

# AGENDA



For a meeting of the
<b>RESOURCES POLICY DEVELOPMENT GROUP</b>
to be held on
<b>THURSDAY, 30 MAY 2013</b>
at
<b>2.30 PM</b>
in
<b>WITHAM ROOM, COUNCIL OFFICES, ST PETER'S HILL, GRANTHAM. NG31 6PZ</b>
Beverly Agass, Chief Executive

Group Members:	Councillor Jean Bevan, Councillor Nick Craft (Chairman), Councillor Alan Davidson, Councillor Nick Robins, Councillor Bob Sandall, Councillor Trevor Scott (Vice-Chairman) and Councillor Jacky Smith
Portfolio Holders:	Councillor Teri Bryant (Portfolio: Good housing for all) Councillor Mike Taylor (Portfolio: Strategic Resources – Well Run Council)
Support Officer:	Jo Toomey                      Tel: 01476 40 61 52 E-mail: <a href="mailto:j.toomey@southkesteven.gov.uk">j.toomey@southkesteven.gov.uk</a>

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

**1. COMMENTS FROM MEMBERS OF THE PUBLIC**

To receive comments or views from members of the public at the Group's discretion.

**2. MEMBERSHIP**

The Group 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 MEETING HELD ON 28 MARCH 2013

(Enclosure)

#### 6. UPDATES FROM PREVIOUS MEETING

- Pre-application planning advice
- Accredited planning agents

#### 7. FEEDBACK FROM THE EXECUTIVE

#### 8. QUESTIONS REFERRED BY COUNCIL ON 18 APRIL 2013

**From:** Councillor Ian Selby

**To:** Councillor Terl Bryant, Good Housing for All Portfolio Holder

*I wish to raise a question on an issue that I have no doubt affects other councillors in their ward.*

*Back in April 2007 I was contacted by some of my constituents regarding contributions by residents on the warden scheme towards community centre costs. I subsequently submitted a question to Councillor Cartwright at that time and the reply stated that the matter would be discussed by the DSP Working Group. Further to this a letter from a council officer (name can be provided but unnamed for the purpose of this public question) in October 2007 stated that the Service Improvement Plan that was being developed would allow for the carrying out of a full review of the situation.*

*In Feb 2010 my constituents raised the question again and received a reply from the officer with an assurance that a 'Review of Supported Housing Services would tackle the issue'.*

*In 2011 I then contacted another officer for a progress report and the reply stated that, 'the use and funding of the community rooms will be reviewed as part of the extensive supported housing review which is ongoing. However this particular part of the review is unlikely to be started until after the summer of 2012 as it ties in with other key pieces of work involving fees and charges'.*

*My constituents feel that this issue is constantly being pushed back they think it is time that a decision was finally made, particularly in the light of yet another rise in the amount that they are having to pay, the present cost being £5.60 a week.*

*Also my constituents' community centre in Belton Avenue is in use by at least*

*seven different groups at various times of the day and evening and so it is not available for use by tenants at these times unless they are part of one of the groups.*

*My constituents have recently carried out a survey on the use of the community centre in Belton Avenue and have found out that the majority of the groups are not charged at this present time for use of the facilities and my constituents ask the question; “why are we being charged to pay for their use of electricity etc”.*

*This issue is long overdue being addressed for fairness for all concerned. Personally I don't think it's fair that a small minority of people should pay for a facility that the whole community has the use of. May I therefore respectfully ask; can you give me a definitive answer as to when will this issue be finally addressed by the council?*

*In anticipation of a positive response, thank you.*

**9. LOCAL AUTHORITY MORTGAGE SCHEME UPDATE**

Report number HOF234 by the Head of Finance. **(Enclosure)**

**10. LOCAL BUSINESS SUPPORT SCHEME**

Report number HOF235 by the Head of Finance. **(Enclosure)**

**11. REPORTS FROM WORKING GROUPS**

- Medium Term Financial Strategy

**12. WORK PROGRAMME**

**(Enclosure)**

**13. ANY OTHER BUSINESS, WHICH THE CHAIRMAN, BY REASONS OF SPECIAL CIRCUMSTANCES, DECIDES IS URGENT.**

## MEETING OF THE RESOURCES POLICY DEVELOPMENT GROUP

THURSDAY, 28 MARCH 2013 2.30 PM



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### GROUP MEMBERS PRESENT

Councillor Mark Ashberry  
Councillor Jean Bevan  
Councillor Michael Cook

Councillor Nick Craft (Chairman)  
Councillor Trevor Scott (Vice-Chairman)  
Councillor Jacky Smith

### PORTFOLIO HOLDER

Councillor Teri Bryant (Portfolio: Good Housing for All)

### OFFICERS

Strategic Director, Corporate Focus (Daren Turner)  
Head of Community Assets (Paul Stokes)  
Property Development Manager (Neil Cucksey)  
Benefits Manager (Lee Sirdifield)  
Community Engagement and Policy Development Officer (Carol Drury)  
Principal Democracy Officer (Jo Toomey)  
Legal and Democratic Services Administration Assistant (Alexandra Jarvis)

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#### 46. MEMBERSHIP

The PDG was notified that Councillor Ashberry would be substituting for Councillor Dilks until the next annual meeting of the Council.

#### 47. APOLOGIES

Apologies for absence were received from Councillor Bob Sandall and the Strategic Resources – Well Run Council Portfolio Holder, Councillor Mike Taylor.

#### 48. DISCLOSURE OF INTERESTS

No interests were disclosed.

