

AGENDA



For a meeting of the
RESOURCES POLICY DEVELOPMENT GROUP
to be held on
THURSDAY, 19 JANUARY 2012
at
2.30 PM
in
THE WITHAM ROOM, COUNCIL OFFICES, ST. PETER'S HILL, GRANTHAM. NG31 6PZ
Beverly Agass, Chief Executive

Group Members:	Councillor Jean Bevan, Councillor Michael Cook, Councillor Nick Craft (Chairman), Councillor Phil Dilks, Councillor Bob Sandall, Councillor Trevor Scott (Vice-Chairman) and Councillor Jacky Smith	
Portfolio Holders:	Councillor Teri Bryant (Housing) Councillor Mike Taylor (Resources)	
Support Officer	Jo Toomey	01476 40 61 52 j.toomey@southkesteven.gov.uk

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. DECLARATIONS OF INTEREST

Members are asked to declare an interest in matters for consideration at the meeting.

5. ACTION NOTES FROM 24 NOVEMBER 2011

(Enclosure)

6. UPDATES FROM PREVIOUS MEETING

7. FEEDBACK FROM THE EXECUTIVE

8. QUESTION REFERRED FROM COUNCIL

To: Councillor Mike Taylor, Resources Portfolio Holder

From: Councillor Charmaine Morgan

In light of the changes planned by the Government to Housing Benefit can South Kesteven District Council provide a full breakdown of the number of Housing Benefit recipients in council and private accommodation who will be affected by the housing benefit changes including the percentage reduction/increase in benefit to be displayed in financial and percentage terms.

Please also provide the numbers of claimants affected by the differing percentages given changes will vary according to circumstances under Government proposals.

Can the information be broken down so that the figures are clear for each town/s and associated rural area/villages.

Can the Council confirm that all landlords and claimants have/will be notified of the changes to housing benefits in adequate time for plans to be made?

How will the information be conveyed?

This information is required so that we can determine the potential impact the changes will have on the household income of claimants, landlords and the impact on any supporting agencies.

9. UPDATE ON WELFARE REFORM - COUNCIL TAX BENEFIT

An update will be provided by the Head of Finance and the Benefits Manager.

10. LOCAL AUTHORITY MORTGAGE SCHEME

Report number HOF186 by the Strategic Director – Corporate Focus.

(Enclosure)

11. UPDATE AND PROGRESS WITH ASSET MANAGEMENT PLAN

The Property Development Manager will provide an update and progress report on the production of the Asset Management Plan.

12. FINANCIAL REPORTS 2011/12 - MONITORING INFORMATION AND BUDGET PROGRESS REPORT

Report number HOF187 by the Head of Finance.

(Enclosure)

13. REPORTS FROM WORKING GROUPS

14. WORK PROGRAMME

15. REPRESENTATIVES ON OUTSIDE BODIES

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

MEETING OF THE RESOURCES POLICY DEVELOPMENT GROUP

**THURSDAY, 24 NOVEMBER 2011
2.30 PM**



GROUP MEMBERS PRESENT

Councillor Bob Adams
Councillor Mark Ashberry
Councillor Michael Cook

Councillor Nick Craft (Chairman)
Councillor Bob Sandall
Councillor Jacky Smith

OFFICERS

Strategic Director (Daren Turner)
Head of Finance (Richard Wyles)
Principal Democracy Officer (Jo Toomey)

32. MEMBERSHIP

Group members were notified that Councillor Adams would be substituting for Councillor Scott and Councillor Ashberry would be substituting for Councillor Dilks for this meeting only.

33. APOLOGIES

An apology for absence was received from Councillor Bevan.

34. DECLARATIONS OF INTEREST

No declarations of interest were made.

35. ACTION NOTES - 6 OCTOBER 2011

The action notes from the meeting held on 6 October 2011 were noted.

36. UPDATES FROM PREVIOUS MEETING

A street-cleaning machine that removed chewing gum had been purchased. This resource would be deployed across the district as required at the discretion of the Waste and Recycling Service Manager.

37. FEEDBACK FROM THE EXECUTIVE

The Cabinet would consider the PDG's fees and charges recommendations at its meeting on 5 December 2011.

38. LOCALISATION OF SUPPORT FOR COUNCIL TAX

The Head of Finance summarised report number HOF180 on the localisation of support for council tax from 2013:

- The process through which funding was passed to the authority who administered benefits would be streamlined.
- From 2013/14 SKDC would receive a 10% reduction in the amount of council tax benefit it received in subsidy payments. The Authority would have the power to top-up the funding to the previous level.
- Any changes to the eligibility of entitlements would be protected for pensioners and other vulnerable groups (these had not been defined).
- Ring-fencing certain groups would mean reductions in benefits would be felt disproportionately by those who did not fall into those categories.
- Work was required to model the impact of the change, potential increases in claimants and the possible impact on council services.

PDG members discussed the changes to council tax benefits. It would be difficult to model scenarios without the definition of 'vulnerable groups'. Officers would model scenarios based on information within the Council's existing databases to understand the number of people affected and the extent of the impact. The Council would need an agreed policy ahead of the budget setting process for the 2013/14 financial year.

Some members expressed a view that instead of topping-up benefits, work to stimulate higher wages would offer longer-term benefits for the district.

PDG members suggested that officers work with colleagues in

neighbouring authorities. Councillors discussed the risks of neighbouring authorities having different schemes: residents could migrate between districts to find the most favourable rates and different systems would cause confusion. Group members also considered other risks including the effect on council tax arrears and the collection of council tax on behalf of the major precepting authorities.

