

ITEM 11

Approval of minutes 120/17 and 153/17 of Council Cabinet

120/17 Development of High Quality Office Complex (Bold Lane)

The Council Cabinet considered a report which sought approval to progress the Business Case for a direct development by the Council of high quality, commercially-let offices at 6 Bold Lane. The development would be income generating and over-time self-sustaining.

The project would create quality workspace for growing businesses, addressing the market failure in the supply of larger, high quality office units in the City Centre. The development of this site would reinforce the Sadler Square area as a prime office location, bringing back into use a brownfield site and supporting the wider regeneration of the area. The overall purpose of the project was to support the much needed development of the office market in the city centre.

The development represented a new approach by the Council in the direct development and commercial operation of a large office building (net lettable area - 27,000 sq ft). The office development would cost £6.388m and required Council investment through service financed borrowing and support from the Regeneration Fund.

It was proposed to progress the project through detailed design, development of a planning application, procurement and appointment of a contractor and construction of the building.

The report detailed the findings of the feasibility work, the rationale for progressing the preferred option and sought Council Cabinet approval to deliver a high quality commercial development on Council-owned land at Bold Lane.

The Executive Scrutiny Board made no recommendations to Council Cabinet but requested that future business cases for this type of project include the likelihood and impact of risks as part of the risk register.

Options Considered

1. **Site development options**

Three development options for the site had been assessed, further detail on the options, costs and net office area were contained in the Business Plan – Project Description.

2. **Marketing and disposal of the land in the Council's ownership.**

This was not considered to be a serious option as it could lead to a

development scheme which was unlikely to deliver high quality office accommodation and could negatively impact on Sadler Bridge Studios and the value of this asset.

3. ***Secure a pre-let before progressing the project.***

While a pre-let would reduce the risk to the Council, this option could result in a major delay to the development of the site. There was a possibility that a pre-let could be secured while the project was being developed, marketing would commence once the project was approved and a planning permission is secured.

4. ***Explore a joint venture approach with a private sector developer.***

The Feasibility and Options Assessment evidenced market failure, however recent market soundings had indicated there may be an alternative delivery route through a partnership arrangement with a private developer. This option required further, more detailed investigation to consider the impact on the risk profile – this option could have the potential to mitigate the delivery risk to the Council. The delivery model would only be pursued if it would deliver the same or more positive NPV with reduced risk to the Council

5. ***Bring forward a mixed use development;***

The implementation of a mixed use development had been pursued previously by Cityscape and Blueprint, the schemes had not been viable due to market failure.

Decision

1. To approve the development of high quality, commercially-let office accommodation on the Council-owned Bold Lane site, in line with the recommendations of the Development Options Assessment (see the Bold Lane Business Case at Appendix 2 of the report).
2. To agree for officers to explore all delivery options for the project, including potential partnership arrangements with a private sector developer and to delegate authority to the Strategic Director for Communities and Place and Director of Finance, following consultation with the Cabinet Member for Regeneration and Economy to pursue the delivery mechanism that proves most advantageous for the Council.
3. To delegate authority to the Strategic Director for Communities and Place following consultation with the Director of Finance, Cabinet Member for Governance and Finance and the Cabinet Member for Regeneration & the Economy to progress all actions necessary to progress and complete this project, including: procurement of a design team, submission of a planning application and entering into demolition and construction contracts changes to future management arrangements for the building and the granting of lease and other occupation agreements.

4. To approve the addition of the Bold Lane scheme to the Regeneration Capital Programme in line with the following profile; 2018/19 - £654,000, 2019/20 - £5.711m and 2020/21 - £23,000.
5. To recommend to Council the inclusion of £5.734m of service-financed borrowing to support the capital cost of the project on the Regeneration Capital Programme, in line with the financial profile and funding proposals set out in Appendix 1 of the report.
6. To approve an allocation of £654,000 from the Regeneration Fund to progress the scheme, the Regeneration Fund Sub-Programme Board agreed this allocation on 6 November 2017.
7. To approve a loan from the Regeneration Fund of up to £555,000 to meet the Corporate Borrowing and void revenue costs to Year 3, the Regeneration Fund Sub-Programme Board agreed this allocation on 6 November 2017.
8. To note and accept the risks and mitigation measures in place to deliver the project.
9. To approve the management of the building by the Council's Connect Derby Team.
10. To approve the submission of relevant external funding bids where appropriate to support the delivery of the Bold Lane scheme.
11. To note the recommendation of the Executive Scrutiny Board that future business cases for this type of project include the likelihood and impact of risks as part of the risk register.

