
CABINET

MINUTES of the Meeting held in the Council Chamber, Swale House, East Street, Sittingbourne, Kent, ME10 3HT on Wednesday, 9 November 2016 from 7.00 - 8.38 pm.

PRESENT: Councillors Bowles (Chairman), Mike Cosgrove, Duncan Dewar-Whalley, Alan Horton, Gerry Lewin (Vice-Chairman) and David Simmons.

OFFICERS PRESENT: Katherine Bescoby, Abdool Kara, Zoe Kent, Donna Price, Mark Radford, Nick Vickers and Emma Wiggins.

ALSO IN ATTENDANCE: Councillors Sarah Aldridge, Mike Baldock, Monique Bonney, Andy Booth, Paul Fleming, Mick Galvin, Nicholas Hampshire, Harrison, Mike Henderson, James Hunt, Bryan Mulhern, Roger Truelove, Ghlin Whelan and Mike Whiting.

APOLOGIES: Councillor Ken Pugh.

990 EMERGENCY EVACUATION PROCEDURE

The Leader outlined the emergency evacuation procedure.

991 MINUTES

The Minutes of the Meeting held on 5 October 2016 (Minute Nos. 919 – 928) were taken as read, approved and signed by the Chairman as a correct record.

992 DECLARATIONS OF INTEREST

No interests were declared.

**993 Part A - Recommendations to Council
REVIEW OF FEES AND CHARGES**

The Cabinet Member for Finance and Performance

Cabinet considered the report of the Head of Finance and the above Cabinet Member, which set out the proposals for the level of fees and charges to be levied for the next financial year 2017/2018. The charges would take effect from 1 April 2017.

The Cabinet Member introduced the report and proposed the recommendations, explaining that it was crucial to generate income to support the budget. This year there had been a specific focus on burial fees and hackney carriage charges. The Council was currently making a loss on burials and research had shown that Swale had the lowest charges in Kent, therefore it was proposed that charges should be increased. In respect of hackney carriage charges, he explained that these were being reviewed as there a range of areas where no charges were made, or Swale

was below the County average, and the proposals would be subject to full consultation. The Cabinet Member also drew attention to an update that had been tabled regarding the fee for land charges (CON29), and advised that this was still under discussion. The recommendations were seconded by the Leader.

Other Members present gave their views on the proposals, in particular regarding the increase in the charge for residents' parking permits from £40 to £45, when there was a shortage of parking spaces; the small increase in the charge for visitor parking permits and whether it should be more; and whether comparison with other authorities in Kent was a good principle to use. A Member also asked how much the Council was losing on burials as this was not reflected in the report; and expressed concern about the impact of increasing parking permit fees on those who could not afford it. During the debate, Members were reminded that fees and charges would be considered at the next Scrutiny Committee, prior to being considered at the Council meeting on 23 November 2016.

Recommended:

(1) That the proposed fees and charges for 2017/2018 as set out in the report for submission to Council be approved.

994 COUNCIL TAX SUPPORT SCHEME 2017/18

Cabinet Member for Finance and Performance

Cabinet considered the report of the Interim Director of Regeneration and the Head of Finance, and the above Cabinet Member. The Cabinet Member introduced the report, drawing particular attention to the consultation that had taken place, the Community Impact Assessment (CIA), and the options as set out in the report. He emphasised the importance for all Members to have read the supporting papers, in particular the CIA, prior to consideration of the Scheme at the November Council meeting. He also drew attention to the new funding model for assistance towards the administration costs of the scheme. In moving the recommendations in the report, he drew attention to the tabled paper which set out an additional recommendation from the Policy Development and Review Committee. These were seconded by the Leader.

A Member referred to discussion at the Policy Development and Review Committee on this matter, and asked the Cabinet to reconsider Option 7 on page 35 of the report, as he considered this to be unfair. The Chairman thanked the Committee for their feedback on this, referring to advice received and the results of the public consultation. The Cabinet Member for Finance and Performance emphasised that the consultation results had been taken very seriously.

Recommended:

(1) That the outcome of the public consultation, having taken consideration of the potential impact of the proposed changes on working age claimants with the protected characteristics of disability, age and sex under the Equalities Act 2010, be noted.

(2) That changes to the current scheme as listed in paragraph 3.6 of the report be recommended to Council, subject to recommendation (4) below.

(3) That the new funding model from the major preceptors for the collection of Council Tax from Council Tax Support claimants during 2017/18 be agreed.