Action Point:

- ***When more information on the definition of 'vulnerable groups' is available, begin dialogue with neighbouring authorities.***
- ***Model the impact of the changes and provide a breakdown of those in vulnerable groups and the level of benefit they are claiming.***

39. PROPOSAL FOR BUSINESS RATES RETENTION

The Head of Finance, in summarising report number HOF 179, explained that from 2013/14 there would be changes to the collection of business rates:

- Existing arrangements saw local authorities collected business rates. These were pooled nationally and handed back through formula grant on a per capita need basis.
- Under the new scheme, business rates would continue to be set centrally. The policy objective was that those with an increasing business rates taxbase should gain; those with declining business tax base would lose.
- Each local authority would be provided with a 'needs baseline'. This would be confirmed as part of the spending announcement.
- A system of tariffs and top-ups would be introduced, allowing for authorities' different capacities to generate NDR income.
- Not all business rate income would return to the local authority – some would fund New Homes Bonus grant payments and the Section 31 grant.
- The authority could lose from 're-setting' where NDR income exceeded the baseline and a new, higher baseline would be set.
- There would be a cap on growth, receipts from disproportionate growth would be retained nationally.
- LG Futures had been commissioned on behalf of Lincolnshire authorities to model potential scenarios, their calculations were included in the report.

Councillors discussed the proposals and highlighted the risks associated with fluctuating developments in the region. Debate also included discussion on the creation of enterprise zones; the Local Enterprise Partnership ran cyclical bidding rounds through which local authorities could bid for enterprise zones in their area. Bids submitted by SKDC during the last round were unsuccessful, however further bids could be submitted in future rounds.

40. FEES AND CHARGES - WORK PROGRAMME

Following two working group meetings, the PDG made a number of recommendations on fees and charges. The recommendations were included in report number HOF178, which the Cabinet would consider at its meeting on 5 December 2011. Following that meeting, any proposed changes would go forward for the appropriate public consultation.

The PDG was still awaiting the final report from Deloitte. Following its receipt, the PDG would produce a work programme. While the work would roll over into 2012, Councillors could develop a comprehensive report by mid-summer. Officers also reminded Councillors that if they chose, fees and charges could be changed at any point during the year. The new Localism Act could also affect councils' fees and charges policies.

41. FINANCIAL REPORTS 2011/12 - MONITORING INFORMATION

Report number HOF182 by the Head of Finance provided an update on the Council's financial position at the end of September 2011.

- An underspend was forecast against the general fund because of in-year efficiencies together with vacancies held and the sharing of staff with another authority.
- The income budget for Development Management was not achieving budget projections because of a change in the type of applications received. Should a major planning application be submitted then this would show significant improvement to income levels.
- An underspend was forecast against the Housing Revenue Account.
- The contract for repairs and maintenance was below budget because of lower tendering prices.
- The housing subsidy for the second quarter was lower than budgeted levels.
- The average void rate was 1.45% against a budgeted rate of 1.5%.

- An underspend was forecast against the HRA capital programme. This was due to the timing and repackaging of some contracts. More information would be available for the PDG's next meeting.
- The overall staff full time equivalent was 606 against a budgeted level of 629.

Councillors discussed the MOT service provided by the Council. Some members suggested that signage did not make it clear that the service was available to members of the public. The service was advertised on the home page of the Council's website and was featured in a recent edition of SK Today. In-house testing had helped the council achieve efficiencies and cashable savings. Pool cars, which had previously been replaced when an MOT was required at three years, were subject to less frequent replacement. It was suggested the Council's MOT service could be tied in with taxi licensing. Councillors also suggested a small amount of proactive work advertising the service to car dealers could increase take-up.

Councillors discussed further spending on Grantham Cemetery against the Special Expense Area and questioned the impact should costs continue to escalate. The Head of Assets had recently met with the contractor to discuss the issue.

Following a question on the number of vacancies held by the organisation, officers explained that when a vacancy arose, a review of their work was carried out. The manager would consider whether the work could be absorbed by developing new ways of working or whether there was a business case for recruitment to the post.

42. CLOSE OF MEETING

The meeting was closed at 16:38.

REPORT TO RESOURCES PDG

REPORT OF: HEAD OF FINANCE

REPORT NO: HOF 186

DATE:

TITLE:	Local Authority Mortgage Scheme – Local policy for scheme eligibility	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:		
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Cllr Mike Taylor Assets and Resources Portfolio Holder	
CONTACT OFFICER:	Daren Turner d.turner@southkesteven.gov.uk 01476406310	
INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
Equality and Diversity		Yes
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council’s website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	Sector State Aid Paper Sector Accounting Principles Paper Sector Risk assessment	

1. RECOMMENDATION

Resources PDG is asked to consider a local policy for scheme eligibility based on detail in Section 7 of this report. The key criteria being:

- The area of the district, determined by postcode, to be covered by this scheme.
- The maximum loan size to be supported (i.e. 95% of house value).
- Confirmation of first time buyers only.
- The size of the initial scheme (i.e. £1m)
- The preferred initial partner(s).

2. PURPOSE OF THE REPORT

- 2.1 The purpose of this report is to propose the local policy in respect of the introduction of the Local Authority Mortgage Scheme in South Kesteven.