153/17 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.

- Use of Budget Risk Reserve – Pay Award for 2018/19 likely to be agreed at 2% rather than the 1% we had budgeted for;
- Additional funding for Social Care pressures – Social Care Grant of £717,856 received as a ‘one off’ as part of the Final Local Government Finance Settlement in February 2018;
- Use capital receipts flexibility;
- Derbyshire Countywide Business Rates Pilot – update and impact on the Council;
- Use of Reserves – Dedicated Schools Grant;
- Use of Reserves – Public Health Reserve;
- Opportunity Areas – Life Skills Grant;
- Use of Reserves/additions to Capital Programme – Regeneration Reserve – I Hub Phase 2;
- Procurement Process – The provision of a Direct Payment Support Service for Adults aged 18+yrs;
- Use of Budget Risk Reserve – Apprentice Levy, resource requirements;
- To approve the submission of a pre-compliance funding request to D2N2 for £3.4m of the Local Growth Fund (LGF) allocation for the Performance Venue project ;
- To approve the inclusion of the Local Growth Fund (LGF) grant for the Silk Mill project on the Regeneration Capital Programme.

The Executive Scrutiny Board noted the report.

Decision

1. To approve the use of the budget risk reserve to provide funding to mitigate the impact of any agreed pay award above the one per cent assumption in the current Medium Term Financial Plan, and delegate authority to the Section 151 officer to determine its allocation throughout 2018/19 as detailed in section 4.0 of the report.
2. To approve the addition of £717,856 for ‘one off’ funding to support our Social Care pressures, allocated in the final Local Government Finance settlement on 6 February 2018 and to approve the delegated authority for allocating the use of the £717,856 Social Care funding to the Strategic Director of People Services following consultation with the Section 151 Officer and the relevant Cabinet Member as detailed in section 4.3 of the report.
3. To recommend to Council that the Council applies to Government to adopt the discretion to use a proportion of capital receipts to fund ‘one off’ revenue costs

aligned to transformational change projects as detailed in section 4.5 of the report.

4. To note the inclusion of Derby City Council in the 'Business Rates Pilot in Derbyshire' in 2018/19 with potential additional 'one off' income of circa £6 million in 2018/19, and agree that the options for making best use of this funding would be subject to a further report that would be brought back to Council Cabinet as detailed in section 4.8 of the report.
5. To approve the use of £862,000 of Dedicated Schools Grant Reserve as detailed in section 4.14 of the report.
6. To approve the use of £300,000 from the Public Health Reserve to support the continuation of the Livewell Project as detailed in section 4.16 of the report.
7. To approve the allocation of £999,985 of devolved funding and grants to Derby schools based on a formula allocation as approved by the Department for Education funded from the Opportunity Areas Life Skills Grant as detailed in section 4.18 of the report.
8. To approve the use of £300,000 from the Regeneration Reserve to support the development of Infinity Park to make it more 'development ready' and to add this to the Capital Programme as detailed in section 4.21 of the report.
9. To approve entering into a procurement process for the provision of a Direct Payment Support Service for Adults aged 18+yrs including third party account management, payroll, Personal Assistant recruitment and employment and third party brokerage as detailed in section 4.24 of the report.
10. To approve the use of the budget risk reserve to provide funding of £89,000 for resources required to maximise the benefits of the Apprentice Levy as detailed in section 4.28 of the report.
11. To approve the addition of £3.7m to the Regeneration Capital Programme for the Local Growth Fund grant to the Silk Mill project as detailed in section 4.30 of the report.
12. To approve the submission of a pre-compliance funding request to D2N2 for £3.4m of the Local Growth Fund allocation for the Performance Venue project as detailed in section 4.33 of the report.