#### **49. ACTION NOTES FROM 17 JANUARY 2013**

The action notes from the meeting held on 17 January 2013 were noted.

#### **50. UPDATES FROM PREVIOUS MEETING**

Waste and Recycling – taxi MOT testing

- Previously the PDG had considered discount schemes to encourage taxi and private hire companies to get their vehicles checked using the Council's MOT testing facility. This idea had been withdrawn over concerns about fair access to discounts for small and large firms and accessibility for companies across the district.

Development Management – accredited agent scheme

- Officers were awaiting feedback on whether Cornwall Council was extending its scheme and if so, how. Further updates would be brought to a future meeting of the PDG.

Property and Facilities – Single utilities supplier

- At a previous meeting the PDG had recommended officers investigate opportunities around a single utilities supplier for all council properties. It was suggested this could achieve better rates for tenants and reduce the time taken to bring void properties back into use (officers had previously reported delays as a result of identifying and settling issues relating to utilities).
- Officers reported that the Council was working with Peterborough Environment City Trust. The Council notified the Trust when a property became empty. They dealt with utilities closure arrangements on behalf of the Council at no cost to the authority. Incoming tenants were given the chance to purchase their utilities from the Trust's preferred supplier. The decrease in the void rate was partly attributed to this scheme.
- Authorities in Norfolk had energy contracts which were rolled out to whole districts as part of a switch and save scheme. Officers highlighted the administrative burden this would place on the council, as the scheme would be open to all residents, not just council tenants.
- It was suggested that Procurement Lincolnshire could look into the bulk purchasing of gas.

Property and Facilities – fuel oil provision for villages

- Councillors had previously suggested that the Council register as a buying group with an oil supplier. Officers reported that very few council tenants' properties were fuelled by oil.
- An increasing number of villages were being connected to the gas network. The council was exploring funding opportunities to switch

properties in those villages from solid fuel to gas.

#### Property Development – car parking orders and payment

- The PDG had recommended at a previous meeting that car parking orders should be put in place for Bourne introducing a maximum stay to encourage turnover of parking spaces.
- The Property Development Manager advised members he had met with Bourne Town Council on 12 March 2013 where the level of support for Parking Orders was mixed. Further information was needed to understand car parking patterns. The PDG agreed to use some of its support fund to commission the additional work.
- Since the introduction of civil parking enforcement (CPE) officers had monitored patterns in off-street parking ticket sales. Analysis of this information would help identify the most appropriate payment methods.
- Brief reference was made to recent survey work amongst residents in Stamford town centre about residents' parking schemes. Results did not meet the thresholds required by the Council's car parking strategy to trigger a scheme. Some members expressed concern over the results of the study and advocated a parking scheme for town centre residents.

#### Building Control

- The Property Development Manager informed the PDG that a review had been carried out on the Building Control service. The review included working with Rushcliffe Borough Council, with whom South Kesteven shared a manager.

#### **Recommendation:**

#### **Utilities**

- 1. The PDG recommends that Procurement Lincolnshire should be asked to look at opportunities for the bulk-buying of gas products.**

#### **Car parking**

- 1. That the PDG authorises funding from its support fund to carry out a study of car parking patterns in Bourne**
- 2. Subject to the car parking study revealing no contradictory evidence, the Resources PDG recommends that parking orders should be got ready stipulating a maximum stay should be introduced for Bourne.**

## **51. FEEDBACK FROM THE EXECUTIVE**

The Good Housing for All Portfolio Holder expressed concern that future grant funding would not include a breakdown of its components and that support for

parish precepts could be lost for the 2014/15 financial year. This concern was echoed by PDG members. The Council was using the Lincolnshire Association of Local Councils to engage with parish councils on this issue.

The Portfolio Holder also referred briefly to disabled adaptations as there had been four major referrals and commented that the Council needed to make the best use of its adapted properties.

## **52. LOCAL AUTHORITY MORTGAGE SCHEME - UPDATE**

Hayley Sullivan an Associate Director from Sector gave a brief presentation providing a local and national update on the Local Authority Mortgage Scheme (LAMS).

### National picture

- LAMS was a partnership between commercial mortgage lenders, Sector and participating local authorities providing 95% loan to value mortgages for first time buyers.
- LAMS was available in 52 local authority areas under 67 live schemes with over 35 new schemes due for launch.
- 8 commercial lenders had signed up to the scheme.
- At the end of February 2013 over 1500 mortgages had been issued, equating to £157m in lending.

### Alternatives to LAMS

- NewBuy – launched in March 2012, available nationally to first time buyers for new build properties. This was restricted to specific sites and properties and provided 95% loan to value mortgages.
- Help to Buy Equity Loan – to be launched in April 2013 replacing FirstBuy. The scheme would provide an equity loan of up to 20% of the property value repayable once sold. The scheme was open to all buyers for new build properties.
- Help to Buy Mortgage Guarantee – due to be launched in January 2014 aimed at all buyers and property types providing loan to value mortgages between 80-95% with a government backed guarantee of 15%.

### LAMS in South Kesteven

- The Council deposited £1m to cover a maximum loan size of £118,750 (£125k property with a 5% deposit), this meant a maximum indemnity per mortgage of £25k. Return on the deposit would be approximately 4.5%p.a. for the five year period.
- The scheme was available for properties whose postcodes fell wholly within South Kesteven (excluding new builds) and was launched on 5 July 2012.
- Sector provided monthly management information which detailed the

numbers of mortgage applications, mortgage offers, mortgage completions, mortgage arrears of 3 months or more and repossessions.