3. BACKGROUND

- 3.1 At its meeting in December 2011, Cabinet agreed to:
- 3.2 recommend to Council participation in the Local Authority Mortgage Scheme (LAMS), initially in partnership with a recognised national provider for £1m;
- 3.3 recommend that Council approve plans to extend the scheme across other lenders as they enter the scheme, or with Lloyds plc, up to a total value of £5m subject a full analysis of impact against priorities of the first £1m;
- 3.4 ask that the Resources PDG undertake initial development of a local policy for the scheme eligibility for Council approval;
- 3.5 Delegate to the Strategic Director (corporate services) the authority to investigate and where required execute the required legal documentation in order to satisfy scheme participants.
- 3.6 Whilst gathering information to form the priorities Council became aware of the plight of home buyers in the district, particularly first time buyers, as a result of the economic down turn and the increasing requirement as regards deposits by mortgage providers. This was leading to growth in the Councils own housing register and stagnation at the lower end of the property market in the district. This is in turn could be inhibiting key works staying in or moving to our district and also young families staying in the area.
- 3.7 House prices nationally have continued to fall over the last 12 months, and the outlook remains uncertain. This pattern is followed in our district. The lack of buyers, together with the ongoing lack of mortgage availability means house prices are likely to continue to slide. Nationwide Building Society predicts house prices in 2011 to stay weak as a result of the uncertainty surrounding the economy and the Government's massive spending cuts.
- 3.8 Appendix A gives detail of house sales and values across the district. Members may wish to consider this information when forming policy on the size of mortgage to support and the areas of the District where the scheme should operation.
- 3.9 Appendix B gives detail of average sale value across the district.

4. Local Authority Mortgage Scheme

- 4.1** Sector Treasury Management services (the Council's treasury advisers) have developed a national scheme, initially in conjunction with the Lloyds banking group, to allow Councils to provide support to first time buyers. The scheme is aimed at first time buyers providing help for potential buyers who can afford mortgage payments - but not the initial deposit- to get on to the property ladder. There are 6 providers currently listed as "providers" in the scheme, they are Lloyds PLC, Leeds BS, Furness BS, Teachers BS, Saffron BS, and Leek BS (clearly the Council would look to a partner with a presence across our District to ensure maximum participation and impact)
- 4.2** The scheme operates as follows:
- 4.2.1 The Council would specify the qualifying characteristics for those who should qualify for a mortgage under the scheme (see section 5 below). The Council would also specify whether there would be a maximum loan value, and the total level of support offered by the council;
- 4.2.2 Potential Buyers would approach the lender directly and the lender would deal with the Council. The Council will not know the identity of the individuals concerned, and have no role in approving individual mortgages;
- 4.2.3 The Bank will assess the buyer against its own credit criteria, as well as the Council's criteria;
- 4.2.4 If a potential buyer meets the strict credit criteria applied by the lender, and meets the criteria set out by the Local Authority to qualify for a mortgage under the scheme, the Local Authority will provide a top-up indemnity to the value of the difference between the typical Loan to Value (LTV) ratio of around 75% and a 95% LTV mortgage. The potential buyer will thereby obtain a 95% mortgage on similar terms as a 75% mortgage, but without the need to provide the substantial deposit usually required;
- 4.2.5 The Council will deposit a sum with the bank equal to the total value of the overall indemnity offered (assuming cash backed lender requirement – see section 4.3);
- 4.2.6 The bank would lend all the money agreed under the mortgage to enable the purchase to be made;
- 4.2.7 The buyer would make repayments to the bank, and liaise with the bank on all issues relating to the mortgage; and
- 4.2.8 The indemnity provided by the Council will last for 5 years. After this time the sum deposited with the bank is returned to the Council with interest.

4.3 The scheme can be supported by the Council in two ways, in that the indemnity is either cash backed or unfunded as follows:-

4.3.1 If the indemnity is un-funded, the Local Authority will receive a premium a fixed amount of the value of the indemnity actually provided, typically in the region of £500 per mortgage.

4.3.2 If the indemnity is “cash backed”, i.e. supported by a deposit, the Local Authority will be required to place a 5-year deposit at the start of the financial year to the full value of the indemnity being offered. The deposit will be in place for the term of the indemnity – i.e. 5 years (with the possibility of a further 2 year extension if the mortgage is in arrears at the end of the initial 5 years) - and may have conditions / structures attached. The Local Authority will receive a 5-year commercial deposit rate + a premium of 0.70% from the first lender to join the scheme, other lenders will offer similar terms.

4.3.3 In accordance with the legislation, the lender will not have a legal charge over the deposit. In the event of an indemnity being called and an amount being payable by the Local Authority to the lender, a request for payment would be made by the lender. The Local Authority will undertake to settle the amount payable within 30 days.

4.4 The indemnity would only be called upon, leading to a cost for the Council, if a loss is crystallised by the lender. This would require a default by the buyer, repossession by the bank and then the property to be sold for less than the value of the mortgage.

By way of example:

4.4.1 Property valued at £100k, mortgaged at £95k (funded Local Authority indemnity £20k, Bank Mortgage £75k), was subsequently sold for £70k, the bank would request the full £20k indemnity from the Local Authority. In this case the value of the property would need to have fallen by 30% from the original valuation;

4.4.2 If the property was sold for £90k the bank would request £5k from the Council. In this case the value of the property would need to have fallen by 10% from the original valuation.

