

Time began: 6.00pm  
Time ended: 7.26pm

## **COUNCIL CABINET**

### **13 June 2018**

Present	Councillor M Holmes (Chair) Councillors Barker, Smale, Webb and Williams
In attendance	Councillors Cooper, Eldret, Graves Potter, Rawson, Repton, Skelton and West Christine Durrant – Acting Chief Executive and Strategic Director Communities and Place Don McLure – Interim Strategic Director of Resources Andy Smith – Strategic Director of People Glen O'Connell – Acting Monitoring Officer David Gartside – Director – Strategic Partnership, Planning and Streetpride Mags Young - Director of Communities and Place Heather Greenan – Head of Performance and Intelligence Karen Brierley – Housing Development and PFI Team Leader Frederico Almeida – Youth Mayor Sonja Sebastian – Deputy Youth Mayor Ruth Sadler – Communications Officer

This record of decisions was published on 15 June 2018. The key decisions set out in this record will come into force and may be implemented on the expiry of five clear days unless a key decision is called in.

### **01/18      Apologies**

Apologies for absence were received from Councillors Grimadell, Poutler and Roulstone.

### **02/18      Late Items**

The Chair introduced additional confidential information in relation to the report on the A52 Wyvern Transport Improvement Scheme.

### **03/18      Receipt of Petitions**

There were no petitions received.

### **04/18      Identification of Urgent Items to which Call In will not Apply**

There were no items.

## 05/18      Declarations of Interest

There were no declarations on interest.

## 06/18      Minutes of the Meeting Held on 11 April 2018

The minutes of the meeting held on 11 April 2018 were agreed as a correct record and signed by the Chair.

## Matters Referred

### 07/18      Recommendations from the Executive Scrutiny Board

The Council Cabinet considered a report on Recommendations from the Executive Scrutiny Board. The Executive Scrutiny Board met and discussed items contained within the Council Cabinet Agenda. The report enabled the views and recommendations resulting from these discussions to be formally shared with Council Cabinet. These were submitted to Council Cabinet as Appendix 2, prior to commencement of the meeting.

#### **Decision**

To receive the report and consider the recommendations alongside the relevant report.

### 08/18      Inward Investment – Marketing Derby

The Council Cabinet considered a minute referred to it by the Regeneration and Housing Scrutiny Board on Inward Investment – Marketing Derby, recommending that Marketing Derby be made a formal consultee on planning applications to champion regeneration and encourage inward investment.

The Executive Scrutiny Board recommended that officers be mandated to establish an Economic Development Board, to act as a formal consultee on planning applications.

#### **Decision**

1. To receive the recommendation from the Regeneration and Housing Board.
2. To accept the recommendation from the Executive Scrutiny Board to mandate officers to establish an Economic Development Board, to act as a formal consultee on planning applications.
3. To request Council to establish an Economic Development Board.

## Key Decisions

## 09/18      A52 Wyvern Transport Improvements Scheme – Cost Increases

The Council Cabinet considered a report which stated that the A52 Wyvern Transport Improvements scheme was designed to provide significant highway benefits on a congested part of Derby's principal road network. The design also provided for new and improved access for sustainable transport modes and for new employment opportunities on the Derby Triangle development.

Unfortunately, it was necessary to report to Council Cabinet that since the main project works started on site there had been very significant unforeseen cost increases in relation to the works carried out to date, and it was forecast that there would be further cost increases before the project was complete. It was also anticipated that there would be delays to completion of the works; details on revised timelines would be provided when the up to date forecast was available.

The final, and main, element of the construction works started on site in October 2017. At that time the estimated total scheme cost, was £14.906m, in line with the approved funding contained within the Council's capital programme. In March 2018, Council Cabinet approved a further £2.157m, within the 2018/19 Highways and Transport capital programme, to fund the delivery of some complementary works to the main A52 junction improvement scheme.

With the emerging significant issues within the project, it was proposed that when the work was being reassessed, that any complementary works where it was practical and prudent to deliver at the same time, these should also be included in any revised scheme cost estimates. In this regard, the total cost associated with current A52 related works that were currently approved in the capital programme was £17.063m, made up of the original £14.906m approved scheme plus the additional £2.157m approval in March 2018 for complementary works.

The work to assess the revised projection of the final scheme cost, including the contracted works and any complementary works, suggested that this final cost could now be in the order of £30m. A further report would be brought back to Council Cabinet in September 2018 with a more accurate, revised forecast. At that time officers would also present options for funding the further anticipated shortfall, together with the implications.

