (annual) £000
1. Tackling under-achievement in target schools	None	N/a	N/a	N/a	N/a
2. Attendance at secondary schools <sup>§</sup>	6 posts including 1 police officer funded by Council	160	Yes – all posts	None	160
3. Visits to libraries in neighbourhood renewal areas	3.5 posts plus running costs for mobile library	107	No	Yes	None
4. Increase use of adoption <sup>§</sup>	4 additional staff	134	No	Yes	None
5. Help elderly and vulnerable live at home	None	N/a	N/a	N/a	N/a
6. Care leavers in education, training or employment <sup>§</sup>	Additional support worker	27	Yes	None	27
7. New homes on brownfield sites	1 * Principal Officer	29	Yes	No	29
8. People killed or seriously injured in road accidents	1 Staff member and funding for road safety measures	89	Yes - £25k	None	89
9. Increase benefits uptake in Normanton <sup>§</sup>	1* outreach worker	37	Yes	No – but may be eligible for NRF funding	37
10. Increase re-cycling in target area	6 crew to operate kerbside collection	77	No	Yes – mainstreamed into Rethink Rubbish	None – but use of PRG would enable quicker roll-out of remaining rounds
11. Removal of abandoned vehicles <sup>§</sup>	1.5 additional staff plus storage	55	Yes	No	55

<b>Target</b>	<b>Additional resources currently provided to target</b> (corporate / pump priming)	<b>Additional revenue costs</b> (annual) £000	<b>Includes fixed term staff?</b>	<b>Budget provision made</b> (annual)	<b>Estimated funding gap</b> (annual) £000
12. Cost-effectiveness	1 accountant to support budget scrutiny	31	No	No	31
<b>Total</b>		746			428

§ indicates supported by an element of NRF funding