

The Council Meeting

Council Chamber, Town Hall
17 July 2013 at 6.30pm

Information for Members of the Public

Access to information and meetings

You have the right to attend all meetings of the Council, its Committees and Cabinet. You also have the right to see the agenda, which is usually published 5 working days before the meeting, and minutes once they are published. Dates of the meetings are available at www.colchester.gov.uk or from Democratic Services. Occasionally meetings will need to discuss issues in private. This can only happen on a limited range of issues, which are set by law. When a committee does so, you will be asked to leave the meeting.

Have Your Say!

The Council values contributions from members of the public. Under the Council's Have Your Say! policy you can ask questions or express a view to most public meetings. If you wish to speak at a meeting or wish to find out more, please refer to Attending Meetings and "Have Your Say" at www.colchester.gov.uk

Audio Recording, Mobile phones and other devices

The Council audio records all its public meetings and makes the recordings available on the Council's website. Audio recording of meetings by members of the public is also permitted. The discreet use of phones, tablets, laptops and other such devices is permitted at all meetings of the Council, with the exception of all meetings of the Planning Committee, Licensing Committee, Licensing Sub-Committee and Governance Committee. It is not permitted to use voice or camera flash functionality and devices must be kept on silent mode. Councillors are permitted to use devices to receive messages and to access papers and information via the internet and viewing or participation in social media is at the discretion of the Chairman / Mayor presiding at the meeting who may choose to require all devices to be switched off at any time.

Access

There is wheelchair access to the Town Hall from St Runwald Street. There is an induction loop in all the meeting rooms. If you need help with reading or understanding this document please take it to Angel Court Council offices, High Street, Colchester or telephone (01206) 282222 or textphone 18001 followed by the full number that you wish to call and we will try to provide a reading service, translation or other formats you may need.

Facilities

Toilets with lift access, if required, are located on each floor of the Town Hall. A vending machine selling hot and cold drinks is located on the ground floor.

Evacuation Procedures

Evacuate the building using the nearest available exit. Make your way to the assembly area in the car park in St Runwald Street behind the Town Hall. Do not re-enter the building until the Town Hall staff advise you that it is safe to do so.

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COLCHESTER BOROUGH COUNCIL

TO ALL MEMBERS OF THE COUNCIL

22 July 2013

You are hereby summoned to attend a meeting of the Council to be held at the Council Chamber, Town Hall on **17 July 2013 at 6:30pm** for the transaction of the business stated below.



Chief Executive

AGENDA

Pages

1. Welcome and Announcements

(a) The Mayor to welcome members of the public and Councillors and to invite the Chaplain to address the meeting. The Mayor to remind all speakers of the requirement for microphones to be used at all times.

(b) At the Mayor's discretion, to announce information on:

- action in the event of an emergency;
- mobile phones set to silent;
- audio-recording of the meeting;
- location of toilets.

2. Have Your Say!

(a) The Mayor to ask members of the public to indicate if they wish to ask a question, make a statement or present a petition on any matter relating to the business of the Council – either on an item on the agenda for this meeting or on a general matter not on this agenda (Council Procedure Rule 6(2)).

(b) The Mayor to invite contributions from members of the public

who wish to address the Council on a general matter not on this agenda.

(Note: A period of up to 15 minutes is available for general statements and questions under 'Have Your Say!').

3. Minutes

1 - 5

A... Motion that the minutes of the meeting held on 22 May 2013 be confirmed as a correct record.

4. Mayor's Announcements

Mayor's Announcements (if any) and matters arising pursuant to Council Procedure Rule 8(3).

5. Declarations of Interest

The Chairman to invite Councillors to declare individually any interests they may have in the items on the agenda. Councillors should consult Meetings General Procedure Rule 7 for full guidance on the registration and declaration of interests. However Councillors may wish to note the following:-

- Where a Councillor has a disclosable pecuniary interest, other pecuniary interest or a non-pecuniary interest in any business of the authority and he/she is present at a meeting of the authority at which the business is considered, the Councillor must disclose to that meeting the existence and nature of that interest, whether or not such interest is registered on his/her register of Interests or if he/she has made a pending notification.
- If a Councillor has a disclosable pecuniary interest in a matter being considered at a meeting, he/she must not participate in any discussion or vote on the matter at the meeting. The Councillor must withdraw from the room where the meeting is being held unless he/she has received a dispensation from the Monitoring Officer.
- Where a Councillor has another pecuniary interest in a matter being considered at a meeting and where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the Councillor's judgment of the public interest, the Councillor must disclose the existence and nature of the interest and withdraw from the room where the meeting is being held unless he/she has received a dispensation from the Monitoring Officer.

- Failure to comply with the arrangements regarding disclosable pecuniary interests without reasonable excuse is a criminal offence, with a penalty of up to £5,000 and disqualification from office for up to 5 years.

6. Items (if any) referred under the Call-in Procedure

To consider any items referred by the Strategic Overview and Scrutiny Panel or the Finance and Audit Scrutiny Panel under the Call-In Procedure because they are considered to be contrary to the policy framework of the Council or contrary to, or not wholly in accordance with the budget.

7. Recommendations of the Cabinet, Panels and Committees

i. Local Authority Mortgage Scheme (LAMS)

6 - 7

B... Motion that the recommendations contained in minute 21 of the Cabinet meeting of 10 July 2013 be approved and adopted.