It was not possible at this time, as part of this report, to provide a robust cost estimate for the total scheme costs, due to a range of complex circumstances surrounding elements of the detailed scheme design still to be completed and the progress of the construction works on site. The newly appointed design team and contract manager were working closely with the contractor, GallifordTry, to re-establish a realistic cost estimate for the scheme and to control and manage down these costs.

In order to ensure that the Council could meet its contractual commitments and ensure that the project could progress as quickly as possible, whilst minimising any further cost increases, it was recommended that Council Cabinet approve further funding of £7.65m. This amount was what officers considered to be a minimum interim increase in the scheme funding, to cover the increase in the additional

estimated costs of the construction works to date, and to provide the ability to instruct additional necessary works to the contractor and to provide a level of contingency.

The report therefore recommended that, at this point, the A52 Junction Improvements scheme costs were increased to £24.713m and that the funding shortfall of £7.65m was funded from the Council's budget risk reserve, which had a balance of £35.518m as at 31 March 2018.

Council Cabinet was also recommended to support the initiation of an internal, independent investigation by Internal Audit, into the project to determine the reasons for such a significant and unforeseen problem occurring on this project. Council Cabinet was also recommended to approve the procurement of independent technical and contract experts to support the project team and to provide assurance to Cabinet Members with regard to the future delivery of the scheme.

The Executive Scrutiny Board resolved

1. To recommend that Council Cabinet be provided with a detailed breakdown of the £7.65m additional funding requested, prior to the deliberation of recommendations 2.5 and 2.6, to be considered in private session if necessary.
2. To endorse the proposed internal investigation.
3. That Council Cabinet give consideration to the potential for an independent investigation in future, subject to the findings of the Council's internal auditors.

### **Options Considered**

1. Ending the current contract and aborting the scheme was not an option for the following reasons:
  - It would mean the outputs, required by our funding partners would not be achieved, and there would be an additional risk of claw back on the £6.72m Local Growth Fund and £2.6m 'Growth and Housing Fund' grants from Government;
  - Without the full scheme in place, the Derby Triangle development could not be built out in full and the estimated 3,000 jobs generated by the development would not be secured.
  - The £8,973,400 spent on the scheme to 31 March 2018 would be abortive costs.
  - Unfinished construction would become a liability for the Council.

Further Legal Implications were set out Appendix 1 to the report.

2. We are looking at all ways to reduce costs and options to reduce the scope of the remaining elements of the project as we progress detailed designs.

3. We have also made provisional enquiries with our external funding partners to establish whether there is scope to increase contributions. However, the current indication is that there is no further funding likely to be made available.

## **Decision**

1. To note that very significant and unforeseen cost increases had occurred on the A52 Junction Improvements scheme, and at this time it was not possible to provide a robust and accurate forecast of the total scheme cost to completion.
2. To support the initiation of an internal, independent investigation into the project to determine the reasons for such a significant and unforeseen problem occurring on this project. This would be led and coordinated by the internal audit team.
3. To approve the procurement of independent technical and contract experts to support the project team and to provide assurance to Cabinet Members with regard to the future delivery of the scheme. The cost for this additional support would be incorporated into the scheme costs.
4. To approve, within the capital programme, the addition of the A52 complementary works, currently included in the Highways and Transport programme, to the A52 Junction Improvements scheme, giving a current approved cost of £17.063m.
5. To approve an interim increase in the capital budget for the A52 Wyvern Transport Improvements scheme from £17.063m to £24.713m an increase of £7.65m.
6. To approve the provision of additional funding of £7.65m towards the shortfall in scheme costs from the budget risk reserve.
7. To note there would be further increased costs associated with the scheme and that this would be the subject of a more detailed report, to be presented to Council Cabinet in September 2018. Until a final scheme cost estimate is available, the S151 officer cannot consider the full future financial implications.
8. To note the recommendations from the Executive Scrutiny Board
  - That Council Cabinet were provided with a detailed breakdown of the £7.65m additional funding requested, prior to the deliberation of recommendations 2.5 and 2.6, which was considered as an exempt item.
  - To note that the Board endorsed the proposed internal investigation.
  - That Council Cabinet give consideration to the potential for an independent investigation in future, subject to the findings of the Council's internal auditors.