- Since the launch of the scheme there had been 21 applications with a value of £1.9m. The indemnity that had been utilised was £365k.
- 1 mortgage was at the offer stage, a further 14 had been completed.
- The PDG was given an overview of the average level of indemnity, loan value, property value and information about applicants (average age, type of property purchased and whether they were already resident within the district).

Ms Sullivan reported that overall performance of South Kesteven's scheme was slightly slower than the average rate of utilisation and suggested this might be because of the maximum loan value. She commented that the £118,750 limit may make it more challenging for buyers looking at properties in Bourne, Stamford and the Deepings, where property prices were higher than Grantham. If the Council wanted to speed up use of the deposit it could reconsider the level of the maximum loan.

If the Council wanted to make further deposits beyond its current £1m, it would have to create a new scheme; the current scheme could not be 'topped up'.

Councillors were also provided with a summary of the Local Authority Partnership Purchase pilot, which was a national affordable housing scheme. Buyers would need a 95% deposit on 70% of a property's value to form a 70/30 shared ownership arrangement. The sign-up fee for LAMS would give the Council access to this scheme when it was formally launched.

Members of the PDG were given the opportunity to ask questions about the scheme:

- Aborted applications and incomplete applications were not recorded by the mortgage provider and consequently not captured in the monthly reports.
- Nationally the scheme had not had any defaults or repossessions however this was most common during years 4 and 5.
- If an individual fell into arrears, the scheme could be extended for an additional two years for that individual. Sector was finding a way to share information on individuals at risk of defaulting to signpost them to the appropriate people in their local council for support.
- LAMS applicants could transfer their mortgages to get better rates but they would no longer be part of the scheme.

Brief consideration was given to the maximum loan value. When the scheme was set up, Councillors had researched property prices across the district. The majority of members of the PDG agreed that the level was appropriate. Any changes to the current scheme or any new scheme would need approving by the full Council.

### **53. DISCRETIONARY COUNCIL TAX PAYMENT SCHEME**

The Benefits Manager presented report number HOF232 by the Head of Finance on the Discretionary Council Tax Payment Policy. He explained that under current arrangements the council had a discretionary housing payment policy for use in respect of rents and council tax. From 1 April 2013 council tax help would no longer be available under this policy.

As part of its budget for 2013/14, Council agreed a local fund to help with cases of extreme hardship that may arise following the introduction of the local Council Tax Support scheme. The PDG was asked to consider the proposed policy within which Benefits Officers would assess individual cases for eligibility for a Discretionary Council Tax Payment.

The proposed scheme was designed to meet short-term financial difficulties for a defined period. At the end of the period an individual could reapply for support. To qualify for the scheme the customer would have to be in receipt of some Council Tax Support. The claimant or their partner was also required to be in work or taking proactive steps to overcome worklessness.

Councillors considered how an applicant might prove they were actively seeking employment. Members noted that in order to claim Job Seekers Allowance applicants were required to sign in every two weeks and demonstrate they were actively seeking work or developing skills to help them gain employment. Officers advised that claiming job seekers allowance would not preclude an individual from the scheme and explained that when contribution based jobseekers allowance ceased at the end of a 6-month period, the applicant would need to apply for means tested jobseeker's allowance. This was based on household income; if their partner was earning a wage, household income could exceed the allowance. The conditions of entitlement would suggest that this was the type of household the scheme was designed to assist.

Any awards through the scheme would only be payable against current liability, not past debts to individuals who engaged with the council, taking proactive steps to resolve financial difficulties. Customers would be required to submit an application form giving information on their financial circumstances, providing a greater level of detail than an application through the housing benefits system. Consideration would be given to an applicant's commitments, outgoings and what was essential to their circumstances. Applicants could provide information face-to-face or via telephone and officers would note this on their form. While there was no legal requirement for a form to be filled in, Councillors agreed that the applicant should be asked to sign to say that any information recorded by an officer is correct.

A customer who did not agree with a decision could have their application reviewed by a manager. There was no formal right of appeal as the award was discretionary. When a customer's circumstances changed, any award would be

reduced down and the Council would have power to recover any excess.

One Councillor expressed concerns that the level of budget would not be sufficient to meet demands. Other Councillors highlighted the support the district Council was providing, topping up the payment of parish precept on behalf of recipients in receipt of council tax support.

Application forms for the fund would be available online and at the district Council's area offices. The Citizen's Advice Bureau would also be informed to help them advise their customers. Officers stated that applications for the funding, which would become available on 1 April 2013, were already being received.

#### **54. MEDIUM TERM FINANCIAL STRATEGY**

The Strategic Director, Corporate Focus provided a brief summary of report number HOF230 on the production of a Medium Term Financial Strategy for 2013/14. He explained that the Council already had a Medium Term Financial Plan but a strategy would set out the Council's strategic approach to the management of its finances.

The PDG was reminded of the new way in which local government would be funded, changing from revenue support grant to business rate retention. The Strategic Director showed examples of what other districts had included in their Medium Term Financial Strategy:

- Financial golden rules
- Explanation of national and local financial context
- Implications of local business rate retention scheme
- Whether the authority should consider pooling
- How New Homes Bonus should be used
- Implications of localism – community rights, community infrastructure levy, etc

PDG members agreed to hold a series of workshops to develop a Medium Term Financial Strategy for South Kesteven.

Councillors asked how New Homes Bonus was currently spent. Mr Turner explained that it was used to support the Council's priority projects. Members noted the need to maintain levels of new homes bonus through ongoing housing development, however there was nothing that could be done to expedite major developments that were already planned.

