

Meeting: EXECUTIVE

**Council Agenda
Item:**

14

Portfolio Area: Resources

Date: 13 MARCH 2012

NEW HOMES BONUS – 2012/13 SCHEME ALLOCATIONS

KEY DECISION

Authors –	Scott Crudgington	Ext. 2185
Contributor –	Keith Brown	Ext. 2154
	Aidan Sanderson	Ext. 2311
	Richard Protheroe	Ext. 2938
	Catherine Cashin	Ext. 2164
Lead Officers –	Scott Crudgington	Ext. 2185
Contact Officer –	Scott Crudgington	Ext. 2185

REASON FOR URGENCY

In order that expenditure funded from the New Homes Bonus grant can be accounted for in individual service based budgets and relevant service plans at the beginning of the Financial Year and that work on the schemes is not delayed.

1 PURPOSE

1. To approve a range of schemes and initiatives to be funded from the 2012/13 New Homes Bonus allocation.

2 RECOMMENDATIONS

- 2.1 That an allocation of **£201,000** from the 2012/13 New Homes Bonus grant be approved for the implementation and delivery of the following schemes :

- (a) Free parking on Saturdays (Initiative 1) - £50,000;
- (b) Indoor Market Enhancements (New Signage, Decoration and Wider Publicity) (Initiative 2) - £36,000;
- (c) Apprenticeship Programme for the Council (Initiative 4) - £90,000;
- (d) New Play Centre in Bedwell (Feasibility and Design) (Initiative 5) - £25,000.

- 2.2 That it be noted the Apprenticeship Programme for the Council (initiative 4) will be a two year scheme and funding to support the second year of the

programme will need to be funded from the 2013/14 New Homes Bonus grant.

- 2.3 That approval be given to design the 'First Step' Local Authority Mortgage Scheme (initiative 3) with a notional allocation of **£250,000** from the 2012/13 New Homes Bonus grant, and reported to Scrutiny, Executive and Council in accordance with the Council's Policy and Budgetary Framework requirements.
- 2.4 That subject to the approval of 2.1 above, Council be requested to approve the General Fund Revenue Account Contingency Sum held by the Executive be increased by **£201,000** to maintain this sum at the £400,000 level previously agreed.

3 BACKGROUND

- 3.1 The New Homes Bonus scheme is designed to be a financial incentive for Council's to deliver housing growth and as such replaces the Housing and Planning Development Grant. It is also intended to make the link between growth and new finance more visible.
- 3.2 New Homes Bonus commenced in April 2011, and will match the additional Council Tax raised for new homes and properties brought back into use, with an additional amount of £350 for each affordable homes, for the following six years. In two tier areas the New Homes Bonus is split 80/20 between the District and County Councils.
- 3.3 Until 2014/15, this is new money made available by the Government. After that, the money comes from the Formula Grant as a permanent feature of local government funding. This means that councils that treat the scheme as an incentive to build and return empty properties to use will benefit and those that do not will lose money after 2015.
- 3.4 New Homes Bonus is an un-ringfenced grant. However, as reported to the Executive as part of the development of the 2012/13 budget, the Chief Finance Officer made no assumption to build the New Homes Bonus grant into the General Fund base budget, and instead established a policy to transfer the grant into a reserve for future political direction.
- 3.5 We are now in the second year of the New Homes Bonus scheme. The grants awarded to Stevenage BC are as follows:

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Year 1	£84,562	£84,562	£84,562	£84,562	£84,562	£84,562
Year 2		£495,367	£495,367	£495,367	£495,367	£495,367
Total		£579,929	£579,929	£579,929	£579,929	£579,929

- 3.6 Based on the allocations for the first two years, the total payment due to the Council up to 2016/17 will be almost £3 million.

3.7 In addition, there will be further allocations for future years based on annual new homes growth. The allocation for 2013/14 will be based on the net change in stock (as per Council Tax records) for the year to October 2012. Modelling work on the likely future revenue streams is ongoing and will be incorporated into the Council's regular financial monitoring reports to the Executive.

3.8 To date the Council has used £31,200 of the Year 1 New Homes Bonus allocation to part fund the Local Community Budgets.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 To determine the focus of allocations made from the 2012/13 New Homes Bonus, Strategic Management Board invited bids from Heads of Service across the Council for priority schemes in their area that support and furthered the delivery of the Council's ambitions and priorities. These bids were then assessed against a range of criteria to identify a proposed package. This package of schemes was then presented to Executive Portfolio Holders for consideration at an Executive / SMB Away Day on 17 February 2012.

