



MEETING OF THE CABINET
10 JULY 2006 - 11.00 AM – 12.47 PM

PRESENT:

**Councillor Ray Auger
Councillor Teri Bryant
Councillor Paul Carpenter
Councillor Mrs Frances Cartwright
Councillor John Smith**

Councillor Mrs. Linda Neal – Leader / Chairman

**Chief Executive
Strategic Director (2)
Corporate Head Finance and Resources
Director of Tenancy Services
Monitoring Officer
Member Services Manager
LSVT Project Manager
Economic Development Team Leader
Cabinet Support Officer**

Non-Cabinet Councillors : Craft, Turner

CO27. MINUTES

The minutes of the Cabinet meeting held on the 12th June 2006 were approved as a correct record with the following amendments at minute CO16.

“This option was not felt to be suitable as it would be entirely dependent upon the outcome of the Stock Transfer and would result in a continued period of uncertainty for local residents.”

There was also concern that the consultation item under agenda item CO14 had been distributed without the amendment being made to energy generation figures. Cabinet members were pleased that the document would, in future, be made available on disc.

CO28. DECLARATIONS OF INTEREST (IF ANY)

No declarations of interest were made.

CO29. *LARGE SCALE VOLUNTARY TRANSFER: DRAFT TENANCY AGREEMENT

DECISION:

The Cabinet recommends to Council that:

- 1. The impact of the diseconomies of scale from LSVT are managed out over a five year period;**
- 2. The General Fund be protected by utilising interest receipts generated from LSVT capital receipts based on a phased Capital Programme;**
- 3. The Capital Programme be phased over:**
 - i. 5 years for affordable housing utilising 50% of the net useable receipt and**
 - ii. 10 years for Developing Sustainable Communities utilising the other 50% of the net useable receipt,****with an annual review of the Capital Programme to ensure that the council tax payer remains protected from the impact of the LSVT**
- 4. The approval of the text within the Formal Consultation Document Offer to Tenants with minor modifications made at the meeting;**
- 5. That the Leader be delegated the authority to approve the format of the document;**
- 6. That the Formal Consultation Document is issued to tenants as explained in paragraph 3.4 of report CHFR11.**

Considerations/Reasons for Decision:

- (1) Report number CHFR11 and its appendices (including the draft Offer to Tenants), by the Corporate Head of Finance and Resources and the Director of Tenancy Services on the financial implications of the proposed LSVT and the draft Offer to Tenants;
- (2) Considerations of the LSVT member group and the Resources Development and Scrutiny Panel on the financial implications of LSVT;
- (3) The Enterprise Beha Williams Norman Ltd (EBWNL) report on Housing Options Appraisal which was presented to Cabinet on 9th May 2005 and subsequent updates identifying key areas of potential financial impact including the valuation of the housing stock, set up costs, estimated capital receipts, statutory housing services, diseconomies of scale, housing benefit costs, VAT, impact on revenue support grant and interest receipt (initial impact

- assessment of these was attached as Appendix A to the report);
- (4) The Draft Offer, which was based on a template produced by the Council's legal advisors and on experience and best practice from previous stock transfers;
 - (5) Comments on the draft offer document from: the Tenants Working Group, the LSVT Working Group, the Offer Review Working Group and the Shadow Board of South Lincolnshire Homes;
 - (6) Appendix B should be amended so that the amount added to the RPI and the 0.5% should reflect the value in the offer document of £2.17;
 - (7) Information included in Appendix B, page 3 on voids was based on historical information within the Council;
 - (8) Definitions of the terms "assign" and "Limited" should be included in the definition of terms;
 - (9) Page 28 should be amended to read *"this guarantee would apply to the rent increase by South Lincolnshire Homes in 2008 and then in April 2009, 2010, 2011 and 2012"*;
 - (10) There should be some reference within the Draft Offer to the fact that leaseholders have been involved throughout the process;
 - (11) Text within the offer document reflected legal advice and legislation;
 - (12) Under section 14, it should be confirmed that the necessary permission would need to be provided in a written form;
 - (13) The format of the document would be designed to make it easily readable and understandable to tenants; this would include a colour-coding system.