Within any strategy, members would also need to consider the Housing Revenue Account. Mr Turner stated that the Council was working closely with LG Futures on complex scenario planning. He suggested that the PDG might engage with them to support the development of building the strategy. The committee agreed that they should be engaged to help the process.

## **55. BUDGET MONITORING REPORT**

PDG members noted report number HOF231 by the Head of Finance which provided financial monitoring information for 2012/13.

The Strategic Director explained that the variance in respect of the helpline was the result of the mid-year transfer of the service to Lincoln City Council. The Good Housing For All Portfolio also informed members that a non-key decision had been taken to dispose of a property in Stamford.

## **56. WORK PROGRAMME**

A number of items had been suggested for inclusion in the PDG's work programme for 2013/14:

- Update on Housing Revenue Account business plan
- Review of provision of markets in Grantham and Stamford
- Market development plan
- Empty properties – bringing homes back into use
- Waste contract – financial implications of the dry recyclables contract commencing on 1 August 2013
- Accredited agent scheme (development management services)
- Car parking payment methods
- Business support measures
- Medium Term Financial Strategy
- Review of car parking fees and charges
- Criteria for business support (to be considered as soon as possible)

Brief discussion ensued on empty properties within the private sector. The Council had reviewed discounts for empty properties and agreed a premium council tax charge for properties that had been vacant for more than two years. As a last resort, there was legislative provision that would allow the council to purchase empty properties, however this was a lengthy process.

## **57. CLOSE OF MEETING**

The meeting was closed at 17:06.

## REPORT TO RESOURCES PDG

**REPORT OF: HEAD OF FINANCE**

**REPORT NO: HOF234**

**DATE: 30 MAY 2013**

<b>TITLE:</b>	Local Authority Mortgage Scheme – approval of scheme extension	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	N/A	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Councillor Mike Taylor Well Run Council Portfolio Holder	
<b>CONTACT OFFICER:</b>	Richard Wyles – Head of Finance 01476 406210 Email: <a href="mailto:r.wyles@southkesteven.gov.uk">r.wyles@southkesteven.gov.uk</a>	
<b>INITIAL IMPACT ASSESSMENT:</b>	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
<b>Equality and Diversity</b>	N/A	
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Your Council and Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>		

### 1. RECOMMENDATION

It is recommended that:

- Resources PDG give consideration to the continuation and extension of the LAMS scheme and commit a further amount to the scheme and;
- Give consideration to the inclusion of additional lenders having taken into consideration the information provided in the report.
- Approve the recommendation to increase the maximum loan size per application to £147,250.

### 2. PURPOSE OF THE REPORT

At the last meeting of the PDG, members were provided with an update of the local scheme including details of the current take up of the scheme.

### 3. DETAILS OF REPORT

#### Background

The Local Authority Mortgage scheme (LAMS) is designed to help increase the supply of affordable housing for those who need it, and to help the local housing market and thereby the local economy.

The scheme requires the Local Authority to provide a financial indemnity of up to 20% of a mortgage for potential home-buyers who qualify for Local Authority support, and who meet the strict lending criteria set by the lender. The indemnity could be un-funded or 'cash backed'. That is an agreed figure can be lodged with Lender (Bank or Building Society) or merely given in the form of a financial undertaking. The criteria will be set by the participating LA in conjunction with the mortgage provider.

At its meeting in March 2012, Council gave its approval for the implementation of a local scheme in partnership with Lloyds Bank Plc up to a limit of £1M and approved plans to extend the scheme across other lenders as they enter the scheme up to a total of £5M subject to a full analysis of impact against priorities of the first £1M and subject to budget provision.

The scheme went live in June 2012 and an analysis of the take up of the scheme is provided below:

Month	Offers made (in month)	Completed	Cumulative indemnity amount
July	1	-	£19,800
August	2 (3)	-	£61,800
September	3 (6)	2	£111,550
October	5 (11)	2	£183,150
November	2 (13)	5	£213,600
December	2 (15)	8	£251,400
January	2 (17)	13	£288,400
February	4 (21)	14	£364,375
March	3 (24)	16	£425,650*

\*Remaining indemnity as at 31 March 2013 £574,350

In term of postcode analysis, the 24 applications received to date are received in respect of the following postcode areas:

NG31 – 17  
NG32 – 1  
NG33 – 1  
PE9 – 5

In accordance with the Council's decision, the opportunity has been taken to give consideration to the inclusion of additional lenders to the scheme. Below is a listing of the lenders currently included in the LAMS scheme (as supplied by Sector Treasury Services Ltd).

<b>Lender</b>	<b>Geographical area</b>	<b>Cash backed scheme</b>	<b>Non cash backed scheme</b>	<b>New Build</b>	<b>Readiness to launch</b>	<b>Bps above standard</b>	<b>Branches</b>	<b>Minimum indemnity</b>
Furness BS	Local – North west	n/a	Yes	TBC		n/a	TBC	£0.5M
Leeds BS	National	Yes	n/a	Yes	Active	40	Yes	£0.5M
Leek United BS	Staffordshire, Derbyshire, Cheshire and Shropshire	n/a	Yes	No	Active	n/a	Yes	£0.5M
Lloyds Bank	National	Yes	n/a	No	Active	70	Yes	£1M
Marsden BS	Pendle (initially)	n/a	Yes	TBC	Ready	n/a	Yes	£0.5M
Teachers BS	National	n/a	Yes	TBC	Active	n/a	TBC	£0.5M or less
Kent Reliance BS	Initially Kent but national for future	n/a	Yes	TBC	Ready	n/a	intermediaries	£0.5M

Of the above it is considered that Leeds Building Society and Teachers Building Society would be of interest to the Council due to their national presence although Teachers BS has the limitation of being available to only teachers and education professionals. (At the time of writing the report the Council has been notified that Leeds BS has yet to confirm its available capacity for additional authorities although it is anticipated that this should not cause any difficulties). If the suggestion to include the 2 additional lenders to the local scheme is supported then a further £1M would be made available bring the overall amount to £2M.

