

Committee: Executive
Date: Monday 8 January 2018
Time: 6.30 pm
Venue: Bodicote House, Bodicote, Banbury, OX15 4AA

Membership

Councillor Barry Wood (Chairman)	Councillor G A Reynolds (Vice-Chairman)
Councillor Colin Clarke	Councillor John Donaldson
Councillor Tony Ilott	Councillor Mike Kerford-Byrnes
Councillor Kieron Mallon	Councillor Richard Mould
Councillor D M Pickford	Councillor Lynn Pratt

AGENDA

1. **Apologies for Absence**

2. **Declarations of Interest**

Members are asked to declare any interest and the nature of that interest that they may have in any of the items under consideration at this meeting.

3. **Petitions and Requests to Address the Meeting**

The Chairman to report on any requests to submit petitions or to address the meeting.

4. **Urgent Business**

The Chairman to advise whether they have agreed to any item of urgent business being admitted to the agenda.

5. **Minutes** (Pages 1 - 12)

To confirm as a correct record the Minutes of the meeting held on 4 December 2017.

6. Chairman's Announcements

To receive communications from the Chairman.

7. Bespoke / Custom Build Mortgage Pilot Scheme (Pages 13 - 58)

Report of Executive Director: Finance and Governance

Purpose of report

To consider joining a version of the existing Local Authority Mortgage Schemes (LAMS) which was developed by Arlingclose to promote access to self/custom build home ownership within the district. It sets out the Bespoke/Custom Build (BCB) scheme which offers support to local people to access self/custom build houses by reducing the risk of self-build and provides a return to the council which could be reinvested in housing related activities.

Recommendations

The meeting is recommended to:

- 1.1 Agree to join the Bespoke/Custom Build (BCB) scheme, but limited to an initial pilot scheme of 10 BCB mortgages, for launch in early 2018.
- 1.2 Delegate authority to the Executive Director: Finance and Governance, in consultation with the Lead Member for Financial Management, to extend the scheme to new applications once the success of the pilot has been assessed and further capital funding is in place for additional bridging loans.
- 1.3 Delegate authority to the Executive Director: Finance and Governance, in consultation with the Monitoring Officer and Lead Member for Financial Management, to enter into legal agreements required for the BCB scheme where land is owned by third parties.
- 1.4 Delegate authority to the Executive Director: Wellbeing, in consultation with the Executive Director: Place & Growth and the Lead Member for Housing and the Lead Member for Estates & Economy to set the criteria for prioritising access to the scheme for applicants with a local connection.

8. Council Tax Base 2018-2019 (Pages 59 - 68)

Report of Executive Director: Finance and Governance

Purpose of report

To provide Executive with an estimate of the Council Tax Base for 2018-2019 and seek approval for the final determination of the Council Tax Base to be delegated to

the Section 151 Officer in consultation with the Lead Member for Financial Management.

Recommendations

The meeting is recommended:

- 1.1 That the report of the Executive Director: Finance and Governance for the calculation of the Council's Tax Base for 2018-2019 be considered and:
- (a) That pursuant to the Executive Director: Finance and Governance's report and in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by Cherwell District Council as its Council Tax Base for the year 2018-2019 shall be **52,681.6**. This shall be subject to final confirmation by the Section 151 Officer in consultation with the Lead Member for Financial Management.
 - (b) As for the parishes which form part of its area shown in Appendix 2, the amount calculated as the Council Tax Base for the year 2018-2019 in respect of special items shall be as indicated in the column titled Tax Base 2018-2019.
 - (c) As for the Flood Defence Areas which form part of its area, the amount calculated as the Council Tax Base for the year 2018-2019 for the purposes of levies on Oxfordshire County Council by River Authorities, shall be:

Thames Flood Defence Area	50,381.7
Anglian (Great Ouse) Flood Defence Area	1,864.7
Severn Region Flood Defence Area	435.2
	<hr/>
	52,681.6.

- 1.2 To delegate final approval of the Council Tax Base for 2018-2019 to the Section 151 Officer in consultation with the Lead Member for Financial Management.

Information about this Agenda

Apologies for Absence

Apologies for absence should be notified to natasha.clark@cherwellandsouthnorthants.gov.uk or 01295 221589 prior to the start of the meeting.

Declarations of Interest

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item.

Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates

Members are reminded that any member who is two months in arrears with Council Tax must declare the fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

This agenda constitutes the 5 day notice required by Regulation 5 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 in terms of the intention to consider an item of business in private.

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If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named below, giving as much notice as possible before the meeting.

Mobile Phones

Please ensure that any device is switched to silent operation or switched off.

Queries Regarding this Agenda

Please contact Natasha Clark, Democratic and Elections
natasha.clark@cherwellandsouthnorthants.gov.uk, 01295 221589

Yvonne Rees
Chief Executive

Published on Thursday 21 December 2017

Cherwell District Council

Executive

Minutes of a meeting of the Executive held at Bodicote House, Bodicote, Banbury, OX15 4AA, on 4 December 2017 at 6.30 pm

Present: Councillor Barry Wood (Chairman), Leader of the Council
Councillor G A Reynolds (Vice-Chairman), Deputy Leader of the Council

Councillor Colin Clarke, Lead Member for Planning
Councillor John Donaldson, Lead Member for Housing
Councillor Tony Ilott, Lead Member for Financial Management
Councillor Mike Kerford-Byrnes, Lead Member for Change Management, Joint Working and ICT
Councillor Kieron Mallon, Lead Member for Public Protection and Community Services
Councillor D M Pickford, Lead Member for Clean and Green
Councillor Lynn Pratt, Lead Member for Estates and the Economy

Also Present: Councillor Sean Woodcock, Leader of the Labour Group
Councillor Barry Richards

Apologies for absence: Councillor Richard Mould, Lead Member for Performance

Officers: Yvonne Rees, Chief Executive
Ian Davies, Director of Operational Delivery
Paul Sutton, Chief Finance Officer / Section 151 Officer
Adrian Colwell, Head of Strategic Planning and the Economy
Nigel Bell, Interim Legal Services Manager / Deputy Monitoring Officer
Natasha Clark, Interim Democratic and Elections Manager

74 **Declarations of Interest**

There were no declarations of interest.

75 **Petitions and Requests to Address the Meeting**

There were no petitions or requests to address the meeting.

76 **Urgent Business**

There were no items of urgent business.

77 **Minutes**

The minutes of the meeting held on 6 November 2017 were agreed as a correct record and signed by the Chairman.

78 **Chairman's Announcements**

There were no Chairman's announcements.

79 **Annual Monitoring Report**

The Head of Strategic Planning and the Economy and Strategic Lead for Growth submitted a report to seek approval of the Annual Monitoring Report (AMR) 2017 and to present the District's current housing land supply position.

Resolved

- (1) That the Annual Monitoring Report (annex to the Minutes as set out in the Minute Book) be approved and the Head of Strategic Planning & the Economy and Strategic Lead for Growth be authorised to make any necessary minor amendments prior to publication.
- (2) That the District's housing delivery and five year housing land supply positions be noted and that it be further noted that it will be reported to Development Management officers and Planning Committee as required.
- (3) That the implications of a new Accommodation Assessment for Gypsies and Travellers and Travelling Show people be noted and that it be further noted that Development Management officers and Planning Committee are advised of the five year supply positions as required.

Reasons

The Annual Monitoring Report provides important information to measure the effectiveness of planning policies and to assist policy making and development management decision making. It is the statutory mechanism for monitoring housing delivery. Its most significant conclusion is that the district continues to demonstrate a five year housing land supply. New five year supply calculations for sites for travelling communities are also presented. It is recommended that the Annual Monitoring Report be approved and that Development Management officers and Planning Committee are advised of the five year supply positions as required.

Alternative options

Option One: Amendment of the 2017 AMR in consultation with the Lead Member for Planning

Officers consider the AMR to be a robust report supported by data and research. Delay could lead to uncertainty within the development industry and risks for decision making.

Option Two: Not to approve the AMR

Production of a monitoring report is a statutory requirement and necessary to monitor implementation of the Local Plan.

80

Brownfield Land Register

The Head of Strategic Planning and the Economy submitted a report to inform the Executive about the statutory requirement for the Council to produce a Brownfield Land Register, the implications of including land within the Register and associated delegated responsibilities.

Resolved

- (1) That the statutory requirement for the Council to produce a Brownfield Land Register at least annually and the implications of including land within the Register be noted.
- (2) That the Brownfield Land Register (Part 1) (annex to the Minutes as set out in the Minute Book) be approved so that it can be published by 31 December 2017 to meet the statutory requirement, and that the Head of Strategic Planning & the Economy and Strategic Lead for Growth be authorised to make any necessary minor amendments prior to publication.
- (3) That it be noted that responsibility for preparing Part 1 of the Brownfield Land Register lies with Planning Policy officers and that annual reviews will be presented to the Executive alongside the Annual Monitoring Report.
- (4) That it be noted that responsibility for the optional entering of land into Part 2 of the Brownfield Land Register, and for the consequential grant of 'Permission in Principle', rests with Development Management officers and the Planning Committee.

Reasons

There is a statutory requirement for the Council to publish a Brownfield Land Register by 31 December 2017. Part 1 of the Register is presented at Appendix 1. Part 2 of the Register is a matter for Development Management officers and Planning Committee. Part 1 is informed by the Annual Monitoring Report (this agenda), the draft Housing and Economic Land Availability Study (having regard to consultation responses received) and planning permissions granted as at 31 March 2017. As a new statutory responsibility for the Council, Members are invited to note the Register and its implications.

Alternative options

No alternative options identified. Publication of Part 1 of the Register by 31 December 2017 is a statutory requirement.

81 Council Tax Reduction Scheme and Council Tax Discounts 2018-2019

The Chief Finance Officer submitted a report to provide members with a review of Council Tax discounts and to seek approval to recommend the proposed level of Council Tax discounts for the 2018-2019 financial year to Council. The report also provided an update on the consultation process that had taken place on the proposals for a Council Tax Reduction Scheme for 2018-2019 and to seek approval to recommend the proposed Council Tax Reduction Scheme to Council.

Resolved

- (1) That the option of no change to the Council Tax Reduction Scheme for 2018-2019 be endorsed and the Council Tax Reduction Scheme Regulations for Pensioners be amended in line with uprating announced by DCLG and to uprate the Working Age Regulations in line with Housing Benefit as confirmed by Department for Work and Pensions.
- (2) That Full Council be recommended to approve an unchanged Council Tax Reduction Scheme for 2018-2019.
- (3) That Full Council be recommended to delegate authority to the Chief Finance Officer to make any changes to the Council Tax Reduction Scheme Regulations up to and including 31 January 2018 in consultation with the Lead Member for Financial Management.
- (4) That, having given due consideration, Full Council be recommended to approve the following level of Council Tax discounts for 2018-2019:
 - Retain the discount for second homes at zero
 - Retain the discount for empty homes (unoccupied and substantially unfurnished) at 25% for 6 months and thereafter at zero.
 - Retain the discount for empty homes undergoing major repair at 25% for 12 months and thereafter at zero.
 - Retain the empty homes premium of an additional 50% for properties that have remained empty for more than 2 years.

Reasons

The proposal is to keep the same Council Tax Reduction Scheme for 2018-2019. There will be some technical changes to Regulations. Consultation has taken place.

Members are now required to recommend to Council a Council Tax Reduction Scheme for the financial year 2018-2019.

Members are also asked to recommend that Council Tax Discounts for 2018-2019 are set at the levels detailed in the report.

Alternative options

Option 1: To not recommend any of the options for a scheme for 2018-2019 This would have financial implications for the Council and those residents affected by Welfare Reform.

82

Quarter 2 2017-18 - Revenue and Capital Budget Monitoring and Reserves Monitoring Report

The Chief Finance Officer submitted a report which summarised the Council's Revenue, Capital and Reserves position as at the end of the second quarter of the financial year 2017-18 and projections for the full year.

Resolved

- (1) That the projected revenue, capital and reserves position at September 2017 be noted.

Reasons

In line with good practice budget monitoring is undertaken on a monthly basis within the Council. The revenue, capital and reserves position is formulated in conjunction with the joint management team and reported formally to the Budget Planning Committee on a quarterly basis. The report is then considered by the Executive.

Alternative options

Option 1: This report illustrates the Council's performance against the 2017-18 Financial Targets for Revenue and Capital and sets out the Council's position on Reserves. As this is a monitoring report, no further options have been considered. However, members may wish to request that officers provide additional information.

83

Quarter 2 2017/18 Performance Report

The Director – Strategy & Commissioning submitted a report to provide an update on the Cherwell Business Plan progress to the end of Quarter Two 2017/18.

Resolved

- (1) That the exceptions highlighted be noted.
- (2) That it be noted that the Overview & Scrutiny Committee reviewed the Council's Quarter 2 2017/18 performance report on 21 November 2017 and referred no matters to the Executive.

Reasons

This is the second for 2017/18 based on the new Business Plan. As agreed previously, this report focuses on the exceptions and some examples of good performance to provide a balance and includes commentary supporting the generally excellent levels of delivery.

Alternative options

None identified

84 Exclusion of the Press and Public

Resolved

That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business on the ground that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part 1, Paragraph 3 would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

85 Award of a Dry Recycling Contract

The Head of Environmental Services submitted an exempt report to consider the outcome of the procurement process for a new dry recycling contract and to consider a contract award.

Resolved

- (1) That the current dry recycling collection service be retained unaltered.
- (2) That the award of the dry recycling contract to tenderer one and the award of the processing of glass to tenderer nine be approved.
- (3) That the financial impact of the new contract be noted.
- (4) That it be agreed that the 2017/18 financial implications of the recommended contract award be considered as part of the revised 2017/18 process and that the implications in 2018/19 and beyond be considered as part of the draft 2018/19 budget and medium term financial plan processes.
- (5) That the Head of Environmental Services be requested to review the Council's current recycling strategy for 2018/19 onwards.