4.2 The outcome of the prioritisation exercise reflected the results from the range of consultation exercises undertaken over the last 12 months, covering the themes of economy and jobs, young people and training, housing and the voluntary sector. Consequently the following schemes for the 2012/13 New Homes Bonus were identified for implementation:

Initiative 1 : Free Parking on Saturdays	
Lead Portfolio Holder : Environment and Regeneration	
Allocation : £50,000	Delivery Lead : Head of Property and Estates
Timescales : April – June 2012	
Ambition(s) Supported : Shape our Community, Regenerate Stevenage	

4.2.1 During the last year, the Council has continued to work with its development partners to progress the regeneration of the Town Centre and the outline planning application has now been approved by the Council. Whilst this is an important step towards a new town centre and the Council remains fully committed to delivering the scheme, it is unlikely, even if economic conditions improve, that a start on site will be possible in the next couple of years. In the short term, therefore, the current financial difficulties will continue to affect both shoppers and traders in the Town Centre and, for that matter, the High Street.

4.2.2 Consideration has, therefore, been given to whether there are any measures which the Borough Council could introduce, in the short term, to assist shoppers to reduce their costs and promote additional footfall to help traders. The Council's main area of influence in both these locations is through its

ownership and management of the car parks and providing at least some element of free parking could assist with both the above objectives. Any such measures would support the Council's priorities to have a growing town and economy, to develop a modern, vibrant town centre and to support and develop our people.

- 4.2.3** The offer of free parking cannot, however, be guaranteed to have the desired effect and would entail loss of income to the Council. Whilst Members will be well aware of the importance of car park income to sustaining the Council's Medium Term Financial Strategy, it is possible to offset some loss of income for a trial period using New Homes Bonus. It is, therefore, suggested that parking in the St Georges Multi Storey and Primett Road South Car Parks is made free on Saturdays for a trial period of three months commencing on 7 April 2012. It is estimated that approximately £50,000 will be required to offset the loss of income for this period.
- 4.2.4** Car park usage in both the Town Centre and the Old Town will be carefully monitored throughout the trial period to assess the success of the initiative and provide a basis upon which to decide whether the scheme should be extended for a further period.

Initiative 2 : Indoor Market Enhancements (New Signage, Decoration and Wider Publicity)	
Lead Portfolio Holder : Resources	
Allocation : £36,000	Delivery Lead : Head of Property and Estates
Timescales : May 2012	
Ambition(s) Supported : Shape our Community, Regenerate Stevenage	

- 4.2.5** In November the Council resolved to reduce the licence fees in the Indoor Market by 20% in recognition of the difficult trading conditions and the need to attract new traders to the Market to ensure it continues to provide a much valued service to the Town. To date this has been effective as it has stemmed the number of traders quitting the Market and we have encouraged new traders with our introductory packages. In fact since the introduction of the fee reduction and the new packages voids have reduced from 30 to 18. Alongside the licence fee reduction the Council have been working on a re-launch and re-branding of the Market in May of this year.
- 4.2.6** New Signage and Public Address system - As part of the re-launch the Council wishes to install comprehensive new signage around the St Georges MSCP and also in other strategic locations in and around the town and other car parks. The Council and Traders have now agreed on a new logo for the market and an application for planning permission has been submitted for new and replacement signs to be placed around the Multi Storey Car Park.

The current total estimated cost for the production and erection of all the signage is in the order of £15,000 which will be supplemented by the Traders

themselves to ensure maximum impact and also to demonstrate their commitment to the success of the Market.

The launch day is set for 26 May 2012 and the new signage needs to be in place by this date.

The Market also suffers from a poor public address system which is required for a variety of reasons. For £6,000 a much more effective public address and information system can be installed that, among other things, will improve the atmosphere and also provide a much better way of communicating messages to shoppers on promotional days and events and also in conveying emergency warnings and instructions.

The PA system can be installed as soon as finance is available and the target date is 30th April.

- 4.2.7** General Decorations - The most visible element in the market hall is the stalls. However the backdrop provided by the walls and structural columns is drab and has not been decorated for at least ten years. This has become more apparent since the general lighting was improved. A contribution of £15,000 would cover the decoration of the walls, columns and the removal of general clutter around the market hall and make a real difference to the feel of the market. In addition to this the Market Traders Association are planning on funding the installation of indoor planting around the Market and the general maintenance and upkeep of the plants. Once again the Council would want the decoration of the Market to be complete by the launch day of May 26.