(4) That as per paragraph 3.6 table 2, option 11 and paragraphs 3.7 and 3.8 of the report, if Central Government does not change the Housing Benefit regulations to limit the number of dependent children within the calculation of Housing Benefit to two, the Council will only use paragraph 3.8 for option 10 – to remove the Work Related Activity component in the calculation of Council Tax Support, and will recommend that Option 11 is still applied.

Part B - Reports for decision by Cabinet

995 PROMENADE RE-SURFACING, THE LEAS, MINSTER

Cabinet Member for Environmental and Rural Affairs

Cabinet considered the report of the Head of Commissioning and Customer Contact and the above Cabinet Member, which advised that the Council had been awarded external funding from the Environment Agency to re-surface the promenade along the coastal defences at The Leas, Minster on the Isle of Sheppey. The Cabinet Member introduced the report, which set out details of the tender process undertaken and requested authority to award the contract, and moved the recommendations. The Cabinet Member advised that the works would be entirely funded by the Environment Agency, and that the contract would be carefully managed. Whilst there would be some disruption during the works, access would continue to be made available where possible. The memorial benches would be removed prior to the works and returned after the works were complete. A Member endorsed the sensitive approach regarding the memorial benches. The Chairman seconded the recommendations.

Resolved:

(1) That the award of the works to Ovenden Allworks Limited be approved.

(2) That the Head of Commissioning and Customer Contact, and the Head of Legal, in consultation with the Cabinet Member for Environmental and Rural Affairs, be given delegated authority to complete the contract award.

996 CAPITAL FINANCING AND INVESTMENT

Cabinet Member for Finance and Performance

The Chairman drew attention to the confidential appendices set out later in the agenda, and reminded Members that they would need to exclude the press and public should they wish to discuss the content of those papers.

Cabinet considered the report of the Head of Finance and the above Cabinet Member which set out a business case for borrowing up to £28m (of the £30m approved) and sought agreement to the funding of some specific works associated with Sittingbourne Town Centre redevelopment. In introducing the report, the Cabinet Member emphasised the importance of the scheme for the financial future of the Council, referring to the need for the Council to generate income to become self-sufficient, and the decision taken by the Council in March to give authorisation to borrow up to £30m. The Cabinet Member referred to the reduction in government grant since 2010 from £12m to £2m, and that this would be zero in

2020; acknowledging that there would be business rates generated of £6.5m but these were subject to appeal; and said that whilst the Council had built up reserves, the interest rate return was now 0.63%. He referred to schemes by other local authorities to invest in property in the local area, such as Canterbury and Spelthorne Councils, for financial return.

In proposing the recommendations, the Cabinet Member emphasised that the proposal was for financial return, so that income was generated from the tenants and not by the Council Tax payer; and that there was clear viability for the scheme referring to economic conditions nationally and market conditions in Sittingbourne. In the Autumn, the Spirit of Sittingbourne had made progress on lettings and the Interim Director of Regeneration had held discussions as to whether the Council could become a funder. The proposal was a good financial investment and external financial advice had been sought. Even with prudent assumptions, the investment would generate an average of £2.8m per annum over the lifetime of the project, a return of 7.8% which was much better than the current level of interest on the Council's investment. The Cabinet Member considered this was an excellent opportunity to use the returns to help safeguard public services. The Leader seconded the recommendations.

A Member spoke against the proposal, saying that the Council had no mandate to invest, and suggested that there should be full public consultation with the people of Swale to ask if they supported the level of borrowing, and whether what to spend it on reflected their priorities, suggesting that this could be better spent on the Lower Road, Isle of Sheppey. He suggested that if the Council was looking at investing, it should invest in housing which had the potential to make a profit, and could be used for some council housing. He did not consider that the investments being made by Canterbury and others were comparable, and expressed caution that the expected return would only be if all units were rented out.

Another Member spoke against the proposal; whilst understanding the need to generate income, he considered that this was a risky investment, and that it was a last ditch attempt to avoid the reputational risk of admitting it was a flawed scheme, referring in particular to the difficulties regarding attracting a cinema operator. He did not consider that the scheme was commercially viable, and suggested that a more secure investment would be in housing. The Council had never been willing to invest in the local community before, and gave the example of play areas. He advised that he would be seeking to refer this item to the Scrutiny Committee as the proposal was inadequate, and asked to see the notes of the officer meeting that had discussed this proposal.

Other Members gave their views on the proposals. Those in support of the scheme spoke of: the need to generate income in order to maintain council services without increasing the council tax, referring to examples of investments being made by other authorities; that in addition to generating income, it would also support the Council's regeneration strategy; that the income was guaranteed for a number of years; and that it was an opportunity to improve investment opportunity in the Borough and create jobs and wealth.