Reasons

The councils have approached this important tender process by engaging closely with the operators in the market and assessing market trends. This

has resulted in an appropriately constructed proposed contract, a very competitive tender process and a very good market response.

Options such as the inclusion or otherwise of glass have been considered but based on the prices received, it is not proposed to change the current collection arrangements where glass is excluded from blue bins and collected through community bring banks.

There has been insufficient clarity achieved through the separate transfer station contract to enable the councils to award a contract with sufficient confidence and therefore this process is being re-run.

In recognition of this new contract and its financial impact, it is proposed that the Council's current recycling strategy be reviewed to assess the benefits or otherwise of any change.

Alternative options

Option 1: To support the proposed award of the dry recycling contract

Option 2: To reject the proposed tender

Option 3: To ask officers to seek & consider alternative options

86

Retail Unit A4, Block A Pioneer Square , Bicester

The Chief Finance Officer submitted an exempt report relating to Retail Unit A4, Block A Pioneer Square, Bicester.

Resolved

- (1) As set out in the exempt minutes.
- (2) That authority be delegated to the Chief Finance Officer to take all steps necessary to deliver the scheme and make any non-material amendments as required.

Reasons

As set out in the exempt minutes

Alternative options

As set out in the exempt minutes

87

Acquisition of Castle Quay Shopping Centre

The Chief Finance Officer submitted an exempt report regarding the acquisition of Castle Quay Shopping Centre

Resolved

- (1) As set out in the exempt minutes.
- (2) As set out in the exempt minutes.
- (3) As set out in the exempt minutes.

Reasons

As set out in the exempt minutes

Alternative options

As set out in the exempt minutes

The meeting ended at 7.20pm

Chairman:

Date:

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Cherwell District Council

Executive

8 January 2018

Bespoke / Custom Build Mortgage Pilot Scheme

Report of Executive Director: Finance and Governance

This report is public

Purpose of report

To consider joining a version of the existing Local Authority Mortgage Schemes (LAMS) which was developed by Arlingclose to promote access to self/custom build home ownership within the district. It sets out the Bespoke/Custom Build (BCB) scheme which offers support to local people to access self/custom build houses by reducing the risk of self-build and provides a return to the council which could be reinvested in housing related activities.

1.0 Recommendations

The meeting is recommended to:

- 1.1 Agree to join the Bespoke/Custom Build (BCB) scheme, but limited to an initial pilot scheme of 10 BCB mortgages, for launch in early 2018.
- 1.2 Delegate authority to the Executive Director: Finance and Governance, in consultation with the Lead Member for Financial Management, to extend the scheme to new applications once the success of the pilot has been assessed and further capital funding is in place for additional bridging loans.
- 1.3 Delegate authority to the Executive Director: Finance and Governance, in consultation with the Monitoring Officer and Lead Member for Financial Management, to enter into legal agreements required for the BCB scheme where land is owned by third parties.
- 1.4 Delegate authority to the Executive Director: Wellbeing, in consultation with the Executive Director: Place & Growth and the Lead Member for Housing and the Lead Member for Estates & Economy to set the criteria for prioritising access to the scheme for applicants with a local connection.

2.0 Introduction

- 2.1 At the end of October 2017, the Commercial Development Panel gave its support to a business case recommending that CDC join the BCB mortgage scheme. This

report presents the case for joining the scheme which could provide increased access to a wider range of bespoke / self and custom build housing options for local people.

- 2.2 The product would support the council's long term priorities around increasing access to housing in what is an expensive market. It is aimed at sections of the population who would not be eligible for social housing, but who may struggle to access housing (particularly self or custom build) due to affordability issues in the area. Examples of the target beneficiaries of the products could include, but need not be limited to, key workers or young families with a local connection.
- 2.3 Supporting the housing market and the provision of additional housing is a key target for both the government and most local authorities. In addition to a growing population, people live longer, divorce more often and a quarter of adults under the age of 35 are still living with their parents. As such the challenges of accessing housing are likely to remain a high priority for local people.
- 2.4 Nationally, we need to build in the region of 250,000 new homes every year to keep up with demand. This remains an extremely challenging target. Mainstream developers are likely to continue to focus on building 3 and 4 bedroom properties as these offer a better financial return for them, and across local government councils are looking at a range of tools to meet the gap between supply and demand in terms of local housing needs.
- 2.5 Self-build is already a priority for the council given its investment in Graven Hill and the council has strong commitment to innovative approaches to housing and commercial opportunities. There is an increasing demand for 1 and 2 bedroom properties for single occupancy, as well as increasing demand for low cost good quality housing, including shared ownership units and housing for people with special needs. These trends add to the increasing pressures on the housing market, and it is unlikely that this growing demand will be met through traditional construction channels alone.

3.0 Report Details

National Policy Framework

- 3.1 To address the national housing need, the government introduced the 'Right to Build' policy in 2014. This initiative has gathered some further momentum in the Self-build and Custom Housebuilding Act 2015. From 1st April 2016, all local planning authorities are required to maintain and promote a register of interest of aspiring custom and self-builders, and the next step will be to match available land to demand on the register.
- 3.2 The Planning and Housing Act 2016 requires planning authorities to give suitable planning permissions in respect of enough serviced plots of land to meet the demand for self-build and custom housebuilding in the authority's area arising from the register. The available land may be owned by the local authority; however, some local authorities will deliver legislative requirements in partnership with third parties such as local and national developers and landowners.

- 3.3 The council is a custom and self-build vanguard authority, and has therefore had a custom and self-build register in place for some time. There are many names on the council's register, however, it is recognised that not all of these may be potential customers as there is a great deal of interest nationally in monitoring progress on Graven Hill. Graven Hill is the largest custom and self-build site in the UK; however, research (from both the marketing and sales experience at Graven Hill and consultations with mortgage brokers) suggests that access to self/custom build mortgage finance is a barrier to building.
- 3.4 As such the BCB proposal outlined below (and in the accompanying appendices) provides a good opportunity to partner with a reputable treasury management company and provider of financial advice to offer a product that would directly support the council's commitment to self and custom build.
- 3.5 Arlingclose has developed the BCB mortgage scheme to support local authorities in delivering the new legislative requirements (see appendix 1 for a summary description). The scheme is an extension or refocus of the current LAMS scheme. The BCB scheme has been in existence since 2016, but LAMS was launched in 2011. There were 110 local authorities signed up to the scheme according to the 2013/14 annual report (see appendix 5).
- 3.6 As part of the development of the product Arlingclose have ascertained that, on average, custom and self-build development generates a development uplift in the region of 20%. This 'added value' created by completing the build creates the opportunity for the developer (in this case the council) to generate a return. The council can choose to retain this return and reinvest in housing projects, or share a part with the customer, further increasing the affordability of self-build housing.

Bespoke / Custom Build Mortgages

- 3.7 An overview of how the scheme works is given below:
- The local authority will make land available, or provide financial support for an applicant on land owned by a third party,
 - An applicant will secure a plot of land from the local authority (or a third party), with proof of a pre-approved mortgage from a panel of mortgage lenders,
 - A 5% deposit will be paid by the borrower (some or all of the deposit will be non-refundable),
 - The local authority will enter into a build contract with a contractor to construct the property to completion. The payments to the contractor by the local authority will constitute a bridging loan,
 - On completion, the lender will advance the mortgage and the local authority will recover all costs, including interest and potentially a development uplift,
 - The local authority could recycle the repaid bridging loans to support other borrowers if the pilot scheme is deemed successful,
 - The participating local authority will provide an indemnity of up to 20% of the mortgage, in effect underwriting the difference between 75% lending – the

market norm for custom build mortgages – and 95% lending, for a fee (payable by the lender to the local authority),

- The local authority can leave the scheme at any time; therefore, offering a pilot does not commit the local authority to any further mortgages.

3.8 Lenders do not currently offer high loan to value mortgages on self or custom build properties, hence a key feature of the BCB scheme is that the local authority provides an indemnity of up to 20% of the mortgage, in effect underwriting the difference between a 95% loan to value mortgage and more affordable 75% loan to value mortgage. The indemnity remains in place for 5 years, and may be extended for a further 2 years if a mortgage is in arrears of 3 months + at the end of the initial 5 year period. The council can charge the lenders the market rate to provide the indemnity (in the region of 1% of the mortgage amount).

Operation of the scheme

3.9 Operation of the scheme can be undertaken by the council (i.e. there is no requirement to set up an arm's length entity) in partnership with Arlingclose. Appendix 2 outlines how the scheme works in detail. As the original design of the scheme has assumed that the land for development is owned by the local authority some additional legal work would be required to draw up an agreement between the council and any third party landowners (e.g. the applicant themselves, Graven Hill etc).

3.10 Access to the scheme (i.e. the selection of customers) will be undertaken by the lenders as per a usual mortgage application. The local authority may also choose to set out criteria such as a local connection and it is recommended in this report that local connection criteria is developed in partnership with the Wellbeing and Place & Growth teams. However, the financial assessments will be undertaken as part of the lenders' process and not by the council. As with traditional Local Authority Mortgages (LAMS) the scheme can be closed at any time thereby preventing new applications.

Risks and Returns

3.11 No scheme of this nature is risk free and appendix 3 sets out the key risks associated with the proposal. To mitigate and manage the risk profile it is recommended that, if members were to implement the scheme, initial numbers are limited to a pilot of 10. This would limit the council's financial exposure and ensure a deliverable market for the product.

3.12 Tables 1 and 2 below set out the potential returns associated with this product. It is based on average local land and building costs. The cost of home construction in Cherwell is currently in the region of £1,800 per square metre; therefore, the build cost below would yield a property with a gross internal area of 138 square metres. This is between the averages for 3- and 4-bedroom homes. Any returns can be recycled into housing projects and/or held in a risk reserve.

Potential Returns

Table 1: Capital Receipts

	£	£
Land Cost	100,000	
Construction Cost	250,000	
Total Development Cost		350,000
Market price of development		450,000
Development uplift		100,000
Return from pilot of 10		1,000,000

Table 2: Revenue Receipts

	£	£
Bridging loan	250,000	
Interest charged to customer at 5%	5,200	
Indemnity charge to lenders at 1% of mortgage amount	4,275	
Council cost of borrowing at 2.5%	(2,600)	
Net interest and fees		6,875
Net interest and fees from pilot of 10		68,750

- 3.13 Interest on the bridging loan is assumed to be for 9 months to reflect the average time required to construct a house and are modelled at a market interest rate of approximately 5%. The loan balance is assumed to increase evenly over that period to reflect the staged payments typical of a construction contract. Council borrowing costs are assumed at 2.5% based on current PWLB rates. The indemnity charge to lenders is at a market rate of 1% on the value of the mortgage; however, due to accounting rules must be held in reserve as a financial liability. It can be released to the I&E at the end of the indemnity period.

How the indemnity would work

- 3.14 The LAMS indemnity will remain in place for 5 years. This may be extended by a further 2 years if a mortgage is more than 3 months in arrears in the last 6 months of the initial period. A cash payment is not required from the local authority to support the indemnity, and the local authority receives a one-off State Aid compliant premium per mortgage from the lender to compensate for the risk taken. As there

is no supporting deposit involved, the indemnity is accounted for as a financial guarantee with a premium, as set out in the Arlingclose Accounting Paper.

- 3.15 The indemnity will be called in only if a loss is crystallised by the lender. Tables 3 and 4 below demonstrate two scenarios:

Table 3: worked example 1

Example 1	£
Market Value	450,000
Mortgage Value	427,500
Indemnity provided by CDC	90,000
Sale price (less attributable costs)	325,000
Loss to lender	102,500
Indemnity called in from CDC	90,000

Table 4: worked example 2

Example 2	£
Market Value	450,000
Mortgage Value	427,500
Indemnity provided by CDC	90,000
Sale price (less attributable costs)	400,000
Loss to lender	27,500
Indemnity called in from CDC	27,500

- 3.16 Any loss in excess of the value of the indemnity is attributable to the lender. Using the examples above, the pilot of 10 would result in the council indemnifying £900,000. The risk of this being called upon is quite low. Arlingclose have not had any to date.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The scheme has been developed as an evolution of the local authority mortgage scheme (LAMS) to be relevant and available for customers wanting to self or custom build. The approach generates small returns for the authority and as a partnership activity does not require significant investment in people and expertise to run the scheme. The primary benefits are the ability to start small and test the extent to which the product may increase access to the self-build market.
- 4.2 The next stage, if Executive agrees this proposal, is to launch the pilot and review the scheme's potential to be rolled out to additional applications.

5.0 Consultation

- 5.1 This proposal is a product of the council's Succeeding in a Commercial Environment (SIACE) programme which seeks to improve the commercial skills of

participants through instruction and application of commercial techniques to a selection of ideas generated by other council initiatives (e.g. Innovation Weeks).

- 5.2 As part of that programme, this proposal has been thoroughly researched, market tested, presented to a panel of officers and directors and to the Commercial Development Panel.

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To not join the scheme. This option has been rejected because the council may fail to meet housing needs in the district.

Option 2: To join the scheme without first conducting a pilot. This option has been rejected because it is more prudent to test the waters with a pilot to manage the expectations of the custom and self build community.

7.0 Implications

Financial and Resource Implications

- 7.1 Council were asked in December to approve the creation of a £2,500,000 capital budget to fund 10 bridging loans for the pilot scheme. Interest charged to homebuilders will result in revenue income to the council and there will be a deferred receipt from lenders for providing the indemnity.

