

Minute Extracts

COUNCIL CABINET **13 November 2019**

Key Decisions

97/19 Investment in High Quality Office Development

The Council Cabinet considered a report which sought approval for direct investment by the Council in c. 42,900 sq. ft. of new high quality offices on Full Street. The developer/site owner proposed a revised high quality office scheme in response to changes to the original business case approved by Council Cabinet in 2018. The investment would help deliver the Council's aspirations for new offices within the City Centre by enabling stalled development proposals for offices to go ahead.

The project would create quality workspace for new and existing businesses, helping to address the investment market's failure to fund the supply of larger, high quality office units in the City Centre. Whilst the overall purpose of the project was to support much needed office provision, development of this prominent brownfield site would support the wider regeneration of the Cathedral Quarter.

The report summarised the findings of the feasibility work and the rationale for the investment and sought approval to forward fund a high quality commercial development that provided for income generation with a positive rate of return. The confidential report also considered at this meeting set out the details in the investment appraisal for the project.

The project proposed that the Council would acquire new offices, as a forward purchase, requiring £12.104m of Council investment to be funded through serviced finance borrowing.

The Executive Scrutiny Board recommended to Council Cabinet that it ensures that the building is constructed to a very high environmental standard to ensure that it has a long life with a minimal in-use carbon footprint and that the structure is adaptable for future changes of use (e.g. to residential, retail, storage, etc.) as building purposes change over time.

Options Considered

Other options had been considered and were outlined in the confidential report.

Decision

1. To approve the terms of the property transactions the details of which were set out in the confidential report later on the agenda for this meeting.
2. To note the recommendations from the Executive Scrutiny Board.

Reasons

1. To enable the delivery of a high quality office development in this prime location and stimulate the office market within the city centre. Taking forward this development would support the delivery of the City Centre Masterplan 2030 objectives and aspirations of Derby City's Local Plan.
2. Based on the outcome of feasibility work, investment appraisals and professional advice the proposal would generate a positive return on investment sufficient to repay corporate borrowing. The investment was self-financing and would generate a positive surplus in the medium to long term.
3. The accommodation would be extensively marketed during the construction period to secure lettings in readiness for the building opening so as to reduce the risks to the Council's investment purchase.
4. The development of 42,900 sq. ft. of grade A office space was anticipated to generate valuable economic benefits, including 345 permanent full time jobs (these were likely to be a mixture of relocated jobs within the City and newly created jobs), £8.5m pa additional Gross Value Added (GVA was an industry standard measure of economic activity), additional business rates of up to £346k pa and opportunities for local labour and skills training (apprenticeships) during the construction period.

Budget and Policy Framework

98/19 2019/20 – Quarter 2 Financial Monitoring for General Fund, Capital Budgets, Dedicated Schools Grant, Collection Fund and Housing Revenue Account

The Council Cabinet considered a report which summarised the Council's forecasted financial outturn position to 31 March 2020 based on the financial position as at 30th September 2019.

Revenue budget: The Council was currently forecasting an overspend of £5.483m against our base budget requirement of £220.609m. This was an improvement on the £5.830m overspend reported at the end of Quarter 1. The demand pressure reported in respect of Children's Services in Quarter 1 had stabilised demonstrating the impact of a number of the interventions introduced within this service area. Pressures in children's services were being experienced by the majority of Councils across England. Excluding this demand led pressure within Children's Services the Council was forecasting a £1.117m surplus in respect of all the other areas of Council activity. For the remaining six months of the year budget holders would continue to exercise tight management of their costs and to look at opportunities to maximise income. Equally, it was expected that a number of the Council's demand management interventions would deliver further savings over the next six months. Recent Government announcements on funding for 2020/21 indicated additional

funding in future years that would be sufficient to address any recurrent costs pressures identified within the 2019/20 monitoring. As such, care would be taken in respect of management actions to reduce the overspend in the next 6 months that it did not just cost shunt into next year or have unintended consequences on future years' service delivery to residents and businesses.

Capital budget: Capital expenditure to date was £28.327m and our forecast was estimated at £129.916m against an approved capital budget of £181.031m. The Capital Programme had been updated for both re-profiling and revisions to funding assumptions – these were detailed in the report.

Reserves: The General Reserve balance remained at £10.933m and our Earmarked Reserves had a future years' forecast balance of £25.428m. Since Quarter 1 the planned usage of reserves had been reviewed in respect of supporting the Capital Programme in future years. This had increased the projected earmarked reserves balances from £14.9m (Quarter 1) to £25.428m (Quarter 2). This had improved the financial resilience of the Council. However, any residual overspend at the end of 2019/20 will reduce the reserve level.

