

## **QUAD**

### **SUMMARY**

- 1.1 Following clarification of the VAT issues it is proposed to amend two of the decisions made by Cabinet on 26 October (see paras 4.2(2) & 4.2(4)) regarding the write off of the outstanding loan to QUAD and the change to a full repairing lease.

### **RECOMMENDATION**

- 2.1 Not to write off the outstanding £200,000 loan to QUAD.
- 2.2 To approve the Council retaining responsibility for the external maintenance of the building under the lease.
- 2.3 To approve the Council entering into a separate repairing contract with QUAD under which QUAD take on responsibility for the external maintenance of the building for the remainder of the lease and receive a payment of £200,000.

### **REASONS FOR RECOMMENDATION**

- 3.1 To enable QUAD to recover VAT in full on any external repairs.

### **SUPPORTING INFORMATION**

- 4.1 At its meeting on 26 October 2010 Council Cabinet received the attached report (Appendix 2) on QUAD.

4.2 The recommendations in the report were:

- (1) To note the situation with a range of issues relating to QUAD.
- (2) To write off the outstanding £200,000 loan, while recognising that costs are being transferred to QUAD, both on a short and longer term basis.
- (3) To approve changing the rent to a peppercorn rent thus removing the requirement to provide QUAD with a £39,000 sum to pay VAT on the rental.
- (4) To change the lease to a full repairing lease – both internal and external maintenance to be QUAD's responsibility.
- (5) To approve continuation of the present 35 year lease, but make amendments as detailed in (3) & (4) above.

4.3 However, at the meeting officers amended the recommendations 2 and 4 such that the amended recommendations were:

- (1) To note the situation with a range of issues relating to QUAD.
- (2) *To require repayment of the outstanding £200,000 loan*
- (3) To approve changing the rent to a peppercorn rent thus removing the requirement to provide QUAD with a £39,000 sum to pay VAT on the rental.
- (4) To change the lease to a full repairing lease – both internal and external maintenance to be QUAD's responsibility *and in consequence pay QUAD £200,000 plus VAT.*
- (5) To approve continuation of the present 35 year lease, but make amendments as detailed in paragraphs 3 & 4 of the report.

4.4 The amended recommendations, which were approved by Cabinet, were proposed on the basis that the revised arrangements would be cost neutral to the Council but have VAT advantages for QUAD. However, on further clarification it turns out that in order to do this the Council must retain responsibility for the external maintenance under the lease and then transfer it to QUAD under a separate agreement. This is what now being proposed.

<b>OTHER OPTIONS CONSIDERED</b>
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5.1

**This report has been approved by the following officers:**

<b>Legal officer</b> <b>Financial officer</b> <b>Human Resources officer</b> <b>Service Director(s)</b> <b>Other(s)</b>	Stuart Leslie Martyn Marples  Steve Meynell (Estates)
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<b>For more information contact:</b> <b>Background papers:</b> <b>List of appendices:</b>	Name 01332 256120 e-mail keith.dalton@derby.gov.uk None Appendix 1 – Implications Appendix 2 – Report to Cabinet on 26 October
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<b>IMPLICATIONS</b>
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**Financial**

- 1.1 The proposed changes will be cost neutral to the Council but will enable Quad to repay the loan rather than writing it off.

**Legal**

- 2.1 As in the Cabinet Report

**Personnel**

- 3.1 None

**Equalities Impact**

- 4.1 None

**Health and Safety**

- 5.1 As per the Cabinet report

**Carbon commitment**

- 6.1 As per the Cabinet report

**Value for money**

- 7.1 As per the Cabinet report

**Corporate objectives and priorities for change**

- 8.1 As per the Cabinet report