8. Redisplay Works at Colchester Castle

8 - 28

To receive and debate a presentation from Tom Hodgson, Colchester Development Manager, and Bill Seaman, Colchester and Ipswich Museums Manager, on the exhibition and display works for Colchester Castle.

(Note: a period of one hour is available for the debate and individual members may only speak for three minutes).

9. Notices of Motion pursuant to Council Procedure Rule 11

i. Blacklisting of Union Members

Proposer: Cllr T. Young

This Council:

- Notes and welcomes campaigning by trade unions to end the scandalous practice of 'blacklisting';
- Shares the serious concerns of Unite the Union, with regard to allegations of 'blacklisting' by joint venture BAM, Ferrovial and Kier (BFK) at Crossrail;

- Notes that meaningful evidence exists to support the view that Unite Shop Steward, Frank Morris, was victimised and sacked by BAM, Ferrovial and Kier (BFK) for being a trade unionist and raising legitimate safety concerns;
- Calls on BAM, Ferrovial and Kier (BFK) to take responsibility for this unethical conduct and reinstate Unite Shop Steward, Frank Morris.

The motion relates to a non-executive function and therefore will be debated and determined at the meeting.

10. Questions to Cabinet Members and Chairmen pursuant to Council Procedure Rule 10

To receive and answer pre-notified questions in accordance with Council Procedure Rule 10(1) followed by any oral questions (ie not submitted in advance) in accordance with Council Procedure Rule 10 (3).

(Note: A period of up to 60 minutes is available for pre-notified questions and oral questions by Members of the Council to Cabinet Members and Chairmen (or in their absence, Deputy Chairmen)).

None received at the date of the publication of this Summons.

11. Schedules of Decisions taken by Portfolio Holders

29 - 33

To note schedules covering the period 9 March 2013 -3 July 2013

12. Urgent items

To consider any business not specified in this summons which by reason of special circumstances the Mayor determines should be considered at the meeting as a matter of urgency.

13. Reports Referred to in Recommendations

34 - 40

The reports specified below are submitted for information and are referred to in the recommendations specified in item 8 on the agenda:

Local Authority Mortgage Scheme; report to Cabinet 10 July 2013

14. Exclusion of the Public

In accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public, including the press, from the meeting so that any items containing exempt information (for example

confidential personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972).

COUNCIL

22 MAY 2013

Present :- Councillor Colin Sykes (the Mayor) (Chairman)
Councillor John Elliott (Deputy Mayor)
Councillors Christopher Arnold, Nick Barlow,
Lyn Barton, Kevin Bentley, Mary Blandon,
Elizabeth Blundell, Mark Cable, Nigel Chapman,
Peter Chillingworth, Barrie Cook, Nick Cope, Mark Cory,
Beverly Davies, Andrew Ellis, Margaret Fairley-Crowe,
Annie Feltham, Stephen Ford, Bill Frame, Ray Gamble,
Martin Goss, Marcus Harrington, Dave Harris, Julia
Havis, Jo Hayes, Pauline Hazell, Theresa Higgins,
Mike Hogg, Martin Hunt (Deputy Leader) , Brian Jarvis,
John Jowers, Margaret Kimberley, Sonia Lewis,
Cyril Liddy, Michael Lilley, Sue Lissimore, Jon Manning,
Richard Martin, Colin Mudie, Kim Naish, Nigel Offen,
Beverley Oxford, Gerard Oxford, Will Quince,
Lesley Scott-Boutell, Peter Sheane, Paul Smith,
Terry Sutton, Laura Sykes, Anne Turrell (Leader of the
Council) , Julie Young and Tim Young

The Retiring Mayor, Councillor Arnold, chaired the meeting for the item at minutes 1 and 2.

The meeting was opened with prayers by the Retiring Mayor's Chaplain, the Reverend Canon David Atkins.

1. Apologies

Apologies were received from Councillors Bourne, Chuah, Greenhill, P. Higgins, Maclean, Manning, P. Oxford, Scott-Boutell (for the Mayor Making ceremony only) and Willetts

2. Election of Mayor

It was PROPOSED by Councillor Frame, SECONDED by Councillor Jowers and SUPPORTED by Councillors T. Young and G. Oxford and:-

RESOLVED UNANIMOUSLY that Councillor Colin Leslie Sykes be elected Mayor of the Borough of Colchester for the ensuing municipal year.

Councillor Sykes took the customary oath and made and subscribed the declaration of acceptance of office.

The Mayor then took the Chair and returned thanks for his election.

3. Minutes

The minutes of the meeting held on 20 March 2013 were confirmed as a correct record.

4. Election of Deputy Mayor

It was PROPOSED by Councillor Bentley, SECONDED and SUPPORTED by Councillors Barlow, T. Young and G. Oxford and -

RESOLVED UNANIMOUSLY that Councillor John Frederick Elliott be elected Deputy Mayor of the Borough of Colchester for the ensuing Municipal Year.

Councillor Elliott then made and subscribed the declaration of acceptance of office and returned thanks for his election as Deputy Mayor.

5. Vote of Thanks to Retiring Mayor

It was PROPOSED by Councillor Lewis, SECONDED and SUPPORTED by Councillors Barlow, T. Young and G. Oxford and -

RESOLVED UNANIMOUSLY that the best thanks of the Council are due and are hereby accorded to Councillor Christopher Arnold for the admirable manner in which he has discharged the responsible duties of the Mayoralty during the past year and that a transcript of this resolution under the Common Seal be furnished to Councillor Arnold.