The average property value for the South Kesteven scheme is £97,529 and the average loan value is £90,111 which gives an average loan to value % of 92.60%.

It is accepted that the take up of the scheme is less in the south of the district and work is underway to understand the reasons for this which is potentially a combination of a reduced number of available properties within the limit of £125,000 price banding, reduced amount of local publicity and awareness of the scheme by Lloyds TSB Plc and fewer applicants meeting the overall criteria of scheme eligibility and therefore unable to proceed with the application.

Lenders require the maximum individual loan size to be stipulated at the inception of the scheme (i.e. 95% of the average property valuation locally) rather than the maximum actual property valuation. For South Kesteven the maximum loan size per application towards which assistance may be given to a first time buyer is up to and including £118,750 (95% of £125,000). It is proposed to raise this property valuation threshold to £155,000 which will ensure all suitable property values are included and will potentially act as a catalyst to increase the number of successful applications in the PE9 area of the district. This would increase the maximum loan size to £147,250. To complement the increase in the loan size it is also proposed to replenish the Lloyds Bank scheme to the £1M.

#### **4. OTHER OPTIONS CONSIDERED**

None applicable

#### **5. RESOURCE IMPLICATIONS**

None applicable

#### **6. RISK AND MITIGATION**

None applicable

#### **7. ISSUES ARISING FROM EQUALITY IMPACT ANALYSIS**

None applicable

#### **8. CRIME AND DISORDER IMPLICATIONS**

None applicable

#### **9. COMMENTS OF FINANCIAL SERVICES**

Financial considerations are included in the report.

#### **10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

Any extension of the existing scheme and any new scheme will require the appropriate specific authorities relating to that scheme. Whilst the Council has approved a potential spend

on further schemes, the detail of the terms of the existing scheme or any new scheme were not known at the time and must be appropriately authorised.

**11. COMMENTS OF OTHER RELEVANT SERVICES**

None applicable

**12. APPENDICES**

None

## REPORT TO RESOURCES PDG

**REPORT OF: HEAD OF FINANCE**

**REPORT NO: HOF235**

**DATE: 30 MAY 2013**

<b>TITLE:</b>	South Kesteven District Council Small Business Loan Scheme and Hardship Awards	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	N/A	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Councillor Mike Taylor Well Run Council Portfolio Holder	
<b>CONTACT OFFICER:</b>	Richard Wyles – Head of Finance 01476 406210 Email: <a href="mailto:r.wyles@southkesteven.gov.uk">r.wyles@southkesteven.gov.uk</a>	
<b>INITIAL IMPACT ASSESSMENT:</b>	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
<b>Equality and Diversity</b>	N/A	
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<b>BACKGROUND PAPERS</b>		

### 1. RECOMMENDATION

It is recommended that:

- Resources PDG give consideration to the establishment of a small business loan scheme and;
- Review and approve the guidance notes and application form attached to the report having taken into consideration the information provided in the report.
- Provide a recommendation with respect to the proposed criteria for any applications with respect to Hardship relief.

## **2. PURPOSE OF THE REPORT**

To propose the introduction of a loan fund to provide financial support to small business in the South Kesteven district during the current economic climate and to give consideration to an application criteria with respect to Hardship relief.

## **3. DETAILS OF REPORT**

Council, at its meeting on 1 March 2013, approved the introduction of a budget in order to assist and respond to the community during the current financial climate. An allocation of this budget is to assist businesses by providing financial support where appropriate.

South Kesteven has over 15% small and medium sized businesses with the majority employing less than 16 people (compared to a national average of just under 17 people). Unemployment in the district has risen by 0.3% over the past 12 months which is 6.4% of the working age population.

Due to the current financial climate many small businesses are suffering from a lack of access to finance as banks have been reluctant to lend money. Banks are looking for shared risk and if greater levels of deposits or match funding on loans are not provided this can lead to loan applications being rejected. Difficulties in renewing loan arrangements, higher overdraft interest rates or a summary withdrawal of overdraft are some of the issues being reported by businesses. The introduction of a small loans scheme for small businesses will help address some of the issues being faced accessing finance.

### **Hardship Relief**

This initiative complements a suite of packages being delivered by the Council including the shop front scheme, serviced land and the greater promotion of the Hardship fund for business rate assistance. In respect of this The Council has a discretionary power under Section 49 of the Local Government Finance Act 1988, in exceptional circumstances, to reduce all or part of a business rates bill. The legislation stipulates that a local authority in considering hardship must be satisfied:

- The ratepayer will suffer hardship if relief is not granted
- There is a direct benefit to the ratepayer, or the community, and there are no adverse impact to other ratepayers or the community as a result of awarding relief

It is proposed to increase the awareness of the hardship relief and to introduce scoring criteria that can be used to assess whether the awarding of relief is appropriate based on the implications of the business continuing trading in the district. This will be based on:

- History and Future Planning
  - What was the reason for the hardship - is there a recognisable one-off reason for the hardship, or is it just a slowdown in trade, or even that the business is just not sustainable.

- Is there an improvement plan - does the organisation / individual have an improvement plan to relieve them of hardship and if so what are the chances of success.
- Will the granting of hardship be effective - will the organisation / individual still be unsustainable even with the granting of a reduction in the non-domestic rates liability. Will the money spent by the authority have any longer term benefit or will it just delay the inevitable.
- Loss of Amenity
  - What would be the effect on the local community - would the local community suffer if the organisation/individual were no longer in existence.
  - Are there other similar businesses - if the applicant no longer occupied the premises would the existence of other organisations/individuals mean that there would be no or insignificant loss of amenity
  - What area / group is served by the applicant - does the ratepayer serve a limited target audience or do large sectors of the South Kesteven community benefit from their existence.
  - Another vacant property? - are there other empty properties in the area and another empty property would degrade the area further and be detrimental to the local public.
- Employment Implications
  - Number of people employed - What number of people are employed by the organisation/individual and would their jobs be in danger if hardship was not granted.
  - Are the employees taken from an unemployment black-spot - Is the organisation/individual situated in an area where jobs are more difficult to obtain, or are they in an area when the employees would have a greater chance of finding other employment.
- External Factors
  - Consideration should be given when certain regional, national or global factors affecting hardship are beyond the organisation's control, particularly when central government provides extra funding and including consideration of rules of state aid.

### **Loans Scheme**

The proposed loans scheme should be used to match similar levels of capital investment by firms and banks or other organisations and should not form more than one third of the total loan required. A typical scenario could be:

A small business requires £30,000 to expand, purchase equipment or meet an order. The financial package could be £10,000 owner, £10,000 bank and £10,000 SK loan scheme. The SK loan would be at a below market interest rate and be able to offer up

to 6 months repayment holiday with the period of the loan. The investment risk would be shared by the owner, bank and SKDC thus reducing the bank's overall exposure to risk (making them more likely to advance funding) but ensuring that the SKDC risk was no higher than the commercial risk being taken by the owner and the bank.

A loan agreement will be required from all successful applicants and will operate with the following criteria:

Eligible businesses must comply with the EU definition of a small business (ie less than 50 employees, turnover not exceeding 7m euros) and be independent - not a subsidiary of a larger company.

Eligible business must be able to demonstrate their potential for growth and adding to the GVA of the local economy

Loans can only be advanced to fund cash flow for the sole purpose of enabling a business to expand (employment of additional staff, capital investment)

The maximum loan from SKDC will be £10,000 per business and a personal guarantee will be required before any loan can be advanced

Proof of bank lending and personal funding will be required

Loan periods will be for a maximum of 3 years

Loans may be repaid in full at anytime during this period without interest penalty

A fixed rate of interest will be applied to the loan

The rate of interest applied will be at PWLB rate equivalent to loan term applicable at the date the loan was advanced

Repayments inclusive of interest will be due on the last day of each month

The application would include evidence of the last 2 year's performance (including financial information, number of employees etc)

### **Financial Considerations**

The scheme would be operated in accordance with Article 87 European Community Treaty, Commission Regulation (EC) No 1998/2006, De minimis Aid – Block Exemption. This Regulation permits the Council to provide aid awards of less than Euros 200,000 (approximately £120,000) over a rolling three year period to an enterprise regardless of company size. This limit applied from 1 January 2007.

The main risk associated with this type of loan fund is the level of default in repayments. The application of strict selection criteria and the quality of continued business advice and monitoring once a loan has been approved and taken up will be critical in minimising the default rate.

**4. OTHER OPTIONS CONSIDERED**

None applicable

**5. RESOURCE IMPLICATIONS**

None applicable

**6. RISK AND MITIGATION**

None applicable

**7. ISSUES ARISING FROM EQUALITY IMPACT ANALYSIS**

None applicable

**8. CRIME AND DISORDER IMPLICATIONS**

None applicable

**9. COMMENTS OF FINANCIAL SERVICES**

Financial considerations are included in the report.

**10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

The Local Government Act 2000 allows a local authority to do anything to promote the economic, social and environmental well being of its area. This includes financial support to individuals and organisations that can be on such terms as the Council sees fit. Restrictions on the range of activity an authority can undertake may exist where it is expressly prohibited by other legislation and/or does not promote the economic, social and environmental wellbeing of its area. The regulation set out above relating to EU law is designed to maintain an equal playing field in relation to 'state aid'.

**11. COMMENTS OF OTHER RELEVANT SERVICES**

None applicable

**12. APPENDICES**

None

# South Kesteven District Council Small Business Loan Scheme

## Application Guidance Notes

### What is the South Kesteven District Council Small Business Loan Scheme?

From April 2013, SKDC is offering a Small Business Loan, as part of a package of small business support measures, to help local businesses survive and continue to grow during the current difficult economic climate. In particular it responds to the issues being faced by small businesses as a result of reduced external funding support being made available to them.

Our loan will help established small businesses access the funding required to expand by providing match funding to that available within the business and/or provided by its bank or other funders. As a result this will contribute towards increasing business profitability, safeguarding and creating jobs thereby ultimately leading to local economic growth.

A typical scenario of how this loan scheme can work is:

“A small business requires £30,000 to implement an expansion project. The financial package could be £10,000 from the business, £10,000 from the bank and £10,000 from the SKDC loan.”

The critical point is that the SKDC loan amount should not exceed one third of the total funding required. Therefore proposals that meet this criteria but with different matched funding methods will still be considered, as long as they include bank/other financial institution or commercial lender funds. This is important because the commercial viability of both the business and expansion plan needs to be demonstrated to us.