## **Reasons**

1. There had been a significant and unforeseen increase in the scheme costs. Many of these costs had already been committed, if not actually spent, and the Council must ensure that it has sufficient funds available to meet these commitments. There were also additional works that it was necessary to add into the scheme, for which funding would need to be identified.
2. It was appropriate for the Council to begin an investigation into the reasons for such an unforeseen increase in costs to occur to learn lessons and to put itself in a position to gain expert assurance for the remainder of the works.
3. It was important for Members to be aware that the total scheme cost will rise beyond the interim figure of £24.713m set out in this report. It was anticipated at this time that the total scheme cost would be around £30m.

## **10/18      Purchase of Residential Dwellings to Provide Affordable Housing Funded Through the Housing Revenue Account**

The Council Cabinet considered a report which proposed the acquisition of 20 dwellings on Hackwood Farm development in the popular suburb of Mickleover.

The dwellings available included 10 x 2 bedroom houses, 8 x 2 bedroom bungalows and 2 x 1 bedroom flats, 18 of which were adapted for wheelchair users.

This was considered to be a positive proposal, not only increasing the number of council homes which were suitable for households which needed both affordable and adapted accommodation, but also making good use of the Council's Right to Buy Receipts.

The Executive Scrutiny Board noted the report.

## **Options Considered**

An option would be not to proceed with the acquisition. However not doing so, would compromise the Council's ability to meet its affordable development targets, absorb its Right to Buy receipts and provide much needed affordable and adapted housing.

## **Decision**

1. To approve the acquisition, subject to contract, of the new build residential scheme outlined in the report, funded via the Housing Revenue Account (HRA) capital programme and Right to Buy (RtB) receipts at a price not exceeding the formal Royal Institute of Chartered Surveyors (RICS) approved valuation.

2. To delegate authority to the Strategic Director of Corporate Resources following consultation with the Cabinet Member for Regeneration and Economic Development and the Strategic Director of Communities and Place to enter into contract and further necessary agreements as required to secure the acquisition of the properties.
3. To approve that the 18 wheelchair adapted dwellings would be designated as exempt from the Right to Buy in accordance with Paragraph 7, Schedule 5 of the Housing Act 1985.

### **Reasons**

1. The acquisitions would provide new affordable dwellings which would meet the needs of households on the waiting list.
2. The designation of properties as exempt from the Right to Buy, would ensure that they remained available in perpetuity for those qualifying households which had both affordable housing and mobility needs.

## **Budget and Policy Framework**

### **11/18 Final Accounts – 2017/18 Outturn Report for General Fund, Capital, Treasury Management, Housing Revenue Account, Dedicated Schools Grant and Collection Fund**

The Council Cabinet considered a report which summarised the overall Council's final outturn position, subject to external audit opinion, for the 2017/18 financial year. It described the main variances against the Revised Budget for 2017/18 and sets out a number of issues requiring decisions. In summary the year outturn was as follows:

#### **Revenue Budget**

The General Fund revenue outturn position was a balanced position when compared to the Revenue Budget for 2017/18. This position was achieved by not having to use as much Medium Term Financial Plan Specific reserve compared to the amount forecasted within the original budget. The actual use of Reserves was £2.423m which was £2.845m less than forecast and this variance was within the Council's target of being between 0% and -2% of net budget variance each year, as detailed in section 4.4 of the report.

The General Fund revenue balanced outturn position was achieved after the requested transfers/use of reserves of £4.728m, as detailed in section 4.4 of the report.

89.5% of the Council's £14.016m savings target for 2017/18 was delivered as planned. The remaining 10.5% was mitigated through 'one-off' savings contained within the outturn. Further details were provided in table 4.6 and section 5 of the report.

## **Capital Budget**

The following capital programme matters required approval by Council Cabinet:

- The delivery of 88.4% of the latest approved £73,394,285 capital programme.
- Details of the capital outturn for 2017/18 totalling £64,884,490 for work completed by 31 March 2018.
- Analysis of the £8,509,795 (variance) against the final approved capital programme. Variance details above £200,000 were detailed in section 4.7 to 4.7.9 of the report.
- The inclusion of additional expenditure and funding of £1,183,998.

## **Treasury Management**

The report reviewed how the Council conducted its borrowing and investments during 2017/18 and reports on the prudential indicator activity for 2017/18 which the Council was required to report under the Local Government Act 2003. The report included the following:

- A summary of the financial markets 2017/18
- Treasury Management investment activity 2017/18
- Treasury Management borrowing activity and position 2017/18
- Prudential Code Indicators, limits and compliance.