6. Mayor's Chaplain and Other Announcements

The Mayor indicated that he had appointed Pastor Eric Blowes to be his Chaplain for the ensuing Municipal Year.

The Mayor indicated that that theme of his Mayoralty would be "Colchester.... United". He indicated he would be supporting the following charities:-

Army Benevolent Fund
East Anglia's Children's Hospices
Colchester and Tendring Youth Enquiry Service
Multiple Sclerosis Society
Guide Dogs for the Blind
Action for the Wild

The Mayor announced the following forthcoming events:-

The Mayoress at Home on 8 June 2013;

The Civic Service would be held on 16 June 2013 at Stanway Evangelical Church;
Colchester Zoo would be hosting an event promoting the Mayor's Charities on 27 July 2013;
An Evening Safari would be held at Colchester Zoo on 31 August 2013;
A Rock and Curry evening would be held on 8 March 2014;
The Mayor's Ball would be held on 9 May 2014 in the Moot Hall.

7. Adjournment

RESOLVED that the meeting stand adjourned until 12.00 noon and be resumed in the Council Chamber.

8. Have Your Say! - Announcements and General Statements

Andy Hamilton addressed the Council pursuant to the provisions of Council Procedure Rule 6(1). He expressed concern that Council had increased Councillors allowances but had done nothing to deserve such an increase. The Council continued to support the Visual Arts Facility. Visitor numbers were exaggerated and each visit was subsidised by the taxpayer. Attempts to increase visitor numbers through weddings and conferences were contrary to the terms of the lease. A referendum should be held on the future of the VAF. Attention was also drawn to the Council's failure to provide a mobility scooter service, the preference for a commercial rather than charitable lease for Tymperleys and the condition of the walls at the green at the junction of Sussex Road and Lexden Road.

Linda Bradwell presented a petition to the Mayor and addressed the Council pursuant to the provisions of Council Procedure Rule 6(1) calling on Colchester Borough Council to lobby Essex County Council Highways to undertake repairs to the pavements on Rowan Close. These were in a poor condition with trip hazards and other dangers. Residents were surprised that Highways had concluded that repairs were not necessary, especially as repairs were being undertaken to the neighbouring road, Holly Road.

Councillor Bentley, in his capacity as Essex County Councillor representing Stanway and Pyefleet, indicated that as this was a County Council matter he would take the matter forward at Essex County Council.

Councillor Kim Naish addressed the Council pursuant to the provisions of Council Procedure Rule 6(1). A number of recent issues such as the bus station, which he believed was not fit for purpose, and the ending of the trial of changes to access to the High Street, and the subsequent "blame game" between Colchester Borough Council and Essex County Council, had made him embarrassed to be a Councillor. The problems that had arisen were due in part to inadequate consultation and the failure to take account of the views of back bench Councillors. He urged the Cabinet to conduct

its affairs in a professional manner and to ensure that future projects were properly brought forward and public were properly consulted properly in future. The Mayor advised Councillor Naish that further comments he sought to make about Liberal Democrat campaign literature were outside the scope of Have Your Say! as they did not relate to Council business and should be taken up separately with the Leader of the Liberal Democrat group.

Councillor Turrell, Leader of the Council and Portfolio Holder for Strategy, responded that Essex County Council was the Highways Authority but the Council would continue to work on highways issues with them.

9. Delegations made by the Leader of the Council

RESOLVED that the appointment of the Deputy Leader of the Council, the appointment of Cabinet members and the allocation of responsibility for portfolios, as determined by the Leader of the Council and as set out in the Supplementary Information for the meeting, be noted.

10. Appointment of Panels, Committees and Sub-Committees

RESOLVED that:-

(a) in accordance with the provisions of Section 15 of the Local Government and Housing Act 1989 the number of seats, Group Representation and membership of the Governance Committee, Licensing Committee, Local Plan Committee, Planning Committee, Policy Review and Development Panel, Scrutiny Panel (including the Crime and Disorder Committee) and the Trading Board for the ensuing municipal year be as set out in the Supplementary Information for this meeting.

(b) in accordance with the provisions of Section 17 of the Local Government and Housing Act 1989, the appointments of the Task and Finish Groups not be on a Group basis and membership be as set out in the Supplementary Information for this meeting.

(c) that the membership of the Independent Remuneration Panel be as set out in the Supplementary Information for this meeting.

(d) that Sarah Greatorex and Barbara Pears be appointed as Independent Persons for a period of four years with effect from 1 July 2013.

11. Former Councillors

RESOLVED that the Council record its grateful thanks to former Councillor Granger for the public service rendered by him to this Borough during his period of office as Councillor and that a transcript of this resolution be furnished to him on parchment

under the Common Seal of the Borough as a permanent record of the appreciation of the Council.

Agenda item 7(i)

Extract from the minutes of the Cabinet meeting on 10 July 2013

21. Local Authority Mortgage Scheme

The Assistant Chief Executive submitted a report a copy of which had been circulated to each Member.

Sean Plummer, Finance Manager, attended to assist the Cabinet and presented the proposals, together with the proposals relating to the Social Value Act. Both were examples of how the Council could use national schemes or legislation to support the delivery of local strategic priorities, recognise risk and value for money alongside these priorities and help support local residents and businesses.