The loan period is up to three years and principle and interest repayments made by existing borrowers will be made available to advance as loans to new borrowers.

### Who can apply for the loan?

Established small businesses<sup>1</sup> located in South Kesteven district (to whom they pay their business rates) that require match funding to help finance expansion plans are eligible.

<sup>1</sup> The EU defines a small business as an enterprise with less than 50 employees, annual turnover not exceeding 10 million Euros, and balance sheet total not exceeding 10 million Euros.

## **What are the other criteria?**

Businesses must be able to demonstrate their potential for growth and increasing Gross Value Added (GVA) <sup>2</sup> of the local economy. In short, we are looking to support businesses that will contribute to the growth of the local economy, e.g. by increasing turnover, profits and jobs. Loans can only be advanced to fund for the sole purpose of enabling a business to expand, e.g.

- Employment of additional staff
- Capital equipment purchase or updating
- Purchase of materials to complete a major new order
- Developing new markets, products or services

Businesses must also include evidence of the last two year's performance, including income and expenditure, profit, and number of employees. This is to demonstrate the commercial strength of the business. We have introduced this loan scheme to support businesses that in normal economic circumstances would not have a problem with securing the external funding required to expand.

A personal guarantee (from all owners/directors) will be required for the SKDC loan in addition to that required by the other funder(s). However this will not be secured against any asset (business or personal) and a loan agreement will set out the repayment terms, interest rate and obligations.

## **How much can be applied for?**

The maximum loan for a single business will be no more than £10,000. Given that the loan amount must be no more than one third of total amount required, proof of bank or other financial institution and business funding equal to, or greater, than the PSB loan amount will be required as part of the application.

## **How is the loan paid?**

Loan periods will be for a maximum of three years. A fixed rate of interest, at a below market rate (Public Works Loan Board Annuity rate), will be applied to the loan. Loans may be repaid in full at anytime during three years without interest penalty. Repayments inclusive of interest will be due on the last day of each month.

2 Gross Value Added was introduced by the former DTI (now Department for Business, Enterprise and Regulatory Reform), as a means of measuring and benchmarking the performance of businesses, sectors or of a specific economy, and allows comparison of economic performance among, for example, differing sectors of benchmarking of areas across the EU. GVA per capita is expressed as the contribution to the economy per employee.

In terms of advancing the funds, this will be done via bank transfer, which may need up to 3 working days to complete, upon receipt of the signed loan agreement.

### **What is the application process?**

In order to submit an application, applicants are required to complete an application, together with all relevant supporting documents, and send them to South Kesteven District Council. For fully completed applications, a final decision will be made within 5 working days. Any missing information will cause a delay in the decision making, because it will be returned.

### **The application form**

Please complete all sections of the application form, as incomplete applications will not be considered. Together with the application form, you are required to submit other relevant supporting documents e.g.

- Copies of company accounts for last two years
- Marketing Plan
- Company Workforce Development Plan

### **How is the application assessed?**

Our **Head of Regeneration and Business** will review the applications and make the decision in consultation with the relevant Cabinet Member for Economic Development.

The SKDC loan supports businesses that require funding to expand and have the potential to improve the city's economy. Such applications are more likely to be successful. We reserve the right to refuse any application.

### **Loan agreement and performance management**

A signed loan agreement that sets out the repayment terms, interest rate and other obligations will be required from all successful applicants. The applicant will be responsible for their business performance but Business Link will undertake six monthly reviews, on our behalf, for at least the duration of the loan period.

### **Other considerations**

Please note that the SKDC loan is provided from public funds and therefore the loan will be subject to inspection and audit. Any fraudulent activity will be quickly identified and reported to the police. Legal action may also be undertaken on behalf of South Kesteven District Council in order to recover money owed and any other damages that deem to have been incurred.

Any personal involvements with members or officers of South Kesteven District Council must be declared from the outset. Applications that do not meet these criteria will be declared null and void.

### **Completed application must be returned to:**

Head of Economic Development  
South Kesteven District Council  
St Peters Hill Council Offices  
Grantham  
Lincs  
NG31 6PZ

Email:

DRAFT

**South Kesteven District Council  
Small Business Loan**

**Application Form**

Please refer to the guidance notes before submitting your application and complete all sections of this application form.

<b>Business details</b>	
Name of business:	
Registration number (Company/VAT):	
Business address:	
Post code:	
Tel no:	Fax no:
Email:	
Website:	
Contact name:	
Job title:	
Business status (e.g. Ltd, Partnership, Sole trader, CIC):	
Number of years business has operated:	
<b>Business Overview</b> (including brief description of products/services)	
Principal industry sector of the business: (e.g. manufacturing, ICT, Construction)	
Number of staff employed (FT/PT):	

<b>The amount of finance required for the expansion</b>				
From own resources:				
From the bank:				
From other financial institution:				
From Portsmouth City Council:				
<b>Purpose of your loan application and expected resulting business growth</b> (Please also attach accounts for the last two years, your marketing plan and your workforce development plan as supporting documents to this application form)				
<b>Business growth forecast</b>	<b>£</b>	<b>Over how many years</b>		
Increase in turnover:				
Increase in profit before tax:				
Increase in (local) jobs:				
<b>Local economy impact forecast - Gross Value Added</b> (If required the Business Link Advisor will be able to assist with the completion of the following section)				
	<b>Previous Year</b>	<b>Current Year</b>	<b>Year 1 Forecast</b>	<b>Year 2 Forecast</b>
Total sales/turnover				
A: Total salary and wage costs				
B: Pre-tax profit				
C: Depreciation				
GVA=A+B+C				
No. of employees				
GVA per employee				

<b>Bank's confirmation of financial support</b>
Bank name:
Bank address:
Comments:
Name of contact:
Signature:
Tel no:
Fax no:
<b>Other financial institution's confirmation of support</b>
Institution name:
Institution address:
Comments:
Name of contact:
Signature:
Tel no:
Fax no:
Email:

**Declaration and data protection statement**

By signing this application

- I confirm that the information supplied above is correct, to the best of my knowledge, and I confirm if the company of which I am a representative is awarded a loan, all money will be used solely for the purpose specified in this application.
- I consent to South Kesteven District Council and others on its behalf processing and holding by means of a computer database or otherwise any information, which I provide to them for the purpose of a potential loan. I also agree to South Kesteven District Council accessing such other information as they hold about me, which they have acquired for other purposes.
- I agree that relevant South Kesteven District Council Members and Officers can view the information provided.
- I agree to the terms of this scheme, to regular monitoring of business progress after the loan is given and to my Bank discussing my business with South Kesteven District Council if required.

Disclosure of Relationship (please delete as applicable)

- I certify to the best of my knowledge and belief, I am not related to, or in a relationship with, any Councilor or employee of SKDC
- I declare that I am related to, or in a relationship with, the following Councilor or employee of SKDC

Name:

Position:

Relationship:

Signature:

Print name:

Date:

**Completed application must be returned to:**

Head of Economic Development  
South Kesteven District Council  
St Peters Hill Council Offices  
Grantham  
Lincs  
NG31 6PZ

## Annual Review 2012/13: Resources Policy Development Group

- 1.1 Resources PDG has met a total of six times during the municipal year 2012/13 with one meeting being held earlier than was originally scheduled in order to finalise its recommendations in relation to the implementation of fees and charges for 2013/14. The PDG considered eleven substantive items including:

Void Properties	<b>Fees and Charges Strategy</b>	Localisation of Council Tax Support Scheme
Car Parking Strategy	Financial Settlement 2013/14	Cycle Centre, Grantham
<b>Implementation of Fees and Charges</b>	HRA Business Model	Local Authority Mortgage Scheme
Medium Term Financial Strategy	Discretionary Council Tax Payment Scheme	

Items where recommendations were made are highlighted in bold in the table above.

- 1.2 The PDG worked closely with officers and external advisors in the development of the Fees and Charges Strategy in 2012/13.
- 1.3 Workshops were held with service managers on the determining of fees and charges for the forthcoming year and subsequent proposals were put to the PDG. The PDG's recommendations were then made to Cabinet. Recommendations relating to fees and charges were broken down by service area.
- 1.4 The PDG formed two working groups during the municipal year to concentrate on fees and charges and the localisation of Council Tax support (including the development of a new scheme for South Kesteven).
- 1.5 Members of Resources PDG made several suggestions and recommendations to officers during the year. Items which may have been secondary to the substantive items became recurring items throughout the year. These included the investigation into the possibility of using a single energy supplier for all council properties, bulk purchasing of fuel oil to assist council tenants, Car Park charges, use and publicising of the Cycle Centre and an Accredited Agent Scheme and charging for pre-application advice from Development Management.

## 2. Conclusion

- 2.1 It has been a productive year for the three Policy Development Groups. Collectively the PDGs have considered forty-three substantive items, made thirty-two recommendations to Cabinet and helped to develop seventeen policies, strategies and schemes for the Authority.
- 2.2 The work programme for Resources PDG has focused on issues relating to the Financial Strategies and plans of the Council. This has become increasingly important given the testing economic environment.

- 2.2 Ensuring that reports and presentations were prepared and distributed within the agenda management timetable meant Members consistently had the appropriate information to allow for informed deliberation and subsequent recommendations to officers and Cabinet.
- 2.3 The production and distribution of the work programme within agenda packs further assisted in the Council's accountability and transparency in the development of policy. Improved systems for following up action points have ensured that members of the PDG are fully aware of milestones and achievements throughout the process of policy development.

### **3. Moving Forward**

- 3.1 Cross-over between Policy Development Groups should be encouraged if we are to work effectively in the future. A joined-up approach to the development of policies and procedures has the potential to involve greater numbers of elected members in a policy's path from proposal through to recommendation and ultimately decision making. This approach has been shown to be effective this year with both Resources PDG and Communities PDG working on the development and implementation of the Car Parking Strategy. This approach could be further enhanced through the use of joint (cross-PDG) working groups so that the different components of policy development could be addressed simultaneously.

Date	Item	Update	Action Notes to Officers	Response	Recurring item	Recommendation	Cabinet/Council Decision
30/05/13	<b>LAMs</b> Update by Head of Finance						
	<b>Local Business Support Scheme</b> Report by Head of Finance						
	<b>Empty Homes Project</b> Presentation by Performance Management Team Leader						
	<b>Question referred by Council</b> Charging for use of community spaces within sheltered housing developments						
	<b>Pre Application Planning Advice</b> update from previous meeting						
25/07/13	<b>HRA</b> Business Plan update						
	<b>Markets</b> Review of provision in Stamford by PDG						
	<b>Market Development Plan</b>						
	<b>Waste Contract</b> Financial aspects (contamination)						
	<b>Car parking payment methods</b>						
	<b>MTFS</b>						