

AGENDA



SOUTH
KESTEVEN
DISTRICT
COUNCIL

For a meeting of the
GROWTH OVERVIEW AND SCRUTINY COMMITTEE

to be held on

WEDNESDAY, 25 JULY 2018

at

10.00 AM

in

**WITHAM ROOM - COUNCIL OFFICES, ST. PETER'S HILL,
GRANTHAM. NG31 6PZ**

Aidan Rave, Chief Executive

Chairman

Councillor Robert Reid

Councillor Michael Cook

Councillor Peter Stephens

Councillor Barry Dobson (Vice-Chairman)

Councillor David Taylor

Councillor Graham Jeal

Councillor Paul Wood

Invited Cabinet Members

Councillor Adam Stokes, Cabinet Member for Finance

Councillor Helen Goral, Cabinet Member for Growth and Communications

Support Officer:

Anita Eckersley

Tel: 01476 406517

E-mail: a.eckersley@southkesteven.gov.uk

Members of the Committee are invited to attend the above meeting to consider the items of business listed below.

1 COMMENTS FROM MEMBERS OF THE PUBLIC

2 MEMBERSHIP

The Committee to be notified of any substitute members.

3 APOLOGIES

4 DISCLOSURE OF INTERESTS

Members are asked to disclose any interests in matters for consideration at the meeting.

**5 ACTION NOTES FROM THE CALL-IN MEETING HELD ON 29 MAY 2018
(Pages 3 - 12)**

(Enclosed)

- 6 ACTION NOTES FROM THE MEETING HELD ON 13 JUNE 2018** (Pages 13 - 20)
(Enclosed)
- 7 UPDATES FROM THE PREVIOUS MEETINGS**
- 8 Q4 FINANCIAL OUTTURN 2017-18** (Pages 21 - 51)
Report number CFM467 of the Cabinet Member for Finance. **(Enclosure)**
- 9 Q1 FINANCIAL OUTTURN 2018/19**
(To Follow)
- 10 INVESTSK - ARTICLES OF ASSOCIATION AND MEMORANDUM OF UNDERSTANDING** (Pages 52 - 114)
Report number iSK004 of the Cabinet Member for Growth and Communications. **(Enclosure)**
- 11 ANY OTHER BUSINESS WHICH THE CHAIRMAN, BY REASON OF SPECIAL CIRCUMSTANCES, DECIDES IS URGENT**

MEETING OF THE GROWTH OVERVIEW AND SCRUTINY COMMITTEE

TUESDAY, 29 MAY 2018, 9.30 AM



SOUTH
KESTEVEN
DISTRICT
COUNCIL

COMMITTEE MEMBERS PRESENT

Councillor Robert Reid (Chairman)
Councillor Barry Dobson (Vice-Chairman)
Councillor Michael Cook
Councillor Mrs Judy Smith
Councillor Peter Stephens
Councillor Judy Stevens
Councillor Mrs Brenda Sumner

CABINET MEMBERS

Councillor Matthew Lee, The Leader
Councillor Kelham Cooke, The Deputy Leader
Councillor Mike King, Cabinet Member for Economy and Development
Councillor Jacky Smith, Cabinet Member For Communities, Health And Wellbeing
Councillor Nick Neilson, Cabinet Member for Housing

OTHER MEMBERS PRESENT

Councillor Ashley Baxter
Councillor Phil Dilks
Councillor Charmaine Morgan

OFFICERS

Chief Executive (Aidan Rave)
Assistant Director Finance (Richard Wyles)
Solicitor to the Council (Lucy Youles)
Senior Research and Support Assistant to the Leader and the Deputy Leader
(Margaret Welton)
Civic, Democratic and Member Services Officer (Anita Eckersley)

1. MEMBERSHIP

The Committee was informed that Councillor Judy Smith, Councillor Brenda Sumner and Councillor Judy Stevens were substituting for Councillor Graham Jeal, Councillor David Taylor and Councillor Paul Wood for this meeting only.

2. DISCLOSURE OF INTERESTS

No interests were disclosed.

3. CABINET DECISION REGARDING INVESTSK MADE ON 10 MAY 2018

The Chairman welcomed everyone to the meeting and outlined why the meeting had been called. He confirmed that:

a decision made by the Cabinet on Thursday 10 May 2018 had been called-in by five members of the Council. The decision as set out in Report iSK002 was:

- a) The Cabinet agrees Option 4, as set out at clause 6.5 in the report iSK002, to establish investSK as a private company limited by guarantee, with the Council as the sole member.
- b) The Company, as a company limited by guarantee, will not have a share capital. Rather, as sole member, the Council will guarantee the liabilities of the Company up to the amount of £1.
- c) The following be appointed as Directors of the Company:

Councillor Matthew Lee, The Leader of the Council (Chairman)
Councillor Kelham Cooke, The Deputy Leader of the Council
Aidan Rave, The Chief Executive of the Council
- d) The Board determines who should be nominated to become the Company Secretary.
- e) The Board appoints an interim Chief Executive.
- f) Delegated Authority be given to Councillor Mike King, Cabinet Member for Economy and Development to put in place the proposed Memorandum of Understanding, to determine membership of the Advisory Committee, agree the Articles of Association for investSK and to agree an initial award of seed funding to allow the incorporation process to take place.

The Chairman noted that the Leader and the Councillors who called in the decision had all been invited to the meeting and would have the opportunity to speak to the Committee during the course of the meeting. A copy of the report iSK002 relating to the decision had been circulated with the agenda papers to Committee Members, the Councillors who called in the decision and the Leader.

In accordance with the Constitution, the item had been called in by five Councillors, these being Councillor Ashley Baxter, Councillor Nick Craft, Councillor Phil Dilks, Councillor Charmaine Morgan and Councillor Paul Woods.

Councillor Baxter, Councillor Dilks and Councillor Morgan were in attendance for this meeting.

The reasons given for the call-in were that the decision had not been included in the Schedule of Decisions and there had been inadequate / insufficient consultation.

The Chairman acknowledged the list of questions and the amount of work undertaken to ensure these and the responses were provided in advance of this meeting. The Chairman assured those Councillors present that they would be provided with an opportunity to address the Committee.

The Call-in Councillors were invited to explain their reasons in more detail.

The Committee was informed that:

A presentation on investSK had been given at a Councillor briefing in November 2017 but there had been no mention of it becoming a company then or during the more recent budget planning and scrutiny process. During that briefing Councillors were informed that Opportunity Peterborough, a Company owned by Peterborough Council, would act as consultants to SKDC at a cost of around £250k. A few weeks later an urgent decision was made for investSK to become a company. Why was the decision so urgent?

The Leader noted that the creation of investSK as a separate company had not been a consideration at that point in time. He commented that if the urgent procedures outlined in the Constitution had been followed the potential for scrutiny would have been impeded. By making the decision the way it had been made, the Call-in process would be available to Members and enable scrutiny. Although the proposal for investSK to become a company had not been included on the Forward Plan and because circumstances had moved on a pace especially around various changes in lead officer roles and the contractual and commissioning of Opportunity Peterborough it was decided to use the general exception rule.

At the beginning of the last municipal year, consideration had been given on the best ways to initiate the investment and growth processes for the District. Creating an investment and growth company from scratch had been one of those considerations but the potential to use the experience and knowledge of Opportunity Peterborough seemed more appropriate for the initial stages.

The following issues were raised:

- Why had such a major and key decision not been to Overview and Scrutiny prior to the decision being made at Cabinet?

There was no requirement to call a meeting of Overview and Scrutiny. The general exception rule was applied because there was insufficient time to wait to put the item on the next forward plan and would provide the potential for a Call-in. The Chairman of the relevant OSC was informed of the proposed decision and the use of the general exception rule.

The main factors taken into consideration when making the decision were the changes in the senior management structure at SKDC and the resources required to lead investSK; the legal status of investSK; the contractual and commissioning arrangements with Opportunity Peterborough that were due to expire in late July and whether they would be renewed. Waiting a month would have potentially left investSK without the necessary economic development.

Discussions with Members about the staffing circumstances and the need to make a decision about the future of investSK had taken place at the Employment Committee on 19 April 2018.

The following questions were put and responses give:

- Was the proper procedure followed? (i.e. under Para 17.7.3 (d) of the constitution the decision maker should have written to the Chairman of every relevant Overview and Scrutiny Committee of the reasons of taking a non-key decision as a matter of urgency)

The Chairman of Growth Overview and Scrutiny Committee was notified of the intention to take the general exception report to Cabinet on the 10 May.

- Should public consultation have taken place bearing in mind the public elects Councillors?

There was no requirement for public consultation. For the first time in 8 years a survey was being undertaken to gather the views of residents on the Council's services.

The Leader referred to Councillors being elected by the public to deliver services and make decisions that would be beneficial to the District. By making investSK a company, this would enable the continued encouragement of investment and growth within the District.

- When was the contract with Operation Peterborough due to expire?

Mid to end of July 2018.

- The decision to make invest SK a company of the Council must have been made between 12 April 2018 and 12 May 2018 – the usual process for a key decision was for it to go before an overview and scrutiny committee for consideration and recommendations made to Cabinet.

Discussions had taken place with Members at the Employment Committee about the staffing circumstances on 19 April. Options considered, included renewing the contract with Opportunity Peterborough but it was felt the most appropriate way forward to maintain momentum was for investSK to

become a company owned by the Council.

- The Call-In Members confirmed they understood that sometimes a decision had to be made to maintain the momentum for the work being undertaken but any decisions made had to be clear and transparent.

Decisions did sometimes have to be made quickly. The Cabinet had a forward plan which aimed for transparency. InvestSK was now the initial point of contact that offered guidance and direction for businesses wishing to move or relocate within the District. It was proving to be popular and was appreciated by the business community and seen as a gateway to the Council especially in respect of potential planning guidance.

- Did investSK have a business case and why was it that changes to key personnel within investSK meant that a company should be created.

It was important to identify that the creation of the company was not as a result of personalities. InvestSK was providing an advocacy role and facilitating ideas. It was also a gateway to the statutory roles and services provided by the Council and it was important to maintain the momentum and ensure that investSK remained in place. The business case, the Articles of Association and the Memorandum of Understanding would be drafted by the Advisory Committee which would oversee these key documents.

Further discussion took place around the setting up of the company, the business plan, Articles of Association, Memorandum of Understanding, the order in which they should be undertaken and how these were crucial elements for creating a company. A Member commented that it was normal practice to have a business case when requesting assistance from a bank in respect of setting up a company. Discussion ensued around staffing and the impact on contracts if moving from the Council to investSK; Whether the company would be sustainable and who would be responsible for any losses.

The intention would be to reduce any burden on the Council. Initially investSK would be dependent on a grant from the Council and would be limited to the budget that was available to it. InvestSK would not sustain any financial losses. Staffing issues would be outlined in the business case.

InvestSK was dependent on a budget from the Council and could not afford to lose money. The company would be encouraging business investment and growth into the district. Other local authorities were creating companies in order to enable different ways of delivering services and encouraging growth and investment in their areas.

Discussion continued around schemes that had gone before; how the focus needed to be on moving forward and encouraging growth and investment; the potential for conflict between a solely subsidised Council owned company offering advice and acting as an advocate especially when providing guidance

on planning issues; the need for the Council to act collectively and include the opposition members who were mainly in favour of investSK as a project but wanted to ensure the process was transparent; a requirement for the ring fencing of key functions, priorities and direction.

The Chairman commented on there being clear guidance in respect of planning applications and issues and that Growth OSC would monitor the outturn budget expenditure for the company.

The following questions were put and responses given:

- On 7 April Councillor Baxter sent an e-mail to SKDC requesting clarification of the legal status of investSK. He received a response on 12 April. Why did this response make no mention of the potential creation of a separate 'investSK' company?

The creation of investSK as a separate company was not under consideration at that point in time.

- A Cabinet Member had been delegated to grant 'seed money' for the incorporation. Was it just the £13 payable to Companies House, or would there be other costs involved? If so, what was the expenditure forecast?

The seed money was intended to comprise of the £1 payable to companies house to set-up a company; to appoint the interim Chief Executive, and any legal costs required to incorporate the company. The seed money would be covered by the budget approved by the Council for investSK.

- During the last 12 months the Council had paid Opportunity Peterborough around £200k for staff etc. What would happen to this money and the staff costs?

The current contract arrangement with Opportunity Peterborough was not expected to be renewed. If the contract was not renewed the costs would not continue. If the contract was renewed then the costs of contracting with Opportunity Peterborough would be met within the current budget for investSK.

In response to discussions around investment figures referred to in the report the Committee was informed that £200k of the agreed budget of £800k was for economic development.

- How many staff would be employed directly by the company?

This had not yet been determined but would be included in the business case.

- If SKDC staff were transferred or seconded would they retain existing

employment rights and benefits?

This had not been determined but it was not about reducing entitlements it was about ensuring the most appropriate staff were in place to help encourage growth and investment.

- Where would staff be based?

The intention would be to continue to operate investSK from the Maltings. This would reinforce the fact that it was a separate entity from the Council. These decisions would be made after the remodelling of the offices in Grantham

- Would back office functions such as payroll and marketing be outsourced to the Council or to a third party?

This had not yet been finalised, although it was likely that investSK would continue to rely on SKDC's payroll function alongside other functions. Marketing for investSK was currently delivered through the contract with Opportunity Peterborough.

- Were there any other anticipated costs relating to the establishment of investSK Ltd? If so, how much, what for and over what time period?

These had not yet been determined.

- Would the Advisory Committee for the Company be subject to the OSC process?

Yes

- Why was the company 'limited by guarantee' rather than 'limited by shares'?

The Cabinet report of 10 May covered this (para 3.3 of Report iSK002 refers):

"Companies limited by guarantee are often used by organisations that operate a not-for-profit business. Common reasons why a company limited by guarantee is used rather than a company limited by shares are that the members of the company wish to benefit from limited liability and do not require the ability to share profits by way of dividend payments. The benefit of a company limited by guarantee is that any trading surplus made is reinvested into the company; it is not shared out amongst shareholders as would be the case with a company limited by shares. Given the nature of investSK's proposed operations, it is considered that that a company limited by guarantee is a suitable vehicle."

- The Council had a Shareholders Committee for the existing wholly owned company, Gravitass. Could this committee be tasked with overseeing the new company and who would determine the membership of the Advisory Committee?

The Advisory Committee would be a committee of Cabinet and membership would be determined by the Cabinet Member for Economy and Development. The purpose of Gravitass was very different from investSK. The two companies would have very different functions

- The initial Board of Directors was going to consist of the Leader, the Deputy Leader and the Chief Executive. Were these positions regarded as 'ex-officio'? If at the elections next May the Councillors on the Board did not get re-elected, would they be removed from the Board?

The termination of directorships would be set out in the Articles of Association, but this had not yet been determined.

- What experience did the proposed Board of Directors have of managing limited companies?

The Directors would receive any necessary training. Councillor Lee ran Operation Peterborough along with another company. The following extract from the Cabinet report iSK002 was read out.

"Directors are personally liable for certain activities of the company, some of which can carry criminal liability. For this reason, it is standard practice for a local authority to provide an indemnity to the individuals concerned in relation to all areas in which personal liability may arise (except for criminal law where no indemnity can be given) and also to purchase "Directors' and Officers' Insurance". It is proposed that directors' training is provided so that the Directors clearly understand the remit of their roles and the "dos and don'ts" of being company directors."

It was also proposed that the skillsets of the initial directors would be complemented by additional directors from the private sector (para 3.15 refers):

"It is proposed that, in due course, the company may wish to invite suitably qualified individuals from the private sector to sit on the Company's board. It will be important that these are appointed on a clear basis of demonstrably no conflict of interest. No directors will be remunerated for their roles on the company board."

- If the Advisory Committee is to be chaired by Councillor Mike King would the Leader, the Deputy Leader and the Chief Executive also be involved or would they be removed from the process?

This would be established by the articles of association.

- Who would be responsible for appointing or removing Directors to the Board?

This would be established by the articles of association.

- Would the advisory group need to be politically balanced and ratified by Full Council?

It will need to be constituted. Like all Cabinet remits it would be directed by the Leader.

- Would the meetings of the Board of Directors be public and would the minutes be available for scrutiny by Councillors?

The minutes could be in the public domain. If they were not in the public domain then availability to Councillors would depend on the Articles and the constitution of the Advisory Committee. FOI could apply.

- Would the meetings of the Advisory Committee be public and the minutes in the public domain for scrutiny by Councillors?

As a committee of the Cabinet or a committee of the Council, it would need to be as transparent as all committees relating to the business of the Council.

- As a wholly-owned subsidiary of SKDC would the same procurement procedures apply and would it need to abide by Public Contracts Regs?

It would be the role of the Board, through the Articles of Association, to determine the procurement processes for investSK. Being wholly-owned by the Council, European Procurement rules would apply, but there would be no requirement for the company to follow the Council's procurement rules.

- Would the company be obliged to itemise spending over £500 alongside the Council?

The Company would be required to publish its accounts and it would be for the Board to determine how or if it disclosed its spending.

- How would a Councillor be able to submit a question, comment or criticism of InvestSK, would there be a formal channel?

The formal route would be through the Cabinet Member for Economy and Development, who would then bring it to the attention of the Advisory Committee. Alternatively, activities undertaken through investSK could be scrutinised through the relevant OSC, at the agreement of the appropriate chairman.

The Chairman thanked everyone for their questions and responses and invited the Call-in members to sum up.

The Call-in Councillors thanked the Committee for handling the Call-in. They queried whether the contract with Opportunity Peterborough could have been maintained on a monthly rolling basis and felt that the Articles of Association should actually refer to “roles” such as “The Leader” and not individual names. They also sought reassurance that the roles of SKDC and the Company would be separated, that the Growth Overview and Scrutiny Committee would have an input into the drafting of the Articles of Association and the Memorandum of Understanding along with the measures used for KPIs which would ensure that the whole process was transparent.

The Leader thanked the Committee and acknowledged the work undertaken by the Call-in Members in respect of this decision. He recognised that the Cabinet could have been seen to have acted hastily but the decision had been taken in good faith. He also commented that the naming of people was suggested for clarity but the articles of Association would determine the correct terminology.