Initiative 3 : ‘First Step’ Local Authority Mortgage Scheme	
Lead Portfolio Holder : Housing	
Allocation : £250,000	Delivery Lead : Head of Housing, Partnerships and Communications
Timescales : Executive/Scrutiny/Council Report – July 2012 : to cover our local eligibility criteria, key parameters of the scheme and key partners	
Ambition(s) Supported : Shape our Community, Regenerate Stevenage, Create Sustainable Communities, Move Towards Excellence	

- 4.2.8** 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 fell by 13% in January compared with December – the lowest level for a year. The CML believes the housing market will remain subdued in 2012 due to uncertainty surrounding the economy and the ongoing mortgage rationing by lenders. The level of activity in the mortgage market is therefore expected to remain subdued.

- 4.2.9** 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.

- 4.2.10** As a result of the recession and the adverse effect on the local economy and the housing market, a number of Local Authorities are trying to take a proactive approach in supporting their local areas, and also to address pressing issues in increasing the supply of affordable housing.
- 4.2.11** The Local Authority Mortgage (LAM) 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 is aimed at first time buyers, providing help for those who can afford mortgage payments - but not the initial deposit – to get on to the property ladder. Under the scheme, we will be able to specify the qualifying characteristics for those who should qualify for a mortgage under the LAM scheme within Stevenage. The criteria should be driven by the Council's strategic housing market assessment survey and the housing strategy. However the scheme itself is standardised as much as possible.
- 4.2.12** 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. In practice this means that 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 can provide a top-up indemnity to the value of the difference between the typical Loan to Value (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.
- 4.2.13** The scheme does not promote reckless lending or provide unaffordable mortgages, it simply reduces the value of deposit currently required.
- 4.2.14** 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.
- 4.2.15** The indemnity would only be called upon by the mortgage lender if a loss is realised 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.

4.2.16 A notional allocation of £250,000 from the 2012/13 New Homes Bonus is proposed. In addition, Hertfordshire County Council has confirmed that they will match district allocations with a £1 million contribution.

4.2.17 For the Council to set up a LAM Scheme a decision will be required from Council that is taken in the context of its strategic housing policy and not from a treasury or investment decision. Subject to the Executive's approval of these proposals a report will be presented to Scrutiny, Executive and Council in line with the Council's Policy and Budgetary Framework requirements in July 2012.

Initiative 4 : Apprenticeship Programme for the Council	
Lead Portfolio Holder : Resources	
Allocation : £90,000	Delivery Lead : Head of Human Resources & Organisational Development
Timescales : Launch scheduled for September 2012 (2 year scheme)	
Ambition(s) Supported : Regenerate Stevenage, Move Towards Excellence	

4.2.16 The Council is committed to providing an increased number of apprenticeship placements spread across all areas of the Council – in front line services as well as the back office.

4.2.17 During 2012/13 the Council will commence a corporately co-ordinated programme with a mix of technical and general placements. Some placements would stay within a service area whilst other placements would complete assignments across the Council. All workers would be paid, assessed against a formal framework for skills development and gain nationally accredited qualifications whilst making a contribution to Stevenage.

4.2.18 This initiative will be part of our priority to support and develop our people. A reinvigorated apprenticeship programme will form part of effective workforce planning and help us put in place a more flexible, capable and committed workforce drawn from the local community. This Council has already established a strong track record in moving these workers successfully through dedicated programmes and often onto permanent appointments.

4.2.19 Apprenticeships provide on-the-job experience combined with a programme of study which could either be learnt through attending a Further Education institution or by being assessed in the workplace. They offer participants the opportunity to develop knowledge and skills into a career whilst earning a wage. Apprenticeships are nationally designed work-based training programmes for 16-18 year olds and adults who have left full-time education.

4.2.20 The programme will run initially for two years.

Initiative 5 : New Play Centre in Bedwell (Feasibility and Design)	
Lead Portfolio Holder : Children and Young People, Culture, Sport and Leisure	
Allocation : £25,000	Delivery Lead : Head of Leisure, Community & Children's Services
Timescales : September 2012	
Ambition(s) Supported : Shape our Community, Regenerate Stevenage, Create Sustainable Communities, Move Towards Excellence	

4.2.21 The Council provides three, free of charge, open access play opportunities for children aged 5 to 14 years and children under five visiting with their parents. Average attendances at these sites have increased year on year, however there has been a long standing concern that one of the areas of greatest need in the town, Bedwell, has been without such a facility.