Treasury Management: Total debt was £430.955m and total investments were £71.428m compared to £443.573m and £67.838 as at 31 March 2019. No new borrowings had been made or were anticipated to be made in the year. Total debt had reduced by £12.618m including the repayment of PWLB debt totalling £11.038m.

Dedicated Schools Grant (DSG): The total grant of £234.766m had been allocated to schools and retained educational services. There was an overspend forecast on the High Needs Block of the DSG of £2.6m. DSG Reserve Balances were reported at £2.8 million at the start of the financial year, and were likely to be exhausted by the end of the financial year. There was the likelihood that either this year or next year a deficit recovery plan would need to be agreed.

Collection Fund: Council Tax billed for the 2019/20 financial year was £120.19m, of which £65.23m, 54.04% had been collected. Business Rates billed for the 2019/20 financial year is £94.12m of which £50.02m, 53.07% had been collected.

Housing Revenue Account (HRA): The full year forecast projected a planned use of the HRA reserve of £4.507m.

Performance on sundry debt collection and movement on arrears outstanding: The value of Sundry Debts to be collected was £9.167m. This represented an increase of £2.279m on the figure reported in the 2019/20 Quarter 1 report. This was mainly due to when services were provided during the year.

Further analysis and explanations of key variances were provided in section 4 of the report.

Included in the revenue forecast were planned savings and mitigating savings of £7.183m. This equated to 100% of the savings target set by Council for 2019/20.

The limited number of unachievable savings within the 2019/20 budget had been addressed through the identification of additional savings and/or income.

A summary of the net revenue forecast by directorate was set out in the report, with further detail on the restated budget set out in section 4.2 of the report:

The Executive Scrutiny Board noted the report.

Decision

1. To note
 - The revenue projected outturn and key budget variances set out in the report in section 4 and the savings to be delivered in the year in section 4.25.
 - The capital programme forecast and actual capital expenditure incurred during the quarter summarised in section 4.30 of the report.
 - The Council's reserves position, as set out in section 4.50 and Appendix 1 of the report.
 - The Council's treasury position and performance in the quarter, as set out in section 4.53 of the report.
 - The forecast Dedicated Schools Grant position summarised in section 4.57 of the report.
 - The Council Tax and Business Rates Collection Performance as set out in section 4.58 of the report.
 - To note the Housing Revenue Account Performance and projected outturn as set out in section 4.63 of the report.
 - To note the changes already approved under scheme of delegation to the capital programme detailed in Appendix 2 of the report.
2. To approve Business Rates write-offs of £0.868m as uncollectable and outlined in section 4.62, with details in appendix 5 of the report. A confidential paper later on the agenda outlined further details.
3. To approve changes to the 2019/20 - 2021/22 capital programme outlined in section 4.30 and detailed in Appendix 3 of the report.
4. To approve the use of the PFI lifecycle reserve to fund PFI lifecycle costs as detailed in section 4.39 of the report.
5. To approve the change of funding for the A52 from reserves to borrowing as detailed in section 4.40 of the report and to recommend Council to approve the additional borrowing.

6. To approve the use of the borrowing savings within the treasury management budget from the waste plant to apply against the revenue pressures for alternative waste disposal detailed in section 4.42 of the report.
7. To approve the change in the funding profile for the Assembly Rooms after confirmation of £0.975m of Business Rate Retention Programme grant funding and therefore a change to the funding profile as detailed in section 4.44 of the report.
8. To approve the setup of a commuted sum reserve for the maintenance of Victory Road detailed in section 4.44 of the report.
9. To approve the use of additional S106 contributions as detailed in section 4.49 of the report.

99/19 Treasury Management Mid – Year Report 2019/20

The Council Cabinet considered a report which stated that the Council was required under the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the "CIPFA TM Code") to approve the treasury management mid-year and outturn reports.

The mid-year report outlined the Treasury Management activity for the period 1 April 2019 to 30 September 2019, comprising:

- Summary of the Financial Markets to date in 2019/20
- Forecast Outturn 2019/20
- Borrowing Activity
- Deposits
- Prudential Indicators.

The Executive Scrutiny Board noted the report.

Decision

1. To note the forecast outturn position of £0.9m underspend.
2. To note the position statement on Treasury Management Activity, and compliance against the Prudential Indicators, for the period 1 April 2019 to 30 September 2019.
3. To recommend Council to approve the Treasury Management mid-year report.

MINUTES END