Recommendations:

- a) After consideration of the reasons for the Call-in together with the responses given to the questions submitted by the Members who called the decision in, the Committee decided that no further action was required and all agreed that they were in favour of the Cabinet’s decision.
- b) That the Articles of Association and Memorandum of Understanding would go to the meeting of the Growth OSC in July
- c) That the Articles of Association reflect the “roles” rather than specific naming of people.

Action Point:

The Articles of Association and Memorandum or Understanding may be presented to the Growth Overview and Scrutiny Committee at the July meeting.

MEETING OF THE GROWTH OVERVIEW AND SCRUTINY COMMITTEE



SOUTH
KESTEVEN
DISTRICT
COUNCIL

WEDNESDAY, 13 JUNE 2018,
10.00 AM

COMMITTEE MEMBERS PRESENT

Councillor Robert Reid (Chairman)
Councillor Barry Dobson (Vice Chairman)
Councillor Mike Cook
Councillor Judy Smith
Councillor David Taylor
Councillor Paul Wood

CABINET MEMBERS

Councillor Jacky Smith, Cabinet Member for Communities, Health and Well-being and Skills

OTHER MEMBERS PRESENT

Councillor Ashley Baxter

OFFICERS

Strategic Director, Growth (Paul Thomas)
Projects and Performance Co-ordinators (Helen Johnson and Amber Lock)
Civic and Democratic Officer (Anita Eckersley)

5. COMMENTS FROM MEMBERS OF THE PUBLIC

The Chairman of the Committee referred to some questions that had been submitted by a member of the public who was in attendance at the meeting. He explained how this part of the meeting was for members of the public to comment and noted that the list of questions was more than just comments. He appreciated that the member of the public wished to have answers to his questions and suggested that it might be more appropriate if they met outside the meeting to go through the responses.

The member of the public commented that he had found out about the meeting being at Bourne by accident and queried why it had not been more extensively publicised.

The Chairman commented that the agenda would have been published and would have been in the public domain.

One main area of concern for the member of the public was public representations and how these were incorporated into the Local Plan. In particular he felt confused about an answer given to him by the Cabinet Member about what would happen upon receipt of public representation and what Government guidance suggested. He queried why the Cabinet Member had indicated that the feedback and public comments would go straight to the Secretary of State because the opportunity to make changes to the plan had passed, but Government guidance for the local plans suggested there was an opportunity to further change the plan following the Consultation.

It was noted that this question would need to be investigated further. Reassurance was given that feedback from the public consultation would accompany the Local Plan when it was sent to the Secretary of State.

The member of public also queried who would replace the officer dealing with Neighbourhood plans as Parish Councils in particular required and welcomed the previous officer's knowledgeable support.

The Chairman asked the member of public when he would be available to meet and it was agreed to meet at 7.00pm on Thursday 14 June 2018.

6. MEMBERSHIP

The Committee was informed that Councillor Judy Smith would be substituting for Councillor Graham Jeal for this meeting only.

7. APOLOGIES

An apology for absence had been received from Councillor Graham Jeal.

Councillor Peter Stephen's apology for absence had been received at the Council Offices just prior to the start of the meeting but had not been received in time for the start of the meeting.

8. DECLARATION OF INTERESTS

No interests were declared for this meeting.

9. ACTION NOTES FROM THE MEETING HELD ON WEDNESDAY 14 FEBRUARY 2018

A Member queried whether the line on page 6 of the action notes regarding Local Priority Reserves, should have read, "Members noted the proposed reduction of Reserve by £750K to £698K **and not** £6980 as written in the notes". The amendment was acknowledged.

Taking into consideration the above amendment, the action notes from the meeting of this Committee held on 14 February 2018 were noted.

10. UPDATES FROM THE PREVIOUS MEETING

In response to the query from the Market and West Deeping Ward Member about whether there was an update on the Saturday Market in the Deepings, it was noted that the Strategic Director for Growth would respond outside the meeting.

In respect of the Ward Member's query about the leisure centre, it was noted there was no update as such at present. Feasibility exercises were being undertaken in respect of certain options. It was suggested that the end of September might be an approximate time when further news was available following the work being undertaken.

The Chairman referred to the investSK Call-In Scrutiny meeting and noted that following vigorous scrutiny of the Cabinet decision the outcome, had been that the Committee supported the Cabinet Decision. The Committee had recommended that InvestSK's Articles of Association and the Memorandum of Understanding be presented to the Growth Overview and Scrutiny Meeting on 25 July 2018.

The Chairman emphasised that it was the role of the Overview and Scrutiny Committee to ensure that these decisions were scrutinised in order to support and ensure the Cabinet were able to carry out their ambitions to encourage growth and investment in the District whilst maintaining the delivery of Council services.

It was explained to the Growth OSC that InvestSK would be incorporated with the documents set out in report iSK002, Para 3.4, with a set of model Articles of Association that were used by most companies when they are established. The Growth OSC differentiated investSK's Articles of Associations from these model Articles of Association.

Growth OSC agreed that the Articles of Association that were to be used to incorporate InvestSK would be changed/supplemented in consultation with the Growth OSC and the Council's Advisory Board, and would then be submitted to Companies House as a new set of Articles of Association.

The Chairman confirmed that he had attended the Cabinet meeting that took place the day after the Call-in Scrutiny Committee to reiterate the Committee's views and recommendations.

Action Point:

The Strategic Director of Growth to update the Ward Member from Market and West Deeping on the Deepings Saturday market.

11. QUARTER 4 PERFORMANCE MONITORING

The Chairman explained that this item was in fact the Performance Monitoring Report that had gone before the last Cabinet. It was not the Financial Outturn report. It was noted that the previous Scrutiny Committee had received these performance reports and that Members might wish to consider whether elements of the report should go to Growth OSC. The Financial Outturn Report was going before the Governance and Audit Committee on 21 June 2018 and Members requested a copy of the report.

Members discussed the financial outturn and the Quarter 3 proposed forecasted overspend of £638k; that the new overspend forecast for the financial year end would be less mainly due to underspends in some areas and why the Performance Monitoring Report went to Cabinet prior to Overview and Scrutiny.

In respect of the Quarter 4 Performance Monitoring Report areas discussed were:

The quality of skills available and attained by apprentices working for SKDC – There were a range of attainment levels and work was ongoing to develop the range of qualifications available.

The number of apprentices within the Council and whether these were apprentices or trainees – It was noted that during the last 12 months there had been 14 apprentices, 2 now had full time permanent roles within the Council but the remainder had left for positions outside the Council. The skills agenda was being reviewed with consideration being given to higher skilled apprenticeships in order to help the Council grow and set the bench mark in the District for quality apprenticeships. There were trainees within the Council mainly in the accounting and legal areas.

In respect of manual apprenticeships there were certain standards/regulations required to enable employment in manual areas such as electrical, plumbing and gas engineer roles. Work was ongoing with HR in respect of looking at the potential to increase the number of apprenticeships in various areas of the Council, from waste management to accounting. The aim was to provide a high standard and lead by example within the District and ensure that young people were provided with the best opportunities to attain the highest standard of qualifications in order for them to attain full time employment. Work was also being undertaken to look at apprentices with degrees.

Whether the Council stipulated that apprentices should be included within the workforce of potential contractors such as the contractors for the St Peter's Hill development – It was noted that contracts did stipulate that apprentices and local people should be included in workforces.

The lack of detail behind the KPIs within the report and the importance of KPIs being able to help identify why and what was happening within the Council and whether the Growth OSC should be monitoring KPIs for growth and investment within the District – It was noted that the report was based on the previous Corporate Strategy. A New Corporate Strategy was now in place and would have more appropriate KPIs.

The Chairman commented that Growth OSC would be scrutinising and commenting on a number of areas from Budgets to the Local Plan.

A Member commented that a recent tweet had noted that fly-tipping had reduced by 24% but there was no previous data to compare this with – It was noted that the information would be available through the Performance and Programme Team.

Discussion ensued around the Corporate Strategy and whether more detail in respect of how it would work could be provided to Members. A briefing had been given on the framework of the Corporate Strategy but the Committee felt they needed to see more detail in order for them to understand what to consider when monitoring the progress and impact of the new strategy.

Action Points:

- That the Committee Members are provided with a copy of the Q4 Financial Outturn Report.
- That Committee Members are provided with more detail behind the Corporate Strategy in respect of how it was going to work as well as an indication of what KPIs would be used.

The report was noted.

12. CONSIDERATION OF THE POTENTIAL WORK PROGRAMME FOR THE GROWTH OVERVIEW AND SCRUTINY COMMITTEE

The Chairman referred to the Committee's Work Programme and the following issues were discussed:

Local Plan:

The Local Plan was on track. Discussion took place on how consultation was being undertaken with residents and Grantham Councillors as there was no town Council, public forum or Neighbourhood Plan for the town.

(To remain on the Work Programme – Ongoing)

Spitalgate Heath:

Work was ongoing with Buckminster.

(To remain on the Work Programme – Ongoing)

Starter Homes:

The Committee was informed that this had been a Government scheme that had now been superseded.

(Remove from the Work Programme)

Economic Development:

InvestSK was overseeing this area.

(To remain on the Work Programme – Ongoing)

InvestSK:

(Articles of Association and Memorandum of Association to be presented to Growth OSC 25 July 2018)

Local Housing Market:

(To remain on the Work Programme – Ongoing)

St Peter's Hill:

The Cinema Project – This was on target with an anticipated handover date of the beginning of December 2018. The Budget was in line though there were savings in some areas and potential overspends in a couple of other areas. Regular fortnightly meetings were being held with the contractor.

Redevelopment of Office Space – this was an area previously identified to be brought to the Growth OSC on 25 July 2018.

(Update to be presented to the Growth OSC 25 July 2018)

Grantham Southern Relief Road:

The relief road was progressing and being led by Lincolnshire County Council.

(To remain on the Work Programme – Ongoing)

Business Rates:

Discussion took place on initiatives to relieve the pressures on the high streets in the towns; changes in purchasing habits and more email shopping; shops and offices being converted to residential use and whether there was an update from the Government in respect of business rates.

(To remain on the Work Programme – Ongoing)

River Witham Corridor:

The funding application had been submitted. This was a joint application with North Kesteven District Council. Anglian Water Authority was a major partner in the process.

(To remain on the Work Programme – Ongoing)

Housing Needs:

At a previous meeting Members had requested that consideration be given to a workshop in respect of the impact of the Local Plan on Housing Needs Assessment.

(To remain on the Work Programme – Ongoing)

Housing Strategy:

(To remain on the Work Programme – Ongoing)

Grantham Master Plan:

Now known as the **Implementation Plan**. Work was being undertaken in respect of rationalising, assessing and the undertaking of the order of implementation.

(To remain on the Work Programme – Ongoing)

General Data Protection Regulations (GDPR):

(To go to the Growth OSC meeting on 25 July 2018)

Asset Disposal:

(To remain on the Work Programme – Ongoing)

Waste Recycling:

This was a new item to be added to the Work Programme – Growth OSC to look at the cost of waste disposal. Discussion took place on other ways of waste disposal such as a digester and educating residents in respect of what to put in recycling bins.

(To remain on the Work Programme – Ongoing)

Other items on the work plan for future consideration were:

- One Public Estate
- Dealing with viability and the delivery of Housing: (housing land supply and ways of encouraging faster building)
- Right to Buy: (The net impact over the years of RTB and the current position)
- Planning Application Fees: (Stamford Article 4)
- Proposed programme of Article 4 Assessments:
- Community Infrastructure Levy (CIL): To consider whether there should be a CIL for South Kesteven
- Potential to share services with other LAs
- Design Guide Work: To consider the Government's new proposals

Members were reminded of the Joint Municipal Waste Management Strategy Consultation that was due to take place on the afternoon of Monday 18 June 2018 in the Witham Room at the Council offices in Grantham.

13. POTENTIAL ITEMS FOR WORKSHOPS

Reference was made to a potential workshop on Car Parking Tariffs and Charging Structures.

Discussion took place around car parking issues; the different charging structures currently available in Bourne, Grantham, Market Deeping and Stamford; legal technicalities and timelines relating to charging structures for Welham Street Car Park and the Cinema Project; Leisure tariffs; the issues around parking charges in respect of the M&S Car park in Bourne, whether there had been any notification of charges being implemented and the impact this could have on other businesses within Bourne.

Action Point:

The Strategic Director for Growth would investigate the position in respect of the M&S Car Park.

Recommended:

That a workshop on car parking tariffs and charging structures was not undertaken at the moment but would be considered again at a later date.

14. CLOSE OF MEETING

The meeting closed at 12.05pm.



GROWTH – OVERVIEW & SCRUTINY COMMITTEE

Report of:
Councillor Adam Stokes - Cabinet Member for Finance

Report to:	Growth-Overview & Scrutiny Committee
Date:	25th July 2018
Subject:	Outturn Position 2017/18 CFM467

Decision Proposal:	None
Relevant Cabinet Member:	Councillor Adam Stokes, Cabinet Member for Finance
Report author:	Richard Wyles – Assistant Director, Resources 01476 406210 – r.wyles@southkesteven.gov.uk 12 July 2018
Reviewed by:	Claire Morgan – Senior Management Accountant 01476 406051 – claire.morgan@southkesteven.gov.uk 12 July 2018
Signed off by:	Debbie Muddimer - Strategic Director of Resources 01476 406301 – debbie.muddimer@southkesteven.gov.uk 13 July 2018
Approved for publication:	Councillor Adam Stokes, Cabinet member for Finance 13 July 2018

SUMMARY

This report provides Growth Overview & Scrutiny Committee with the detail of the Council's outturn position for the financial year 2017/18. It covers revenue and capital expenditure for both the General Fund and the Housing Revenue Account.

RECOMMENDATIONS

Members of Growth Overview and Scrutiny Committee are invited to review the Revenue and Capital Outturn report and associated appendices for 2017/18.

1. BACKGROUND TO REPORT

1.1 The purpose of this report is to present the Council's Revenue and Capital Outturn 2017/18 of both the General Fund and Housing Revenue Account. It covers:

- Revenue outturn 2017/18
- Capital outturn 2017/18
- Commentary on the revenue and capital outturn
- Commentary and review of reserves and a reserves statement

At Governance and Audit Committee on 21 June 2018, the Committee recommended the following:

That the Governance and Audit Committee

- 1. Approves the Revenue and Capital Outturn report and associated appendices for 2017/18.**
- 2. Approves the set-asides and reserve movements as detailed in report number CFM459.**
- 3. Approves the Capital slippages from the 2017/18 Capital Programme as detailed in report number CFM459.**

The original base budget for 2017/18 was approved by Council on 2 March 2017 for both the capital and revenue budgets including General Fund and the Housing Revenue Account. In addition the following additional supplementary estimates were approved by Council during the year, which amended the budget framework. In summary these were:

Heading	Capital	Revenue	Date
Big Clean	£227K	£661K	15 June 2017
Invest SK		£321.5K	23 November 2017
Cinema Project	£1.167M		23 November 2017
Office refurbishment feasibility study		£500K	23 November 2017
Total	£1.394M	£1.4825M	

- 1.2 This report provides Growth Overview & Scrutiny Committee with the detail of the Councils outturn position for the financial year 2017/18. In order to comply with International Financial Reporting Standards a number of technical accounting entries are required to be made which can create significant variances. The report attempts to ensure that, through explanation and presentation, the final account figures can be reconciled back to the original budget set by Council.
- 1.3 **General Fund Revenue Account** 2017/18 details can be found at table 1 and the variance narrative is provided at section 2.1 and at Appendix A.
- 1.4 **Housing Revenue Account (HRA)** details can be found at table 4 and the variance narrative is provided at section 3.1 and at Appendix B.
- 1.5 **General Fund Capital Programme** has an outturn of £5.429M compared with an updated budget of £15.630M. Commentary on individual scheme progress is

contained in section 4.2 of the report. The programme was revised as part of the budget setting process and undergoes regular monitoring to ensure the individual projects are delivered within the allocated budgetary sums. Details of the full programme are contained at Appendix C.

- 1.6 The **Housing Investment Programme** (HIP) shows an outturn position of £7.163M compared to an updated budget of £8.991M. Commentary on individual scheme progress is contained in section 4.4 of the report. Details of the full programme are contained at Appendix C page 3.

2.0 GENERAL FUND (REVENUE) VARIANCE ANALYSIS

- 2.1 The forecast outturn position as at Quarter 3 was reported to Growth Overview and Scrutiny on 14 February 2018. At this time, the forecast variance on the net budget requirement was set at £612K (CFM 452 refers). The outturn position is less overall due to a number of forecast expenditure assumptions that have not materialised. The details of significant variances are provided below in section 2.6.

- 2.2 There have, however, been other changes that have significantly improved the overall position during Quarter 4:

- Additional interest income has been earned through investment of increased cash balances as a result of slippage on the capital programme (line 9 in table 1);
- Increased business rates income has been received as a result of the upward revaluation impact that took effect from April 2017. This was not included in the original budget as a prudent approach was taken (line 17 in table 1)
- The Council has benefitted from additional business rates pooling gain arising from the 60% (after the levy) retention of the local growth above the baseline level (line 18 in table 1). The overall increase in business rates income means that no funds were required to be transferred from the business rates volatility reserve at year end, leaving a higher balance on the reserve than anticipated.
- An increase in central support costs of £340K charged to the Housing Revenue Account following in-year increase in support service costs (explanation is referenced in table 5).
- There were a number of grants that were received late in the financial year that have been removed as per table 1 (line 6) below in order to accurately present the actual outturn position. The specific details of the grants are shown at table 2 later in the report.