4.2.22 With pressures on some of the most vulnerable families in the town increasing, the Council is considering support to Bedwell families by providing such a service in the area. It is hoped that a play centre will help to alleviate some of the pressures faced by families in Bedwell and provide children with opportunities for exciting and challenging play experiences to develop their potential and self esteem.

4.2.23 The play centre will have the potential to offer afterschool, weekend and school holiday play opportunities for up to 24,000 usages in a year and also provide a venue for community groups to meet.

4.2.24 The Council has never managed a permanent play centre in Bedwell. Up until April 2011, the Council used to run holiday play schemes utilising Bedwell Community Centre in all school holiday periods (this is now being re-instated during 2012/13 following feedback from the community). The play schemes in Bedwell have always been well attended and anecdotal evidence suggests there is capacity in the area for a permanent play centre. Members have requested that officers investigate the concept and feasibility for the construction of a new play centre in the Bedwell Area.

4.2.25 Officers have considered there are two sites in the area that warrant further investigation; if this project is to be progressed further it will require specialist officer and consultant time dedicated to it to undertake an options appraisal.

4.2.26 It is estimated the costs in order to carry out the above study on two sites will be up to £25,000 and that this study will be completed by the end of the Summer 2012. If the scheme proceeds to the build stage, a full business plan will need to be developed to fully understand the ongoing revenue costs associated with the building and the play centre.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 The final New Homes Bonus allocations for 2012/13 have now been announced. The total grant payments will be made monthly across 13 months direct to councils. The first monthly payment will be made in March 2012.

5.1.2 As part of the budget setting process, Council approved a General Fund Revenue Account Contingency Sum in the Budget and Policy Framework for 2012/13 of £400,000 for expenditure determined by the Executive.

5.1.3 At this stage the following schemes are recommended for approval within the Executive's contingency sum:

Initiative 1	Free Parking on Saturdays	£50,000
Initiative 2	Indoor Market Enhancements (New Signage, Decoration and Wider Publicity)	£36,000
Initiative 4	Apprenticeship Programme for the Council	£90,000
Initiative 5	New Play Centre in Bedwell (Feasibility and Design)	£25,000
Total		£201,000

5.1.4 The Apprenticeship Programme for the Council will run for two years, and consequently funding to support the second year of the programme will need to be funded from the 2013/14 New Homes Bonus grant.

5.1.5 The following scheme requires further development, risk assessment and design and consequently, at this stage only authority to proceed to the scheme development stage is being sought (although the scheme sum will be notionally allocated):

Initiative 3	'First Step' Local Authority Mortgage Scheme	£250,000
Total		£250,000

5.2 Legal Implications

5.2.1 The New Homes Bonus is paid through section 31 of the Local Government Act 2003 as an un-ringfenced grant. Local authorities and their communities will have the freedom to spend New Homes Bonus revenues according to local wishes.

5.3 Equalities and Diversity Implications

5.3.1 Stevenage Borough Council has committed itself to providing high quality services that are relevant to the needs and responsive to the views of all sections of the local community, irrespective of their race, gender, disability,

culture, religion, age, sexual orientation or marital status. The General Equality Duty (Section 149 of the Equality Act 2010) requires the council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations in the exercise of its functions. These considerations are the duty of decision makers. Initial Equality Impact Assessments (EqIAs) have been carried out on the recommended New Homes Bonus schemes and further full EqIAs will be carried out, where appropriate, if the schemes go ahead. It is anticipated that there will be a positive impact from the schemes and EqIAs will be used to ensure that all sections of the community can benefit from them.

5.4 Risk Implications

5.4.1 Risks to the capital investment associated with the 'First Step' Local Authority Mortgage Scheme exist, as an indemnity could be called upon by the mortgage lender if a loss is realised by the lender. A full risk assessment and mitigation strategy will be produced as part of the scheme approval report.

5.4.2 Risks have also been identified with the free car parking initiative. Officers have forecasted the potential loss of car park income through the initiative based on historic usage trends. If losses are greater than forecast then a decision will be required whether to draw down further on the New Homes Bonus allocation or whether to absorb the loss from within the 2012/13 General Fund budget.

BACKGROUND PAPERS

- New Homes Bonus 2012/13 Bids Scoring Matrix

APPENDICES

None