4.5 The Council will only face costs if both these situations arise – that there is default, and the subsequent resale value is less than the value of the mortgage. Such costs would be funded from the interest gained in depositing the indemnity funds. Information from the Council of Mortgage lenders indicates that the number of repossessions by first charge mortgage lenders in 2010 was 0.3% of all mortgages. Over the five year period, the following would need to happen for the costs to the council to exceed the interest income (assuming a cash backed scheme):

- 4.5.1 Defaults to be ten times higher than the 2010 level indicated by CML; AND
- 4.5.2 Property prices to drop 10% from the level at the time the mortgage is approved
- 4.6** The scheme was initially launched through Lloyds Banking Group, however it is anticipated that more mortgage lenders will be invited to join the partnership as it progresses (six are currently on the list). Sector has been in discussions with the FSA approved mortgage lenders in the UK to raise awareness of the scheme. The scheme will operate on a nationwide basis and there will be no restrictions on the type and number of banks who will be entitled to participate (providing they have the necessary authorisation to offer residential mortgages in the UK).
- 4.7** Cabinet has recommended that Council should initially approve £1m (cash backed) of indemnity to support the scheme with a recognised national provider. It should be noted that the scheme with Lloyds does not currently cover new build properties Lloyds may review this in time, other institutions offer this facility. It is further recommended that this is extended up to a maximum of £5m, following a review of the success of the initial £1m indemnity, as follows:
 - 4.7.1 Extending the scheme to cover other lenders as they enter the scheme, providing additional choice locally. Sector are currently in discussion with a number of lenders about entering the scheme, including lending on new build properties;
 - 4.7.2 Increasing the indemnity if the first tranche of funding is exhausted and the scheme has delivered the outcomes required.
 - 4.7.3 Extending the indemnity to £5m does not alter the financial risk profile. Whilst the possible sums payable following default could increase, so does the interest income to cover this.
- 4.8** Sector Treasury Services will undertake an annual audit of the scheme to ensure both parties are fully compliant with the agreement. The Council will agree with the provider a monthly performance report, so that it is able to demonstrate clear links to strategic objectives and also review the performance of the scheme in relation to its investment.

5. Legal position and local eligibility policy

- 5.1** Sector Treasury Services have sought Counsel's opinion on the legal basis for Councils to be able to support this scheme, along with the position regarding state aid. The Council continues to seek advice from its own legal advisers prior to formal adoption of the scheme

5.2 The Housing Act 1985 (as amended) provides the statutory framework for the scheme. The Act allows Local Authorities to “advance money to a person for the purpose of acquiring a house” (section 435 of the act). Section 442 of the act allows a local authority to grant an indemnity to a lender to enable the lender to give the potential buyer a mortgage.

5.3 In order to participate in the scheme on this basis, the Council will need to develop a local policy for scheme eligibility. Resources PDG have been asked to undertake some initial work in this respect once the overall principle of participating has been approved. The key elements of the policy will be to confirm the scheme as being cash backed, the areas of the District to be covered and the size of mortgage to be supported. The PDG may also consider the success factors for decision making on the additional £4m. The Council will then need to incorporate the policy into the local housing strategy and the ¹treasury management policy, which will also need to be approved by Full Council as part of the Major Policy Framework. It is recommended that this is undertaken in time for consideration by Council at the meeting of March 1st 2012. Once the policy is approved, and associated legal agreements completed, the scheme can be launched.

¹ The Council's TM policy has been adapted, and approved by Council, to allow for a LAMs Scheme to be launched should Council choose to make formal on 1 March 2012

6. Differences to Government Scheme

6.1 Following the release of the National Housing Strategy and the government's announcement to provide Mortgage Indemnity Guarantee insurance to enable 95%LTV mortgages on new build it is worth considering how this affects the introduction of the LAMS scheme

6.2 On the face of it the government scheme appears to be similar to LAMS. However, there are some very important differences, and based on the limited detail available on the government scheme so far the main differences are set out in the table below, assuming the new scheme is broadly similar to the existing FirstBuy scheme.

6.3 The government scheme is available for new build only (like FirstBuy) and requires a contribution from developers (like FirstBuy). LAMS is available on any type of property, and there is no complicated system of means testing, referrals and vetting. LAMS is operated on a commercial basis, where the lenders pay the Local authority a premium to off-set defaults.

6.4 Finally, a survey of 3,000 potential first-time buyers by property website Rightmove found 34.1 per cent said that FirstBuy would make no difference to them because they don't want a new property, and 21.8 per cent said it would make no difference because the scheme is not attractive. And the purchase of one new build property will only generate one move in the housing market,

whereas the sale of an existing property will generally create a chain of 4 – 5 transactions.

6.5 Key features and differences between the two schemes (assuming similar to FirstBuy):

FEATURE	GOVERNMENT SCHEME	LAMS
Who?	First and second time buyers with income below £60 000	Any first time buyer
Property?	Designated plots from participating house builders – NEW BUILD PROPERTIES ONLY	ANY property in the LA area
When?	Announced in outline Nov 2011 – could be a year before any completions take place (CLG confirm much work to be done)	LAMS up and running NOW and growing fast
Application process?	Get approval to view from a the regional homebuy agent, view permitted properties, apply for a mortgage, get mortgage offer approved by the regional home buy agent, complete within one month	Apply to any participating lender in the normal way Full stop
State aid issues?	Questions will have to be answered about MIG fee and its adequacy	State aid compliant

7. LOCAL POLICY DETERMINATION

7.1 Some operations policy issues must be discussed and determined in order to have a comprehensive policy document. These will be discussed at the PDG Meeting.

7.2 Key elements for determination are:-

7.2.1 The area of District to be covered.

- Data enclosed in the appendices give details of property sales by volume and value for the different areas of the district.
- Options to be considered are whether to be specific about an areas of the district to support (based on a specific need) or to have a scheme that covers the whole of the district.