The financial implications of the pilot have been detailed in sections 3.12 and 3.15. The pilot scheme is intended to recover its costs and may provide a modest return if the council's borrowing costs are significantly lower than the rate applied to the bridging loans. The full financial implications of rolling out the scheme to additional applications will be prepared following the pilot scheme.

Comments checked by:

Sanjay Sharma, Interim Head of Finance, 01295 221564
Sanjay.sharma@cherwellandsouthnorthants.gov.uk

Legal Implications

- 7.2 There are a number of legal issues which arise in connection with the BCB scheme overall on which we have consulted Bevan Brittan (see appendix 4). To assist members in understanding these issues, a summary of the advice is set out below:

The Council has the statutory power to indemnify mortgage lenders in certain circumstances pursuant to section 442 of the Housing Act 1985.

The Council can supplement the power under the Housing Act 1985 with the general power of competence pursuant to section 1 of the Localism Act 2011 and

the incidental power under section 111 of the Local Government Act 1972 to mitigate any risks associated with relying on the Housing Act 1985.

The fact that the land is not owned by the Council does not affect its ability to rely on the above powers to enter into the scheme.

There are no restrictions on the Council applying any eligibility criteria for borrowers to be eligible to participate in the scheme.

There are a number of potential State Aid issues which the scheme presents but none of these are considered to present a barrier to implementing it. Providing that suitable conditions are attached to the loans to be provided by the Council to carry out the development and the fee paid to the Council by lenders is at a suitable market rate then the Market Economy Operator Principle provides a potential exemption to the State Aid rules which would protect the Council,

There are a number of contracts which will be required to be entered in order to govern the management of the scheme and the relationship between the parties.

The Council can lawfully receive the development uplift which may arise as a result of participation in the scheme.

Comments checked by:

Chris Mace, Solicitor, 01327 322125

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8.0 Decision Information

Key Decision

Financial Threshold Met: Yes

Community Impact Threshold Met: Yes

Wards Affected

All

Links to Corporate Plan and Policy Framework

Housing – Cherwell a Thriving Community

Lead Councillor

Councillor Tony Ilott, Lead Member for Financial Management

Document Information

Appendix No	Title
Appendix 1	Arlingclose Summary description
Appendix 2	Arlingclose Process
Appendix 3	Arlingclose Risk analysis
Appendix 4	Bevan Brittan legal advice
Appendix 5	LAMS Annual Report 2013/14
Background Papers	
None	
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BCB Bespoke / Custom Build Mortgages

OVERVIEW



BCB Bespoke / Custom Build



Following the introduction of the Self-build and Custom Housebuilding Act 2015 and in accordance with the Housing and Planning Act 2016, local authorities are required to support aspiring custom and self-builders in a range of new ways. In the UK, one of the key obstacles to custom and self-build is the lack of suitable mortgage finance.

To address this, we have developed a new and innovative model that will provide up to 95% Loan to Value mortgages on new bespoke and customised homes with support from the participating local authority.

HOW DOES BCB WORK?

The local authority will make land available, or provide financial support for an applicant on land owned by a third party. An applicant will secure a plot of land from the local authority, with proof of a pre-approved mortgage from a panel of mortgage lenders and a 5% deposit (some or all of the deposit will be non-refundable) and the local authority will enter into a build contract with a developer / builder to construct the property to completion. On completion, the lender advances the mortgage and the local authority recovers all costs, including interest and potentially a development profit. This approach ensures that each plot of land released by the local authority will have a new property built within an acceptable timescale. It removes the need for stage payments, thereby

opening the market to people who would not currently be able to embark on a self-build project.

Lenders do not currently offer high loan to value mortgages on self-build or new build properties. It is therefore necessary for the participating local authority to provide an indemnity of up to 20% of the mortgage, in effect underwriting the difference between 75% lending and 95% lending. The indemnity remains in place for 5 years, and may be extended for a further 2 years if a mortgage is in arrears of 3 months + at the end of the initial 5 year period.

Our **Bespoke / Custom Build Scheme** is a partnership between Local Authorities, Mortgage Lenders and Arlingclose. It is a national scheme with a standard approach for all parties

involved. Signing up to BCB provides access to the full suite of supporting documents, which includes the following:

- Report template
- Legal White Paper
- Accounting Paper
- Risk Assessment
- Contract Template
- Indemnity Deed

Signing up to BCB does not provide a commitment to launching the scheme, it simply provides access to the documentation and secures our support throughout the implementation process if required.

ABOUT ARLINGCLOSE

We are an independent treasury advisory company providing unbiased financial advice and capital financing expertise for the public, private and the third sectors. Arlingclose is committed to providing its clients with a fresh, quality and bespoke service. We employ the talents of highly experienced professionals, who have a proven track record, delivering the most appropriate advice on debt and investment management.

Our combined experience, commitment and enthusiasm enable Arlingclose to offer an individual and refreshing approach to treasury management advice.

Arlingclose is different by design, offering clients a unique service in the market place. Due to our independence, we are able to provide quality, bespoke advice within a fee structure that offers real value for money.



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Bespoke / Custom Build mortgages (BCB)

Process Chart

Initial Steps and preparation:

- Local Authority makes a decision to implement BCB and ‘signs up’ to the national scheme
- Local Authority will be able to focus on local needs and support the local economy
- Arlingclose provides step by step actions, all standard documentation / templates and support to enable the Local Authority to proceed. (Report template, Accounting Paper, Legal Paper, Tax Paper, Risk Assessment, Freehold Contract Template)
- Arlingclose support the Local Authority with the implementation plans
- Local Authority seeks member approval to proceed and we support the required governance arrangements

Implementing BCB:

- Local Authority markets the site / plots
- Local Authority selects suitable partners from a panel or interested parties, including architects, brokers, estate agents, lenders etc
- Plots are secured by an Applicant off-plan, but not sold at this stage
- The successful Applicant is referred by the Local Authority to the selected broker
- Applicant secures 95% LTV LAMS mortgage, via the broker, from a Lender on the panel. The mortgage offer is a firm offer, not an “in principle” offer. A 95% LAMS mortgage is supported by an up to 20% indemnity from the Local Authority, so lender pricing and risk is similar to a 75% LTV mortgage
- A 5% non-refundable deposit is paid by the Applicant to the Local Authority. If the plot is not owned by the Local Authority, a separate reservation fee may be required
- For regulatory reasons, the mortgage offer remains valid for a 6 months period only, which will be extended for up to a further 6 months to allow for potential delays. Regular reviews are undertaken during this process
- Once the deposit is paid and the mortgage approval is in place, the build process can commence
- The Local Authority can enter into a building contract on Council owned land, or provide financial assistance on land owned by a third party. A slightly different process is in place for land owned by a third party
- The Applicant makes no stage payments, the Local Authority provides bridging finance and pays the builder / developers at each inspection stage
- Building work takes place with the Local Authority’s Building Control inspections at each stage (quality assurance)
- The Local Authority funds the cost of build right to the point of completion
- Building Control issues the Completion Certificate once the build process has been completed
- Lender values the property

- On build completion, the pre-approved 95% LTV mortgage will be completed, and the Local Authority will recover all costs, including an appropriate level of interest relating to the bridging finance
- Ownership of the land and property transfers to the Applicant, who is now the new owner
- The Local Authority receives the appropriate Capital Receipt
- The LAMS arrangements will be the same as for the standard LAMS scheme. The 95% LTV mortgage is supported by an up to 20% indemnity from the Local Authority (the difference between 75% lending and up to 95%LTV)
- The indemnity will be on a non-cash basis (no matching deposit with the lender)
- The LAMS mortgage will remain in place for 5 years with the (up to) 20% indemnity, and this may be extended for a further 2 years if the mortgage is in arrears in the last 6 months of the initial 5 year period
- The overall relationship is the same as for LAMS

Key Benefits for Local Authorities:

- The Local Authority retains control from start to finish
- The Local Authority has a confirmed customer with a firm mortgage approval in place from the outset
- The Local Authority owns the land and the property until build completion. If an Applicant is unable to complete at any point during the process, the property will be built to completion and sold in the open market
- The Local Authority will earn interest on the bridging finance, and the development profit is retained by the Local Authority
- BCB opens the custom and self-build market to a much wider audience and will therefore enhance the existing market

Key Benefits for Lenders:

- From a lender perspective, there are no stage payments and no advances are made until build completion, so the traditional self-build risks have been removed. A BCB mortgage is a high LTV mortgage, supported by the participating Local Authority, and as easy to process as an ordinary new build mortgage

Key Benefits for the Applicant / Customer / Self-Builder

- High LTV mortgages means only a small (5%) deposit is required
- There is no need for stage payments, so it is affordable to build at the same time as paying an existing mortgage or rent
- Custom and self-build support in general is provided by the Local Authority as well as specialist support via brokers, architects, estate agents etc.

Bespoke / Custom Build (BCB) Mortgages - Risk Assessment

	Strategic Risk	Key Risk	Risk Rating	Likelihood	Impact	Mitigating Controls
F1	Financial	Local authority affordability	Medium	Possible	Moderate	Make adequate budget provision All costs incurred will be recovered, including interest Indemnity on mortgage support is unfunded It is recommended that the indemnity premium received from lenders is set aside to fund future potential costs
F2	Financial	Applicants affordability	Low	Unlikely	Minor	Lenders do not relax standard lending criteria, creditworthiness and affordability limits apply. Also stringent stress testing
R1	Reputation	Bad publicity re use of public funds	Low	Unlikely	Moderate	Generate good PR via Council's press / media team
R2	Reputation	Repossession	Low	Unlikely	Moderate	Good communication with lenders Consideration of further support which may prevent repossession
P1	Political	Lack of political support	Low	Unlikely	Moderate	Ensure member support from the outset. Use report template and guidance notes On-going member updates of progress and performance
P2	Political	Change of political priorities	Low	Possible	Minor	The scheme can be closed to new applicants at any time, however, existing commitments remain in place
O1	Operational	Increased workload for Council officers	Low	Unlikely	Moderate	BCB is relatively easy to implement with established partners and national templates in place. It is not anticipated that implementation will generate substantial additional work
O2	Operational	Lack of in house expertise	Low	Possible	Minor	As part of sign-up to BCB, clients will have access to a range of experts in this field including developers, builders, solicitors, brokers, lenders etc.

	Strategic Risk	Key Risk	Risk Rating	Likelihood	Impact	Mitigating Controls
F01	Financial / Operational	Build delays and possibly non-completion	Low	Possible	Minor	The local authority will retain overall control from start to finish and should take appropriate steps to ensure each property is completed in a timely manner
F02	Financial / Operational	Unexpected changes and customer not being able to complete	Medium	Possible	Moderate	Local authority will build to completion and sell the property in the open market

CHERWELL DISTRICT COUNCIL
Arlingclose Mortgage Scheme Advice
20 November 2017

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1 INTRODUCTION

- 1.1 Cherwell District Council (**Council**) is considering whether to participate in a self-build mortgage indemnity scheme set up by Arlingclose Limited (**Scheme**). We have been asked to advise to help the Council prepare a report to the Executive as part of the decision-making process. This paper:
- 1.1.1 responds (in Section A) to vires issues raised under question 1 of the Council's briefing paper;
 - 1.1.2 responds (in Section B) to question 3 in the briefing paper around how development profit can be used.
- 1.2 We have agreed with the Council to provide a further paper with comments on the draft deed of indemnity and sale contract supplied by Arlingclose.

2 EXECUTIVE SUMMARY

- 2.1 The Council has the statutory power to indemnify mortgage lenders in certain circumstances. There is a slight lack of clarity in the drafting of this power around whether it can be relied on to give an indemnity before a mortgage advance is made. However, we consider this to be a low risk as two other powers could potentially be used to supplement it.
- 2.2 The involvement of Graven Hill Developments does not of itself create any additional vires issues.
- 2.3 The Council could lawfully use local connection criteria to determine eligibility for participation in the Scheme.
- 2.4 The Council has a broad statutory power to borrow that could potentially be relied on to fund the Scheme.
- 2.5 There are a number of State aid issues created by the Scheme, but none of these should provide a barrier to implementing it. The most suitable option for ensuring compliance is to ensure market terms are adopted, for example, in relation to any loan by the Council to Graven Hill Developments.
- 2.6 The deed of indemnity is unlikely to be a contract that is subject to the Public Contracts Regulations 2015, and so could be entered into without breaching those regulations.
- 2.7 If Graven Hill Developments has been set up as a non-contracting authority, it may award works contracts to develop the units without tendering them under the Public Contracts Regulations 2015. However, if it has been set up this way, it is unlikely to be a Teckal body to which the Council could directly award contracts. The Council will therefore need to consider what level of control it would like to exercise over the company's development activity without triggering an obligation to tender a contract.
- 2.8 It will be lawful for the Council to receive a dividend from Graven Hill Developments.

3 CONTEXT

- 3.1 The key background, taken from the Council's briefing paper and the Arlingclose documents, is set out below:
- 3.1.1 the Council has previously set up an arm's length trading company using the general power of competence:¹ Graven Hill Village Development Limited (**Graven Hill Developments**), whose purpose is to develop up to 1,900 self-build and custom build units at its Graven Hill site. Development funding is typically provide by debt from the Council;

¹ Section 1(1), Localism Act 2011.