Councillor Quince attended and with the consent of the Chairman, addressed the Cabinet. He appreciated that the proposals addressed a real problem and that first time buyers often faced difficulties securing a mortgage. However, the report over-estimated the level of deposit that was often needed. He sought an assurance that the Council would assess rigorously those who would benefit from the scheme so that young people would not be granted mortgages they could not afford in the long term.

Councillor Smith, Portfolio Holder for Business and Resources, stressed that the Council's position would be protected as it was only guaranteeing the liability for the first five years of the mortgage. The total funding allocated by the Council was £2million with a maximum of £150 000 for each individual lender. This also helped protect the Council's position and would also help ensure a larger number of people could benefit from the scheme. The Council was one of only five in Essex working in partnership with Essex County Council to help its residents in this way.

RECOMMENDED to COUNCIL that:-

- (a) The Council agree the development of a Local Authority Mortgage Scheme (LAMS) in Colchester Borough.
- (b) A total indemnity value of up to £2million be allocated to LAMS subject to match funding from Essex County Council up to £1million.
- (c) The eligibility for the Council scheme referred to will be limited to people borrowing £150,000 or less.
- (d) A capital scheme to a maximum value of £2million for LAMS be included in the Council's Capital Programme for 2013/14 funded in equal parts through borrowing and match funding from Essex County Council as set out within the Assistant Chief Executive's report.

(e) The Assistant Chief Executive, in consultation with the Monitoring Officer and the Portfolio Holder for Business and Resources be authorised to:

- determine the allocation of the £2million scheme funding to specific lenders, including Lloyds TSB;
- determine the qualifying post codes for the scheme;
- agree the detailed financial and contractual arrangements with Lloyds TSB and any other LAMS lenders.

(f) The Monitoring Officer be authorised to give an opinion letter as required to any LAMS lender.

(g) Approval be given by the Council to enter into a deed of indemnity with the Monitoring Officer in respect of any opinion letter he gives, the form of such deed to be approved by the Assistant Chief Executive.

REASONS

One of the main barriers to first time buyers getting on the housing ladder is the requirement from many lenders for deposits in the region of 20 - 25% even where income levels mean that the mortgage is affordable.

To help address this issue the Council has been invited to work with Essex County Council to establish a Local Authority Mortgage Scheme (LAMS) that will give a limited financial indemnity to an approved lender providing mortgages to first time buyers.

LAMS were first established as a pilot in 2009 by Sector Treasury Services (Sector), and there are schemes operating in 54 local authority areas