## **Housing Revenue Account**

The HRA revenue outturn position showed a net surplus of £2.465m compared to a budgeted net surplus of £2.158m there was a favourable variance of £307,000 for the year. The surplus increased overall HRA balances to £54.012m at 31 March 2018, as detailed in section 9 of the report.

## **Dedicated Schools Grant**

The Dedicated Schools Grant closed with a surplus of £700,000 on the central non-delegated items and individual school balances were £10.788m compared to £10.525m at 31 March 2017 as detailed in section 10 of the report.

## **Collection Fund**

The Council's share of the Collection Fund outturn was a deficit of £1.853m as detailed in section 11 of the report.

During the year the City Council managed and controlled spending on services through its General Fund. A summary of the net cost of running each main service area was set out in the report. The spending was corporately financed from Council Tax, Business Rates and Government Grants.

The Executive Scrutiny Board recommended to Council Cabinet that £2.485m was transferred to the Welfare Reform Reserve to provide support to residents transferring to Universal Credit from July 2018.

## **Decision**



1. To note the overall General Fund revenue budget outturn position for 2017/18 (subject to external audit) and budget variances at 31 March 2018 as set out in section 4 of the report.
2. To approve final required movements in reserves set out in paragraph 4.4 of the report.
3. To note the savings achieved in 2017/18 as summarised in section 4.6 of the report.
4. To approve the write off of historic debits on creditor control accounts of £97,584 outlined in section 5, with details at Appendix 4 of the report.
5. To note the Capital outturn and the Capital expenditure incurred during the year as summarised in section 7 of the report.
6. To approve the addition of the £11.344m slippage to the 2018/19 capital programme as detailed in Appendix 5 of the report.
7. To approve the additional Capital spend backed by funding outlined in section 7 of the report of £1.184m.
8. To approve the addition of all Capital programmes' underspends to the Highways and Transport programme outlined in section 7 of the report.
9. To approve the Annual Report in respect of Treasury Management activity for 2017/18 outlined in section 8 of the report.
10. To note the compliant prudential indicators in respect of the Treasury Management outturn, as outlined in the report, outlined in section 8 of the report.
11. To approve the HRA outturn net surplus of £2.465m as set out in section 9 and Appendix 6 of the report.
12. To note the overall Dedicated Schools Budget position for 2017/18 as set out in section 10 of the report.
13. To note the Council's share of the Collection Fund was a deficit of £1.853m as set out in section 11 of the report.
14. To authorise the Section 151 Officer to adjust the Council's Reserves in the event that the Council or its Auditors (Ernst Young) require any adjustments to the Final Accounts for 2017/18 that alter the overall Council's position.
15. To note the recommendation from the Executive Scrutiny Board to Council Cabinet that £2.485m was transferred to the Welfare Reform Reserve to provide support to residents transferring to Universal Credit from July 2018 and consider this with officers alongside the Medium Term Financial Plan.

## 12/18      Delivering Enhanced Activities to Support the Streetpride Services

The Council Cabinet considered a report which stated that keeping the city streets and spaces clean and cutting grass both on verge areas and open spaces was a core function of the Council. Undertaking this work efficiently and effectively helped ensure that the city was attractive to residents, visitors and business.

Street Cleansing and grass cutting services were resource intensive. In previous years, due to budget constraints, the level of funding available for these functions had been reduced resulting in increased complaints.

The report proposed a number of enhancements, totalling £185k per annum, to the current service levels which were intended to restore capacity, improve cleanliness across the city and within the city centre and to ensure that grass cutting frequencies were maintained.

The Executive Scrutiny Board noted the report.

### **Decision**

To accept the proposed service enhancements and to agree to fund the initial costs in 2018/19 from budget risk reserve. Future years costs to be included as a pressure in the annual budget setting process.

## Performance

### 13/18      Performance Monitoring 2017/18 – Council Delivery Plan Quarter Four / Year End Results

The Council Cabinet considered a report which summarised progress made towards the Future of Derby Pledges (Council Delivery Plan) and included highlights from key performance measures included in the Council Scorecard.

94% of pledges within the Council Delivery Plan had been completed or were on track at the end of March 2018, Appendix 2 of the report showed a progress update for all 50 pledges.

At the end of quarter four (up to 31 March 2018), 54% of priority measures in the Council Scorecard had met or exceeded their year-end target (in some cases this was based on provisional data). Performance had improved in 2017/18 across 33% of our priority measures when compared with performance in 2016/17 and there were some areas of strong performance.