7.2.2 The size of the individual mortgage to be supported:

- The value of size and type of property across the district varies considerably (see appendices) e.g. Grantham and Stamford. Entry level

properties vary to such a degree that the scheme may have different impacts across the district.

- Options would be to set a limit based on the value of entry level properties or another criteria such as the lowest level of stamp duty (currently £130k). A further option could be to have a different level of support for different areas of the district. However, this may be extremely difficult to administrate and monitor.

7.2.3 The size of the overall indemnity.

- Cabinet have suggested a unified £1m with a further contribution of £4m subject to success criteria and impact. Members should remember that the money will not be 'spent' but put aside with view to receiving a return (much like a Moneymaker Instant).
- Options would be to increase or decrease this amount subject to parameters and limits agreed with the Council's Section 151 Officer.

7.2.4 The preferred partners

- The scheme's currently being used by Authorities who have already launched it in partnership with Lloyds PLC. The Lloyds scheme is limited to existing properties only i.e. not new build. Clearly the council could need a provider with a local presence to ensure maximum coverage and impact.
- The list of providers currently supporting the scheme is growing, however, only Lloyds and the Leeds Building Society have a presence in our area.
- Options would be to limit the scheme to Lloyds initially, or to go with Lloyds and the Leeds Building Society, or perhaps anyone on the selection list to give the widest coverage.

8. OTHER OPTIONS CONSIDERED

To be considered further in policy development

9. RESOURCE IMPLICATIONS

Discussed in main body of the report.

10. RISK AND MITIGATION (INCLUDING HEALTH & SAFETY AND DATA QUALITY)

11. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

12. CRIME AND DISORDER IMPLICATIONS

None

13. COMMENTS OF FINANCIAL SERVICES

The scheme will commit, initially, £1m of the councils funds that would ordinarily be invested. Research tell us that at any one time the Council has in excess of £10m that is always invested in the markets and therefore not required for daily, weekly and monthly funding of services. This would reflect the level of reserves and balances the council carries. At present the Council is recouping 1.58% on longer term deposits, investment rates have seen dramatic falls since the onset of the economic downturn in 2008. The treasury management strategy approved by Council in December 2011 provides the framework for the introduction of the scheme.

14. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

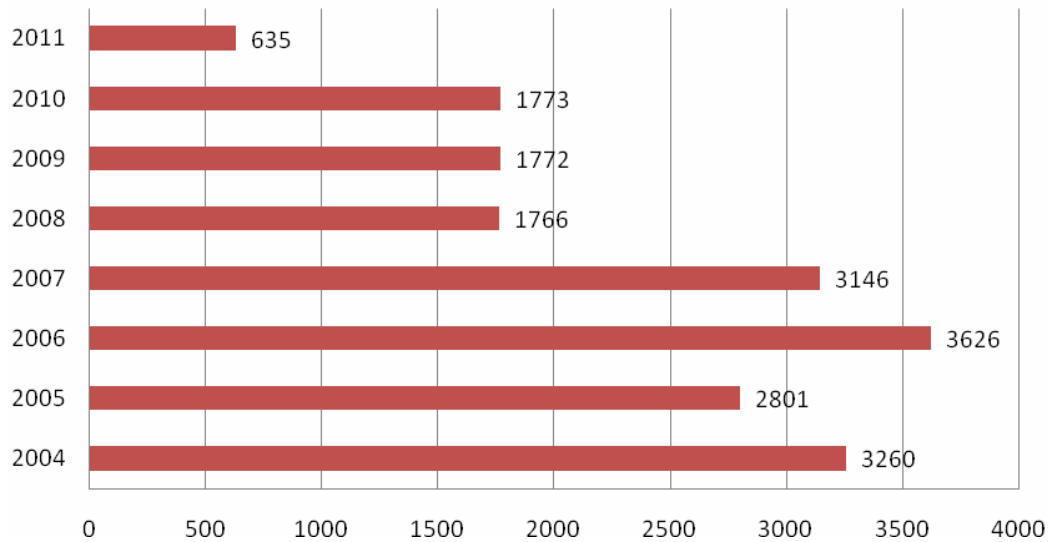
Local authorities have the power to provide the indemnity referred to in this report in accordance with s. 442 of the Housing Act 1985 (as amended). The indemnity in the scheme proposed requires the deposit of security with a bank. Individual indemnities will be required in respect of legality. That legality will depend on the policy created to adopt the scheme, how that policy will contribute to the Council's strategic objectives and priorities, the process for financing the scheme, the eligibility criteria and, generally, how the policy will be implemented. The PDG are asked to consider the options available for such a policy