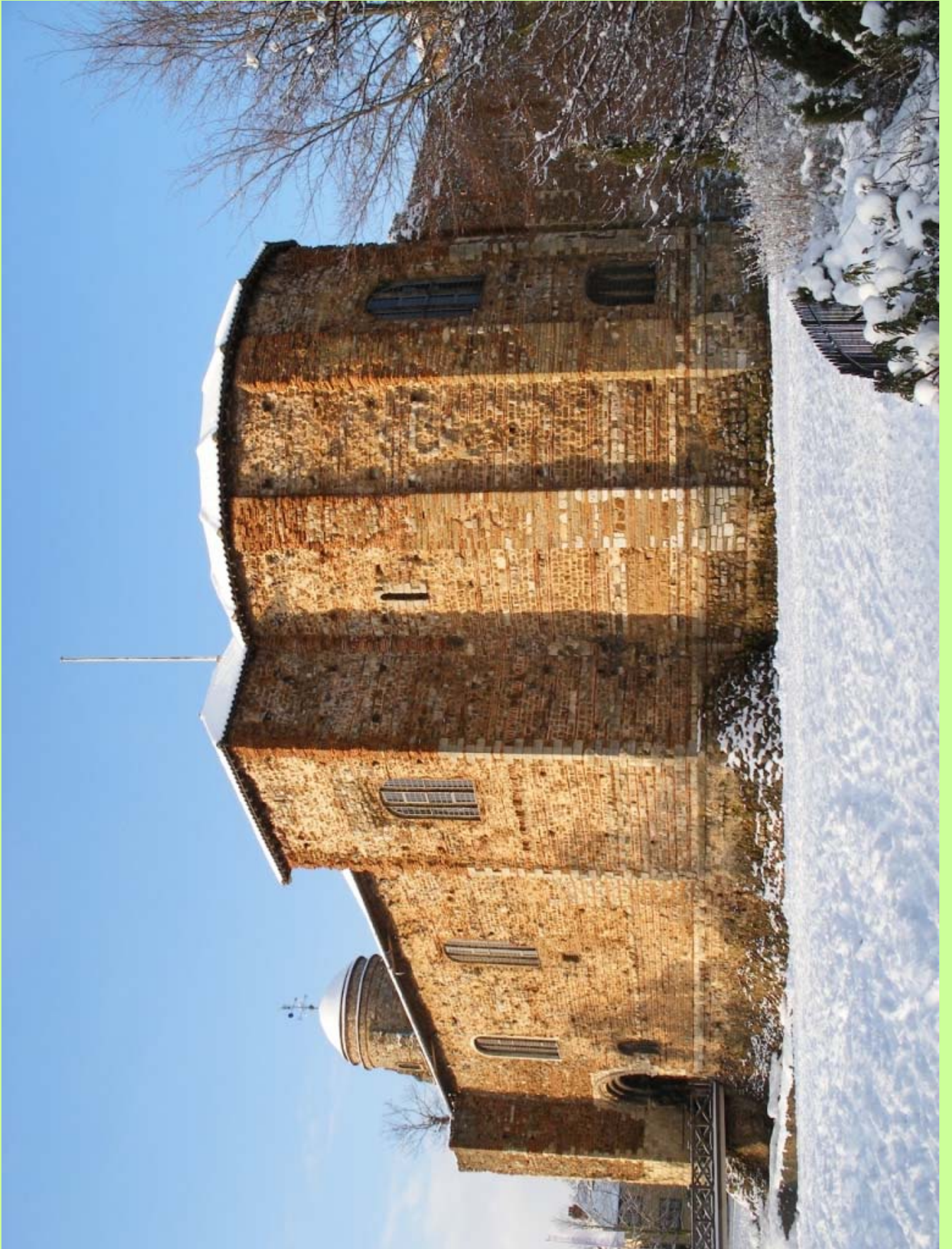
ALTERNATIVE OPTIONS

The Council could choose not to take part in this initiative.

Colchester's Heritage

Town Walls and Colchester Castle

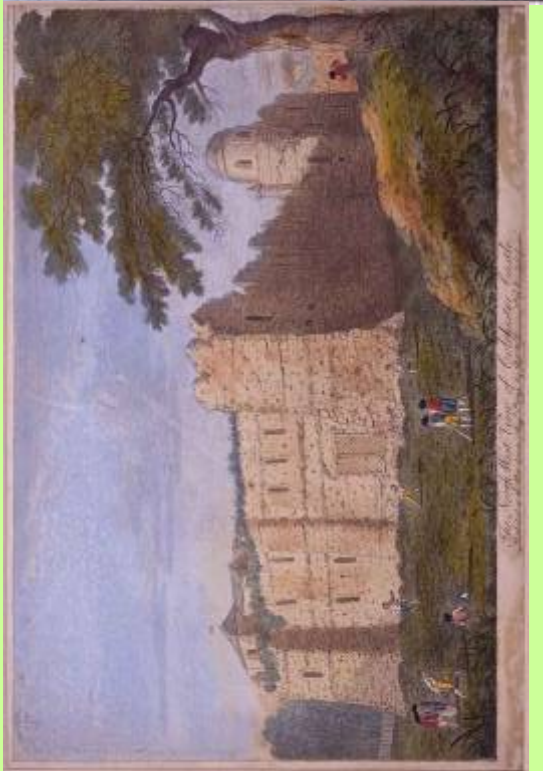
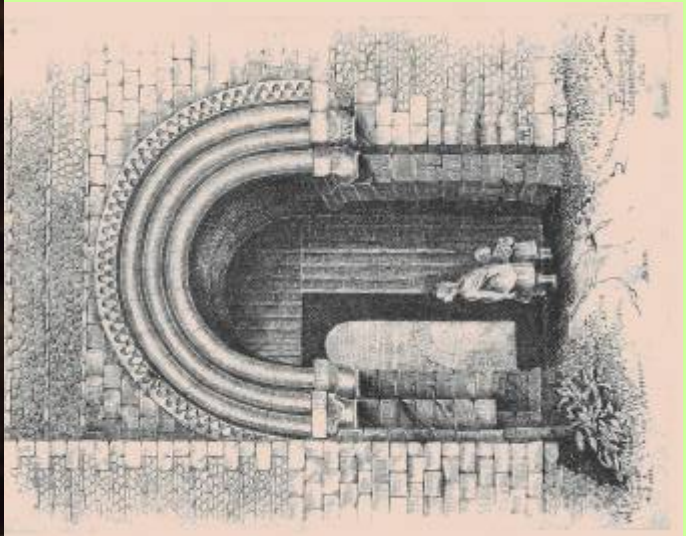




Redevelopment of Colchester Castle











a. Painting of glass bowl filled with fruit from Room 23 of the Villa at Oplontis
Photograph: Soprintendenza Archeologica di Pompeii



pendant lighting over the desk gives emphasis to the reception counter

Welcome signage and graphic forms a backdrop to the counter area

the new gallery layout allows clear views to the back wall of the castle

a two height counter design also incorporates a foot-plate recess for visitors in wheel chairs.

a large interactive castle model & the 'Hub Themes' discovery station create a strong focal point in what is a key gallery vista



key quotes applied to the outside of the counter (final text to be agreed)



Reception & Shop with views to the Hub & Castle Theme beyond

display case with goal post
LED fibre optic lighting



self illuminated double sided graphic

light weight graphic banners hung on
cables from the gallery beams



Audio opportunities linked to tactile
objects and cased exhibits



Replica coins for visitor interaction,
design a coin activity - coin rubbing,
coin identification



interactive unit with replica
objects for visitors to touch



key exhibit - "fire dog"