- 2.3 The priority headings showing budget and outturn are detailed in table 1 below:

Table 1

	Priority	2017/18 Original Base £'000	2017/18 Adjusted Base £'000	2017/18 Draft Outturn £'000	2017/18 Variance (Adjusted) £'000
1	Growth	451	442	1,094	652
2	Environment	6,807	7,468	7,351	(117)
3	Culture	3,141	3,397	3,858	461
4	Housing	1,103	1,111	691	(420)
5	Corporate	4,454	5,020	5,455	435
6	Removal of grant income received relating to 18/19 expenditure			641	641
7	Removal of Accounting Adjustments			(1,294)	(1,294)
8	Net Cost of Services Total	15,956	17,438	17,796	358
9	Interest and Investment Income & Interest Payable	(148)	(148)	(349)	(201)
10	Minimum Revenue Provision	153	153	161	8
11	Depreciation	(3,692)	(3,692)	(3,573)	119
12	Revenue Contribution to Capital	385	385	668	283
13	Local Council Tax Support Grant	43	43	43	0
14	Movement on Reserves	(256)	(1,738)	(2,305)	(567)
15	Budget Requirement	12,441	12,441	12,441	0
16	Revenue Support Grant	(957)	(957)	(957)	0
17	Business Rates	(3,975)	(3,975)	(4,539)	(564)
18	Pooling Gain	(166)	(166)	(460)	(294)
19	Rural Grant	(236)	(236)	(236)	0
20	Other Grant	0	0	(104)	(104)
21	Reserve Funding	(962)	(962)	0	962
22	Council Tax Income	(6,854)	(6,854)	(6,854)	0
23	Collection Fund	709	709	709	0

	Priority	2017/18 Original Base £'000	2017/18 Adjusted Base £'000	2017/18 Draft Outturn £'000	2017/18 Variance (Adjusted) £'000
	Deficit				

Notes for table 1:

- Line 7 – removal of accounting entries specifically IAS19 (employee pension) £1.563M and Revenue Expenditure Financed from Capital under Statute (REFCUS) £269K
- Line 8 – this line shows the net overall expenditure at cost centre level
- Line 11 - this is a non-cash item to reflect the financing costs of holding assets
- Line 12 - this line is largely made up of grant funding received into revenue and used to fund capital items such as Disabled Facilities Grants, Heritage Lottery funding for Wyndham park improvements, Historic England funding of the Shop Front Scheme and the use of s106 monies.
- Line 14 – the additional authorised use of reserves totalled £1.738M following approval for funding for Big Clean, OneSK and InvestSK. The outturn figure for reserve use totalled £2.305M which includes £641K of additional grants.
- Line 20 – additional funding from s106 grants to contribute towards financing of revenue expenditure during 2017/18
- Line 21 – the budget framework for 2017/18 including a budgeted movement from the Business Rates volatility reserve to mitigate anticipated losses resulting from rating appeals and other volatility in the rating system. The outturn position has not revealed the level of volatility that was anticipated and therefore the budgeted movement from the reserve is no longer required.

Earmarked Reserves

- 2.4 The table below details the projected movements to specific reserves as part of the outturn analysis. These movements are in respect of grants and contributions that are required to fund specific expenditure items in future years.

Table 2

Reserve/Grant Heading	Contribution to Reserve £'000
Food Waste	170
Ward Member Grants	56
Specific Grants:	
Individual Electoral Registration	34
Garden village	171
Garden towns & villages	90
Custom build	30
Planning Delivery	90
Total	641

2.5 In addition to the above movements, it has been decided to create a new set aside from the local priorities reserve in order to fund the following specific project in 2018/19:

- a set aside for the feasibility study for the public realm of £150K to accelerate this work which will be a key component of the overall leisure offer surrounding the cinema complex.

Summary of Key Variances

2.6 In order to understand outturn at service level which is shown at Table 1 (lines 1 – 5) the following commentary provides a summary of the key variances by Council priority heading that can be referenced at Appendix A. The relevant line number is provided for ease of reading

Table 3

Priority	Explanation of significant Variance	Variance £'000
Growth	Property Investment Strategy (line 11) – a proportionate amount of rental income has been received in 2017/18 following completion of the purchase of a commercial property at Alpha Court, Lincoln. Further opportunities have been considered however no further investment purchases were completed during the year.	235
Growth	Car Parks (line 3) – There is an overall increase in income of (£57K) as a result of higher than budgeted pay & display ticket sales and season ticket sales. This has been used to offset additional costs for both a temporary contract change in enforcement arrangements and supervisory costs which resulted in a continued over spend of £38K. There were additional costs in respect of security patrols for the extended opening hours at the Welham Street multi storey car park of £18K.	108
Growth	Grantham Market (line 10) – With continuing levels of reduced income, the market is being promoted with additional events to support both traders and the local business community. Further investment in the promotion of the markets is included in the budget for 2018/19.	36
Growth	Planning Policy (line 14) – Additional specific grants were received during the final quarter of 2017/18 which will be used to fund future years expenditure.	(210)
Growth	Invest SK (line 9) – this budget was an additional allocation during the year and there is an under spend of (£51K). This will be utilised in 2018/19 to fund outstanding committed spend	(51)
Environment	Flood Prevention (line 11) – Reduction in costs of	(25)

Priority	Explanation of significant Variance	Variance £'000
	works required due to adjacent landowners assuming responsibility for the relevant works.	
Environment	Footway Lighting (line 13) – Following a revised maintenance scheme in previous years, there is an under spend. This has also been reflected in future year's budgets	(25)
Environment	Open Spaces (line 27) – Additional one off repairs to play equipment following health and safety reviews within the district.	15
Environment	Waste Management (line 31) - Vehicle Repairs – An increase in the number of external repairs have been undertaken due to the nature of the works.	42
Environment	Green Waste Collection (line 31) –Additional income has been received, with 27,218 households renewing their subscription for 2017/18 and 1,069 new households joining the service throughout the year.	(41)
Environment	Food Waste (line 31) – Funding to commence the food waste trail in collaboration with LCC was received in quarter 4 and will be utilised in 2018/19	(154)
Environment	Big Clean (line 30) – Procurement savings for vehicle hire and agency costs in year has resulted in an under spend.	(125)
Environment Culture Corporate	Utilities – Reduced consumption and effective procurement with respect to current usage for gas and electricity within Council buildings has resulted in savings. This has been reflected in future budgets.	(32)
Culture	Leisure Centres (lines 3, 4, 6, 10, 12) – Issues were identified in year that needed addressing to ensure the centres could remain operational and meet customer expectations. This has resulted in expenditure on repairs that was not included within the budget.	97
Culture	Arts Centres (line 7, 11) – Emergency roof repairs has resulted in costs of £15K and a bad debt £16K has occurred in respect of non-payment of rent by a regular user of an arts facility.	31
Culture	Bourne Corn Exchange (line 2) – An upward revaluation is included in the net cost of this service. This valuation has no impact on the taxpayer as it is a non-cash item.	(141)
Culture	Additional depreciation of £305K is included within the 'Culture' heading which is removed within line 11 of table A.	305
Housing	Private Sector Housing – (line 5) There are a number of income and expenditure items under this service heading that fall within the category of REFCUS (revenue expenditure funded from capital under statute). These items specifically relate to discretionary facilities grants and housing	(346)

Priority	Explanation of significant Variance	Variance £'000
	assistance grants	
Corporate	Democratic Representation (line 6) – The restructuring of the democratic arrangements has resulted in an overspend of £24K. This has been addressed in the 2018/19 budget.	24
Corporate	Additional office relocations within the main Council building has resulted in premises costs of £34K and replacement furniture costs of £25K.	59
Corporate	Communications (line 15) – This overspend is due to Interim staffing arrangements that were in place during the year. There are plans in place to recruit to this post permanently in the new financial year.	36
Corporate	Non-Domestic Rates (line 11) – Increased finders fees of £28K has resulted in increased rateable values of 281,000. However this will be offset by the additional business rate receipts that will be generated.	28
Corporate	Corporate costs (line 4) One off costs arising from changes to the corporate management structure. This is underpinned by a business case that delivers financial savings in future years.	125
Corporate	One SK (line 4) – this was an additional budget allocation during the year and there is an underspend of (£374K). This will be utilised in 2018/19 to continue the refurbishment feasibility study and public realm works	(374)
Corporate	The overall workforce efficiency target of has been met through controlled management of vacancies throughout the year.	(361)
Corporate	Accounting entries totalling £1.563M for IAS19 Pensions are included within the priority headings. These are removed within line 7 of table 1 above.	1,563

3.0 **HOUSING REVENUE ACCOUNT VARIANCE ANALYSIS**

- 3.1 The Housing Revenue Account (HRA) is a 'ring fenced' account and relates to the Council's Landlord functions. Revenue raised by rents and service charges must be sufficient to match expenditure. A summary table is provided below and in detail at Appendix B.

Table 4

	2017/18 Original Base £'000	2017/18 Adjusted Base £'000	2017/18 Outturn £'000	2017/18 Variance Adjusted £'000	
INCOME					
1	Dwelling Rents	(24,825)	(24,825)	(24,780)	45
2	Non Dwelling Rents	(300)	(300)	(293)	7
3	Charges for Services and Facilities	(603)	(636)	(632)	4
4	Other Income	(66)	(66)	(88)	(22)
5	TOTAL INCOME	(25,794)	(25,827)	(25,793)	34
EXPENDITURE					
6	Repairs and Maintenance	8,131	8,145	8,308	163
7	Supervision and Management - General	2,526	2,537	3,097	560
8	Supervision and Management - Special	1,066	1,074	1,084	10
9	HRA share of Corporate & Democratic Costs	371	371	393	22
10	Depreciation and Impairment of Fixed Assets	2,869	2,869	3,495	626
11	Revaluation Losses (Gains)	0	0	(9,582)	(9,582)
12	Non Enhancing Capital Expenditure	0	0	4,729	4,729
13	Debt Management Expenses	35	35	36	1
14	Provision for bad debts	248	248	226	(22)
15	Internal insurance	0	0	(15)	(15)
16	Pension Deficit	193	193	0	(193)
17	Savings & Efficiencies	0	0	0	0
18	TOTAL EXPENDITURE	15,439	15,472	11,771	(3,701)
19	NET COST OF HRA SERVICES	(10,355)	(10,355)	(14,022)	(3,667)

Summary of Key Variances

Table 5

Heading	Explanation of significant Variance	Variance £'000
Dwelling rents and other income	The performance of the collection of rents has been sustained during this financial year by utilising focused collection methods and early interventions with tenants who show early signs of difficulty meeting their tenant obligations with respect to rent payments. The under recovery of £45K was due to £104K write off of irrecoverable rents, which was less than forecast, offset by a slightly lower average void rate which generated an additional £50K in rental income.	45
Repairs and maintenance	This budget covers expenditure on a range of work areas including structural improvements, insulation,	163

Heading	Explanation of significant Variance	Variance £'000
	painting, disabled adaptations, asbestos, gas servicing and maintenance as well as reactive and void repairs. There has been an over spend of £185K on major void works, mainly due to refurbishment work to fire damaged properties (In 2018/19 an insurance settlement has been received from Zurich in respect of 4 New Estate). This was offset by under spends of £208K on asbestos removal, £75K on disabled adaptations & £84K on insulation. There were £56K of salary savings but these were offset by increased pension costs of £476K. These costs are reversed out of the HRA through the statement of movement.	
Supervision and Management	(All) There is an over spend of £570K. There were £46K of salary savings but these were offset by increased pension costs of £186K and central support costs of £340K. As above, the pension costs are reversed out of the HRA through the statement of movement.	570
Revaluation Gains	The vacant possession value of dwellings is adjusted by the Valuation Office Agency to reflect the social housing status of local authority dwellings. This has resulted in revaluation gains.	9,582
Non Enhancing Capital Expenditure	This is expenditure incurred through the HRA capital programme which does not enhance the value of the council house dwellings and the impairment is charged back to the revenue account at the year end. This is in respect of activities such as new kitchens and bathrooms to maintain decent homes standard within the housing stock.	4,729

4.0 **CAPITAL EXPENDITURE**

4.1 During 2017/18 the Council's total capital investment was. £12.592M (details are provided at Appendix C). A summary of the expenditure is set out below and is compared to the updated base programme.

Table 6

	Priority	2017/18 Original Base £'M	2017/18 Updated Base £M	2017/18 Outturn £M	2017/18 Variance £M
1	Growth	12.460	12.541	3.818	(8.723)
2	Housing	0.650	1.008	0.388	(0.620)
3	Culture	0.358	0.383	0.119	(0.264)
4	Environment	1.150	1.522	1.009	(0.513)
5	Corporate	0.076	0.176	0.040	(0.136)

6	Other (inc. previous year schemes)	0	0	0.055	0.055
7	General Fund Programme Total	14.694	15.630	5.429	(10.201)
8	Housing Investment Programme Total	8.869	8.991	7.163	(1.828)
9	Total Capital Programme	23.563	24.621	12.592	(12.029)

4.2 The capital programme for 2017/18 was agreed by Council at its meeting on 2 March 2017 and subsequently amended by Council during the year. The General Fund outturn position of £5.429M represents a variance of (£10.201M) compared with the updated base. The summary of variances can be referenced at Appendix C. The relevant line number is provided for ease of reading.

Variance Analysis – General Fund (Appendix C)

Table 7

Capital scheme	Explanation of significant Variance
<u>Growth</u>	
St. Peter's Hill Development Project (line 1)	There is an under spend of £3.934M due to a re profiling of the delivery of the project. Based on the original 2017/18 forecast, a budget of £4.030M has already been incorporated into the 2018/19 programme. However the actual outturn was £100K more than the forecast resulting in excess slippage of £100K.
Servicing Land at Vantage Park (line 3)	This has now completed but the expenditure was financed through revenue.
Property Investment Strategy (line 4)	During the year the purchase of a commercial property at Lincoln has taken place at a cost of £3.073M. The resulting under spend has been incorporated into the 2018/19 budget framework
Local Authority Controlled Company (LACC) (line 5)	Work has been undertaken to progress a development opportunity that will be delivered by the company during 2018/19. The original forecast under spend of £2.55M has already been incorporated into the 2018/19 programme and the balance of £250K is proposed additional slippage.
<u>Housing</u>	
Housing Grant Assistance (line 6)	The under spend of £207K was due to the volume of applications being lower than previously anticipated.
Disabled Facilities Grants (line 7)	In 2017/18 there was additional grant funding of £358K increasing the budget to £734K. Applications are dependent on an assessment carried out by occupational therapists at Lincolnshire County Council and there have been fewer O.T. referrals and less expensive adaptations. This has resulted in an under spend of £413K.
<u>Culture</u>	
Wyndham Park	There was a delay in commencement of the capital building

Capital scheme	Explanation of significant Variance
Improvements (line 11)	works of the scheme which has led to an under spend of £274K. £238K has already been incorporated into the 2018/19 programme and a further £36K is proposed additional slippage.
<u>Environment</u>	
Wheeled Bin Procurement (line 12)	There is a saving of £37K due to reduced requirements.
Pool Car Vehicles (line 13)	The budget (£124K) was not spent due to a review of the specific requirements for the new pool car fleet. This budget has already been incorporated into the 2018/19 programme.
Street scene Vehicles (line 14)	An under spend (200K) has occurred due to delays in the delivery of the new vehicles. This will be proposed additional slippage.
Vehicles Replacement (line 15)	there is an overall under spend (114K) comprising of procurement savings of £53K and delivery delays by the supplier of £61K. A budget of £61K will be proposed additional slippage.
Big Clean Vehicles (line 16)	The under spend (39K) was due to procurement savings.
<u>Corporate</u>	
IT Infrastructure budget (line 17)	The budget of £68K was not spent. £26K has already been incorporated into the 2018/19 programme for the sandbox firewall. The remaining £42K is proposed additional slippage for the Wi-Fi deployment scheme.
Financial systems upgrade (line 18)	The budget (£50K) is proposed to be slipped into the 2018/19 programme due to implementation delays.

Summary of General Fund capital outturn

4.3 The following additional slippage amounts (further to the slippage previously approved by Council) have been identified for inclusion into the 2018/19 General Fund capital programme:

- St Peter's Hill Development £100K
- Local Authority Controlled Company £250K
- Wyndham Park Improvements £36K
- Street Scene Vehicle Replacement £200K
- Vehicle Replacement Programme £61K
- ICT Infrastructure £42K
- Installation of Electric Charging points £39K (to be funded from capital underspend relating to Big Clean)

Variance Analysis HRA Capital Programme

4.4 The updated base for the HRA capital programme for 2017/18 was £8.991M and the outturn was £7.163M. This represents a variance of (£1.828M) compared to

the updated base. The summary of variances can be referenced at Appendix C and the relevant line number is provided for ease of reading.

Capital scheme	Explanation of significant Variance
New Build Properties (line 2)	All schemes have now completed. There was provision made in the budget for the cost of contractors' claims for extras. Negotiations have reduced these claims resulting in an under spend of £223K.
Stock Growth and Acquisitions (line 3)	During the year there has been 1 buy back (a former Council property) and 1 conversion resulting in an under spend of £1.367M. Three other sites have been pursued during 2017/18 but one bid was unsuccessful. Negotiations are still in progress on the other two sites. £554K has already been slipped into the 2018/19 programme.
Re-Wiring (line 5)	There was an under spend of £81K as a result of a number of tenant refusals and a number of inaccessible properties.
Purchase of Vehicles (line 9)	The replacement programme for the direct works vehicles generated procurement savings of £135K.

5.0 **COMMENTARY ON BALANCES AND RESERVES**

5.1 An integral element of the closedown procedure is to undertake a review of the usage and levels of the Council's reserves and balances. The financial statements reflect the proposed use of these and specific details of the significant balances and reserves are set out below and detailed at Appendix D.

The overall General Fund reserves position is a variance of £11.9M when compared with the forecast position which was presented to Council in March 2018. This is largely due to timing differences with the delivery of the General Fund capital programme which has been referenced at table 6 above.

Discretionary Reserves £14.326M (lines 1-20)

5.2 These reserves have been established to financially support the delivery of the Council's Corporate Strategy including both revenue and capital projects. In response to the Corporate Plan there is an ambition to focus funding towards initiatives that accelerate economic growth, e.g. visitor economy, tourism, heritage etc. These reserves will be targeted to these areas in the future. With this in mind a number of reserves that no longer tie back to the Corporate Plan have been closed.

5.3 The Local Priorities Reserve (line 16) has been increased by £3.1M to reflect New Homes Bonus monies that have been received to reflect housing growth in the district and £6M has been taken from the reserves as follows:

- £1.743M transferred to the St Peter's Hill Reserve to support the delivery of cinema.
- £3M to fund the purchase of Alpha Court

- £933K to support Big Clean and Invest SK initiative

5.4 The Community Fund (line 15) has been established by Council to financially support community projects and events that demonstrate a correlation to the Council's priorities. During the year £96K has been allocated to fund community projects and a top up of £96K is required to maintain the fund balance at £150K (in accordance with Council's decision).

Governance Reserves £5.578M (lines 21-27)

5.5 These reserves are maintained to mitigate risk, satisfy statutory and grant awarding bodies requirements and support prudent financial management

5.6 The Insurance Fund (£337K line 21) provides cover to meet unforeseen costs relating to insurance claims over and above the provisions made in year as part of managing the 'in house risk' with an increased self-insured strategy. During the year £13K has been used to fund claims and insurance premium.