15. APPENDICES:

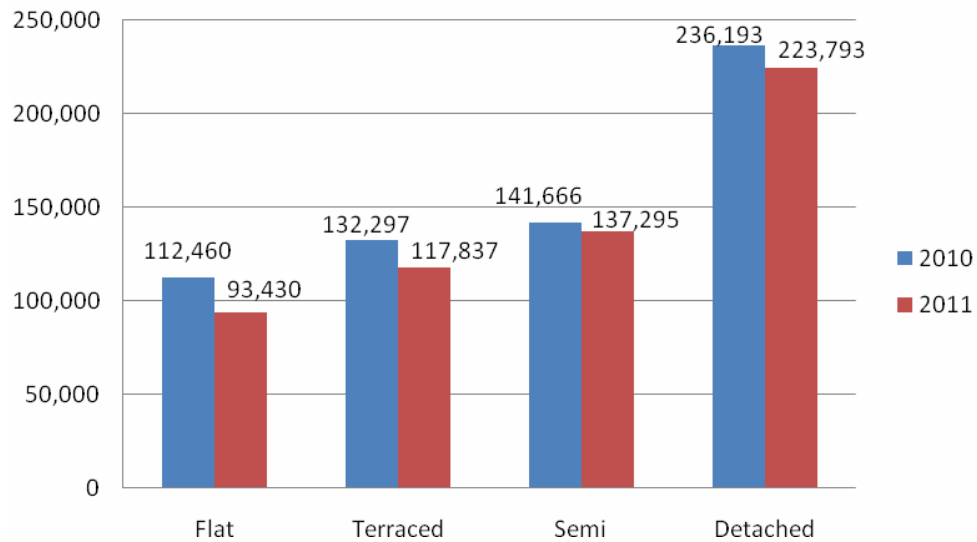
Please see following pages.

Appendix A

Annual Sales Volumes

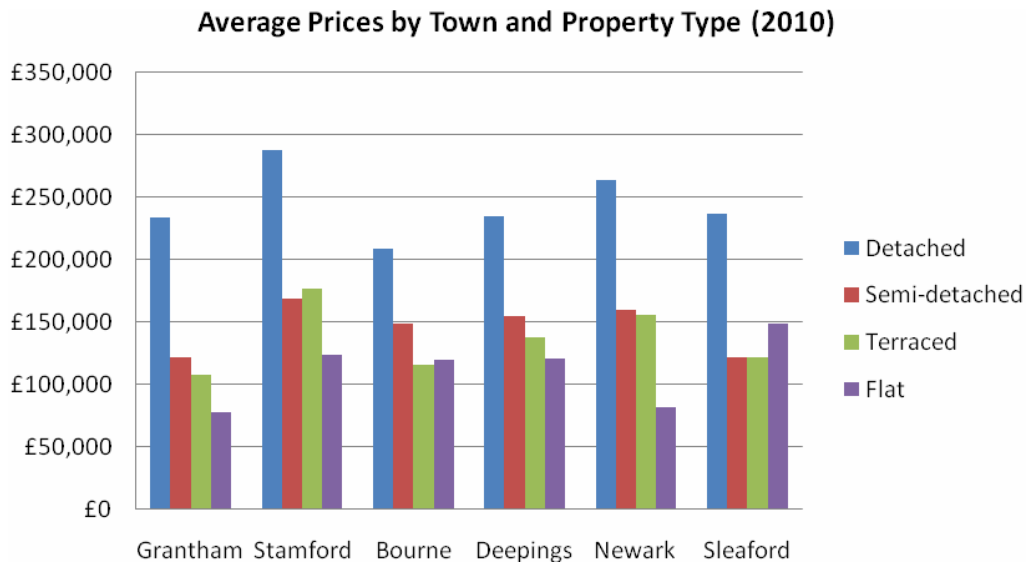


Average Sales by Property Type



Source: Land Registry House Sales (Hi4em)

Appendix B



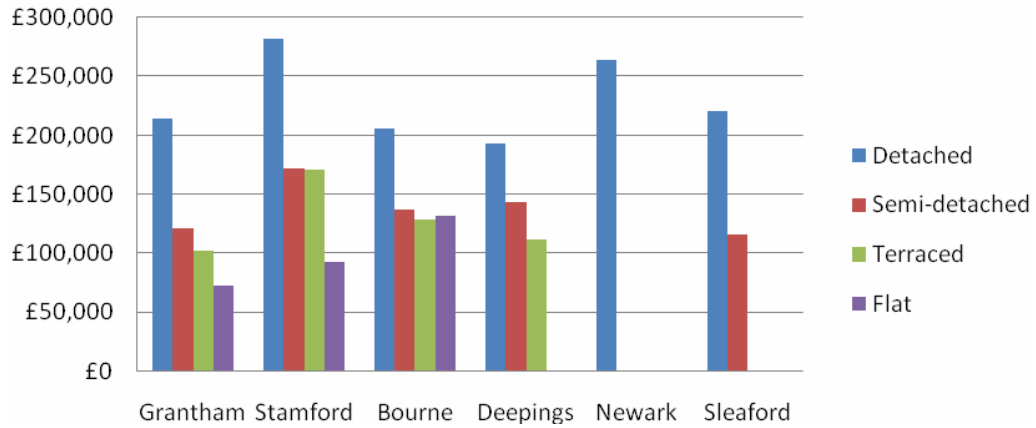
Average House Sale Prices 2010	Detached	Semi-detached	Terraced	Flat
Grantham	£233,526	£121,875	£107,377	£77,493
Stamford	£286,916	£168,677	£176,576	£123,512
Bourne	£208,062	£148,511	£115,388	£119,441
Deepings	£234,062	£154,651	£137,720	£120,750
Newark	£263,335	£159,825	£155,083	£82,000
Sleaford	£235,967	£121,728	£121,500	£148,498

Lower quartile 2010 house prices

Terraced Properties £94,000
 Semi Detached Properties £110,000

Source: Land Registry House Sales (Hi4em)

Average Prices by Town and Property Type (2011)