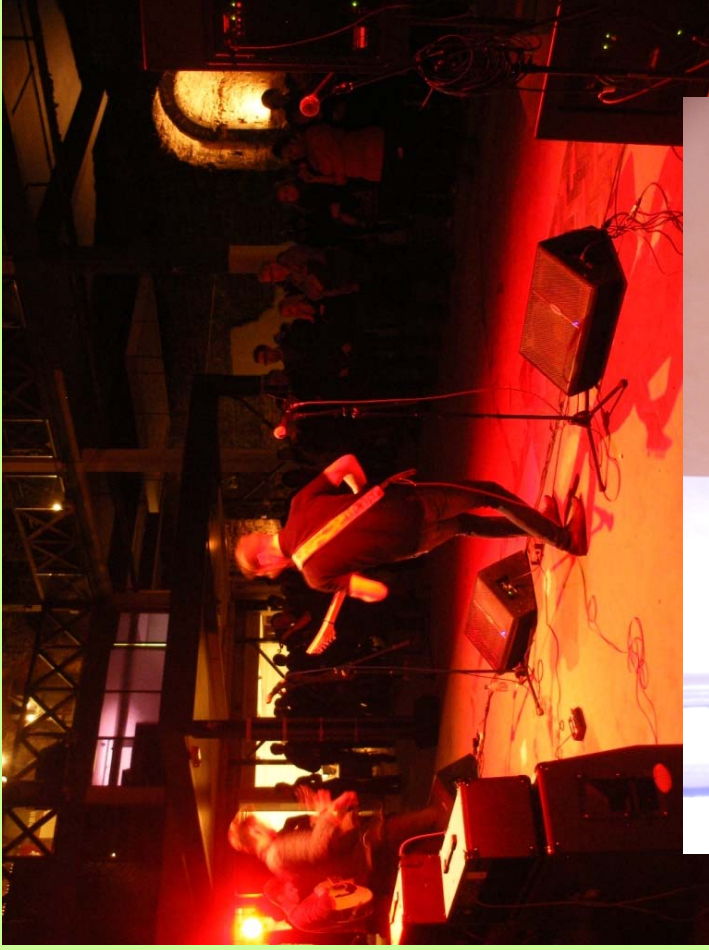
example objects from the collection

Late Iron Age leading to Invasion & Revolt

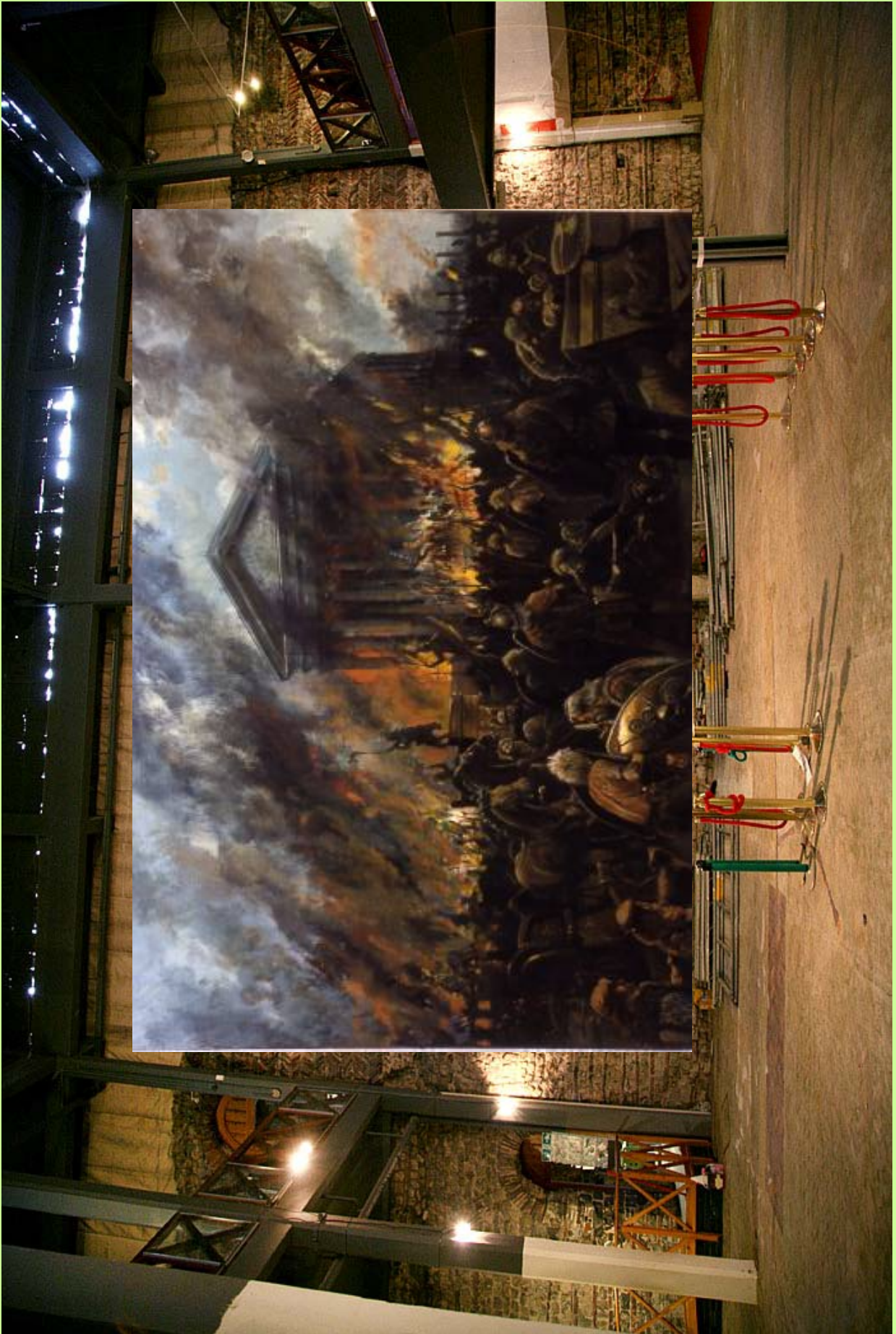