5.7 We maintain two Pension Reserves (£2.234M lines 22, 23). The current employees reserve provides for potential capital costs of any future early retirements and also helps to protect the Council from large changes in Council Tax resulting from unanticipated rises in the employer's contribution rate following future triennial valuations. The level of the reserve is being maintained in order to fund the pension payment reducing the Council contribution rate from 21.1% to 16.5%. This decision has had a positive impact on the revenue budgets for the same period.

5.8 A new reserve has been established (line 26) to meet the conditions of the 3G football pitch grant received in 2016/17. The Football Association require evidence that a sinking fund has been established to fund the future replacement of this facility.

General Fund working balance £2.835M (line 30)

5.9 The purpose of this working balance is to ensure there is sufficient financial resource available in order to meet unforeseen events during the course of the financial year. Whilst there is no statutory minimum reserve level, it is prudent to maintain a working balance commensurate with the expenditure levels of the Council in order to be in a position to meet any unforeseen or unanticipated expenditure that may occur during the year. The level currently held 16% of net expenditure which is an appropriate level.

General Fund Capital Reserves £7.876M (line 32)

5.10 LAMS reserve £304K (line 33) - The Local Authority Mortgage scheme (LAMS) is no longer in operation for all authorities; however the Council continues to receive investment interest that is derived from the investment of that was placed to support the scheme. Interest will continue to accrue until the final maturity on 20 February 2019. At the end of the investment period the balance will be reviewed in relation to the outstanding guarantee commitment and excess funds returned to balances.

- 5.11 St Peter's Hill Development £2.607M (line 34) - This reserve was created to set aside funding for the Cinema project in 2018/19.
- 5.12 General Fund - Capital Reserve - £1.171M (line 35) - The General Fund capital reserve is used to assist with the funding of the capital programme. During the year £896K was used to fund the capital programme.
- 5.13 Useable Capital Receipts Reserve £3.7945M (line 36) - This reserve is one of the sources of funding the General Fund capital programme. During the year the Council has received £870K in receipts following the sale of vehicles and Vantage Park and the repayment of loans.

HRA Reserves £33.945M Line 10

- 5.14 HRA working balance £2.489M (line 4) - This balance serves the same purpose as the General Fund working balance in that it is established to respond to unforeseen financial events that occur during the financial year. In accordance with the HRA business plan the working balance has been reduced to represent 10% of operating expenditure costs.
- 5.15 Capital Receipts Reserve (HRA) £3.332M (line 6) - The Council has established a capital receipts reserve where the 'Right to Buy' sale receipts are allocated. During the year £2.095M has been used to contribute towards the new build programme and receipts of £2.574M have been received from HRA sales including 57 housing stock. This reserve will continue to be utilised to contribute to the provision of affordable housing and the provision of additional Council housing stock.
- 5.16 Loan Repayment Reserve (HRA) £16M (line 7) - The reserve was established to accumulate balances to meet the maturity loan payment of £25M which is due to be repaid at 27th March 2020. As at 3rd March 2018 the balance is £9M less than the required amount for full redemption but there are several options available to the Council including part repayment or total refinancing. These options will be considered nearer the time of the loan maturing in order to accurately assess the options available.
- 5.17 Major Repairs Reserve (HRA) £10.328M (line 8) - This reserve has been credited with £6.521M to fund its capital expenditure and been charged £5.068M to fund capital items for the 2017/18 programme. This will continue to be the primary financing for the HRA Capital Programme.

6.0 LOOKING AHEAD

- 6.1 The Committee will be aware that the 2018/19 budget framework includes a number of new income generation proposals, savings and efficiencies totalling £2.4M (Budget report CFM 453) refers. The outturn position referred to in this report is integral to the medium term financial planning with respect to the outturn position on business rates income, emerging service pressures, new income opportunities and the level of reserves. The 2018/19 financial management will particularly focus on the following:
- Business rates 100% retention pilot for Lincolnshire and the associated financial impact for the Council. This will provide the Council with 60% of

additional business above the Government baseline being retained (with the remaining 40% for Lincolnshire County Council)

- Management of the savings and efficiencies totalling £2.4M
- National review of the Fair Funding allocation methodology
- Management of significant income streams for the Council - business rates, Council Tax
- Commercial activity by the introduction of profit and loss accounts for new commercial centres

6.2 Growth Overview and Scrutiny Committee will be monitoring the above as part of the quarterly management reports that will be presented during the year.

7. OTHER OPTIONS CONSIDERED

7.1 None.

8. RESOURCE IMPLICATIONS

8.1 These are included in the report.

9. RISK AND MITIGATION

9.1 None identified.

10. ISSUES ARISING FROM IMPACT ANALYSIS (EQUALITY, SAFEGUARDING ETC)

10.1 N/A

11. CRIME AND DISORDER IMPLICATIONS

11.1 N/A

12. COMMENTS OF FINANCIAL SERVICES

12.1 Financial comments are included in the report.

13. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

13.1 The annual revenue and capital outturn report was approved by the Governance and Audit Committee at its meeting on 21 June 2018 in accordance with the Committee's terms of reference. Scrutiny of the document falls within the remit of the Growth Overview and Scrutiny Committee, which may review the outturn report and make recommendations to Cabinet.

14. COMMENTS OF OTHER RELEVANT SERVICES

N/A

15. APPENDICES

Outturn Appendices:

Appendix A – General Fund Revenue

Appendix B – HRA Revenue

Appendix C – Capital (General Fund & HRA)

Appendix D – Reserves (General Fund & HRA)

16. BACKGROUND PAPERS

Outturn Report 2017/18:

<http://moderngov.southkesteven.gov.uk/ieListDocuments.aspx?CId=498&MId=3613&Ver=4>

Quarter 3 2017/18 monitoring report:

<http://moderngov.southkesteven.gov.uk/ieListDocuments.aspx?CId=631&MId=3447&Ver=4>

Budget Report 2018/19:

<http://moderngov.southkesteven.gov.uk/ieListDocuments.aspx?CId=261&MId=3463&Ver=4>

2017/18 Outturn

	2017/18 Original Base £'000	2017/18 Adjusted Base £'000	2017/18 Outturn £'000	2017/18 Variance Original £'000	2017/18 Variance Adjusted £'000
1 Growth	451	442	1,094	643	652
2 Environment	6,807	7,468	7,351	544	(117)
3 Culture	3,141	3,397	3,858	717	461
4 Housing	1,103	1,111	691	(412)	(420)
5 Corporate	4,454	5,020	5,455	1,001	435
6 Accounting Adjustments	0	0	(1,294)	(1,294)	(1,294)
7 NET SERVICE COSTS	15,956	17,438	17,155	1,199	(283)
8 Depreciation and Impairment charged to Revenue Accounts	(3,692)	(3,692)	(3,573)	119	119
9 Movement in fair value of investment property	0	0	(227)	(227)	(227)
10 Net movement on Pension interest costs and Return on assets	0	0	970	970	970
11 Interest and Investment Income	(157)	(157)	(350)	(193)	(193)
12 Interest Payable	9	9	4	(5)	(5)
13 NET OPERATING EXPENDITURE	12,116	13,598	13,979	1,863	381
14 Net movement in General Fund Specific Reserves	(1,218)	(2,700)	1,199	2,417	3,899
15 Revaluation Gains/ (losses)	0	0	136	136	136
16 Amortisation of Intangible Assets	0	0	(88)	(88)	(88)
17 Revenue Contribution to Capital	385	385	668	283	283
18 Revenue Expenditure Financed by Capital Through Statute	0	0	(537)	(537)	(537)
19 Minimum Revenue Provision	153	153	161	8	8
20 Precepts of Local Precepting Authorities	1,619	1,619	1,620	1	1
21 IAS19 adj			(980)	(980)	(980)
22 AMOUNT TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXPAYERS	13,055	13,055	16,158	3,103	3,103
23 Council Tax Income	(8,430)	(8,430)	(8,431)	(1)	(1)
24 Revenue Support Grant	(957)	(957)	(957)	0	0
25 Business Rates (net)	(3,975)	(3,975)	(3,044)	931	931
26 Pooling Gain	(166)	(166)	(460)	(294)	(294)
27 Government Grants	0	0	(4,672)	(4,672)	(4,672)
28 Rural Grant	(236)	(236)	(236)	0	0
29 Other Grants	0	0	(104)	(104)	(104)
30 Collection Fund Deficit	709	709	709	0	0
31 (SURPLUS)/DEFICIT IN YEAR	0	0	(1,037)	(1,037)	(1,037)
General Fund Revenue Balances					
32 (Increase)/Reduction in working balance	0	0	(1,037)	(1,037)	(1,037)
33 Balance at Beginning of Year	(1,798)	(1,798)	(1,798)	0	0
34 BALANCE AT END OF YEAR	(1,798)	(1,798)	(2,835)	(1,037)	(1,037)

GROWTH
2017/18 Outturn

	Detail	2017/18 Original Base £'000	2017/18 Adjusted Base £'000	2017/18 Outturn £'000	2017/18 Variance Adjusted £'000	2017/18 Variance Adjusted %
	Front Line Services					
1	Alma Park, Grantham	11	11	11	0	0 %
2	Bus Stations	85	85	109	24	28 %
3	Car Parks	(705)	(703)	(528)	175	(25)%
4	Conservation	93	93	103	10	11 %
5	Development Management	256	243	373	130	53 %
6	Festivals	100	100	138	38	38 %
7	Graham Hill Way, Bourne	(32)	(32)	(28)	4	(13)%
8	Hollis Road, Grantham	(7)	(7)	(4)	3	(43)%
9	Invest SK & Economic Development	363	617	713	96	16 %
10	Markets	73	73	144	71	97 %
11	Miscellaneous Properties*	0	(240)	88	328	(137)%
12	Mowbeck Way, Grantham	(15)	(15)	(11)	4	(27)%
13	Northfields, Market Deeping	(323)	(323)	(369)	(46)	14 %
14	Planning Policy	342	327	139	(188)	(57)%
15	Public Conveniences	164	164	158	(6)	(4)%
16	Street Numbering & Naming	46	49	58	9	18 %
	* Priority changed for investment property income from Culture					
17	NET GENERAL FUND CHARGE	451	442	1,094	652	148 %

ENVIRONMENT
2017/18 Outturn

	Detail	2017/18 Original Base £'000	2017/18 Adjusted Base £'000	2017/18 Outturn £'000	2017/18 Variance Adjusted £'000	2017/18 Variance Adjusted %
	<u>Front Line Services</u>					
1	Air Pollution	56	55	49	(6)	(11)%
2	Animal Health & Welfare	4	4	2	(2)	(50)%
3	Awarded Watercourses	47	47	45	(2)	(4)%
4	Closed Burial Grounds	51	51	57	6	12 %
5	Closed Circuit Television	316	318	314	(4)	(1)%
6	Community Activities	108	106	104	(2)	(2)%
7	Control of Dogs	61	61	63	2	3 %
8	Cycle Centre & Cycleways	15	15	17	2	13 %
9	Flood Prevention	96	96	72	(24)	(25)%
10	Food Safety	211	210	212	2	1 %
11	Footway Lighting	239	239	189	(50)	(21)%
12	Gambling Licensing	0	0	0	0	0 %
13	Grantham Canal	21	21	26	5	24 %
14	Hackney Carriage Registration	0	0	0	0	100%
15	Health & Safety Enforcement	97	97	110	13	13 %
16	Infectious Disease Control	36	36	36	0	0 %
17	Leisure Premises	(9)	(9)	(7)	2	(22)%
18	Licensing Enforcement	2	2	2	0	0 %
19	Liquor Licensing	0	0	0	0	100%
20	Local Licences	0	0	0	0	100%
21	Neighbourhoods	303	304	354	50	16 %
22	Noise Control	68	67	73	6	9 %
23	Partnerships	32	32	32	0	0 %
24	Play Areas & Open Spaces	305	305	346	41	13 %
25	Public Health	135	139	163	24	17 %
26	Street Furniture	27	23	25	2	9 %
27	Street Scene	1,247	1,809	1,850	41	2 %
28	Waste Management	2,730	2,832	2,689	(143)	(5)%
29	Water Quality	29	28	29	1	4 %
30	NET GENERAL FUND CHARGE	6,227	6,888	6,852	(36)	(1)%

CULTURE
2017/18 Outturn

	Detail	2017/18 Original Base £'000	2017/18 Adjusted Base £'000	2017/18 Outturn £'000	2017/18 Variance Adjusted £'000	2017/18 Variance Adjusted %
	Front Line Services					
1	Arts and Events	41	52	54	2	4 %
2	Bourne Corn Exchange	65	72	(48)	(120)	(167)%
3	Bourne Leisure Centre	78	78	92	14	18 %
4	Deepings Leisure Centre	328	328	391	63	19 %
5	Fairs	(5)	(5)	3	8	(160)%
6	Grantham Meres Leisure Centre	918	918	1,021	103	11 %
7	Guildhall Arts Centre	807	813	968	155	19 %
8	Leisure Grants & Loans	0	0	(3)	(3)	100%
9	Miscellaneous Property*	(240)	0	0	0	100%
10	Sports Stadium	227	227	275	48	21 %
11	Stamford Arts Centre	624	616	791	175	28 %
12	Stamford Leisure Centre	223	223	231	8	4 %
	* Priority changed for investment property income to Growth					
13	NET GENERAL FUND CHARGE	3,066	3,322	3,775	453	14 %

HOUSING
2017/18 Outturn

	Detail	2017/18 Original Base £'000	2017/18 Adjusted Base £'000	2017/18 Outturn £'000	2017/18 Variance Adjusted £'000	2017/18 Variance Adjusted %
	<u>Front Line Services</u>					
1	Citizens Advice Bureau	60	60	62	2	3 %
2	Homelessness	587	592	545	(47)	(8)%
3	Housing Benefits Administration	182	182	184	2	1 %
4	Land Charges	0	5	0	(5)	(100)%
5	Private Sector Landlords	274	272	(100)	(372)	(137)%
6	Travellers Rest Caravan Site	0	0	0	0	0 %
7	NET GENERAL FUND CHARGE	1,103	1,111	691	(420)	(38)%

CORPORATE
2017/18 Outturn

Detail	2017/18 Original Base £'000	2017/18 Adjusted Base £'000	2017/18 Outturn £'000	2017/18 Variance Adjusted £'000	2017/18 Variance Adjusted %
Front Line Services					
1 Benefits Administration	(82)	(81)	8	89	(110)%
2 Building Control Partnership	100	100	130	30	30 %
3 Council Tax Admin & Enforcement	539	533	772	239	45 %
4 Corporate Costs	1,472	1,985	1,906	(79)	(4)%
5 Dangerous Structures	1	1	1	0	0 %
6 Democratic Representation	893	896	1,137	241	27 %
7 District Elections	28	28	36	8	29 %
8 Drainage Rates	656	656	662	6	1 %
9 Emergency Planning	47	47	46	(1)	(2)%
10 Insurance*	0	0	69	69	100%
11 NDR Admin & Enforcement	2	11	33	22	200 %
12 Non-District Elections	0	0	1	1	0 %
13 Pension Costs*	77	77	10	(67)	(87)%
14 Register of Electors	297	299	271	(28)	(9)%
15 Reputation, Consultation & Communication	390	417	470	53	13 %
16 Treasury Management	34	34	33	(1)	(3)%
17 Front Line Services	4,454	5,003	5,585	582	12 %
Support Services					
18 Corporate Management	1,313	1,287	1,350	63	5 %
19 Counter Fraud	55	38	36	(2)	(5)%
20 Customer Services	844	845	897	52	6 %
21 Democratic Services	133	136	131	(5)	(4)%
22 Development & Growth Admin	79	83	81	(2)	(2)%
23 Facilities Management	235	239	270	31	13 %
24 Financial Services	916	915	964	49	5 %
25 Human Resources	199	215	268	53	25 %
26 ICT	972	922	912	(10)	(1)%
27 Income Recovery Service	37	38	38	0	0 %
28 Legal Services	205	242	173	(69)	(29)%
29 Leisure & Amenities	169	168	174	6	4 %
30 Member Support	0	25	69	44	176 %
31 Performance & Project Management	143	143	116	(27)	(19)%
32 Property Management	159	162	185	23	14 %
33 Strategic Leadership	633	620	637	17	3 %
34 Waste & Recycling Management	258	262	213	(49)	(19)%
35 Recharged to Services	(6,350)	(6,340)	(6,514)	(174)	3 %
36 Under/ (Over) Allocation of Support Services	0	17	(130)	(147)	(865)%
37 NET GENERAL FUND CHARGE	4,454	5,020	5,455	435	9 %

*Accounting adjustment reversed out on the GF balance

SPECIAL EXPENSE AREAS

2017/18 Outturn

	Detail	2017/18 Original Base	2017/18 Adjusted Base	2017/18 Outturn	2017/18 Variance Adjusted	2017/18 Variance Adjusted
		£'000	£'000	£'000	£'000	%
	<u>Front Line Services</u>					
1	Bourne Special Expense Area	26	26	23	(3)	(12)%
2	Deepings Special Expense Area	14	14	14	0	0 %
3	Grantham Special Expense Area	494	494	425	(69)	(14)%
4	Langtoft Special Expense Area	25	25	30	5	20 %
5	Stamford Special Expense Area	96	96	90	(6)	(6)%
6	NET GENERAL FUND CHARGE	655	655	582	(73)	(11)%