- 3.1.2 units are constructed on behalf of individuals who wish to purchase self or custom build homes. However, it has become apparent that there are insufficient market lenders who are willing to provide finance, possibly because self and custom build is perceived as higher risk, or because they would commonly require stage payments during the construction phase;
- 3.1.3 Arlingclose has developed the Scheme to help address this difficulty and so increase the number of self and custom build properties. The Scheme broadly operates as follows:
- (a) a local authority sets up a professional panel, including lenders, a broker and contractors;
 - (b) individuals who wish to self or custom build apply to the local authority for land, financial support or both;
 - (c) successful applicants are referred to the broker to arrange mortgage finance, which is typically 95% of loan-to-value;
 - (d) the authority enters into a mortgage indemnity deed with the selected lender and Arlingclose under which it indemnifies the lender for up to 20% of each mortgage advance – this means that the lender is willing to lend up to 95% of LTV. In return, the lender will pay (1) the Council a premium of between £500 and £1,500 per advance, (2) Arlingclose an advisory fee of 30 basis points of the principal loan;
 - (e) the authority also enters into a sale contract with the individual borrower requiring payment of a 5% deposit, and agrees to transfer on completion the land and the unit specified by the borrower;
 - (f) the authority then commissions contractors to build the unit in accordance with the specification, and recovers the costs of doing so from the sale proceeds received on completion;
- 3.1.4 in the current circumstances, the Scheme would operate slightly differently because of the existence of Graven Hill Developments as landowner. This would mean:
- (a) the Council would provide financial support by way of the indemnity deed but no land;
 - (b) it could be required to lend sufficient funds to Graven Hill Developments for each development;
 - (c) Graven Hill Developments would enter into the sale contract with the individual borrower, who could also be required to pay a reservation fee;
 - (d) Graven Hill Developments would receive the purchase price upon completion, and could then decide to pay an interim or final dividend to the Council from distributable profits.

SECTION A: VIRES

4 POWER TO INDEMNIFY

4.1 The Council has the power to provide an indemnity to a mortgage lender under section 442, Housing Act 1985 (HA 85). Officers have questioned whether this power could be relied on in the current circumstances as the property will not have been built at the time the indemnity is given, which in turn means that the mortgage will not have been advanced. The legal paper on the Scheme prepared by Browne Jacobson for Arlingclose advises that an indemnity could be given in such circumstances. Although we agree with this interpretation, the Council should be aware that there is a slight lack of clarity in the wording that means there will be a residual risk that it cannot be relied on. However, we do not consider this risk to be material, and it would be reasonable for the Council to rely on the power in these circumstances. This is considered in more detail below.

4.2 Section 442 (1) states:

"A local authority may enter into an agreement with a person or body making an advance on the security of a house (or a building to be converted into a house) whereby, in the event of default by the mortgagor, and in the circumstances and subject to conditions specified in the agreement, the authority binds itself to indemnify the mortgagee in respect of the whole or part of the mortgagor's outstanding indebtedness and any loss or expense falling on the mortgagee in consequence of the mortgagor's default."

4.3 This power can only be exercised for one or more of the purposes set out in section 435, HA 85, which are broad, and for local housing authorities, such as the Council, include acquiring or constructing a house or converting another building into a house.

4.4 Although the section 442 power is broad, it is conditional on the indemnity agreement being entered into with a person or body making an advance on the security of a house or a building to be converted into one. This sentence could be interpreted to mean that the indemnity can only be given at the time a secured loan is provided, although we consider it unlikely that the court would interpret it so restrictively. There is no explicit requirement for the indemnity and the secured loan to be entered into simultaneously, and in effect the indemnity will not "go live" until the mortgage has been advanced and the lender has paid the premium due under clause 3.2 of the indemnity. It would therefore be reasonable to conclude that the deed of indemnity is in fact only an offer to provide an indemnity conditional of the loan being advanced.

4.5 To mitigate the risk that would be created by relying on section 442, the Council could seek to rely on section 111, Local Government Act 1972, and so argue that providing such an indemnity was incidental to the explicit power:

"Without prejudice to any powers exercisable apart from this section but subject to the provisions of this Act and any other enactment passed before or after this Act, a local authority shall have power to do any thing (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions"

4.6 In addition, there would be scope to rely on the general power of competence as further authority for providing the indemnity.

4.7 In conclusion, in our view it would be reasonable for the Council to rely on section 442, but it would be possible to challenge its use on the grounds that the mortgage advance was not made at the same time.

4.8 To mitigate the risk of successful challenge, the Council could seek to supplement the power by relying on the incidental power in section 111, Local Government Act 1972 and on the general power of competence. Although this approach would not remove the risk entirely, it should be sufficient to enable the Council to obtain sufficient comfort as to the lawfulness of participating in the Scheme,

particularly as we note from the Arlingclose papers that 112 authorities have already signed up to it, of which 98 are "live". If this is the case, then it would be reasonable to assume that a challenge on this basis would already have been raised.

5 VIRES AND GRAVEN HILL DEVELOPMENTS

- 5.1 The Council has asked whether the involvement of Graven Hill Developments would have any vires implications, for example in relation to the use of the power to indemnify. Subject to what is said below about State aid, we do not believe that there will be any as long as the Council complies with its usual decision-making processes, and the well-established public law principles of acting reasonably, transparently and taking into account all relevant considerations in its relationship with the company.
- 5.2 Although not a vires issue, the involvement of Graven Hill Developments does potentially have an impact on what rights the Council would have in the event that a claim is made under a deed of indemnity. Under section 442, an indemnity may, if the borrower is made party to it, enable or require the local authority in specified circumstances to take a transfer of the mortgage and assume rights and liabilities under it. The borrower is not a party to template indemnity deed, and this would therefore limit the Council's ability to take a transfer of the mortgage. Further consideration would need to be given to this issue if this is a right that the Council would like to have, taking into account the fact that it is not the landowner and would not be a party to the sale contract between Graven Hill Developments and the borrower / purchaser.

6 WIDER VIRES ISSUES

- 6.1 The Council has asked what wider vires issues there could be in light of a reference to them in Browne Jacobson's legal paper (paragraph 47). It is not clear on our reading of that paragraph exactly what is being referred to, but it could relate to the need for each local authority participating in the Scheme to obtain the necessary internal approval before entering into a deed of indemnity and / or a sale contract.
- 6.2 The Council is currently preparing a report to go to the Executive to decide whether to implement the Scheme, and so is complying with its decision-making processes to obtain the necessary approval. If officers prefer not to return to the Executive for further approvals, it would be possible to obtain delegated authority to finalise the legal documents and enter into any that are required to implement the Scheme (or a pilot of it, as is currently envisaged).
- 6.3 Although not a pure vires issue, the Council will need to establish clear acceptance criteria for applicants to the Scheme to ensure that it is acting in accordance with the broad public sector principles referred to earlier. In relation to this, the Council has asked about local connection criteria, and this is considered in the next section.

7 LOCAL CONNECTION CRITERIA

- 7.1 In our view, it is permissible to impose a requirement that the Scheme is available only to persons within the Council's area. We understand that it is frequently a condition of Local Authority Mortgage Schemes that mortgages are only available in certain specified postcodes. "Local connection" is a principle derived from homelessness and allocations (Parts 6 and 7 Housing Act 1996). It is frequently defined as having lived within a district for 6 of the last 12 month or 3 of the last 5 years.
- 7.2 Local authority allocation schemes have been challenged in the past on the grounds that a strictly applied "local connection" criterion unlawfully discriminates against (for example) households fleeing domestic violence in a different borough. The Council should be aware of its obligations under the Equality Act 2010 not to discriminate against individuals with protected characteristics. Inflexible local connection provisions have in the past fallen foul of the Equality Act on grounds that, to the extent they exclude from the waiting list households who have recently arrived in borough having fled domestic violence, they indirectly discriminate against women.

7.3 We would therefore advise that any "local connection" requirement should include an ability for the Council to exercise its discretion, and to consider each case on its own facts in order to avoid indirect discrimination.

8 FIDUCIARY DUTY AND VIRES

8.1 The Council expects to be able to fund the Scheme from capital and reserves, at least in the early stages, but is aware that it could need to make alternative arrangements in the longer term because of its potential scale and the lack of certainty about market conditions. In view of this, it has asked us whether there are any vires implications created as a result of its financial obligations under the Local Government Acts and in respect of its general fiduciary duty to rate payers.

8.2 As long as the Council acts within its powers and in accordance with the usual public law principles then we do not believe any additional vires issues will be created as a result of its financial obligations and fiduciary duty. The Council has a statutory power to borrow for "*any purpose relevant to its functions... or for the purpose of the prudent management of its financial affairs*"². Both limbs are drafted broadly. For example, "functions" has been defined by the courts to include all powers and duties. Should the Council need to borrow in the future to fund its liabilities under the Scheme it would therefore have the statutory power to do so provided that it acts within the wider prudential framework, including the Prudential Code for Capital Finance in Local Authorities. In determining the affordability of its capital plans under the Code, the Council would need to have regard to its financial commitments and obligations to Graven Hill Developments (paragraph 33).

8.3 If borrowing becomes necessary, we would recommend that specific Executive approval is sought and that a clear link is demonstrated between the purpose of the borrowing and the specific function that it relates to. This will provide the Council with a robust audit trail in the event of any suggestion that using public funds for the Scheme is a breach of its fiduciary duty. Although we cannot see any merit in such a challenge, it would be preferable to have a clear audit trail underpinning the decision.

9 STATE AID

9.1 The Council has asked whether the Scheme may have State aid implications, and if so whether there are any exemptions that could be relied on. In summary, the Council is right to raise State aid as the rules could potentially be infringed by participating in the Scheme. However, if the Council does so on market terms then this is unlikely to be the case. An overview of the rules is set out below together with an analysis of how they could apply here.

Overview

9.2 The State aid rules prohibit government bodies from using their resources to provide selective subsidies to organisations in a way that could distort competition and affect trade between Member States. Aid can take various forms, including transferring land for less than market value, and providing loans, guarantees or equity investments below market terms.

9.3 The consequences of breaching the rules are potentially serious, and can result in an order from the courts or the European Commission (**Commission**) to repay the aid plus interest at the reference rate. Challenges can be brought through the courts or by way of complaint to the Commission, in which case the Commission will conduct a formal investigation on behalf of the complainant. There is a ten-year limitation period for bringing challenges, which means the risk remains for longer than most other types of challenge. The consequences of challenge and length of the limitation period mean the parties on both sides of a transaction are incentivised to ensure that potential aid is provided compliantly.

9.4 There are various ways of complying with the rules, for example:

² S.1 Local Government Act 2003

- 9.4.1 the market economy operator principle (**MEOP**), which can be relied on where a benefit is provided on market terms (i.e. there is no element of subsidy because a market operator in similar circumstances would enter into the transaction on similar terms);
 - 9.4.2 the De Minimis Regulations³, which permit aid up to €200,000 over a three-year period; and
 - 9.4.3 the exemption for services of general economic interest (**SGEI**), which are services that the Commission has recognised as not being provided sufficiently by the market, but which should be encouraged for the public good, for example, social housing.⁴
- 9.5 In the absence of a suitable exemption, it is necessary to go through a formal notification procedure with the Commission, and until that has been completed successfully, no aid can be given. This is a lengthy process of six to twelve months, and it is always preferable to use an existing exemption or restructure a proposal if possible.

Application of the rules to the Scheme

- 9.6 Aid could potentially be provided under the Scheme on four levels:
- 9.6.1 Graven Hill Developments;
 - 9.6.2 the commercial lenders;
 - 9.6.3 Arlingclose; and
 - 9.6.4 the contractors appointed to develop the homes.
- 9.7 The simplest method of complying with the rules in these circumstances is by relying on the MEOP i.e. by engaging with the third parties listed above on commercial terms that would be acceptable to a private sector operator in similar circumstances. Decisions by the courts and the Commission confirm that there will be no advantage if the transaction is in line with normal market conditions,⁵ and that a local authority has a wide discretion in deciding whether or not it is acting on commercial terms.⁶

Graven Hill Developments

- 9.8 The Council could be required to lend Graven Hill Developments the funds required to develop a particular unit. It will therefore need to do so on market terms in order to comply with the MEOP exemption, which means that the Council will need to undertake a benchmarking exercise to understand on what terms the market would be likely to lend to Graven Hill Developments. This should include considering not only the interest rate but also the level of security provided and any transaction fee.
- 9.9 In the absence of specific market data, the Commission⁷ has established a method that can be used as a proxy to calculate what rate would be MEOP. This cannot be used as a substitute for what the market would offer. We would be happy to advise about this in more detail if required.
- 9.10 For completeness, we understand that the Council owns 100% of the shares of Graven Hill Developments. We would expect any equity investment made by the Council also to have been made on market terms.

³ Regulation 1407/2013/EU.

⁴ Commission Decision (2012/21/EU).

⁵ For example, *SFEI and Others*, C-39/94, ECLI:EU:C:1996:285, or *Commission v EDF*, C-124/10 P, ECLI:EU:C:2012:318.

⁶ *Sky Blue Sports & Leisure Limited and others v Arena Coventry Limited and others* [2016] EWCA Civ 453

⁷ Communication from the Commission (2008 / C14 / 02) on the revision of the method for setting the reference and discount rates.

Commercial lenders

- 9.11 The Council will charge the commercial lenders a premium for providing the indemnity. If the premium is on market terms then the Council could rely on the MEOP. If it is less than the market would charge then there would be a risk of breaching the rules as it would in effect be providing a subsidy by not charging the market rate.
- 9.12 In the absence of specific market data, the Commission has published guidance on how to calculate whether a guarantee is being provided on market terms, and this could be used here. The guidance sets out "safe harbour" conditions that if met can be relied on as the basis of the MEOP. These include that (1) the guarantee does not cover more than 80% of the outstanding loan and (2) a market-oriented price is paid for it.