Average House Sale Prices 2011	Detached	Semi-detached	Terraced	Flat
Grantham	£213,945	£120,776	£102,042	£72,381
Stamford	£282,344	£171,825	£170,498	£92,192
Bourne	£205,757	£136,274	£128,084	£131,072
Deepings	£192,728	£142,734	£110,899	£61,000*
Newark	£263,941	£155,000*	£120,000*	-
Sleaford	£220,375	£115,750	-	£110,000*

Lower quartile 2011 house prices

Terraced Properties £76,000
 Semi Detached Properties £108,500

Source: Land Registry House Sales (Hi4em)
 *Only one house sold
 For 2011, figures shown are from Jan to June - these are latest available

REPORT TO RESOURCES PDG

REPORT OF: HEAD OF FINANCE

REPORT NO: HOF187

DATE: 19 JANUARY 2012

TITLE:	Financial reports for 2011/12 – Monitoring Information and Budget progress 2012/13	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	N/A	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor Mike Taylor Resources and Assets Portfolio Holder	
CONTACT OFFICER:	Richard Wyles – Head of Finance 01476 406210 Email: r.wyles@southkesteven.gov.uk	
INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
Equality and Diversity	N/A	
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	HOF141, HOF171, HOF182	

1. RECOMMENDATION

Members are asked to note the comments and figures contained in this report.

2. PURPOSE OF THE REPORT

In order to ensure effective budget management it is important that the members are updated with budget monitoring information. This serves the purpose of ensuring members are kept informed of actual spend compared to budget and the forecast outturn position. The report provides a summary position of the Year to Date (YTD) position against original budget and the forecast position of the outturn and covers the following areas:

- General Fund Revenue Budget
- Housing Revenue Account Revenue Budget
- Capital Programme
 - General Fund
 - HRA

Forecast outturn work is undertaken during the course of the year by the service areas in order to anticipate the outturn position. This important process enables options to be considered in respect of the spending proposals for the remainder of the year or alternatively it is used to identify emerging financial issues that can be then investigated and mitigating actions put in place.

3. DETAILS OF REPORT

General Fund Revenue Budgets

The original net cost of service budget for 2011/12 was set at £16.950m. The financial position as at 30th November 2011, shows a forecast under spend of £801k which is summarised in the table below:

General Fund Revenue Summary

Corporate Area	Annual Budget £'000	YTD Budget £'000	Total Spend to Date £'000	Forecast Outturn £'000	Forecast Variance £'000
Assets	3,232	1,173	888	3,047	(185)
Corporate*	1,478	929	896	1,418	(60)
Development & Growth	2,212	690	693	2,140	(72)
Environmental Services	5,608	2,587	2,589	5,498	(110)
Finance	1,648	3,396	3,278	1,533	(115)
Housing & Neighbourhoods**	940	755	635	842	(98)
Legal & Democratic	1,333	797	660	1,264	(69)
Special Expense Areas	564	245	272	571	7

Front-line Services	17,015	10,572	9,911	16,313	(702)
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HR & Customer Services***	(65)	864	813	(164)	(99)
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Support Services	(65)	864	813	(164)	(99)
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Net General Fund Charge	16,950	11,436	10,724	16,149	(801)
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* Corporate forecast outturn assumes full use of Invest to Save budget (£500k) and provision budget (£100k).

**Government grant income of £285k has been excluded from Private Sector Housing due to the new accounting treatment of grants.

***HR & Customer Services Corporate Area comprises of support services only and will be fully recharged out at the end of the financial year.

Key Forecast Variances by Corporate Area

Assets

- Following a Service Review of the grounds maintenance service, discussions have taken place with the contractor and savings are forecast to be achieved.

- Work has been undertaken with the Energy Officer which has highlighted that an under spend of approx £75k is forecast on utilities budget headings.

Corporate

- Operational and Strategic Management budget headings are forecasting to achieve a salary saving due to the shared service arrangement in place with a neighbouring authority for two senior posts.

Development & Growth

- A planning appeal is currently lodged which, if upheld, is an unforeseen cost that will be financed utilising the insurance reserve.
- Planning Policy is forecasting an under spend which relates to slippage on the Local Development Framework.
- Land charges income is forecast to be £35k higher than budgeted levels based on the YTD position.
- Building Control are forecasting income to down by £28k compared with budget based on the YTD position being less than the same period in 2010/11.
- Development Control are forecasting an income reduction of £80k compared with budget as the categories of planning applications received is largely concentrated on the lower value work and there is no higher fee work pending at the present time. However it is expected this situation will improve in the coming months.
- The Partnerships programme of work will be financed in 2011/12 from second homes money held on the balance sheet from previous financial years.
- Planning Policy and Development Services are forecasting an under spend on salary related budgets due to vacancies.

Environmental Services

- Waste & Recycling Services have negotiated a lower payment for recycling gate fees until the end of the 2012/13 financial year. This has resulted in a forecast saving of £66k for 2011/12.
- Environmental Health is forecasting an under spend on salary related budgets due to vacancies.
- Recycling Credit income forecast has increased this month as tonnages were higher than anticipated for October and November compared to budgeted levels.

Finance

- An under spend is forecast on salary related budgets due to vacancies across the corporate area.
- Drainage rates are forecast to be under spent due to the precept being lower than anticipated.

- A saving on the telephony contract for 2011/12 has been negotiated resulting in a forecast saving of approx £25k.

Housing & Neighbourhoods

- The Helpline service is forecasting an under spend on salary related budgets due to vacancies.
- Private Sector Housing is forecast to be under spent due to a slower than anticipated demand in the Rent Deposit scheme and expenditure has been less than predicted for Better Warmer Homes surveys.