Housing Revenue Account Summary
2017/18 Outturn

Appendix B

	2017/18 Original Base £'000	2017/18 Adjusted Base £'000	2017/18 Outturn £'000	2017/18 Variance Adjusted £'000
INCOME				
1	(24,825)	(24,825)	(24,780)	45
2	(300)	(300)	(293)	7
3	(603)	(636)	(632)	4
4	(66)	(66)	(88)	(22)
5	(25,794)	(25,827)	(25,793)	34
EXPENDITURE				
6	8,131	8,145	8,308	163
7	2,526	2,537	3,097	560
8	1,066	1,074	1,084	10
9	371	371	393	22
10	2,869	2,869	3,495	626
11	0	0	4,729	4,729
12	0	0	(9,582)	(9,582)
13	35	35	36	1
14	248	248	226	(22)
15	0	0	(15)	(15)
16	193	193	0	(193)
17	0	0	0	0
18	15,439	15,472	11,771	(3,701)
19	(10,355)	(10,355)	(14,022)	(3,667)
20	2,972	2,972	2,943	(29)
21	(223)	(223)	(228)	(5)
22	0	0	(36)	(36)
23	0	0	295	295
24	0	0	(976)	(976)
25	0	0	0	0
26	0	0	803	803
27	0	0	(10)	(10)
28	(7,606)	(7,606)	(11,231)	(3,625)
29	MOVEMENT ON THE HRA BALANCE			
30	7,606	7,606	11,231	3,625
31	0	0	1,470	1,470
32	0	0	(664)	(664)
33	0	0	(976)	(976)
34	(3,652)	(3,652)	(3,036)	616
35	(2,267)	(2,267)	(2,350)	(83)
36	0	0	40	40
37	193	193	293	100
38	(3,222)	(3,222)	(3,222)	0
39	0	0	803	803
40	0	0	4,729	4,729
41	0	0	(9,601)	(9,601)
42	0	0	155	155
43	0	0	(10)	(10)
44	0	0	1	1
45	3,831	3,831	3,627	(204)
46	2,489	2,489	2,490	1

* Accounting adjustment reversed out on the HRA balance

**General Fund Capital Programme
2017/18 Outturn**

Appendix C

Description	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18
	Estimate Base	Updated Base	Forecast Outturn	Outturn	Variance	Original Slippage	Additional Slippage	Total Slippage
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Growth								
1 Town Centre Projects - St Peters Hill Development	4,530	4,530	782	596	(3,934)	4,030	(100)	3,930
2 Shop Front Scheme	130	130	130	149	19			
3 Servicing Land At Vantage Park		81	81		(81)			
4 Property Investment Strategy	5,000	5,000	5,000	3,073	(1,927)	1,900		1,900
5 Local Authority Controlled Company	2,800	2,800	250		(2,800)	2,550	250	2,800
	12,460	12,541	6,243	3,818	(8,723)	8,480	150	8,630
Housing								
6 Housing Grant Assistance	274	274	35	67	(207)			
7 Disabled Facilities Grant	376	734	415	321	(413)			
	650	1,008	450	388	(620)	0	0	0
Culture								
8 Provision for Existing Assets								
9 Low Voltage panel replacement - Grantham Council offices		25			(25)			
10 Christmas Lights				35	35			
11 Wyndham Park Improvements	358	358	120	84	(274)	238	36	274
	358	383	120	119	(264)	238	36	274
Environment								
12 Wheelie Bin Replacements	111	111	48	74	(37)	63		63
13 Pool Vehicles	124	124			(124)	124		124
14 Street Scene Vehicle Procurement	180	325	260	126	(199)		200	200
15 Vehicle Replacement Programme	735	735	683	621	(114)		61	61
16 Big Clean Vehicle Replacement Programme	0	227	189	188	(39)		39	39
	1,150	1,522	1,180	1,009	(513)	187	300	487
Corporate								
17 ICT Infrastructure	26	68	42		(68)	26	42	68
18 Financial System Upgrade	50	50			(50)	50		50
19 Customer Relationship & Document Management Systems		50	50	40	(10)			0
20 Customer Access Strategy		8	8		(8)			0
	76	176	100	40	(136)	76	42	118
Section 106 Schemes								
21 Tissington Road Play Area				55	55			0
	0	0	0	55	55	0	0	0
TOTAL GENERAL FUND CAPITAL PROGRAMME	14,694	15,630	8,093	5,429	(10,201)	8,981	528	9,509

**General Fund Capital Programme
Financing Statement 2017/18**

Appendix C

	Description	2017/18 Estimate Base	2017/18 Updated Base £'000	2017/18 Outturn £'000
	<u>General Fund</u>			
1	Growth	12,460	12,541	3,873
2	Housing	650	1,008	388
3	Culture	358	383	119
4	Environment	1,150	1,522	1,009
5	Corporate	76	176	40
6	TOTAL -General Fund	14,694	15,630	5,429
	<u>GENERAL FUND FINANCED BY:</u>			
7	Supported Borrowing	0	0	0
8	Unsupported Borrowing	0	0	0
9	Specific Reserve - Capital	5,597	5,792	4,760
10	Usable Capital Receipts	66	172	0
11	Capital Grants and Contributions - Disabled Facility Grant	376	734	388
12	Direct Revenue Financing - Cemetery works	5	5	0
13	- Wyndham Park Water Fountain- SEA	5	5	0
14	- Wyndham - SEA	60	60	0
15	- S106 Monies	15	15	66
16	- ICT Reserve	76	126	0
17	- Shop Front Scheme	65	65	0
18	- Heritage Lottery Funding	244	244	0
19	- Local Priorities Reserve	7,800	8,027	0
20	- Contribution from Revenue	385	385	215
21	TOTAL - GF CAPITAL PROGRAMME	14,694	15,630	5,429

HOUSING CAPITAL PROGRAMME
2017/18 Outturn

	Description	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18
		Estimate Base	Updated Base	Forecast Outturn	Outturn	Variance	Original Slippage	Updated Slippage	Total Slippage	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	HOUSING REVENUE ACCOUNT									
	Energy Efficiency Initiatives									
1	Central Heating, Ventilation And Boiler Replacements	1,300	1,300	1,300	1,298	(2)	0	0	0	0
		1,300	1,300	1,300	1,298	(2)	0	0	0	0
	Refurbishment and Improvement									
2	New Build Properties	2,213	2,213	1,956	1,990	(223)	0	0	0	0
3	Stock Growth & Acquisitions	1,554	1,554	1,000	187	(1,367)	554	0	554	554
4	Re-Roofing (Including Chimneys)	1,100	1,100	1,100	1,089	(11)	0	0	0	0
5	Re-Wiring	250	250	250	169	(81)	0	0	0	0
6	Kitchen And Bathroom Refurbishments	1,000	1,000	1,000	1,001	1	0	0	0	0
7	Replacement Door Programme	100	100	100	99	(1)	0	0	0	0
8	External Wall Insulation	1,000	1,000	1,000	991	(9)	0	0	0	0
		7,217	7,217	6,406	5,526	(1,691)	554	0	554	554
	Purchase Of Vehicles									
9	Repairs Vehicles	352	474	339	339	(135)	0	0	0	0
		352	474	339	339	(135)	0	0	0	0
10	TOTAL - HOUSING INVESTMENT PROGRAMME	8,869	8,991	8,045	7,163	(1,828)	554	0	554	554

**HRA Capital Programme
Financing Statement 2017/18**

	Description	2017/18 Estimate Base £'000	2017/18 Updated Base £'000	2017/18 Outturn £'000
	<u>HRA FINANCED BY:</u>			
1	Major Repair Reserve	6,302	6,424	5,068
2	Capital Receipts	2,567	2,567	2,095
3	TOTAL - HRA CAPITAL PROGRAMME	8,869	8,991	7,163
	Capital Programme			
4	Stock Improvements & New Builds	8,517	8,517	6,824
5	Purchase of Vehicles	352	474	339
		8,869	8,991	7,163

GENERAL FUND RESERVES STATEMENT AS AT 31 MARCH 2018

	Balance as at 31 March 2017 £'000	Transfer to Reserve in year £'000	Transfer from Reserve in year £'000	Actual Balance as at 31 March 2018 £'000	Original Forecast Balance £'000	Variance £'000
General Fund						
Discretionary Reserves						
1	Stamford Arts Centre	52		(19)	33	0 (33)
2	Training and Development	20		(5)	15	0 (15)
3	Events and Festivals	228	143	(138)	233	235 2
4	Apprenticeships	100		(64)	36	78 42
5	Broadband infrastructure	550		(550)	0	550 550
6	Waste and Recycling initiatives	156			156	156 0
7	Support for corporate reviews	53		(53)	0	53 53
8	Business Support	100		(100)	0	100 100
9	ICT investment	268		(95)	173	159 (14)
10	Transformation Programme	692		(692)	0	728 728
11	Economic Development & Growth	91	140	(62)	169	120 (49)
12	Tourism	40		(40)	0	40 40
13	Hardship & Welfare	50		(50)	0	50 50
14	Service Improvement Reserve	1,347		(282)	1,065	799 (266)
15	Community Fund	150	96	(96)	150	60 (90)
16	Local Priorities Reserve	13,737	3,176	(5,992)	10,921	7276 (3,645)
17	Invest to Save	358	495	(51)	802	358 (444)
18	Housing Delivery		347		347	0 (347)
19	Ward Members		56		56	0 (56)
20	Food Waste		170		170	0 (170)
		17,992	4,623	(8,289)	14,326	10,762 (3,564)
Governance Reserves						
21	Insurance Reserve	350		(13)	337	130 (207)
22	Pensions Reserve - Former Employees	220	296	(50)	466	149 (317)
23	Pensions Reserve - Current Employees	2,425		(657)	1,768	1874 106
24	BR & CTS Volatility	1,729			1,729	931 (798)
25	Building Control	(66)	59		(7)	(81) (74)
26	Football 3G Pitch		25		25	0 (25)
27	SEA Reserve	202	68	(10)	260	138 (122)
		4,860	448	(730)	4,578	3,141 (1,437)
28	Total General Revenue Reserves	22,852	5,071	(9,019)	18,904	13,903 (5,001)
29	Government Grants Received	690	421	(53)	1,058	236 (822)
30	Working Balance	1,798	9,819	(8,782)	2,835	1000 (1,835)
31	Total Revenue Reserves	25,340	15,311	(17,854)	22,797	15,139 (7,658)
Capital Reserve						
33	LAMS Reserve	266	38		304	0 (304)
34	St Peters Hill Development	519	2,684	(596)	2,607	0 (2,607)
35	General Fund Capital Reserve	2,008	59	(896)	1,171	38 (1,133)
36	Useable Capital Receipts Reserve	2,924	870		3,794	3,560 (234)
37	Total Capital Reserves	5,717	3,651	(1,492)	7,876	3,598 (4,278)
38	Total General Fund Reserves	31,057	18,962	(19,346)	30,673	18,737 (11,936)

Reserves Statements - HRA
2017/18 Outturn

Appendix D

HRA RESERVES STATEMENT AS AT 31 MARCH 2018

	Balance as at 31 March 2017 £'000	Transfer to Reserve in year £'000	Transfer from Reserve in year £'000	Balance as at 31 March 2018 £'000
Housing Revenue Account (HRA)				
Revenue Reserves				
1 Insurance Reserve	300		(100)	200
2 Service Specific Funds:	879		(193)	686
3 HRA Improvement Reserve	601		(40)	561
4 Working Balance	3,626	18,638	(19,775)	2,489
5 Total HRA Revenue Reserves	5,406	18,638	(20,108)	3,936
HRA Capital Reserve				
6 HRA Capital Receipts Reserve	2,853	3,377	(2,899)	3,331
7 Loan Repayment Reserve	14,000	2,350		16,350
8 Major Repairs Reserve	8,875	6,521	(5,068)	10,328
9 Total HRA Capital Reserves	25,728	12,248	(7,967)	30,009
10 Total HRA Reserves	31,134	30,886	(28,075)	33,945



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Growth Overview and Scrutiny Committee

Report of: Councillor Helen Goral
Cabinet Member for Growth and Communications

Report to:	Growth Overview and Scrutiny Committee
Date:	25th July 2018
Subject:	Articles of Association and Memorandum of Understanding for InvestSK. Report iSK 004

Decision Proposal:	For discussion
Relevant Cabinet Member:	Councillor Helen Goral – Cabinet Member for Growth and Communications
Report author:	Paul Thomas Strategic Director – Growth P.thomas@southkesteven.gov.uk 01476 406162 Date: 13 th July 2018
Reviewed by:	Richard Wyles Assistant Director – Finance 01476 406210 r.wyles@southkesteven.gov.uk Date: 13 th July 2018
Signed off by:	Debbie Muddimer Strategic Director – Resources Debbie.muddimer@southkesteven.gov.uk 01475 406301 Date: 16 th July 2018
Approved for publication	Cllr Helen Goral 16 th July 2018

SUMMARY

This report proposes two key documents for consideration by the Growth Overview and Scrutiny Committee:

1. The Articles of Association for InvestSK reflect the specific requirements of the Council in the way that InvestSK functions as a company
2. The Memorandum of Association and its associated Performance Management Framework set out what InvestSK is expected to deliver in return for funding from the Council.

Growth Overview and Scrutiny Committee is invited to provide comment on both documents to the Cabinet Member for Growth and Communications, who has delegated powers to approve them on behalf of the Cabinet, and to lodge the Articles of Association with Companies House.

RECOMMENDATION

That Growth Overview and Scrutiny Committee considers the documents at Appendix 4, 5 and 5a and provides comment to the Cabinet Member for **Growth and Communications** so that those company documents can be adopted.

1. BACKGROUND TO REPORT

- 1.1 Cabinet considered a proposal to incorporate InvestSK as a Private Company, Limited by Guarantee, at its meeting on the 12th May 2018. The decision was called-in by 5 Councillors.
- 1.2 Growth Overview and Scrutiny Committee (OSC) met on the 29th May to consider whether the call-in should be upheld. Growth OSC determined that the call-in would not be upheld and that the decision of Cabinet stood.

2. PROGRESS AGAINST CABINET'S DECISION

- 2.1 Cabinet's decision to incorporate InvestSK was made in six parts. An update is provided on each part below:

1. The Cabinet agrees Option 4, as set out at clause 6.5 in this report iSK002, to establish InvestSK as a private company limited by guarantee, with the Council as the sole member.

Update: InvestSK has now been incorporated (see Appendix 1) and the Council is identified as the Member, and for the time being the sole Member (see Appendix 3)

2. The Company, as a company limited by guarantee, will not have a share capital. Rather, as sole member, the Council will guarantee the liabilities of the Company up to the amount of £1.

Update: InvestSK has been incorporated as a company limited by guarantee (see Appendix 1)

3. The following be appointed as Directors of the Company (the Board):
 - a. Councillor Matthew Lee, the Leader of the Council (Chairman).
 - b. Councillor Kelham Cooke, the Deputy Leader of the Council
 - c. Aidan Rave, the Chief Executive of the Council

Update: Cllrs Lee and Cooke and Aidan Rave have been appointed as directors of InvestSK

4. The Board determines who should be nominated to become the Company Secretary.

Update: The Board has nominated Aidan Rave as Company Secretary

5. The Board appoints an interim Chief Executive.

Update: The Board met on the 14th June to consider the appointment of the Chief Executive

6. Delegated Authority be given to Councillor Helen Goral, Cabinet Member for **Growth and Communications**, to put in place the proposed Memorandum of Understanding to determine membership of the Advisory Committee, agree the Articles of Association for InvestSK Limited and to agree an initial award of seed funding to allow the incorporation process to take place.

Update: This meeting of Growth OSC is to consider two of the items set out in recommendation 6. The Memorandum of Understanding (MOU) and Articles of Association (Articles) in order to inform the Cabinet Member's non-key decision. The delegation was originally made to Councillor Mike King. This delegation was updated by Cabinet on 12th July, to refer to Councillor Helen Goral, Cabinet Member for Growth and Communications.

3. ARTICLES OF ASSOCIATION

2.1 InvestSK Limited was incorporated using a set of Model Articles of Association (see Appendix 2). This is usual when incorporating a company. The intention was always to work up a set of 'tailored' Articles that reflected the Council's intent for InvestSK Limited. These articles will cover items such as governance and reporting as well as a multitude of other standard company requirements.

2.2 A proposed set of tailored Articles is set out at Appendix 4. They are based on the format of the model Articles. The proposed deviations from these model Articles are highlighted in Appendix 6, using 'track changes'.

2.3 Key Changes are as follows:

- 2.3.1** The requirement that decisions taken by the directors are only valid if they are supported by a director who is an elected representative of the member (i.e. the Council)
- 2.3.2** The requirement that, in order for the Board to be quorate, at least one director who is an elected representative of the member must be present.
- 2.3.3** An addition to Article 18, requiring the directors of the Board that are not elected representatives of the member to tender their resignations after three years, and only allowing two re-elections.
- 2.3.4** Remuneration of directors that undertake services for the company, except where that director is an elected member of the Council.

4. MEMORANDUM OF UNDERSTANDING

- 4.1** The Memorandum of Understanding (or MOU) is a statement of intent (see Appendix 5) for the working relationship between the Council (as the Member) and InvestSK Limited. The MOU reflects the goals set out in the report to Cabinet iSK002 (see background papers) and also clarifies those areas of work that InvestSK will not undertake.
- 4.2** The performance management aspects of the MOU are set out in a separate appendix to the MOU (see Appendix 6). Each key goal defined in the report to Cabinet (iSK002) and which has been reflected in the MOU has a number of prescribed measures for assessing performance. It is these measures that will be critical in determining the success of InvestSK Limited.
- 4.3** The performance management framework currently refers to ‘measures’ rather than ‘targets’. It is intended that targets are put in place after one full year of ISK trading – once enough information is at hand to determine sensible, achievable outputs.

5. RESOURCE IMPLICATIONS

- 5.1** The MOU includes reference to the funding of InvestSK Limited. Each year, a business plan will be agreed and funding determined through the Council’s budget-setting process.
- 5.2** Provision will also need to be made for InvestSK’s service requirements. It is intended that the Company will, initially, require finance, payroll facilities, and legal support from the Council.
- 5.3** It is intended that the provision of services from the Council to InvestSK, and vice versa, are contracted through a Service Level Agreement (SLA), which is to be agreed between the Strategic Director – Resources and the Cabinet Member for Finance.
- 5.4** Delivery against this SLA (both from ISK’s and SKDC’s perspective) would then be assessed through regular meetings between investSK and its Member.

6. RISK AND MITIGATION

Risk has been considered as part of this report and any specific high risks are included in the table below:

Category Risk	Action / Controls
None	

7. ISSUES ARISING FROM IMPACT ANALYSIS (EQUALITY, SAFEGUARDING etc.)

7.1 No impact analysis is required

8. CRIME AND DISORDER IMPLICATIONS

8.1 None

9. COMMENTS OF FINANCIAL SERVICES

9.1 The accompanying documents set out the proposed governance arrangements of Invest SK. The funding allocated to the company will be agreed by Council each year as part of the annual budget setting.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

10.1 Both a memorandum of association and articles of association are required for a company formed in the UK under the Companies Act 2006. The memorandum of association is the document that sets up the company and the articles of association set out how the company is run, governed and owned.