Arlingclose

- 9.13 On our current understanding of the Scheme, Arlingclose is not paid by the Council, and instead it receives an advisory fee from the lender under the indemnity deed. This means that there is no transfer of State resources to it and that it is paid directly by a private undertaking. The broad principle established by courts and the Commission is that such an arrangement does not constitute aid, which means it would be difficult to demonstrate that the rules had been breached in these circumstances.⁸ To mitigate any residual risk there may be, we recommend that the Council considers benchmarking the level of the advisory fee against the market. As well as providing support in favour of the MEOP should a court or the Commission conclude that aid had been provided indirectly, this will also enable the Council in broader terms to demonstrate that the Scheme provides value for money for borrowers.

Contractors

- 9.14 The Council will appoint a panel of professional advisers and, possibly, works contractors that Graven Hill Developments can call on. As a contracting authority, under the Public Contracts Regulations 2015 (**Regulations**) the Council must run competitive tenders when awarding above-threshold contracts unless a specific exemption from doing so applies. When a contractor is selected competitively under the Regulations, including by the use of a framework agreement, the State aid rules will not be breached because:
- 9.14.1 there has been an open and transparent tender process removing any selectivity i.e. the market will have been given the opportunity to bid; and
- 9.14.2 the tender process will establish market rates for the services being provided i.e. the MEOP will apply.
- 9.15 A professional advisor or works contractor in these circumstances will therefore not be a recipient of aid as it is providing services for value, tested through a competitive process, and to the extent that any aid element is involved, it will not distort competition as the benefit is openly competed.

10 PROCUREMENT

- 10.1 There are three main procurement issues to be considered in relation to the Scheme, and these are set out below in turn.

Arlingclose

- 10.2 We have considered whether the Scheme, in particular the deed of indemnity between the Council, the lender, and Arlingclose is a contract for services for the purposes of the Regulations. In our view it is not. The definition of a public contract is a contract for pecuniary interest concluded in writing

⁸ *PreussenElektra*, C-379/98.

between one or more economic operators and one or more contracting authorities having as their object the execution of works, the supply of products, or the provision of services.

- 10.3 The deed of indemnity is of course a contract in writing, and money is paid under it. However, the Council is not taking out a loan (which would in any event be excluded from the scope of the Regulations). It is stepping in as security in the event of default by the third party borrower. While not decisive of the question whether this is a public contract, the fact that the money received by Arlingclose is paid by the lender tends to support the view that Arlingclose is providing services to the lender, not to the Council, by facilitating the giving of an indemnity by the latter.

Status of Graven Hill Developments

- 10.4 We are not aware of exactly how Graven Hill Developments was structured when first established, but it could potentially be classed as a contracting authority subject to the Regulations. If so, it will be obliged to comply with the Regulations when tendering the works and any other contracts required for developing the units. Contracting authority status will turn on whether it:

10.4.1 operates in normal market conditions;

10.4.2 aims to make a profit; and

10.4.3 bears its losses.

- 10.5 Local authority trading companies are sometimes set up as non-contracting authorities to enable them to act more commercially and responsively, and this approach may have been taken in relation to Graven Hill Developments. If so, it will be able to award contracts without first running compliant tenders under the Regulations. However, in these circumstances, we would recommend monitoring the position as the test is on ongoing one, and this should reduce the chance of inadvertently becoming subject to, and failing to comply with, the Regulations.

Awarding contracts to Graven Hill Developments

- 10.6 The Council is likely to be familiar with the Teckal exemption in the Regulations that allows it to award a contract without competitive tender in certain circumstances. These are:

10.6.1 it must exercise a degree of control over the entity awarded the contract which is similar to that it exercises over its own departments;

10.6.2 more than 80% of the activities of the entity are entrusted to it by the Council; and

10.6.3 there is no private participation in its capital.

- 10.7 If Graven Hill Developments was structured as a non-contracting authority then it is unlikely to have been established as a Teckal entity. Although the tests for each are different, they do have close similarities, and case law has confirmed that it is very difficult for a non-contracting authority to have Teckal status.⁹ If this interpretation of the company's status is correct, the Council will need to consider how, and to what extent, it can control any of its development activity without breaching the Regulations. This is because works contracts are defined broadly in the Regulations to include:

"...the realisation, by whatever means, of a work corresponding to the requirements specified by the contracting authority exercising a decisive influence on the type or design of the work".

- 10.8 If the Council were to provide finance to Graven Hill Developments on terms that contained positive obligations to undertake a specific development then doing so could potentially fit within this definition. To reduce the risk of this being the case, if any enforceable obligations are included then

⁹ *LitSpecMet UAB v Vilniaus lokomotyvu remonto depas UAB and another* [2017] EUECJ C-567/15

they would need to be conditional on the company first exercising its discretion and deciding to develop a particular property.

- 10.9 As an alternative, the Council could consider structuring the loan so that it is given on much broader terms, but on condition that the money is repaid if it isn't used within a defined time period. This would be in addition to any control the Council may already have under a shareholder's agreement with Graven Hill Developments, as well as by way of the planning process.

11 ADDITIONAL VIRES ISSUES

- 11.1 As noted earlier, the Council would receive a fee from the lender of between £500 and £1,500 in respect of each advance. This is described in the indemnity deed as "consideration for the provision of the Indemnity in relation to a Product Agreement under the Scheme."
- 11.2 As a local authority, the Council needs to have statutory authority permitting it to charge the fee. It would be possible to seek to rely on the power to do anything calculated to facilitate, or is conducive or incidental to, the discharge of a function, which in this case would be section 442, HA 85. However, in our view relying on the power to charge for discretionary services on a cost recovery basis¹⁰ would be preferable in light of challenges that have been brought following reliance on the incidental power.
- 11.3 Although the power to charge to provide and charge for discretionary services would limit the Council to charging only on a cost recovery basis, this is not strictly defined. It would therefore be for the Council to determine a reasonable calculation for determining the costs that should be accounted for in calculating the charge.
- 11.4 If the activity could be seen as being undertaken for a commercial purpose then the obligation to act by way of a company¹¹ could be engaged. Commercial purpose is not a defined term in the legislation, but is broadly interpreted as doing something for profit rather than for policy reasons. We understand that the Council's interest in the Scheme is not to generate profit, but to help increase the supply of housing in its administrative area. If so, then it could be reasonable to conclude that the Scheme and the related charge to lenders is not being provided for a commercial purpose.
- 11.5 There is a potential tension between the need to charge a market rate for the fee in order to rely on the MEOP exemption in relation to the State aid rules, and charging on a cost recovery basis. However, in our view the risk of challenge is greater under the State aid rules.

¹⁰ Section 93, Local Government Act 2003 and section 3, Localism Act 2011.

¹¹ Section 4(2), Localism Act 2011.

SECTION B: PROFITS

12 USE OF DEVELOPMENT PROFIT

- 12.1 The Council would prefer any profit generated by Graven Hill Developments to be paid to it by way of a dividend to the General Fund. Some internal concerns have been raised about this approach. As an alternative, it has been suggested that profit could instead be used to enable Graven Hill Developments to charge less than the market price for a property – this could be for the full amount of the profit, or for a proportion of it with the balance being paid by dividend.
- 12.2 We understand that Graven Hill Developments was set up under the general power of competence to act as an arm's length development vehicle that could potentially deliver a return to the Council. We note that it is a company limited by shares, which would fit with such a structure, and which is also one of the types of entities that a local authority is permitted to use when undertaking an activity for a commercial purpose.¹² Local authorities often use companies limited by shares when they wish to generate a return because of their ability to pay dividends. It would seem perfectly possible for the Council to receive a dividend from Graven Hill Developments in these circumstances.
- 12.3 However, whether Graven Hill Developments pays a dividend is at the discretion of its directors. They will only be able to pay one if it would be lawful to do so under the Companies Act 2006. In addition, there could be a shareholder's agreement between the Council and Graven Hill Developments containing obligations or restrictions around doing so. We suggest that the articles of association and any such shareholder's agreement are reviewed in order to be clear on this issue.

Discounted sale

- 12.4 There is no legal reason why Graven Hill Developments could not sell a unit at a discount if the directors believe it is in the company's best interests. This assumes that doing so would not create a risk of it becoming insolvent or have negative tax implications.
- 12.5 From the Council's position, foregoing dividend payments could potentially amount to State aid in favour of Graven Hill Developments. It might be possible to structure the arrangement to fit within the SGEI exemption, which would require ring fencing of this part of the company's activities to avoid cross subsidising the market sales. However, disposing of housing by sale rather than affordable rented housing does not fit squarely with the exemption, and so further thought would need to be given to this if the Council is minded to pursue it in principle.

HRA and wider risks

- 12.6 The Council has asked whether there are wider risks to adopting the discounted sale model in addition to the reputational and political risks that it has already identified. For example, whether it could be obliged to re-open a housing revenue account (**HRA**).
- 12.7 The Council is a local housing authority under the HA 85, but does not have to maintain an HRA if the Secretary of State has agreed to waive the obligation to do so.¹³ An HRA must be maintained in respect of houses and other building provided by a local housing authority under Part II, HA 85. This obligation does not apply to houses or buildings that have been disposed of.
- 12.8 As the custom and self-build units will be developed on land owned by Graven Hill Developments and then sold, it is difficult to see any grounds for triggering an obligation to reopen an HRA. If the Council decided to purchase any of the units then the position would be different, particularly if it intended to let them. It would be possible to argue that they were provided under the general power of competence rather than Part II, HA 85. However, there would be a legal question whether it was an appropriate use of that power given the presence of Part II, and the ability to apply for Secretary of State consent to own up to 200 units under Part II without the need to reopen the HRA.

¹² Section 4, Localism Act 2011.

¹³ Section 74(4), Local Government and Housing Act 1989.

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LAMS

Local Authority Mortgage Scheme

2013-14 Annual Report

Issued May 2014



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Appendix 1 – Listing of live schemes

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1. Introduction

Welcome to the [Local Authority Mortgage scheme \(LAMS\) 2013-14 Annual Report](#). The scheme was launched in March 2011 and this is the third annual report which includes:

- A [general overview](#) of the scheme and progress to-date for key partners and those local authorities considering launching the scheme;
- Key [statistical data to 31 March 2014](#); and
- [Additional qualitative information](#) for those local authorities that have already launched the scheme and receive monthly management information reports incorporating the quarterly review to 31 March 2014.

2. Background

2.1 Background

The Local Authority Mortgage scheme (LAMS) was launched in March 2011

The Local Authority Mortgage scheme [LAMS] was developed in response to the turmoil in the financial and banking sector and the impact on both the economy and the housing market. There was considerable concern regarding the low percentage of first time buyers and an even lower percentage able to provide a substantial deposit. As a result, a number of local authorities sought to take a proactive approach to support their local area and to address the issues associated with increasing the supply of affordable housing. Following a successful pilot, [the Local Authority Mortgage scheme was launched in March 2011](#).

Three years on there is no doubt that [the scheme has delivered its aim and contributed to the support available for first time buyers at the same time as enabling local authorities to deliver local priorities](#). Indeed a similar Scheme, *Help to Buy Mortgage Guarantee Scheme*, was implemented by the UK Government in January 2014.

According to the Bank of England, gross UK mortgage lending reached the strongest position since 2008 at £15.3 billion in March 2014, an increase of 32% in value compared to March last year. The number of first-time buyers entering the housing market has reached the highest level since 2007 with 24% more loans in March 2014 when compared to March 2013. Housing market sentiment continues to strengthen with improvements in demand although the continued lack of available housing stock is continuing to hamper the market.

2.2 Overview of the scheme

A partnership between a range of experts in the market – local authorities, Capita Asset Services and residential mortgage lenders

The scheme is a national scheme which operates in a uniform and consistent manner and is open to all local authorities and all mortgage lenders. The scheme is for first time buyers who can afford

mortgage repayments, and who meet the strict lending criteria applied by the mortgage lenders, but who do not have access to the substantial deposits required without support.

The scheme has been designed to minimise the financial impact on the local authority and to operate as a partnership with a range of experts in the market. Participating local authorities set aside a sum of money to support a financial indemnity for the partner mortgage lender(s). This indemnity enables the applicant to apply for a mortgage with only a 5% deposit. This indemnity also enables the applicant to obtain similar terms to those offered to people with a higher deposit.

It is important to stress that the scheme does not promote reckless lending. It is essential that the applicant meets the strict lending criteria as set out by the lender and that the higher LTV mortgage is affordable.

Under the scheme the **local authority specifies three qualifying criteria:**

- Maximum level of the indemnity
- Maximum loan size
- Qualifying post codes

The scheme can be unfunded or cash-backed and detailed papers on both options are available from our team. There are also a range of other documents available to support the local authority in the initial decision making process, the formal approval process, financial accounting, legal considerations and the operational aspects through to a successful launch.

2.3 Impact of *Help to Buy* Mortgage Guarantee Scheme

The UK Government launched a similar Scheme, *Help to Buy* Mortgage Guarantee Scheme, in January 2014

The success of the Local Authority Mortgage Scheme can also be judged in relation to the implementation of other similar schemes, for example the UK Government's *Help to Buy* Mortgage Guarantee Scheme. Whilst the schemes are similar in construction, the structure of the Local Authority Mortgage Scheme results in a more favourable interest rate for first time buyers.

The main lender supporting the Local Authority Mortgage Scheme is Lloyds Bank, previously, Lloyds TSB. As Lloyds is supporting the *Help to Buy* Scheme they closed LAMS for any new schemes from March 2014 pending a full review of the impact of *Help to Buy*. This change does not affect any of the live schemes with Lloyds.

The Building Society sector has continued to show interest in the Local Authority Mortgage Scheme as the majority of Building Societies are not participating in the *Help to Buy* Guarantee Scheme. Indeed, two additional building society lenders have joined the Panel of Lenders since the implementation of *Help to Buy*.

2.4 Local Authority Mortgage Scheme in Scotland and Wales

Schemes launched in England and Wales

The scheme was launched in Wales in 2011 and has resulted in a number of very successful schemes where a high number of people have been supported to buy their first home. The scheme was closed in Wales by Capita Asset Services and Lloyds Bank due to Welsh authorities having to account for the Scheme in a manner which was inconsistent with the structure of this national scheme and the legal opinion sought on behalf of all participating local authorities in England and Wales.

Key differences in English and Scottish legislation resulted in a long delay in Scotland. Despite significant work and a successful resolution, the delay resulted in Scottish authorities being ready to launch at the same time as the launch of *Help to Buy* in Scotland and as such, the lenders decided not proceed. We will continue to work with lenders to launch LAMS in Scotland in due course.

3. Partner lenders

9 mortgage lenders have joined the 'Panel of Lenders'

The scheme is available to all mortgage lenders and all UK banks and building societies have been invited to participate in the scheme. As at 31 March 2014 there were 9 mortgage lenders on the panel of lenders as follows:

Furness Building Society	On the panel and supports the non-cash backed scheme, but not yet operating in partnership with a local authority
Hanley Economic Building Society	On the panel and supports the non-cash backed scheme, but not yet operating in partnership with a local authority
Ipswich Building Society	On the panel and supports the non-cash backed scheme, but not yet operating in partnership with a local authority
Leeds Building Society	National lender which supports the cash backed scheme and actively providing mortgages in the UK, for further information see: http://www.leedsbuildingsociety.co.uk/mortgages/helping-hand-mortgages/
Leek United Building Society	Supports the non-cash backed scheme and actively providing mortgages in the Staffordshire area with plans to extend into neighbouring areas
Lloyds Bank	The first lender to join the panel and providing mortgages across the UK under the Local Lend a Hand scheme, for further information see: http://www.lloydsbank.com/mortgages/offers/local-lend-a-hand.asp
Mansfield Building Society	Supports the non-cash backed scheme and actively providing mortgages in the Nottinghamshire area see: http://www.mansfieldbs.co.uk/mansfield-building-society.aspx?ID=79&hdrID=9
Marsden Building Society	Supports the non-cash backed scheme and actively providing mortgages in the Lancashire area
Teachers Building Society	Supports the non-cash backed scheme and supported schemes across the UK

All lenders offer different products and services, for example, some only offer a cash backed indemnity scheme and some of the smaller building societies only operate in particular regions. Our team takes a proactive role in supporting the lenders in joining the panel and matching a local authority with an appropriate lender.

4. Partner Local Authorities

66 local authorities have launched a scheme and there are 96 live schemes

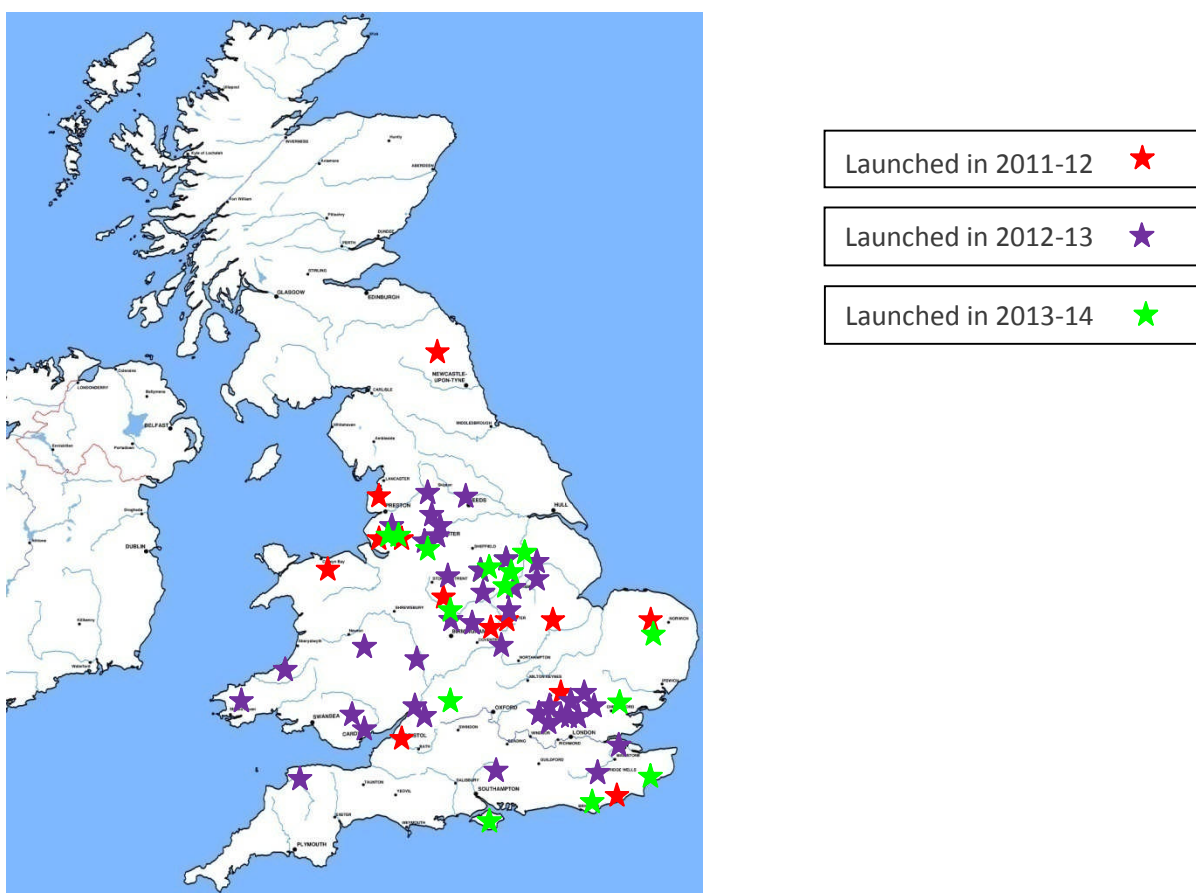
The position as at 31 March 2014 was as follows:

- 110 local authorities have 'signed up' to the scheme and made a contribution towards the legal, research and development and operational costs;

- 66 local authorities have agreed a partner mortgage lender and have launched the scheme in their area and are now actively supporting the provision of mortgages to first time buyers (52 at 31.3.13 and 13 at 31.3.12);
- A number of local authorities have launched 2nd, 3rd, 4th and 5th schemes and that increases the total number of live schemes to 96 (67 at 31.3.13 and 13 at 31.3.12); and
- 41 schemes have been fully utilised and are now closed and all but 12 local authorities already had a second scheme in place with another lender, have launched a second scheme with the same lender or would have launched a further scheme had Lloyds continued to launch new schemes. Of the 12 local authorities that have not progressed a further scheme, 5 were Welsh authorities and as such, were unable to launch a further scheme due to the issue regarding the legal and accounting treatment.

Appendix 1 provides a full listing of all live schemes as at 31 March 2014.

The map below shows the geographical spread of those all local authorities with a live scheme:



5. Scheme performance and outcomes in 2013-14

5.1 Overview

3284 individuals or couples have applied to buy their own home with the support of the Local Authority Mortgage Scheme

Of the 96 live schemes:

- 66 local authorities have provided indemnities, or for the non-cash backed schemes agreed a guarantee, totalling almost £110m (£75m at 31.3.13 and £43m at 31.3.12). Local Authorities have commitments between £1m and £9m;
- 3284 mortgage applications have been processed (1839 at 31.3.13 and 806 at 31.3.12) of which 2734 (1235 at 31.3.13 and 549 at 31.3.12) have resulted in a mortgage completion. The vast majority of the remaining applications will result in a mortgage completion as the figures are taken after affordability, credit checks, etc are complete and they are now progressing towards completion; and
- £365m of mortgage applications are being processed (£205m at 31.3.13 and £87m at 31.3.12) of which £302m (£137m at 31.3.13 and £62m at 31.3.12) of mortgage lending has taken place.

5.2 Lenders

Of the 96 live schemes, individual indemnities or guarantees have been arranged totalling almost £110m and local authorities have partnered with the lenders as follows:

- 79 (82%) have been arranged through Lloyds
- 11 (12%) have been arranged through Leeds Building Society
- 1 has been arranged through Leek United Building Society
- 2 have been arranged through Mansfield Building Society
- 1 has been arranged through the Marsden Building Society
- 2 have been arranged through Teachers' Building Society

5.3 Maximum loan and average loan size

The average maximum loan size set by the local authority is £161,000 and the average size of a mortgage application is £111,000

Local authority maximum loan size: In respect of the 96 schemes, the maximum loan size set by the local authority has ranged from £95,000 to £350,000, with the average across all schemes of £161,000.

Average loan size: The average loan size applied for by first time buyers has ranged from £36,000 to £308,750 and the average across all applications is £111,000.

Loan to maximum loan size ratio: A review of mortgage lending, and in particular the local authority to maximum loan size ratio, indicates a fairly consistent pattern, when the extremes are removed, ranging from 62% to 87% and the mean average across all schemes is 75.63%. This indicates that most local authorities are setting the correct maximum loan size to meet demand in their area, ie not

setting it too low to prevent activity. A small number of local authorities did initially set the maximum loan size too low but have since taken action to increase the figure.

The review indicates that findings in previous years have continued to apply as the scheme is continuing to self regulate, that is to say first time buyers are only able to obtain a mortgage to a certain affordability limit and therefore tend to stay within that limit regardless of the upper maximum loan size. This is evidenced by one area where the maximum loan size was set at £350,000 although the average lending per individual remains at £112,000.

Of all applications to date, only 28 loans (0.8%) exceed £200,000 and 1 exceeds £300,000 and the majority (79%) relate to two schemes in areas where the house prices are high compared to national averages. This would indicate that the personal circumstances of first time buyers and the stringent credit and affordability checks applied do regulate the scheme.

Average loan to value percentage: A review of all local authorities with mortgage lending indicates a fairly consistent pattern of loan to value ratios ranging from 91% to 95%, with an **average loan to value of 94%**.

5.4 Applicants

Over 95% of applicants purchase a property in a local authority area in which they already lived or worked

Inward migration: Prior to launching the scheme a number of local authorities were concerned whether the scheme would result in an increase in the number of individuals living and working outside of their area but purchasing property from within the local authority area. Statistics provided by Lloyds confirm that this is not the case as in excess of **95% of completions are from individuals who either already live or work in the local authority area.**

Only 1 in 12 initial enquiries result in a mortgage completion

Number of enquiries resulting in a completion: The scheme is built on the premise that it does not encourage reckless lending and lenders are applying their strict affordability and lending criteria. Lloyds have received feedback from their local branches that would suggest that **for every 12 people who initially enquire about the scheme, 6 progress to the application stage** and the strict affordability and credit score criteria means that around **1 in 6 applications results in a LAMS mortgage.**

Over 93% of first time buyers are seeking houses rather than flats

Type of property purchased by first time buyer: based on statistics provided by Lloyds, first time buyers are favouring houses over flats and apartments with over 93% buying a house or bungalow, as follows:

Type of property	Number	Percentage
Semi-detached house	1327	42%
Terraced house	1451	45.5%
Flat / maisonette	197	6%
Detached house	119	4%
Detached or semi-detached bungalow	64	2%
Other	13	0.5%

The average age of a first time buyer under the Local Authority Mortgage Scheme is 30

Age of first time buyers: based on statistics provided by Lloyds, the average first time buyer under the scheme is 30 years of age.

5.5 Indemnity utilisation

41 schemes have been fully utilised and closed. The average speed of utilisation is 8 months per £1m indemnity

Speed of utilisation: of the 96 schemes launched, 41 have fully utilised the indemnity and have closed. Of those schemes, the average length of time to fully utilise the indemnity was 8.3 months (ranging from just over 1 month to almost 30 months).

Whilst the majority of schemes will fully utilise the indemnity within a 6 to 9 month period, a small number of 'live' schemes are unlikely to fully utilise their indemnity until in the region of 2 years after launch (calculated per £1m indemnity). All schemes are reviewed to ensure that the speed of utilisation is in line with national norms which sometimes results in a change to the eligibility criteria if, for example, the maximum loan size appears too low.

64% have already launched a second scheme

Second schemes: Of the 41 fully utilised schemes 64% of local authorities have launched a second scheme with another lender or with the same lender; 7% would have launched a further scheme had Lloyds continued to launch new schemes; 17% did not wish to launch a further scheme and 12% were Welsh authorities and therefore could not launch a second scheme.

5.6 Repossessions

At 31 March 2014 there have been no repossessions

The scheme has been operational since March 2011 and the first scheme launched in July 2011. As at 31 March 2014 there was only one mortgage in arrears of 3 months plus (0.037%) and no repossessions.

It is likely that a small number of mortgage defaults (more than 3 months in arrears) and repossessions will take place over the life of the scheme as most occur in years 2 to 7 and the scheme is likely to be representative of national mortgage lending. However, the stringent credit rules applied by the lenders are likely to reduce the risk. Based on data from the Council of Mortgage Lenders (CML) the percentage of repossessions by first charge mortgage lenders has continued to fall and is now at the lowest rate since 2007 at 0.26% (the repossession rate for the previous three years was 0.3%). For 95% LTV mortgages to first time buyers it is possible that the rate could be in the region of 1 to 2%.

A joint report issued by Shelter, CAB and Advice UK confirmed that: 'The vast majority of arrears cases are due to loss of income rather than reckless lending/borrowing'.

5.7 Management information

Whilst it is important to note that the lenders are only required to provide the management information as outlined in the Indemnity Deed, they do recognise that local authorities are interested in analysing and understanding their schemes in greater detail. As such, the biggest lender to the scheme, Lloyds has developed systems to provide access to a range of additional qualitative

information to support the local authorities in analysing and interpreting the performance of their scheme.

The key messages from that data are included in this report and every* participating local authority receives a qualitative report particular to their scheme on a quarterly basis.

*Lloyds only

6. Feedback

6.1 Lloyds Bank

“...the ongoing schemes will continue to have a significant impact, allowing first time buyers to take the first step on the property ladder...”

Marc Page, Lloyds Mortgage Director, said: “We are proud of the ongoing success of the Lloyds Bank Local Lend a Hand schemes and have now worked with over 60 local authorities to complete thousands of mortgages for first time buyers. Although the Local Lend a Hand offering is no longer available to new local authorities, it will continue to be available to first time buyers who live in areas where their local council have already signed up to the scheme and have funds available. In these areas, the ongoing schemes will continue to have a significant impact, allowing first time buyers to take the first step on the property ladder, turning the idea of owning a home into a reality.”

6.2 Leicestershire County Council

“A Scheme that has been hugely successful in addressing a particular problem and giving local authorities the chance to make a real difference”

Leicestershire County Council has been very proactive in using the Local Authority Mortgage Scheme to successfully meet local priorities. The County has launched five consecutive schemes and supported in the region of 370 individuals and families to purchase their first home.

Colin Pratt, Investments Manager, Leicestershire County Council said: “I feel that it is a real pity that Lloyds Bank has put the Scheme on hold while there are still authorities with unused commitments. The Local Authority Mortgage Scheme has been a genuinely useful scheme that has been, and would continue to be, highly beneficial to first time buyers and at a lower mortgage rate than most other schemes, such as ‘Help to Buy’. I feel that the team at Capita Asset Services should be congratulated for organising a scheme that has been hugely successful in addressing a particular problem and for giving local authorities the chance to make a real difference without actually having to spend any money (assuming that there are no defaults). It might be a long while before something similar comes along that is appropriate for us.”

6.3 Tameside Metropolitan Borough Council

“...it has been a tremendous success surpassing our expectations...”
“...an excellent example of innovation in using public finance...”

Tameside Metropolitan Borough Council has launched one scheme and has assisted 50 first time buyers from all parts of the Borough to purchase their first home. The Council is very happy with the success of the Scheme and has taken action to publicise the key outcomes.

Kieran Quinn, Executive Leader of Tameside Council said: *“At the beginning of this project I stated that Lend A Hand / LAMS would be a relatively low risk solution to meet a specific housing problem in the borough, that of how can the Council support our local young first time buyers onto the housing ladder during difficult economic times. To have supported 50 first time buyers in the 12 months that the scheme has been running clearly demonstrates that it has been a tremendous success surpassing our expectations. As importantly, Lend A Hand / LAMS provides an excellent example of innovation in using public finance to address a particular aspect of housing need that will yield an investment return for the Council over the next 5 years”.*

7. Case Studies

*“It was great that we didn’t have to wait another year...”
“The turnaround was really quick.”*

Charlotte Bowey and Sean Brand used the Local Authority Mortgage Scheme (LAMS) to buy their home in Hoddesdon, Broxbourne. Charlotte, 25, said the couple came across the scheme by chance. She said: *“Sean banks with Lloyds and we’ve been saving and looking at mortgages for a while. They were doing this council scheme, but at first I wasn’t sure because I thought it might be part-rent, part-buy – which we didn’t want to do.”* After consulting a mortgage advisor, 25-year-old electrician Sean and Charlotte decided to press ahead with the scheme. They got the mortgage promise at the end of January and found their home – a semi-detached home in Old Highway – within a week. The couple’s financial prudence helped their cause, as Charlotte explained: *“We’ve both been saving, which meant that instead of having to find £25,000 we only had to find £15,500. It was great that we didn’t have to wait another year to get the extra £10,000 that we wanted. The turnaround was really quick.”*

Supported by Broxbourne Borough Council and Hertfordshire County Council

“...without this help we’d still be renting, rather than having a home of our own...”

One young couple who have benefited from the scheme is David Kelly, 26 and his partner Jennifer, 25, from Anfield, Liverpool. Living with Jennifer’s mum, and with a baby on the way, they were finding it difficult to find the money they needed for a deposit for their first home. Then, seven months ago, David got the details about the Local Authority Mortgage scheme from the city council’s website and contacted Lloyds. On Christmas Eve last year, David and Jennifer moved into their new house in Norris Green – just in time for the arrival of their baby.

David said: *“We did have some savings towards a deposit, but it wasn’t enough. It was a real struggle, and we were thinking that we were going to have to rent. This scheme has been a real help. Once we contacted Lloyds, the whole thing was really straightforward and there were no issues. This scheme has made it possible for us to get onto the property ladder, and it has also freed up money that we’ve been able to spend on the house. We’re really pleased, because without this help, we’d still be renting, rather than having our own home.”*

Supported by Liverpool City Council

“...the bank knows our finances, and what we can afford, and by only needing a 5% deposit it has made everything more affordable...”

The Scheme has given Tom Hovell and Sian Parker from Sutton in Ashfield the chance to move into their first home. They have recently completed on their new three bed, semi-detached house and 28 year old Tom said this scheme ticked all the boxes for the couple.

“We both bank with Lloyds, and the mortgage advisor in the Sutton in Ashfield branch told us about Local Lend a Hand. The bank knows our finances, and what we can afford, and by only needing a 5% deposit it has made everything more affordable at what is an expensive time for us” said Tom. *“The scheme has allowed us to take our first step on the housing ladder with a smaller deposit, which is a real benefit because we can then put more money towards furnishing our new home.”*

Supported by Ashfield District Council and Nottinghamshire County Council

“It is very hard for young people to get enough money for a deposit...perhaps this scheme will help many to do something about it...”

It was this opportunity that first time buyers Matthew and Sian from Bilton have taken advantage of. Currently living with parents, they’re aiming to complete on their new Victorian terraced house in Rugby by Christmas, and 26 year old Matthew said this scheme has worked perfectly alongside his aspirations to be a pilot.

“I work for an airline and I’m currently training to become a commercial pilot, which can be an expensive process. The 5% deposit on our first house appealed to me because it allows me to save more of my money and put this towards flying lessons and training” said Matthew. *“We knew about the Lend a Hand scheme, but couldn’t find any friends or family to help with the deposit, however as soon as we knew the Council offered the Local Lend a Hand, we didn’t hesitate. It’s very hard for young people to get enough money for a deposit, a 10% deposit was just too much for us, but perhaps this scheme will help many to do something about it and get a foothold on the property ladder.”*

Supported by Rugby Borough Council

“...we can afford a mortgage but it’s been a real struggle to save enough for a deposit...”

Isle of Wight College catering assistant Joanne, 24, and refuse collector John McKie, 25, the first couple to take advantage of the scheme on the Isle of Wight, said they were excited about moving into a new home with their daughters, Tallulah, four, and Norahbella, one.

“We are living with John’s parents in Newport while we save for a deposit, so this scheme is perfect for us. We were going to stay with them until next year but now we can look for a house right away. We can afford a mortgage but it’s a real struggle to save enough for a deposit, so this scheme is great for us,” said Joanne.

Supported by Isle of Wight Council

8. Further information

If you would like further information about the Local Authority Mortgage Scheme please contact

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Appendix 1 – schemes

Local Authority	Launch Date
2011/12: 13	
Blackpool Council	1 July 2011 – Closed on 13 April 2012
Warrington Borough Council	1 August 2011 – Closed on 18 July 2012
Blaby District Council	18 October 2011 – Closed 18 July 2012
Nuneaton & Bedworth Borough Council	25 October 2011 – Closed 11 April 2014
Luton Borough Council	1 November 2011 – Closed 26 April 2012
Northumberland County Council	3 November 2011
Stafford Borough Council	23 November 2011
Peterborough City Council	15 December 2011 – Closed 19 December 2012
Hastings Borough Council	9 January 2012 – Closed 21 August 2012
Broadland District Council	16 January 2012 – Closed 20 August 2012
Conwy County Borough Council	16 January 2012 – Closed 19 April 2013
Bristol City Council	1 February 2012 – Closed 6 August 2012
Liverpool City Council	22 March 2012 – Closed 23 May 2013
2012/13: 54 (including 15 second schemes)	
Oldham Council	3 April 2012 – Closed 23 May 2013
Gedling Borough Council	17 April 2012 – Closed 23 April 2013
East Hertfordshire District Council	17 April 2012
Gloucestershire County Council	26 April 2012 – Closed 6 August 2012
Stroud District Council	26 April 2012
Cardiff County Council	27 April 2012 – Closed 30 August 2012
Staffordshire Moorlands District Council	1 May 2012
Trafford Council	10 May 2012 – Closed 4 March 2013
City of Lincoln Council	13 June 2012
Pembrokeshire County Council	14 June 2012 – Closed 1 April 2013
South Kesteven District Council	5 July 2012 – Closed 23 October 2013
Ceredigion County Council	10 July 2012
Warrington Borough Council (scheme 2)	10 July 2012
Blackpool Council (scheme 2)	11 July 2012
Blaby District Council (scheme 2)	25 July 2012 – Closed 2 November 2012
Pendle Borough Council	25 July 2012
Powys County Council	14 August 2012 – Closed June 2013
Rochdale Metropolitan Borough Council	20 August 2012
Luton Borough Council (scheme 2)	24 August 2012
Leeds City Council	5 September 2012 – Closed
Leicestershire County Council	11 September 2012 – Closed 28 January 2013
Tunbridge Wells Borough Council	12 September 2012
Rhondda Cynon Taf County Borough Council	20 September 2012 – Closed 23 October 2013
Warrington Borough Council (scheme 3)	27 September 2012
Rugby Borough Council	2 October 2012
Warrington Borough Council (scheme 4)	9 October 2012 – Closed 14 March 2013
Bristol City Council (scheme 2)	5 October 2012
Blackpool Council (scheme 3)	11 October 2012
Hertfordshire County Council	23 November 2012
Hertfordshire County Council (scheme 2)	23 November 2012
Borough of Broxbourne Council	6 December 2012
Dacorum Borough Council	27 November 2012 – Closed 11 December 2013
Dacorum Borough Council (scheme 2)	23 November 2012

Hertsmere Borough Council	27 November 2012
North Hertfordshire District Council	27 November 2012
North Hertfordshire District Council (scheme 2)	23 November 2012
Stevenage Borough Council	3 December 2012 – Closed 12 June 2013
Stevenage Borough Council (scheme 2)	23 November 2012
Three Rivers District Council	23 November 2012
Watford Borough Council	23 November 2012
Leicestershire County Council (scheme 2)	2 November 2012 – Closed June 2013
Wigan Council	10 January 2013 – Closed 19 February 2013
Basingstoke & Deane Borough Council	18 January 2013 – Closed 17 June 2013
North Devon Council	17 January 2013
Gravesham Borough Council	5 February 2013
North Warwickshire Borough Council	5 February 2013
Walsall Council	26 February 2013
Nottinghamshire County Council	26 February 2013 – Closed 27 August 2013
Tameside Metropolitan Borough Council	26 February 2013
Worcester City Council	5 March 2013 – Closed 24 September 2013
Derby City Council	7 March 2013 – Closed 27 August 2013
Leicestershire County Council (scheme 3)	12 February 2013 – Closed 1 August 2013
Derbyshire County Council	12 March 2013 – Closed 17 June 2013
Hastings Borough Council (scheme 2)	26 March 2013 – Closed 13 September 2013
2013/14:29 (including 15 second schemes)	
Bristol City Council (scheme 3)	24 April 2013 – Closed 10 December 2013
Gloucestershire County Council (scheme 2)	9 May 2013 – Closed 5 September 2013
Cannock Chase Council	16 May 2013
Chesterfield Borough Council	29 May 2013
Stockport Council	29 May 2013
Gedling Borough Council (scheme 2)	1 June 2013
Warrington Borough Council (scheme 5)	12 July 2013
Liverpool City Council (scheme 2)	15 July 2013 – Closed 19 May 2014
Knowsley Council	26 July 2013
Peterborough City Council (scheme 2)	31 July 2013
Shepway District Council	1 August 2013
Leeds City Council (scheme 2)	1 August 2013
Leicestershire County Council (scheme 4)	5 August 2013 – Closed 19 December 2013
Trafford Council (scheme 2)	16 August 2013
Oldham Borough Council (scheme 2)	2 September 2013
Bassetlaw District Council	2 September 2013
Ashfield District Council	25 October 2013
Bassetlaw District Council (scheme 2)	9 December 2013
Leicestershire County Council (scheme 5)	31 December 2013 – Closed 9 April 2013
Braintree District Council	8 January 2013
St Helens Metropolitan Borough Council	28 January 2014
Cotswold District Council	28 January 2014
Eastbourne Council	29 January 2014
Ashfield District Council (scheme 2)	30 January 2014
Broxtowe Borough Council	4 February 2014
Norwich City Council	7 February 2014
Nottinghamshire County Council (scheme 2)	19 February 2014
South Kesteven District Council (scheme 2)	21 February 2014
Isle of Wight Council	6 March 2014

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Cherwell District Council

Executive

8 January 2018

Council Tax Base 2018-2019

Report of Executive Director: Finance and Governance

This report is public

Purpose of report

To provide Executive with an estimate of the Council Tax Base for 2018-2019 and seek approval for the final determination of the Council Tax Base to be delegated to the Section 151 Officer in consultation with the Lead Member for Financial Management.

1.0 Recommendations

The meeting is recommended:

1.1 That the report of the Executive Director: Finance and Governance for the calculation of the Council's Tax Base for 2018-2019 be considered and:

- (a) That pursuant to the Executive Director: Finance and Governance's report and in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by Cherwell District Council as its Council Tax Base for the year 2018-2019 shall be **52,681.6** This shall be subject to final confirmation by the Section 151 Officer in consultation with the Lead Member for Financial Management.
- (b) As for the parishes which form part of its area shown in Appendix 2, the amount calculated as the Council Tax Base for the year 2018-2019 in respect of special items shall be as indicated in the column titled Tax Base 2018-2019.
- (c) As for the Flood Defence Areas which form part of its area, the amount calculated as the Council Tax Base for the year 2018-2019 for the purposes of levies on Oxfordshire County Council by River Authorities, shall be:

Thames Flood Defence Area	50,381.7
Anglian (Great Ouse) Flood Defence Area	1,864.7
Severn Region Flood Defence Area	435.2
	<hr/>
	52,681.6.

- 1.2 To delegate final approval of the Council Tax Base for 2018-2019 to the Section 151 Officer in consultation with the Lead Member for Financial Management.

2.0 Introduction

- 2.1 For the purposes of Section 31B of the Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the Council is required to calculate the tax base (which will be used for tax setting purposes in February 2018) in respect of:
 - (a) the whole of its area and;
 - (b) for any parts of its area for the purposes of:
 - (i) Apportioning precepts and levies and;
 - (ii) Calculating the tax base for each area subject to a special item

3.0 Report Details

- 3.1 In respect of the 1.1 (a) 'the whole of its area':
 - 3.1.1 The tax base has to be notified by Cherwell District Council to major precepting bodies (i.e. Oxfordshire County Council and the Police and Crime Commissioner for Thames Valley) and levy authorities (i.e. Thames Flood Defence Area, Anglian (Great Ouse) Flood Defence Area and Severn Region Flood Defence Area) by 31 January 2018 to enable their precepts to be calculated as a tax per band D equivalent properties.
- 3.2 In respect of 1.1 (b) 'parts of its area'
 - 3.2.1 Major precepting and levying authorities have to notify Cherwell District Council (the billing authority) by 31 December 2017 of the area(s) subject to a special item (expense) and for which an apportionment of the tax base is required. No such notification has been received.
 - 3.2.2 Parishes who levy a precept are automatically treated as a special item and there has to be a tax base calculated for each of the parishes in the area. They are not required to calculate a precept as a tax per band D equivalent property, but can request the tax base figure to be supplied to them within ten days of making a request. Each parish and town council is notified of the figure for their area.

Calculation of the tax base

- 3.3 The starting point of the calculation is the total number of council tax dwellings and their council tax band.
- 3.4 The council then allows for the following information for each band:

- (a) Dwellings which are exempt so no council tax is payable (e.g those where all occupiers are students)
- (b) Dwellings which attract a 25 per cent reduction (e.g those with a single adult occupier)
- (c) Dwellings which attract a 50 per cent reduction (e.g those properties where all adult residents are disregarded or 'don't count' for council tax purposes)
- (d) Dwellings which are treated as paying a lower band because they have been adapted for a disabled person. The regulations specify how to adjust the tax base in respect of band A dwellings.
- (e) Dwellings which attract a reduction through the Council Tax Reduction Scheme.
- (f) Dwellings which are exempt from council tax

3.5 Each band is then converted into "band D equivalents" by applying the factor required by legislation. A band H, for example, is multiplied by two. All of these are added together to give a total number of band D equivalents.

3.6 A further adjustment is made for Class O exempt properties (Armed forces' accommodation) as the Ministry of Defence makes a payment roughly equal to the council tax that it would have had to pay for each property if they were not exempt.

3.7 We also estimate the number of properties which will be either added to or removed from the Valuation List in the new financial year and make an adjustment to reflect that they won't all be subject to full council tax for 12 months.

3.8 A final adjustment is made to allow for non-collection. The council is required to decide what its collection rate is likely to be and applies this to its council tax base. For 2017-2018 this was 98% and it is proposed it should be 98% in 2018-2019.

4.0 Conclusion and Reasons for Recommendations

4.1 Members are asked to note the detail of this report.

4.2 Members are asked to delegate final approval of the Council Tax Base for 2018-2019 to the Section 151 Officer in consultation with the Lead Member for Financial Management.

5.0 Consultation

Councillor Tony Ilott, Lead Member for Financial Management

6.0 Alternative Options and Reasons for Rejection

6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: None. The Council has to set a tax base in order to set its council tax for 2018-2019.

7.0 Implications

Financial and Resource Implications

7.1 The Council Tax Base is used for calculating the amount of Council Tax set by Cherwell District Council. The tax base of 52,681.6 will be reflected in the budget.

Comments checked by:

Sanjay Sharma, Interim Head of Finance, 01295 751564
Sanjay.sharma@cherwellandsouthnorthants.gov.uk

Legal Implications

7.2 Pursuant to Section 31B of the Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the Council is required to calculate a tax base by 31 January 2018. This will be used for Council Tax setting purposes in February 2018.

Comments checked by:

Nigel Bell, Interim Legal Services Manager, 01295 221687
nigel.bell@cherwellandsouthnorthants.gov.uk

7.3 Equality and Diversity

There are no equality and diversity implications arising out of this report.

Comments checked by:

Caroline French, Corporate Policy Officer 01295 221586
caroline.french@cherwellandsouthnorthants.gov.uk

7.4 Risk Management

If the Council does not set a tax base in accordance with statutory deadlines then it will not be able to set its Council Tax for the 2018-2019 financial year.

Comments checked by:

Louise Tustian, Team Leader - Strategic Intelligence and Insight Team 01295 221786
louise.tustian@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Key Decision

Financial Threshold Met: No

Community Impact Threshold Met: No

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillor

Councillor Tony Ilott, Lead Member for Financial Management

Document Information

Appendix No	Title
Appendix 1	Council tax base by parish
Appendix 2	Council tax base by Flood Defence Area
Background papers	
None	
Report Author	Mandy Anderson, Financial Analyst
Contact Information	01327 322233 mandy.anderson@cherwellandsouthnorthants.gov.uk

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Appendix 1 - Council Tax Base by Parish 2018-2019

Parish	Relevant Amount	Tax Base at 98%	MoD Class O Properities	Tax Base for 2018-19	Tax Base for 2017-18
Adderbury	1,331.7	1,305.1	0.9	1,306.0	1,263.5
Ambrosden	493.0	483.1	237.4	720.5	701.4
Ardley	267.5	262.2	-	262.2	260.5
Arcott	323.7	317.2	1.8	319.0	321.4
Banbury	14,901.9	14,603.9	-	14,603.9	14,230.1
Barford	272.1	266.7	-	266.7	263.4
Begbroke	362.6	355.3	-	355.3	361.9
Bicester	11,481.9	11,252.3	0.9	11,253.2	10,947.5
Blackthorn	152.5	149.5	-	149.5	148.6
Bletchingdon	400.8	392.8	-	392.8	344.2
Bloxham	1,501.5	1,471.5	-	1,471.5	1,418.8
Bodicote	913.3	895.0	-	895.0	867.3
Bourton	317.1	310.8	-	310.8	302.2
Broughton	124.5	122.0	-	122.0	119.7
Bucknell	105.1	103.0	-	103.0	102.9
Caversfield	563.9	552.6	3.7	556.3	539.5
Charlton on Otmoor	203.7	199.6	-	199.6	198.3
Chesterton	428.6	420.0	-	420.0	409.1
Claydon	140.8	138.0	-	138.0	138.4
Cottisford	73.3	71.8	-	71.8	71.2
Cropredy	308.3	302.1	-	302.1	303.0
Deddington	989.8	970.0	-	970.0	947.9
Drayton	95.1	93.2	-	93.2	93.5
Duns Tew	238.5	233.7	-	233.7	233.1
Epwell	141.3	138.5	-	138.5	138.9
Fencot and Murcott	127.1	124.6	-	124.6	123.8
Finmere	221.2	216.8	-	216.8	216.5
Fringford	265.5	260.2	-	260.2	260.0
Fritwell	277.9	272.3	-	272.3	271.7
Godington	21.1	20.7	-	20.7	20.7
Gosford and Water Eaton	544.4	533.5	-	533.5	532.4
Hampton Gay and Poyle	80.9	79.3	-	79.3	78.0
Hanwell	128.1	125.5	-	125.5	124.4
Hardwick with Tusmore	38.4	37.6	-	37.6	38.5
Hethe	111.2	109.0	-	109.0	112.0
Hook Norton	1,019.1	998.7	-	998.7	978.7
Horley	165.1	161.8	-	161.8	155.0
Hornton	166.9	163.6	-	163.6	159.5
Horton Cum Studley	254.3	249.2	-	249.2	241.0
Islip	331.2	324.6	-	324.6	324.9
Kidlington	4,984.8	4,885.1	-	4,885.1	4,858.2
Kirtlington	447.9	438.9	-	438.9	445.6
Launton	547.5	536.6	-	536.6	530.9
Lower Heyford	217.4	213.1	-	213.1	219.8
Merton	142.4	139.6	5.0	144.6	143.7
Middle Aston	65.4	64.1	-	64.1	66.8
Middleton Stoney	147.7	144.7	-	144.7	145.6
Milcombe	250.0	245.0	-	245.0	239.5
Milton	88.7	86.9	-	86.9	92.7
Mixbury	121.1	118.7	-	118.7	117.6
Mollington	236.7	232.0	-	232.0	232.0
Newton Purcell	43.1	42.2	-	42.2	42.0
Noke	80.7	79.1	-	79.1	77.8
North Aston	94.4	92.5	-	92.5	93.2
North Newington	158.1	154.9	-	154.9	152.0
Oddington	68.7	67.3	-	67.3	67.9
Piddington	177.0	173.6	-	173.6	175.2
Prescote	6.3	6.2	-	6.2	6.2
Shenington	228.6	224.0	-	224.0	222.5
Shipton on Cherwell	147.7	144.8	-	144.8	146.1
Shutford	209.5	205.3	-	205.3	204.9
Sibford Ferris	197.4	193.5	-	193.5	193.0
Sibford Gower	246.6	241.7	-	241.7	244.6

Parish	Relevant Amount	Tax Base at 98%	MoD Class O Properities	Tax Base for 2018-19	Tax Base for 2017-18
Somerton	142.1	139.3	-	139.3	142.8
Souldern	209.6	205.4	-	205.4	202.5
South Newington	154.5	151.4	-	151.4	153.2
Steeple Aston	433.4	424.7	-	424.7	425.8
Stoke Lyne	110.4	108.2	-	108.2	108.3
Stratton Audley	209.9	205.7	-	205.7	204.5
Swalcliffe	110.7	108.5	-	108.5	109.2
Tadmarton	257.9	252.7	-	252.7	251.8
Upper Heyford	804.6	788.5	-	788.5	738.8
Wardington	246.0	241.1	-	241.1	240.1
Wendlebury	193.5	189.6	-	189.6	189.4
Weston on the Green	253.7	248.6	-	248.6	243.3
Wigginton	108.0	105.8	-	105.8	105.8
Wroxton	291.9	286.1	-	286.1	281.8
Yarnton	1,182.9	1,159.2	-	1,159.2	1,161.0
Total	53,501.7	52,431.9	249.7	52,681.6	51,639.5

Appendix 2 - Council Tax Base by Flood Defence area 2018-2019

Parish	THAMES	Anglian OUSE	SEVERN
Adderbury	1,306.0		
Ambrosden	720.5		
Ardley		262.2	
Arncott	319.0		
Banbury	14,603.9		
Barford	266.7		
Begbroke	355.3		
Bicester	11,253.2		
Blackthorn	149.5		
Bletchington	392.8		
Bloxham	1,471.5		
Bodicote	895.0		
Bourton	310.8		
Broughton	122.0		
Bucknell	103.0		
Caversfield	556.3		
Charlton on Otmoor	199.6		
Chesterton	420.0		
Claydon	138.0		
Cottisford		71.8	
Cropredy	302.1		
Deddington	970.0		
Drayton	93.2		
Duns Tew	233.7		
Epwell	138.5		
Fencot and Murcott	124.6		
Finmere		216.8	
Fringford		260.2	
Fritwell		272.3	
Godington		20.7	
Gosford and Water Eaton	533.5		
Hampton Gay and Poyle	79.3		
Hanwell	125.5		
Hardwick with Tusmore		37.6	
Hethe		109.0	
Hook Norton	998.7		
Horley	161.8		
Hornton	163.6		
Horton cum Studley	249.2		
Islip	324.6		
Kidlington	4,885.1		
Kirtlington	438.9		
Launton	536.6		
Lower Heyford	213.1		
Merton	144.6		
Middle Aston	64.1		
Middleton Stoney	144.7		
Milcombe	245.0		
Milton	86.9		
Mixbury		118.7	
Mollington	232.0		
Newton Purcell		42.2	
Noke	79.1		
North Aston	92.5		

Parish	THAMES	Anglian OUSE	SEVERN
North Newington	154.9		
Oddington	67.3		
Piddington	173.6		
Prescote	6.2		
Shenington	224.0		
Shipton on Cherwell	144.8		
Shutford	205.3		
Sibford Ferris			193.5
Sibford Gower			241.7
Somerton		139.3	
Souldern	205.4		
South Newington	151.4		
Steeple Aston	424.7		
Stoke Lyne		108.2	
Stratton Audley		205.7	
Swalcliffe	108.5		
Tadmarton	252.7		
Upper Heyford	788.5		
Wardington	241.1		
Wendlebury	189.6		
Weston On The Green	248.6		
Wiggington	105.8		
Wroxton	286.1		
Yarnton	1,159.2		
TOTAL	50,381.7	1,864.7	435.2