Other Members spoke against the proposal, referring to issues with securitisation; the lack of capability to manage such a project; that the income was not secure as

tenants could go bust; that the examples given of Canterbury and Spelthorne Councils investing were less risky; there was no risk analysis within the report; there were other ways that the Council could invest, such as in units in the High Street. Questions were asked regarding car parking in Sittingbourne and whether the proposal impacted upon the funding of the multi-story car park; why couldn't the Council invest in housing which would assist with homelessness and those in temporary accommodation? Further concerns were raised regarding the risks; whether there were costs that were not reflected within the report; and that the Council would still owe £28m after 50 years. Members acknowledged that there was a need to generate income to be able to continue to deliver public services.

The Head of Finance advised that the proposal was not without risk, but the aim was to generate an investment return without burden on the local council tax payer. The burden of the debt costs would be wholly on the occupiers of the buildings; there were already long leases in place for the cinema, hotel and restaurants, although 35% of the restaurant income was not yet signed and would continue to be marketed. The investment return would be over and above that obtained by treasury management, and the Council did not have any plans to pay for housing.

In respect of borrowing costs, the Head of Finance advised that the recommendation was for up to £28m and the financial appraisal assumed that the Council borrowed from day 1. However, the Council would try to avoid borrowing at the start of the project, using reserves instead to get underway, and only borrow long term when there was rental income being received. He explained that there were two ways to repay the principal, either by setting aside a minimal revenue provision of 2% on the balance sheet, which was included in the plans; and by allocating some of the additional income in future years. Meanwhile, the Council would have more than sufficient funds to repay borrowing, using the income from tenants.

In respect of technical issues, the Head of Finance acknowledged that there was a need to get the property management right and funding had been built in for use of a specialist external manager. He also confirmed that the option to finance did not exist until September 2016. In response to a question, the Head of Finance also confirmed that no account had been taken in the appraisal of additional business rates, council tax or new homes bonus.

The Chief Executive advised that it was important to be clear that this report and decision was not about the wider Spirit of Sittingbourne Scheme, and that housing was not part of the issues being considered, and that the Council should only borrow to invest in areas which generated an income stream.

In summing up, the Leader expressed disappointment that not all Group Leaders had chosen to attend the briefings offered by Officers on the topic, and advised that a separate report would be coming forward in due course regarding housing. He acknowledged the role of opposition Members and the Scrutiny Committee to ask questions and scrutinise.

The Cabinet Member thanked Members for their comments and questions, and reiterated his confidence in the proposed investment, as he looked after the

Council's money as if it was his own. He looked forward to the debate at the Scrutiny Committee.

The Chairman thanked members of the public for attending the meeting.

Resolved:

(1) That approval be given to funding and acquiring of the leisure and big box retail development in Sittingbourne.

(2) That borrowing of up to £28m be approved, in line with the Council decision on 16 March 2016.

(3) That investment of up to £2.2m in highways-related infrastructure for Sittingbourne Town Centre be approved.

(4) That funding of up to £500,000 to underwrite unconditional pre-works demolition costs, which will be funded from South East Local Enterprise Partnership (SELEP) funding, be approved. If the development agreement does not go unconditional, the Council will be required to repay this funding to SELEP.

(5) That delegation be given to the Head of Finance, in consultation with the Leader and Cabinet Member for Finance and Performance, the final decisions on the amount of borrowing within the limit set, other financing and release of the funds for highway works and demolition costs.

(6) That delegation be given to the Head of Finance, in consultation with the Leader and Cabinet Member for Finance and Performance, to agree the final Terms of the Agreement.

997 EXCLUSION OF THE PRESS AND PUBLIC

Resolved:

(1) That under Section 100A(4) of the Local Government Act 1972, as amended, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 3 and 5 of Part 1 of Schedule 12A of the Act.

998 EXEMPT APPENDICES: CAPITAL FINANCING AND INVESTMENT

Members were given an opportunity to ask questions on the exempt appendices, which set out the draft Turnberry Real Estate financial evaluation and the draft Pinsent Mason legal opinion.

A Member gave feedback on the financial evaluation and asked Officers to obtain more information before the Scrutiny Committee considered the matter, in particular regarding implications if some units were empty or became empty; property management; the terms of the lease, in particular rental incentives and whether there were restrictions on use; advice on how the project compared with other town centres in terms of retail and restaurant rents; and whether there were alternative investment options to consider. Another Member asked for more information about risk.

The Leader thanked Members for their input and referred to the Scrutiny timetable for call-in.

Chairman

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All Minutes are draft until agreed at the next meeting of the Committee/Panel