10.2 A company is free to incorporate under different articles of association, or to amend its articles of association at any time by a special resolution, provided that they meet the requirements and restrictions of the Companies Acts.

11. COMMENTS OF OTHER RELEVANT SERVICES

None

12. APPENDICES

Company documents:

- Appendix 1: Certificate of Incorporation
- Appendix 2: Model Articles of Association
- Appendix 3: Memorandum of Association

For the Consideration of Growth Overview and Scrutiny Committee:

- Appendix 4: Tailored Articles of Association for InvestSK
- Appendix 5: Memorandum of Understanding between ISK and SKDC
- Appendix 5a: Appendix to MOU – Performance Management Framework
- Appendix 6: Tailored Articles of Association for InvestSK (with track changes)

13. BACKGROUND PAPERS

Report to Cabinet 12th May 2018 (iSK002):

<http://moderngov.southkesteven.gov.uk/documents/s20293/Report%20to%20Cabinet%20Formation%20of%20iSK%20100518%20draft%20v3%205%202.pdf>

Report to Growth OSC 29th May (iSK002)

<http://moderngov.southkesteven.gov.uk/ieListDocuments.aspx?CId=631&MId=3604&Ver=4>



**CERTIFICATE OF INCORPORATION
OF A
PRIVATE LIMITED COMPANY**

Company Number **11413907**

The Registrar of Companies for England and Wales, hereby certifies that

INVESTSK LIMITED

is this day incorporated under the Companies Act 2006 as a private company, that the company is limited by guarantee, and the situation of its registered office is in England and Wales.

Given at Companies House, Cardiff, on **13th June 2018**.

The above information was communicated by electronic means and authenticated by the Registrar of Companies under section 1115 of the Companies Act 2006



Companies House



THE OFFICIAL SEAL OF THE
REGISTRAR OF COMPANIES

SCHEDULE 2

Regulation 3

MODEL ARTICLES FOR PRIVATE COMPANIES LIMITED BY GUARANTEE

INDEX TO THE ARTICLES

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2. Liability of members

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4. Members' reserve power
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PART 1 INTERPRETATION AND LIMITATION OF LIABILITY

Defined terms

1. In the articles, unless the context requires otherwise—
 - “articles” means the company’s articles of association;
 - “bankruptcy” includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;
 - “chairman” has the meaning given in article 12;
 - “chairman of the meeting” has the meaning given in article 25;
 - “Companies Acts” means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the company;
 - “director” means a director of the company, and includes any person occupying the position of director, by whatever name called;
 - “document” includes, unless otherwise specified, any document sent or supplied in electronic form;

“electronic form” has the meaning given in section 1168 of the Companies Act 2006;

“member” has the meaning given in section 112 of the Companies Act 2006;

“ordinary resolution” has the meaning given in section 282 of the Companies Act 2006;

“participate”, in relation to a directors’ meeting, has the meaning given in article 10;

“proxy notice” has the meaning given in article 31;

“special resolution” has the meaning given in section 283 of the Companies Act 2006;

“subsidiary” has the meaning given in section 1159 of the Companies Act 2006;
and

“writing” means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

Unless the context otherwise requires, other words or expressions contained in these articles bear the same meaning as in the Companies Act 2006 as in force on the date when these articles become binding on the company.

Liability of members

2. The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the company in the event of its being wound up while he is a member or within one year after he ceases to be a member, for—
- (a) payment of the company’s debts and liabilities contracted before he ceases to be a member,
 - (b) payment of the costs, charges and expenses of winding up, and
 - (c) adjustment of the rights of the contributories among themselves.

PART 2

DIRECTORS

DIRECTORS’ POWERS AND RESPONSIBILITIES

Directors’ general authority

3.—Subject to the articles, the directors are responsible for the management of the company’s business, for which purpose they may exercise all the powers of the company.

Members' reserve power

4.—(1) The members may, by special resolution, direct the directors to take, or refrain from taking, specified action.

(2) No such special resolution invalidates anything which the directors have done before the passing of the resolution.

Directors may delegate

5.—(1) Subject to the articles, the directors may delegate any of the powers which are conferred on them under the articles—

- (a) to such person or committee;
- (b) by such means (including by power of attorney);
- (c) to such an extent;
- (d) in relation to such matters or territories; and
- (e) on such terms and conditions;

as they think fit.

(2) If the directors so specify, any such delegation may authorise further delegation of the

directors' powers by any person to whom they are delegated.

(3) The directors may revoke any delegation in whole or part, or alter its terms and conditions.

Committees

6.—(1) Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the articles which govern the taking of decisions by directors.

(2) The directors may make rules of procedure for all or any committees, which prevail over rules derived from the articles if they are not consistent with them.

DECISION-MAKING BY DIRECTORS

Directors to take decisions collectively

7.—(1) The general rule about decision-making by directors is that any decision of the directors must be either a majority decision at a meeting or a decision taken in accordance with article 8.

(2) If—

- (a) the company only has one director, and
- (b) no provision of the articles requires it to have more than one director,

the general rule does not apply, and the director may take decisions without regard to any of the provisions of the articles relating to directors' decision-making.

Unanimous decisions

8.—(1) A decision of the directors is taken in accordance with this article when all eligible directors indicate to each other by any means that they share a common view on a matter.

(2) Such a decision may take the form of a resolution in writing, copies of which have been signed by each eligible director or to which each eligible director has otherwise indicated agreement in writing.

(3) References in this article to eligible directors are to directors who would have been entitled to vote on the matter had it been proposed as a resolution at a directors' meeting.

(4) A decision may not be taken in accordance with this article if the eligible directors would not have formed a quorum at such a meeting.

Calling a directors' meeting

9.—(1) Any director may call a directors' meeting by giving notice of the meeting to the directors or by authorising the company secretary (if any) to give such notice.

(2) Notice of any directors' meeting must indicate—

(a) its proposed date and time;

(b) where it is to take place; and

(c) if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

(3) Notice of a directors' meeting must be given to each director, but need not be in writing.

(4) Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the company not more than 7 days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

Participation in directors' meetings

10.—(1) Subject to the articles, directors participate in a directors' meeting, or part of a

directors' meeting, when—

(a) the meeting has been called and takes place in accordance with the articles, and

(b) they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.

(2) In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other.

(3) If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

Quorum for directors' meetings

11.—(1) At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

(2) The quorum for directors' meetings may be fixed from time to time by a decision of the directors, but it must never be less than two, and unless otherwise fixed it is two.

- (3) If the total number of directors for the time being is less than the quorum required, the directors must not take any decision other than a decision—
- (a) to appoint further directors, or
 - (b) to call a general meeting so as to enable the members to appoint further directors.

Chairing of directors' meetings

- 12.**—(1) The directors may appoint a director to chair their meetings.
(2) The person so appointed for the time being is known as the chairman.
(3) The directors may terminate the chairman's appointment at any time.
(4) If the chairman is not participating in a directors' meeting within ten minutes of the time at which it was to start, the participating directors must appoint one of themselves to chair it.

Casting vote

- 13.**—(1) If the numbers of votes for and against a proposal are equal, the chairman or other director chairing the meeting has a casting vote.
(2) But this does not apply if, in accordance with the articles, the chairman or other director is not to be counted as participating in the decision-making process for quorum or voting purposes.

Conflicts of interest

- 14.**—(1) If a proposed decision of the directors is concerned with an actual or proposed transaction or arrangement with the company in which a director is interested, that director is not to be counted as participating in the decision-making process for quorum or voting purposes.
(2) But if paragraph (3) applies, a director who is interested in an actual or proposed transaction or arrangement with the company is to be counted as participating in the decision-making process for quorum and voting purposes.
(3) This paragraph applies when—
 - (a) the company by ordinary resolution disapplies the provision of the articles which would otherwise prevent a director from being counted as participating in the decision-making process;
 - (b) the director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or
 - (c) the director's conflict of interest arises from a permitted cause.
(4) For the purposes of this article, the following are permitted causes—
 - (a) a guarantee given, or to be given, by or to a director in respect of an obligation incurred by or on behalf of the company or any of its subsidiaries;
 - (b) subscription, or an agreement to subscribe, for securities of the company or any of its subsidiaries, or to underwrite, sub-underwrite, or guarantee subscription for any such securities; and
 - (c) arrangements pursuant to which benefits are made available to employees and directors or former employees and directors of the company or any of its

subsidiaries which do not provide special benefits for directors or former directors.

(5) For the purposes of this article, references to proposed decisions and decision-making

processes include any directors' meeting or part of a directors' meeting.

(6) Subject to paragraph (7), if a question arises at a meeting of directors or of a committee of directors as to the right of a director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairman whose ruling in relation to any director other than the chairman is to be final and conclusive.

(7) If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

Records of decisions to be kept

15. The directors must ensure that the company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the directors.

Directors' discretion to make further rules

16. Subject to the articles, the directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to directors.

APPOINTMENT OF DIRECTORS

Methods of appointing directors

17.—(1) Any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director—

- (a) by ordinary resolution, or
- (b) by a decision of the directors.

(2) In any case where, as a result of death, the company has no members and no directors, the personal representatives of the last member to have died have the right, by notice in writing, to appoint a person to be a director.

(3) For the purposes of paragraph (2), where 2 or more members die in circumstances rendering it uncertain who was the last to die, a younger member is deemed to have survived an older member.

Termination of director's appointment

18. A person ceases to be a director as soon as—

- (a) that person ceases to be a director by virtue of any provision of the Companies Act 2006 or is prohibited from being a director by law;
- (b) a bankruptcy order is made against that person;
- (c) a composition is made with that person's creditors generally in satisfaction of that

person's debts;

(d) a registered medical practitioner who is treating that person gives a written opinion to the company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;

(e) *[paragraph omitted pursuant to The Mental Health (Discrimination) Act 2013]*

(f) notification is received by the company from the director that the director is resigning from office, and such resignation has taken effect in accordance with its terms.

Directors' remuneration

19.—(1) Directors may undertake any services for the company that the directors decide.

(2) Directors are entitled to such remuneration as the directors determine—

(a) for their services to the company as directors, and

(b) for any other service which they undertake for the company.

(3) Subject to the articles, a director's remuneration may—

(a) take any form, and

(b) include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that director.

(4) Unless the directors decide otherwise, directors' remuneration accrues from day to day.

(5) Unless the directors decide otherwise, directors are not accountable to the company for any remuneration which they receive as directors or other officers or employees of the company's subsidiaries or of any other body corporate in which the company is interested.

Directors' expenses

20. The company may pay any reasonable expenses which the directors properly incur in

connection with their attendance at—

(a) meetings of directors or committees of directors,

(b) general meetings, or

(c) separate meetings of the holders of debentures of the company,

or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the company.

PART 3

MEMBERS

BECOMING AND CEASING TO BE A MEMBER

Applications for membership

21. No person shall become a member of the company unless—
- (a) that person has completed an application for membership in a form approved by the directors, and
 - (b) the directors have approved the application.

Termination of membership

- 22.—(1) A member may withdraw from membership of the company by giving 7 days' notice to the company in writing.
- (2) Membership is not transferable.
 - (3) A person's membership terminates when that person dies or ceases to exist.

ORGANISATION OF GENERAL MEETINGS

Attendance and speaking at general meetings

- 23.—(1) A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- (2) A person is able to exercise the right to vote at a general meeting when—
 - (a) that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and
 - (b) that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
 - (3) The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
 - (4) In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.
 - (5) Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

Quorum for general meetings

24. No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

Chairing general meetings

- 25.—(1) If the directors have appointed a chairman, the chairman shall chair general meetings if present and willing to do so.
- (2) If the directors have not appointed a chairman, or if the chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start—
 - (a) the directors present, or
 - (b) (if no directors are present), the meeting,

must appoint a director or member to chair the meeting, and the appointment of the chairman of the meeting must be the first business of the meeting.

(3) The person chairing a meeting in accordance with this article is referred to as “the chairman of the meeting”.

Attendance and speaking by directors and non-members

26.—(1) Directors may attend and speak at general meetings, whether or not they are members.

(2) The chairman of the meeting may permit other persons who are not members of the company to attend and speak at a general meeting.

Adjournment

27.—(1) If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairman of the meeting must adjourn it.

(2) The chairman of the meeting may adjourn a general meeting at which a quorum is present if—

(a) the meeting consents to an adjournment, or

(b) it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

(3) The chairman of the meeting must adjourn a general meeting if directed to do so by the meeting.

(4) When adjourning a general meeting, the chairman of the meeting must—

(a) either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the directors, and

(b) have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

(5) If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the company must give at least 7 clear days’ notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given)—

(a) to the same persons to whom notice of the company’s general meetings is required to be given, and

(b) containing the same information which such notice is required to contain.

(6) No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

VOTING AT GENERAL MEETINGS

Voting: general

28. A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the articles.

Errors and disputes

- 29.**—(1) No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.
- (2) Any such objection must be referred to the chairman of the meeting whose decision is final.

Poll votes

- 30.**—(1) A poll on a resolution may be demanded—
- (a) in advance of the general meeting where it is to be put to the vote, or
 - (b) at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.
- (2) A poll may be demanded by—
- (a) the chairman of the meeting;
 - (b) the directors;
 - (c) two or more persons having the right to vote on the resolution; or
 - (d) a person or persons representing not less than one tenth of the total voting rights of all the members having the right to vote on the resolution.
- (3) A demand for a poll may be withdrawn if—
- (a) the poll has not yet been taken, and
 - (b) the chairman of the meeting consents to the withdrawal.
- (4) Polls must be taken immediately and in such manner as the chairman of the meeting directs.

Content of proxy notices

- 31.**—(1) Proxies may only validly be appointed by a notice in writing (a “proxy notice”) which—
- (a) states the name and address of the member appointing the proxy;
 - (b) identifies the person appointed to be that member’s proxy and the general meeting in relation to which that person is appointed;
 - (c) is signed by or on behalf of the member appointing the proxy, or is authenticated in such manner as the directors may determine; and
 - (d) is delivered to the company in accordance with the articles and any instructions contained in the notice of the general meeting to which they relate.
- (2) The company may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.
- (3) Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.
- (4) Unless a proxy notice indicates otherwise, it must be treated as—
- (a) allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting, and
 - (b) appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

Delivery of proxy notices

32.—(1) A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the company by or on behalf of that person.

(2) An appointment under a proxy notice may be revoked by delivering to the company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.

(3) A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.

(4) If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

Amendments to resolutions

33.—(1) An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if—

(a) notice of the proposed amendment is given to the company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine), and

(b) the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.

(2) A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if—

(a) the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed, and

(b) the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.

(3) If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

PART 4

ADMINISTRATIVE ARRANGEMENTS

Means of communication to be used

34.—(1) Subject to the articles, anything sent or supplied by or to the company under the articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the company.

(2) Subject to the articles, any notice or document to be sent or supplied to a director in

connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.

(3) A director may agree with the company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

Company seals

35.—(1) Any common seal may only be used by the authority of the directors.

(2) The directors may decide by what means and in what form any common seal is to be used.

(3) Unless otherwise decided by the directors, if the company has a common seal and it is

affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature.

(4) For the purposes of this article, an authorised person is—

(a) any director of the company;

(b) the company secretary (if any); or

(c) any person authorised by the directors for the purpose of signing documents to which the common seal is applied.

No right to inspect accounts and other records

36. Except as provided by law or authorised by the directors or an ordinary resolution of the company, no person is entitled to inspect any of the company's accounting or other records or documents merely by virtue of being a member.

Provision for employees on cessation of business

37. The directors may decide to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

DIRECTORS' INDEMNITY AND INSURANCE

Indemnity

38.—(1) Subject to paragraph (2), a relevant director of the company or an associated company may be indemnified out of the company's assets against—

(a) any liability incurred by that director in connection with any negligence, default, breach of duty or breach of trust in relation to the company or an associated company,

(b) any liability incurred by that director in connection with the activities of the company or an associated company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006),

(c) any other liability incurred by that director as an officer of the company or an associated company.

(2) This article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.

(3) In this article—

(a) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate, and

(b) a “relevant director” means any director or former director of the company or an associated company.

Insurance

39.—(1) The directors may decide to purchase and maintain insurance, at the expense of the company, for the benefit of any relevant director in respect of any relevant loss.

(2) In this article—

(a) a “relevant director” means any director or former director of the company or an associated company,

(b) a “relevant loss” means any loss or liability which has been or may be incurred by a relevant director in connection with that director’s duties or powers in relation to the company, any associated company or any pension fund or employees’ share scheme of the company or associated company, and

(c) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate.

THE COMPANIES ACT 2006

PRIVATE COMPANY LIMITED BY GUARANTEE

MEMORANDUM OF ASSOCIATION

of

INVESTSK LIMITED (the "Company")

Each subscriber to this memorandum of association wishes to form a company under the Companies Act 2006 and agrees to become a member of the company.

Name of each subscriber

Authentication by each subscriber

South Kesteven District Council

Dated June 2018

SCHEDULE 2

Regulation 3

ARTICLES FOR INVESTSK LIMITED A PRIVATE COMPANY LIMITED BY GUARANTEE

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PART 1
INTERPRETATION AND LIMITATION OF LIABILITY

Defined terms

1. In the articles, unless the context requires otherwise—
 - “articles” means the company’s articles of association;
 - “bankruptcy” includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;
 - “chairman” has the meaning given in article 12;
 - “chairman of the meeting” has the meaning given in article 25;
 - “Companies Acts” means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the company;
 - “director” means a director of the company, and includes any person occupying the position of director, by whatever name called;
 - “document” includes, unless otherwise specified, any document sent or supplied in electronic form;
 - “electronic form” has the meaning given in section 1168 of the Companies Act 2006;
 - “member” has the meaning given in section 112 of the Companies Act 2006;
 - “ordinary resolution” has the meaning given in section 282 of the Companies Act 2006;
 - “participate”, in relation to a directors’ meeting, has the meaning given in article 10;
 - “proxy notice” has the meaning given in article 31;
 - “special resolution” has the meaning given in section 283 of the Companies Act 2006;
 - “subsidiary” has the meaning given in section 1159 of the Companies Act 2006; and
 - “writing” means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

Unless the context otherwise requires, other words or expressions contained in these articles bear the same meaning as in the Companies Act 2006 as in force on the date when these articles become binding on the company.