Legal & Democratic

- An under spend is forecast on salary related budgets due to vacancies within the service area.
- Expenditure on elections is less than the budgeted level.

HR & Customer Services

- HR, Communications, Performance Management & Customer Services are forecasting under spends on salary related budgets due to vacancies.

The workforce efficiency target of £354k for the General Fund is forecast to be achieved by the end of the financial year. In addition to this, a further under spend of £377k is forecast on salary related budgets as outlined above.

Housing Revenue Account Budgets

The financial position as at 30th November 2011, shows a forecast under spend of £377k which is summarised in the table below:

Area	Annual Budget £'000	YTD Budget £'000	Total Spend To Date £'000	Forecast Outturn £'000	Forecast Variance £'000
Housing Management	2,783	1,132	979	2,642	(141)
Supported Housing	392	640	571	337	(55)
Repairs & Maintenance	6,182	3,540	3,576	6,140	(42)
Dwelling Rents	(21,174)	(14,116)	(14,135)	(21,186)	(12)
Rents & Payments	327	209	155	256	(71)
Other Income	(342)	(215)	(210)	(342)	0
Other	12,380	5,370	5,333	12,324	(56)

Expenditure					
(Surplus)/ Deficit	548	(3,440)	(3,731)	171	(377)

Key Forecast Variances

- The workforce efficiency target of £103k is forecast to be achieved by the end of the financial year. In addition to this, a further under spend of £169k is forecast on salary related budgets.
- Lower tender prices and forecast re-profiling of a small number of repairs and maintenance programmes has resulted in a forecast under spend of £105k compared to budget.

Capital Budgets

The capital programmes include a number of significant capital projects for 2011/12. The current financial position is outlined in the table below;

Programme	Annual Budget £'000	YTD Budget £'000	Total Spend to Date £'000	Forecast Outturn £'000	Slippage £'000
General Fund	4,582	1,738	1,601	2,215	2,080
HRA	6,755	2,878	3,308	5,410	200

General Fund Key Variances

- Slippage of £2.08m has been identified on the 2011/12 General Fund Programme and has therefore been included in the 2012/13 Capital Programme. This is made up of;
 - Bourne Core Area £1.5m
 - Station Approach £200k
 - Better Homes Grants £200k
 - Area Offices Customer Service Centre Upgrade £150k
 - ICT Replacements & Delivery £30k
- Housing Improvement Grants (Better Homes Grants) – Forecast under spend of £230k against a budget of £450k. Reduction reflects lower grant values currently being needed to remove hazards and make properties decent.

- Street Scene Vehicle Procurement - An on-street hot pavement washer has been purchased for £116k in response to service requirements. This will be financed by the Capital Reserve at the end of the financial year.
- Cemetery Works - The forecast outturn for this scheme has been increased by £15k compared to the original budget due to unforeseen essential works required at the cemetery. The cost of this work will be met from the Grantham Special Expense Area.

HRA Key Variances

- Slippage of £200k has been identified on the 2011/12 HRA Programme and has therefore been included in the 2012/13 Capital Programme. This is made up of;
 - Upgrading Sheltered Housing £100k
 - Passenger Lifts £60k
 - Bin Store £40k
- Disabled Adaptations – Forecast under spend of £65k against £100k budget owing to occupational therapy referrals on major works.
- Property Refurbishments – Forecast over spend of £14k against £100k budget as additional properties have been refurbished in excess of the plan.
- In response to a re-profiling of the capital works in order to ensure financial efficiencies, the schemes outlined below are not due to commence until February 2012 and therefore cannot be completed in the current financial year.

Scheme	Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Roofing	590	93	(497)
Electrical Rewires	420	270	(150)
Chimney Works	145	10	(135)
Wall Finishes	190	12	(178)
Essential Works	295	153	(142)
Total	1,640	538	(1,102)

Headcount and Budgets

The position as at 30th November 2011 shows that against an original FTE budget of 629.3 the actual FTE (including agency and wages staff) is 607.1 which equates to a variance of (22.2) FTE.

Collection Performance (as at 30 November 2011)

	YTD Target £'000	YTD Actual £'000	YTD Target %	YTD Actual %
Council Tax	45,552	45,597	77.28	77.35
NDR	30,419	30,323	79.54	78.78
Rents	14,701	14,924	68.14	69.18

Budget Progress update 2012/13

Members will be aware the budget process for 2012/13 is advancing and Cabinet were presented with the budget requirement information at their meeting on 9th January 2012. The key issues are:

The provisional settlement for 2012/13 has remained unchanged from the announcement made last year and incorporating the Council Tax Freeze grant of £157k (from 2011/12) which equates to £7.526m for 2012/13. This grant announcement is £824K less than the grant for 2011/12.

The proposed draft budget requirement for 2012/13 is £13.879m which includes the 2011/12 Council Tax freeze grant of £157K. This grant will continue to be received until 2014/15 in order to mitigate the financial disadvantage of not applying a Council tax increase. The grant is calculated on an assumed increase of 2.5%.

A further one-off council tax freeze for 2012/13 has been proposed by the Government which, if taken, will result in the Council receiving a additional £159k in grant for 2012/13 only. The following 2 years would revert back to the original £157k as outlined above. The Council will consider this as part of its consultation process.

4. OTHER OPTIONS CONSIDERED

None applicable

5. RESOURCE IMPLICATIONS

None applicable

6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)

None applicable

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

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

As part of good governance it is important members are kept updated in respect of the financial position of the Council expenditure during the course of the year.

11. APPENDIX: None