Results were assessed using traffic light criteria, according to their performance against improvement targets. A dashboard which summarised performance for the Council Scorecard was shown in Appendix 3 of the report. Accountable officers had provided commentary to put performance into context and identify actions that they were taking to address poor performance (see Appendix 4 of the report).

There had been considerable improvement activity throughout the year as part of the Executive Scrutiny Performance Forward Plan (Appendix 5 of the report). In addition five Performance Surgeries had been held.

Performance against the outcomes in the Council Plan would be published in the Council's Annual Report in August 2018 following approval by Council Cabinet, Executive Scrutiny Board and Audit and Accounts Committee.

The Executive Scrutiny Board noted the report.

### **Decision**

1. To note the 2017/18 year end performance results for the Council Delivery Plan and Scorecard.
2. To note the indicators highlighted in the Improvement Report at Appendix 4 of the report.
3. To note that the Council's Annual Report 2017/18 would be presented to Council Cabinet in August 2018.

## **Contract and Financial Procedure Matters**

### **14/18 Compliance with Contract and Financial Procedure Rules**

The Council Cabinet considered a report and two addendum reports which dealt with the following items which required reporting to and approval by Council Cabinet under the Contract and Financial Procedure rules.

- Transfer to reserves– One percent council tax increase for 2018/19;
- Use of Budget Risk Reserve – Funding of Risk management resource in Policy and Performance Team;
- Use of Budget Risk Reserve –One-off purchase for improvements in Council House Security;

- Transfer of former Beaufort Business Centre from the General Fund to the Housing Revenue Account – to start the process to build new council houses on the site;
- Use of Budget Risk Reserve – Reinstatement Cost Assessments Programme for Non-Residential Properties in order to comply with insurance cover;
- Procurement of a Pre-Paid Card Scheme – The provision of a Pre-Paid Card Scheme to Reduce Cash Payments for a number of services including Appointeeships; Direct Payments; and Care Leavers.

The Executive Scrutiny Board resolved:

1. To recommend that Council Cabinet provide further details on the intended use of the additional one per cent Council Tax increase for 2018/19, originally intended to support a new Performance Venue.
2. To recommend that funding for a cost assessments programme for non-residential properties was incorporated into the base budget at the earliest opportunity.
3. To recommend that Council Cabinet do not approve the procurement of a pre-paid card scheme to replace cash payments until such point as service users have been formally consulted.

## **Decision**

1. To approve the transfer to reserves of £877,000 in 2018/19 to a newly created reserve as a result of the 1 percent increase in Council Tax in 2018/19 to fund prudential borrowing when needed.
2. To approve the use of £68,000 of the budget risk reserve to provide funding for additional resource for the risk management team to address urgent actions identified in the Corporate Improvement Plan and External Auditor's Section 24 Report.
3. To approve the use of £18,000 of the budget risk reserve to provide funding for the one off purchase to improve Council House security.
4. To approve the transfer of the former Beaufort Business Centre from the General Fund to the Housing Revenue Account by appropriation to the value of £150,000 for the purpose of building new council houses.
5. To approve the use of £100,000 of the budget risk reserve to provide funding for the new Reinstatement Cost Assessments Programme for Non-Residential Properties in order to comply with insurance cover.
6. To approve entering into a procurement process for the provision of a Pre-Paid Card Scheme with an initial contract value of £50,000 per annum. The contract value will be offset against savings achieved in the first financial year. Total value for the initial term 1 October 2018 to 12 February 2021 would be

£122,000 including training and set up costs charged by the successful provider.

7. To note the following recommendations from the Executive Scrutiny Board

- To recommend that Council Cabinet provide further details on the intended use of the additional one per cent Council Tax increase for 2018/19, originally intended to support a new Performance Venue.
- To recommend that funding for a cost assessments programme for non-residential properties was incorporated into the base budget at the earliest opportunity.

8. To reject the following recommendation from the Executive Scrutiny Board

- To recommend that Council Cabinet do not approve the procurement of a pre-paid card scheme to replace cash payments until such point as service users have been formally consulted.

## 15/18 Exclusion of the Press and Public

To consider a resolution to exclude the press and public during consideration of the following item

“that under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting during discussion of the following items on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information”

## Key Decision

### 16/18 A52 Wyvern Transport Improvements Scheme – Cost Increases

The Council Cabinet considered exempt information in relation to the A52 Wyvern Transport Improvement Scheme – costs increases.

**MINUTES END**