Liability of members

2. The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the company in the event of its being wound up while he is a member or within one year after he ceases to be a member, for—

- (a) payment of the company's debts and liabilities contracted before he ceases to be a member,
- (b) payment of the costs, charges and expenses of winding up, and
- (c) adjustment of the rights of the contributories among themselves.

PART 2
DIRECTORS
DIRECTORS' POWERS AND RESPONSIBILITIES

Directors' general authority

3.—Subject to the articles, the directors are responsible for the management of the company's business the principle object of which is to support the member with the economic, social and cultural growth of South Kesteven for which purpose they may exercise all the powers of the company. The directors may also exercise their responsibilities and powers in relation to any ancillary objects which may be conducive to, and/or are ancillary to, and/or align with, the company's main objects whether in or outside the area of the South Kesteven area as the directors deem to be appropriate to the company's business and which are for the benefit of the company and the member.

Member's reserve power

4.—(1) The Member may, by special resolution, direct the directors to take, or refrain from taking, specified action.
(2) No such special resolution invalidates anything which the directors have done before the passing of the resolution.
(3) The member or a representative(s) of the Member can be invited to board meetings as appropriate.

Directors may delegate

5.—(1) Subject to the articles, the directors may delegate any of the powers which are conferred on them under the articles—
(a) to such person or committee;
(b) by such means (including by power of attorney);
(c) to such an extent;
(d) in relation to such matters or territories; and
(e) on such terms and conditions;
as they think fit.
(2) If the directors so specify, any such delegation may authorise further delegation of the directors' powers by any person to whom they are delegated.
(3) The directors may revoke any delegation in whole or part, or alter its terms and conditions.

Committees

6.—(1) Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the articles which govern the taking of decisions by directors.

(2) The directors may make rules of procedure for all or any committees, which prevail over rules derived from the articles if they are not consistent with them.

DECISION-MAKING BY DIRECTORS

Directors to take decisions collectively

7.—(1) The general rule about decision-making by directors is that any decision of the directors must be either a majority decision at a meeting or a decision taken in accordance with article 8, and such decision will only be valid where it is supported by at least one director who is an elected representative or officer of the Member.

Unanimous decisions

8.—(1) A decision of the directors is taken in accordance with this article when all eligible directors indicate to each other by any means that they share a common view on a matter.

(2) Such a decision may take the form of a resolution in writing, copies of which have been signed by each eligible director or to which each eligible director has otherwise indicated agreement in writing.

(3) References in this article to eligible directors are to directors who would have been entitled to vote on the matter had it been proposed as a resolution at a directors' meeting.

(4) A decision may not be taken in accordance with this article if the eligible directors would not have formed a quorum at such a meeting.

Calling a directors' meeting

9.—(1) Any director may call a directors' meeting by giving notice of the meeting to the directors or by authorising the company secretary (if any) to give such notice with at least five working days' notice of such a meeting

(2) Notice of any directors' meeting must indicate—

(a) its proposed date and time;

(b) where it is to take place; and

(c) if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

(3) Notice of a directors' meeting must be given to each director but need not be in writing.

(4) Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the company not more than 7 days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

Participation in directors' meetings

10.—(1) Subject to the articles, directors participate in a directors' meeting, or part of a directors' meeting, when—

(a) the meeting has been called and takes place in accordance with the articles, and

(b) they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.

(2) In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other.

(3) If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

Quorum for directors' meetings

11.—(1) At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

(2) The quorum for directors' meetings may be fixed from time to time by a decision of the directors, but it must never be less than two, and unless otherwise fixed it is two, and must have present at least one director who is either an elected representative or officer of the founding Member or their nominated substitute.

(3) If the total number of directors for the time being is less than the quorum required, the directors must not take any decision other than a decision—

(a) to appoint further directors, or

(b) to call a general meeting so as to enable the members to appoint further directors.

Chairing of directors' meetings

12.—(1) The directors may appoint a director to chair their meetings and undertake any other duties delegated to that role in accordance with the provision of these Articles.

(2) The person so appointed for the time being is known as the chairman.

(3) The directors may also appoint a director to act as vice-chairman, who will be known as such and who will act as a substitute to the chair in the chairman's absence.

(4) The directors may terminate the chairman's or vice chairman's appointment at any time subject to the decision-making provisions of these Articles.

(5) If the chairman is not participating in a directors' meeting within ten minutes of the time at which it was to start, the vice chairman will act as the chairman and in absence of the chairman and the vice chairman the participating directors must appoint one of themselves to chair it provided that the meeting is quorum.

Casting vote

13.—(1) If the numbers of votes for and against a proposal are equal, the chairman, vice chairman or other director chairing the meeting has a casting vote.

(2) But this does not apply if, in accordance with the articles, the chairman, vice-chairman or other director is not to be counted as participating in the decision-making process for quorum or voting purposes.

Conflicts of interest

14.—(1) If a proposed decision of the directors is concerned with an actual or proposed transaction or arrangement with the company in which a director is interested, that director is not to be counted as participating in the decision-making process for quorum or voting purposes.

(2) But if paragraph (3) applies, a director who is interested in an actual or proposed transaction or arrangement with the company is to be counted as participating in the decision-making process for quorum and voting purposes.

(3) This paragraph applies when—

- (a) the company by ordinary resolution disapplies the provision of the articles which would otherwise prevent a director from being counted as participating in the decision-making process;
- (b) the director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or
- (c) the director's conflict of interest arises from a permitted cause.

(4) For the purposes of this article, the following are permitted causes—

- (a) a guarantee given, or to be given, by or to a director in respect of an obligation incurred by or on behalf of the company or any of its subsidiaries;
- (b) subscription, or an agreement to subscribe, for securities of the company or any of its subsidiaries, or to underwrite, sub-underwrite, or guarantee subscription for any such securities; and
- (c) arrangements pursuant to which benefits are made available to employees and directors or former employees and directors of the company or any of its subsidiaries which do not provide special benefits for directors or former directors.

(5) For the purposes of this article, references to proposed decisions and decision-making processes include any directors' meeting or part of a directors' meeting.

(6) Subject to paragraph (7), if a question arises at a meeting of directors or of a committee of directors as to the right of a director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairman whose ruling in relation to any director other than the chairman is to be final and conclusive.

(7) If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the directors at that meeting, for which purpose the

chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

Records of decisions to be kept

15. The directors must ensure that the company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the directors.

Directors' discretion to make further rules

16. Subject to the articles, the directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to directors.

APPOINTMENT OF DIRECTORS

Methods of appointing directors

17.—(1) Any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director—

- (a) by ordinary resolution, or
- (b) by a decision of the directors.

(2) In any case where the company has no directors, the member will direct new directors to the company to take over the running of the company's business.

Termination of director's appointment

18. A person ceases to be a director as soon as—

- (a) that person ceases to be a director by virtue of any provision of the Companies Act 2006 or is prohibited from being a director by law;
- (b) a bankruptcy order is made against that person;
- (c) a composition is made with that person's creditors generally in satisfaction of that person's debts;
- (d) a registered medical practitioner who is treating that person gives a written opinion to the company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;
- (e) notification is received by the company from the director that the director is resigning from office, and such resignation has taken effect in accordance with its terms.
- (f) They cease to hold the relevant office with the member (as the Leader, Deputy Leader or Chief Executive of the member).

In addition to the provisions set out in Article 18, a director who is not either an elected representative or officer of the member will be required to tender his/her resignation at the AGM following the third anniversary of his/her

appointment and the director may put himself/herself forward for re-election at that same AGM on no more than two occasions

Directors' remuneration

19.—(1) Directors may undertake any services for the company that the directors decide and be remunerated in accordance with the company's policy therefore provided that no sum shall be paid to a director who is an elected member of the council.

Directors' expenses

20. The company may pay any reasonable expenses which the directors properly incur in connection with their attendance at—

- (a) meetings of directors or committees of directors,
- (b) general meetings, or
- (c) separate meetings of the holders of debentures of the company, or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the company.

PART 3
MEMBERS
BECOMING AND CEASING TO BE A MEMBER

Applications for membership

21. If at any time, there is a will for any additional member(s) of the company, this will require the consent of the existing member and will be subject to any reasonable conditions that the existing member may require.

Termination of membership

22.—(1) A member may withdraw from membership of the company by giving at least 7 days' notice to the company in writing.

(2) Membership is not transferable.

(3) Membership will be terminated forthwith by the member—in the case of the death or insolvency of a member or where the members' business ceases to exist for any other reasons such termination without prejudice to any liabilities that may have arisen during their time as a member of the company which can still be pursued against the member, their personal representatives, administrators or liquidators or other person acting on their behalf.

ORGANISATION OF GENERAL MEETINGS

Attendance and speaking at general meetings

23.—(1) A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.

(2) A person is able to exercise the right to vote at a general meeting when—

(a) that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and

(b) that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

(3) The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.

(4) In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.

(5) Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

Quorum for general meetings

24. No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

Chairing general meetings

25.—(1) If the directors have appointed a chairman, the chairman shall chair general meetings if present and willing to do so.

(2) If the directors have not appointed a chairman, or if the chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start—

(a) the directors present, or

(b) (if no directors are present), the meeting,

must appoint a director or member to chair the meeting, and the appointment of the chairman of the meeting must be the first business of the meeting.

(3) The person chairing a meeting in accordance with this article is referred to as “the chairman of the meeting”.

Attendance and speaking by directors and non-members

26.—(1) Directors may attend and speak at general meetings, whether or not they are members.

(2) The chairman of the meeting may permit other persons who are not members of the company to attend and speak at a general meeting.

Adjournment

27.—(1) If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairman of the meeting must adjourn it.

(2) The chairman of the meeting may adjourn a general meeting at which a quorum is present if—

(a) the meeting consents to an adjournment, or

(b) it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

(3) The chairman of the meeting must adjourn a general meeting if directed to do so by the meeting.

(4) When adjourning a general meeting, the chairman of the meeting must—

(a) either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the directors, and

(b) have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

(5) If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the company must give at least 7 clear days’ notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given)—

- (a) to the same persons to whom notice of the company's general meetings is required to be given, and
 - (b) containing the same information which such notice is required to contain.
- (6) No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

VOTING AT GENERAL MEETINGS

Voting: general

28. A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the articles.

Errors and disputes

29.—(1) No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.

(2) Any such objection must be referred to the chairman of the meeting whose decision is final.

Poll votes

30.—(1) A poll on a resolution may be demanded—

- (a) in advance of the general meeting where it is to be put to the vote, or
- (b) at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

(2) A poll may be demanded by—

- (a) the chairman of the meeting;
- (b) the directors;
- (c) two or more persons having the right to vote on the resolution; or
- (d) a person or persons representing not less than one tenth of the total voting rights of all the members having the right to vote on the resolution.

(3) A demand for a poll may be withdrawn if—

- (a) the poll has not yet been taken, and
- (b) the chairman of the meeting consents to the withdrawal.

(4) Polls must be taken immediately and in such manner as the chairman of the meeting directs.

Content of proxy notices

31.—(1) Proxies may only validly be appointed by a notice in writing (a "proxy notice") which—

- (a) states the name and address of the member appointing the proxy;

(b) identifies the person appointed to be that member's proxy and the general meeting in relation to which that person is appointed;

(c) is signed by or on behalf of the member appointing the proxy, or is authenticated in such manner as the directors may determine; and

(d) is delivered to the company in accordance with the articles and any instructions contained in the notice of the general meeting to which they relate.

(2) The company may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.

(3) Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.

(4) Unless a proxy notice indicates otherwise, it must be treated as—

(a) allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting, and

(b) appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

Delivery of proxy notices

32.—(1) A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the company by or on behalf of that person.

(2) An appointment under a proxy notice may be revoked by delivering to the company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.

(3) A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.

(4) If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

Amendments to resolutions

33.—(1) An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if—

(a) notice of the proposed amendment is given to the company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine), and

(b) the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.

(2) A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if—

(a) the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed, and

(b) the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.

(3) If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

PART 4
ADMINISTRATIVE ARRANGEMENTS

Means of communication to be used

34.—(1) Subject to the articles, anything sent or supplied by or to the company under the articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the company.

(2) Subject to the articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.

(3) A director may agree with the company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

Company seals

35.—(1) Any common seal may only be used by the authority of the directors.

(2) The directors may decide by what means and in what form any common seal is to be used.

(3) Unless otherwise decided by the directors, if the company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature.

(4) For the purposes of this article, an authorised person is—

- (a) any director of the company;
- (b) the company secretary (if any); or

No right to inspect accounts and other records

36. Except as provided by law or authorised by the directors or an ordinary resolution of the company, no person is entitled to inspect any of the company's accounting or other records or documents merely by virtue of being a member.

Provision for employees on cessation of business

37. The directors may decide to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

DIRECTORS' INDEMNITY AND INSURANCE

Indemnity

38.—(1) Subject to paragraph (2), a relevant director of the company or an associated company may be indemnified out of the company's assets against—

(a) any liability incurred by that director in connection with any negligence, default, breach of duty or breach of trust in relation to the company or an associated company,

(b) any liability incurred by that director in connection with the activities of the company or an associated company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006),

(c) any other liability incurred by that director as an officer of the company or an associated company.

(2) This article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.

(3) In this article—

(a) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate, and

(b) a "relevant director" means any director or former director of the company or an associated company.

Insurance

39.—(1) The directors may decide to purchase and maintain insurance, at the expense of the company, for the benefit of any relevant director in respect of any relevant loss.

(2) In this article—

(a) a "relevant director" means any director or former director of the company or an associated company,

(b) a "relevant loss" means any loss or liability which has been or may be incurred by a relevant director in connection with that director's duties or powers in relation to the company, any associated company or any pension fund or employees' share scheme of the company or associated company, and

(c) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate.

Memorandum of Understanding

Between

South Kesteven District Council

and

InvestSK Limited

This Memorandum of Understanding (MOU) sets the terms and understanding between South Kesteven District Council (the member) and InvestSK Limited (the company) as it delivers economic growth and place-making activities and services to the district of South Kesteven.

Background

One of the member's core priorities is to drive the economy and, with it, the growth and well-being of the District.

Purpose

InvestSK has been specifically set up to deliver initiatives which drive significant growth in the economy of South Kesteven as well as progressing an important programme of associated delivery such as enhancing the district's town centres, developing the skills required for businesses to flourish, making the most of South Kesteven's visitor economy and celebrating arts and heritage

The above goals will be accomplished by undertaking the following activities:

- Engaging with businesses to maximise growth and inward investment; utilising business intelligence in order to inform future strategies; and accelerating the growth of indigenous businesses.
- Leading on a collaborative approach to skills development alongside businesses and education establishments; putting the right infrastructure in place to maximise skills development in our communities.
- Marketing InvestSK to indigenous and potential new businesses and business networks, maximising knowledge of the Council's new inward investment team in order to optimise its impact.
- Developing a strategy which makes the most of the District's fine visitor attractions and encourages visitors to stay longer, and to do, and see, more.
- Exploring and optimising access to external funding opportunities for both our local communities, businesses and for the Council in order to increase local

investment and maximise the beneficial outputs from important projects and initiatives.

- Establishing a heritage regeneration programme across the district to ensure the area's rich heritage plays an important role in the district's growth and regeneration. Also working with partners to develop a Heritage Quarter for Grantham; celebrating its fine heritage, in the heart of the town, from St Wulfram's church to the railway arches.
- Leading on arts and cultural growth and initiatives to improve community and social well-being in the district.
- Leading on the enhancement of the District's Market Towns, with a focus on their retail environment and markets.
- Leading on an implementation plan for Grantham in order to develop it as a place where people want to come to and stay, growing the population to sustain vital services; creating a town where businesses invest and grow, where skills flourish, and where its culture, heritage and townscape make it a regional destination town.
- The implementation plan will focus on nine economic elements: Commercial, Heritage and The Arts, Leisure and the Visitor Economy, Retail and the Markets, Public Realm, Living, Gateways, Transport and Skills. These elements will also form the basis for future masterplans across the district.

It is also appropriate to clarify those activities that do not form part of InvestSK's purpose:

- Asset management or disposal
- Delivery of, or investment in, capital projects

Reporting

- InvestSK will present regular highlight reports to the Cabinet Member for Growth and Communications, setting out achievements according to objective output measures.
- Quarterly performance reports (see Performance Management Appendix) will be reported, by the Cabinet Member for Growth and Communications, to the Council's Cabinet.
- InvestSK will produce an annual report, at year-end, including audited accounts, for the Cabinet Member for Growth and Communications which will be presented to South Kesteven District Council's Governance and Audit Committee.

- The Council's Growth Overview and Scrutiny Committee and Culture and Tourism Overview and Scrutiny Committee are the appropriate forums through which to question or challenge the activities of InvestSK.

Funding

- South Kesteven District Council will, through its budget setting, allocate a sum in accordance with iSK's business planning.
- InvestSK will be invited to submit a financial business plan each year in line with the Council's internal budget preparation programme. It should be noted that the Council's budget whilst indicative over a three year rolling period is only definitive for one year. Arrangements will be made to guarantee the pay of Invest SK employees over a three year period.
- SKDC will provide professional services to InvestSK, to be determined through a Service Level Agreement.

Duration

This MOU will come in to effect when the second of the parties signs it. It will continue in force until 1 July 2021 unless:

- It is terminated by either of the parties by giving 3 months written notice to the other;
- It is mutually agreed in writing by the parties to terminate it at any point;
- It is extended in its original or modified form.

The MOU can be modified by mutual written consent at any time.