Other options considered and assessed for the protection of the general fund:

1. Use of interest receipts generated from LSVT capital receipts, based on phased capital programme. A model of an indicative capital programme and assumptions regarding investment receipts based on a phased capital programme was attached as appendix C to the report. If the estimated impact on the general fund is managed over a period of time, then the anticipated receipts from a phased capital programme would be sufficient to protect the general fund. If this option was the preferred mechanism for protecting the General Fund, then it would be prudent to undertake an annual review of the capital programme to ensure that the General Fund remains protected by use of interest receipts.
2. Top sliced sum from LSVT capital receipt. A worst case scenario based on interest rates of 4.5% and an estimated impact on the general fund of around £500,000, it is estimated that £11.15million would be required to protect the general fund, leaving a capital receipt for investment of £13.15million, also assuming that the impact on the general fund was not managed out over the five year period.
3. Use of balances transferred from HRA. The balance on the HRA would transfer to the general fund post transfer once Secretary of State approval has been received to close the

HRA. This could be utilised in part to protect the general fund, although the level of balances is likely to be insufficient to generate interest earnings to cover the financial impact on the general fund, therefore, the balance would also need to be drawn upon to fully protect the general fund. In addition, as the approval to close the HRA has to be sought from the Secretary of State, which can only be sought a year after the last transaction on the account, this would not be a suitable option in the year following an LSVT.

4. Use of VAT shelter. A report on the potential for a VAT shelter had been prepared by EBWNL and attached as appendix D. Whilst there is potential for significant financial benefits from developing a VAT shelter, the Council would need to obtain specialist VAT advice before proceeding. Any VAT Shelter scheme may be subject to future changes in legislation and until specialist advice has been received, it is considered that this is the least desirable option for protecting the general fund.

It was noted that no members of the press or Council members with concerns over LSVT attended the meeting.

CO30. *COMMUNITY STRATEGY

DECISION:

The Cabinet was minded to approve in principle the Sustainable Communities Action Plan subject to a detailed funding breakdown and to consider recommendations as part of the forthcoming budget process.

Considerations/Reasons for Decision:

- (1) Report number DCS46 by the Economic Development Portfolio Holder on the Sustainable Communities Action Plan that with the Community Plan, forms the Sustainable Community Strategy for 2006-2011;
- (2) The draft Sustainable Communities Action plan at appendix A of report DCS46;
- (3) The Action Plan and Sustainable Communities Strategy would support the Council's priorities.

CO31. *MEDIUM TERM FINANCIAL STRATEGY

DECISION:

The Cabinet:

1. **Approve the development of a more strategic forward looking approach to budgeting with a more robust three year planning**

- process, demonstrating the direction of resources towards priority services;
2. **Approve an indicative budget requirement for the general fund together with an indicative tax increase for 2007/08 and acknowledge implications for the following three years of the strategy;**
 3. **Approve the development of a Fees and Charges Strategy to address both discretionary and mandatory fees over a rolling three year period;**
 4. **Request a review of current position relating to Performance Grants, Challenge Funding and Partnership contributions to be undertaken;**
 5. **Request a review of the assumptions used to assess the Tax Base and Collection fund as follows:**
 - **The estimated number of properties (in Band D terms) expected to be added for the period of the budget.**
 - **The collection rate assumptions.**
 - **The balance on the Collection Fund.**
 6. **Request the Resources DSP to undertake scrutiny of the indicative budget, allocation and tax increase together with the headline issues prior to Cabinet's formal recommendation to Council on the Medium Term Financial Strategy as part of the Budget Framework;**
 7. **To task officers to keep the impacts of the Comprehensive Spending Review and any other specific grants under review.**

Considerations/Reasons for Decision:

- (1) Report number CHFR12 by the Corporate Head of Finance and Resources on the key issues that impact on the Council's Medium Term Financial Strategy (MTFS) and on the budget preparation for 2007/08;
- (2) The Previous MTFS submitted to Cabinet in August 2005, which identified key local issues facing the Council, including: housing stock options, leisure trust, travel concessions, grounds maintenance contract renewal and the senior management restructure (addressed in appendix A to the report);
- (3) Schedule of anticipated movement in reserves attached as appendix B to report CHFR12;
- (4) Recommendations made by Bob Whetton Ltd, an external consultant who carried out a desktop review of the strategic financial issues facing the council.
- (5) A Development and Scrutiny Panel overspend and significant variations identified at a DSP level in report CHFR10;
- (6) Local impacting factors: review of Council priorities, the expanding tax base and population, level of Council balances and reserves and corporate demands;
- (7) National issues affecting the MTFS including Revenue Support Grant, comprehensive spending review 2007, specific grants, travel

concessions, Local Area Agreements and the Lyons Review.

CO32. POLICE REORGANISATION CONSULTATION

DECISION:

That the Community Safety Portfolio Holder be delegated the authority to submit a response to the police authority on behalf of the District Council.

Considerations/Reasons for Decision:

- (1) Report number CEX344 by the Chief Executive on the consultation process on the proposed merger of East Midlands police forces;
- (2) The Police Authority deadline of 11th August 2006 for the submission of any objections to the proposed merger;
- (3) Responses to consultation should have been submitted to the Police Authority by 7th July, which was before the July meeting of the Cabinet, so a formal response as soon after the deadline as possible would be necessary.

CO33. ITEMS RAISED BY CABINET MEMBERS INCLUDING REPORTS ON KEY AND NON KEY DECISIONS TAKEN UNDER DELEGATED POWERS.

NON-KEY DECISIONS:

Councillor Frances Cartwright: Portfolio – Housing and Organisational Development.

DECISION:

That approval is granted that the use of Starter Tenancies by South Lincolnshire Homes is included as a commitment in the LSVT Offer Document.

[Decision Made on 19/06/06]

DECISION:

That approval is granted that the land outlined on plan 'A' attached to report HST004 be transferred to Muir Group Housing Association Ltd to develop affordable housing in partnership with South Kesteven District Council. The council to have 100% nomination rights to the affordable housing prescribed in the nomination agreement for this site. The transfer of the land to Muir Group Housing Association Ltd at District Valuer's valuation with the district council granting the association financial assistance in respect of the whole purchase price in accordance with S.25 of the Local Government Act, 1988 and the General Disposal Consent 2005. The transfer of the land to take place following planning approval for the affordable housing units and associated car parking for both the new affordable housing units and the six

housing units backing onto the site.

[Decision Made on 04/07/06]

DECISION:

That approval is granted that the land outlined plan 'A' attached to report HST002 be transferred to Muir Group Housing Association Ltd to develop affordable housing in partnership with South Kesteven District Council. The council to have 100% nomination rights to the affordable housing prescribed in the nomination agreement for this site. The transfer of the land to Muir Group Housing Association Ltd at District Valuer's valuation with the district council granting the association financial assistance in respect of the whole purchase price in accordance with S.25 of the Local Government Act, 1988 and the General Disposal Consent 2005. The transfer of the land to take place following planning approval for the affordable housing units and associated car parking for the new affordable housing units.

[Decision Made on 04/07/06]

DECISION:

That approval is granted that the land outlined on plan 'A' attached to report HST003 be transferred to Muir Group Housing Association Ltd to develop affordable housing in partnership with South Kesteven District Council. The council to have 100% nomination rights to the affordable housing prescribed in the nomination agreement for this site. The transfer of the land to Muir Group Housing Association Ltd at District Valuer's valuation with the district council granting the association financial assistance in respect of the whole purchase price in accordance with S.25 of the Local Government Act, 1988 and the General Disposal Consent 2005. The transfer of the land to take place following planning approval for the affordable housing units and associated car parking for the new affordable housing units.

[Decision Made on 04/07/06]

DECISION:

That approval is granted that the land outlined on plan 'A' attached to report HST005 be transferred to Muir Group Housing Association Ltd to develop affordable housing in partnership with South Kesteven district council. The council to have 100% nomination rights to the affordable housing prescribed in the nomination agreement for this site. The transfer of the land to Muir Group Housing Association Ltd at District Valuer's valuation with the district council granting the association financial assistance in respect of the whole purchase price in accordance with S.25 of the Local Government Act, 1988 and the General Disposal Consent 2005. The transfer of the land to take place following planning approval for the affordable housing units and associated car parking for the new affordable housing units.

[Decision Made on 04/07/06]

Councillor John Smith: Portfolio – Economic Development

DECISION:

To approve a contribution of £5,000 to support the Community Rail Partnership Officer and the work undertaken in Grantham, in partnership with the County Council and other district partners.

[Decision Made on 04/07/06]

DATE DECISIONS EFFECTIVE:

Minute CO29, being a Policy Framework Proposal, stands referred to the Extraordinary Council meeting on 20th July 2006. All other decisions as made on 10th January 2006 can be implemented on the 19th July 2006 unless subject to call-in by the Chairman of the relevant Development and Scrutiny Panel or five members of the Council.

**South Kesteven District Council, Council Offices, St. Peter's Hill, Grantham,
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