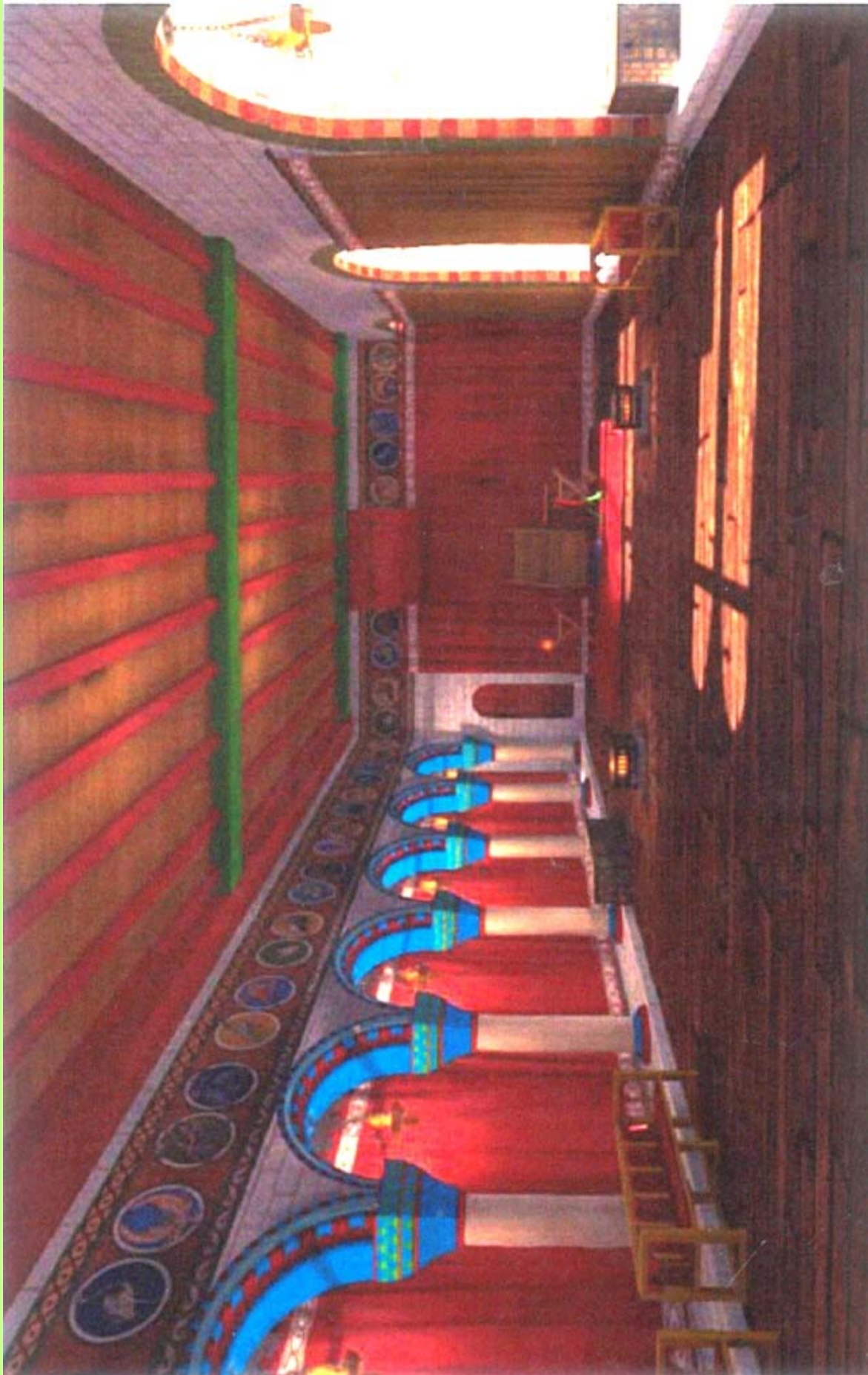


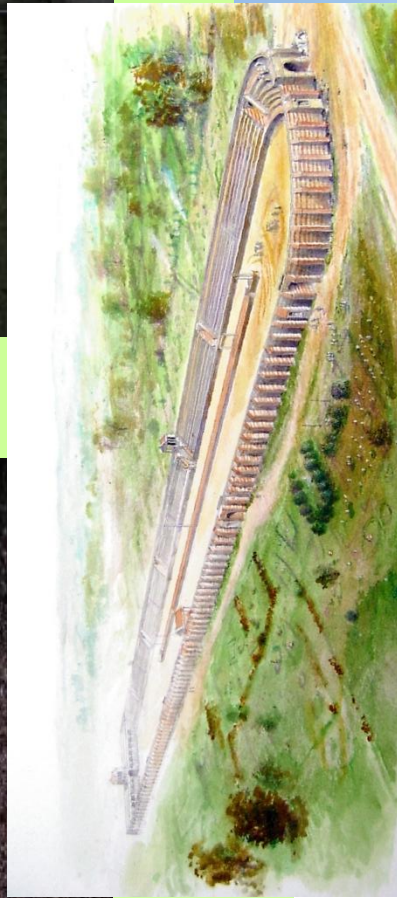
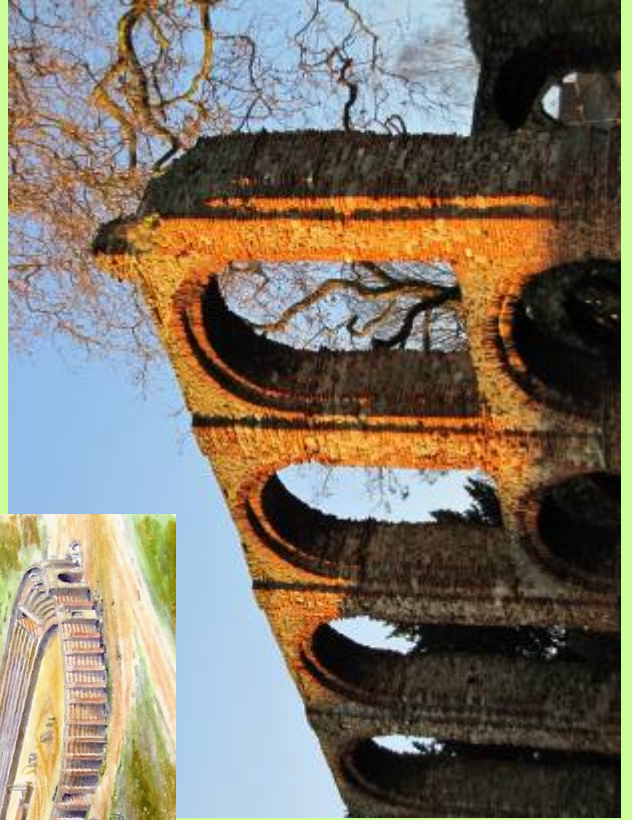