Contact Information

South Kesteven District Council
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InvestSK
Aidan Rave, Company Secretary
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01476 406369
Aidan.rave@southkesteven.gov.uk

Signatures:

Signed on behalf of South Kesteven District Council (the member)

_____ Date:
(Paul Thomas, Strategic Director Growth)

Signed on behalf of InvestSK Limited (the company)

_____ Date:
(Aidan Rave, Company Secretary)

MOU Goal	Measures
<p>Engaging with businesses to maximise growth and inward investment; utilising business intelligence in order to inform future strategies; and accelerating the growth of indigenous businesses.</p>	<p>Inward Investment:</p> <ul style="list-style-type: none"> • Enquiries handled • Projects landed (i.e. enquiries converted) • New Jobs created <p>Business Growth:</p> <ul style="list-style-type: none"> • Business engagement overall • Direct support to businesses • Jobs created and safeguarded <ul style="list-style-type: none"> • Maintenance and growth of comprehensive database of indigenous and interested businesses
<p>Leading on a collaborative approach to skills development alongside businesses and education establishments; putting the right infrastructure in place to maximise skills development in our communities.</p>	<ul style="list-style-type: none"> • Number of businesses engaged • % increase in number of apprentices (/increase from baseline) • Number of students (all age) enrolled on Higher Education courses within SK • % increase in number of work experience placements (/increase from baseline)
<p>Marketing InvestSK to indigenous and potential new businesses and business networks, maximising knowledge of the Council's new inward investment team in order to optimise its impact.</p>	<ul style="list-style-type: none"> • Visits to website • Dwell-time on website • Number of positive media articles on the SK economy

<p>Developing a strategy which makes the most of the District's fine visitor attractions and encourages visitors to stay longer, and to do, and see more.</p>	<ul style="list-style-type: none"> • Increase in STEAM figures • Number of visitor attractions engaged • Number of events attended • Social media followers • Web Activity (visitor numbers; dwell-time)
<p>Exploring and optimising access to external funding opportunities for both our local communities, businesses and for the Council in order to increase local investment and maximise the beneficial outputs from important projects and initiatives.</p>	
<p>Establishing a heritage regeneration programme across the district to ensure the area's rich heritage plays an important role in the district's growth and regeneration. Also working with partners to develop a Heritage Quarter for Grantham; celebrating its fine heritage, in the heart of the town, from St Wulfram's church to the railway arches.</p>	<ul style="list-style-type: none"> • Number of shopfronts regenerated • Number of grants awarded under local funding streams • Social media followers on heritage issues • Web activity (number of visitors; dwell-time) on Heritage Alive website • Number of organisations supported
<p>Leading on arts and cultural growth and initiatives to improve community and social well-being in the district.</p>	<p>Arts</p> <ul style="list-style-type: none"> • Number of arts organisations engaged • Number of events delivered • Visitor attendance figures at events (either increase from baseline, or % increase) <p>Sports and Wellbeing</p> <ul style="list-style-type: none"> • Number of local sports clubs engaged • Number of local sports clubs supported • Increase in participation from sports clubs

	<p>Science</p> <ul style="list-style-type: none"> • Number of science-related events outside of Gravity Fields • Numbers of schools participating in STEM-related events
Leading on the enhancement of the District's Market Towns, with a focus on their retail environment and markets.	<ul style="list-style-type: none"> • Town centre footfall (there will need to be a specific budget allocation for this) • Car Park income generated • % increase in number of market stalls • Town Centre vacancy rates
<p>Leading on an implementation plan for Grantham in order to develop it as a place where people want to come to and stay, growing the population to sustain vital services; creating a town where businesses invest and grow, where skills flourish, and where its culture, heritage and townscape make it a regional destination town.</p> <p>The implementation plan will focus on nine economic elements: Commercial, Heritage and The Arts, Leisure and the Visitor Economy, Retail and the Markets, Public Realm, Living, Gateways, Transport and Skills. These elements will also form the basis for future masterplans across the district.</p>	<ul style="list-style-type: none"> • Completion of Implementation Plan • Focus on the key elements of place-making • Delivery of short-term actions • Progression of medium and long-term actions • Roll-out of masterplans (and implementation plans) across the district.

NOTE:

Measures will transition into 'Targets' after one full year of iSK trading as a company.

SCHEDULE 2

Regulation 3

ARTICLES FOR INVESTSK LIMITED A PRIVATE COMPANY LIMITED BY GUARANTEE

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PART 1
INTERPRETATION AND LIMITATION OF LIABILITY

Defined terms

1. In the articles, unless the context requires otherwise—
 - “articles” means the company’s articles of association;
 - “bankruptcy” includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;
 - “chairman” has the meaning given in article 12;
 - “chairman of the meeting” has the meaning given in article 25;
 - “Companies Acts” means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the company;
 - “director” means a director of the company, and includes any person occupying the position of director, by whatever name called;
 - “document” includes, unless otherwise specified, any document sent or supplied in electronic form;
 - “electronic form” has the meaning given in section 1168 of the Companies Act 2006;
 - “member” has the meaning given in section 112 of the Companies Act 2006;
 - “ordinary resolution” has the meaning given in section 282 of the Companies Act 2006;
 - “participate”, in relation to a directors’ meeting, has the meaning given in article 10;
 - “proxy notice” has the meaning given in article 31;
 - “special resolution” has the meaning given in section 283 of the Companies Act 2006;
 - “subsidiary” has the meaning given in section 1159 of the Companies Act 2006; and
 - “writing” means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

Unless the context otherwise requires, other words or expressions contained in these articles bear the same meaning as in the Companies Act 2006 as in force on the date when these articles become binding on the company.

Liability of members

2. The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the company in the event of its being wound up while he is a member or within one year after he ceases to be a member, for—

- (a) payment of the company's debts and liabilities contracted before he ceases to be a member,
- (b) payment of the costs, charges and expenses of winding up, and
- (c) adjustment of the rights of the contributories among themselves.

PART 2
DIRECTORS
DIRECTORS' POWERS AND RESPONSIBILITIES

Directors' general authority

3.—Subject to the articles, the directors are responsible for the management of the company's business the principle object of which is to support the member with the economic, social and cultural growth of South Kesteven for which purpose they may exercise all the powers of the company. The directors may also exercise their responsibilities and powers in relation to any ancillary objects which may be conducive to, and/or are ancillary to, and/or align with, the company's main objects whether in or outside the area of the South Kesteven area as the directors deem to be appropriate to the company's business and which are for the benefit of the company and the member.

Member's reserve power

4.—(1) The Member may, by special resolution, direct the directors to take, or refrain from taking, specified action.
(2) No such special resolution invalidates anything which the directors have done before the passing of the resolution.
(3) The member or a representative(s) of the Member can be invited to board meetings as appropriate.

Directors may delegate

5.—(1) Subject to the articles, the directors may delegate any of the powers which are conferred on them under the articles—
(a) to such person or committee;
(b) by such means (including by power of attorney);
(c) to such an extent;
(d) in relation to such matters or territories; and
(e) on such terms and conditions;
as they think fit.
(2) If the directors so specify, any such delegation may authorise further delegation of the directors' powers by any person to whom they are delegated.
(3) The directors may revoke any delegation in whole or part, or alter its terms and conditions.

Committees

6.—(1) Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the articles which govern the taking of decisions by directors.

(2) The directors may make rules of procedure for all or any committees, which prevail over rules derived from the articles if they are not consistent with them.

DECISION-MAKING BY DIRECTORS

Directors to take decisions collectively

7.—(1) The general rule about decision-making by directors is that any decision of the directors must be either a majority decision at a meeting or a decision taken in accordance with article 8, and such decision will only be valid where it is supported by at least one director who is an elected representative or officer of the Member.

Unanimous decisions

8.—(1) A decision of the directors is taken in accordance with this article when all eligible directors indicate to each other by any means that they share a common view on a matter.

(2) Such a decision may take the form of a resolution in writing, copies of which have been signed by each eligible director or to which each eligible director has otherwise indicated agreement in writing.

(3) References in this article to eligible directors are to directors who would have been entitled to vote on the matter had it been proposed as a resolution at a directors' meeting.

(4) A decision may not be taken in accordance with this article if the eligible directors would not have formed a quorum at such a meeting.

Calling a directors' meeting

9.—(1) Any director may call a directors' meeting by giving notice of the meeting to the directors or by authorising the company secretary (if any) to give such notice with at least five working days' notice of such a meeting

(2) Notice of any directors' meeting must indicate—

(a) its proposed date and time;

(b) where it is to take place; and

(c) if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

(3) Notice of a directors' meeting must be given to each director but need not be in writing.

(4) Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the company not more than 7 days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

Participation in directors' meetings

10.—(1) Subject to the articles, directors participate in a directors' meeting, or part of a directors' meeting, when—

(a) the meeting has been called and takes place in accordance with the articles, and

(b) they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.

(2) In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other.

(3) If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

Quorum for directors' meetings

11.—(1) At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

(2) The quorum for directors' meetings may be fixed from time to time by a decision of the directors, but it must never be less than two, and unless otherwise fixed it is two, and must have present at least one director who is either an elected representative or officer of the founding Member or their nominated substitute.

(3) If the total number of directors for the time being is less than the quorum required, the directors must not take any decision other than a decision—

(a) to appoint further directors, or

(b) to call a general meeting so as to enable the members to appoint further directors.

Chairing of directors' meetings

12.—(1) The directors may appoint a director to chair their meetings and undertake any other duties delegated to that role in accordance with the provision of these Articles.

(2) The person so appointed for the time being is known as the chairman.

(3) The directors may also appoint a director to act as vice-chairman, who will be known as such and who will act as a substitute to the chair in the chairman's absence.

(4) The directors may terminate the chairman's or vice chairman's appointment at any time subject to the decision-making provisions of these Articles.

(5) If the chairman is not participating in a directors' meeting within ten minutes of the time at which it was to start, the vice chairman will act as the chairman and in absence of the chairman and the vice chairman the participating directors must appoint one of themselves to chair it provided that the meeting is quorum.

Casting vote

13.—(1) If the numbers of votes for and against a proposal are equal, the chairman, vice chairman or other director chairing the meeting has a casting vote.

(2) But this does not apply if, in accordance with the articles, the chairman, vice-chairman or other director is not to be counted as participating in the decision-making process for quorum or voting purposes.

Conflicts of interest

14.—(1) If a proposed decision of the directors is concerned with an actual or proposed transaction or arrangement with the company in which a director is interested, that director is not to be counted as participating in the decision-making process for quorum or voting purposes.

(2) But if paragraph (3) applies, a director who is interested in an actual or proposed transaction or arrangement with the company is to be counted as participating in the decision-making process for quorum and voting purposes.

(3) This paragraph applies when—

- (a) the company by ordinary resolution disapplies the provision of the articles which would otherwise prevent a director from being counted as participating in the decision-making process;
- (b) the director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or
- (c) the director's conflict of interest arises from a permitted cause.

(4) For the purposes of this article, the following are permitted causes—

- (a) a guarantee given, or to be given, by or to a director in respect of an obligation incurred by or on behalf of the company or any of its subsidiaries;
- (b) subscription, or an agreement to subscribe, for securities of the company or any of its subsidiaries, or to underwrite, sub-underwrite, or guarantee subscription for any such securities; and
- (c) arrangements pursuant to which benefits are made available to employees and directors or former employees and directors of the company or any of its subsidiaries which do not provide special benefits for directors or former directors.

(5) For the purposes of this article, references to proposed decisions and decision-making processes include any directors' meeting or part of a directors' meeting.

(6) Subject to paragraph (7), if a question arises at a meeting of directors or of a committee of directors as to the right of a director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairman whose ruling in relation to any director other than the chairman is to be final and conclusive.

(7) If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the directors at that meeting, for which purpose the

chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

Records of decisions to be kept

15. The directors must ensure that the company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the directors.

Directors' discretion to make further rules

16. Subject to the articles, the directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to directors.

APPOINTMENT OF DIRECTORS

Methods of appointing directors

17.—(1) Any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director—

- (a) by ordinary resolution, or
- (b) by a decision of the directors.

(2) In any case where the company has no directors, the member will direct new directors to the company to take over the running of the company's business.

Termination of director's appointment

18. A person ceases to be a director as soon as—

- (a) that person ceases to be a director by virtue of any provision of the Companies Act 2006 or is prohibited from being a director by law;
- (b) a bankruptcy order is made against that person;
- (c) a composition is made with that person's creditors generally in satisfaction of that person's debts;
- (d) a registered medical practitioner who is treating that person gives a written opinion to the company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;
- (e) notification is received by the company from the director that the director is resigning from office, and such resignation has taken effect in accordance with its terms.
- (f) They cease to hold the relevant office with the member (as the Leader, Deputy Leader or Chief Executive of the member).

In addition to the provisions set out in Article 18, a director who is not either an elected representative or officer of the member will be required to tender his/her resignation at the AGM following the third anniversary of his/her

appointment and the director may put himself/herself forward for re-election at that same AGM on no more than two occasions

Directors' remuneration

19.—(1) Directors may undertake any services for the company that the directors decide and be remunerated in accordance with the company's policy therefore provided that no sum shall be paid to a director who is an elected member of the council.

Directors' expenses

20. The company may pay any reasonable expenses which the directors properly incur in connection with their attendance at—

- (a) meetings of directors or committees of directors,
- (b) general meetings, or
- (c) separate meetings of the holders of debentures of the company, or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the company.

PART 3
MEMBERS
BECOMING AND CEASING TO BE A MEMBER

Applications for membership

21. If at any time, there is a will for any additional member(s) of the company, this will require the consent of the existing member and will be subject to any reasonable conditions that the existing member may require.

Termination of membership

22.—(1) A member may withdraw from membership of the company by giving at least 7 days' notice to the company in writing.

(2) Membership is not transferable.

(3) Membership will be terminated forthwith by the member—in the case of the death or insolvency of a member or where the members' business ceases to exist for any other reasons such termination without prejudice to any liabilities that may have arisen during their time as a member of the company which can still be pursued against the member, their personal representatives, administrators or liquidators or other person acting on their behalf.

ORGANISATION OF GENERAL MEETINGS

Attendance and speaking at general meetings

23.—(1) A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.

(2) A person is able to exercise the right to vote at a general meeting when—

(a) that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and

(b) that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

(3) The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.

(4) In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.

(5) Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

Quorum for general meetings

24. No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

Chairing general meetings

25.—(1) If the directors have appointed a chairman, the chairman shall chair general meetings if present and willing to do so.

(2) If the directors have not appointed a chairman, or if the chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start—

(a) the directors present, or

(b) (if no directors are present), the meeting,

must appoint a director or member to chair the meeting, and the appointment of the chairman of the meeting must be the first business of the meeting.

(3) The person chairing a meeting in accordance with this article is referred to as “the chairman of the meeting”.

Attendance and speaking by directors and non-members

26.—(1) Directors may attend and speak at general meetings, whether or not they are members.

(2) The chairman of the meeting may permit other persons who are not members of the company to attend and speak at a general meeting.

Adjournment

27.—(1) If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairman of the meeting must adjourn it.

(2) The chairman of the meeting may adjourn a general meeting at which a quorum is present if—

(a) the meeting consents to an adjournment, or

(b) it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

(3) The chairman of the meeting must adjourn a general meeting if directed to do so by the meeting.

(4) When adjourning a general meeting, the chairman of the meeting must—

(a) either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the directors, and

(b) have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

(5) If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the company must give at least 7 clear days’ notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given)—

- (a) to the same persons to whom notice of the company's general meetings is required to be given, and
 - (b) containing the same information which such notice is required to contain.
- (6) No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

VOTING AT GENERAL MEETINGS

Voting: general

28. A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the articles.

Errors and disputes

29.—(1) No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.

(2) Any such objection must be referred to the chairman of the meeting whose decision is final.

Poll votes

30.—(1) A poll on a resolution may be demanded—

- (a) in advance of the general meeting where it is to be put to the vote, or
- (b) at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

(2) A poll may be demanded by—

- (a) the chairman of the meeting;
- (b) the directors;
- (c) two or more persons having the right to vote on the resolution; or
- (d) a person or persons representing not less than one tenth of the total voting rights of all the members having the right to vote on the resolution.

(3) A demand for a poll may be withdrawn if—

- (a) the poll has not yet been taken, and
- (b) the chairman of the meeting consents to the withdrawal.

(4) Polls must be taken immediately and in such manner as the chairman of the meeting directs.

Content of proxy notices

31.—(1) Proxies may only validly be appointed by a notice in writing (a "proxy notice") which—

- (a) states the name and address of the member appointing the proxy;

(b) identifies the person appointed to be that member's proxy and the general meeting in relation to which that person is appointed;

(c) is signed by or on behalf of the member appointing the proxy, or is authenticated in such manner as the directors may determine; and

(d) is delivered to the company in accordance with the articles and any instructions contained in the notice of the general meeting to which they relate.

(2) The company may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.

(3) Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.

(4) Unless a proxy notice indicates otherwise, it must be treated as—

(a) allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting, and

(b) appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

Delivery of proxy notices

32.—(1) A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the company by or on behalf of that person.

(2) An appointment under a proxy notice may be revoked by delivering to the company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.

(3) A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.

(4) If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

Amendments to resolutions

33.—(1) An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if—

(a) notice of the proposed amendment is given to the company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine), and

(b) the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.

(2) A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if—

(a) the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed, and

(b) the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.

(3) If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

PART 4
ADMINISTRATIVE ARRANGEMENTS

Means of communication to be used

34.—(1) Subject to the articles, anything sent or supplied by or to the company under the articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the company.

(2) Subject to the articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.

(3) A director may agree with the company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

Company seals

35.—(1) Any common seal may only be used by the authority of the directors.

(2) The directors may decide by what means and in what form any common seal is to be used.

(3) Unless otherwise decided by the directors, if the company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature.

(4) For the purposes of this article, an authorised person is—

- (a) any director of the company;
- (b) the company secretary (if any); or

No right to inspect accounts and other records

36. Except as provided by law or authorised by the directors or an ordinary resolution of the company, no person is entitled to inspect any of the company's accounting or other records or documents merely by virtue of being a member.

Provision for employees on cessation of business

37. The directors may decide to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

DIRECTORS' INDEMNITY AND INSURANCE

Indemnity

38.—(1) Subject to paragraph (2), a relevant director of the company or an associated company may be indemnified out of the company's assets against—

(a) any liability incurred by that director in connection with any negligence, default, breach of duty or breach of trust in relation to the company or an associated company,

(b) any liability incurred by that director in connection with the activities of the company or an associated company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006),

(c) any other liability incurred by that director as an officer of the company or an associated company.

(2) This article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.

(3) In this article—

(a) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate, and

(b) a "relevant director" means any director or former director of the company or an associated company.

Insurance

39.—(1) The directors may decide to purchase and maintain insurance, at the expense of the company, for the benefit of any relevant director in respect of any relevant loss.

(2) In this article—

(a) a "relevant director" means any director or former director of the company or an associated company,

(b) a "relevant loss" means any loss or liability which has been or may be incurred by a relevant director in connection with that director's duties or powers in relation to the company, any associated company or any pension fund or employees' share scheme of the company or associated company, and

(c) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate.