



## Public Document Pack

**Jeff Hughes**  
*Head of Democratic and Legal  
Support Services*

**MEETING** : EXECUTIVE  
**VENUE** : COUNCIL CHAMBER, WALLFIELDS, HERTFORD  
**DATE** : TUESDAY 7 FEBRUARY 2012  
**TIME** : 7.00 PM

### **PLEASE NOTE TIME**

#### **MEMBERS OF THE EXECUTIVE**

- |                              |   |
|------------------------------|---|
| Councillor Tony Jackson      | - Leader of the Council   |
| Councillor Malcolm Alexander | - Deputy Leader and Executive Member for Community Safety and Environment |
| Councillor Mike Carver       | - Executive Member for Planning Policy and Economic Development           |
| Councillor Linda Haysey      | - Executive Member for Health, Housing and Community Support              |
| Councillor Michael Tindale   | - Executive Member for Finance  |

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## PERSONAL AND PREJUDICIAL INTERESTS

1. A Member with a personal interest in any business of the Council who attends a meeting of the Authority at which the business is considered must, with certain specified exemptions (see section 5 below), disclose to that meeting the existence and nature of that interest prior to the commencement of it being considered or when the interest becomes apparent.
2. Members should decide whether or not they have a personal interest in any matter under discussion at a meeting. If a Member decides they have a personal interest then they must also consider whether that personal interest is also prejudicial.
3. A personal interest is either an interest, as prescribed, that you must register under relevant regulations or it is an interest that is not registrable but where the well-being or financial position of you, members of your family, or people with whom you have a close association, is likely to be affected by the business of the Council more than it would affect the majority of inhabitants of the ward(s) affected by the decision.
4. Members with personal interests, having declared the nature of that personal interest, can remain in the meeting, speak and vote on the matter unless the personal interest is also a prejudicial interest.
5. An exemption to declaring a personal interest applies when the interest arises solely from a Member's membership of or position of general control or management on:
  - any other body to which they have been appointed or nominated by the authority
  - any other body exercising functions of a public nature (e.g another local authority)

In these exceptional cases, provided a Member does not have a prejudicial interest, they only need to declare their interest if they speak. If a Member does not want to speak to the meeting, they may still vote on the matter without making a declaration.

6. A personal interest will also be a prejudicial interest in a matter if all of the following conditions are met:
  - the matter does not fall within one of the exempt categories of decisions
  - the matter affects your financial interests or relates to a licensing or regulatory matter
  - a member of the public, who knows the relevant facts, would reasonably think your personal interest is so significant that it is likely to prejudice your judgement of the public interest.
  
7. Exempt categories of decisions are:
  - setting council tax
  - any ceremonial honour given to Members
  - an allowance, payment or indemnity for Members
  - statutory sick pay
  - school meals or school transport and travelling expenses: if you are a parent or guardian of a child in full-time education or you are a parent governor, unless it relates particularly to the school your child attends
  - housing; if you hold a tenancy or lease with the Council, as long as the matter does not relate to your particular tenancy or lease.
  
8. If you have a prejudicial interest in a matter being discussed at a meeting, you must declare that interest and its nature as soon as the interest becomes apparent to you.
  
9. If you have declared a personal and prejudicial interest, you must leave the room, unless members of the public are allowed to make representations, give evidence or answer questions about the matter, by statutory right or otherwise. If that is the case, you can also attend the meeting for that purpose. However, you must immediately leave the room once you have finished or when the meeting decides that you have finished (if that is earlier). You cannot remain in the public gallery to observe proceedings.

## AGENDA

1. Apologies

*To receive apologies for absence.*

2. Minutes (Pages 7 - 12)

*To approve the Minutes of the meeting held on 10 January 2012.*

3. Leader's Announcements

4. Declarations of Interest

*To receive any Member(s) declaration(s) of interest.*

5. Issues Arising from Scrutiny (Pages 13 - 16)

6. Treasury Management Strategy Statement 2012/13 and Minimum Revenue Policy Provision (Pages 17 - 36)

7. Capital Programme 2011/12 (Revised) - 2014/15 (Pages 37 - 56)

*Note – This report contains an Essential Reference Paper ‘C’ which is exempt by virtue of paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972. Any detailed discussion of the contents may require the press and public to be excluded from the meeting.*

8. Fees and Charges 2012/13 (Pages 57 - 86)

9. Service Estimates - Probable Outturn 2011/12: Revenue Budget 2012/13 (Pages 87 - 136)

10. Consolidated Budget Report and 2012/13 - 2015/16 Medium Term Financial Strategy (Pages 137 - 178)

11. Local Authority Mortgage Scheme (Pages 179 - 254)

12. Monthly Corporate Healthcheck - December 2012

*Report to follow*

13. Urgent Business

*To consider such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration and is not likely to involve the disclosure of exempt information.*

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MINUTES OF A MEETING OF THE  
EXECUTIVE HELD IN THE COUNCIL  
CHAMBER, WALLFIELDS, HERTFORD ON  
TUESDAY 10 JANUARY 2012, AT 7.00 PM

PRESENT: Councillor A Jackson (Chairman/Leader)  
Councillors M Alexander, M Carver and  
L Haysey.

ALSO PRESENT:

Councillors D Andrews, R Beeching,  
E Buckmaster, Mrs R Cheswright, J Demonti,  
G Jones, J Mayes, M McMullen, T Page,  
J Ranger, C Rowley, N Symonds and  
C Woodward.

OFFICERS IN ATTENDANCE:

Simon Drinkwater	- Director of Neighbourhood Services
Martin Ibrahim	- Senior Democratic Services Officer
Alan Madin	- Director of Internal Services
George A Robertson	- Director of Customer and Community Services

539 APOLOGIES

An apology for absence was submitted on behalf of Councillor  
M Tindale.

540 LEADER'S ANNOUNCEMENTS

The Leader welcomed the press to the meeting and wished  
everyone a happy new year. He also advised that he had  
agreed to accept onto the agenda as an urgent matter, an

item relating to Gascoyne Way Car Park Passenger Lifts, on the basis that urgent safety works were required.

541 **MONTHLY CORPORATE HEALTHCHECK - NOVEMBER 2011 (1)**

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**The Leader submitted a report setting out the finance and performance monitoring of the Council for November 2011.**

**The Executive recommended the re-profiling of the capital programme, as now detailed.**

**RECOMMENDED – that £132,000 of the Town Centre Environmental Enhancements capital budget be re-profiled from 2011/12 into 2012/13.**

**(see also Minute 546 below)**

542 **MINUTES**

**RESOLVED – that the Minutes of the Executive meeting held on 6 December 2011, be approved and signed by the Leader as a correct record.**

543 **CAR PARKING FEES AND CHARGES 2012/13**

The Executive Member for Planning Policy and Economic Development submitted a report on car parking pay and display charges for 2012/13. He referred to the need to balance the needs of the retail economy, town centre workers and the pressures on the Medium Term Financial Plan (MTFP).

The Executive was reminded that charges had not been increased in 2011/12 and that the 2.5% VAT increase in January 2011 had not been passed on, thereby resulting in a reduction of income. He also commented that the MTFP had budgeted for inflation at 2%, when in fact the current rate was running at 4.8%.

The Executive Member also reminded Members that the



Transport and Parking Strategy would be completed shortly and reported to Members in spring 2012. Therefore, given these factors, he proposed no increase in charges for now, but that further consideration be given in September 2012.

In response to questions, the Leader emphasised that, given the current budgetary shortfall and the factors detailed by the Executive Member, there would be a need to review and perhaps increase charges in September 2012.

Various Members expressed support for this proposal.

The Executive approved the proposal now detailed.

RESOLVED – that for now, no increase in car parking pay and display charges be proposed for the 2012/13 budget, subject to further review in September 2012, taking into account, the VAT increase yet to be included in the charging regime, inflationary pressures and the outcome of the impending Transport and Parking Strategy.

#### 544 CASTLE WEIR MICRO HYDRO SCHEME - UPDATE

The Executive Member for Community Safety and Environment submitted an update on the capital investment proposal for the installation of a micro hydro generation scheme at Castle Weir, Hertford.

He expressed his frustration at the delays in the project caused by lengthy negotiations with the Environment Agency, who were required to approve the scheme formally, before any works could start. Details of the protracted discussions were set out in the report now submitted.

The Executive Member set out a revised business case and timeframe in the report now submitted.

The Executive approved the revised business case as now detailed.

RESOLVED – that the revised business case for the

design and build of a micro hydro scheme at Castle Weir, Hertford, as now detailed, be approved.

545 COMMUNITY GRANTS - AMENDED POLICY

The Executive Member for Health, Housing and Community Support submitted a report proposing amendments to the community grants policy.

The Community Scrutiny Committee, at its meeting held on 22 November 2011, had set up a task and finish group to look at simplifying the various grants “pots” and to consider how the policy could be refocused to better achieve the Council’s corporate priorities. The group had also considered amending the grants criteria to take account of the Olympics and Queen’s Jubilee.

The Executive Member detailed the proposed amendments in the report now submitted. Various Members welcomed the proposals, in particular, the idea of advising the local ward Member of any grant awards. In response to a suggestion by Councillor R Beeching, the Executive Member undertook to look at including the local County Council ward Member in this.

The Executive approved the proposals as now detailed.

RESOLVED – that the simplification of the grants “pots” and the amendments to the community grants policy, as now detailed at paragraph 2.1 of the report submitted, be approved.

546 MONTHLY CORPORATE HEALTHCHECK - NOVEMBER 2011 (2)

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The Leader submitted a report setting out the finance and performance monitoring of the Council for November 2011.

RESOLVED – that the budgetary variances set out at paragraph 2.1 of the report submitted, be noted.

(see also Minute 541 above)

547 GASCOYNE WAY CAR PARK PASSENGER LIFTS

The Executive considered an urgent report seeking a waiver of the Council’s Procurement Regulations in order that urgent safety improvement works could be authorised for the passenger lifts at Gascoyne Way car park.

The Leader detailed the current position resulting in the passenger lifts being taken out of service on safety grounds. He explained the reason for the report being submitted at short notice in that, if approved, the works could be undertaken at short notice, which would ensure that the best service possible was provided to car park users.

The Executive approved the proposals as now detailed.

RESOLVED – that in accordance with Procurement Regulation 12.1, DAB Lifts be instructed to carry out further improvement works to the passenger lifts in Gascoyne Way car park.

The meeting closed at 7.46 pm

Chairman .....
Date .....

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EAST HERTS COUNCIL

EXECUTIVE – 7 FEBRUARY 2012

REPORT BY SCRUTINY COMMITTEE CHAIRMEN

ISSUES ARISING FROM SCRUTINY

WARD(S) AFFECTED: All

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**Purpose/Summary of Report**

- This report details the comments and recommendations made by the Scrutiny Committees since the last meeting of the Executive and should be read in conjunction with reports of the Executive Members found elsewhere on the agenda.

<b><u>RECOMMENDATION FOR DECISION:</u></b>
<b>(A) That the report be received.</b>

1.0 Background

1.1 Scrutiny meetings have been held recently as follows:

Joint meeting of Scrutiny Committees – 17 January 2012

2.0 Report

2.1 **Capital Programme 2011/12 (Revised) – 2014/15**  
**(Agenda Item 7)**

The joint meeting of Scrutiny Committees resolved to inform the Executive that the programme, as submitted, should be supported.

**Fees and Charges 2012/13**  
**(Agenda Item 8)**

The joint meeting of Scrutiny Committees resolved to inform the

Executive that the proposed charges, as submitted, should be supported.

**Service Estimates**  
**(Agenda Item 9)**

The joint meeting of Scrutiny Committees resolved to inform the Executive that the estimates, as submitted, should be supported.

**Consolidated Budget Report and 2012/13 – 2015/16 MTFP**  
**(Agenda Item 10)**

The joint meeting of Scrutiny Committees resolved to inform the Executive that the consolidated budget, as submitted, should be supported.

3.0 Implications/Consultations

- 3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

None

Contact Members: Councillor D Andrews, Chairman, Corporate Business Scrutiny Committee.  
Councillor Mrs D L E Hollebon, Chairman, Environment Scrutiny Committee.  
Councillor G McAndrew, Chairman, Community Scrutiny Committee.

Contact Officer: Jeff Hughes – Head of Democratic and Legal Support Services, Extn: 2170.

Report Authors: Martin Ibrahim - Senior Democratic Services Officer,  
Marian Langley – Scrutiny Officer

ESSENTIAL REFERENCE PAPER 'A'

Contribution to the Council's Corporate Priorities/Objectives ( <i>delete as appropriate</i> ):	This report seeks to summarise scrutiny activities, which in general terms, support all of the Council's objectives.
Consultation:	This report assists the wider consultation process in reporting issues arising from scrutiny to the Executive.
Legal:	The Constitution requires issues arising from Scrutiny to be reported to the Executive.
Financial:	None
Human Resource:	None
Risk Management:	None

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## EAST HERTS COUNCIL

AUDIT COMMITTEE - 18 JANUARY 2012

EXECUTIVE - 7 FEBRUARY 2012

REPORT BY EXECUTIVE MEMBER FOR RESOURCES AND  
INTERNAL SUPPORT

TREASURY MANAGEMENT STRATEGY STATEMENT 2012/13  
AND MINIMUM REVENUE PROVISION POLICY STATEMENT

WARD(S) AFFECTED: ALL

### Purpose/Summary of Report

- The report sets out the 2012/13 Treasury Strategy Statement and Annual Investment Strategy together with the setting of Prudential Indicators.

<b><u>RECOMMENDATION FOR AUDIT COMMITTEE</u></b>	
<b>(A)</b>	<b>that the Committee considers the 2012/13 Treasury Management Strategy Statement and Annual Investment Strategy and Prudential Indicators and makes comments to the Executive.</b>
<b><u>RECOMMENDATIONS FOR EXECUTIVE:</u></b>	
<b>(A)</b>	<b>that the 2012/13 Treasury Management Strategy Statement and Annual Investment Strategy and Prudential Indicators for East Herts Council be approved; and</b>
<b>(B)</b>	<b>the Policy on Minimum Revenue Provision (MRP) be approved.</b>

### 1.0 Background

- 1.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. The second main function of the treasury

management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that Council can meet its capital spending obligations.

1.2 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (included as paragraph 2.10); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

## 2.0 Report

2.1 The suggested strategy for 2012/13 in respect of the following aspects of the treasury management function is based upon the Treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor. The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Council;
- Prudential Indicators;
- the current treasury position;
- the borrowing requirement;
- prospects for interest rates;
- the borrowing strategy;
- debt rescheduling;
- the investment strategy; (including fund manager review)
- Minimum Revenue Provision (strategy)
- Responsibility of Treasury activities defined within the organisation

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:-

1. increases in interest charges caused by increased borrowing (or reduced interest earnings where capital receipts are used) to finance additional capital expenditure; and

2. any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

## 2.2 Treasury Limits for 2012/13 to 2014/15

- 2.2.1 It is a statutory duty under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”. In England and Wales the authorised limit represents the legislative limit specified in the Act.
- 2.2.2 The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is ‘acceptable’.
- 2.2.3 Whilst termed an “Affordable Borrowing Limit”, the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

## 2.3 Prudential Indicators for 2010/11 - 2014/15

- 2.3.1 The following prudential indicators (in table below) are relevant for the purposes of setting an integrated treasury management strategy.
- 2.3.2 Members are asked to note that the fall in the ratio of financing costs to net revenue spend, reflects the usage of capital receipts and the lower rate of return on investments. This increases in the latter years with rises in interest rates.
- 2.3.3 The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. This was adopted on March 2002 by the full Council.

<b>PRUDENTIAL INDICATOR</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
<b>(1) EXTRACT FROM BUDGET</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Actual</b>	<b>Probable</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Capital Expenditure	7,173	7,045	4,370	2,800	1,745
Financed by :					
Capital receipts	6,579	4,501	865	950	400
Capital Grants	569	228	150	125	100
Third party contributions		225	61	12	18
Revenue	25	25	25	25	214
<b>Net Financing need for the year</b>	<b>0</b>	<b>-2,066</b>	<b>-3,269</b>	<b>-1,688</b>	<b>-1,013</b>
Ratio of financing costs to net revenue stream	(1.21%)	(1.21%)	(0.173%)	(0.7%)	(1.82%)
Net borrowing requirement					
brought forward 1 April	(65,576)	(61,198)	(59,150)	(55,880)	(54,190)
carried forward 31 March	(61,198)	(59,150)	(55,880)	(54,190)	(53,200)
in year borrowing requirement – reduction in amounts invested	4,378	2,048	3,270	1,690	990

Capital Financing Requirement as at 31 March	(47,281)	(45,000)	(41,730)	(40,040)	(39,050)
Incremental impact of capital investment decisions					
Increase in council tax (band D) per annum	£1.49	£1.34	£0.74	£0.55	£0.48
<b>(2) TREASURY MANAGEMENT</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Authorised limit for external debt -</b>					
borrowing	17,000	17,000	17,000	17,000	17,000
other long term liabilities	5,100	300	300	300	300
<b>TOTAL</b>	<b>22,100</b>	<b>17,300</b>	<b>17,300</b>	<b>17,300</b>	<b>17,300</b>
<b>Operational boundary for external debt -</b>					
borrowing	10,000	10,000	10,000	10,500	10,500
other long term liabilities	300	5,100	300	300	3,300
see above					
<b>TOTAL</b>	<b>10,300</b>	<b>15,100</b>	<b>10,300</b>	<b>10,800</b>	<b>10,800</b>
<b>Upper limit for fixed interest rate exposure</b>					
expressed as either :-					
Net principal re fixed rate borrowing	100%	100%	100%	100%	100%
Investments	98%	985%	98%	98%	98%
<b>Upper limit for variable rate exposure</b>					
Net principal re variable rate borrowing	50%	50%	50%	50%	50%
Investments	95%	95%	95%	95%	95%
<b>Upper limit for total principal sums invested for over 364 days</b>					
(per maturity date)	68,000	65,000	61,000	60,000	59,000

<b>Maturity structure of new fixed rate borrowing during 2010/11</b>	<b>upper limit</b>	<b>lower limit</b>
under 12 months	0%	0%
12 months and within 24 months	0%	0%
24 months and within 5 years	0%	0%
5 years and within 10 years	0%	0%
10 years and above	0%	0%

## 2.4 Current Portfolio Position

2.4.1 The Council's treasury portfolio position at 31.10.11 comprised:

	<b>Principal</b>		<b>Ave Rate</b>	
		£m	£m	%
Fixed rate funding	PWLB	1.5		8.875
	Market	<u>6.0</u>		8.785
			7.5	8.803
Variable rate funding	PWLB	Nil		
	Market	<u>Nil</u>		
<b>TOTAL DEBT</b>			<u>7.5</u>	<u>8.803</u>
<b>TOTAL INVESTMENTS</b>			72.0	1.1%

## 2.5 Borrowing Requirement

2.5.1 Nil in 2013/14 as no borrowing is needed to support capital expenditure (use of investments). A borrowing requirement will continue to arise in the forth coming years based on expected capital expenditure net of other sources of funding (capital receipts, grants, revenue contributions). However the continued use of investments will negate the need to borrow.

## 2.6 Prospects for Interest Rates

2.6.1 The Council has appointed Sector Treasury Services as treasury adviser to the Council and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Sector central view.

2.6.2 **Sector View** Interest rate forecast – November 2011.

	Q/E4 2011	Q/E1 2012	Q/E2 2012	Q/E3 2012	Q/E4 2012	Q/E1 2013	Q/E2 2013	Q/E3 2013	Q/E4 2013	Q/E1 2014
Bank Rate	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.75%	1.0%	1.25%
5 yr PWLB Yield	2.25%	2.3%	2.3%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%
10 yr PWLB Rate	3.3%	3.3%	3.3%	3.4%	3.4%	3.5%	3.6%	3.7%	3.8%	4.0%
25 yr PWLB Rate	4.22%	4.2%	4.3%	4.3%	4.4%	4.5%	4.6%	4.6%	4.7%	4.8%

Sector’s current interest rate view is that in respect of the Bank Rate:-

- Bank Rate, currently 0.5%, underpins investment returns and is not expected to start increasing until quarter 3 of 2013 despite inflation currently being well above the Monetary Policy Committee inflation target.
- Hopes for an export led recovery appear likely to be disappointed due to the Eurozone sovereign debt crises depressing growth in the UK’s biggest export market.
- The Comprehensive Spending Review, which seeks to reduce the UK’s annual fiscal deficit, will also depress growth during the next few years.

Fixed interest borrowing rates are based on UK gilt yields. The UK total national debt is forecast to continue rising until 2015/16; the consequent increase in gilt yields issuance is therefore expected to be reflected in an increase in gilt yields over this period. However, gilt yields are currently at historically low levels due to investor concerns over Eurozone sovereign debt and have been subject to exceptionally high levels of volatility as events in the Eurozone debt crises have evolved.

2.7 Economic (Forward View)

2.7.1 Economic forecasting remains troublesome with so many external influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains weak and whilst there is still a broad range of views as to potential performance, they have all been downgraded throughout 2011. Key areas of uncertainty include:

- a worsening of the Eurozone debt crises and heightened risk of the breakdown of the bloc or even of the currency itself;
- the impact of the Eurozone crises on financial markets and the banking sector;
- the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to exporting manufactured goods;
- the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that increasingly seem likely to be undershot;
- a continuation of high levels of inflation;
- the economic performances of the UK's trading partners' in particular the EU and US with some analysts suggesting that recession could return to both;
- stimulus packages failing to stimulate growth;
- potential for protectionism i.e. an escalation of the currency war/ trade dispute between the US and China.

The overall balance of risks is weighted towards the downside. Lack of economic growth, both domestically and overseas, will impact on confidence putting upward pressure on unemployment. It will also further knock levels of demand which will bring the threat of recession back into focus.

Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK. The prospects for any interest rate changes before mid-2013 are very limited.

## 2.8 Borrowing Strategy

- 2.8.1 It is anticipated that there will be no capital borrowings required during 2012/13. However under the prudential code borrowings are permissible but with a negative Capital Finance Requirement, this would be difficult to justify. The running down of investments also has the benefits of reducing exposure to interest rate and credit risk. This will be continually monitored in conjunction with the treasury advisers.



## 2.8.2 External v. Internal Borrowing

Comparison of gross and net debt positions at year end	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
	Actual	Probable outturn	Estimate	Estimate	Estimate
Actual external debt (gross)	7,700	7,700	7,700	7,700	7,700
Cash balances	(68,908)	(66,850)	(63,580)	(61,890)	(60,900)
<b>Net debt</b>	<b>(61,208)</b>	<b>(59,150)</b>	<b>(55,880)</b>	<b>(54,190)</b>	<b>(53,200)</b>

The Council currently has a difference between gross debt and net debt (after deducting cash balances). The positive net debt will decrease as the Capital programme is financed from internal borrowing, or if a change of Policy of external borrowing was introduced. By not borrowing it reduces the credit risk on investments.

## 2.9 Debt Rescheduling

2.9.1 Due to high rates of interest payable on the outstanding £1.5 million PWLB loans and the expected low level of the corresponding discount rates for maturities, any potential restructuring or premature repayment of the loans would be very expensive as their repayment would attract heavy premiums (in excess of £1M).

2.9.2 If the market conditions do change, any opportunities will be investigated, to pursue any potential advantages to the Council.

## 2.10 Annual Investment Strategy

### 2.10.1 **Investment Policy**

2.10.1.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are:-

- (a) the security of capital and
- (b) the liquidity of its investments.

The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

- 2.10.1.2 The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.
- 2.10.1.3 Investment instruments identified for use in the financial year are shown below under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be set through the Council's Treasury Management Practices. These will be amended in accordance with the report to the Executive on the 14 December 2011.

### **Specified Investments**

An investment is a specified investment if it satisfies the conditions set out below:-

- (a) The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.
- (b) The investment is not a long-term investment (maximum of 1 year).
- (c) The investment does not involve the acquisition of share capital or loan capital in any body corporate.
- (d) Either of the following conditions is met:
  - (i) The investment is made with the UK Government or a local authority (as defined in section 23 of the 2003 Act) or a parish council or community council.
  - (ii) The investment is made with a body or in an investment scheme which has been awarded a high credit rating (as specified in the tables below \*) by a credit rating agency.
- (e) These offer high security and high liquidity.

	<b>*Minimum 'High' Credit Criteria</b>	<b>Use</b>
Debt Management Agency Deposit Facility	-	In-house
Term deposits - UK government	-	In-house
Term deposits - other LA's ( including police & fire authority's)	-	In-house
Term deposits - banks and building societies**	*Short-term F1 Long-term A, Individual_, Support 1,2,3	In-house and fund managers
Certificates of deposits issued by banks and building societies covered by UK Government guarantee	*Short-term F1 Long-term A, Individual_, Support 1	Fund managers
Certificates of deposits issued by banks and building societies NOT covered by UK Government guarantee	*Short-term F1, Long-term A, Individual _, Support 1,2,	Fund managers
1. Callable deposits	*Short-term F1, Long-term A, Individual _, Support 1,2,3	Fund managers
2. Range trade	*Short-term F1, Long-term AA, Individual _, Support 1,2,3	Fund managers
3. Snowballs	*Short-term F1, Long-term AA, Individual _, Support 1,2,3_	Fund managers
UK Government Gilts	AAA	Fund managers
Bonds issued by multilateral development banks	AAA	Fund managers
<b>Collective Investment Schemes structured as Open Ended Investment Companies (OEICs):</b>		
1. Money Market Funds	*Short-term F1, Long-term AAA, Individual _, Support 1,2,3	Fund managers and In-house
2. Enhanced cash funds	*Short-term F1, Long-term A, Individual _, Support 1,2,3	Fund managers
3. Short term funds	*Short-term F1, Long-term A, Individual _, Support 1,2,3	Fund managers
4. Bond Funds	*AAA	Fund managers
5. Gilt Funds	*AAA	Fund managers
Bonds issued by a financial institution which is guaranteed by the UK government	*AAA	In-house on a 'buy-and-hold basis. Also for use by fund managers
Sovereign bond issues (ie other than the UK govt)	*AAA	Fund managers
Treasury Bills	AAA	Fund Managers . In-house on a buy and hold basis.

\*\* If forward deposits are to be made, the forward period plus the detail period should not exceed one year in aggregate.

### **Non-Specified Investments:**

Do not meet the definition for specified investments i.e. maturities more than 1 year and subsequently the risk is considerably greater. The maximum to be held in each category of non-specified investments is as follows:-

	<b>* Minimum Credit Criteria</b>	<b>Use</b>	<b>**Max% of total investments</b>	<b>Max maturity period</b>
Term deposits - other LAs (with maturities in excess of 1 year)		In-house	60%	5 years
Term deposits - banks and building societies (with maturities in excess of 1 year)	*Short-term F1, Long-term AA, Individual _, Support 1,2,3	In-house	80%	5 years
Term deposits with unrated counterparties : any maturity	Used to be unrated building societies and wholly owned subsidiaries )	Not permitted		5 years
Commercial paper issuance by UK banks covered by UK Government guarantee	*Short-term F1, Long-term AA, Individual _, Support 1,2,3	Fund managers		5 years
<b>Fixed term deposits with variable rate and variable maturities</b>				
1. Callable deposits	*Short-term F1, Long-term AA, Individual _, Support 1,2,3	Fund managers	80%	5 years
2. Range trade	*Short-term F1, Long-term AA, Individual _, Support 1,2,3	Fund managers	10%	5 years
3. Snowballs	*Short-term F1, Long-term AA, Individual _, Support 1,2,3	Fund managers	10%	2 years
Certificates of deposits issued by banks and building societies with maturities in excess of 1 year	*Short-term F1, Long-term AA, Individual _, Support 1,2,3	Fund Managers	50%	5 years

	<b>* Minimum Credit Criteria</b>	<b>Use</b>	<b>**Max% of total investments</b>	<b>Max maturity period</b>
UK Government Gilts with maturities in excess of 1 year	AAA	Fund Managers	100%	10 years
Bonds issued by multilateral development banks with maturities in excess of 1 year	AAA	Fund managers	40%	10 years
Bonds issued by a financial institution which is guaranteed by the UK government with maturities in excess of 1 year	AAA	Fund managers	40%	10 years
Sovereign bond issues (ie other than the UK govt) with maturities in excess of 1 year	AAA	Fund managers	50%	10 years
Corporate Bonds : <b>the use of these investments would constitute capital expenditure</b> (bonds other than government bonds)	*AAA	Fund Managers(subject to regulation changes)	10%	5 years
Floating Rate Notes : <b>the use of these investments would constitute capital expenditure unless they are issued by a multi lateral development bank</b> (ie bonds with interest rate that varies in line with the market rate of interest, reset say every 3 months)	*AAA	Fund Managers but not permitted where the investment would constitute capital investment.	10%	5 years
Property fund: <b>the use of these investments would constitute capital expenditure</b>		Not permitted	10%	10 years

**\*\*** Note: When setting these limits it includes both in-house and externally managed funds.

The Council's external fund managers will comply with the Annual Investment Strategy.

The agreements between the Council and the fund managers additionally stipulate guidelines and duration and other limits in order to contain and control risk. In brief terms these are the maximum investment that are permissible with any one counterparty limited by value or percentage, with the exception of the UK Government.

For any in-house monies this Council uses the creditworthiness service provided by Sector Treasury Services. This service has been enhanced and

now uses a sophisticated modelling approach with credit ratings from all three ratings – Fitch, Moody's and Standard & Poors forming the core element. However, it does not rely solely on the current ratings of counterparties but also uses the following as overlap:-

- Credit watches and credit outlooks from credit rating agencies
- CD's spread to give early warning of likely changes to credit ratings
- Sovereign ratings to select counterparties from only the most credit worthy countries.

This modelling approach combines credit ratings, credit watches, credit Outlooks and CD spreads in a weighted scoring for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties.

Sole reliance will not be placed on the use of this external service. In addition this Council will use market data and information on government support for banks.

#### **2.10.1.4 Local Authority Mortgage Scheme (LAMS)**

The funding that will be provided for the Lams scheme is within the Capital expenditure programme and the financial parameters are not inclusive to treasury management.

#### **2.10.2 In-House Funds**

In-house funds are mainly cash flow derived and therefore investments will be made with reference to short term interest rates (ie rates for investments up to 12 months). Current policy is to place funds only with the external cash fund manager SWIP but other investments may be placed in accordance with the tables set out above. Further to a report to Executive on the 1 December 2010 which explained the options to improve overall returns whilst the outlook for rates remain low, £30m will be removed from the fund managers and invested in fixed term structured deposits. The first £10m was withdrawn and as previously reported deposited with Lloyds bank. Subsequent events have overtaken this policy and funds are being kept very liquid. The balance of the fund still staying with the fund manager until the problems in Europe clarify and stability returns to the markets. The cash flow funds staying with our own bankers.

2.10.3 Interest Rate Outlook: Sector is forecasting that Bank Rate will stay flat until September 2013 with the first rise to 0.75%. This will continue until the rate rises to 1.25% in March 2014. It would therefore be prudent to look at the period of investments and their

interest rates against this background information. For 2012/13 the Council has assumed investment return of 1.2% on the investments made in house. For the medium term planning process rates of 2.6% (2013-14) 2.7% (2014-15) and 3.1% (2015-16) have been assumed.

For its cash flow generated balances, the Council will seek to utilise its business reserve accounts in order to benefit from the compounding of interest and revisiting investing short-term in money market funds through our Fund Manager( when the the market stabilises).Where the opportunity is available investing with other locals on a short term.

## 2.11 Fund Managers Review and Forecasts

East Herts Council employ two fund managers Investec and Scottish Widows (SWIP).

### 2.11.1 Investec Asset Management

As explained at a meeting with Councillors this fund is restricted in its options to increase its returns in the current market. The intention at the beginning of the 2011/12 was to withdraw the funds and place in fixed term deposits for four years. Subsequent events have over taken this and only £10m was withdrawn from the fund this year.

2.11.2 Therefore until rates eventually rise the fund is unlikely to produce greater returns than are currently being made. The fund currently is mainly in CDs with the occasional tactical buying of gilts. The counterparty list is very restricted in the current climate with security of funds the priority.

2.11.3 This performance is set out below:

	Merrill Lynch 03 yr gilt* benchmark	East Hertfordshire Investec fund net of fees	Variance
Quarter ended 30/06/2011	0.96%	<b>0.18%</b>	(0.78%)
Quarter ended 30/09/2011	1.01%	<b>0.10%</b>	(0.91%)
Half Year 2011-12	1.97%	<b>0.28%</b>	(1.69%)

For the year 2011/12 it is estimated that a return of 0.5%-0.7% will be made. For 2012/13 a range of returns between 0.5.5% and 0.8%

is estimated.

#### 2.11.4 Scottish Widows Investment Partnership

The Treasury Management Group met on 11 October 2011 to discuss the deepening crises within Europe. The decision was taken to liquidate the holding in Money Market Fund because of the counter party holdings with some of the European banks. The funds were to be placed in short dated UK government securities of not more than 3 months. This was reported to Council on the 14th December 2011.

This subsequently, will reduce the return in the second half of the year.

	7-day LIBID* benchmark	East Hertfordshire SWIP fund net of fees	Variance
Quarter ended 30/06/2011	0.12%	<b>0.32%</b>	0.20%
Quarter ended 30/09/2011	0.12%	<b>0.24%</b>	0.12%
Half Year 20011-12	0.24%	<b>0.56%</b>	0.32%

For 2011/12 an outturn of 0.75%-0.8% is forecast. For 2012/13 0.55%-0.8.0% return is estimated.

2.11.5 At 31 October 2011 SWIP's holding on behalf of the Council was £35,544,472 whilst Investec managed £21,755,895. As can be seen with a 0.25% variance on Fund Manager's prediction a variance of around £143,250 either way is effected on the Council's Revenue Budget.

#### 2.11.6 End of year Investment Report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

#### 2.11.7 Summary of Strategy

2.11.8 No new borrowings to finance capital expenditure until capital receipts and other funding has been fully applied. This will be continually monitored in conjunction with the Treasury Advisers.

2.11.9 Any debt rescheduling opportunities will be investigated.



- 2.11.10 Fund Managers to trade gilts and Certificate of Deposit, Treasury Bills, Money Market Funds with objective of maximising yields.
- 2.11.11 Having regard to the change in policy of removing funds from the Money Market Fund and investing in Government securities which gives greater security but lower returns this will be reconsidered as the banking position strengthens. Also removing monies from the fund manager and placing it in structured deposits will be reviewed again when the Euro zone banks stabilise. The added return in structured deposits is achieved by giving up liquidity - the money is locked away for four years giving more certainty of return.
- 2.11.12 A 0.65% return has been assumed (for investments other than the structured deposit at 3.72%) in 2012/13 for budgetary setting. However this is subject to final review prior to the Council setting its budget.

## 2.12 Minimum Revenue Provision (MRP)

The Council needs to agree options for the MRP (the provision to repay debt) annually. Capital receipts from stock transfer, mean that no new borrowings are anticipated in the medium term. The method which is most appropriate will be considered when any new borrowings are entered into.

- 2.12.1 For capital expenditure incurred on or after 1<sup>st</sup> April 2009, which is financed by borrowing or credit arrangements, one of the following options will be used:-

### Option 1 – Asset Life Method

Here equal annual instalments of MRP will be made over the estimated life of asset financed by borrowing. Under this method, the concept of an “MRP Holiday” makes it debut. This provides the ability for an authority to defer MRP on a newly constructed building or infrastructure asset until the asset comes into service.

### Option 2 – Depreciation Method

Using this approach will require an authority to charge MRP in accordance with the standard rules for depreciation accounting. As with Option 1 the “MRP Holiday” will be available for assets yet to be brought into service.

- 2.12.2 Under new regulations the method by which the Council provides

for the repayment of its borrowings for capital expenditure incurred before 1<sup>st</sup> April 2008, either of the two methods below can be used:-

#### Method 1 - Regulatory

Where debt is supported by RSG, authorities will be able to continue using the formulae used in the current regime, since the supported borrowing element of the RSG is also calculated in this way.

#### Method 2 – Capital Financing Requirement

This method will be based upon 4% of an authority's non-housing CFR at the end of the preceding financial year. Where the CFR is negative or nil, no MRP will be required as is the case at present.

This in the past has resulted in a nil requirement and the indications are that this will remain the same.

### 3.0 Policy on the use of external service providers

The Council uses Sector Treasury Services as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure reliance is not placed upon external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources.

#### 3.1 Role of the Section 151 Officer

The Section 151 officer is responsible for all monies in the hands of the Council. This includes the Treasury Management function.

All borrowings, lending and finance will be in accordance with the CIPFA Code of Practice on Treasury Management.

This is incorporated within the Financial Regulation on Treasury Management.

#### 3.2 Treasury Management scheme of delegation

- (i) The Council's Scrutiny Committee reviews reports, and comments are passed on to the Executive.

- (ii) Executive considers any comments from Scrutiny and recommends approval to full Council.
- (iii) Monthly health check monitoring reports are through CMT, then to Executive and then to full Council.
- (iv) Quarterly reports through Scrutiny to Executive.
- (v) Delegation for officers is detailed within the constitution.

#### 4.0 Implications/Consultations

4.1 Information on corporate issues and consultation associated with this report can be found within Essential Reference Paper 'A' (Page \*)

#### Background Papers

None

Contact Member: Councillor Michael Tindale, Executive Member for Resources and Internal Support.

Contact Officer: Alan Madin, Director of Internal Services, Ext 1401  
Simon Chancellor, Head of Financial Support Services  
Ext 2050

Report Author: Paul Mitchell, Principal Accountant

## ESSENTIAL REFERENCE PAPER 'A'

Contribution to the Council's Corporate Priorities/Objectives:	<b>Fit for purpose, services fit for you</b> <i>Deliver customer focused services by maintaining and developing a well managed and publicly accountable organisation.</i>
Consultation:	The Strategy Statement has been drawn up with reference to information from our Treasury Advisers.
Legal:	There are no legal implications in the report.
Financial:	As set within the report.
Human Resource:	There are no Human Resources implications in the report.
Risk Management:	A prudent (average) assumption of 0.95% has been used on the sensitive interest receivable rate based on the information and advice available. A variation of 0.25% (either way) would result in a budget variance of some £143,250. If cash flows vary by £1m then the result is a movement of £25,000 per annum.

## EAST HERTS COUNCIL

JOINT SCRUTINY COMMITTEE – 17 JANUARY 2012  
EXECUTIVE – 7 FEBRUARY 2012

REPORT BY EXECUTIVE MEMBER FOR FINANCE

CAPITAL PROGRAMME 2011/12 (REVISED) TO 2014/15

WARD(S) AFFECTED: ALL

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### **Purpose/Summary of Report**

- The report sets out proposals for the Council's capital Programme for the period 2011/12 (Revised) to 2014/15.

<b><u>RECOMMENDATION FOR : MEETING OF JOINT SCRUTINY COMMITTEES</u></b>	
<b>(A)</b>	<b>That the draft Capital Programme 2011/12 (Revised) to 2014/15 (as amended by the proposals set out in paragraph 2.4) be scrutinised, and</b>
<b>(B)</b>	<b>The following comments be submitted to the Executive.</b>
<b><u>RECOMMENDATION FOR : EXECUTIVE</u></b>	
<b>(A)</b>	<b>That any comments made by the Meeting of Joint Scrutiny Committees on 17 January 2012 be considered, and</b>
<b>(B)</b>	<b>That the new Capital Programme for the period 2011/12 (Revised) to 2014/15 (as amended by the proposals set out in paragraph 2.4) be recommended to Council.</b>

### 1.0 Background

- 1.1 The capital programme approved by the Council in February 2011 has subsequently been updated and amended initially by items of slippage and other re-phrasings following the 2010/11 Capital Out-turn position.

- 1.2 A number of further amendments to the Programme have since been approved through the Council's monthly Health check process.
- 1.3 In line with current annual budgetary processes a complete review of the current programme has been undertaken and a new draft programme is now proposed for the period 2011/12 (Revised) to 2014/15. Lead officers have submitted proposals for new schemes to be included within the Programme. The Council's latest approved Financial Strategy Statement places a £1m ceiling (for planning purposes) on the 2014/15 programme for projects to be funded from the Council's available capital resources. Further projects can be included where external contributions are anticipated. Investment requirements linked to invest to save schemes have also been encouraged and identified through the MTFP process.
- 2.0 Report
- 2.1 As a medium term Investment Plan, the Programme will continue to be developed in response to the Council's priorities set out in changing strategies and service plans.
- 2.2 The Draft Programme is attached at **Essential Reference Paper 'B'**. The Programme is presented with various detailed schemes having been combined which will continue to facilitate the overall management of resources. CMT will continue to manage projects at an individual level. Following the approach adopted in the last two years, the aggregate of proposed spend on individual schemes has again been adjusted by a provision for slippage to produce a programme total against which total spending will be performance managed. The adjusted figures have been assumed for estimating the financing implications within the MTFP.
- 2.3 The Executive will note that the revised budget for the current year of £7.045m reflects an increase of £484k compared to the "current approved" position of £6.561m (as adjusted) being reported through the Health check report (November position). Improved performance in the delivery of the programme has resulted in the projected spend exceeding the adjusted planning spend total.

2.4 With the exception of support for affordable housing existing rolling programmes of work have been presented as continuing up to 2014/15. These programmes provide funding in areas such as private sector renovation grants, the provision of play equipment, various community grant funding streams, information technology upgrades as well as various environmental initiatives. For 2014/15 officers have proposed that the budget for affordable housing be deleted. Alternative mechanisms to support social housing, including the use of section 106 monies, will need to offset this budget cut. Members will see that it will be necessary to reduce the call on capital resources by a further £645k in order to limit the programme to the £1m ceiling (to be met from the Council's own resources) referred to in paragraph 1.3 above. This assumes that external funding, through Government grant of £100k will be available in 2014/15. Recent Member consultations have been carried out in respect of the following proposals to substantially achieve this position;

	£'s	£'s
A 25% reduction in budgets for private sector housing grants		205,000
Deletion of community grant schemes;		
Capital grants	83,000	
Community planning grants	20,000	
Village hall community challenge	11,000	
Partnership Investment Fund	<u>26,000</u>	140,000
Town centre enhancements		<u>100,000</u>
Proposed reduction to 14/15 programme		445,000
Capitalised salaries to be funded from revenue rather than capital resources		188,600
Total reduction in use of capital resources		633,600

2.5 The Draft Programme at **Essential Reference Paper 'B'**, includes proposals for a number of new schemes. These total just over £1.48m and are shown in bold typeface and summarised separately for ease of reference. A budget of £1m is included in respect of a local mortgage guarantee scheme. This funding will be returned as a capital receipt at the end of the guarantee period. The remaining new items relate to IT projects, work in support of the Council's Asset Management Plan and an invest to

save scheme for the provision of gym equipment under the Council's leisure contract.

The proposed new schemes have been scrutinised in detail by the Corporate Management Team to ensure that projects are aligned to the Council's corporate priorities and that the phasing of the projects is appropriate having regard to available resources and project lead in times.

The Executive will be aware that in 2009 the Council's Corporate Business Scrutiny Committee supported a proposal that officers should have regard to a Government guidance document on "optimism bias" when formulating proposals for new schemes. Officers have again been requested to specifically consider this guidance in relation to the timescales anticipated for the delivery of projects.

This approach aims to achieve an Improvement in performance in delivering the planned programme and the current year's projected outturn appears to demonstrate a positive impact.

Members should note that, due to accounting requirements for asset valuations, the capital expenditure incurred will not necessarily result in an equivalent increase to the value of the Council's assets (as will be reflected in the year end accounts). An example of this will be the expenditure incurred on the Wallfields office contract. A full business case for this project was agreed by Council.

Expenditure will often extend the operational life of assets or facilitate or enhance an assets use in meeting the operational service needs.

## 2.6 Resources / Long Term Strategy

2.7 It is intended that some 43% of the proposed Programme will be funded from available Capital Receipts. Specific Government Grants (reflecting a reduced trend in line with last year's CSR) are anticipated in respect of Housing grant schemes as well as funding from a number of third party "partner" contributions.

2.8 Available capital receipts arising from the 2002 LSVT of the Council's housing stock are currently assumed to continue although any impact arising from the government's future housing strategy will need to be monitored. Together with receipts arising



from the disposal of surplus assets an estimated £3.0m is anticipated over the duration of the programme.

2.9 A net receipt of £2.35m was received in October 2011 relating to the Bishop's Stortford property transactions. This receipt was accrued in the 2009/10 accounts and is therefore reflected in the 1 April 2011 balance shown below.

2.10 A breakdown of the new receipts anticipated is shown at **Essential Reference paper 'C'** (Confidential paper attached for Members only).

### 2.11 Resources

	£000's	£000's
Usable receipts 1 April 2011	3,721	
Estimated new receipts to 31 March 2015	<u>2,995</u>	6,716
Government grants	603	
Third party contributions	320	
Revenue contribution (including £189k for capitalised salaries in 2014/15)	<u>289</u>	<u>1,212</u>
Total Estimated Resources		7,928
Capital Programme presented	15,960	
Less proposed reduction	<u>445</u>	<u>15,515</u>
Estimated internal borrowing (disinvestment)		7,587

2.12 Members will note that the Programme will require the Council to Undertake "internal" borrowing in order to fund the programme. This will likely be needed from towards the end of the current financial year. The Council has received advice that it may apply internal borrowing until such time as its currently negative Capital Financing Requirement is reduced to nil.

## 2.13 Prudential Code

The Executive will be aware that a prudential framework for local authority capital investment was introduced through the Local Government Act 2003.

A number of statutory prudential indicators which relate to the Capital Programme are required to be approved annually by the Council. These are included as part of the overall Treasury Management Report which appears separately on the agenda.

It is considered that the proposed Programme is affordable and sustainable in terms of capital resource requirements and revenue impact. Financial implications are reflected within the Council's Medium Term Financial Plan (MTFP).

## 3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

### Background Papers

Report to Executive 5 July 2011

Reports to CMT on 29 November & 13 December 2011

Project Initiation Documents

Contact Member: Councillor Michael Tindale – Executive Member for Finance

Contact Officer: Alan Madin – Director of Internal Services – Contact Tel Ext No 1401

Report Author: Simon Chancellor – Head of Financial Support Services

## ESSENTIAL REFERENCE PAPER 'A'

<p>Contribution to the Council's Corporate Priorities/ Objectives (delete as appropriate):</p>	<p><b>Promoting prosperity and well-being; providing access and opportunities</b> <i>Enhance the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable.</i></p> <p><b>Fit for purpose, services fit for you</b> <i>Deliver customer focused services by maintaining and developing a well managed and publicly accountable organisation.</i></p> <p><b>Pride in East Herts</b> <i>Improving standards of the built neighbourhood and environmental management in our towns and villages.</i></p> <p><b>Shaping now, shaping the future</b> <i>Safeguard and enhance our unique mix of rural and urban communities, ensuring sustainable, economic and social opportunities including the continuation of effective development control and other measures.</i></p> <p><b>Leading the way, working together</b> <i>Deliver responsible community leadership that engages with our partners and the public.</i></p>
<p>Consultation:</p>	<p>The draft Programme has been prepared in conjunction with Project control officers, Heads of Service and reviewed by the Corporate Management Team</p>
<p>Legal:</p>	<p>None</p>
<p>Financial:</p>	<p>As set out within the report</p>
<p>Human Resource:</p>	<p>Staff resources will need to be available in order to manage the delivery of the Programme</p>
<p>Risk Management:</p>	<p>It is considered that there is some risk in capital resource terms although assumptions around asset disposals are considered to be prudent. Future year's assumptions around levels of Government grant are subject to future announcements. The Council will have the option of undertaking Prudential borrowing when required. From a service perspective there are risks around the delivery of certain schemes within the timescales anticipated as certain issues are not directly within the control of this Council.</p>

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**CAPITAL PROGRAMME 2012/13**
**ESSENTIAL REFERENCE PAPER 'B'**
**SUMMARY**

	2011/12 Original Estimate	2011/12 Estimate as @ Nov 11	2011/12 Revised Estimate	2012/13 Original Estimate	2013/14 Original Estimate	2014/15 Original Estimate
	£	£	£	£	£	£
<b><u>EXISTING SCHEMES</u></b>						
1. Enhance the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable	2,144,940	2,916,060	2,907,960	2,135,500	1,694,500	1,089,600
2. Deliver customer focused services by maintaining and developing a well managed and publicly accountable organisation	1,385,550	2,125,170	2,084,610	363,800	329,000	314,000
3. Improve standards of the neighbourhood and environmental management in our towns and villages	2,326,200	1,921,740	1,711,640	534,250	369,000	294,000
4. Safeguard and enhance our unique mix of rural and urban communities, ensuring sustainable, economic and social opportunities including the continuation of effective development control and other measures	380,500	347,600	340,500	212,500	47,500	47,500
<b>SUB-TOTAL</b>	<b>6,237,190</b>	<b>7,310,570</b>	<b>7,044,710</b>	<b>3,246,050</b>	<b>2,440,000</b>	<b>1,745,100</b>
<b>RE-PROFILING POTENTIAL SLIPPAGE (71264/7501)</b>	<b>(750,000)</b>	<b>(750,000)</b>		<b>(250,000)</b>	<b>250,000</b>	<b>0</b>
<b>SUB-TOTAL</b>	<b>5,487,190</b>	<b>6,560,570</b>	<b>7,044,710</b>	<b>2,996,050</b>	<b>2,690,000</b>	<b>1,745,100</b>
<b><u>NEW SCHEMES</u></b>						
1. Enhance the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable	0	0	0	1,154,000	0	0
2. Deliver customer focused services by maintaining and developing a well managed and publicly accountable organisation	0	0	0	220,000	110,000	0
3. Improve standards of the neighbourhood and environmental management in our towns and villages	0	0	0	0	0	0
4. Safeguard and enhance our unique mix of rural and urban communities, ensuring sustainable, economic and social opportunities including the continuation of effective development control and other measures	0	0	0	0	0	0
<b>SUB-TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,374,000</b>	<b>110,000</b>	<b>0</b>
<b>GRAND TOTAL</b>	<b>5,487,190</b>	<b>6,560,570</b>	<b>7,044,710</b>	<b>4,370,050</b>	<b>2,800,000</b>	<b>1,745,100</b>

## CAPITAL PROGRAMME 2012/13

Exp. Code	Enhance the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable	Project Control Officer	2011/12 Original Estimate £	2011/12 Estimate as @ Nov 11 £	2011/12 Revised Estimate £	2012/13 Original Estimate £	2013/14 Original Estimate £	2014/15 Original Estimate £
<b>Asset Improvement Items-Swimming Pools :-</b>								
Various	Leventhorpe	S. Whinnett		35,000	35,000	0	25,000	0 Note 1
Various	Hartham	S. Whinnett	0	10,800	10,800	52,000	0	0
Various	Grange Paddocks	S. Whinnett	40,000	45,600	47,000	87,000	20,000	0
Various	Fanshawe Pool	S. Whinnett	30,000	133,900	133,900	20,000	20,000	Note 1
Various	Ward Freman Pool	S. Whinnett	68,740	49,740	49,740	10,000	0	0 Note 1
Various	Asset Improvement Items - Hertford Theatre	S. Whinnett	211,200	182,470	182,470	80,000	0	0
72571	Leisure Development Projects	W. O'Neill	0	77,500	77,500	0	0	0
72578	Drill Hall	W. O'Neill	0	200,000	200,000	0	0	0 Note 2
Various	Capital Grants 2009/10 to 2014/15	C. Pullen	83,000	128,950	128,950	83,000	83,000	83,000
72683	Village Hall Community Challenge	C. Pullen	11,000	22,400	22,400	11,000	11,000	11,000
72512	Partnership Investment Fund	C. Pullen	26,000	69,600	69,600	26,000	26,000	26,000
72530	Community Planning Grants	W. O'Neill	20,000	39,700	39,700	20,000	20,000	20,000
72582	LSP Capital Grants	W. O'Neill	0	76,800	76,800	0	0	0
72545	Presdales - Replace Pavilion	W. O'Neill	0	59,100	59,100	0	0	0
Various	Private Sector Improvement Grants	S. Winterburn	740,000	829,500	829,500	820,000	820,000	820,000
72685	Future Social Housing Schemes	S. Drinkwater	700,000	700,000	700,000	700,000	509,900	0
71201	Capital Salaries	S. Chancellor	25,400	25,400	25,400	25,400	26,000	26,000

## CAPITAL PROGRAMME 2012/13

Exp. Code	Enhance the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable	Project Control Officer	2011/12 Original Estimate £	2011/12 Estimate as @ Nov 11 £	2011/12 Revised Estimate £	2012/13 Original Estimate £	2013/14 Original Estimate £	2014/15 Original Estimate £
72504	Provision of Play Equipment	C. Cardoza	50,000	50,000	50,000	50,000	50,000	50,000
	Art in Parks Project	C. Cardoza	0		0	5,000	0	0 Note 3
72580	Vantorts Sawbridgeworth-Play Area Development Programme	C. Cardoza	0	80,000	80,000	0	0	0 Note 4
72584	Sacombe Road, Hertford - Play Area Development Programme	C. Cardoza	10,000	10,000	10,000	0	0	0 Note 5
72585	The Bourne, Ware - Play Area Development Programme	C. Cardoza	40,000	0	0	40,000	0	0
	Pishiobury Park Wetland Habitat Project	C. Cardoza	0		0	20,000	0	0 Note 6
	Hartham Common-Parks Development Plan Project	C. Cardoza	0		0	25,000	0	0 Note 7
72583	Improvements to Works at Southern Country Park	C. Cardoza	36,000	36,000	26,500	0	0	0 Note 8
71266	Capital Salaries	S. Chancellor	53,600	53,600	53,600	53,600	53,600	53,600
	Castle Gardens B/S - Resurface Footpaths	S. Whinnett	0	0	0	0	30,000	0
	Castle Gardens Bungalow - Replace Roof Covering	S. Whinnett	0	0	0	7,500	0	0
<b>TOTAL EXISTING SCHEMES</b>			<b>2,144,940</b>	<b>2,916,060</b>	<b>2,907,960</b>	<b>2,135,500</b>	<b>1,694,500</b>	<b>1,089,600</b>

## CAPITAL PROGRAMME 2012/13

Exp. Code	Enhance the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable	Project Control Officer	2011/12 Original Estimate £	2011/12 Estimate as @ Nov 11 £	2011/12 Revised Estimate £	2012/13 Original Estimate £	2013/14 Original Estimate £	2014/15 Original Estimate £
<b>NEW SCHEMES</b>								
	<b>Local Authority Mortgage Scheme</b>	<b>S. Drinkwater</b>	0	0	0	1,000,000	0	0 <small>Note 9</small>
	<u>Hertford Theatre</u> Ventilation Improvements to Café Kitchen	S. Whinnett	0	0	0	10,000	0	0
	<u>Pools</u> Replacement Gym Equipment Leventhorpe Pool	M. Kingsland	0	0	0	29,000	0	0
	<u>Hillcrest Hostel</u> Fire Alarm	S. Whinnett	0	0	0	15,000	0	0
	Fire Escape Upgrade	S. Whinnett	0	0	0	15,000	0	0
	<u>Diamond Jubilee Projects</u> Cricketfield Lane-Resurface Footpath & Retainment Works	S. Whinnett	0	0	0	75,000	0	0
	Scotts Grotto Renovation	J. Earley	0	0	0	10,000	0	0
	<b>TOTAL NEW SCHEMES</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>1,154,000</b>	<b>0</b>	<b>0</b>
	<b>GRAND TOTAL</b>		<b>2,144,940</b>	<b>2,916,060</b>	<b>2,907,960</b>	<b>3,289,500</b>	<b>1,694,500</b>	<b>1,089,600</b>

## New schemes in bold

- Note 1. Expenditure on Joint Use Pools 40% funding sought from HCC/schools as appropriate.
- Note 2. Release of funding is contingent upon agreeing a full repairing lease with the occupier
- Note 3. Provision to attract external funding.
- Note 4. £40,000 funded from Sawbridgeworth T.C. & £40,000 EHDC
- Note 5. Reflects the minimum sum needed to bring the site up to standard. Will be used to bid for external funding to raise standards at the site.
- Note 6. This project will require match funding to maximise the potential of this project and this sum reflects provision for this.
- Note 7. Development of this site will require significant external investment and this sum represents provision to support bids for external funding.
- Note 8. Externally funded.
- Note 9. This funding will be returned as a capital receipt at the end of the guarantee period.



## CAPITAL PROGRAMME 2012/13

Exp. Code	Deliver customer focused services by maintaining and developing a well managed and publicly accountable organisation	Project Control Officer	2011/12 Original Estimate £	2011/12 Estimate as @ Nov 11 £	2011/12 Revised Estimate £	2012/13 Original Estimate £	2013/14 Original Estimate £	2014/15 Original Estimate £
71370	Development Control EDM	P. Bowler	0	4,500	4,500	0	0	0
71374	Network, Servers & Storage Upgrade	D. Frewin	30,000	29,600	31,800	30,000	30,000	30,000
71376	Home & Mobile Working	D. Frewin	0	750	750	0	0	0
71377	BACS	P. Bowler	0	2,500	2,500	0	0	0
71378	Business Continuity	D. Frewin	30,000	57,500	57,500	0	0	0
71379	Authentication	P. Bowler	31,000	0	0	31,000	0	0
71388	G.I.S.	P. Bowler	0	5,470	5,470	0	0	0
71389	Small Systems	P. Bowler	0	0	(2,400)	0	0	0
71395	EDM - Corporate	P. Bowler	52,700	10,070	10,070	18,000	0	0
71396	Enhancement of Telephony System	P. Bowler	0	0	3,400	0	0	0
71405	Financial Management System	S. Chancellor	0	30,000	30,000	0	0	0
71408	Revenues & Benefits System	S. Tarran	43,000	43,000	43,000	0	0	0
71409	Locata	P. Bowler	37,700	37,700	37,700	0	0	0
71412	Renewal of Cabling - Wallfields	D. Frewin	0	75,480	75,480	0	0	0
71414	Hardware Funding	D. Frewin	120,650	148,400	133,400	90,000	110,000	110,000
71415	Applications	P. Bowler	72,000	32,700	47,700	55,000	55,000	55,000
71416	Merging IT systems - Licensing & Env Health	B. Simmonds	15,000	15,000	15,000	0	0	0
71413	New Telephone System	P. Bowler	100,000	288,700	263,940	0	0	0

## CAPITAL PROGRAMME 2012/13

Exp. Code	Deliver customer focused services by maintaining and developing a well managed and publicly accountable organisation	Project Control Officer	2011/12 Original Estimate £	2011/12 Estimate as @ Nov 11 £	2011/12 Revised Estimate £	2012/13 Original Estimate £	2013/14 Original Estimate £	2014/15 Original Estimate £
	Voice Recognition Equipment	N. Sloper	0	38,900	38,900	0	0	0
71362	Capital Salaries	S.Chancellor	107,000	107,000	107,000	107,000	109,000	109,000
Various	Asset Improvement Items - Council Offices	S. Whinnett	722,500	1,187,700	1,168,700	10,000	15,000	0
71203	Replacement of Chairs & Desks	R. Crow	10,000	10,200	10,200	10,000	10,000	10,000
71251	Automated Telling Machines at Hertford & B/S	N. Sloper	14,000	0	0	12,800	0	0
<b>TOTAL EXISTING SCHEMES</b>			<b>1,385,550</b>	<b>2,125,170</b>	<b>2,084,610</b>	<b>363,800</b>	<b>329,000</b>	<b>314,000</b>
<b>NEW SCHEMES</b>								
<b>IT</b>								
	<b>Mayrise Upgrade</b>	<b>J. Petrie</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,000</b>	<b>0</b>	<b>0</b>
	<b>IT support regarding above scheme</b>	<b>J. Petrie</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,000</b>	<b>0</b>	<b>0</b>
	<b>Integrated DC &amp; BC Systems</b>	<b>K. Steptoe</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60,000</b>	<b>0</b>	<b>0</b>
	<b>IT support regarding above scheme</b>	<b>K. Steptoe</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,000</b>	<b>0</b>	<b>0</b>
	<b>Shared Services Infrastructure Integration (subject to approval of the detailed business case)</b>	<b>A. Madin</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50,000</b>	<b>50,000</b>	<b>0</b>
	<b>Replacement Condensers to Server Room</b>	<b>S. Whinnett</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,000</b>	<b>0</b>	<b>0</b>
	<b>Asset Improvement Items - Council Offices</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>20,000</b>	<b>60,000</b>	<b>0</b>
<b>TOTAL NEW SCHEMES</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>220,000</b>	<b>110,000</b>	<b>0</b>
<b>GRAND TOTAL</b>			<b>1,385,550</b>	<b>2,125,170</b>	<b>2,084,610</b>	<b>583,800</b>	<b>439,000</b>	<b>314,000</b>

New schemes in bold

## CAPITAL PROGRAMME 2012/13

Exp. Code	Improve standards of the neighbourhood and environmental management in our towns and villages	Project Control Officer	2011/12 Original Estimate £	2011/12 Estimate as @ Nov 11 £	2011/12 Revised Estimate £	2012/13 Original Estimate £	2013/14 Original Estimate £	2014/15 Original Estimate £
Various	Refuse Collection & Recycling	C. Cardoza	286,000	297,960	147,160	139,000	139,000	139,000
72593	Procurement of a Land Rover	C. Cardoza	19,000	19,000	18,900	0	0	0
75168	Energy Efficiency & Carbon Reduction Measures	C. Cardoza	45,000	45,000	45,000	0	0	0 Note 1
75161	Energy Efficiency Initiatives	M. Shrosbree	0	40,000	40,000	0	0	0
<b>Asset Improvement Items - Car Parks:-</b>								
Various	Bircherley Green MSCP	S. Whinnett	625,000	562,900	562,900	0	0	0
75241	Gascoyne Way MSCP - Major Refurb. & Repairs	S. Whinnett	0	89,500	89,500	0	0	0
Various	Other Car Parks - Asset Improvement Works	S. Whinnett	377,500	468,400	466,580	153,050	75,000	0
Various	Other Car Parks - Grange Paddocks scheme & On Street Parking	N. Sloper	784,000	13,800	0	87,200	0	0
72590	Vantorts Open Space - Resurface Footpaths	S. Whinnett	10,000	10,000	10,000	0	0	0
72572	What's On' signage in Bishop's Stortford	W. O'Neill	0	15,000	6,000	0	0	0
74102	Historic Building Grants	K. Steptoe	56,200	51,800	51,800	35,000	35,000	35,000
72604	Energy Grants	S. Winterburn	20,000	20,000	20,000	20,000	20,000	20,000
74206	Heart of B/S - Market Improvement Scheme	W. O'Neill	0	50,300	50,300	0	0	0 Note 2

**CAPITAL PROGRAMME 2012/13**

Exp. Code	Improve standards of the neighbourhood and environmental management in our towns and villages	Project Control Officer	2011/12 Original Estimate £	2011/12 Estimate as @ Nov 11 £	2011/12 Revised Estimate £	2012/13 Original Estimate £	2013/14 Original Estimate £	2014/15 Original Estimate £
74107	Heart of B/S - Riverside Improvement Scheme	W. O'Neill	0	68,380	33,800	0	0	0 Note 3
74105	Town Centre Environmental Enhancements	P. Pullin	100,000	166,200	166,200	100,000	100,000	100,000
72592	New Stall Covers for Hertford & Ware Markets	T. Andrews	3,500	3,500	3,500	0	0	0
<b>TOTAL</b>			<b>2,326,200</b>	<b>1,921,740</b>	<b>1,711,640</b>	<b>534,250</b>	<b>369,000</b>	<b>294,000</b>

Note 1. Relates to provision for energy efficiency measures following C3W. This is subject to bids for grant funding.

Note 2. Fully funded from Town Centre Enhancement budget & PRG.

Note 3. Fully funded from Town Centre Enhancement budget, S106 & PRG.

## CAPITAL PROGRAMME 2012/13

Exp. Code	Safeguard and enhance our unique mix of rural and urban communities, ensuring sustainable, economic and social opportunities including the continuation of effective development control and other measures	Project Control Officer	2011/12 Original Estimate £	2011/12 Estimate as @ Nov 11 £	2011/12 Revised Estimate £	2012/13 Original Estimate £	2013/14 Original Estimate £	2014/15 Original Estimate £
71262	Elizabeth Road Shops - Renew Water Main	S. Whinnett	0	15,000	15,000	0	0	0
75160	River & Watercourse Structures	G. Field	65,500	58,000	58,000	47,500	47,500	47,500
75166	Replace Footbridge Library Car Park, Ware	G. Field	150,000	150,000	150,000	0	0	0
75157	New Footbridge over the River Stort	M. Shrosbree	0	107,100	100,000	0	0	0
72568	Asset Improvement Items - Infrastructure (North Drive - reconstruct road & drainage)	M. Shrosbree	0	17,500	17,500	0	0	0
72591	Castle Weir Micro Hydro Scheme	C. Cardoza	165,000	0	0	165,000	0	0
<b>TOTAL</b>			<b>380,500</b>	<b>347,600</b>	<b>340,500</b>	<b>212,500</b>	<b>47,500</b>	<b>47,500</b>

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

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## EAST HERTS COUNCIL

JOINT SCRUTINY – 17 JANUARY 2012

THE EXECUTIVE – 7 FEBRUARY 2012

REPORT BY THE EXECUTIVE MEMBER FOR RESOURCES AND  
INTERNAL SUPPORT

FEES AND CHARGES 2012 / 13

WARD(S) AFFECTED: ALL

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### **Purpose/Summary of Report**

- The purpose of this report is to detail the additional income to the Council that could be generated by increasing discretionary fees and charges in 2012/13 for a variety of services.

<b><u>RECOMMENDATION FOR : JOINT SCRUTINY</u></b>	
<b>(A)</b>	<b>The proposals for increases in fees and charges as set out in Essential Reference Document ‘ B ‘ be scrutinised, and</b>
<b>(B)</b>	<b>The following comments be submitted to the Executive</b>
<b><u>RECOMMENDATION FOR : EXECUTIVE</u></b>	
<b>(A)</b>	<b>Comments from Scrutiny be noted, and</b>
<b>(B)</b>	<b>The increases in fees and charges as set out in Essential Reference Document ‘ B ‘ be approved.</b>

### 1.0 Background

1.1 Members will recall that the Council has now adopted a fees and charges strategy and a set of key principles on which fees and charges should be set, rather than just a percentage increase.

1.2 These include:

- Any subsidy from Council Tax payers should be deliberate choice

- Discretionary fees should generate income to help deliver improvements in priority services
  - Discretionary fees and charges should support the MTFP
  - A measure of consistency in setting charges for similar services
  - Levels should be set to avoid unnecessary subsidies from the council taxpayer to commercial operations
  - If the impact is likely to be high then consideration be given to the phasing in of changes
- 1.3 Officers were requested to bring forward proposals for 2012/13 having regard to the principles of the strategy but a proportionate approach having regard to the level of income generated within each service area has also been advocated.
- 2.0 Report
- 2.1 Officers have prepared proposals for increasing fees and charges for 2012/13, the details of which are set out in **Essential Reference Paper 'B'**. Comments relating to individual service areas are set out below.
- 2.2 Proposals for increases in car parking pay and display charges were considered by the Executive at its meeting on 10 January 2012 and a decision on any increase deferred until the parking review is complete. However, proposals for residents parking scheme permits and other miscellaneous permits are considered as part of this report and will generate an additional £2,100.
- 2.3 Whilst it is not proposed to increase hostel rents for 2012/13, it is proposed to increase charges for Bed & Breakfast accommodation by 5%. This is in anticipation of suppliers increasing their charges by RPI levels.
- 2.4 Few changes are recommended for Planning and Building Control fees for the 2012/13 year. There were significant increases to the Pre-Application fees last year and further increases now are not considered to be justified. A new charge is to be introduced for the retrieval of microfilm records which may be stored externally. Misc charges otherwise are proposed to remain unchanged to reflect the Information Commissioner requirements that costs should reflect those involved only in the provision of the information requested.
- 2.5 The self-setting of Development Control fees remains under consideration by the Government. No decision has been made

whether these will proceed. However, if they do, this may result in increased income for the Council as it is anticipated that it will be required that the costs of the service are met by fee income.

- 2.6 The report proposes to increase Legal fees in line with inflation for 2012/13 generating an additional £1,400.
- 2.7 There are no proposals to increase Land Charges fees in 2012/13 in line with statutory requirements.
- 2.8 With regard to Markets and Farmers Markets it is proposed to increase in line with inflation, the Licences fees and Farmers Markets fees, leaving market pitch fees at the current rate.
- 2.9 It is proposed that only a modest increase generally in line with inflation be applied to room hire rates at Hertford Theatre which will generate an additional £2,300.
- 2.10 Increases in non – statutory Environmental Health Licences are proposed that will generate an additional £1,500 in 2012/13.
- 2.11 An increase to the Hackney Carriage fees simply in line with inflation for 2012/13, is proposed, resulting in £3,200 additional income to the Council.
- 2.12 It is proposed to make a small increase to pest control charges however it is not anticipated that this will result in additional income to the Council. This is due to the proportional increase in the number of residents on Benefits, which has reduced service income overall.
- 2.13 There were significant increases to Bulky Waste charges last year. The economic climate means that any further increase in charges are likely to result in a more than proportional loss in business income
- 2.14 Clinical Waste charges have been restructured to reflect a change in legislation which reduces the cost of disposal for some customers and increases it for others depending upon their type of clinical waste. Additional income of £1,600 to the Council is expected.
- 2.15 For the Commercial Waste Service there is a forecast reduction of £71,200 in income against last years' base budget. Officer proposals would result in £42,400 additional income to recover

rising landfill costs which would partly offset this position. The current economic climate has resulted in a fall in commercial waste business. In addition, Government changes to Waste Regulations from 1<sup>st</sup> April 2012 mean that waste from schools will now be considered 'commercial waste', attracting a disposal charge which must be recovered. This is reflected in the higher charges for these customers.

2.16 The table below summarises the assumptions for additional income from fees and charges in the MTFP and the Officer proposals based on 2012/13 expected income levels. It shows that current proposals will generate an additional £55,300 which will result in a favourable effect of £20,000 per annum on the current MTFP assumptions. However, this will be partly offset by the £9,550 reduction in the underlying income streams due to volume changes arising from economic activity. The figures below show the income excluding VAT.

<b>Service</b>	<b>2011/12 Estimate £</b>	<b>2012/13 Estimate (excluding Officer Proposals) £</b>	<b>MTFP £</b>	<b>Officer Proposals £</b>
Hertford Theatre	61,050	90,000	1,500	2,300
Pest Control	39,050	38,650	1,000	0
Clinical Waste	60,400	64,000	1,500	1,600
Domestic Waste	49,000	38,000	1,200	0
Commercial Waste	475,200	404,000	11,900	42,400
Env Health Promotions	2,800	2,800	100	0
Licences Env Health	13,900	13,900	350	1,500
Hackney Carriage	136,000	128,000	3,400	3,200
Development & Building Control Misc	4,650	4,650	100	0
Legal Fees	55,000	56,000	1,400	1,400
Land Charges	217,000	219,000	5,400	0
Markets	140,800	140,800	3,500	300
Farmers Markets	7,150	7,150	150	150
Hostels	80,000	120,000	2,000	0
Bed & Breakfast	1,000	6,500	0	350
Residents Parking	73,250	73,250	1,800	2,100
<b>Total</b>	<b>1,416,250</b>	<b>1,406,700</b>	<b>35,300</b>	<b>55,300</b>

### 3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

#### Background Papers

None

Contact Member: Councillor Michael Tindale, Executive member for Resources and Internal Support

Contact Officer: Simon Chancellor – Head of Financial Support Services – Ext 2050

Report Author: Mandy Barton – Accountancy Manager – Ext 2053

## ESSENTIAL REFERENCE PAPER 'A'

<p>Contribution to the Council's Corporate Priorities/ Objectives (delete as appropriate):</p>	<p><b>Promoting prosperity and well-being; providing access and opportunities</b>  <i>Enhance the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable.</i></p> <p><b>Fit for purpose, services fit for you</b>  <i>Deliver customer focused services by maintaining and developing a well managed and publicly accountable organisation.</i></p> <p><b>Pride in East Herts</b>  <i>Improve standards of the neighbourhood and environmental management in our towns and villages.</i></p> <p><b>Caring about what's built and where</b>  <i>Care for and improve our natural and built environment.</i></p> <p><b>Shaping now, shaping the future</b>  <i>Safeguard and enhance our unique mix of rural and urban communities, ensuring sustainable, economic and social opportunities including the continuation of effective development control and other measures.</i></p> <p><b>Leading the way, working together</b>  <i>Deliver responsible community leadership that engages with our partners and the public.</i></p>
<p>Consultation:</p>	<p>Directors and Heads of Service</p>
<p>Legal:</p>	<p>The Council has the power to set the charges described in the report</p>
<p>Financial:</p>	<p>Financial implications are contained within the report</p>
<p>Human Resource:</p>	<p>None</p>
<p>Risk Management:</p>	<p>Additional income has been estimated on current levels of service. In some instances there could be commercial risk of decrease in service following any price increases.</p>

# **EAST HERTFORDSHIRE DISTRICT COUNCIL**

## **SCALE OF CHARGES**

**The fees and charges shown overleaf are for 2012/13**

## NEIGHBOURHOOD SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>LICENCES</b>					
376.00 + vet fees	n/a + VAT	Riding Establishments	per annum	386.00 + vet fees	n/a + VAT
1,816.00 + vet fees	n/a + VAT	Zoos - New Licence	per 4 year registration	1,862.00 + vet fees	n/a + VAT
1,405.00 + vet fees	n/a + VAT	Zoos - Year 6 renewal licence inspection	per 6 years	1,440.00 + vet fees	n/a + VAT
611.00 + vet fees	n/a + VAT	Zoos - Transfer of Licence	per transfer	627.00 + vet fees	n/a + VAT
816.00 + vet fees	n/a + VAT	Zoos - Year 3 interim licence inspection inspection		837.00 + vet fees	n/a + VAT
514.00 + vet fees	n/a + VAT	Dangerous Wild Animals	per annum	527.00 + vet fees	n/a + VAT
222.00 + vet fees	n/a + VAT	Dog breeding establishments	per annum	228.00 + vet fees	n/a + VAT
222.00 + vet fees	n/a + VAT	Animal boarding establishments	per annum	228.00 + vet fees	n/a + VAT
104.00 + vet fees	n/a + VAT	Home boarding establishments	per annum	107.00 + vet fees	n/a + VAT
181.00 + vet fees	n/a + VAT	Pet Shops	per annum	186.00 + vet fees	n/a + VAT
177.00	n/a	Registration for Skin Piercing (Premises)	per registration	182.00	n/a
112.00	n/a	Registration for Skin Piercing (Person)	per person or premises change	115.00	n/a
51.00	n/a	Street trading Occasional Registered Charity (up to one month)	per month	53.00	n/a
102.00	n/a	Street trading Occasional (up to one month)	per month	105.00	n/a
297.00	n/a	Street trading Peripatatic (eg ice cream van)	per annum	310.00	n/a
297.00	n/a	Street trading Static (eg burger van)	per annum	305.00	n/a
n/a	n/a	Additional Licence fee for second reminder letter	per letter	20.00	n/a
n/a	n/a	Additional Licence fee for chasing applications after the expiry of current licence	per licence	45.00	n/a



## NEIGHBOURHOOD SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>LICENCES (contd)</b>					
		Issue of certificate following surrender of food	per hour or part		
44.00	n/a			45.00	n/a
+ disposal costs	+ VAT			+ disposal costs	+ VAT
44.00	n/a	Food export health certificate	per hour or part	45.00	n/a
65.00	n/a	Basic Food Hygiene Course	per course	65.00	n/a
65.00	n/a	Basic Health & Safety Course	per course	65.00	n/a
33.00	n/a	Food Hygiene Update Course	per course	33.00	n/a
33.00	n/a	Health & Safety Update Course	per course	33.00	n/a
540.00	n/a	Basic Food Hygiene - up to 10 places		540.00	n/a
620.00	n/a	Basic Food Hygiene - 11 to 14 places		620.00	n/a
11.00	n/a	Food register	per single entry	11.00	n/a
47.00	n/a	Food register	per category	48.00	n/a
588.00	n/a	Food register	per full copy	603.00	n/a
87.00	n/a	Air quality data enquiries	per hour or part	89.18	n/a
87.00	n/a	Additional Land charge enquiries	per hour or part	89.18	n/a
108.00	n/a	Motor Salvage Operators Registration		110.70	n/a
73.00	n/a	Motor Salvage Operators Renewal		74.83	n/a
11.00	n/a	Viewing MSO Register		11.28	n/a
18.00	n/a	Copy of each MSO entry (1-5 copies)		18.45	n/a
306.00	n/a	Risk Assesment (smaller supplies - Regulation 10)		314.00	n/a
400.00	n/a	Risk Assesment (larger supplies - Regulation 9)		410.00	n/a
102.00	n/a	Risk Assesment (Desktop)		105.00	n/a
83.33	100.00	Sampling Visit	+ analysis costs	83.33	100.00
83.33	100.00	Investigation	+ analysis costs	83.33	100.00
100.00	n/a	Granting of Authorisation		100.00	n/a
up to £25	n/a	Analysis Costs (Regulation 10)		up to £25	n/a
up to £100	n/a	Analysis Costs (Check Monitoring)		up to £100	n/a
up to £500	n/a	Analysis Costs (Audit Monitoring)		up to £500	n/a

## NEIGHBOURHOOD SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>LAPPC:</b>					
<b>Application Fee :</b>					
1,579.00	n/a	Standard	Statutory Fee	1,579.00	n/a
1,137.00	n/a	Additional Fee Activities operating without a permit	Statutory Fee	1,137.00	n/a
148.00	n/a	Reduced Fee Activities	Statutory Fee	148.00	n/a
68.00	n/a	Reduced Fee Activities operating without a permit	Statutory Fee	68.00	n/a
246.00	n/a	Petrol Vapour Recovery 1 & 2 combined	Statutory Fee	246.00	n/a
346.00	n/a	Vehicle Refinishers	Statutory Fee	346.00	n/a
<b>Mobile Screening/Crushing Plant</b>					
1,579.00	n/a	Application - 1 or 2	Statutory Fee	1,579.00	n/a
943.00	n/a	Application - 3 to 7	Statutory Fee	943.00	n/a
477.00	n/a	Application - 8 and over	Statutory Fee	477.00	n/a
<b>Annual Subsistence Charge</b>					
739.00	n/a	Standard - Low risk	Statutory Fee	739.00	n/a
1,111.00	n/a	Standard - Medium risk	Statutory Fee	1,111.00	n/a
1,672.00	n/a	Standard - High risk	Statutory Fee	1,672.00	n/a
36.00	n/a	Standard - Process paid quarterly additional fee	Statutory Fee	36.00	n/a
296.00	n/a	Mothballed Instalation (60% fee)	Statutory Fee	296.00	n/a
76.00	n/a	Reduced fee activity - Low risk	Statutory Fee	76.00	n/a
151.00	n/a	Reduced fee activity - Medium risk	Statutory Fee	151.00	n/a
227.00	n/a	Reduced fee activity - High risk	Statutory Fee	227.00	n/a
108.00	n/a	Petrol Vapour Recovery 1 & 2 combined - Low	Statutory Fee	108.00	n/a
216.00	n/a	Petrol Vapour Recovery 1 & 2 combined - Med	Statutory Fee	216.00	n/a
326.00	n/a	Petrol Vapour Recovery 1 & 2 combined - High	Statutory Fee	326.00	n/a
218.00	n/a	Vehicle Refinishers - Low risk	Statutory Fee	218.00	n/a
349.00	n/a	Vehicle Refinishers - Medium risk	Statutory Fee	349.00	n/a
524.00	n/a	Vehicle Refinishers - High risk	Statutory Fee	524.00	n/a

## NEIGHBOURHOOD SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>Mobile Screening and Crushing Plant</b>					
618.00	n/a	1 or 2 (Low Risk)	Statutory Fee	618.00	n/a
989.00	n/a	1 or 2 (Medium Risk)	Statutory Fee	989.00	n/a
1,485.00	n/a	1 or 2 (High Risk)	Statutory Fee	1,485.00	n/a
368.00	n/a	3 to 7 (Low Risk)	Statutory Fee	368.00	n/a
590.00	n/a	3 to 7 (Medium Risk)	Statutory Fee	590.00	n/a
884.00	n/a	3 to 7 (High Risk)	Statutory Fee	884.00	n/a
189.00	n/a	8 and over (Low Risk)	Statutory Fee	189.00	n/a
302.00	n/a	8 and over (Medium Risk)	Statutory Fee	302.00	n/a
453.00	n/a	8 and over (High Risk)	Statutory Fee	453.00	n/a
<b>Transfer &amp; Surrender</b>					
162.00	n/a	Transfer	Statutory Fee	162.00	n/a
476.00	n/a	Partial Transfer	Statutory Fee	476.00	n/a
75.00	n/a	New operator at low risk reduced fee	Statutory Fee	75.00	n/a
45.00	n/a	Reduced Fee activities partial transfer	Statutory Fee	45.00	n/a
<b>Substantial Changes (Section 10 and 11 of the Act)</b>					
1,005.00	n/a	Standard (all except those specified below)	Statutory Fee	1,005.00	n/a
98.00	n/a	Reduced Fee Activities	Statutory Fee	98.00	n/a
<b>HMO Licensing Fees</b>					
650.00	n/a	Licence for standard 5 bedroom HMO (initiated by applicant without LA intervention)		666.00	n/a
880.00	n/a	Licence for standard 5 bedroom HMO (initiated by applicant with LA intervention)		902.00	n/a
12.00	n/a	Additional bedrooms	each	12.00	n/a
22.00	n/a	Complicated cases		n/a	n/a
44.00	n/a	Production of drawings		45.00	n/a
22.00	n/a	Resolve application queries on site		23.00	n/a
12.00	n/a	Request and checking missing information	per item	12.00	n/a
44.00	n/a	Additional costs	per hour	45.00	n/a
109.00	n/a	Variation of licence		112.00	n/a
55.00	n/a	Fee reduction for additional HMO's with same applicant / landlord		55.00	n/a
540.00	n/a	Renewal of HMO Licence		554.00	n/a

## NEIGHBOURHOOD SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>Miscellaneous Env Health</b>					
34.00	40.80	Replacement 'Scores on Doors' certificate		35.00	42.00
44.00	52.80	Replacement of any environmental health licence or registration documents		45.00	54.00
44.00	52.80	Statement of fact for civil cases	per hour	45.00	54.00
101.00	121.20	Standards inspection for immigration		104.00	124.80
n/a	n/a	Housing Notices	per hour		
250.00	300.00		fixed charge	256.00	307.20
34.00	40.80	Letter confirming food premises registration		35.00	42.00
44.00	52.80	Attendance at Exhumations	per hour (or part)	45.00	54.00
<b>TAXI LICENSING</b>					
259.90	n/a	Hackney Carriage Vehicle/Proprietor (renewal)	per licence	267.00	n/a
292.25	n/a	Hackney Carriage Vehicle/Proprietor (new vehicle)	per licence	300.00	n/a
259.90	n/a	Private Hire Vehicle / Proprietor Licence (renewal)	per licence	267.00	n/a
292.25	n/a	Private Hire Vehicle / Proprietor Licence (grant)	per licence	300.00	n/a
100.39	n/a	Private Hire drivers licence (renewal)	per licence	103.00	n/a
200.78	n/a	Private Hire drivers licence (grant)		206.00	n/a
Private Hire Business Operator					
207.47	n/a	- up to 6 vehicles	per licence	213.00	n/a
27.89	n/a	- additional vehicles	per vehicle	29.00	n/a
100.39	n/a	Dual Driver (Hackney/Private Hire) (renewal)	-	103.00	n/a
200.78	n/a	Dual Driver (Hackney/Private Hire) (Grant)		206.00	n/a
73.62	n/a	Change of vehicle	-	76.00	n/a
200.78	n/a	Initial Application for a drivers licence (reimbursed on grant of application)		206.00	n/a
<b>Change of Licence Details</b>					
42.39	n/a	Change of Vehicle DVLA registration number		44.00	n/a
Change of Vehicle licence designation - Hackney to Private					
42.39	n/a	- Private to Hackney		44.00	n/a
80.31	n/a			83.00	n/a
42.39	n/a	Change of vehicle proprietor with unexpired licence		44.00	n/a
42.39	n/a	Convert drivers licence to dual driver		44.00	n/a

## NEIGHBOURHOOD SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>TAXI LICENSING</b>					
<b>Ancillary Charges</b>					
85.89	n/a	Knowledge Test	per test	89.00	n/a
<b>Ancillary Items</b>					
64.26	77.11	Roof light (complete)		66.67	80.00
34.89	41.87	Roof light (cover or base plate separate)		35.83	43.00
14.89	17.87	Charge for unusable/damaged returned roof light to be discounted from any refund		15.83	19.00
20.43	24.52	Replacement badge		21.67	26.00
34.89	41.87	Replacement plate/trailer plate		35.83	43.00
2.13	2.55	Roof light bulb		2.50	3.00
6.38	7.64	Magnets (sold as pair)		6.67	8.00
10.21	12.25	Executive Private Hire Disc		10.83	13.00
Free		Table of fares/windscreen badge		Free	
26.81	32.17	Distribution of free literature		27.50	33.00
<b>OTHER LICENCES</b>					
4,950.00	n/a	Sex Establishments	per annum	4,950.00	n/a
4,950.00	n/a		per renewal	4,950.00	n/a
910.00	n/a		transfer	910.00	n/a
Hypnotism Act 1952:-					
140.00	n/a	Occasional licensed premises		140.00	n/a
540.00	n/a	Occasional unlicensed premises		540.00	n/a
<b>Miscellaneous Engineering Fees</b>					
free		Street parties (non-commercial)		free	
25.00	n/a	Sewer Records/Plans	per item	25.00	n/a

## NEIGHBOURHOOD SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>Misc Building Control and Development Control Charges</b>					
		Copies of any documents - A4 size			
0.10	n/a	- Black & White	per page	0.10	n/a
0.20	n/a	- Colour	per page	0.20	n/a
		Copies of any documents - A3 size			
0.20	n/a	- Black & White	per page	0.20	n/a
0.40	n/a	- Colour	per page	0.40	n/a
		Copies of any documents - A2 size			
1.00	n/a	- Black & White	per page	1.00	n/a
2.00	n/a	- Colour	per page	2.00	n/a
		Copies of any documents - A1 size			
1.50	n/a	- Black & White	per page	1.50	n/a
3.00	n/a	- Colour	per page	3.00	n/a
		Copies of any documents - A0 size			
2.00	n/a	- Black & White	per page	2.00	n/a
4.00	n/a	- Colour	per page	4.00	n/a
15.00	n/a	Copies of documents provided on an electronic disc	per disc provided	15.00	n/a
25.00	n/a	Ordnance Survey Extracts	up to 6 copies	25.00	n/a
75.00	n/a	Historical Research (where records available)	per hour (or part)	75.00	n/a
300.00	n/a	Legal obligation agreements - clause monitoring fee	per obligation issue	300.00	n/a
75.00	n/a	Legal obligation agreements - confirmation of compliance by third parties or where the monitoring fee has not been paid	per hour (or part of) after first hour	75.00	n/a
35.00	n/a	Certificate of no outstanding Building control regulated work or letter of comfort	per certificate / letter	35.00	n/a
35.00	n/a	Letter confirming exemption from Building Control regulations	per letter	35.00	n/a
50.00	n/a	Rejuvenation of closed Building Control file (not previously approved)	per file	50.00	n/a
500.00	n/a	High Hedge consultation and investigation		500.00	n/a
25.00	n/a	Fee for discharge of or compliance with a condition	per request (any number of conditions) relating to works of extension or alteration to an existing dwelling	25.00	n/a
85.00	n/a	Fee for discharge of or compliance with a condition	per request (any number of conditions) all other developments	85.00	n/a
n/a	n/a	Retrieval of externally stored microfilmed records	per microfilmed record	4.50	n/a

## NEIGHBOURHOOD SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>PRE-APPLICATION ADVICE</b>					
<b>Householder proposals</b>					
25.00	30.00		Initial fee	25.00	30.00
12.50	15.00		Secondary fee	12.50	15.00
35.00	n/a	Request for informal confirmation that proposed development comprises 'permitted development'. (Not Lawful Development Certificate)	per request	30.00	n/a
<b>Major development proposals</b>					
583.33	700.00		Initial fee	583.33	700.00
n/a	n/a		per subsequent hour or part of	n/a	n/a
291.66	350.00		Secondary fee	291.66	350.00
<b>Minor development proposals</b>					
333.33	400.00		Initial fee	333.33	400.00
n/a	n/a		per subsequent hour or part of	n/a	n/a
166.66	200.00		Secondary fee	166.66	200.00
<b>Any development where affordable housing is required by virtue of the Councils planning policies and is to be provided</b>					
83.33	100.00		Initial fee	83.33	100.00
<b>Commercial, office, retail or industrial development where the use is already in place and the proposals do not result in the creation of new floorspace</b>					
83.33	100.00		Initial fee	83.33	100.00
41.67	50.00		Secondary fee	41.67	50.00
<b>Advertisement proposals</b>					
41.67	50.00		Initial fee	41.67	50.00
20.83	25.00		Secondary fee	20.83	25.00
<b>Heritage advice</b>					
41.67	50.00		Initial fee	41.67	50.00
20.83	25.00		Secondary fee	20.83	25.00

Note: The extent of work undertaken on payment of the initial or subsequent fees is set out in detail in the Councils Pre-application advice Guidance Note. Where any advice sought relates to proposals that fall into more than one of the categories identified above then payment is required in relation to ALL fee categories.

## NEIGHBOURHOOD SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>HOSTELS</b>					
<b>Hillcrest</b>					
180.00	n/a	Single Room	per week	180.00	n/a
+ service charges				+ service charges	
210.00	n/a	Double Room	per week	210.00	n/a
+ service charges				+ service charges	
230.00	n/a	Family Room	per week	230.00	n/a
+ service charges				+ service charges	
<b>Bed &amp; Breakfast</b>					
88.00	n/a	Single person	per week	92.40	n/a
13.00	n/a		per day	13.65	n/a
117.00	n/a	Single person and one child	per week	122.85	n/a
17.00	n/a		per day	17.85	n/a
127.00	n/a	Single person and two children	per week	133.35	n/a
19.00	n/a		per day	19.95	n/a
117.00	n/a	Couple	per week	122.85	n/a
17.00	n/a		per day	17.85	n/a
137.00	n/a	Couple and one child	per week	143.85	n/a
20.00	n/a		per day	21.00	n/a
148.00	n/a	Couple and two children	per week	155.40	n/a
22.00	n/a		per day	23.10	n/a
12.00	n/a	Additional children up to 16	per week	12.60	n/a
2.00	n/a		per day	2.10	n/a



## CUSTOMER & COMMUNITY SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>HIRE CHARGES FOR HERTFORD THEATRE</b>					
<b>WEEKDAYS</b>					
		<b>Auditorium</b>			
240.00	n/a		am (9am to 1pm)	248.00	n/a
60.00	n/a		am per hour	62.00	n/a
375.00	n/a		pm (1pm to 6pm)	375.00	n/a
75.00	n/a		pm per hour	77.00	n/a
510.00	n/a		Evening (6pm to midnight)	522.00	n/a
85.00	n/a		Evening per hour	87.00	n/a
515.00	n/a		9am-6pm (discounted rate)	533.00	n/a
735.00	n/a		1pm-midnight (discounted rate)	757.00	n/a
925.00	n/a		9am-midnight (discounted rate)	955.00	n/a
		<b>Studio</b>			
80.00	n/a		am (9am to 1pm)	84.00	n/a
20.00	n/a		am per hour	21.00	n/a
125.00	n/a		pm (1pm to 6pm)	130.00	n/a
25.00	n/a		pm per hour	26.00	n/a
210.00	n/a		Evening (6pm to midnight)	216.00	n/a
35.00	n/a		Evening per hour	36.00	n/a
175.00	n/a		9am-6pm (discounted rate)	184.00	n/a
285.00	n/a		1pm-midnight (discounted rate)	296.00	n/a
345.00	n/a		9am-midnight (discounted rate)	360.00	n/a
		<b>River Room</b>			
80.00	n/a		am (9am to 1pm)	84.00	n/a
20.00	n/a		am per hour	21.00	n/a
125.00	n/a		pm (1pm to 6pm)	130.00	n/a
25.00	n/a		pm per hour	26.00	n/a
180.00	n/a		Evening (6pm to midnight)	216.00	n/a
30.00	n/a		Evening per hour	36.00	n/a
175.00	n/a		9am-6pm (discounted rate)	184.00	n/a
255.00	n/a		1pm-midnight (discounted rate)	296.00	n/a
?	n/a		9am-midnight (discounted rate)	360.00	n/a
		<b>Foyer</b>			
120.00	n/a		am (9am to 1pm)	124.00	n/a
30.00	n/a		am per hour	31.00	n/a
250.00	n/a		pm (1pm to 6pm)	255.00	n/a
50.00	n/a		pm per hour	51.00	n/a
360.00	n/a		Evening (6pm to midnight)	372.00	n/a
60.00	n/a		Evening per hour	62.00	n/a

## CUSTOMER & COMMUNITY SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>HIRE CHARGES FOR HERTFORD THEATRE</b>					
<b>WEEKENDS</b>					
		<b>Auditorium</b>	am (9am to 1pm)	308.00	n/a
300.00	n/a		am per hour	77.00	n/a
75.00	n/a		pm (1pm to 6pm)	435.00	n/a
425.00	n/a		pm per hour	87.00	n/a
85.00	n/a		Evening (6pm to midnight)	738.00	n/a
720.00	n/a		Evening per hour	123.00	n/a
120.00	n/a		9am-6pm (discounted rate)	643.00	n/a
625.00	n/a		1pm-midnight (discounted rate)	1,023.00	n/a
995.00	n/a		9am-midnight (discounted rate)	1,281.00	n/a
1,245.00	n/a				
		<b>Studio</b>	am (9am to 1pm)	132.00	n/a
128.00	n/a		am per hour	33.00	n/a
32.00	n/a		pm (1pm to 6pm)	180.00	n/a
175.00	n/a		pm per hour	36.00	n/a
35.00	n/a		Evening (6pm to midnight)	276.00	n/a
270.00	n/a		Evening per hour	46.00	n/a
45.00	n/a		9am-6pm (discounted rate)	282.00	n/a
273.00	n/a		1pm-midnight (discounted rate)	406.00	n/a
395.00	n/a		9am-midnight (discounted rate)	518.00	n/a
503.00	n/a				
		<b>River Room</b>	am (9am to 1pm)	132.00	n/a
128.00	n/a		am per hour	33.00	n/a
32.00	n/a		pm (1pm to 6pm)	180.00	n/a
175.00	n/a		pm per hour	36.00	n/a
35.00	n/a		Evening (6pm to midnight)	276.00	n/a
270.00	n/a		Evening per hour	46.00	n/a
45.00	n/a		9am-6pm (discounted rate)	282.00	n/a
273.00	n/a		1pm-midnight (discounted rate)	406.00	n/a
395.00	n/a		9am-midnight (discounted rate)	518.00	n/a
503.00	n/a				
		<b>Foyer</b>	am (9am to 1pm)	188.00	n/a
180.00	n/a		am per hour	47.00	n/a
45.00	n/a		pm (1pm to 6pm)	310.00	n/a
300.00	n/a		pm per hour	62.00	n/a
60.00	n/a		Evening (6pm to midnight)	432.00	n/a
420.00	n/a		Evening per hour	72.00	n/a
70.00	n/a				
<b>WEEKLY</b>					
		<b>Auditorium</b>	Mon - Sunday (amateur)	5,125.00	n/a
5,000.00	n/a		Mon - Sunday (professional)	6,400.00	n/a
6,250.00	n/a	<b>Studio</b>	Mon - Sunday	2,050.00	n/a
2,000.00	n/a	<b>River Room</b>	Mon - Sunday	2,050.00	n/a
2,000.00	n/a				

Please note that hire does not include hire of stage, lighting rig etc. This is by separate negotiation.

## CUSTOMER & COMMUNITY SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>HIRE CHARGES FOR HERTFORD THEATRE</b>					
<b>EQUIPMENT HIRE PRICES</b>					
<b>Pianos</b>					
123.86	148.63	Concert Grand Piano	per 3 hours	125.00	150.00
62.36	74.83	Piano Tuning		62.50	75.00
36.73	44.08	Electric Piano		37.50	45.00
<b>Projection</b>					
29.04	34.85	LCD Projector & Screen		29.17	35.00
<b>Public Address System</b>					
42.55	51.06	Portable PA Unit		42.55	51.06
29.17	35.00	Lapel Mic		30.00	36.00
29.17	35.00	Hand Radio Mic		30.00	36.00
<b>Cinema Prices</b>					
5.42	6.50	Adults		5.42	6.50
3.75	4.50	Concessions		3.75	4.50

## CUSTOMER & COMMUNITY SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>CAR PARKS</b>					
<b>Off Street Resident Season Ticket</b>					
216.67	260.00	Port Vale		222.08	266.50
1,025.00	1,230.00	Crown Terrace		1,025.00	1,230.00
<b>On Street Resident Season Ticket</b>					
34.00	n/a	1st Permit		35.00	n/a
68.00	n/a	2nd Permit		70.00	n/a
17.00	n/a	Motorcycle permit		18.00	n/a
18.00	n/a	Contractor permit	per week	20.00	n/a
300.00	n/a	Business permit	per annum	307.50	n/a
20.00	n/a	Carers/ Special permits	admin charge (discretionary)	35.00	n/a
0.10	n/a	Vistors Vouchers	per hour	0.10	n/a
0.05	n/a		per hour pensioners	0.05	n/a
11.00	n/a	Charge for Temporary Dispensation from Parking Restrictions		12.00	n/a
<b>On Street Residents Parking Permits</b>					
51.50	n/a	Folly Island - 2nd Permit		53.00	n/a
1.67	2.00	<b>Elm Road Car Park</b>	up to 5 hrs	1.67	2.00
2.50	3.00		5 hrs +	2.50	3.00
<b>Penalty Charges issued under Regulation 9 of the General Regulations.</b>					
<b>Higher Level Penalty Charge</b>					
35.00	n/a	Paid within 21 days		35.00	n/a
70.00	n/a	Paid after 21 days		70.00	n/a
105.00	n/a	Paid after service of charge certificate		105.00	n/a
<b>Lower Level Penalty Charge</b>					
25.00	n/a	Paid within 21 days		25.00	n/a
50.00	n/a	Paid after 21 days		50.00	n/a
75.00	n/a	Paid after service of charge certificate		75.00	n/a
<b>Penalty Charges issued under Regulation 10 of the General Regulations.</b>					
<b>Higher Level Penalty Charge</b>					
35.00	n/a	Paid within 21 days		35.00	n/a
70.00	n/a	Paid after 21 days		70.00	n/a
105.00	n/a	Paid after service of charge certificate		105.00	n/a
<b>Lower Level Penalty Charge</b>					
25.00	n/a	Paid within 21 days		25.00	n/a
50.00	n/a	Paid after 21 days		50.00	n/a
75.00	n/a	Paid after service of charge certificate		75.00	n/a

## CUSTOMER & COMMUNITY SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT 20% £	Inc. VAT £	<b>PARKING</b>		Exc. VAT 20% £	Inc. VAT £
		<b>Wallfields Visitor</b>			
		Short stay			
0.00	0.00		0 - 2 hrs	0.00	0.00
0.67	0.80		2 - 3 hrs	0.67	0.80
1.25	1.50		3 - 4 hrs	1.25	1.50
1.83	2.20		4 - 5 hrs	1.83	2.20
		<b>Bishop's Stortford market traders' tariff</b>			
2.92	3.50	Link Road	Thurs & Sat	2.92	3.50
2.92	3.50	Northgate End	Thurs & Sat	2.92	3.50
2.92	3.50	Apton Road	Thurs & Sat	2.92	3.50
		<b>Old London Road - Hertford</b>			
12.50	15.00	Coach / Lorry tarriff	per visit	12.50	15.00

## CUSTOMER & COMMUNITY SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>ANIMAL CONTROL</b>					
25.00	n/a	Stray dog with ID chip	**	25.00	n/a
25.00	n/a	Stray dog without ID chip	set by statute	25.00	n/a
21.00	n/a	Stray dog collected	admin charge	21.00	n/a
15.00	n/a	Kennel Charges	per night	15.00	n/a
17.50	21.00	ID chipping dogs (Ind)	per dog	17.50	21.00
9.17	11.00	ID chipping dogs (Campaign)	per dog	9.17	11.00
30.83	37.00	Small dead animal removal	per animal	31.66	38.00
25.83	31.00	Assistance to third party organisations	per hour	26.66	32.00
** unless first offence and dog is collected the same day					
<b>Dog Fouling</b>					
8.00	n/a	Dog Fouling Sign	per sign	15.00	n/a
<b>Allotments</b>					
3.10	n/a	Allotments (per year)	per 25.3m <sup>2</sup>	3.20	n/a

## CUSTOMER & COMMUNITY SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>REFUSE COLLECTION</b>					
<b>Commercial Refuse Collection</b>					
67.47	80.97	Paid Collections	medium	69.20	83.04
139.31	167.18	" (Plus HCC disposal costs)	large	142.80	171.36
<b>Mixed Hereditaments</b> charged according to the proportion of trade waste collected					
<b>Domestic Refuse Collection</b>					
22.50	n/a	Bulky Waste Collection	1 Item	22.50	n/a
32.50	n/a	"	2 Items	32.50	n/a
42.50	n/a	"	3 Items	42.50	n/a
52.50	n/a	"	4 Items	52.50	n/a
62.50	n/a	Bulky Waste Collection - Load	small	62.50	n/a
90.00	n/a	"	medium	90.00	n/a
135.00	n/a	"	large	135.00	n/a
10.00	n/a	Bulky Collection Cancellation Fee	per collection	10.00	n/a
<b>Commercial Events</b>					
68.30	81.95	Cleansing / Refuse Collection	per hour	70.00	84.00
<b>Cleansing Private Land</b>					
21.50	25.80	Cleansing private land (Performance area - regular schedule)	per linear metre per annum	22.00	26.40
67.30	80.76	Ad - hoc litter picking	per hour	69.00	82.80
<b>Abandoned Vehicles</b> (end of life vehicles) surrendered and removed by LA					
37.92	45.50	Vehicle	per vehicle	39.17	47.00
57.50	69.00	Caravan	per caravan	59.17	71.00
<b>Clinical Waste</b>					
13.00	15.60	Charge per site	per visit (max 26)	13.33	15.99
7.00	8.40	Sharps containers	per container	7.18	8.62
4.20	5.04	Sacks - trade (infectious waste)	per sack	4.30	5.16
0.60	n/a	Sacks - domestic (infectious waste)	per sack	0.60	n/a
4.20	5.04	Sacks - trade (Offensive waste)	per sack	2.60	3.12
0.60	n/a	Sacks - domestic (Offensive waste)	per sack	0.60	n/a
n/a	n/a	Extra Sacks delivery charge	per occasion	25.00	n/a

## CUSTOMER & COMMUNITY SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>REFUSE COLLECTION</b>					
<b>Graffiti Removal</b>					
n/a	n/a	Cleaning graffiti on private land*	per sqm	50.00	n/a
n/a	n/a	Cleaning graffiti - small items (single tag)	per item	30.00	n/a
<p>*chemical cleaning only. Subject to damage waiver from land owner and site survey. Graffiti removal from private land is at the discretion of the Head of Environmental Services and will not be undertaken where there is a risk of damaging surfaces, traffic management requirements or significant health and safety implications. Individual charges may be waived at the discretion of the Head of Environmental Services as part of campaigns or in the interests of preventing or discouraging significant levels of crime and disorder.</p>					
<b>COMMERCIAL WASTE</b>					
<b>Commercial Waste Collection Services</b>					
70.83	n/a	sacks	per 50	75.00	n/a
330.00	n/a	240 litres	per bin p.a.	344.00	n/a
374.00	n/a	340 litres	per bin p.a.	392.00	n/a
631.00	n/a	660 litres	per bin p.a.	663.00	n/a
766.00	n/a	1,100 litres	per bin p.a.	812.00	n/a
<b>Prescribed Waste Collection Service</b>					
45.80	n/a	Sacks	per 50	47.00	n/a
271.00	n/a	240 litres	per bin p.a.	278.00	n/a
289.00	n/a	340 litres	per bin p.a.	296.00	n/a
485.00	n/a	660 litres	per bin p.a.	497.00	n/a
525.00	n/a	1,100 litres	per bin p.a.	538.00	n/a
<b>Prescribed Waste for Educational Establishments</b>					
45.80	n/a	Sacks	per 50	75.00	n/a
246.00	n/a	240 litres	per bin p.a.	314.00	n/a
275.00	n/a	340 litres	per bin p.a.	357.00	n/a
449.00	n/a	660 litres	per bin p.a.	602.00	n/a
485.00	n/a	1,100 litres	per bin p.a.	734.00	n/a
n/a	n/a	Bin removal & re-delivery charge following non-payment	per occasion	25.00	n/a
n/a	n/a	Extra sacks delivery charge	per occasion	25.00	n/a

- 1) Note: The above are 'ceiling' prices and subject to the discretion of the Head of Environmental Services
- 2) For these commercial waste collection services the minimum contract period is 3 months. A minimum of 3 months notice must be given by the customer to cancel the contract. In the event of the customer cancelling the contract or the Council terminating the contract for non-payment, no refund will be given for the service not supplied during the notice period



## CUSTOMER & COMMUNITY SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>PEST CONTROL</b>					
<b>Commercial Premises</b>					
56.20	67.44	Rats & Mice	per hour or part hour	57.60	69.12
<b>OR</b>					
		Contract service available	per annum		
46.00	55.20	Wasps	one nest job	47.00	56.40
46.00	55.20	Ants	one nest job	47.00	56.40
16.00	19.20	Additional nests	per add. nest	16.40	16.98
56.00	67.20	Bed Bugs	per hour or part hour	57.20	68.64
56.00	67.20	Fleas	per hour or part hour	57.20	68.64
56.00	67.20	Cockroaches	per hour or part hour	57.20	68.64
56.00	67.20	Squirrels	per hour or part hour	57.20	68.64
56.00	67.20	Cluster Fly Infestation	per hour or part hour	57.20	68.64
56.00	67.20	Visit for Advice ONLY	per hour or part hour	57.20	68.64
<b>Domestic Premises *</b>					
18.33	22.00	Rats	# call out charge	18.33	22.00
42.92	51.50	Mice	per job	43.75	52.50
41.67	50.00	Wasps	one nest job	41.67	50.00
42.92	51.50	Ants	one nest job	43.75	52.50
15.83	19.00	Additional nests	per add. nest	16.67	20.00
		Cluster Fly Infestation	one job (up to 3 visits)		
55.00	66.00		from	56.25	67.50
		Bed Bugs	one job (up to 3 visits)		
155.00	186.00		from	158.33	190.00
56.67	68.00	Bed Bugs	additional visits	58.33	70.00
62.50	75.00	Squirrels	per job	64.17	77.00
45.83	55.00	Fleas	per hour	46.67	56.00
45.83	55.00	Cockroaches	per hour	46.67	56.00
18.33	22.00	Visit for Advice ONLY	per half hour	18.33	22.00
56.67	68.00	Return Visit Charge (rats & mice)	per job	58.33	70.00

\* Concession for residents in receipt of income related benefit - £10 per job, waived in cases of hardship at the discretion of the Head of Environmental Services

# A call out charge of £22 per job will be levied irrespective of whether rats are found. A 'job' can include up to 3 visits included in the call out price. Customers in receipt of income related benefits will pay £10. This may be waived in cases of hardship at the discretion of the Head of Environmental Services. No charge is recoverable where rats are reported in public places.

Payment is to be made by card at the time of booking. Cash/cheque payments are only to be offered if resident is unable to pay by card. Payment at the time of treatment is to be discouraged. This is due to the high cost of handling cash and cheque payments.

## CUSTOMER & COMMUNITY SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>Markets - Hertford &amp; Bishop's Stortford</b>					
21.80	n/a	Standard pitch 10' x 7' Incentive for above (Bishop's Stortford only)	per pitch 5 consecutive weeks - 5th week free	21.80	n/a
26.00 1.20	n/a n/a	Casual Trader pitch 10' x 7' Additional space	per pitch per sq ft	26.00 1.20	n/a n/a
<b>Markets - Ware</b>					
14.00	n/a	Standard pitch 10' x 7' Incentive for above	per pitch 5 consecutive weeks - 5th week free	14.00	n/a
15.60 1.20	n/a n/a	Casual Trader pitch 10' x 7' Additional space	per pitch per sq ft	15.60 1.20	n/a n/a
		Charity Stall - Any Market		10.90	n/a
<b>Market Licence</b>					
30.00	n/a	Commercial - up to 10 stalls		30.75	n/a
50.00	n/a	Commercial - up to 11 - 30 stalls		51.25	n/a
104.00	n/a	Commercial - up to 31plus stalls		106.60	n/a
21.00	n/a	Charity		21.55	n/a
<b>Farmers Markets</b>					
107.00	n/a	Village		109.70	n/a
19.80	n/a	Hertford (own stall)		22.35	n/a
27.00	n/a	Hertford (East Herts stall)		27.00	n/a
1,300.00	n/a	<b>Jackson Square</b>	per quarter	1,332.50	n/a

## CUSTOMER & COMMUNITY SERVICES

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>Freedom of Information Act 2000 / Environmental Information Regulations 2004 / Reuse of Public Sector Information Regulations 2005 / Data Protection Act 1998</b>					
<b>Freedom of Information / Data Protection</b>					
		First 2.5 days free			
450.21	540.25	After 2.5 days		450.21	540.25
25.00	30.00		+ per hour	25.00	30.00
<b>Environmental Information Regulations 2004</b>					
25.00	30.00	Staff time	per hour	25.00	30.00
<b>Reuse of Public Sector Information Regulations 2005</b>					
25.00	30.00	Staff time	per hour	25.00	30.00
Information that has a commercial value - a charge will be determined on a case-by-case basis					
<b>Freedom of Information / Environmental Information Regulations / Reuse of Public Sector Information Regulations</b>					
Charges for materials -					
0.10	0.12	Photocopying (black & white)	A4 sheet	0.10	0.12
0.20	0.24		A3 sheet	0.20	0.24
1.10	1.32		A0 sheet	1.10	1.32
0.20	0.24	Photocopying (colour)	A4 sheet	0.20	0.24
0.50	0.60		A3 sheet	0.50	0.60
1.70	2.04		A0 sheet	1.70	2.04
45.11	54.13	Printing (black & white)	per hour	45.11	54.13
45.11	54.13	Printing (colour)	per hour	45.11	54.13
24.68	29.62	CD's (if information is held electronically)	per hour	24.68	29.62
actual cost		Converting to electronic or microfiche		actual cost	
actual cost		Postage		actual cost	
<b>REVENUES</b>					
n/a	n/a	Council Tax penalty for failure to promptly notify or provide information	1st offence	70.00	n/a
n/a	n/a		subsequent offences	280.00	n/a
40.00	n/a	Issue of Summons		40.00	n/a
40.00	n/a	Charge for Liability Order		40.00	n/a
<b>Letting of Council Offices</b>					
30.00	n/a	Council Chamber - Hertford	per hour	30.00	n/a
20.00	n/a	Other Rooms - Hertford	per hour	20.00	n/a

## CHIEF EXECUTIVE

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
<b>LAND CHARGES ( these are Statutory Charges)</b>					
<b>Local Land Charges</b>					
67.00	n/a	Registration of a charge in Part II of the register	per charge	67.00	n/a
2.50	n/a	Filing a definite certificate of the Lands Tribunal under rule 10 (3)	per certificate	2.50	n/a
7.00	n/a	Filing a judgement or order, or written request for the variation or cancellation of any entry in Part 11 of the register	per item	7.00	n/a
2.50	n/a	Inspection of documents filed in the register under rule 10, in respect of each parcel of land	per parcel of land	2.50	n/a
n/a	n/a	Personal search in the whole or any part of the register	per search	n/a	n/a
5.00	n/a	Personal Search inclusive of printout	for print out	5.00	n/a
n/a	n/a	Add in addition in respect of each parcel of land above one, where under rule 11 (3) the search extends to more than one parcel, subject to a maximum of £16.00	per additional search	n/a	n/a
Official search (including issue of official certificate of search) in:					
2.00	n/a	(a) any one part of the register	per search	n/a	n/a
21.00	n/a	(b) the whole of the register	per search	21.00	n/a
1.00	n/a	And in addition, in respect of each parcel of land above one, where under rule II (3) more than one parcel is included in the same requisition (for a search in the whole or part of the register), subject to a maximum of £16.00	per additional search	5.00	n/a
1.50	n/a	Office copy of any entry in the register (not including a copy of any plan or document filed pursuant to the rules)	per copy	n/a	n/a
Various	n/a	Office copy of any plan or other document filed pursuant to the rules	per copy	Various	n/a

## CHIEF EXECUTIVE

2011/12		DETAILS	UNIT OF CHARGE	2012/13	
Exc. VAT £	Inc. VAT 20% £			Exc. VAT £	Inc. VAT 20% £
		These fees are statutory charges			
		<b>Answering form of enquiry</b>			
		<b>Part I Enquiries -</b>			
		These fees are non statutory charges			
		One parcel of land			
66.00	n/a	- Residential / Commercial	per enquiry	66.00	n/a
		- Commercial			
20.00	n/a	each additional parcel	per enquiry	20.00	n/a
n/a	n/a	NLIS Residential	per enquiry	n/a	n/a
n/a	n/a	NLIS Commercial	per enquiry	n/a	n/a
		<b>Part II Enquiries</b>			
		Where relating to one parcel of land only or to several parcels and delivered on a single form -			
		Each printed enquiry			
10.00	n/a	numbered in the form	per enquiry	12.00	n/a
25.00	n/a	Any and each further enquiry added by solicitors	per enquiry	25.00	n/a
15.40+	n/a	Abstract of Title		15.40+	n/a
21p	n/a			21p	n/a
per sheet copied				per sheet copied	
		<b>LEGAL CHARGES</b>			
100.00	120.00	Notice of Transfer	per hour	102.50	123.00
100.00	120.00	Deed of Variation	per hour	102.50	123.00
100.00	120.00	Deed of Covenant Copy	per hour	102.50	123.00
100.00	120.00	" Engrossment	per hour	102.50	123.00
100.00	120.00	Postponement of Charge	per hour	102.50	123.00
100.00	120.00	Litigation, Conveyancing and Planning matters	per hour	102.50	123.00
100.00	n/a	Sale of Council Minutes	per civic year	102.50	n/a
		Extract of Electoral Register			
20.00 + 1.50	n/a	Fee for sale of the Register	data	20.50 + 1.50	n/a
per thousand entries or part				per thousand entries or part	
10.00 + 5.00	n/a		printed	10.00 + 5.00	n/a
per thousand entries or part				per thousand entries or part	
		Fee for sale of the list of Overseas Electors			
20.00 + 1.50	n/a		data	20.50 + 1.50	n/a
per hundred entries or part				per hundred entries or part	
10.00 + 5.00	n/a		printed	10.00 + 5.00	n/a
entries or part				entries or part	

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## EAST HERTS COUNCIL

### JOINT SCRUTINY COMMITTEE – 17 JANUARY 2012 EXECUTIVE – 7 FEBRUARY 2012

#### REPORT BY EXECUTIVE MEMBER FOR FINANCE

#### SERVICE ESTIMATES – REVENUE BUDGET PROBABLE 2011/12 – ESTIMATE 2012/13

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WARD(S) AFFECTED: ALL

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#### **Purpose/Summary of Report:**

- The report deals with the revenue estimate process which will conclude at the Council meeting on 7 March 2012 when a formal resolution setting the 2012/13 Council Tax will be approved.

<b><u>RECOMMENDATION FOR JOINT SCRUTINY COMMITTEE:</u></b> that
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The Committee make such comments and recommendations to the Executive as the Committee determine.
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<b><u>RECOMMENDATIONS FOR EXECUTIVE:</u></b> that
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(A)	Any comments made by Joint Scrutiny Committee on the 17 January 2012 be considered; and
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(B)	The Probable Revenue Estimates for 2011/12 and the draft Revenue Estimates for 2012/13 be recommended to Council.
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#### 1.0 Background:

1.1 The process and timetable for the preparation and presentation of the Council's Revenue Estimates aimed to ensure appropriate consultation with Officers and Members as well as linkages with the Council's service planning process.

1.2 The Strategy to be adopted in preparing the 2012/13 Estimates was set by the Executive at its meeting on 6 September 2011.

1.3 The budget process links service demand with the Council's Priorities and the Community Strategy using an integrated service

planning and financial management framework. This year's process included further challenge day sessions in order to consider service enhancements and proposals for efficiency savings in line with targets set. The consolidated report sets out proposals for enhancements and efficiency savings.

2.0 Report:

2.1 The summarised estimates in respect of all General Fund Services are attached at **Essential Reference Paper B1**. The Director of Internal Services and his team have been available to advise Directors on the contents of their budgets.

2.2 Price Levels:

2.3 The Probable Estimates for 2011/12 are based on actual payments to date plus anticipated expenditure to the end of the financial year.

2.4 The Estimates for 2012/13 are the projected outturns including anticipated inflation.

2.5 The Salary estimates for 2012/13 include the following:

- A nil pay award.
- An assumption that vacancies arising from turnover will produce savings equating to 3% of the total pay bill across virtually all cost centres.
- Increments and 5% supplements as appropriate;
- The financial effects of any job evaluations/redundancies/restructuring.

2.6 Income Estimates do not yet reflect increases in fees and charges in line with the recommendations included elsewhere on the Agenda.

2.7 Recharges of Divisional and Support Costs:

2.8 In line with the strategy this year Estimates presented do not show recharges of Divisional and Support costs.

2.9 Comments on the Estimates presented:

Budgets excluding Capital Financing Costs:



- 2.10 Overall the Probable Estimates for services, show a circa £374k favourable variance from the Original 2011/12 Estimate.
- 2.11 The 2012/13 Estimate shows a decrease of £1,732k over the 2011/12 Estimate.
- 2.12 Capital Financing Costs:
- 2.13 To facilitate year on year comparisons the estimates presented do not include Capital Charges. These costs represent the depreciation charge for assets. Where external funding has been received towards capital expenditure, this is credited to the service in a likewise approach. Capital financing costs do not flow through to net expenditure used to determine the council tax. Capital financing costs increase from £4,442k in 2011/12 to £4,488k in 2012/13. The summarised estimates in respect of all Capital Financing costs are attached at **Essential Reference Paper B2**.

Service Estimates:

- 2.14 The following comments aim to provide Members with an insight into the significant underlying movements within the service budgets that support the Estimates presented.
- 2.15 As a result of the Senior Management Restructuring Review, changes have occurred to and within cost centres so that they now appear under different Directorships.

Salary Estimates:

- 2.15 Probable/Estimate:
- 2.16 The probable estimate shows an adverse position of £440k. Whereas further initiatives on restructuring and reduced officer hours shows a £226k favourable position for the estimate.

3.0 Chief Executive Division:

3.1 Meals on Wheels:

- 3.2 *Estimate* – The current contract will cease on 31.7.12 and Herts County Council will takeover full responsibility. Thus there is an estimate to estimate saving of £46k.

3.3 Community Planning:

3.4 *Estimate* – There is no request for a budget to spend on the Local Strategic Partnership in 2012/13 as external funding has ceased thus making a saving of £60k.

3.5 Concessionary Fares:

3.6 *Probable* – The costs associated with Concessionary Fares for 2010/11 are lower by £19k than anticipated when the accounts were closed resulting in a favourable position in 2011/12.

3.7 District Election Costs:

3.8 *Estimate* – The cost of the District Elections in 2011/12 was circa £100k. For 2012/13 a provision of £10k is made in the event of a By-Election.

4.0 Neighbourhood Services:

4.1 Legal Fees:

4.2 *Probable* – The Council has received £158k as a result of illegal asset recovery action regarding airport car parking.

4.3 Building Control Service:

4.4 *Estimate* – Building Control income is expected to be £40k greater in 2012/13 than 2011/12 due to an increase in fees.

4.5 Development Plans Service:

4.6 *Probable* – There will be an underspend on the Local Development Framework of £88k as the next stage in the LDF preparation process will be in 2012/13.

4.7 Development Control Service:

4.8 *Probable* – Income is down by £30k, although the volume of work is being maintained, but only as small scale activity. Additional costs associated with Bishop's Stortford Schools Planning Appeal coupled with further planning issues will add a further £76k to the expected expenditure.

4.9 Emergency Planning:

4.10 *Probable* – Costs associated with dealing with travellers such as Bailiffs and Hertfordshire Constabulary fees are expected to overspend the Emergency Planning budget by £19k.

4.11 Engineering and Transport Functions:

4.12 *Probable/Estimate* – Funding of £50k for the footbridge over the River Stort will be actioned through reserves.

4.13 Private Sector Housing:

4.14 *Probable* – A repayment of £20k has been received as a consequence of repayments of Renovation Grants previously awarded.

4.15 Enabling:

4.16 *Estimate* – Savings of £27k have been identified in this service.

4.17 Hillcrest:

4.18 *Probable/Estimate* – The occupancy rates at Hillcrest Hostel is now consistently higher generating over £40k of additional income.

5.0 Customer and Community Services:

5.1 Refuse Collection – Domestic:

5.2 *Probable*- Savings from the new contract will generate a saving of £92k. A further saving of £135k, as a result of shared services, is still to be built into a number of relevant budget headings including Domestic Refuse Collection.

5.3 Street Cleansing:

5.4 *Probable* – Savings on the contract coupled with contributions from other authorities show a £128k saving.

5.5 Refuse Collection – Commercial:

- 5.6 *Estimate* – The Government is to implement new waste regulations from 1<sup>st</sup> April 2012. One result will be that waste from schools will now attract a disposal charge (including landfill tax) from the County Council. This, together with rising landfill tax and a decline in business as a result of the economic climate, is giving rise to an overall adverse £83k position.
- 5.7 Recycling:
- 5.8 *Probable/Estimate* – Despite large variations on individual budget lines the recycling service shows an adverse £23k and £29k position to the probable and estimate from the original estimate.
- 5.9 Parks and Open Spaces:
- 5.10 *Probable/Estimate* – There are increases of £23k and £43k respectively in this service arising principally from the difference between the Council's estimate for Retail Price Index and actual RPI.
- 5.11 Buntingford Depot:
- 5.12 *Probable/Estimate* – The Recycling Materials Handling Project to introduce sorting/bailing equipment has been delayed due to the new contract and this coupled with the volatility of material prices reflect savings of £44k and £25k respectively.
- 5.13 Car Park Service:
- 5.14 *Probable/Estimates* – Variances in income and expenditure budget lines show an adverse position of £29k and £37k respectively on a base budget of £1.615m. Further Car Park savings of £317k have yet to be built in. £230k relates to re-letting of the Car Park Enforcement contract. A further £50k relates to a reduction in the cost of pay and display machine maintenance.
- 5.15 Leisure Provision:
- 5.16 *Estimate* – Savings on the contract amount to circa £71k.
- 5.17 Economic Development:
- 5.18 *Probable/Estimate* – The call on the Local Authority Business Growth Grant will be reduced by £95k and £88k respectively.

5.19 Hertford Theatre:

5.20 *Estimate* – The implementation of the business plan shows a favourable £73k variance from estimate to estimate.

6.0 Internal Services:

6.1 IT Licences:

6.2 *Probable/Estimate* – A review of IT Licences has resulted in a reduction on the original budget of £107k. Savings from the Licence review will generate £74k in 2012/13. The one off £80k in 2011/12 to support the implementation of a new Financial Ledger system will not be repeated in 2012/13.

6.3 Administrative Buildings:

6.4 *Probable* – Costs associated with the office moves such as the disposal of redundant files, physical storage and moving staff temporarily during the refurbishment works amounts to circa £53k.  
*Estimate* – The full impact of decanting to Wallfields shows a favourable position of £178k.

6.5 Corporate and Democratic Core:

6.6 *Probable* – A review of the budget for Members allowances has identified an underspend of £45k. External Audit fees are £25k less due to no longer having to pay the standard fee from Grant Thornton is less than budgeted for. Other savings amount to £14k.

*Estimate* – Similar proportionate savings of £61 are reflected in the 2012/13 estimate.

6.7 New Homes Bonus Grant:

6.8 *Probable* – A sum of £415k has been awarded to East Herts Council from which 50% has been allocated to support Parishes and for this Council's priority spend leaving £207 as favourable variance. These sums will repeat into the 2012/13 Estimate.  
*Estimate* – An additional £425k is expected of which 50% will support the above projects and the remainder the Council Tax. The overall impact is a £113k favourable position against previous MTFP assumptions.

6.9 Cost of Change Contingency:

6.10 *Estimate* – There is a reduction of £200k in the Cost of Change Provision.

6.11 Shared Services:

6.12 *Probable* – A sum of £26k has been set aside representing one third of the cost of developing the detailed business case for Shared services.

6.13 Capital Salaries:

6.14 *Estimate* – A further £40k of IT salaries is to be capitalised against specific projects.

7.0 Implications/Consultations:

7.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper ‘A’**.

Background Papers:

None.

Contact Member: Councillor M Tindale – Executive Member for Finance

Contact Officer: Alan Madin – Director of Internal Services – Contact Tel Ext No 1401

Report Author: Mick O’Connor– Principal Accountant

## ESSENTIAL REFERENCE PAPER 'A'

<p>Contribution to the Council's Corporate Priorities/ Objectives (delete as appropriate):</p>	<p><b>Promoting prosperity and well-being; providing access and opportunities</b>  <i>Enhance the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable.</i></p> <p><b>Fit for purpose, services fit for you</b>  <i>Deliver customer focused services by maintaining and developing a well managed and publicly accountable organisation.</i></p> <p><b>Pride in East Herts</b>  <i>Improve standards of the built neighbourhood and environmental management in our towns and villages.</i></p> <p><b>Shaping now, shaping the future</b>  <i>Safeguard and enhance our unique mix of rural and urban communities, ensuring sustainable, economic and social opportunities including the continuation of effective development control and other measures.</i></p> <p><b>Leading the way, working together</b>  <i>Deliver responsible community leadership that engages with our partners and the public.</i></p>
Consultation:	Not Applicable
Legal:	None
Financial:	See body of report
Human Resource:	None
Risk Management:	As outlined in the report

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**ALL DIVISIONS****Essential Reference Paper B1**

	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
<b>SUMMARY OF ESTIMATES</b>				
SERVICE				
CHIEF EXECUTIVE	2,343,097	1,389,610	1,631,070	1,191,990
NEIGHBOURHOOD SERVICES	3,326,131	3,569,435	3,397,300	3,462,530
CUSTOMER & COMMUNITY SERVICES	7,003,308	5,899,980	5,797,620	5,706,820
INTERNAL SERVICES	5,025,494	5,096,890	4,755,650	3,902,520
CAPITAL SALARIES	-186,000	-186,000	-186,000	-226,000
NET EXPENDITURE	<u>17,512,030</u>	<u>15,769,915</u>	<u>15,395,640</u>	<u>14,037,860</u>

## CHIEF EXECUTIVE

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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### SUMMARY OF CHIEF EXECUTIVE ESTIMATES

CE1	Chief Executive & Corp Support Team	220,941	217,960	221,940	218,860
CE2	Community Engagement	1,489,000	507,410	551,710	654,970
CE3	Governance Support	201,453	327,360	448,510	318,160
CE4	Strategic Direction	431,703	336,880	408,910	0
	NET EXPENDITURE	<u>2,343,097</u>	<u>1,389,610</u>	<u>1,631,070</u>	<u>1,191,990</u>

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF COMMUNITY ENGAGEMENT ESTIMATES**

## SERVICE

CEE1	Community Engagement Manager	0	0	0	78,480
CEE2	Communications	0	0	0	149,140
CEE3	Desk Top Publishing	55,894	17,910	46,330	26,140
CEE4	Engagement & Partnership Team	176,037	114,720	158,070	142,450
CEE5	MOWs	131,154	61,050	61,030	15,270
CEE5	CABs	129,000	129,000	129,000	129,000
CEE6	Community Planning	50,901	80,600	77,300	17,800
CEE7	Concessionary Transport	824,194	0	-19,360	0
CEE7	Transportation	86,390	86,650	77,300	86,650
CEE8	Revenue Contributions & Grants to Voluntary Bodies	35,430	17,480	22,040	10,040
NET EXPENDITURE		<u>1,489,000</u>	<u>507,410</u>	<u>551,710</u>	<u>654,970</u>

	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF GOVERNANCE SUPPORT ESTIMATES**

SERVICE					
CEG1	Democratic Services	303,666	225,500	349,510	308,990
CEG2	Land Charges & LLPG	133,595	129,740	125,680	128,940
CEG3	Burials	389	1,000	4,100	1,000
CEG4	Elections	67,203	151,000	152,500	62,500
CEG5	Land Charges Service	-307,792	-179,880	-183,270	-183,270
CEG5	Street Naming	4,392	0	-10	0
NET EXPENDITURE		<u>201,453</u>	<u>327,360</u>	<u>448,510</u>	<u>318,160</u>

## NEIGHBOURHOOD SERVICES

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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### SUMMARY OF ESTIMATES

#### SERVICE

NS1	Director of Neighbourhood Services	124,744	125,090	123,500	124,390
NS2	Legal Services	267,265	277,890	161,660	276,420
NS3	Planning & Building Control	1,118,876	1,270,510	1,242,940	1,152,280
NS4	Community Safety & Health	1,324,282	1,354,425	1,361,160	1,424,890
NS5	Housing Services	490,964	541,520	508,040	484,550
	<b>NET EXPENDITURE</b>	<b>3,326,131</b>	<b>3,569,435</b>	<b>3,397,300</b>	<b>3,462,530</b>

**NEIGHBOURHOOD SERVICES**

NS3

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF PLANNING & BUILDING CONTROL ESTIMATES**

## SERVICE

NSP1	Development Plans	274,844	257,500	239,450	249,400
NSP2	Building Control Section	711,645	689,250	703,340	681,770
NSP3	Development Control Section	1,309,106	1,317,670	1,273,500	1,306,500
NSP4	Conservation Section	86,007	95,390	100,970	96,910
NSP5	Development Plans Service	34,124	141,600	53,580	131,600
NSP6	Building Control Service	-642,256	-635,500	-638,900	-673,900
NSP7	Development Control Service	-655,594	-597,400	-491,000	-642,000
NSP8	Conservation Service	1,000	2,000	2,000	2,000
NET EXPENDITURE		<u>1,118,876</u>	<u>1,270,510</u>	<u>1,242,940</u>	<u>1,152,280</u>

# NEIGHBOURHOOD SERVICES

NS4

	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £	
<b>SUMMARY OF COMMUNITY SAFETY &amp; HEALTH ESTIMATES</b>					
SERVICE					
NSL1	Community Protection	278,834	300,930	291,750	295,270
NSL2	Hackney Carriages	-107,690	-118,800	-109,900	-119,000
NSL3	Gambling & Other Licensing	-14,181	-16,000	-16,000	-16,000
NSL4	Alcohol & Entertainment Licensing	-115,933	-108,000	-108,000	-108,000
NSL5	Emergency Planning	23,202	32,000	51,450	31,450
NSL6	Community Safety Section	40,986	42,230	44,000	40,820
NSL9	Community Safety Projects	-126	0	0	0
NSL10	Community Safety Service	123,345	134,645	139,880	162,030
NSL11	Engineering & Drainage	0	0	49,410	133,090
NSL12	Engineering & Transport	22,268	77,530	26,580	24,040
NSH1	Environmental Health	1,041,093	1,035,840	949,580	922,970
NSH2	Private Sector Housing Grants	-30,883	0	-19,500	0
NSH2	Houses in Multiple Occupation	0	0	0	0
NSH2	Landlord Forum	253	500	500	500
NSH3	Env Health Licences	-13,134	-13,100	-13,100	-13,100
NSH3	Sampling	-515	1,820	1,820	1,820
NSH4	Food & Health Safety	1,436	3,840	3,530	3,640
NSH5	Environmental Health Promotions	53,231	53,590	53,280	52,990
NSH6	Environmental Pollution	22,096	27,400	15,880	12,370
NSH7	Env Health Work	0	-100,000	0	0
	<b>NET EXPENDITURE</b>	<b>1,324,282</b>	<b>1,354,425</b>	<b>1,361,160</b>	<b>1,424,890</b>

# NEIGHBOURHOOD SERVICES

NS5

	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £	
<b>SUMMARY OF HOUSING ESTIMATES</b>					
SERVICE					
NSH1	Housing Options Section	353,025	316,170	326,060	324,770
NSH2	Housing Strategy	51,189	55,720	60,820	69,640
NSH3	Private Sector Housing	0	50	50	50
NSH3	Other Private Sector Housing	0	0	0	0
NSH3	Other Housing	-2,879	8,200	2,430	2,450
NSH4	Enabling	68,620	63,980	72,620	37,300
NSH5	Housing Options	49,675	112,080	106,590	106,590
NSH6	Hillcrest Hostel	-48,014	-14,680	-60,530	-56,250
NSH7	Thele Hostel	19,348	0	0	0
	<b>NET EXPENDITURE</b>	<b>490,964</b>	<b>541,520</b>	<b>508,040</b>	<b>484,550</b>



## CUSTOMER & COMMUNITY SERVICES

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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### SUMMARY OF ESTIMATES

#### SERVICE

CC1	Director of Customer & Community	109,073	106,120	106,290	106,020
CC2	Environmental Services	6,694,052	5,526,200	5,322,440	5,565,090
CC3	Customer Services & Parking	-702,116	-610,350	-577,730	-617,330
CC4	Revenue & Benefits Services	266,706	291,740	364,060	300,630
CC5	Economic Development	185,912	253,940	165,600	111,830
CC6	Hertford Theatre	366,140	313,250	336,360	240,580
CC7	Community & Cultural	83,541	19,080	80,600	0
	<b>NET EXPENDITURE</b>	<u>7,003,308</u>	<u>5,899,980</u>	<u>5,797,620</u>	<u>5,706,820</u>

# CUSTOMER & COMMUNITY SERVICES

CC2

	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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## SUMMARY OF ENVIRONMENTAL SERVICES ESTIMATES

### SERVICE

CCE1	Environmental Services	1,068,701	1,033,590	1,019,930	1,017,180
CCE2	Allotments	48	150	100	100
CCE3	Playgrounds	120,626	115,900	120,700	121,050
CCE4	Public Conveniences	110,010	91,730	99,250	101,100
CCE5	Refuse Collection - Domestic	2,613,048	1,197,050	1,105,500	1,192,350
CCE6	Refuse Collection - Commerical	-141,194	-135,350	-138,750	-52,250
CCE7	Clinical Waste	-45,037	-17,800	-29,600	-18,700
CCE8	Street Cleansing & Litter Control	978,419	1,015,580	887,900	999,050
CCE9	Recycling	149,257	574,150	596,850	603,050
CCE10	Parks & Open Spaces	986,348	1,073,030	1,097,500	1,115,590
CCE11	Buntingford Service Centre	171,513	264,280	220,140	237,940
CCE12	Animal Control	28,319	31,960	28,550	30,770
CCE13	Pest Control	53,161	52,960	50,640	53,040
CCE14	Environmental Co-Ordination Section	58,719	30,610	56,900	30,390
CCE15	Herts Environmental Forum	-640	-660	-650	400
CCE16	Environmental Co-Ordination Service	27,020	41,550	40,300	39,550
CCE17	Leisure Services	50,040	46,970	49,450	48,200
CCE18	Leisure Development	2,168	2,220	2,220	2,220
CCE19	Leisure Provision	445,054	84,050	94,540	19,980
CCE20	Customer & Community Admin	18,472	24,230	20,970	24,080
	<b>NET EXPENDITURE</b>	<b>6,694,052</b>	<b>5,526,200</b>	<b>5,322,440</b>	<b>5,565,090</b>

**CUSTOMER & COMMUNITY SERVICES**

CC4

	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF CUSTOMER SERVICES & NEW MEDIA ESTIMATES**

## SERVICE

CCS1	Head of Customer Relations	136,967	133,260	144,520	132,800
CCS2	External Customer Services	417,471	395,620	385,670	361,750
CCS3	Web Team	105,605	85,950	101,970	87,640
CCS4	Information Management	27,115	25,880	29,100	29,190
CCS5	Car Parking	363,791	364,360	347,230	349,240
CCS6/13	Car Parks	-1,753,065	-1,615,420	-1,586,220	-1,577,950
	NET EXPENDITURE	<u>-702,116</u>	<u>-610,350</u>	<u>-577,730</u>	<u>-617,330</u>

**CUSTOMER & COMMUNITY SERVICES**

CC4

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF REVENUES & BENEFITS ESTIMATES**

## SERVICE

CCR1	Revenues & HB Section	1,366,171	1,187,570	750,160	-152,580
CCR2	Revenues & HB Section - Transitional	0	0	0	0
CCR3	Revenues & HB - Shared Service	0	0	512,730	1,341,040
CCR4	Benefits Service	-1,099,465	-895,830	-898,830	-887,830
CCR4	Revenues Service	0	0	0	0
	<b>NET EXPENDITURE</b>	<u>266,706</u>	<u>291,740</u>	<u>364,060</u>	<u>300,630</u>

**CUSTOMER & COMMUNITY SERVICES**

CC3

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF ECONOMIC DEVELOPMENT ESTIMATES**

## SERVICE

CCD1	Economic Development Section	123,112	91,220	93,160	68,660
CCD2	Markets	25,812	-20,920	-32,950	-44,330
CCD3	Community Projects	54,607	60,400	56,300	52,000
CCD4	Big Lottery	836	0	0	0
CCD5	Tourism	2,893	3,190	2,620	3,090
CCD6	Economic Development	-21,348	120,050	46,470	32,410
CCD7	Town Centre Enhancements	0	0	0	0
CCD8	Rural Development	0	0	0	0
	<b>NET EXPENDITURE</b>	<u>185,912</u>	<u>253,940</u>	<u>165,600</u>	<u>111,830</u>

**CUSTOMER & COMMUNITY SERVICES**

CC3

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF HERTFORD THEATRE ESTIMATES**

## SERVICE

CCT1	Hertford Theatre	366,140	313,250	344,030	316,560
CCT2	Hertford Theatre Café	0	0	-7,670	-75,980
	<b>NET EXPENDITURE</b>	<u>366,140</u>	<u>313,250</u>	<u>336,360</u>	<u>240,580</u>

## INTERNAL SERVICES

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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### SUMMARY OF ESTIMATES

#### SERVICE

IS1	Director of Internal Services	146,828	132,990	146,900	81,770
IS2	Programme Director	106,547	32,290	100	0
IS3	People, ICT & Property Services	3,044,701	2,748,610	2,833,030	2,265,880
IS4	Financial Services & Performance	591,787	564,050	570,160	655,620
IS5	Corporate Risk	282,828	247,310	317,980	288,070
IS6	Other	852,803	1,371,640	887,480	611,180
	NET EXPENDITURE	<u>5,025,494</u>	<u>5,096,890</u>	<u>4,755,650</u>	<u>3,902,520</u>

**INTERNAL SERVICES**

IS3

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF PEOPLE, ICT AND PROPERTY SERVICES ESTIMATES**

ISP1	People & Organisational Services	341,146	317,220	309,930	323,020
ISP2	Head of Business Support Services	70,623	41,650	132,220	0
ISP3	IT Services	1,310,480	1,297,010	1,295,230	1,161,710
ISP4	Facilities and Property	1,322,452	1,092,730	1,095,650	781,150
	<b>NET EXPENDITURE</b>	<b>3,044,701</b>	<b>2,748,610</b>	<b>2,833,030</b>	<b>2,265,880</b>



**INTERNAL SERVICES**

IS4

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF FINANCIAL SERVICES & PERFORMANCE ESTIMATES**

ISF1	Accountancy	534,742	489,380	498,340	484,790
ISF2	Performance	0	0	0	111,120
ISF3	Procurement	57,045	74,670	71,820	59,710
NET EXPENDITURE		<u>591,787</u>	<u>564,050</u>	<u>570,160</u>	<u>655,620</u>

**INTERNAL SERVICES**

IS4

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
<b>SUMMARY OF CORPORATE RISK</b>				
ISR1 Corporate Risk & Insurance	110,395	106,630	162,410	172,470
ISR2 Internal Audit Services	172,433	140,680	155,570	115,600
NET EXPENDITURE	<u>282,828</u>	<u>247,310</u>	<u>317,980</u>	<u>288,070</u>

**INTERNAL SERVICES**

IS9

2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF OTHER ESTIMATES**

## SERVICE

ISO1	Corporate & Democratic Core	820,084	868,780	786,220	809,760
ISO2	Other Expenses	32,719	502,860	101,260	-198,580
	<b>NET EXPENDITURE</b>	<u>852,803</u>	<u>1,371,640</u>	<u>887,480</u>	<u>611,180</u>

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**ALL DIVISIONS****Essential Reference Paper B2**

	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
<b>SUMMARY OF ESTIMATES</b>				
SERVICE				
CHIEF EXECUTIVE	130,213	238,220	391,540	186,630
NEIGHBOURHOOD SERVICES	1,304,841	1,957,980	1,845,450	1,964,420
CUSTOMER & COMMUNITY SERVICES	5,403,629	1,920,910	1,935,070	1,891,820
INTERNAL SERVICES	315,988	324,680	369,190	445,280
CAPITAL CHARGES	<u>7,154,671</u>	<u>4,441,790</u>	<u>4,541,250</u>	<u>4,488,150</u>

## CHIEF EXECUTIVE

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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### SUMMARY OF CHIEF EXECUTIVE ESTIMATES

CE1	Chief Executive & Corp Support Team	13,217	16,530	14,460	19,710
CE2	Community Engagement	83,359	189,600	349,540	147,020
CE3	Governance Support	27,716	26,130	22,860	19,900
CE4	Strategic Direction	5,921	5,960	4,680	0
	<b>CAPITAL CHARGES</b>	<u>130,213</u>	<u>238,220</u>	<u>391,540</u>	<u>186,630</u>

**CHIEF EXECUTIVE**

CE2

	2010/11 ACTUAL	2011/12 ESTIMATE	2011/12 PROBABLE	2012/13 ESTIMATE
Service	£	£	£	£

**SUMMARY OF COMMUNITY ENGAGEMENT ESTIMATES**

## SERVICE

CEE1	Community Engagement Manager	0	0	0	780
CEE2	Communications	0	0	0	2,340
CEE3	Desk Top Publishing	1,930	1,970	1,300	780
CEE4	Engagement & Partnership Team	2,570	2,630	2,590	3,120
CEE6	Community Planning	288	65,000	124,700	20,000
CEE8	Revenue Contributions & Grants to Voluntary Bodies	78,571	120,000	220,950	120,000
CAPITAL CHARGES		<u>83,359</u>	<u>189,600</u>	<u>349,540</u>	<u>147,020</u>

	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF GOVERNANCE SUPPORT ESTIMATES**

SERVICE					
CEG1	Democratic Services	12,606	13,860	11,830	9,570
CEG2	Land Charges & LLPG	8,447	9,580	8,240	7,740
CEG4	Elections	6,663	2,690	2,790	2,590
CAPITAL CHARGES		<u>27,716</u>	<u>26,130</u>	<u>22,860</u>	<u>19,900</u>



## NEIGHBOURHOOD SERVICES

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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### SUMMARY OF ESTIMATES

#### SERVICE

NS1	Director of Neighbourhood Services	42,042	50,010	44,000	51,130
NS2	Legal Services	4,920	4,610	4,320	5,890
NS3	Planning & Building Control	95,107	114,240	107,060	108,030
NS4	Community Safety & Health	902,329	1,029,720	932,280	1,039,870
NS5	Housing Services	260,443	759,400	757,790	759,500
CAPITAL CHARGES		<u>1,304,841</u>	<u>1,957,980</u>	<u>1,845,450</u>	<u>1,964,420</u>

**NEIGHBOURHOOD SERVICES**

NS3

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF PLANNING & BUILDING CONTROL ESTIMATES**

## SERVICE

NSP1	Development Plans	8,493	9,400	9,340	8,390
NSP2	Building Control Section	14,174	14,070	13,630	22,480
NSP3	Development Control Section	35,683	33,250	30,350	40,600
NSP4	Conservation Section	1,280	1,320	1,940	1,560
NSP8	Conservation Service	35,477	56,200	51,800	35,000
CAPITAL CHARGES		<u>95,107</u>	<u>114,240</u>	<u>107,060</u>	<u>108,030</u>

## NEIGHBOURHOOD SERVICES

NS4

	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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### SUMMARY OF COMMUNITY SAFETY & HEALTH ESTIMATES

#### SERVICE

NSL1	Community Protection	5,130	7,370	6,680	7,740
NSL6	Community Safety Section	1,186	1,040	1,030	780
NSL10	Community Safety Service	53,570	53,590	53,210	53,710
NSL11	Engineering & Drainage	0	0	0	2,340
NSL12	Engineering & Transport	248,840	216,060	200,440	234,360
NSH1	Environmental Health	23,951	24,600	23,370	24,760
NSH2	Private Sector Housing Grants	566,747	726,400	646,900	715,400
NSH5	Environmental Health Promotions	640	660	650	780
NSH6	Environmental Pollution	2,265	0	0	0
CAPITAL CHARGES		902,329	1,029,720	932,280	1,039,870

**NEIGHBOURHOOD SERVICES**

NS5

	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF HOUSING ESTIMATES**

## SERVICE

NSH1	Housing Options Section	14,213	22,110	20,520	22,770
NSH2	Housing Strategy	2,155	2,120	2,100	1,560
NSH3	Other Housing	205,600	700,000	700,000	700,000
NSH5	Housing Options	14,925	14,930	14,930	14,930
NSH6	Hillcrest Hostel	20,030	20,240	20,240	20,240
NSH7	Thele Hostel	3,520	0	0	0
		<hr/>	<hr/>	<hr/>	<hr/>
	CAPITAL CHARGES	260,443	759,400	757,790	759,500
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## CUSTOMER & COMMUNITY SERVICES

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
<b>SUMMARY OF ESTIMATES</b>				
SERVICE				
CC1 Director of Customer & Community	42,038	50,010	44,000	51,130
CC2 Environmental Services	930,968	949,590	975,430	955,380
CC3 Customer Services & Parking	1,226,692	468,510	463,270	508,980
CC4 Revenue & Benefits Services	73,246	92,230	89,640	113,470
CC5 Economic Development	286,886	209,940	314,850	208,120
CC6 Hertford Theatre	2,843,159	149,970	47,230	54,740
CC7 Community & Cultural	640	660	650	0
<b>CAPITAL CHARGES</b>	<u>5,403,629</u>	<u>1,920,910</u>	<u>1,935,070</u>	<u>1,891,820</u>

**CUSTOMER & COMMUNITY SERVICES**

CC2

	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £	
<b>SUMMARY OF ENVIRONMENTAL SERVICES ESTIMATES</b>					
SERVICE					
CCE1	Environmental Services	29,978	30,470	27,060	43,450
CCE3	Playgrounds	104,740	124,850	121,450	133,210
CCE4	Public Conveniences	28,480	28,480	28,480	28,480
CCE5	Refuse Collection - Domestic	76,640	87,460	88,100	97,960
CCE6	Refuse Collection - Commerical	18,000	17,650	16,280	19,630
CCE9	Recycling	170,240	179,830	178,760	98,920
CCE10	Parks & Open Spaces	25,050	40,050	40,050	40,050
CCE11	Buntingford Service Centre	30,925	28,830	29,470	20,150
CCE12	Animal Control	640	660	650	780
CCE13	Pest Control	1,280	1,320	1,300	1,560
CCE14	Environmental Co-Ordination Section	640	660	650	780
CCE15	Herts Environmental Forum	640	660	650	780
CCE16	Environmental Co-Ordination Service	1,170	1,170	1,170	1,020
CCE17	Leisure Services	640	660	650	780
CCE19	Leisure Provision	441,905	406,840	440,710	467,830
CAPITAL CHARGES		<u>930,968</u>	<u>949,590</u>	<u>975,430</u>	<u>955,380</u>

**CUSTOMER & COMMUNITY SERVICES**

CC4

	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF CUSTOMER SERVICES & NEW MEDIA ESTIMATES**

## SERVICE

CCS1	Head of Customer Relations	1,280	1,320	1,300	1,560
CCS2	External Customer Services	37,641	32,120	31,530	30,020
CCS3	Web Team	1,920	1,970	1,940	2,340
CCS4	Information Management	640	660	650	780
CCS5	Car Parking	7,593	7,230	6,560	8,380
CCS6/13	Car Parks	1,177,618	425,210	421,290	465,900
	CAPITAL CHARGES	<u>1,226,692</u>	<u>468,510</u>	<u>463,270</u>	<u>508,980</u>

**CUSTOMER & COMMUNITY SERVICES**

CC4

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF REVENUES & BENEFITS ESTIMATES**

## SERVICE

CCR1	Revenues & HB Section	73,246	92,230	89,640	113,470
	CAPITAL CHARGES	<u>73,246</u>	<u>92,230</u>	<u>89,640</u>	<u>113,470</u>



**CUSTOMER & COMMUNITY SERVICES**

CC3

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF ECONOMIC DEVELOPMENT ESTIMATES**

## SERVICE

CCD1	Economic Development Section	2,570	2,630	2,590	2,340
CCD2	Markets	3,510	22,330	14,540	20,390
CCD3	Community Projects	141,223	1,000	77,800	1,070
CCD6	Economic Development	0	1,500	0	600
CCD7	Town Centre Enhancements	139,583	182,480	219,920	183,720
	<b>CAPITAL CHARGES</b>	<u>286,886</u>	<u>209,940</u>	<u>314,850</u>	<u>208,120</u>

**CUSTOMER & COMMUNITY SERVICES**

CC3

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF HERTFORD THEATRE ESTIMATES**

## SERVICE

CCT1	Hertford Theatre	2,843,159	149,970	47,230	54,740
	CAPITAL CHARGES	<u>2,843,159</u>	<u>149,970</u>	<u>47,230</u>	<u>54,740</u>

## INTERNAL SERVICES

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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### SUMMARY OF ESTIMATES

#### SERVICE

IS1	Director of Internal Services	42,681	50,670	44,000	51,150
IS3	People, ICT & Property Services	206,353	209,050	261,690	320,200
IS4	Financial Services & Performance	9,705	8,560	8,470	12,680
IS5	Corporate Risk	6,326	5,570	3,810	3,410
IS6	Other	50,923	50,830	51,220	57,840
CAPITAL CHARGES		<u>315,988</u>	<u>324,680</u>	<u>369,190</u>	<u>445,280</u>

**INTERNAL SERVICES**

IS3

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF PEOPLE, ICT AND PROPERTY SERVICES ESTIMATES**

ISP1	People & Organisational Services	3,850	3,950	3,890	21,540
ISP3	IT Services	8,980	9,220	9,710	10,920
ISP4	Facilities and Property	193,523	195,880	248,090	287,740
CAPITAL CHARGES		<u>206,353</u>	<u>209,050</u>	<u>261,690</u>	<u>320,200</u>

**INTERNAL SERVICES**

IS4

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF FINANCIAL SERVICES & PERFORMANCE ESTIMATES**

ISF1	Accountancy	8,425	7,240	7,820	9,410
ISF2	Performance	0	0	0	2,490
ISF3	Procurement	1,280	1,320	650	780
CAPITAL CHARGES		<u>9,705</u>	<u>8,560</u>	<u>8,470</u>	<u>12,680</u>

**INTERNAL SERVICES**

IS4

Service	2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
<b>SUMMARY OF CORPORATE RISK</b>				
ISR1 Corporate Risk & Insurance	2,080	1,970	3,810	3,410
ISR2 Internal Audit Services	4,246	3,600	0	0
<b>CAPITAL CHARGES</b>	<u>6,326</u>	<u>5,570</u>	<u>3,810</u>	<u>3,410</u>

**INTERNAL SERVICES**

IS9

2010/11 ACTUAL £	2011/12 ESTIMATE £	2011/12 PROBABLE £	2012/13 ESTIMATE £
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**SUMMARY OF OTHER ESTIMATES**

## SERVICE

ISO1	Corporate & Democratic Core	50,923	50,830	51,220	57,840
	CAPITAL CHARGES	<u>50,923</u>	<u>50,830</u>	<u>51,220</u>	<u>57,840</u>

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## EAST HERTS COUNCIL

EXECUTIVE 7 FEBRUARY 2011

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE

CONSOLIDATED BUDGET REPORT:

PROBABLE OUTTURN 2011/12

REVENUE BUDGET 2012/13

MEDIUM TERM FINANCIAL PLAN 2012/13 TO 2015/16

WARD(S) AFFECTED: ALL

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### **Purpose/Summary of Report**

This report recommends a revenue budget for 2012/13 in the context of

- the Council's priorities
- the medium term financial plan to 2015/16
- funding the capital programme and participation in the Local Authority Mortgage Scheme (subject of separate reports)
- the anticipated revenue budget outturn for 2011/12
- the proposed Treasury Management Strategy for 2012/13 (subject of a separate report to the Audit Committee then the Executive)
- the previously agreed council tax base for 2012/13
- no council tax increase for 2012/13
- proposals for reserves and balances

<b><u>RECOMMENDATIONS</u></b>	
<b>(A)</b>	<b>That consideration be given to comments and proposals by Scrutiny and, in the light of that consideration recommendations be made to the Council that ,</b>
<b>(B)</b>	<b>1. The probable outturn for 2011/12 be approved and it be agreed that any variation at out turn showing an improved position against the £13k under spending reported below be put to the interest equalisation reserve.</b>
	<b>2. The revenue budget for 2012/13 be approved and the planning contingency be taken to the investment income reserve (para 2.22 refers) .</b>
	<b>3. The medium term financial plan to 2015/16 be approved</b>

	<b>4. There to be no increase in council tax for 2012/13 and in the absence of government making currently unplanned reductions in local authority funding there be no increase in 2013/14</b>

## 1.0 Background

- 1.1 The Council has set its budget and Medium Term Financial Plan in recent years against a backdrop of constraint in public spending. That constraint is set to continue. The prospects for the UK economy and reduction of the public sector borrowing requirement are uncertain particularly because of unresolved issues of sovereign and bank solvency in the euro zone. The budget for 2012/13 is set in the knowledge of significant changes to local government funding from 2013/14. Responsibility for council tax benefit is being devolved plus the cessation of national pooling and redistribution of business rates (but the setting of the business rate remaining with government). The consequences for individual authorities are not quantifiable.
- 1.2 The Council's Financial Strategy was updated in September and emphasised its prudent approach to long term commitments and the intention "to maximise the Council's financial resilience". The Strategy included a statement on the policy on general and earmarked reserves emphasising the need to maintain a good level of reserves. The report accepted by Council in September acknowledged that the scale of its capital programme had to be reduced to maintain sustainability and affordability. The proposals set out here are consistent with that Strategy.
- 1.3 On 8<sup>th</sup> December the government announced the Local Government Finance Settlement for 2012/13. The grant was unchanged from the plans announced a year earlier.
- 1.4 The Office of Budget Responsibility has issued two reports during 2011. A key feature of those reports repeated the pattern of a year earlier - the expectation that interest rates will now remain lower for longer and which also features in the Bank of England's quarterly Inflation Reports to November .

- 1.5 The Council has retendered its parking contract and the new contract to commence January 2012 will reduce costs by £230k per year. The strategic business case for further shared services was accepted by Council and it is anticipated that the detailed business case will confirm saving across back office services in later years of the MTFP but starting in 2013/14.
- 1.6 The MTFP updated for planning purposes in September assumed a council tax freeze from April 2012. The government subsequently announced it would pay a one off grant in 2012/13 equal to the income from a 2.5% increase in council tax to councils agreeing to freeze their tax.

## 2.0 Report

### **Opening balances 1 April 2011**

- 2.1 The budget for 2011/12 was set in February 2011 with an expectation that 31 March 2011 would see a balance on the general reserve of £3,354k. The final accounts recorded a balance of £3,762k i.e. some £408k higher than expected.
- 2.2 The unallocated general fund balance was £3,854k inclusive of the £446k building control surplus. Earmarked reserves compared as follows:
- 2.3

Reserve	Expected Balance 31.3.11 £000	Actual Balance 31.3.11 £000
Interest Equalisation	0	0
Insurance Fund	10	10
Emergency Planning	36	36
VAT partial exemption	146	146
Service Improvement	692	667
LDF/Green belt	514	514
Housing condition survey	37	37
Council election	75	75
LABGI	86	134
Leisure utilities/pensions	120	120
Restructure	33	33
Legal fees	21	12

Performance Reward Grant	0	67
Pension strain costs	79	100
Waste recycling	275	275
Footbridge reserve		50
Cost of change	400	400
Total	2524	2676

Taken together the additional general and earmarked reserves at out turn provide the Council with a further degree of resilience to meet short term pressures. The statement on reserves in September noted that the sum of the general reserve and general fund balance was now near the ceiling at which a review would be triggered and further comment is made below.

### **Projected outturn 2011/12**

- 2.4 The latest health check report at the time of drafting this report is the November report. This shows adverse variances of £1,330k offset by favourable variances of £1,242k – a net adverse variance of £88k. The health check report includes both service and non service estimates.
- 2.5 The later detailed review of the probable outturn undertaken as part of the preparation of the 2012/13 estimates has indicated a slightly improved position of a net positive variance of £13k. The positive variation on service estimates (reported separately on this agenda) of £374k being almost fully off set primarily by adverse variances on non service budgets (in particular £325k on investment income).
- 2.6 A report to the Audit Committee in November 2010 reviewed how and when variances had been reported in each of the prior two years. That report identified a bias in reporting favourable variances some what later than the reporting of adverse variances – a judgemental allowance to compensate for this bias was proposed. The level of both favourable and adverse variances reported in the current year to November 2011 are both much reduced from the figures to the same stage last year. A judgemental allowance for further improvement of perhaps £200k by year end would be reasonable.
- 2.7 The resulting general and earmarked reserves expected to be in hand at the start of 2012/13 are set out below.

## **Priorities**

- 2.8 The Council's priorities against which spending proposals need to be measured have been simplified to the broad strands of People Place and Prosperity.
- 2.9 In summary the key objectives of (and set out in full in) the Corporate Strategic Plan 2012/13 – 2015/16 are

People – Opportunities for everyone to contribute to and access the Council's services

- Support for the vulnerable
- Community engagement
- Health Inequalities
- Satisfaction with the Council

Place – Safe and Clean

- Increased waste recycling
- Satisfaction with cleanliness of the area
- Satisfaction with parks and open spaces
- A sustainable Hertford Theatre
- Reduced council carbon dioxide emissions
- Well managed Council assets
- Reduce fear of crime

Prosperity – Improving the economic and social opportunities to our communities

- Parking and transport strategy
- Enhance broadband in rural area
- Zero per cent council tax increase
- Development meeting priorities
- Stream line the Council's back office
- Office and industrial space
- Improved economic resilience of market towns
- Guidance for development in Hertford and Ware
- Rural business programme
- Local Development Framework

- 2.10 The proposals in this report are designed to be consistent with achieving the above objectives within the resources available in particular further freezing of council tax.
- 2.11 With spending restraint likely to be with all Councils for some time the budget round has necessarily focussed again on where savings can be made that have least impact on priorities. The overall priority has continued to be the prudent management of the Council's finances to avoid unplanned service reductions.

### **Financial Strategy**

- 2.12 Corporate Business Scrutiny Committee on 23 August considered a draft updated financial strategy 2012/13 to 2015/16 which was subsequently endorsed by the Executive. Key planning assumptions have subsequently been amended to:
- Further reduce the investment income assumptions in the light of evidence from the OBR and MPC of a more sustained period of historically low rates of interest
  - Amend pay assumptions to reflect a further 2 years of restraint
  - Incorporate savings from the new parking contract
  - Incorporate more detailed savings identified during the development of service estimates based on 2010/11 and current year variations
  - Take into account the sharing of New Homes bonus including the year 2 tranche
  - Take account of the council tax freeze grant for 2012/13
- 2.13 The policy with regard to reserves establishes a band within which the general reserve is to be maintained. The proposals in this report ensure the general reserve will remain within these boundaries.
- 2.14 The MTFP retains significant planning contingency sums for 2013/14 and later years - given the funding changes and in particular the potential offsetting reductions to future retained business rates to pay for the new homes bonus.
- 2.15 The revised financial model for the MTFP is set out at Essential Reference Paper B.

## Revenue Support Grant Settlement

- 2.16 The 2012/13 settlement was unchanged from the provisional figures announced in December 2010 other than for the council tax freeze grant.
- 2.17 There is more concern about future years as set out above. The MTFP shows a cash reduction in formula grant plus new homes bonus from £8.2m in 2010/11 to £6.5m by 2014/15 a real terms reduction of 26% with an average 2.5% rate of inflation. Each further 1 percentage point reduction would lose £82k of income and inhibit the scope for further council tax freezes.

## The revenue Budget 2012/13

- 2.18 The budget 2012/13 can be summarised as follows:

	£000	£000
Neighbourhood Services	3463	
Customer & Community Services	5707	
Internal Services	3902	
Chief Executive	1192	
- capitalised salaries	-226	14038
Investment income net of interest payable		0
Pension costs not chargeable to services (note 1)		401
Further efficiency savings and fees net of growth		-372
Planning contingency		827
Net Expenditure		14894
Pensions Reserve (note1)		95
Contributions to reserves		171
<b>Net Expenditure after reserves</b>		<b>15159</b>
Funded by:		
Collection Fund (Surplus)/deficit		-62
Formula Grant		-5306
Grant to freeze council tax		-461
Leaving:		
<b>Demand on Collection Fund</b>		<b>9330</b>
Band D tax base		58,628
Band D tax		£159.13

Note 1 The service estimate figures exclude capital charges (see separate report) which will be added prior to publication of detailed estimates. Costs to be added relate to pension strain costs and pension contributions to fund the deficit which is not included in current costs.

2.19 The MTFP savings are set out at Essential Reference Paper B . The savings options were available for review and questioning by members in preparation for Scrutiny on a member web site. Total ongoing savings for 2012/13 total £1.588m of which

- Additional proposals subject to confirmation £592k
- Savings achieved and included in detailed estimates £748k
- Earlier savings proposals revised and achieved by restructuring in 2011/12 £248k

2.20 In refreshing the MTFP the savings proposals in respect of 2012/13 have been varied from earlier proposals included in the MTFP agreed in February 2011 as follows:

	£000
<b>New proposals</b>	
• Waste contract shared service	135
• Cash collection	10
• Parking contract	230
• Hosting self service	10
• Pay and display maintenance	50
• HMRC shared service	16
• Depot materials handling	30
• Recycling maintenance	8
• Bulky waste collection	6
• Commercial Waste	23
• Insurance premiums	89
<b>Amended Proposals</b>	
• Taxi licensing – reduction of saving by	8
• Discretionary rate relief – reduction of saving by	17

Deferred from 2012/13 in respect of shared services



- HR staffing 60

Brought forward from 2014/15

- Financial Services restructure 38

2.21 Some of the additional savings identified above are potentially reapplied

	£000
• To supporting parking and enforcement	112
• Tourism development & markets	21
• As a resource to the Information Technology Steering Group to commission developments	72
• Surveying support	35
• Maintenance etc arising from capital works	25
• Reduced waste income from lower volume	75
• Play ground equipment	3
• Housing Improvement Agency	20

2.22 The Planning contingency for 2012/13 at £817k is little changed from the figure reported in September at £887k (contingency + balancing figure). Unless otherwise allocated it would be appropriate to make a contribution to the investment income reserve.

### **Council Tax**

2.23 The government has confirmed grant income to offset the loss of council tax income from not increasing Council tax by 2.5% from 1 April 2011 will continue in 2012/13 but the grant for another freeze in 2012/13 is for one year only. The MTFP builds in a further freeze from 2013/14 with increases of 2.5% each year thereafter.

2.24 A final determination of any surplus or deficit on the Collection Fund was made in mid January. It is assumed there will be a nil contribution in the current year and the residual balance on the Fund at 31 March 2011 that was not taken into account when this year's budget was set will be applied in 2012/13. The implication for the Council is a contribution of £62k from the remaining surplus as shown in the MTFP.

## Reserves

2.25 The proposals in this budget include no fresh proposals to call on reserves. The General Fund Balance is unchanged at £3854k over this period. There is no planned call on the general reserve in the period 2012/13 to 2015/16.

2.26 Movement on the General Reserve in 2011/12 is based on the judgementally adjusted probable outturn rather than the approved supplementary estimates. In summary this is as follows:

	£000
Balance 1 April 2011	3762
Add	
Planned use 2011/12 budget	-66
Approval to use some of the 2010/11 under spending	-119
Net variance	13
Judgemental further under spending	200
Year end Appropriations	-200
Balance 31 March 2012	3590

2.27 In setting the budget for 2010/11 and MTFP it was previously planned to draw on earmarked reserves and these intentions are retained.

2.28 The consequent (additions to) and withdrawal from reserves will result in year end balances as set out in the table below.

Reserve	Bal at 31/3/12 £000	Bal at 31/3/13 £000	Bal at 31/3/14 £000	Bal at 31/3/15 £000	Bal at 31/3/16 £000
Interest Equalisation	0	0	0	0	0
Insurance Fund	10	10	10	10	10
Emergency Planning	36	36	36	36	36
VAT partial exemption	146	146	146	146	146
Service					

Improvement	617	617	617	617	617
LDF /Green belt	664	754	604	354	404
Housing condition survey	51	65	29	43	57
Council Elections	0	25	50	75	0
LABGI	112	112	112	112	112
Leisure utilities/pensions	180	240	300	360	420
Restructure	33	33	33	33	33
Legal fees	0	0	0	0	0
Performance Reward Grant	67	67	67	67	67
Pension Strain costs	127	59	2	2	2
Waste recycling income volatility	275	275	275	275	275
Footbridge River Stort	100	150	150	150	150
Earmarking general reserve March 2011	400	400	400	400	400
Total	2818	2989	2831	2680	2729

### **Robustness of estimates and adequacy of reserves**

- 2.29 Section 25 of The Local Government Finance Act 2003 requires the Section 151 Officer to report on the adequacy of reserves and robustness of the estimates. The balance of this section represents the judgement of the Section 151 Officer.
- 2.30 The proposals in this report retain adequate but not excessive levels of reserve. This judgement has regard to the Council's policy with regard to reserves, its record of containing spending within budget, it having identified saving options in excess of the sum needed to balance the MTFP and its prudent approach to risk management. Consideration has been given to potential calls on reserves to meet external "shocks" – from environmental, economic, and operational uninsured losses having regard to the Council's activities and scale of operations.
- 2.31 The Council retains very substantial investments in relation to its annual spend. With the exception of a £10m structured deposit the Council has adopted a very risk averse investment policy accepting

lower returns. It is prudent to retain above minimum levels of reserves in these circumstances.

2.32 The relative risks to budget assumptions are set out below together with a judgement of relative risk of actual experience differing from current assumptions. The potential direction of variance needs to be considered e.g. the risk to pay and inflation assumptions is on balance that current planning assumption may prove optimistic.

<b>Area of Risk</b>	<b>Factor</b>	<b>Comment and Mitigation</b>	<b>Illustrative Cost of variation</b>
Volatility of grant income	Medium/High	Although trend formula grant is certain for 2012/13 other grant income is subject to annual revisions..	A 5% reduction in grant = £265K
Localisation of council tax benefit and a10% saving to be achieved.	High	Announced to take effect from 2013/14 but with no supporting detail announced.	The 10% saving = £700k with EHC share potentially 15% or £105k
New Homes Bonus	Medium	The potential loss of formula grant by top slicing is a significant risk.	NHB is projected to grow by a net £200k per year after claw back compared with over £400k in years 1 and 2 i.e allowance has been made for a 50% top slicing. Each further 10%

			cost = £40k
Discretionary Rate Relief	Low	No provision is made in the MTFP to respond to proposed freedoms to extend discretionary NNDR relief.	The policy for 2012/13 has now been set.
Income achievement	Medium	Allowance has been made for continuing impact of the recession. It is uncertain that economic recovery will be achieved at the pace expected in the pre budget report	A 5% shortfall on car park income = £148k  A 5% shortfall in other income = £70k
Achieving savings	Medium/High	Targets become increasingly challenging over the MTFP and public acceptability of some proposals may be difficult to achieve.	A 10% under achievement = £59k
Interest rates	High	There are divergent views on the direction of short term rates reflecting different assumptions about the impact of markets concerns about sovereign debt and how the	The £10m structured deposit has a floor rate of 3.7% the balance of investment are budgeted to return 0.65% in 2012/13 a reduction to

		UK economy will respond to public sector spending cuts and increased taxes. The MTFP anticipates investment returns consistent with OBR forecasts.	0.55% would see income fall by £58k
Compliance with grant requirements	Low	Recent audits record a good performance	Nil
Vacancy saving	Medium	The provision has been reduced to reflect current lower levels of turnover	The factor allowed is 3% a reduction to 2% would cost £110k
Pay and inflation	Medium	A third year of pay restraint at zero and two further years at 1% will be challenging for national employers if pay in the private sector accelerates as the economy recovers	A 1% award in 2012 would cost £110k per year
Pension costs	Low	Pension contributions reflect the provisional outcome of the 2010 revaluation and so rates for the next 3 years are unlikely to	Pension costs are not variable in 2012/13

		be further revised. Changes to the scheme including increased employee contributions and potential capping of benefits may improve the funding position at the 2013 valuation.	
Council tax increases	Low	The target for zero increases is determinable by the Council.	A 1% increase = £94k
Changing Council priorities	Low	The Council has refined its key priorities and fine tuning rather than significant revision is likely.	Not quantifiable

2.33 The estimates are considered sufficiently robust for the Council to set a budget and council tax for 2012/13.

2.34 Essential Reference Paper C sets out a stress testing of the MTFP by considering different scenarios by which the Council might be subject to unexpected financial pressures. The intention is to illustrate how resilient the Council's finances would be to a single or series of incidents.

### 3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A')**.

## Background Papers

Bank of England Inflation Reports

OBR reports

Local Government Finance Settlement December 2011.

Contact Member: Michael Tindale – Executive Member for Finance

Contact Officer: Alan Madin – Director of Internal Services –  
Contact Tel Ext No 1401

Report Author: Alan Madin – Director of Internal Services



## ESSENTIAL REFERENCE PAPER 'A'

Contribution to the Council's Corporate Priorities/ Objectives	The budget and MTFP apply resources to achieve all the Council's priorities
Consultation:	The outcome from consultation will be reported separately as Essential Reference Paper D (to follow)
Legal:	<p>The Council must set a lawful and balanced budget and subsequently set a council tax for 2012/13 within prescribed time frames.</p> <p>Members should have regard to the advice of the Section 151 but may take decisions at variance with this advice where there are reasonable grounds to do so.</p> <p>It is an offence for any Member with arrears of council tax outstanding for two months or more to attend any meeting of the Council or its committees at which a decision affecting the budget is made unless the Member concerned declares at the outset of the meeting that s/he is in arrears and will not be voting on the decision for that reason.</p>
Financial:	As set out in the report.
Human Resource:	Where savings options may cause redundancy the relevant HR policies will apply and those savings remain subject to the outcome of the application of those policies.
Risk Management:	Contingencies are included and the level of reserves forms part of the corporate approach to mitigation of risk.

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## GENERAL FUND - MEDIUM TERM FINANCIAL PLAN

## SUMMARY Model for Executive 7 Feb 2012

	2010/11 Actual	2011/12	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net Cost of Services</b>	<b>7,790</b>	<b>15,651</b>	<b>14,038</b>	<b>14,998</b>	<b>15,680</b>	<b>16,656</b>
Interest Payments	661	662	662	662	662	662
Interest & Investment Income	-871	-1,175	-687	-767	-948	-1,644
Pensions Interest/Return on Assets	1,007	1,424	401	401	401	401
Fees & Charges			-94	-253	-370	-488
Growth Items			265	294	347	347
Special Items			43			
Efficiency Savings - Existing plans			-592	-1,253	-1,559	-1,560
Efficiency Savings - New						-263
One off Savings			-20	-6	-15	
Known Changes			25	912	1,055	1,159
Planning Contingency			827	721	911	1,163
RCCO/Internal Interest	25	26	25	25	25	25
<b>Net Expenditure</b>	<b>8,612</b>	<b>16,588</b>	<b>14,894</b>	<b>15,734</b>	<b>16,189</b>	<b>16,458</b>
Contribution to / from Earmarked Reserves	162	-124	171	-158	-151	49
Contribution to/ from Interest Equalisation reserve	-1,185	17				
Cost of change Contingency						
Use of General Reserve	993	-66				
Movement on Pension Reserve	8,817	-888	95	95	95	95
<b>Net Expenditure after reserves</b>	<b>17,399</b>	<b>15,527</b>	<b>15,159</b>	<b>15,671</b>	<b>16,133</b>	<b>16,602</b>
Formula Grant/NNDR	-8,182	-6,079	-5,306	-5,278	-5,278	-5,278
Council Tax Freeze Grant		-230	-461			
New Homes Bonus				-1,040	-1,240	-1,440
Area Based Grant	-37					
Transfer (from)/to Collection Fund	16	31	-62			
<b>Demand on Collection Fund</b>	<b>9,196</b>	<b>9,249</b>	<b>9,330</b>	<b>9,353</b>	<b>9,615</b>	<b>9,885</b>
Council Taxbase	57,791	58,123	58,628	58,774	58,950	59,127
<b>Council Tax at Band D</b>	<b>159.13</b>	<b>159.13</b>	<b>159.13</b>	<b>159.13</b>	<b>163.10</b>	<b>167.18</b>

Percentage Increase

0.00%

0.00%

0.00%

2.50%

2.50%

**GENERAL FUND - MEDIUM TERM FINANCIAL PLAN**

**SUB - SUMMARY Model for Executive 7 Feb 2012**

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive & PAs	221	218	219	223	228	237
Strategic Direction	432	337				
Governance Support			318	325	335	356
Community Engagement			655	671	685	710
Director of Neighbourhood services	125	125	124	127	129	135
Planning & Building Control	1,119	1,264	1,152	1,209	1,259	1,360
Legal			276	284	291	304
Housing Services	1,565	1,551	485	497	509	530
Community Safety & Health	228	249	1,425	1,469	1,508	1,581
Director of Customer & Community	109	106	106	108	110	115
Environment	6,129	5,385	5,565	5,804	6,052	6,348
Customer & New Media	-702	-610	-617	-554	-465	-349
Economic Development			112	137	167	200
Revenues & Benefits	267	292	301	339	374	465
Cultural & Community	2,592	1,229				
Hertford Theatre			241	261	279	305
Director of Internal Services	147	133	82	84	85	89
People, ICT & Property Services	341	317	2,266	2,336	2,398	2,510
Business Support	3,468	3,115				
Financial Support Services	188	143	656	670	683	710
Democratic & Legal Services	469	605				
Programme Director	107	32				
Corporate Risk			288	296	302	312
Other (& Adjustment)	901	1,346	611	934	976	963
Non Distributed Costs	-9,728					
Environment						
Capital Salaries *****	-186	-186	-226	-226	-226	-226
<b>Net Cost of Services</b>	<b>7,790</b>	<b>15,651</b>	<b>14,038</b>	<b>14,998</b>	<b>15,680</b>	<b>16,656</b>
Interest Payments	661	662	662	662	662	662
Interest & Investment Income	-871	-1,175	-687	-767	-948	-1,644
Pensions Interest/Return on Assets	1,007	1,424	401	401	401	401
Known Changes			25	912	1,055	1,159
Contribution to Earmarked Reserves	748	249	171			49
Contribution to/ from Interest Equalisation reserve	-1,185	17				
Contribution from Earmarked Reserves	-586	-373		-158	-151	
Cost of change Contingency						
Contribution of Vacancies						

Planning Contingency			827	721	911	1,163
Savings 2012/13			-592	-592	-592	-592
Savings 2013/14				-660	-660	-660
Savings 2014/15					-307	-307
Savings 2015/16						-263
One Off Savings			-20	-6	-15	
Growth 2012/13			265	265	265	265
Growth 2013/14				29	29	29
Growth 2014/15					53	53
Growth 2015/16						
Special Item			43			
RCCO/Internal Interest *****	25	26	25	25	25	25
Use of General Reserve	993	-66				
Movement on Pension Reserve	8,817	-888	95	95	95	95
Car Parking Fees & Charges			-39	-162	-242	-322
Other fees & Charges			-55	-91	-128	-166
<b>Net Expenditure</b>	<b>17,399</b>	<b>15,527</b>	<b>15,159</b>	<b>15,671</b>	<b>16,133</b>	<b>16,603</b>
Formula Grant/NNDR	-8,182	-6,079	-5,306	-5,278	-5,278	-5,278
Council Tax Freeze Grant		-230	-461			
Area Based Grant	-37					
New Homes Bonus				-1,040	-1,240	-1,440
Transfer (from)/to Collection Fund	16	31	-62			
<b>Demand on Collection Fund</b>	<b>9,196</b>	<b>9,249</b>	<b>9,330</b>	<b>9,353</b>	<b>9,615</b>	<b>9,885</b>
Council Taxbase	57,791	58,123	58,628	58,774	58,950	59,127
<b>Council Tax at Band D</b>	<b>159.13</b>	<b>159.13</b>	<b>159.13</b>	<b>159.13</b>	<b>163.10</b>	<b>167.18</b>
<b>Percentage Increase</b>		0.00%	0.00%	0.00%	2.50%	2.50%

\*\*\*\*

If the proposals for the capital programme from 2014/15 are accepted there will be an increase in Revenue Contributions to Capital so that the cost of capitalised salaries, £226k per year, is met from the revenue budget. An offsetting reduction in the planning contingency will ensure the forecast council tax increase is not affected.

## Pay and Price Assumptions for Medium Term Financial Plan

Data Table	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Overall salary increase (Inclusive of everything)*	0.65%	1.70%	1.45%	2.00%	1.75%	4.15%
Members Allowances	0.00%	2.68%				***
Inflation	2.00%	2.10%	3.00%	3.20%	2.70%	2.70%
NNDR	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Fuel	5.00%	2.50%	2.50%	2.50%	2.50%	2.50%
Contract Index - All Contracts	2.00%	2.70%	3.00%	3.20%	2.70%	2.70%
Contract Index - Street Cleansing	2.00%	2.70%	3.40%	3.50%	3.60%	3.80% * assumed RPIx 25/7/11
Contract Index - Refuse Only	2.50%	3.20%	3.40%	3.50%	3.60%	3.80% * assumed RPIx 25/7/11
Contract Index - Parking	1.50%	2.20%	3.40%	3.50%	3.60%	3.80%
Contract Index - Leisure	1.50%	2.20%	3.40%	3.50%	3.60%	3.80%
Tax Base Increase	0.50%	0.50%	0.25%	0.25%	0.30%	0.30%
<b>Income</b>						
Increase for Fees & Charges	3.50%	2.50%	2.50%	2.50%	2.50%	2.50% ****
Increase for car parks	5.00%	2.50%	2.50%	2.50%	2.50%	2.50%
Interest on investment	2.46%	1.00%	1.10%	1.22%	1.69%	3.00%

1. Street cleansing / Grounds Maintenance - April RPI applied in April
2. Refuse & Recycling - April AEI (public sector) applied in August
3. Parking - April RPIx applied in January
5. Leisure - January RPIx applied in January

### \*Salary Increase

Pay award original budget **	0.00	0.20	0.00	1.00	1.00	3.4
Pay allowance - increments and local award	0.65	1.50	1.45	1.00	0.75	0.75
	<b>0.65</b>	<b>1.70</b>	<b>1.45</b>	<b>2.00</b>	<b>1.75</b>	<b>4.15</b>

\*\* Pay award actuals and now reflected in future plans

\*\*\* Subject to IRP recommendation

\*\*\*\*

The 2012/13 increase in parking fees is assumed to take effect from 1 October and remains subject to the parking review. If not implemented the reduction in income will be £39k in 2012/13 and £80k in each subsequent year.

**OTHER KNOWN REDUCTIONS AND INCREASES**

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	£'000	£'000	£'000	£'000
Increase in pension costs			92	184
Jackson Square Contract - Rent		8	16	16
Income Shortfall 2009/10 reducing effect		-50	-50	-50
Changes to Terms and Conditions		-130	-409	-503
Markets - marketing & maintenance			22	22
Homelessness grant continuation (reduction in income from 11/12)		50	50	50
Hertford Theatre Hydro Income		-11	-11	-11
National Insurance rebate	25	25	25	231
Waste: Alternate Financial Model (AFM) income reduction		150	300	300
Application of New Homes Bonus		520	620	720
LDF Public exam/Green belt review		300	400	100
Housing Condition survey		50		
Future Council elections				100
<b>Total</b>	<b>25</b>	<b>912</b>	<b>1,055</b>	<b>1,159</b>

## Investment Income

Table 1

Revised figures - after CBS

		£'000
2011/12	1.81%	£1,175
2012/13	2.10%	£1,424
2013/14	2.60%	£1,637
2014/15	3.00%	£1,809
2015/16	4.00%	£2,394

Table 2

Revised figures -16/12/11

		£'000
2012/13	0.65%	£687
2013/14	0.75%	£767
2014/15	1.25%	£948
2015/16	3.00%	£1,644

**Note:**

1. The rates at Table1 are inclusive of £10m earning 3.72% to April 2015 arising from the structured deposit.
2. The rates at Table 2 exclude the £10m structured deposit.

In both cases the interest income is inclusive of the interest earned on the structured deposit. The average rate including the structured deposit is shown in the table of Pay and Price Assumptions



New Homes Bonus - Income (expenditure shown on known changes sheet)

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
New Homes Bonus 11/12 (to be received 11/12 to 16/17)	-415	-415	-415	-415
New Homes Bonus 12/13 (to be received 12/13 to 17/18)	-425	-425	-425	-425
New Homes Bonus 13/14 (to be received 13/14 to 18/19)		-200	-200	-200
New Homes Bonus 14/15 (to be received 14/15 to 19/20)			-200	-200
New Homes Bonus 15/16 (to be received 15/16 to 20/21)				-200
Built into Estimates	840			
	<u>0</u>	<u>-1040</u>	<u>-1240</u>	<u>-1440</u>

Calculation of Council Tax base  
Updated

	10/11 £	11/12 £	12/13 £	13/14 £	14/15 £	15/16 £
Council Tax Base	57,791	58,123	58,628	58,628	58,774	58,950
Assume increase of 0.5% per annum				146	176	177
	57,791	58,123	58,628	58,774	58,950	59,127
Actual percentage increase		0.57	0.87			

<b>Savings</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Strategic Direction</b>				
Reduction in service activity				(7,000)
<b>Planning &amp; Building Control</b>				
Reduction in budget				(61,000)
Building control fees		(50,000)	(50,000)	
Development Control BPI led savings			(22,000)	
DC miscellaneous costs		(10,000)		
Planning administration			(68,000)	
LDF funding		(100,000)		
Planning policy resources		(12,000)		
<b>Health &amp; Housing</b>				
Continuation of funding Housing Improvement Agency		(10,000)		
Integrate environmental strategy and home energy conservation into single function	(17,000)			
Restructuring the services delivered by Licensing, Community Safety and Environmental Health leading to a reduction in resources			(106,000)	
<b>Licensing &amp; Community Safety</b>				
Set taxi licence fees to recover full costs	(5,000)	(5,000)	(5,000)	
Cease contribution to PCSO's (originally in 11/12) **	(46,000)			
** implementation remains subject to Community Safety review				
<b>Environment</b>				
Waste contract shared services saving	(135,000)			
Waste services contract transition		(100,000)	(100,000)	
Do not replace Area Environment Inspector & delete lease van after 12 month contract expires	(30,000)			
<b>Customer &amp; New Media</b>				
Saving in cash collection cost	(10,000)			
Re-letting of parking enforcement contract	(230,000)			
Replacement of hosted self-service system	(10,000)			
Reduction in cost of pay and display machine maintenance	(50,000)			

	2012/13 £	2013/14 £	2014/15 £	2015/16 £
<b>Customer &amp; New Media continued</b>				
HMRC shared service	(16,000)			
Elm Road income estimate correction	13,000	5,000		
Rye st/Grange paddocks income estimate correction	15,000	15,000		
Residents permit income	(3,000)	3,000		
Ware Amwell End - Revision of rent payable by Hertford regional College for student car park spaces	(1,000)	(1,000)		
Grange Paddocks Project				
Elm Road income	(10,000)	(10,000)		
Rye St/Grange Paddocks income	(50,000)	(50,000)		
Link Road resulting from redesignation as short stay		(50,000)		
Northgate End resulting from redesignation as short stay		(56,000)		
Grange Paddocks Project - Resident permit income	(2,500)	(2,500)		
<b>Cultural &amp; Community</b>				
C&C - MOW		(15,269)		
Leisure Savings		39,000	118,000	
Castle Hall - new business plan (subject to approval)		(57,671)	(45,000)	
<b>People &amp; Organisational Development</b>				
Reduce HR support		(60,000)		
Reduction in corporate training budget pro rata to staff reduction		(6,000)		
<b>Business Support</b>				
Shared services				(153,000)
<b>Revenues &amp; Benefits</b>				
Shared service efficiencies				(15,000)
Invest to save option		(64,000)		
<b>Financial Support Services</b>				
Phased reduction in hours of estates staffing		(14,000)	(14,000)	
Review of Financial Support Services			(2,000)	

	2012/13 £	2013/14 £	2014/15 £	2015/16 £
<b>Democratic &amp; Legal Services</b>				
Reduction in Legal third party payments budget				(27,000)
Land Charges - staffing reductions	(4,000)	(23,000)		
Efficiency measures for electoral canvass			(13,000)	
Restructuring of Democratic & Legal Services		(23,000)		
<b>Corporate Risk &amp; Insurance</b>				
Reduction of insurance premiums following retender		(3,000)		
<b>Total to be built into estimates</b>	<b>(591,500)</b>	<b>(660,440)</b>	<b>(307,000)</b>	<b>(263,000)</b>

#### ALREADY BUILT INTO ESTIMATES

##### Strategic Direction

Reduction in supplies & services budgets	(1,000)
Reduction in size of Link magazine to A5 (partially offset by growth)	(12,000)

##### Planning & Building Control

Building control fees	(50,000)
DC miscellaneous costs	(10,000)
LDF funding	(10,000)

##### Health & Housing

Cease funding Hsg Improvement Agency core & associated services	
- cease Hsg Advice	(5,000)
- cease Handyperson service	(16,000)
- cease funding HIA core and associated services	(33,000)

##### Environment

Depot materials handling -	(30,000)
Recycling Banks maintenance	(8,000)
Bulky waste collection reduced expenditure	(6,000)
Commercial waste reduced expenditure	(23,000)
Delete Business Support Assistant Part Time Post FTE Grade 3 - 18.5 hours)	(12,175)

	2012/13	2013/14	2014/15	2015/16
	£	£	£	£
<b>Environment continued</b>				
Delete Business Support Assistant Part Time Post FTE Grade 3 - 22.5 hours)	(12,922)			
Reduce Recycling advertising and promotion budget	(31,300)			
Review / reduce level of environmental coordination and advice	(25,000)			
Environmental co-ordination - reduction of previous savings item	25,000			
<b>Cultural &amp; Community</b>				
C&C - MOW	(45,761)			
Review minor grants	(12,500)			
Castle Hall - new business plan (subject to approval)	(83,085)			
Leisure Savings	(86,000)			
<b>Financial Support Services</b>				
Asset management and valuation flexible retirement	(12,000)			
Reprofile 14/15 saving	(38,000)			
Phased reduction in hours of estates staffing	(16,000)			
<b>Business Support</b>				
Restate property budgets	(13,000)			
Internal Audit efficiencies from partnership working	(30,000)			
<b>Corporate Risk &amp; Insurance</b>				
Reduction of insurance premiums following retender	(89,000)			
<b>Revenues &amp; Benefits</b>				
Discretionary Rate Relief	(12,600)			
<b>Corporate Costs</b>				
Reduce corporate management	(50,000)			
<b>ALREADY BUILT INTO ESTIMATES</b>	<b>(748,343)</b>			

2012/13	2013/14	2014/15	2015/16
£	£	£	£

**PREVIOUSLY IDENTIFIED SAVINGS SUPERCEDED BY NEW STRUCTURE**

**Business Support**

Staffing efficiencies on completion of C3W programme	(56,090)			
Restructuring within facilities services	(50,000)			

**Cultural & Community**

Review the Hertford Theatre management structure	(15,000)			
Rationalise and consolidate the range of community and culture activities and projects undertaken	(41,000)			

**Democratic & Legal Services**

Restructuring of Democratic & Legal Services	(4,000)			
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**DECISIONS TAKEN IN YEAR ON PREVIOUSLY IDENTIFIED SAVINGS**

**Revenues & Benefits**

Invest to save option now incorporated into shared service budget	(64,000)			
Discretionary Rate Relief revised scheme from 1 April 2012	(17,400)			

<b>PREVIOUSLY IDENTIFIED SAVINGS ACTIONED 2011/12</b>	<b>(247,490)</b>			
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<b>(1,587,333)</b>	<b>(660,440)</b>	<b>(307,000)</b>	<b>(263,000)</b>
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<b>One Off Savings</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Review of 09/10 outturn</b>				
<b>CHIEF EXECUTIVE</b>				
<b>Strategic Direction</b>				
Public Consultation & Research	(9,700)	(5,700)	(14,700)	
Public Consultation & Research	(10,000)			
<b>Total to be built in</b>	<b>(19,700)</b>	<b>(5,700)</b>	<b>(14,700)</b>	<b>0</b>
<b>Already built in</b>				
<b>Financial Support Services</b>				
Rural Development Project Income Stream	(5,000)			
<b>Total already built in</b>	<b>(5,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total One Off Savings</b>	<b>(24,700)</b>	<b>(5,700)</b>	<b>(14,700)</b>	<b>0</b>



**Special Items**

2012/13	2013/14	2014/15	2015/16
£	£	£	£

**Review of 09/10 outturn****Planning & Building Control**

Bldg Control - Supplements	9,000			
Dev Plans - Supplements	6,500			
Dev Control - Supplements	9,000			

**Customer & New Media**

Web based permit and dispensations for self service	13,000			
Printing cost- resident permits	5,000			

**Total**

<b>42,500</b>	<b>0</b>	<b>0</b>	<b>0</b>
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<b>Growth</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	£	£	£	£
<b>Environment</b>				
Refuse Service - Property Growth			53,000	
<b>Customer &amp; New Media</b>				
Grange Paddocks Project - Maintenance of pay and display machines		3,600		
Annual district wide signs and lines survey	15,000			
Additional notice processing resource .6fte	18,000			
Annual consolidation of traffic regulation orders	5,000			
Growth of signs and lines budget	10,000			
Targetted removals capacity	20,000			
Mobile enforcement capacity	29,000			
Re-instatement of website support	15,000			
<b>Cultural &amp; Community</b>				
Tourism development & markets	21,000			
<b>Business Support</b>				
ITSG contingency	72,000			
FM assistant surveyor	35,000			
Growth from capital programme	25,000	25,000		
<b>Total</b>	<b>265,000</b>	<b>28,600</b>	<b>53,000</b>	<b>0</b>

<b>Growth</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
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£

£

£

£

**ALREADY BUILT INTO ESTIMATES****Strategic Direction**

Reduction in size of Link magazine to A5 (partially offset by growth) 4,600

**Environment**

Bulky waste collection - reduced income 11,000

Commercial waste reduced income 10,000

Kerbside recyclables income - reduction 75,000

Playground inspection costs 3,000

**Health & Housing**

Continuation of funding Housing Improvement Agency 20,000

**Total already built in**

<b>123,600</b>	<b>0</b>	<b>0</b>	<b>0</b>
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**Total Growth**

<b>388,600</b>	<b>28,600</b>	<b>53,000</b>	<b>0</b>
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## ESSENTIAL REFERENCE PAPER C

### **Stress testing the MTFP: The Council's ability to withstand significant external shocks**

It is axiomatic that the MTFP is based on less than full knowledge of the future. There will be "events" which cannot be predicted or the impact of which cannot be quantified. It is important to consider the Council's ability to withstand any such events. Following the crisis in financial markets in 2008 major banks and financial institutions have been subject to stress tests to see how they would cope with disruption in financial markets including being subject to loss of value of some of their assets.

Below is set out a similar but internal assessment of the Council's financial position. The Council's external auditors looked at the financial resilience of the Council in 2011 (see Audit Committee 21 September 2011 agenda item 7 ) covering a wider range of topics than covered here and gave a positive report. A similar external review will be undertaken for 2011/12.

External shocks can be divided between scenarios which trigger unavoidable spending from demand or price pressures and those arising from unforeseen shortfalls in income and might include any of the following:

- The UK being subject to a significant economic downturn such that public spending might be subject to further substantial cuts.
- A loss on investments arising from failure of one or more banks
- The relocalisation of business rates at cost to the Council
- Failure of a major supplier
- A natural disaster
- Unforeseen additional take up of council tax benefit
- Prolonged pay and/or price inflation above expectation
- Investment returns running below forecast
- Costs arising from litigation

The Council seeks to mitigate the risk of some of the above – for example by insurances, its prudent approach to treasury

management and the integration of service and financial planning over the medium term. However, none of the mitigation measures can offer a 100% guarantee the Council will not be subject to a significant financial shock. The comments here are therefore not about likelihood but only about the ability to cope should the “what if?” happen. The commentary on the robustness of estimates speaks to likelihood and quantifies the impact of a variance from assumptions. Individual cost impacts set out there are of a lesser order than the more extreme scenarios considered here (but which are indicative of the Council’s ability to deal with concurrent lesser order variations from expectations).

The Council’s budget requirement for 2012/13 is £15.1m. For the purpose of stress testing the impact of the event(s) is set at “major”- level 1 = 10% of the requirement and “severe” - level 2= 20% of the requirement i.e. £1.5m and £3.0m

The tools to cope with such an event are:

- Spendable reserves
- Borrowing and capitalisation including immediate access to cash
- The Bellwin formula
- Emergency increases in fees and charges
- Emergency reduction in spending
- Council tax
- Pooling of risk

### Spendable Reserves

The use of reserves is a potential response to meet a none continuing shock and potentially to buy time to make adjustment to spending if the shock is of a continuing nature.

The Reserves Policy approved in September 2011 set a minimum balance of £3m and a ceiling of £7.4m. The projected balance at March 2012 is £7.2m and the MTFP assumes no change over the period to March 2016. Earmarked reserves might be redirected in the short term providing another £2.7m of cover over the period of the MTFP.

The September refresh of the MTFP benchmarked the Councils reserves against similar Councils. At £10.3m at the date of comparison the Council fell into the bottom end of a group of 54 district council with 136 councils below this group with lesser reserves and 11 in higher groups with higher reserves- the Council would therefore be in the upper middle quartile.

Reserves are adequate to meet

- Up to 2 level 2 events
- 1 level 2 events and up to 2 level 1 events
- Up to 4 level 1 events

A one off call on reserves of £3m would reduce cash balances and return on investments. By the end of the MTFP period investments are assumed to be achieving a 3% return. To offset this loss of income savings of an additional £90k per year would need to be identified.

However, prior to a continuing call on reserves other options as set out below would be applied.

If the event was of a continuing nature the implications would be much more challenging and as noted above a call on reserves used to implement longer term changes. The current MTFP includes a range of savings and to reduce spending by another £3m per year would be extremely difficult being equivalent to over 25% of payroll costs. In such a scenario the council would have to look to a combination of :

- Targeted reductions in staffing
- Renegotiations of terms and conditions
- Significant increases in fees and charges
- Renegotiation of major contracts
- An exceptional increase in council tax

At this stage the benefits of more detailed financial contingency planning in applying the above tools to meet such a challenge is not considered cost effective as no contingency plan can anticipate all circumstances which might be in place. The circumstances are likely to trigger a business continuity event or emergency planning event and contingency planning is focused in these areas of service delivery.

## Borrowing and Capitalisation

The council has a negative Capital Finance Requirement estimated at £45m at March 2012 which within the constraints of the Prudential Code permits borrowing to meet capital expenditure in response to shocks. In extremis the Council might seek approval from the Secretary of State to charge revenue cost to capital to spread the cost.

## Bellwin Scheme

This refers to the scheme by which DCLG will meet the uninsurable costs of immediate response to an emergency such as caused by bad weather.

The threshold above which grant becomes payable is 0.2% of net revenue expenditure (£30k for East Herts) after which 85% of costs are recoverable. This “insurance policy” is limited to costs of immediate response and not to recovery i.e. costs incurred (within two months of an incident)

- *by a local authority in England on, or in connection with, the taking of immediate action to safeguard life or property or to prevent suffering or severe inconvenience, in its area or among its inhabitants;*
- *as a result of the incident(s) specified in the scheme which involved the destruction of or danger to life or property.*

## Emergency Increases in Fees and Charges

The Council accelerated some of its 2011/12 budget saving measures during 2010 in response to the contribution required from local authorities towards short term savings required by the incoming government.

The Council has therefore demonstrated its ability to respond promptly when required to meet unforeseen financial pressures.



Fees and charges which are subject to the Council's discretion raise income of about £4m per year. A 10% across the board increase would generate an extra £400k per year.

### Emergency reductions in spending

The Council cannot instantly reduce much of its spending.

Payroll is a significant cost and it takes time to implement staffing reduction if legal challenges to dismissal are to be avoided and changes to terms and conditions by negotiation or imposition are protracted. Not filling vacancies has limited impact when turnover is low.

Contractual payments for outsourced services, rents, business rates, utility costs, licences, postal costs make up a further tranche of spending not able to be turned off at short notice.

A lead in time of 6 to 9 months is indicative of the minimum time to implement significant reductions in spending efficiently and mitigate impact on services.

### Exceptional council tax increase

A 1% increase in council tax generates about £93k per year (about the same as the loss of investment income following a single level 2 event).

The Council's planning is based on increases well within any limit which would trigger a council tax referendum. It would therefore likely be well placed to absorb the impact of a continuing event by an increase in the council tax by an additional 1% to 2,5% if other measures did not offset the impact.

### Pooling of risk

The Council will explore risk pooling in respect of business rates as part of risk mitigation.

## Liquidity and Access to Financial Markets

The Treasury Management Strategy ensures the Council always has ready access to cash, with 50% or so of investments currently in realisable short term UK treasury bills and other investments in short dated bank deposits. A £10m structured deposits is the sole illiquid investment.

The Council's major debtors are council tax payers and businesses for business rates and adequate provision is made for bad debts. These sources of income are subject to ongoing monitoring and rates of collection remain high with economic conditions having limited, if any, impact to date.

The Council has no requirement to refinance outstanding debt and capital expenditure will be financed by reduction in investments rather than external borrowing.

The Council is therefore well placed to withstand short term lack of liquidity in financial markets.

## EAST HERTS COUNCIL

### THE EXECUTIVE – 7 FEBRUARY 2012

#### REPORT BY THE EXECUTIVE MEMBERS FOR HEALTH, HOUSING AND COMMUNITY SUPPORT AND FOR FINANCE

#### LOCAL AUTHORITY MORTGAGE SCHEME

WARDS AFFECTED: All

#### Purpose/Summary of Report

To seek approval to the council providing support of £1m for house purchase mortgages within East Herts using the Local Authority Mortgage Scheme developed by the Council's advisers Sector Ltd.

#### **RECOMMENDATION TO COUNCIL:**

<b><u>RECOMMENDATION TO COUNCIL:</u></b>	
<b>A</b>	<b>That the Council be recommended to provide £1m to support the LAMS scheme in East Herts and that the following parameters be set :</b> <b>a) The Scheme to apply to all post code areas within East Herts</b> <b>b) The maximum loan per property be set at £160,000</b>
<b>B</b>	<b>That Council be recommended to authorize the Executive Member for Finance to determine the allocation of the £1m to either a cash backed or guarantee scheme in the light of confirmed interest from local and national mortgage providers</b>
<b>C</b>	<b>That subject, to the determination by the Executive Member of Finance as in B above, the Council be recommended to agree in respective of Lloyds TSB Bank plc and Lloyds TSB Scotland plc</b> <ul style="list-style-type: none"><li><b>• a Scheme Indemnity Deed as set out at Essential Reference Paper E</b></li><li><b>• an Officer's Indemnity Deed as set out at Essential reference Paper F</b></li></ul>

## 1 Background

- 1.1 The context for the LAMS is set out at Essential Reference Paper B in the sections headed “background” and “current situation”. In essence LAMS allows local authorities to help address a shortage of mortgage lending accessible to those with deposits of less than 25%. The scheme gives access to funding to those with a deposit of 5% (or more) with the Council acting as guarantor for the balance of the normal deposit of up to 20%. The scheme has been developed by Sector in conjunction with 11 pilot authorities.

## 2 Report

- 2.1 The decision for the Council is to be taken in the context of its strategic housing policy and is not a treasury or investment decision notwithstanding that financial risk is a consideration properly to be taken into account.
- 2.2 The Council does not have the skills, systems or regulatory approvals to undertake lending for residential mortgages and the costs of acquiring such would be disproportionate to the sums that the council could prudently afford to put into a lending programme. The LAMS offers a cost effective option to support local house purchase through existing lenders.
- 2.3 Essential reference paper B sets out the key features of the scheme in more detail. The recommendations above set out the two parameters for the Council to determine. The scheme does not allow the Council to set additional criteria.
- 2.4 The LAMS scheme is complementary to and not in competition with the government proposals to assist first time buyers. Government assistance is limited to first time buyers purchasing newly built properties LAMS has no restriction on the type of property which may be supported.
- 2.5 The Council has four decisions to make
- Whether or not to support the scheme at all?
  - If so, how much to put into the scheme?
  - The maximum amount of any loan it will support?

- Whether to support the scheme across the district or to limit its geographical application only to certain post code areas.

- 2.6 The scheme is consistent with the aspirations of the Council's housing strategy which is under review and the revised strategy will set out the specific contribution expected of LAMS. The scale of the scheme is not seen as likely to distort the local housing market - the £1m will support about 32 applicants. However, to the extent it helps unlock chains the help provided is to more than just those families who receive the assistance directly.
- 2.7 The MTFP planning assumption was to limit the spend on capital to an affordable amount and notwithstanding that a capital receipt will be received on completion of the scheme a figure of £1m is in keeping with the commitment and allows the success to be judged before considering any further commitment. Herts County Council is considering match funding District contributions which if agreed would double the provision. With the cash backed scheme the deposit is treated as a capital payment and on return as a capital receipt.
- 2.8 Setting the maximum loan size will both determine the number of families which can be assisted and the type of property they can access. With a minimum 5% deposit and cap on the loan of £160k the scheme would give access to properties to a value of £168k. This would support the purchase of averagely priced one bedroom properties in most if not all parts of the area. Average prices for a 2 bed room property are roughly £200k in Bishop's Stortford; £168k in Buntingford; £200k in Hertford; £178k in Sawbridgeworth and £185k in Ware. As these are average prices there should be some access to two bedroom properties. (source of pricing [Home.co.uk](http://Home.co.uk) December 2011)
- 2.9 There appears to be no good reason to limit the area to which the scheme applies to anything other than the entirety of the district.
- 2.10 The financial implications are not entirely without risk but those risks such as they are can be mitigated. The maximum sum at risk is all of the £1m if every borrower helped by the scheme defaulted and each of the consequential sales realised no more

the 75% of the original purchase price.

- 2.11 Real experience is of very low rates of default. The Council of Mortgage Lenders' statistics show consistently low but fluctuating levels of repossession. Repossessions peaked at 0.77% of outstanding mortgages in 1991 having been at or below 0.25% in the previous two decades; since 1991 the rate fell to 0.07% by 2003 increasing to 0.41% by 2009. In 2011 repossessions are running at an annualized rate of 0.32% at the end of September. At the same point 1.44% of mortgages were in arrears by more than 2.5% of the outstanding balance. There is no analysis to show rates of repossession only for first time buyers or by region. The LAMS lenders subject applicants to the same creditworthiness checks as for any other borrower so there should be no above average level of default and there is no pooling of risk between participating councils. All income from lenders by way of a return on deposits or guarantee fees will be put into a reserve to meet any calls during the duration of the scheme.
- 2.12 With a cash backed scheme the creditworthiness of the mortgage lender needs to be considered particularly as treasury management policy would generally not envisage deposits for 5 or more years. However, as a housing investment the treasury criteria will be relaxed only for this scheme. The option to provide a non cash backed guarantee will depend on potential lenders in the local market.
- 2.13 In developing the scheme Sector and the pilot authorities considered issues about the statutory powers available to authorities and state aid. Commentary on these issues is set out in Essential Reference Papers C and D. The Monitoring Officer and Section 151 Officer are happy that the steps taken by Sector are adequate to ensure the scheme is lawful.
- 2.14 Lloyds is a potential lender and to facilitate early implementation should Lloyds be selected the report includes the indemnities sought by them to which Council approval is sought. These provide assurance to Lloyds that the Council will meet its commitments in the event of a default. There are two indemnities sought – the first is to Lloyds (Essential Reference Paper E) in respect of the scheme and the second (Essential reference Paper F) to the Monitoring Officer with regard to the

opinion letter (Essential Reference Paper G) he is required to provide to Lloyds confirming the Council's able to enter into the relevant agreements and is bound by them.

Background papers

None

Contact Member: Councillor Linda Haysey Executive Member for Health, Housing and Community Support and Michael Tindale - Executive Member for Finance

Contact Officer: Alan Madin – Director of Internal Services Ext 1406

Report Author: Alan Madin – Director of Internal Services

## ESSENTIAL REFERENCE PAPER 'A'

Contribution to the Council's Corporate Priorities/ Objectives	The LAMS scheme supports <b>People</b> in meeting their housing aspirations and <b>Prosperity</b> by ensuring a greater share of mortgage funding is applied locally than might otherwise be the case.
Consultation:	None
Legal:	Essential Reference Paper B to G sets out the statutory authority to engage in the scheme and the form in which the indemnities must be given.
Financial:	Capital expenditure of £1m on set up with equal and offsetting receipt at the end of the period. Any call on the indemnity will trigger a payment of the relevant sum of up to 20% of the initial property valuation.
Human Resource:	None
Risk Management:	The financial risks are as set out in the report and above.



(note: Appendices not included here)

### Local Authority Mortgage Scheme

#### 1. Background

The turmoil in the financial and banking market has had a severe impact on both the local economy and on local housing. House prices have continued to fall, and the outlook remains uncertain. The lack of buyers, together with the ongoing lack of mortgage availability means house prices are likely to continue to slide. Nationwide Building Society predicts house prices throughout 2011 to stay weak as a result of the uncertainty surrounding the economy and the Government's massive spending cuts.

There is still considerable concern about some areas of the housing market, particularly the low percentage of first time buyers. According to the Council of Mortgage Lenders (CML), mortgage lending in July 2011 fell by 6% compared to July 2010. The CML believes the housing market will remain subdued in 2011 due to uncertainty surrounding the economy and the ongoing mortgage rationing by lenders. The level of activity in the mortgage market is expected to drift lower over the coming months.

Current constraints are a particular problem for first-time buyers, especially those unable to provide a substantial deposit. While mortgage insurance, shared ownership, and product innovation can all potentially play a part, none will provide a "magic bullet" to normalise the mortgage market for first-time buyers. This is likely to be a gradual process as confidence in funding markets and lending decisions is restored in the light of a more stable market environment. The preference for low loan to value mortgages is therefore expected to continue to restrict first time buyers in the current financial environment.

As a result of the recession and the adverse affect on the local economy and the housing market, a number of Local Authorities are trying to take a proactive approach in supporting the local area, and also to address pressing issues in increasing the supply of affordable housing.

#### 2 Current situation

Most mortgage lenders are typically prepared to lend a maximum of 75% - 80% loan to value (LTV), even if the applicant can afford a 95% mortgage. This means the applicant requires a substantial deposit, e.g. a first time buyer purchasing a property valued at £100,000 would have to provide a deposit in the region of £25,000. Many potential first time home-buyers do not have the funds needed for the deposit.

As a result of the current economic environment, uncertainty in the housing market and the difficulties in obtaining an affordable mortgage, many potential home-buyers may remain in social / affordable housing units, thereby reducing the availability of social / affordable housing for those who may have a greater need. Increasing the supply of affordable / social housing is a key corporate priority for most Local Authorities.

To address the shortage in supply of affordable housing to those who need it, and to help the housing market and the local economy in general, a number of Local Authorities have considered issuing mortgages to potential home-buyers. However, Local Authorities have limited financial resources available for this purpose, and they also have limited staffing resources and expertise in this area to manage their own mortgages. There are also considerable operational risks attached in entering into this area of residential mortgage activity.

Rather than entering into the residential mortgage market themselves, Local Authorities have therefore explored the possibility of entering into a partnership with residential mortgage lenders, with the remit of minimising the financial impact on the Local Authority, and at the same time taking advantage of the expertise already available from existing mortgage providers.

In September 2009, Sector Treasury Services set up a pilot scheme to assess the viability of a new Local Authority Mortgage Scheme (LAMS), including the legal and accounting issues surrounding a financial indemnity of this nature. 11 Local Authorities initially sponsored the pilot scheme.

The remit of the pilot scheme included initial discussions with a range of residential mortgage lenders, with a view to securing options for funding the scheme. Initial discussions with potential funders / partners revealed that due to the high level of set up costs, funders would only be interested in a large national scheme rather than separate arrangements with individual Local Authorities. It was also considered appropriate to discuss the proposed scheme with the Council of Mortgage Lenders (CML). Early discussion with the CML has secured support for a standard national scheme.

Following the successful completion of the pilot scheme, this report outlines the scheme where the Local Authority can provide targeted help to potential home-buyers to enable them to obtain a mortgage. The scheme is a private sector initiative, i.e. not linked to the Right to Buy Mortgage scheme previously provided by Local Authorities.

### **3. The Local Authority Mortgage Scheme**

The scheme is aimed at first time buyers, providing help for potential buyers who can afford mortgage payments - but not the initial deposit – to get on to the property ladder. Under the scheme, each Local Authority will be able to specify three qualifying criteria; the maximum level of indemnity, the maximum loan size (based on 95% of maximum property valuation) and the qualifying post codes. The scheme is standardised as much as possible

If a potential buyer meets the strict credit criteria applied by the lender, and meets the criteria set out by the Local Authority to qualify for a mortgage under the scheme, the Local Authority will provide a top-up indemnity to the value of the difference between the typical LTV (i.e. 75%) and a 95% LTV mortgage. The potential buyer will thereby obtain a 95% mortgage on similar terms as a 75% mortgage, but without the need to provide the substantial deposit usually required.

It should be stressed that the scheme does not promote reckless lending, it is essential that the applicants meet the standard lending criteria as set out by the lender, and that the higher LTV mortgage is affordable.

The indemnity will be in place for a fixed 5 year period for each mortgage granted under the scheme, which may be extended for a further 2 years if a mortgage were in arrears in the last 6 months of the initial 5 year period.

The indemnity would only be called upon if a loss is crystallised by the lender. By way of example, a property valued at £100,000, with a mortgage of £95,000 and with Local Authority indemnity of £20,000 is sold at £70,000, net of attributable costs. The full value of the £20,000 indemnity would be requested by the lender. If the property is sold at £90,000 net of costs, i.e. an actual loss of £5,000 is incurred by the lender, £5,000 would be requested from the Local Authority. Any loss in excess of the value of the indemnity would be attributable to the lender. The lender would request payment from the Local Authority, who would undertake to make payment within 30 days.

The table below shows potential number of first time buyers the scheme may initially assist based on £1m advance, assuming a purchase price of £100,000.

Total Local Authority Indemnity	£1,000,000
Assumed Max Loan Size	£100,000
5% Deposit	£5,000
95% Mortgage	£95,000
Local Authority Indemnity	£20,000
Potential number of mortgages	50

It is anticipated that the Local Authority will set a maximum annual limit for indemnities offered, either in total or for the forthcoming year. The indemnity could be either unfunded or “cash-backed”, depending on the requirements of the lender.

If the indemnity is un-funded, the Local Authority will receive a premium a fixed amount of the value of the indemnity actually provided, typically in the region of £500 per mortgage. The accounting requirements for an un-funded indemnity with a premium attached are covered in Appendix A (Accounting Paper 2).

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

In accordance with the legislation, the lender will not have a legal charge over the deposit. In the event of an indemnity being called and an amount being payable by

the Local Authority to the lender, a request for payment would be made by the lender. The Local Authority will undertake to settle the amount payable within 30 days. The accounting requirements for the “cash backed” indemnity are shown in Appendix A1 (Accounting Paper 3)

For both types of indemnity, and assuming no default by the buyer, the indemnity liability would terminate on the earliest of the end of the agreed indemnity period (i.e. 5 years) or an early repayment of the mortgage. In the case of a cash-backed indemnity, the fixed-term deposit would be repaid to the Local Authority at the date of maturity, plus interest due.

Appendix B sets out the legislative framework that would give a Local Authority in England, Wales and Scotland the power to implement the Scheme. Appendix B also provides an outline of policy and commercial issues that a Local Authority should consider when deciding how to implement the Scheme. We have also taken advice on the State Aid, and a summary of the position is attached in Appendix C.

There are a number of risks associated with the scheme, and the Local Authority should give careful consideration to how to manage these risks and the mitigating controls to be put in place. A Risk Assessment, outlining the key risks and potential mitigating controls are attached in Appendix D.

When a Local Authority decides to participate in the LAMS, they should initially agree the criteria required to qualify for the scheme. The local criteria are:

- The maximum limit for the total indemnity to be offered under the scheme.
- The maximum loan size (based on maximum property valuation)
- The qualifying post codes within the boundary area

Once these parameters have been set, the mortgage lender should manage the operational side of the scheme without any direct input from the Local Authority. Sector Treasury Services will undertake an annual audit of the scheme to ensure both parties are fully compliant with the agreement.

Due to the changing environment, further legal and / or accounting advice may be required during the life of the LAMS. To ensure consistency, it is anticipated that Sector Treasury Services Ltd will obtain updated advice on behalf of participating authorities. Any additional fees incurred in this respect will be agreed with all parties in advance.

#### **4. Conclusions**

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

The scheme has been designed to minimise the financial impact on the Local Authority, and to work in partnership with a range of experts in the market, i.e. residential mortgage lenders.

The scheme requires the Local Authority to provide a financial indemnity of up to 20% of a mortgage for potential home-buyers who qualify for Local Authority support, and who meet the strict lending criteria set by the lender.

The scheme does NOT promote reckless lending or provide un-affordable mortgages, it simply reduces the value of deposit currently required.

The indemnity could be un-funded or 'cash backed'.

The pilot scheme has obtained Counsel's opinion on the legality of the scheme, as attached in Appendix B. The advice has been obtained on behalf of all participating Local Authorities, however, each authority should ensure the Council's Monitoring Officer is satisfied with the advice provided.

The pilot scheme has provided comprehensive accounting advice on both the un-funded and the cash-backed option, as attached in Appendix A.

The pilot scheme has produced a Risk Assessment, as attached in Appendix D.

The scheme is currently supported by five mortgage lenders; one national lender (Lloyds Banking Group), and four smaller lenders; Furness BS, Saffron BS, Leek United BS and Teachers BS. It is expected that further lenders will be joining the partnership at a later stage. It is a requirement of the scheme that mortgage applicants should have a choice of mortgage providers, and the scheme should be available to all lenders on a national basis.

The scheme was launched nationally in March 2011, and mortgages are currently available in Blackpool and Warrington. A further six Local Authorities are due to launch the scheme during September / October

## 5. Recommendation

That the Local Authority adopts the LAMS in accordance with the outline provided within this report.

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Appendix B  
White Paper

Proposed Local Authority Scheme for Mortgage  
Assistance by way of Guarantee

An Overview of the Legal Issues

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## 1. The Scheme: An Overview

- 1.1 This White Paper considers the legal issues relating to a proposed scheme (the “**Scheme**”) which a Local Authority<sup>1</sup> could adopt and implement, and under which a Local Authority would give assistance to potential home-buyers to enable them to obtain a mortgage from a commercial mortgage lender. The Scheme is a private sector initiative being put together by [Sector] and a number of major mortgage lenders.
- 1.2 The Scheme is designed to address an issue that many potential home-buyers face. In current economic conditions, the amount which lenders are prepared to lend is typically restricted to a comparatively low percentage of the value of the flat or house to be bought. However, many potential home-buyers do not have the savings needed to cover the difference between the purchase price and the amount that can be lent.
- 1.3 Under the Scheme, if the potential buyer met certain criteria and had been accepted by a lender participating in the Scheme, a Local Authority would provide assistance to the potential buyer in the form of a guarantee<sup>2</sup> to that buyer’s proposed lender. The amount of the guarantee would be based on the difference between (a) the amount the lender would be prepared to lend (under its usual lending and loan-to-value criteria) and (b) the amount that the potential buyer would need to borrow in order to buy the flat or house in question.
- 1.4 By way of example, take a hypothetical potential buyer, with £10,000 of her own funds wishing to buy a flat valued at £100,000, but where the lender’s policies would only permit a loan of 70% of the flat’s value, ie £70,000. Under the Scheme the local authority would provide a guarantee to the lender for up to £20,000 to allow the lender to lend the potential buyer a total of £90,000.

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<sup>1</sup> “Local Authority”, under the Housing Act 1985 (the legislation which would govern an English Local Authority in providing this assistance), means county, county borough, district or London borough councils, the Common Council of the City of London, the Council of the Isles of Scilly, the Broads Authority, joint authorities established by Part 4 of the Local Government Act 1985, joint waste authorities and the London Fire and Emergency Planning Authority. “Local Authority”, under the Housing (Scotland) Acts 1987, 2001 and 2006 (the legislation which would govern a Scottish Local Authority in providing this assistance), means any council constituted under section 2 of the Local Government etc. (Scotland) Act 1994 where section 2 provides that a council shall be constituted for each local government area. This White Paper does not consider Local Authorities in Northern Ireland, the Broads Authority, joint authorities established by Part 4 of the Local Government Act 1985, joint waste authorities or the London Fire and Emergency Planning Authority.

<sup>2</sup> See part 2 of this White Paper for more detail as to the legal obligations that a Local Authority would be assuming.

- 1.5 Each guarantee would be for a fixed period – a maximum of, say, 5 years. The guarantee could be either unfunded or “cash-backed”. In the latter case, the Local Authority would deposit an amount with the lender, equal to the guarantee sum, for a fixed term. If a sum became payable under the guarantee, the payment of that sum could be effected by an amount equal to that sum being deducted from the deposit.
- 1.6 For both types of guarantee, and assuming no default by the buyer, the guarantee liability would terminate on the earliest of (i) the end of the agreed guarantee period, (ii) an early repayment of the mortgage and (iii) a refinancing of the mortgage with a different lender. In the case of a cash-backed guarantee, the fixed-term deposit would be repaid to the Local Authority (together with interest and, if payments under the guarantee are to be made by way of deductions from the deposit, net of any deductions).
- 1.7 It is expected that the arrangement between a Local Authority and each lender would be an umbrella guarantee, under which the Local Authority would agree to pay an amount (subject to a cap) for each borrower who met the Local Authority’s criteria and who subsequently defaulted on that loan. This would involve the lender, in effect, processing applications and determining whether or not a borrower met these criteria.
- 1.8 This White Paper sets out the legislative framework that would give a Local Authority the power to implement the Scheme. It also provides an outline of the policy and commercial issues that a Local Authority should consider when deciding whether, and how, to implement the Scheme.
- 1.9 Each Local Authority will, in addition to the legislative framework, need to consider how the Scheme would fit within its wider housing, social and other policies and whether the Scheme is consistent with these and appropriate for that Local Authority. Accordingly, nothing in this White Paper should be taken as a recommendation that the Scheme is appropriate for any particular Local Authority.

## 2. Legislative powers to effect the Scheme

England and Wales

- 2.1 The Housing Act 1985 (as amended) (the “**Act**”) provides the statutory framework for the Scheme. The Act allows Local Authorities to “advance money to a person for the purpose of acquiring a house” (section 435 of the Act (“**Section 435**”)<sup>3</sup>).
- 2.2 Section 442 of the Act (“**Section 442**”) allows a Local Authority to grant an indemnity to a lender to enable the lender to give a potential buyer<sup>4</sup> a mortgage. In particular, sub-section (1) states that “a local authority may enter into an agreement with a person or body making an advance on the security of a house ... whereby, in the event of default by the mortgagor, ... the authority binds itself to indemnify the mortgagee in respect of the whole or part of the mortgagor’s outstanding indebtedness”.
- 2.3 In addition, sub-section (1A) of Section 442 requires that the advance has to be for a purpose specified in sub-sections (1) or (1A) of Section 435. The purposes set out in these sub-sections include:
- acquiring a house;
  - constructing a house; and
  - converting an existing building into a house.
- 2.4 The Act specifies that it is an **indemnity** which the Local Authority must give. As a technical point, an indemnity is a “primary obligation” between the lender and the Local Authority, rather than the “secondary obligation” created by a guarantee (in the strict sense of that term). The effect of this is that even if the mortgage is for any reason held to be unenforceable against the borrower, the indemnity will still stand so the lender can always require payment from the Local Authority if the borrower defaults. However, in practice, lender will invariably require that the obligations assumed would be indemnity obligations as well as guarantee obligations, and so this should be of minimal practical difference. Accordingly, where this paper refers to a “guarantee” it is being used generically to cover an instrument whereby one person assumes liability for the debts of another person rather than in the strict legal sense.

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<sup>3</sup> The full text of Section 435 and Section 442 is set out in the Appendix to this White Paper.

<sup>4</sup> In this White Paper, we use “buyer” and “borrower” interchangeably to represent the person who will be borrowing the money from a lender in order to buy a house or flat.

- 2.5 In relation to the “cash-backed” guarantees, it should be noted that section 13 of the Local Government Act states that a Local Authority “may not mortgage or charge any of its property as security for money which it has borrowed or otherwise owes”. Any arrangement in relation to the terms of the deposit related to cash-backed guarantees would need to comply with section 13.

#### Scotland

- 2.6 The statutory framework for the implementation of the Scheme in Scotland is comprised in: the Housing (Scotland) Act 1987 (as amended) (the “**1987 Act**”); and the Housing (Scotland) Act 2006 (the “**2006 Act**”).
- 2.7 Section 214 of the 1987 Act (“**Section 214**”) allows Local Authorities in Scotland to “make advances for the purpose of increasing housing accommodation”.
- 2.8 In terms of Section 214, a Local Authority in Scotland may advance money to any person for the purpose of:
- (a) acquiring a house;
  - (b) constructing a house;
  - (c) converting another building into a house or acquiring another building and converting it into a house;
  - (d) altering, enlarging, repairing or improving a house; or
  - (e) facilitating the repayment by means of the advance of the amount outstanding on a previous loan made for any of the purposes specified above.
- 2.9 The Local Authority may make advances whether or not the houses or buildings are in the Local Authority’s area of operation.
- 2.10 In determining whether to advance money under Section 214, the Local Authority must have regard to any advice which may be given from time to time by the Scottish Ministers.
- 2.11 An advance under Section 214 may be made in addition to assistance given by the Local Authority in respect of the same house under any other Act or any other provision of this Act.
- 2.12 Section 229 of the 1987 Act (“**Section 229**”) allows a Local Authority in Scotland to enter into an agreement with a building society or other recognised body under

which the Local Authority binds itself to indemnify the building society or recognised body in respect of:

- (a) the whole or any part of any outstanding indebtedness of a borrower; and
- (b) loss or expense to the building society or recognised body resulting from the failure of the borrower duly to perform any obligation imposed on him by a heritable security.

In terms Section 229, the term “heritable security” means a standard security, which is a fixed charge over property and is the Scots law equivalent of a legal mortgage.

- 2.13 An agreement entered into pursuant to Section 229 may also, where the borrower is made party to it, enable or require the Local Authority in specified circumstances to take an assignation of the rights and liabilities of the building society or recognised body under the heritable security.
- 2.14 Any agreement entered into pursuant to the terms of Section 229 requires the approval of the Scottish Ministers.
- 2.15 Approval of the Scottish Ministers under subsection Section 229(1) may be given generally in relation to agreements which satisfy specified requirements, or in relation to individual agreements, and with or without conditions, as Scottish Ministers may think fit, and such approval may be withdrawn at any time on one month’s notice.
- 2.16 Before issuing any general approval under Section 229(1), Section 229(4) requires the Scottish Ministers to consult with such bodies as appear to them to be representative of: Local Authorities in Scotland; building societies; and the Financial Services Authority.
- 2.17 In Section 229, the term “building society” is defined as meaning a building society within the meaning of the Building Societies Act 1986.
- 2.18 The term “recognised body” means either: a specific body; or a class or description of bodies designated by order of the Scottish Ministers with the consent of the Treasury. To date, only two such orders have been made, designating only 9 entities as recognised bodies.
- 2.19 Accordingly, the scope of Section 229 is limited and only allows Local Authorities in Scotland to grant indemnities in favour of either a building society or one of the “recognised bodies” referred to above.

- 2.20 Section 71 of the 2006 Act ("**Section 71**") makes further provision for assistance by Local Authorities in Scotland for housing purposes. Section 71(1) provides that a Local Authority may provide or arrange for "the provision of assistance to a person in connection with the acquisition or sale (or the proposed acquisition or sale) of a house".
- 2.21 Section 71(3) provides that "assistance" in terms of Section 71(1) may "in particular" be in the form of guaranteeing or joining in guaranteeing the payment of the principal of, and interest on, money borrowed by the person (including money borrowed by the issue of loan capital).
- 2.22 Section 71(3) does not expressly include a reference to assistance by way of the grant of indemnities. However, the inclusion of the words "in particular" in Section 71(3) would appear to indicate that the list of forms of assistance set out in Section 71(3) is not prescriptive and that other forms of assistance under Section 71(3) may be provided.
- 2.23 However, it is relevant in this regard to consider the terms of the Housing (Scotland) Act 2001 (the "**2001 Act**"). Section 92 of the 2001 Act ("**Section 92**") gives Local Authorities powers to provide assistance to registered social landlords or other persons concerned with the provision of housing.
- 2.24 Section 92(4) provides that the forms of assistance which may be provided under Section 92 include: guaranteeing or joining in guaranteeing the payment of the principal of, and interest on, money borrowed by the landlord or person (including money borrowed by the issue of loan capital) (Section 92(4)(c)); and granting indemnities Section 92(4)(d)). Section 92 of the 2001 Act therefore draws a distinction between the giving of a "guarantee" and the granting of an "indemnity".

It is also relevant to consider the terms of Section 92(3) of the 2001 Act, which made provision for Local Authorities to assist individuals in connection with the acquisition of housing accommodation. Section 92(6) provided that assistance under Section 92(3) may "in particular" include guaranteeing or joining in guaranteeing the payment of the principal of, and interest on, money borrowed by the individual (including money borrowed by the issue of loan capital). Section 92(6) made no express reference to the granting of indemnities, although it would be reasonable to infer from the inclusion of the words "in particular" in that Section that the list of forms of assistance set out in Section 92(6) was not prescriptive and that other forms of assistance under Section 92(3) may have been provided.

The 2006 Act repealed Section 92(3) and Section 92(6), which have been replaced by the terms of Section 71. The terms of Section 92(3) were very similar to the terms of Section 71 and, in interpreting the scope of a Local Authority's

powers under Section 71, the terms of Section 92(2) (which remains in force) and Section 92(3) may be of relevance.

On balance, the terms of Section 71 are considered to be drafted in such a way as to allow Local Authorities in Scotland the power to grant the kind of guarantees contemplated by the Scheme, although it would be prudent to discuss matters with Scottish Ministers at an early opportunity in order to determine whether they had any particular views on the interpretation of Section 71 and the nature and extent of the powers granted to Local Authorities thereunder.

- 2.25 Section 71(4) provides that assistance under Section 71 may be provided on such terms as the Local Authority thinks fit (subject to any provision about such terms made by or under the 2006 Act).
- 2.26 Section 71(6) provides that the Scottish Ministers may by regulations make further provision about the provision of assistance under Section 71(1). To date, certain regulations have been implemented but these do not affect the proposals set out in this paper in relation to the Scheme.
- 2.27 Section 73 of the 2006 Act provides that a Local Authority must prepare and make publicly available a statement of the criteria by reference to which it determines whether to provide assistance under Section 71(1) in particular types of case and the form of the assistance. Such a statement may make different provision for different cases and the Local Authority may revise or replace such a statement from time to time.
- 2.28 The provisions of Section 71 afford Local Authorities in Scotland significantly greater flexibility as to the exercise of their powers than the provisions in Section 229. Accordingly, in implementing the Scheme in Scotland, there would be considerable advantage in using the terms of Section 71 of the 2006 Act as a basis for implementation of the Scheme rather than Section 229 of the 1987 Act.
- 2.29 The distinction between the terms “indemnity” and “guarantee” under Scots law is largely identical to the distinction between the two terms under English law.

In this paper, the term “guarantee” is being used generically to cover an instrument whereby one person assumes liability for the debts of another person rather than in the strict legal sense. As has been noted earlier in this paper, in practice, a private lender will invariably require that the obligations assumed would be indemnity obligations as well as guarantee obligations, and so this should be of minimal practical difference.

- 2.30 In relation to the “cash-backed” guarantees, although there is no provision of Scots law that explicitly prohibits the creation of security over the deposit, Schedule 3 of the Local Government (Scotland) Act provides that all monies borrowed by a Local Authority in Scotland must be secured on the whole funds, rates and revenues of the Local Authority and not otherwise. Accordingly, it would not be possible for security to be created over the deposit and any arrangement in relation to the terms of the deposit related to cash-backed guarantees would need to comply with Schedule 3.

#### Registrations

- 2.31 The Scheme would not require most Local Authorities to be registered under the Financial Services and Markets Act 2000<sup>5</sup> with the Financial Services Authority or licensed under the Consumer Credit Act 1974<sup>6</sup> with the Office of Fair Trading (“OFT”).

#### Conclusion

- 2.32 Sections 435 and 442 give Local Authorities in England and Wales the power to grant the kind of guarantees contemplated by the Scheme. Section 71 gives Local Authorities in Scotland the power to grant the kind of guarantees contemplated by the Scheme. What follows in Part 3 of this White Paper is how a Local Authority would utilise Section 442 or Section 71 (as the case may be) to decide whether, and how, to implement the Scheme.

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<sup>5</sup> The exemption for the registration requirements of the Financial Services and Markets Act covers Local Authorities that are county, county borough, district or London borough councils, the Common Council of the City of London, the Council of the Isles of Scilly, parish councils and community councils.

<sup>6</sup> The exemption from the licensing requirements of the Consumer Credit Act covers Local Authorities that are county, county borough, district or London borough councils, the Common Council of the City of London and the Council of the Isles of Scilly.



### **3. Creating the policy**

3.1 How do Local Authorities in England and Wales make use of Section 442?

3.1.1 The Act does not specify how Local Authorities should make use of Section 442. Each Local Authority will have its own constitution and its own ways of working. However, the following considerations need to be taken into account.

3.1.2 Housing strategies exist at national, regional and local levels. Consider how the Scheme fits in with existing national, regional and local housing strategies.

3.1.3 If Section 442 is intended to be used to adopt the Scheme, then it should be adopted by the Local Authority as a policy within the wider policy and budgetary framework – either as part of the Local Authority's housing strategy or as a sub-strategy. The policy could include statements about:

- how the policy will contribute towards the fulfilment of the Local Authority's strategic aims, objectives and priorities;
- how the policy will contribute towards the fulfilment of the Local Authority's housing strategy and any other relevant corporate strategies;
- the key priorities which the policy will address and the reasons for selecting them;
- the amount of capital resources that will be committed to implementing the policy and how this is budgeted for;
- a description of the types of assistance available, what the assistance will be used for, and what key outcomes will be achieved by each form of assistance;
- the circumstances in which people will be eligible for assistance;
- the amounts of assistance that will be available to eligible people, and how these amounts will be determined;
- the types and amounts of preliminary or ancillary fees and charges associated with the provision of assistance that will be payable and in what circumstances;
- the process to be used to apply for assistance;

- how people can obtain access to the process of applying for assistance;
- details of conditions that will apply to the provision of assistance;
- how conditions will be enforced and in what circumstances they may be waived;
- advice that is available, including financial advice, to assist people wishing to enquire about, and apply for, assistance;
- the arrangements for complaints about the policy and its implementation;
- the arrangements for applications for assistance to be considered where these fall outside policy;
- key service standards that will apply to the provision of assistance;
- a policy implementation plan;
- national and local performance indicators that are relevant to the policy and the targets that the Local Authority has set itself to improve performance;
- how (or if) the Scheme will be promoted or publicised;
- what information will be provided in the promotion of the Scheme;
- what training is needed for Local Authority employees and other agencies involved in implementing the Scheme.

3.1.4 A report (which includes a copy of the full policy document and the necessary budgetary details) should then be formally presented and adopted by the Local Authority according to its normal procedures for such matters.

3.1.5 Local Authorities should advise members of the public that they have adopted a policy. For example, Local Authorities may wish to publish the policy on their website. After publication a copy of the full policy should be available for public inspection. Copies could also be available through local Citizens Advice Bureaux, public libraries and sent to all partner organisations.

3.1.6 Once put into use, there will need to be regular monitoring of progress against performance targets, and broader aims and objectives.

3.1.7 Local Authorities will also want to be clear about who has the authority to exercise the power set out in Section 442. Depending on its constitution, the Local Authority may want to do this by way of a scheme of delegation. A scheme of delegation is a tool that can be used to specify which officers have authority to exercise certain powers on behalf of the Local Authority.

3.1.8 In the case of Section 442, the authority to decide whether to grant a mortgage guarantee is likely to be delegated to the chief housing officer. However in practice the Local Authority's finance department will also need to be involved in this process – both in designing and implementing the policy, in budgeting for implementation of the policy and in ensuring that relevant accounting practices are adhered to.<sup>7</sup>

### 3.2 Policy content

3.2.1 To the extent that the policy and budgetary framework has been correctly implemented in accordance with the provisions set out above, there are a number of policy and budget decisions that each Local Authority may make surrounding its implementation of the Scheme.

3.2.2 For policy decisions regarding this Scheme, there is no statutory authority available, so it is for each Local Authority to decide what they consider most appropriate for their boundary area. Here are some examples of policy considerations a Local Authority might face:

#### (a) Time limit, profit share and right of first refusal

- (i) There is currently legislation in force for English and Welsh Local Authorities (under the Act) which, amongst other things, restricts home-owners who have bought their council home under a "Right to Buy" scheme from selling it within a specified time period without offering the house at full market value to the council landlord.
- (ii) Whilst the Scheme is not a "Right to Buy" scheme, as a matter of policy – for Local Authorities in England, Wales and Scotland – it may be appropriate to consider whether any exploitation of this Scheme, which would give buyers financial benefit over and above owning their own home, should be restricted by placing a right of first refusal of sale or profit share option or suchlike for the benefit

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<sup>7</sup> See, for example, the accounting rules set out in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003/3146 and the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003/3239.

of the Local Authority. Such a right could, for example, be exercisable only during the life of the guarantee.

**(b) Criteria for eligibility**

A Local Authority is not restricted by law as to what should be included in their eligibility criteria for the borrowers applying for assistance from the Scheme.

- 3.3 How do Local Authorities in Scotland make use of Section 71?
- 3.3.1 The 2006 Act does not specify how Local Authorities in Scotland should make use of Section 71. Indeed, Section 71(4) provides that assistance under Section 71 may be provided on such terms as the Local Authority thinks fit (subject to any provision about such terms made by or under the 2006 Act).
- 3.3.2 However, Scottish Ministers have issued initial guidance in relation to the provision of assistance by Local Authorities in terms of Section 71 (“Implementing the Housing (Scotland) Act 2006: Statutory Guidance for Local Authorities: Volume 5 Scheme of Assistance”) (the “**Guidance**”).
- 3.3.3 Although such guidance is framed in a relatively general way, there are a range of considerations which must be taken into account in relation to implementation of the Scheme in Scotland.
- 3.3.4 Local Authorities in Scotland need to plan for the provision of assistance in terms of Section 71. Such plans need to be consistent with those dealing with enforcement provisions and with the wider Local Housing Strategy of the Local Authority.
- 3.3.5 Plans relating to the provision of assistance in terms of Section 71 should be subject to public consultation before implementation.
- 3.3.6 Information, advice and practical assistance represent fundamental tools to reach more owners than has historically been the case prior to the inception of the 2006 Act. The Guidance notes that such tools are highly cost effective and should be used proactively as well as reactively to drive a change in attitudes towards the role of the state in maintaining the condition of private households.
- 3.3.7 Local Authorities should consider providing access to assistance under Section 71 through a “One Stop Shop” (“**OSS**”) model. The OSS should be able to assist potential recipients of assistance with all initial enquiries and should facilitate applications for financial assistance.

- 3.3.8 Local Authorities should make decisions on the use of their powers to provide assistance as part of their wider strategic responsibilities on house conditions. They should ensure that they use resources in the most appropriate way to improve access to housing, taking into account the circumstances of each case.
- 3.3.9 Assistance under Section 71 should be targeted at those in most need.
- 3.4 OFT sub-prime lending guidance
- 3.4.1 Whilst a Local Authority is not required to hold a Consumer Credit licence to issue the guarantees contemplated by this Scheme, there is OFT guidance on non-status lending<sup>8</sup> which we suggest that a Local Authority should consider in connection with the implementation of the Scheme – in particular around the means of publicising the Scheme and the criteria for eligibility.
- 3.4.2 “Non-status” is defined by the OFT as “those with impaired or low credit ratings and who would find it difficult generally to obtain finance from traditional sources on normal terms and conditions.” It may well be that some potential buyers who would be assisted by the Scheme fall within this definition.

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<sup>8</sup> This guidance is contained in a 1997 publication “Non-status Lending: Guidelines for lenders and brokers” (OFT 192) at [http://www.offt.gov.uk/shared\\_offt/reports/consumer\\_credit/oft192v2.pdf](http://www.offt.gov.uk/shared_offt/reports/consumer_credit/oft192v2.pdf). In the light of current economic conditions, the OFT has refocused its attention on sub-prime / non-status lending. The Financial Services Authority has also been reviewing the regulatory framework for the mortgages, including issues relating to applicants’ ability to meet repayments. This regulatory environment would need to be considered by Local Authorities, especially if there is a risk that the Scheme could be seen as encouraging borrowers to incur excessive indebtedness.

## 4. Commercial Considerations

### 4.1 Overview of Commercial Considerations

In deciding whether, and how, to implement the Scheme, a Local Authority should consider the following commercial issues:

- the amount of potential losses if a buyer defaults;
- the time at which the lender could require payment under the guarantee;
- the likelihood of recovering losses from a buyer;
- what fee (if any) the Local Authority would look for from a buyer;
- other issues relating to cash-backed guarantees.

### 4.2 Potential Losses and Timing

- 4.2.1 The maximum amount that a Local Authority could be required to pay under a guarantee will be set out in the guarantee.
- 4.2.2 For cash-backed guarantees, it is likely that the maximum amount payable will be the amount of the deposit placed with the lender plus any accrued interest on that sum.
- 4.2.3 It is anticipated that lenders will accept that demands may only be made once the mortgage has been enforced and the house or flat sold, and so the guarantee should cover just the shortfall between the amount lent and the amount recovered by the lender from the sale of the borrower's home.

### 4.3 Recovery from Borrowers

- 4.3.1 A Local Authority would need to consider that it may be unlikely to be able to recover from the borrower amounts paid under the guarantee. It would be possible to include in the documents to be signed by the borrower an undertaking to repay the Local Authority, if a demand is made under the guarantee. This could be supported by a second charge over the borrower's home.
- 4.3.2 However, the Local Authority would need to accept that the borrower is unlikely to be able to make such a repayment in a default situation – and the guarantee may anyway include a restriction on the Local Authority from seeking to be repaid if the lender has not been repaid in full or if there are still amounts owed under the loan.

#### 4.4 Fee Payable by Borrower

4.4.1 There is nothing in the Act that specifically restricts Local Authorities from charging a fee for issuing guarantees.

4.4.2 However, a Local Authority would presumably need to consider what would be an appropriate level for such a fee and also the extent to which a fee would be compatible with the policy reasons for adopting the Scheme.

#### 4.5 Cash-backed Guarantees

4.5.1 In addition to the issues relating to both types of guarantee under consideration, placing funds on deposit to secure the potential liabilities under a guarantee would give rise to the additional considerations.

4.5.2 The Local Authority would be exposed to the creditworthiness of the lender, in that the lender's obligation to repay the deposit would be an unsecured obligation, the same as an ordinary, fixed-term deposit (except that the Local Authority would presumably not be able to withdraw that deposit, even if it was prepared to incur the necessary costs involved in breaking a fixed-term deposit).

4.5.3 The Local Authority would also need to consider if placing funds on a fixed-term deposit, with the lender in question, was compatible with its overall investment policies.

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## Appendix

### Housing Act 1985

#### Section 435. Power of local authorities to advance money.

- (1) A local authority may advance money to a person for the purpose of:
- (a) acquiring a house,
  - (b) constructing a house,
  - (c) converting another building into a house or acquiring another building and converting it into a house, [ ... ]
  - (d) [ ... ]

or for the purpose of facilitating the repayment of an amount outstanding on a previous loan made for any of those purposes.

- [(1A) A local authority which is not a local housing authority may advance money to a person:
- (a) for the purpose of altering, enlarging, repairing or improving a house, or
  - (b) for the purpose of facilitating the repayment of an amount outstanding on a previous loan made for any of those purposes.]
- (2) The authority may make an advance notwithstanding that it is intended that some part of the premises will be used, or continue to be used, otherwise than as a dwelling if it appears to the authority that the principal effect of making the advance would be to meet the applicant's housing needs; and in such a case the premises shall be treated as a building to be converted into a house.
- (3) The authority may make advances whether or not the houses or buildings are in the authority's area.
- (4) An advance may be made in addition to assistance given by the authority in respect of the same house under any other Act or any other provision of this Act.



Section 442. Agreement by local authority to indemnify mortgagee

- (1) 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.
- (1A) The local authority may only enter into the agreement if the advance is for one or more of the purposes specified in subsection (1) or (1A) of section 435; and subsections (2) to (4) of that section apply in relation to power to enter into such an agreement as they apply to the power to make an advance under that section.
- (2) The agreement may also, if the mortgagor is made party to it, enable or require the authority in specified circumstances to take a transfer of the mortgage and assume rights and liabilities under it, the mortgagee being then discharged in respect of them.
- (3) The transfer may be made to take effect:
  - (a) on terms provided for by the agreement (including terms involving the substitution of a new mortgage agreement or modification of the existing one), and
  - (b) so that the authority is treated as acquiring (for and in relation to the purposes of the mortgage) the benefit and burden of all preceding acts, omissions and events.

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## **Local Authority Mortgage Guarantee Scheme – state aid issues**

### **1. Introduction and disclaimer**

- 1.1 This paper outlines the steps that have been taken and will continue to be taken to avoid or minimise the risk of the Local Authority Mortgage Guarantee Scheme (LAMGS) giving rise to unlawful state aid. It is not intended to be, nor should it be relied on, as legal advice. Any authority or lender participating in the LAMGS should take their own advice on the state aid position in the light of issues raised in this paper.

### **2. Why does the LAMGS give rise to a state aid issue?**

- 2.1 State aid arises whenever State resources are used to give a selective advantage to one or more undertakings with the effect of distorting competition and trade between Member States of the EU. State aid is unlawful unless and until notified to the European Commission and a clearance obtained. Any kind of State support which involves placing a burden on State funds may be considered to be state aid including the provision of a guarantee by a public body.
- 2.2 Under LAMGS, Local Authorities will provide an indemnity/guarantee of up to 20% of a mortgage for potential first-time-buyers (FTBs) who qualify for Local Authority support and who meet the lending criteria set by the mortgage lender. At launch, the LAMGS is supported by one bank, Lloyds Banking Group (LBG) (with the proposed mortgage lenders including Lloyds TSB Bank plc and Lloyds TSB Scotland plc). It is envisaged that other banks will join the LAMGS shortly after launch.
- 2.3 There are two possible groups of beneficiaries of the LAMGS, namely:
- (a) the mortgage borrowers (in this case, the FTBs who qualify for the Scheme);  
and
  - (b) participating banks.
- 2.4 The primary beneficiaries of the guarantee will be the borrowers. The guarantee will enable borrowers to obtain lower interest rates and/or offer less security. Specifically, the LAMGS will enable a potential FTB to obtain a mortgage of up to 95% at a competitive mortgage rate significantly below typical rates for 95% lending, but without the need to provide a more substantial deposit. The rates will be substantially more favourable than those generally payable on mortgages above 75% loan-to-value.
- 2.5 Participating banks could also benefit from the guarantee in the form of the extra mortgage lending business (and profit on the business) that they would acquire by

relying on the guarantee to expand their loan book to include borrowers who would not otherwise have been eligible for a mortgage.

### 3. How have the state aid issues been addressed?

3.1 In the case of individual borrowers it is unlikely that any state aid issues arises. Borrowers will be private individuals and FTBs - only individuals who have never previously owned a property are eligible for the LAMGS. Because the state aid rules catch advantages provided through State resource to “undertakings” – which broadly speaking are businesses offering goods or services on a market – State support for private individuals is not normally considered to be state aid. In two similar state aid cases (the *UK Homeowners Mortgage Support Scheme*<sup>1</sup> and *Hungarian Support Scheme for Housing Loans*<sup>2</sup>), the European Commission has concluded that owner occupiers who do not own more than one property, cannot be considered as undertakings and therefore fall outside of the scope of State aid rules.

3.2 The benefit of the guarantee to participating banks could, however, be regarded as state aid because it will allow to take on additional, profit-making business. Various steps have been taken to minimise the risk of there being any aid:

- (a) The state aid rules do not preclude public authorities from using State resources to invest in ventures or activities on the same commercial terms as a private investor would (the so-called “Market Economy Investor Principle”). The LAMGS has therefore been structured so as to require participating banks to pay a market-based premium for the benefit of the guarantee. The premium will be paid either by way of an above-market interest rate on any cash deposited by the local authority with the participating bank as a bond for the indemnity/guarantee, or, where the bank does not require a cash deposit by way of a bond, by way of a simply payment of a premium. The value of premium has been calculated to equal or exceed over the first five years an estimated hypothetical market value of the indemnity/guarantee. The premium will only apply for the five-year period of the guarantee/indemnity. Where local authorities have provide a cash deposit by way of bond, the bank will continue to pay a normal commercial rate of interest after the end of the five-year period.
- (b) The LAMGS will operate on a nationwide basis and there will be no restrictions on the type or number of banks who will be entitled to participate in the LAMGS (provided of course that they have the necessary authorisation

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<sup>1</sup> Commission decision N 179/2009 – United Kingdom, UK Homeowners Mortgage Support Scheme C(2009)3047.

<sup>2</sup> Commission decision N 358/2009 – Hungary, Support scheme for housing loans C(2009)5658.

to offer residential mortgages in the UK). Borrowers will be entitled to choose any bank that has decided to participate in the scheme. Banks will be entitled to join or leave the scheme at any time during its operation and the scheme has been designed so as to be as simple as possible for both banks and local authorities to set up and operate. These arrangements will ensure that the scheme operates on a non-discriminatory, UK-wide basis.

- (c) Sector Treasury Services Limited (“Sector”), which is promoting the LAMGS, is actively seeking to recruit banks and local authorities to join the LAMGS. An advertisement inviting expressions of interest has been published in the OJEU on a non-mandatory basis and a national campaign will shortly be under way. Sector Treasury Services will make direct contact with all FSA approved mortgage lenders in the UK, and work closely with the Council of Mortgage Lenders to raise awareness of the scheme. Sector Treasury Services will also promote the scheme to local authorities at forthcoming seminars and workshops.

#### **4. Has guidance been sought from either BIS State Aid branch and/or the European Commission?**

- 4.1 BIS State Aid branch is fully aware of the proposed scheme and has provided guidance on its design. No formal notification has been made to the European Commission but the essential features of the scheme as proposed have been made available via BIS to Commission officials.
- 4.2 The feedback obtained from the Commission was broadly favourable from a state aid point of view. The main concern of the Commission officials who considered the proposed scheme was to ensure that the scheme is open to all banks without favouring one or more particular banks and that borrowers must be free to choose the bank with whom they would take out a mortgage, both of which are considered to be the case on the basis of the scheme as designed. As described above, active steps are being taken to promote the scheme and to recruit further banks.

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**Essential Reference Paper E**

**Dated 2011**

**[INSERT NAME OF LOCAL AUTHORITY]**

**LLOYDS TSB BANK PLC**

**LLOYDS TSB SCOTLAND PLC**

**SECTOR TREASURY SERVICES LIMITED**

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**LOCAL LEND A HAND MORTGAGE  
SCHEME INDEMNITY DEED**

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**Between**

- (1) **[Insert name of Authority]** of [insert address of Authority] (**Authority**);
- (2) **Lloyds TSB Bank plc** of Barnett Way, Gloucester, GL4 3RL (**Lloyds**);
- (3) **Lloyds TSB Scotland plc** of Henry Duncan House, 120 George Street, Edinburgh, EH2 4LH (**Lloyds Scotland**); and
- (4) **Sector Treasury Services Limited** of 40 Duke's Place, London, EC3A 7NH (**Sector**).

**It is agreed**

**1 Definitions and interpretation**

**1.1 Definitions**

In this Deed:

**Additional Scheme** means any scheme similar to the Scheme entered into between Sector, Lloyds and Lloyds Scotland and another local authority other than the Authority

**Applicable Law** means applicable laws, rules and regulations and legally binding requirements applicable to the Lenders

**Arrears** means amounts due and payable by a Borrower under a Product Agreement which have not been paid when they fall due and which remain unpaid at the relevant date

**Baseline LTV** means 75%

**Borrower** means each borrower that meets the Eligibility Criteria and enters into a Product Agreement with a Lender

**Break Costs** means the costs incurred by Lloyds arising from the withdrawal of any amount from the Money Market Account or any Subsequent Money Market Account (such withdrawal being made to the Corporate Deposit Account or otherwise) prior to the expiration of the Term such withdrawal being made by Lloyds pursuant to the exercise of the rights of Lloyds or Lloyds Scotland under clause 8

**Business Day** means a day (other than a Saturday or Sunday) on which banks are open for general business in London

**Commission** means the commission set out in schedule 2 and payable under clause 13

**Corporate Deposit Account** means the Lloyds' corporate markets corporate deposit account opened by the Authority with Lloyds in accordance with clause 4.1

**Data** means any data or information either provided by the Lender to Sector and/or the Authority under this Deed or obtained by Sector and/or the Authority in the performance of their obligations under this Deed including without limitation any personal data within the meaning of the Data Protection Act 1998

**Data Protection Laws** means the Data Protection Act 1998 (as amended), the Privacy and Electronic Communications (EU Directive) Regulations 2003 and all applicable EU directives, regulations or codes of practice (to the extent that such codes of practice have legal effect) relating to data protection or the privacy of individuals

**Declaration Notice** means a notice given by the Lender to the Authority stating that: (a) a Sale Shortfall has arisen; (b) the amount of such Sale Shortfall; and (c) the Differential

**Default Rate** means 3% above the Lloyds TSB base rate from time to time

**Deposit Amount** means £♦

**Differential** means £Y on the date of the relevant mortgage offer where  $Y = \text{Property Value} \times (\text{LTV} - \text{Baseline LTV})$

**Eligibility Criteria** means:

- (a) each Borrower in relation to the Mortgage is a first time buyer (or in the case of joint Borrowers at least one of them is a first time buyer) in accordance with the Lender's standard criteria for determining eligibility for first time buyers from time to time
- (b) the Loan is for an amount of up to £♦
- (c) the relevant Property is in one of the postcode areas set out in schedule 4,

or such other eligibility criteria as is agreed in writing between the Authority and the Lenders from time to time

**Excess** means the amount determined in accordance with clause 4.4

**Extended Indemnity Period** means the period of seven (7) years starting from the date of completion of the relevant Product Agreement and expiring on the date which falls on the seventh (7th) anniversary of such date of completion

**Indemnity** means the indemnity set out in clause 3.1

**Indemnity Limit** means the Deposit Amount together with all interest, costs, expenses and other amounts payable by the Authority under this Deed (for example, any costs of enforcement of the Lender's rights under this Deed or default interest payable on any outstanding sum)

**Indemnity Period** means for each Product Agreement the Initial Indemnity Period or where relevant the Extended Indemnity Period

**Indemnified Obligations** means all money and liabilities now or hereafter due, owing or incurred to a Lender by any Borrower under the Scheme Agreements (or any of them) in whatsoever manner in any currency or currencies whether present or future, actual or contingent, whether incurred solely or jointly with any other person and whether as principal or surety together with all interest accruing on such moneys and liabilities and all costs, charges and expenses incurred by the Lender under any Scheme Agreement to which that Borrower is a party. **Indemnified Obligations** shall not include any further advance or additional borrowing advanced to a Borrower under a Scheme Agreement

**Initial 5 Year Term** means the period commencing with the date of the transfer from the Corporate Deposit Account of the Deposit Amount to the Money Market Account by the Authority and ending on the fifth (5th) anniversary of such date

**Initial Indemnity Period** means in relation to each completed Product Agreement the period of five (5) years starting from the date of completion of the relevant Product Agreement and expiring on the date which falls on the fifth (5th) anniversary of such date

**Lender** means either Lloyds or Lloyds Scotland who acts as creditor under the Scheme Agreements and reference to "Lenders" is reference to both Lloyds and Lloyds Scotland and includes their successors and assignees whether in law or in equity to the Scheme Agreements

**Loan** means the principal sum advanced by the Lender under the applicable Product Agreement

**LTV** means the value of the applicable Loan expressed as a percentage of the Property Value (subject to a maximum of 95%)

**Money Market Account** means a money market account held by the Authority with Lloyds opened by the Authority in accordance with the provisions of clause 4.1 into which the Authority will place the funds invested in the Corporate Deposit Account at the beginning of the Initial 5 Year Term

**Mortgage** means a first legal mortgage entered into between a Lender and a Borrower

**Monthly Payment** means in relation to any Product Agreement the amount in the ordinary course of administration of that Product Agreement due to be paid by the Borrower on each Monthly Payment Date (including but not limited to interest and, where applicable, contractual repayments of the principal) as determined in accordance with the Product Agreement

**Monthly Payment Date** means in relation to each Product Agreement the day in the month when a Monthly Payment falls due

**Party** means a party to this Deed

**Pipeline Loans** means a prospective mortgage loan to be advanced by the Lender to a prospective Borrower in respect of which the Lender has issued to the prospective Borrower a written offer of mortgage loan

**Policies and Obligations** means the Lender policies and obligations set out in schedule 3

**Premium** means the premium Return payable by Lloyds to the Authority in respect of the Money Market Account above such return as Lloyds would be reasonably prepared to pay on a similar deposit account held by a similar depositor for the same period

**Product** means the mortgage product or products to be offered by the Lender in connection with the Scheme to Borrowers

**Product Agreement** means an agreement entered into between the Lender and a Borrower under which the Lender provides the Product to the Borrower

**Property** means any property of a Borrower charged to the Lender pursuant to a Mortgage

**Property Value** means the purchase price of the Property or the relevant valuation (whichever is lower) at the date of the Product Agreement

**Return** means the fixed return payable by Lloyds to the Authority under the terms and conditions for the Money Market Account or any Subsequent Money Market Account

**Sale Proceeds** means the proceeds of sale of a Property pursuant to a Mortgage less any costs, fees and expenses incurred by the Lender, any of its agents or any receiver in relation to such sale

**Sale Shortfall** means, in respect of a Borrower, the amount by which the Indemnified Obligations exceed the Sale Proceeds

**Scheme** means the Local Lend a Hand Mortgage Scheme under which the Authority gives assistance to Borrowers in the form of the indemnity set out in this Deed to enable them to obtain a Loan from the Lender

**Scheme Agreements** means the Product Agreement, the Mortgage and any other agreement entered into between the Lender and a Borrower in connection with the Scheme

**Security** means a mortgage, charge, pledge, lien, assignment or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect

**Subsequent Money Market Account** means a money market account held by the Authority with Lloyds and opened by the Authority in accordance with the provisions of clause 4.5 and/or clause 4.6

**Tax** means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same)

**Tax Deduction** means a deduction or withholding for or on account of Tax from a payment to Lloyds or Lloyds Scotland

**Term** means in relation to the Money Market Account the period from the date of investment of funds in the Money Market Account until the end of the Initial 5 Year Term and in the case of any Subsequent Money Market Account the term for the account as set out in the terms and conditions for such account and as notified to the Authority at the time of investment

## 1.2 Interpretation

- (a) Unless a contrary indication appears, a reference in this Deed to:
- (i) Lloyds, Lloyds Scotland, a Borrower, the Authority and Sector or any other person shall be construed so as to include, where relevant, its successors in title, permitted assigns and permitted transferees;
  - (ii) clauses are references to clauses of this Deed;
  - (iii) any agreement or instrument is a reference to that agreement or instrument as amended, novated, supplemented or restated (however fundamentally);
  - (iv) a provision of law is a reference to a provision of any treaty, legislation, regulation, decree, order or by-law and any secondary legislation enacted

under a power given by that provision, as amended, applied or re-enacted or replaced whether before or after the date of this Deed; and

- (v) a time of day is a reference to London time.
- (b) Clause and schedule headings are for ease of reference only.
- (c) Words importing the plural shall include the singular and vice versa.

### 1.3 **Third party rights**

- (a) Unless expressly provided to the contrary in this Deed a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this Deed.
- (b) The consent of any person who is not a Party is not required to rescind or vary this Deed or any other agreement entered into under or in connection with it.

### 1.4 **Deed**

This Deed is intended to take effect as a deed notwithstanding the fact that any Party may only execute this Deed under hand.

## **2 Lending criteria and Product Agreements**

- 2.1 Subject to clause 14.2 and the requirements of the Eligibility Criteria, nothing in this Deed shall in any way fetter or restrict the Lender in determining its lending criteria and/or the manner in which it applies in relation to any offer of mortgage and/or Product Agreement and it is acknowledged by the Authority that such lending criteria may change and/or be modified over the term of the Deed without any requirement on the part of the Lender to notify and/or consult with and/or obtain the consent of the Authority regarding such change or modification.
- 2.2 It is acknowledged by the Authority that the Lender may, over the term of the Deed, amend the terms of the Scheme Agreements provided always that to the extent that such changes may have a material impact on the Authority's liability under this Deed any such changes shall comply in all material respects with the requirements of Applicable Law including the terms of the Unfair Terms in Consumer Contract Regulations 1999 and Principle 6 of the Financial Services Authority's Principles for Businesses.

## **3 Indemnity**

### 3.1 **Indemnity**

In consideration of, inter alia, the payment of the Premium and subject to clause 3.4, the Authority irrevocably and unconditionally:

- (a) agrees with the Lender that it will be liable as a principal debtor and primary obligor to indemnify the Lender against any cost, loss or liability it incurs as a result of a Borrower not paying any of the Indemnified Obligations to the extent of any Sale Shortfall on the date when it is expressed to be due; and
- (b) undertakes with the Lender that on receipt of a Declaration Notice in relation to any Borrower during the relevant Indemnity Period the Authority shall immediately on demand pay as principal debtor and primary obligor the Sale Shortfall to the Lender.

### 3.2 Indemnity Period

- (a) In relation to each Product Agreement the Indemnity will continue for the Initial Indemnity Period.
- (b) Where at any point during the six (6) months preceding the end of the Initial Indemnity Period a relevant Borrower has at any point during that six (6) month period been in Arrears on their loan account with the Lender by more than three (3) Monthly Payments the Indemnity Period will be the Extended Indemnity Period.
- (c) For the purposes of clause 3.2(b) where on any Monthly Payment Date the relevant Borrower has made partial payment only of any Monthly Payment any outstanding amount of the Monthly Payment due, represented as a percentage of such Monthly Payment at that time, shall be taken into account and aggregated within any other partially missed Monthly Payments to determine the total missed Monthly Payments.
- (d) Where a Borrower makes any payment to the Lender to be applied in satisfaction of any Arrears arising under their Product Agreement such payment shall be applied to the earliest accruing Arrears first.

### 3.3 Declaration Notice

- (a) The Lender may serve on the Authority a Declaration Notice in relation to the Indemnified Obligations in respect of a Borrower if:
  - (i) within the Indemnity Period the Borrower has breached any term of any relevant Scheme Agreement; and
  - (ii) the Lender has not reached an arrangement which is satisfactory to the Lender (in its sole discretion) for the payment of the Arrears or remedying the breach; and
  - (iii) a Sale Shortfall has arisen on the sale of the Property (on a sale by the Lender, the Borrower or any other party).
- (b) The Authority acknowledges and agrees that the Lender shall be entitled to exercise all of its rights under all of the Scheme Agreements in its sole discretion and in the interests of the Lender (including but not limited to in determining the sale price of any Property) subject to compliance with the Lender's legal obligations.

### 3.4 Indemnity Limit

- (a) In relation to the Indemnified Obligations of each Borrower the liability of the Authority under the Indemnity is limited to the Differential for that Borrower's Product Agreement.
- (b) The Authority's total aggregate liability under the Indemnity provided under this Deed is limited to the Indemnity Limit.

### 3.5 Continuing indemnity

This Deed is a continuing indemnity and will extend to the ultimate balance of the Indemnified Obligations, regardless of any intermediate payment or discharge in whole or in part.

### 3.6 **Reinstatement**

If any discharge, release or arrangement (whether in respect of the obligations of any Borrower or any Security for those obligations or otherwise) is made by the Lender in whole or in part on the faith of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of the Authority under this clause 3 will continue or be reinstated as if the discharge, release or arrangement had not occurred.

### 3.7 **Waiver of defences**

The obligations of the Authority under this Deed will not be affected by an act, omission, matter or thing which, but for this clause, would reduce, release or prejudice any of its obligations under this Deed (without limitation and whether or not known to it or to the Lender) including:

- (a) any time, waiver or consent granted to, or composition with, any Borrower or other person;
- (b) the release of any Borrower or any other person under the terms of any composition or arrangement with any creditor of any such entity or person;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or Security over assets of, any Borrower or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any Security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of a Borrower or any other person;
- (e) any amendment (however fundamental) or replacement of any Security or any agreement or other instrument providing for or entered into in connection with the Indemnified Obligations;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Security or any agreement or other instrument; or
- (g) any insolvency or similar proceedings.

### 3.8 **Authority intent**

Without prejudice to the generality of clause 3.7, the Authority expressly confirms that it intends that this Deed shall extend from time to time to any (however fundamental) variation, extension or addition of or to any agreement providing for any Indemnified Obligation.

### 3.9 **Immediate recourse**

The Authority waives any right it may have of first requiring the Lender to proceed against or enforce any other rights or Security or claim payment from any person before claiming from the Authority under this Deed. This waiver applies irrespective of any law or any provision of any agreement or other instrument to the contrary.

### 3.10 Appropriations

Until all amounts which may be or become payable by each and every Borrower to the Lender have been irrevocably paid in full, the Lender may:

- (a) refrain from applying or enforcing any other moneys, Security or rights held or received by the Lender in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Authority shall not be entitled to the benefit of the same; and
- (b) hold in an interest-bearing suspense account any moneys received from the Authority or on account of the Authority's liability under this Deed.

### 3.11 Deferral of Authority's rights

Until all amounts which may be or become payable by any Borrower to the Lender have been irrevocably paid in full and unless the Lender otherwise directs, the Authority will not exercise any rights which it may have by reason of performance by it of its obligations in respect of the Indemnified Obligations or by reason of any amount being payable, or liability arising, under this clause 3:

- (a) to be indemnified by a Borrower;
- (b) to claim any contribution from any Borrower of any Borrower's obligations to the Lender;
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Lender in respect of the Indemnified Obligations or of any other guarantee, indemnity or Security taken pursuant to, or in connection with, the Indemnified Obligations by the Lender;
- (d) to bring legal or other proceedings for an order requiring any Borrower to make any payment, or perform any obligation, in respect of which any Authority has given a guarantee, undertaking or indemnity under clause 3.1;
- (e) to exercise any right of set-off against any Borrower; and/or
- (f) to claim or prove as a creditor of any Borrower in competition with the Lender.

If the Authority receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Lender by a Borrower to be repaid in full on trust for the Lender and shall promptly pay or transfer the same to the Lender for application towards the Indemnified Obligations.

### 3.12 Additional Security

This Deed is in addition to and is not in any way prejudiced by any other guarantee, indemnity or Security now or subsequently held by the Lender.

## 4 Deposit arrangement

- 4.1 Shortly after the date of execution of this Deed and prior to the creation of any Indemnified Obligations under this Deed, the Authority shall open the Corporate Deposit Account and the



Money Market Account with Lloyds and shall credit the Deposit Amount to the Corporate Deposit Account.

4.2 At the beginning of the Initial 5 Year Term any amount credited to the Corporate Deposit Account under clause 4.1 shall be transferred to the Money Market Account. The transfer of monies envisaged under this clause 4.2 shall occur prior to the creation of any Indemnified Obligations under this Deed.

4.3 On the last day of the Initial 5 Year Term (or where this is not a Business Day, the next following Business Day) all monies held in the Money Market Account will be transferred to the Corporate Deposit Account.

4.4 Following the transfer under clause 4.3 the Authority may withdraw from the Corporate Deposit Account an amount equal to or less than the Excess. The Excess shall be calculated as follows:

$$A - (B + C)$$

where

A = the Deposit Amount less an amount equal to any Excess (or part thereof) previously withdrawn from the Corporate Deposit Account under this clause 4.4 and/or clause 4.6 and/or any amount set off against the Corporate Deposit Account in accordance with the provisions of this Deed

B = the aggregate of the Differential for all Loans advanced by the Lenders and indemnified by the Authority under this Deed which are still outstanding at that time

C = the aggregate of the Differential for all Pipeline Loans, if any, in respect of the Lenders at the relevant time

4.5 Following a transfer under clause 4.3 and any withdrawal of the Excess under clause 4.4, the Authority may open a Subsequent Money Market Account available with Lloyds at that time or may retain the deposit in the Corporate Deposit Account. Any investment into a Subsequent Money Market Account shall be made in accordance with the terms thereof and shall be held in such Subsequent Money Market Account until the end of the Term. Following the end of the Term any funds held in the account shall be transferred to the Corporate Deposit Account.

4.6 Following the transfer under clause 4.5 the Authority may withdraw from the Corporate Deposit Account an amount equal to the Excess at that time. The Authority may then opt to reinvest the remainder held in the Corporate Deposit Account in a Subsequent Money Market Account available with Lloyds at that time or may retain the deposit in the Corporate Deposit Account. Following such investment in a Subsequent Money Market Account the provisions of clauses 4.5 and 4.6 will apply to any investment at the end of the Term.

4.7 The Authority must continue to hold an amount equal to or more than the aggregate of the Differential for all Loans advanced by the Lenders and indemnified by the Authority under this Deed (together with the aggregate of the Differential for the Pipeline Loans in respect of the Lenders at that time) in the Corporate Deposit Account, the Money Market Account and/or any Subsequent Money Market Account until no Indemnified Obligations remain owing by Borrowers to the Lender.

4.8 The Authority shall pay to Lloyds its Break Costs attributable to all or any part of the sums credited to the Corporate Deposit Account, the Money Market Account and/or any

Subsequent Money Market Account being withdrawn by operation of clause 8 during the Initial 5 Year Term or at any time prior to the expiration of the Term for such account in accordance with the terms and conditions for the relevant account. Where the sums are withdrawn from the Corporate Deposit Account, the Money Market Account and/or any Subsequent Money Market Account by operation of clause 8 in addition the amount of such Break Costs shall also be withdrawn from such account (in addition to any sums withdrawn in accordance with clause 8) at the time the relevant withdrawal is made and shall be paid to Lloyds at the point the withdrawal is made from the relevant account.

- 4.9 Lloyds shall, as soon as reasonably practicable after a demand by the Authority, provide written confirmation of the amount of its Break Costs for any period in which they accrue.

## **5 Default interest**

- 5.1 If the Authority fails to pay any amount payable by it under this Deed on its due date, interest shall accrue on the overdue amount from a date being twenty (20) Business Days after the due date up to the date of actual payment (both before and after judgment) at the Default Rate. Any interest accruing under this clause 5 shall be immediately payable by the Authority on demand by the Lender.

- 5.2 Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount with monthly rests but will remain immediately due and payable.

## **6 Representations**

- 6.1 The Authority represents and warrants to Lloyds and Lloyds Scotland that:

- (a) it is a local authority established and existing under the laws of England and Wales;
- (b) it has the power to own its assets and carry on its business as it is being conducted;
- (c) the obligations expressed to be assumed by it in this Deed are legal, valid, binding and enforceable obligations;
- (d) the entry into and performance by it of its obligations under, and the transactions contemplated by, this Deed do not and will not conflict with:
  - (i) any law or regulation, or judicial or official order, applicable to it;
  - (ii) its constitutional documents; or
  - (iii) any agreement or instrument binding upon it or any of its assets;
- (e) it is not in default under any agreement to which it is a party to an extent or in a manner which might have a material adverse effect on its ability to perform its obligations under this Deed;
- (f) it has the power to enter into, perform and deliver its obligations under, and has taken all necessary action to authorise its entry into and its performance and delivery of the obligations under this Deed and the transactions contemplated by this Deed;
- (g) no limit on its powers will be exceeded as a result of the giving of the indemnity contemplated by this Deed;
- (h) all authorisations required or desirable:

- (i) to enable it lawfully to enter into, exercise its rights and comply with its obligations in this Deed;
  - (ii) to make this Deed admissible in evidence in its jurisdiction of incorporation,
- have been obtained or effected and are in full force and effect.

6.2 Lloyds represents and warrants to the Authority that:

- (a) it is a company established and existing under the laws of England and Wales;
- (b) it has the power to own its assets and carry on its business as it is being conducted;
- (c) the obligations expressed to be assumed by it in this Deed are legal, valid, binding and enforceable obligations;
- (d) the entry into and performance by it of its obligations under, and the transactions contemplated by, this Deed do not and will not conflict with:
  - (i) any law or regulation, or judicial or official order, applicable to it;
  - (ii) its constitutional documents; or
  - (iii) any agreement or instrument binding upon it or any of its assets;
- (e) it is not in default under any agreement to which it is a party to an extent or in a manner which might have a material adverse effect on its ability to perform its obligations under this Deed;
- (f) it has the power to enter into, perform and deliver its obligations under, and has taken all necessary action to authorise its entry into and its performance and delivery of the obligations under this Deed and the transactions contemplated by this Deed;
- (g) all authorisations required or desirable:
  - (i) to enable it lawfully to enter into, exercise its rights and comply with its obligations in this Deed;
  - (ii) to make this Deed admissible in evidence in its jurisdiction of incorporation.

6.3 Lloyds Scotland represents and warrants to the Authority that:

- (a) it is a company established and existing under the laws of Scotland;
- (b) it has the power to own its assets and carry on its business as it is being conducted;
- (c) the obligations expressed to be assumed by it in this Deed are legal, valid, binding and enforceable obligations;
- (d) the entry into and performance by it of its obligations under, and the transactions contemplated by, this Deed do not and will not conflict with:
  - (i) any law or regulation, or judicial or official order, applicable to it;
  - (ii) its constitutional documents; or

- (iii) any agreement or instrument binding upon it or any of its assets;
- (e) it is not in default under any agreement to which it is a party to an extent or in a manner which might have a material adverse effect on its ability to perform its obligations under this Deed;
- (f) it has the power to enter into, perform and deliver its obligations under, and has taken all necessary action to authorise its entry into and its performance and delivery of the obligations under this Deed and the transactions contemplated by this Deed;
- (g) all authorisations required or desirable:
  - (i) to enable it lawfully to enter into, exercise its rights and comply with its obligations in this Deed;
  - (ii) to make this Deed admissible in evidence in its jurisdiction of incorporation.

## **7 Payment mechanics**

- 7.1 All payments by the Authority under this Deed shall be made for value on the due date at the time and in the currency in which the Indemnified Obligations are due and payable or in such funds specified by Lloyds or Lloyds Scotland as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- 7.2 Payment shall be made to such account with the Lender (or such other bank) as the Lender specifies.
- 7.3 All payments to be made by the Authority under this Deed shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

## **8 Set-off**

- 8.1 Following twenty (20) Business Days' notice to the Authority, Lloyds may set off any matured obligation due from the Authority under this Deed (to the extent beneficially owned by Lloyds) against any matured obligation owed by Lloyds to the Authority (including but not limited to funds held in the Corporate Deposit Account), regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, Lloyds may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. If the obligations relate to monies held in the Money Market Account or any Subsequent Money Market Account Lloyds may transfer the monies to the Corporate Deposit Account for the purposes of this clause 8.1.
- 8.2 Following twenty (20) Business Days' notice to the Authority, Lloyds Scotland may set off any matured obligation due from the Authority under this Deed (to the extent beneficially owned by Lloyds Scotland) against any matured obligation owed by Lloyds Scotland to the Authority (and for these purposes funds held in the Corporate Deposit Account shall be deemed to be a matured obligation owed by Lloyds Scotland to the Authority and Lloyds agrees to pay to Lloyds Scotland sums which Lloyds Scotland confirms are owing to it pursuant to this Deed and to which it is entitled pursuant to this clause 8), regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, Lloyds Scotland may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. If the obligations relate to monies held in the Money Market Account or any Subsequent Money Market Account Lloyds may transfer the monies to the Corporate Deposit Account for the purposes of this clause 8.2.

- 8.3 The Authority acknowledges that where any transfer is made from the Money Market Account and/or a Subsequent Money Market Account to the Corporate Deposit Account by Lloyds for the purposes of the exercise of the rights of set-off for the benefit of Lloyds and/or Lloyds Scotland set out in this clause 8, the Authority shall be liable for any Break Costs incurred as a result of such transfer which shall be deducted from the Money Market Account or the Subsequent Money Market Account at that time in accordance with clause 4.8.

## **9 Tax gross-up**

- 9.1 The Authority shall make all payments to be made by it under this Deed without any Tax Deduction, unless a Tax Deduction is required by law.
- 9.2 If a Tax Deduction is required by law to be made by the Authority, the amount of the payment due from the Authority shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- 9.3 If the Authority is required to make a Tax Deduction, the Authority shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- 9.4 The Authority shall deliver to Lloyds or Lloyds Scotland evidence reasonably satisfactory to Lloyds or Lloyds Scotland that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

## **10 Currency clauses**

If a payment is made to the Lender under this Deed in a currency (**Payment Currency**) other than the currency in which it is expressed to be payable (**Contractual Currency**), the Lender may convert that payment into the Contractual Currency at the rate at which it (acting reasonably and in good faith) is able to purchase the Contractual Currency with the Payment Currency on or around the date of receipt of the payment and to the extent that the converted amount of the payment falls short of the amount due and payable the Authority will remain liable for such shortfall and such shortfall shall form part of the Indemnified Obligations.

## **11 Information**

- 11.1 The Lender agrees to provide the information specified in schedule 1 to Sector on a monthly basis no later than the fifteenth (15th) day of the month following the month to which the information applies.
- 11.2 The Lender shall have no obligation to provide the information specified in schedule 1 where the provision of such information would contravene any of the data protection principles contained in the Data Protection Act 1998.

## **12 Data protection**

- 12.1 In this clause the terms personal data, data subject, data processor, data controller and processing shall have the same meanings given to them in the Data Protection Act 1998 (the **Act**).
- 12.2 It is acknowledged that for the purposes of the Act the Lender is the data controller and Sector and/or the Authority are acting as data processors on behalf of the Lender in respect of personal data provided by the Lender to Sector and/or the Authority.

- 12.3 Sector and the Authority acknowledge that the Lender owns the Data and they each undertake that:
- (a) they will only process the Data in accordance with the Lender's express instructions under this Deed, the Data Protection Laws or as provided in writing by the Lender's authorised representative;
  - (b) they will keep a record of all processing of personal data that they carry out on behalf of the Lender;
  - (c) they will not, and they will ensure that their personnel will not, store, copy, use, alter, delete, access or otherwise interfere with the Data for any purpose other than as strictly necessary to perform their respective obligations under this Deed;
  - (d) they will comply with the Policies and Obligations;
  - (e) they will take all reasonable steps to ensure the reliability of their employees who have access to the Data and shall in particular ensure that all employees:
    - (i) have been appropriately vetted;
    - (ii) are informed of the confidential nature of the Data;
    - (iii) undertake regular training on Data Protection Laws, privacy and information security; and
    - (iv) are aware both of Sector/the Authority's duties and their personal duties and obligations under the Data Protection Laws and this Deed;
  - (f) neither the Data nor any parts of it shall be disclosed to any third party (including any group company of Sector or the Authority), agents or subcontractors by Sector or the Authority without the express prior written consent of the Lender;
  - (g) they will ensure that all Data collected can be lawfully processed, by all Parties, in accordance with this Deed; and
  - (h) if requested by the Lender, they will provide to the Lender a copy of all personal data held by them in the format and on the media reasonably specified by the Lender.
- 12.4 Sector and the Authority shall each ensure that they have appropriate technical and organisational measures in place (including but not limited to, appropriate policies communicated to Sector or Authority personnel, management of ongoing compliance and effective security measures) in respect of the Data to prevent unauthorised or unlawful processing or use of, access to, or accidental loss, destruction or damage of, the Data and shall ensure that the Data is:
- (a) stored in such a manner that they are segregated from the other data held by Sector or the Authority for purposes not relating to this Deed;
  - (b) not accessible by any parties who are not authorised to access such Data; and
  - (c) held securely in accordance with such security arrangements and policies as the Parties may agree from time to time (such agreement not to be unreasonably withheld or delayed) and in particular are held in accordance with the Policies and Obligations.

- 12.5 If any part of the Data and/or related equipment ceases to be required for the performance of Sector and/or the Authority's respective obligations under this Deed, including without limitation upon termination for whatever reason, Sector and/or the Authority shall return such Data and equipment to the Lender, or at the Lender's discretion destroy or procure the destruction (and provide written confirmation to the Lender) of the same.
- 12.6 If Sector or the Authority receives any complaint, notice or communication which relates directly or indirectly to the processing of Data or to a Party's compliance with Data Protection Laws (including but not limited to a request from an individual to whom the Data relates for access to such Data or to amend, transfer or delete such Data) or becomes aware of any unauthorised, unlawful or dishonest conduct or activities, or any breach of the terms of this Deed relating to Data, it shall immediately notify the Lender and it shall provide the Lender with full co-operation and assistance in relation to any such complaint, notice or communication.
- 12.7 If a Party is served with an enforcement notice or other information notice or a special information notice (together, **Notices**) by the Information Commissioner, the other Parties shall take steps within such time as the first Party shall in writing reasonably require, being steps and time specified in such Notices for complying with the principle or principles in question.
- 12.8 Neither Sector nor the Authority shall transfer Data outside the European Economic Area without the prior written consent of the Lender which the Lender shall be entitled to withhold for any reason.
- 12.9 Sector and the Authority will each take all such steps communicated in writing to Sector and/or the Authority by the Lender as the Lender reasonably considers are necessary in order to comply with the Lender's own obligations under Data Protection Laws.
- 12.10 Sector and/or the Authority, for the purposes of facilitating the Lender's compliance with the Data Protection Laws, shall furnish to the Lender copies of such security, audit and control reports generated by Sector and/or the Authority's auditors as are directly relevant to such compliance.
- 12.11 Sector and/or the Authority shall immediately inform the Lender:
- (a) if any Data is lost or destroyed or becomes damaged, corrupted, or unusable. Sector and/or the Authority will restore such Data held by it at its own expense;
  - (b) if it becomes aware of any unauthorised or unlawful processing, loss of, damage to or destruction of the Data; and
  - (c) if it becomes aware of any advance in technology and methods of working which mean that Sector or the Authority or the Lender should revise the security measures referred to in this Deed.
- 12.12 Sector shall indemnify the Lender on demand and keep the Lender indemnified fully at all times against all losses (up to the Data Protection Indemnity Limit) arising out of any failure by Sector or its employees or agents to comply with its obligations under this clause 12 and any equivalent or similar provisions within Additional Schemes, the Data Protection Laws or the Policies and Obligations.
- 12.13 For the purposes of clause 12.12, provided the information provided to Sector is only limited to that information set out in schedule 1 the Data Protection Indemnity Limit:

- (a) is £1,000,000 (one million) where the aggregate of lending under the Scheme and any Additional Scheme is under £100,000,000 (one hundred million);
- (b) shall be increased by £1,000,000 (one million) where the lending under the Scheme and any Additional Scheme exceeds £100,000,000 (one hundred million); and
- (c) shall be increased thereafter by further amounts of £1,000,000 (one million) for each additional £100,000,000 (one hundred million) of lending (or part thereof) under the Scheme and any Additional Scheme.

12.14 For the purposes of clause 12.12, to the extent that information provided to Sector at its request is in addition to that set out in schedule 1 the Data Protection Indemnity Limit:

- (a) is £5,000,000 (five million) where the aggregate lending under the Scheme and any Additional Scheme is under £500,000,000 (five hundred million);
- (b) shall be increased by £1,000,000 (one million) where the lending under the Scheme and any Additional Scheme exceeds £600,000,000 (six hundred million); and
- (c) shall be increased thereafter by further amounts of £1,000,000 (one million) for each additional £100,000,000 (one hundred million) of lending (or part thereof) under the Scheme and any Additional Scheme.

12.15 Sector excludes liability under clause 12.12 for any loss of actual or anticipated revenue, savings or profits arising from its participation in the Scheme and any Additional Scheme.

12.16 The Authority shall indemnify the Lender on demand and keep the Lender indemnified fully at all times against all losses (up to the limit of £1,000,000 (one million) where the information provided is only that set out in schedule 1 or £5,000,000 (five million) where information is provided in addition to that set out in schedule 1) arising out of any failure by the Authority or its employees or agents to comply with its obligations under this clause 12, the Data Protection Laws or the Policies and Obligations.

12.17 The Authority excludes liability under clause 12.16 for any loss of actual or anticipated revenue, savings or profits arising from its participation in the Scheme.

12.18 Upon giving reasonable prior written notice the Lender will have the right to perform audits in relation to compliance by Sector and/or the Authority with the provisions of this clause 12 and Sector and the Authority hereby agree at all reasonable times to give the Lender access to all the premises at or from which Sector and/or the Authority process the Data and/or carries on their business and to provide (or facilitate the provision to) the Lender of access to all relevant materials maintained and/or retained by or on behalf of Sector and/or the Authority.

### **13 Commission**

The Lender shall pay the Commission to Sector in accordance with schedule 2.

### **14 Irresponsible lending and Borrower treatment**

14.1 Provided that the Lender has complied in all material respects with the application of its lending criteria, the Authority shall remain liable under the Indemnity set out in this Deed in the event of any allegation or claim by the Borrower that the Borrower is not liable to fulfil its obligations under the Scheme Agreement because in making the associated loan to the Borrower, the Lender acted irresponsibly.



14.2 Other than the different standards applicable in respect of LTV ratios and/or maximum loan values, the Lender agrees with the Authority that it shall deal with Borrowers in accordance with standards which are not materially different from the standards applicable from time to time to other borrowers from the Lender (not being Borrowers) who meet the criteria set out in (a) of the definition of Eligibility Criteria.

## **15 No obligation to lend**

The Lender shall have the right at any time to stop entering into any new Product Agreements with Borrowers under this Deed. The reasons why the Lender may wish to stop entering into Product Agreements include, but are not limited to, the following:

- (a) where, in the Lender's reasonably held opinion, it considers that the Authority may not meet its obligations under this Deed;
- (b) where, in the Lender's reasonably held opinion, to continue to lend to Borrowers under this Deed may bring the name of the Lender into disrepute; and
- (c) due to commercial, regulatory or taxation reasons the Lender does not wish to fund any new lending under the Scheme.

## **16 Costs and expenses**

The Authority shall pay to the Lender the amount of all reasonable costs and expenses (including legal fees, stamp duties and any value added tax) incurred by the Lender in connection with the enforcement of, or preservation of, any rights under this Deed on a full indemnity basis.

## **17 Certificates and determinations**

Any certificate or determination by Lloyds or Lloyds Scotland of a rate or an amount payable under this Deed is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

## **18 Partial invalidity**

If, at any time, any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

## **19 Remedies and waivers**

No failure to exercise, nor any delay in exercising, on the part of the Lender, any right or remedy available to it under this Deed or otherwise in respect of the Indemnified Obligations shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Deed and in any other agreement providing for or entered into in connection with the Indemnified Obligations are cumulative and not exclusive of any rights or remedies provided by law.

## **20 Assignment**

20.1 Lloyds and Lloyds Scotland may, in whole or in part, assign or otherwise transfer or allot any part of its rights under this Deed.

- 20.2 On any assignment of this Deed and/or the Scheme Agreements and its rights under them by the Lender, in whole or in part and in law or in equity, Lloyds will act as an agent for such assignee in respect of the set-off rights in clause 8 and the provisions of clause 8.2 shall apply to such assignee as if references to Lloyds Scotland were references to such assignee and Lloyds will enforce those set-off rights on behalf of the assignee.
- 20.3 The Authority may not transfer any of its obligations under this Deed or enter into any transaction which would result in any of those obligations passing to another person. This clause 20.3 shall not restrict the transfer of its obligations under this Deed on a transfer of all the Authority's rights, obligations and liabilities by way of statutory instrument to a successor organisation.
- 20.4 The Lender may at any time transfer its rights under any Scheme Agreements to a third party by way of assignment or otherwise provided always that the Lender undertakes such transfer in accordance with the relevant provisions of the applicable Scheme Agreement in respect of how and when the Lender may transfer its rights under the Scheme Agreement.
- 20.5 The Lender shall ensure that any third party to which it transfers its rights under this Deed or under any Scheme Agreement has the necessary regulatory permissions to take a transfer of such rights.

## **21 Publicity**

Neither Sector nor the Authority shall issue (or knowingly allow to be issued on its behalf) any press release, marketing and promotional literature or other publicity which refers to the Indemnity or this Deed, the Scheme Agreements or the participation of Lloyds or Lloyds Scotland in the Scheme unless such press release or publicity is required by law or Lloyds or Lloyds Scotland has given its prior written consent to such press release or publicity such consent not to be unreasonably withheld or delayed.

## **22 Miscellaneous**

- 22.1 Nothing contained in this Deed shall be deemed to create any partnership or joint venture between the Parties, nor any relationship of principal or agent.
- 22.2 No provision of this Deed may be amended, modified, discharged or terminated other than by the express written agreement of the Parties.
- 22.3 Sector's participation in the Scheme is on a non-exclusive basis and nothing in this Deed shall prevent Sector developing similar schemes with or entering into any agreement with other mortgage lenders.
- 22.4 The Authority's participation in the Scheme is on a non-exclusive basis and nothing in this Deed shall prevent the Authority participating in a scheme similar to the Scheme with or entering into an agreement or deed similar to the Deed with other mortgage lenders.

## **23 Notices**

- 23.1 Any communication to be made under or in connection with this Deed shall be made in writing and, unless otherwise stated, must be made by letter.
- 23.2 The address (and the department or officer, if any, for whose attention the communication is to be made) of the Authority, Lloyds, Lloyds Scotland and Sector for any communication or document to be made or delivered under or in connection with this Deed is:

(a) in the case of the Authority:

Address:

Attention:

(b) in the case of Lloyds:

Address: Lloyds Banking Group, 2nd Floor, Collinsons Building, Trinity Road, Halifax, West Yorkshire, HX1 2RG

Attention: Commercial Mortgages

(c) in the case of Lloyds Scotland:

Address: Lloyds Banking Group, 2nd Floor, Collinsons Building, Trinity Road, Halifax, West Yorkshire, HX1 2RG

Attention: Commercial Mortgages

(d) in the case of Sector:

Address: 40 Duke's Place, London, EC3A 7NH

or any substitute address or department or officer as may be notified in writing to Lloyds or Lloyds Scotland (or Lloyds or Lloyds Scotland may notify the Authority, if a change is made by Lloyds or Lloyds Scotland) by not less than five (5) Business Days' notice.

23.3 Any communication or document made or delivered by one person to another under or in connection with this Deed will be effective only when it has been left at the relevant address or five (5) days after being deposited in the post postage prepaid in an envelope addressed to it at that address and, if a particular department or officer is specified as part of its address details provided under clause 23.2, if addressed to that department or officer.

23.4 Any communication or document to be made or delivered to Lloyds or Lloyds Scotland will be effective only when actually received by Lloyds or Lloyds Scotland and then only if it is expressly marked for the attention of the department or officer identified above (or any substitute department or officer as Lloyds or Lloyds Scotland shall specify for this purpose).

## **24 English language**

Any notice or other document given or provided under or in connection with this Deed must be in English.

## **25 Counterparts**

This Deed may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

## **26 Governing law**

This Deed and any non-contractual obligations arising out of or in connection with it are governed by the laws of England and Wales.

## 27 Enforcement

### Jurisdiction of English courts

- 27.1 The courts of England and Wales have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute relating to the existence, validity or termination of this Deed or any non-contractual obligation arising out of or in connection with this Deed) (a **Dispute**).
- 27.2 The Parties agree that the courts of England and Wales are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- 27.3 This clause 27 is for the benefit of Lloyds and Lloyds Scotland. As a result, Lloyds and Lloyds Scotland shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, Lloyds and Lloyds Scotland may take concurrent proceedings in any number of jurisdictions.

**This Deed** has been executed as a Deed by the Authority and signed by Lloyds, Lloyds Scotland and Sector on the date stated at the beginning of this Deed.



**Lloyds TSB Scotland plc**

Signed as a deed by *[insert name]*  
as attorney for **Lloyds TSB Scotland plc**  
in the presence of

.....  
*[insert name]* as attorney for Lloyds TSB  
Scotland plc

.....  
Signature of witness

Name .....

Address .....

.....

**Sector Treasury Services Limited**

Signed as a deed by *[insert name]*  
as an authorised signatory for and on behalf of  
**Sector Treasury Services Limited**  
in the presence of

.....  
Authorised signatory

.....  
Signature of witness

Name .....

Address .....

.....

## Schedule 1

### Information

- 1.1 Applications for Loans made to the Lender but where an offer of Loan has not yet been made to the relevant applicant detailing
- (a) the Property postcode and the last three digits of the mortgage account number
  - (b) name of the Authority
  - (c) purchase price of the Property
  - (d) valuation (to be left blank if the information is not available)
  - (e) aggregate amounts of Loans applied for
  - (f) estimated aggregate base amounts of Loan amounts applied for (being 75% of the purchase price of the Property)
  - (g) aggregated estimated indemnity amount (being the excess of the Loan amounts applied for over 75% of the purchase price of the relevant Properties)
- 1.2 Offers of Loan made by the Lender which have not completed detailing:
- (a) the Property postcode and the last three digits of the mortgage account number
  - (b) name of the Authority
  - (c) Property Value
  - (d) aggregate amounts of Loans offered
  - (e) aggregate estimated base amounts of Loans offered (being 75% of the Property Value)
  - (f) aggregated proposed indemnity amounts (being the excess of the Loan amounts offered over 75% of the Property Values of the relevant Properties)
- 1.3 Loans which have completed in the relevant period detailing:
- (a) the Property postcode and the last three digits of the mortgage account number
  - (b) name of the Authority
  - (c) Property Value
  - (d) aggregate amounts of Loans advanced
  - (e) aggregate base amounts of Loan amounts advanced (being 75% of the Property Value)
  - (f) aggregated indemnity amounts (being the excess of the Loan amounts advanced over 75% of the Property Value of the relevant Properties)

- 1.4 Number of Loans, together with outstanding Loan and date of origination, where the Initial Indemnity Period has been extended under this Deed.
- 1.5 The Property postcode and the last three digits of the mortgage account number for accounts in respect of Loans where repossession proceedings have been commenced.



## **Schedule 2**

### **Commission**

- 1 This schedule applies to all Product Agreements entered into between the Lender and a Borrower in connection with the Scheme.
- 2 For each Product Agreement that completes under the Scheme, the Lender will pay to Sector Commission of 0.2% x Loan.
- 3 The Lender will pay the Commission to Sector in the month following the month of completion of the relevant Product Agreement. For the avoidance of doubt, this clause 3 shall apply regardless of whether Sector has introduced the Authority to the Lender or not.
- 4 If the Lender, by mistake, makes a payment by way of commission to Sector which has not been earned, then Sector will, on written demand by the Lender, repay the commission to the Lender.
- 5 The Lender shall have a right of set-off in respect of any money payable by the Lender to Sector against any money payable by Sector to the Lender whether payable under this Deed or otherwise. Any such set-off shall constitute a valid discharge by the Lender of its liability in the amount of the sums set-off. Exercise by the Lender of this right of set-off shall be without prejudice to any other rights or remedies available to the Lender at law or in equity.
- 6 The Commission payable under this Deed is inclusive of Value Added Tax, to the extent that Value Added Tax is payable.

## Schedule 3

### Policies and Obligations

1 In this schedule:

**Lender Information** means all personal data and any information (including confidential information), in any format or media and however it is conveyed or received, that relates to the business affairs, development, trade secrets, business plans, know-how, personnel or companies of the Lender, including all intellectual property rights together with any information derived from any of the above

**Lender Policies** means the Lender information and security policies and any other relevant Lender policies in force from time to time relevant extracts from which have been made available to Sector and the Authority

**Lender Records** means information including Lender Information which provides evidence of business activity

**Sub-Contractor** means any sub-contractor engaged by Sector and/or the Authority to perform the services hereunder on its behalf

## 2 General security obligations

### Use of Lender Information

2.1 Except as otherwise agreed, neither Sector nor the Authority shall:

- (a) collect, process or otherwise make use of Lender Information for any purpose other than that which is required in order to perform its obligations in accordance with this Deed;
- (b) purport to sell, let for hire, assign rights in, declare a trust of or otherwise dispose of or commercially exploit any Lender Information; or
- (c) make any Lender Information available to any third party other than as strictly required to perform its obligations in accordance with the terms of this Deed.

### Safeguarding Lender Information

2.2 Sector and the Authority shall encrypt all Lender Information held on any portable device in all media (including but not limited to a laptop, CD, USB memory stick, back up tapes) in compliance with best industry practice.

2.3 Sector/the Authority shall use reasonable endeavours to prevent any unauthorised use, alteration or destruction of Lender Information by any Sector/Authority employee or any Sub-Contractor.

2.4 Where Sector or the Authority provides services from a site where the Authority also provides services to, or is shared with, a third party or parties, Sector and/or the Authority shall at the Lender's request and cost:

- (a) restrict access to Lender Information in any shared environment such that any person who does not require access to such information may not gain such access; and
- (b) ensure that any Lender Information stored on Sector's or the Authority's systems is logically separated from Sector's/the Authority's and any third parties' data.

### **3 Security policy**

- 3.1 Sector and the Authority shall at all times have a security policy (**Security Policy**) covering the performance of its obligations under this Deed. The Security Policy shall be designed to protect all Lender Information and shall be periodically updated and audited in accordance with this schedule.
- 3.2 Sector and the Authority must ensure that the Security Policy is updated regularly whenever it considers it necessary to do so and must in any event update the Security Policy if the Lender reasonably believes that the security policy is inconsistent with Lender Policies.

### **4 Storage and destruction**

- 4.1 Sector/the Authority shall protect all Lender Information held by Sector/the Authority by adopting a 'clear desk' policy in respect of such information and disposing of such information securely by treating it as confidential waste.
- 4.2 Sector/the Authority shall provide Sector/Authority employees with locking filing cabinets to house any Lender Information when such is not in use, and facilities for the secure disposal of such information.
- 4.3 Sector/the Authority shall ensure that any Lender Information held by Sector/the Authority is disposed of by or on behalf of Sector/the Authority in a manner consistent with Lender retention requirements as notified to Sector/the Authority from time to time in a manner that protects the confidential nature of the Lender Information. The current requirement is that unless otherwise advised by the Lender all Lender Information shall be stored by Sector/the Authority in a secure manner and under appropriate controls and restrictions on use for the data retention period and that thereafter it shall at the option of the Lender be returned to the Lender or else destroyed securely with confirmation of such destruction being supplied by Sector/the Authority within five (5) Business Days thereafter.
- 4.4 Sector/the Authority shall ensure that any Lender Information held by Sector/the Authority is disposed of by or on behalf of Sector/the Authority in a manner which protects the confidential nature of the Lender Information.

### **5 Records management**

- 5.1 Sector/the Authority shall ensure that any Lender Records held by Sector/the Authority are disposed of by or on behalf of Sector/the Authority in accordance with applicable law and in a manner consistent with Lender requirements notified to Sector/the Authority.
- 5.2 Sector/the Authority shall ensure that Lender Records are readable, retrievable and reproducible during their lifetime and that appropriate controls are put in place to ensure the authenticity, accuracy and integrity of Lender Records.

**Schedule 4**  
**Postcode areas**

**ESSENTIAL REFERENCE PAPER F**

**Dated**

**2011**

**[X]**

**◆ COUNCIL**

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**DEED OF INDEMNITY**

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**ADDLESHAW GODDARD**

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**This Deed** is made on

2011

## **Between**

- (1) [X] of ♦ (**Officer**); and
- (2) ♦ of ♦ (**Authority**).

## **Whereas**

- (A) The Officer is the [Monitoring Officer][Head of Paid Services][Head of Legal] of the Authority. The Officer has provided the Opinion Letter to the Bank in relation to the Authority's authority and capacity to enter into the Scheme.
- (B) The Authority agrees to indemnify the Officer to cover the Officer in relation to any liability he/she may personally incur to the Bank in the provision of the Opinion Letter. [Necessary authority] permits the Authority to provide this indemnity.
- (C) The Authority has power to give this indemnity under the provisions of the Local Government Act 2000 and the Local Authorities (Indemnity for Members and Officers) Order 2004.

## **It is agreed**

### **1 Interpretation**

- 1.1 References in this Deed, except where the context requires otherwise, to the Officer shall include their personal representatives and to the Authority shall include any statutory successor.
- 1.2 The headings in this Deed do not affect its interpretation.

### **2 Definitions**

- 2.1 In this Deed, unless the context otherwise requires:

**Bank** means Lloyds TSB Bank plc, Lloyds TSB Scotland plc and their transferees, assignees and successors in title

**Opinion Letter** means the opinion letter to be provided by the Officer to the Bank and to be relied on by the Bank in relation to the Authority's authority and capacity to enter into the Scheme

**Scheme** means the Local Lend a Hand Mortgage Scheme under which the Authority will give assistance to certain mortgage borrowers from the Bank by providing an indemnity to the Bank for certain losses that may be suffered by the Bank in respect of such mortgages

### **3 Indemnity**

- 3.1 In consideration of the Officer providing the Opinion Letter to the Bank in relation to the Scheme, the Authority hereby indemnifies the Officer against all liabilities, losses, actions, proceedings, damages, costs, claims, demands and expenses brought or made against or suffered or incurred by the Officer arising out of or in connection with the provision of the Opinion Letter to the Bank.

#### **4 Costs**

The Authority shall pay all the costs relating to the negotiation, preparation, execution and implementation of this Deed.

#### **5 Notices**

5.1 All notices (including all other documents) to be served under this Deed shall be in writing in English and shall be delivered or sent to a party at its address set out in this Deed or to such other address as he may have notified in writing to the other party in accordance with this clause 5.

5.2 A notice shall be delivered by hand or sent by prepaid first class post.

5.3 In the absence of evidence of earlier receipt, a notice shall be deemed to have been received:

(a) if delivered personally, when left at the address referred to in clause 5.1; and

(b) if sent by mail two days after posting it.

5.4 In proving service of a notice it shall be sufficient to prove that delivery was made or that the envelope containing the notice was properly addressed and posted (as the case may be).

5.5 E-mail notice shall not be valid for the purposes of this Agreement.

#### **6 General**

6.1 This Deed sets out the entire agreement and understanding between the parties relating to the matters contemplated by this Deed.

6.2 Delay in exercising, or a failure to exercise, any right or remedy in connection with this Deed shall not operate as a waiver of that right or remedy. A single or partial exercise of any right or remedy shall not preclude any other or further exercise of that right or remedy or the exercise of any other right or remedy. A waiver of a breach of this Deed shall not constitute a waiver of any subsequent breach.

6.3 This Deed may be entered into in any number of counterparts and by the parties on separate counterparts, all of which taken together shall constitute one and the same instrument.

#### **7 Governing law and jurisdiction**

7.1 This Deed is governed by and construed in accordance with English law. The English courts will have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this letter.



**Executed** as a deed, but not delivered until the date of this Deed.

[Attestation clause of relevant Authority]

Executed as a deed by )  
 )  
in the presence of ) .....

.....  
Signature of witness

Name .....

Address .....

.....

LOCAL AUTHORITY LETTERHEAD

Date

Lloyds TSB Bank plc  
Barnett Way  
Gloucester GL4 3RL

Lloyds TSB Scotland plc  
Henry Duncan House  
120 George Street  
Edinburgh  
EH2 4LH

Dear Sirs

**Local Lend a Hand Mortgage Scheme (Scheme)**

I am appointed [*Monitoring Officer*] [*Head of Legal*] [*Head of Paid Services*] to [*Local Authority*] (the **Authority**). I am instructed in connection with the negotiation, preparation and completion of the documentation described in part 1 of appendix 1 (**Scheme Documents**) and have reviewed the documentation described in part 2 of appendix 1 (**Decision Documents**) (which are together called the **Opinion Documents**).

Reference to an appendix is to an appendix to this letter and reference to a paragraph is to a paragraph of this letter, unless otherwise stated.

**1 Documents examined**

For the purposes of giving this opinion, I have examined the Opinion Documents.

**2 Opinion**

I am of the opinion set out in this paragraph 2:

(a) **Capacity and authority**

The Authority has the power and authority to enter into, observe and perform the terms and obligations on its part to be observed and performed by it under the Scheme Documents.

(b) **The Decision Documents**

The Decision Documents are the only documents relevant to the decision of the Authority to participate in the Scheme.

(c) **Legal, Valid, Binding and Enforceable**

The Scheme Documents will (when duly executed) constitute legal, valid and binding obligations of the Authority enforceable under English law according to their terms and without limitation.

(d) **Authorisations**

No consents are necessary from any governmental authority or regulatory body in England and Wales to ensure the validity and legality of the Opinion Documents.

(e) **Immunity**

The Authority is not entitled to claim immunity from suit, execution, attachment or other legal process in England and Wales.

**3 Opinion for addressees and their transferees and successors in title**

The opinion contained in this letter is given as of the date of this letter. It is addressed to Lloyds TSB Bank plc, Lloyds TSB Scotland plc and their transferees, assignees and successors in title (Addressees). It may not be relied upon by anyone else without my prior written consent. In addition, this letter may not be disclosed in whole or in part by you to anyone other than the Addressees and it may not in whole or in part be filed with any governmental agency or authority or regulatory body or quoted in any public document without, in each such case, our prior written consent.

**4 Governing law**

This letter (and any non-contractual obligations arising out of or in connection with it) is governed by and construed according to English law. The English Courts shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this letter.

Yours faithfully

*[Monitoring Officer] [Head of Legal] [Head of Paid Services]*

## **Appendix 1**

### **Part 1 - Scheme Documents**

- 1 A Local Lend a Hand Mortgage Scheme Indemnity Deed [dated *[date]*] [to be] made between the Authority (1), Lloyds TSB Bank plc (2), Lloyds TSB Scotland plc (3) and Sector Treasury Services Limited (4)
- 2 Local Lend a Hand Amended Bank Mandate Letter to be completed by the Authority
- 3 Public and Community Sector Authority Form to be completed by the Authority
- 4 Lloyds Banking Group and your business information for Corporate customers
- 5 A Deed of Indemnity to be made between [*Monitoring Officer*] [*Head of Legal*] [*Head of Paid Services*] (1) and the Authority (2)

### **Part 2 - Decision Documents**

*[List Local Authority resolutions and policy documents reviewed]*

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