Timetable

- **Sept 2011 – June 2013** Detailed design work
- **April – Oct 2013** On-site building works
- **Nov 2013 – April 2014** On-site display works
- **Spring 2014** Castle re-opens to public
- **Summer 2014** Wider heritage interpretation and further additions to Castle displays

Agenda item 11
Record of Decisions taken under Scheme of Delegation to Cabinet Members
9 March – 3 July 2013

Portfolio – Business and Resources						
Date	Number	Report Title	Author	Decision	Result	
22/03/13	BUS-009-12	Directorship of VineHR	Jessica Douglas	To agree to the continued involvement of Colchester Borough Council in VineHR	Agreed 2/4/13	
26/03/13	BUS-011-12	Local Authority Mortgage Rate	Debbie Greenwood	To set the locally determined interest rate applicable to council mortgages for the periods starting 01 April 2013 at 4.81%. The interest rate charged to borrowers is now 4.81%.	Agreed 4/4/13	
26/03/13	BUS-012-12	Enterprise, Skills and Employment Grant Application - (Colbea)	Jan Warren	To award Colchester Business Enterprise Agency (Colbea) a grant of £15,000	Agreed 4/4/13	
26/03/13	BUS-013-12	Enterprise, Skills and Employment Grant Application - Signpost (Colchester)	Jan Warren	To award Signpost (Colchester) Ltd a grant of £20,000	Agreed 4/4/13	
17/05/13	BUS-014-12	Structural Repairs to St John's and St Mary's MSCPs	Lee Spalding	To agree to proceed with structural repairs at St John's and St Mary's multi-storey car parks (MSCPs) and to enter into a contract with the successful contractor to undertake the works	Agreed 24/5/13	
31/05/13	BUS-001-13	Pensions auto-enrolment	Mike Thurston	To determine the date at which pensions auto-enrolment will be implemented	Agreed 7/6/13	

Agenda item 11
Record of Decisions taken under Scheme of Delegation to Cabinet Members
9 March – 3 July 2013

Portfolio – Communities and Leisure Services						
Date	Number	Report Title	Author	Decision	Result	
22/3/13	COM-013-12	Allocation of investment in voluntary welfare organisations 2013-2014	Fay Mathers	To approve the award of £231,132 from the revenue budget 2013-2014. This is a 12 month funding payment for the period April 2013 – March 2014	Agreed 2/4/13	
22/3/13	COM-014-12	The use of S299a funding for the ex-MOD medical centre building	Bridget Tighe	To approve the release of S299a funding to refurbish the ex-MOD medical centre building which has been transferred to Council ownership as part of the community facilities for the Garrison Urban Village.	Agreed 2/4/13	
23/4/13	COM-015-12	Gosbecks Archaeological Park Work Plan 2013 - 2016	Paul Vickers	To approve the proposed work plan for Gosbecks Archaeological Park for the period 2013 to 2016 in accordance with the long-term site management plan.	Agreed 30/4/13	
25/4/13	COM-016-12	Allocation of grant to Age UK 2013-14	Tamara Moreau	To approve a one year grant of £30,000 from the Welfare Rights Service budget to Age UK for benefits take-up work with older people.	Agreed 2/5/13	
12/6/13	COM-001-13	Sale of land at St Johns Green	Bob Penny	To approve the sale of land at St Johns Green subject to the satisfactory completion of public advertisement as required in accordance with the Local Government Act 1972 Section 123.	Agreed 19/6/13	

Agenda item 11
Record of Decisions taken under Scheme of Delegation to Cabinet Members
9 March – 3 July 2013

Portfolio – Customers					
Date	Number	Report Title	Author	Decision	Result

Portfolio – Housing					
Date	Number	Report Title	Author	Decision	Result
3/5/13	HOU-013-12	Allocation of Prevention of homelessness grants to voluntary organisations 2013-2014	Fay Mathers	To award grants to three voluntary organisations from the Prevention of Homelessness budget	Agreed 13/5/13
3/5/13	HOU-014-12	Appointment of contractor, client and agent for the re-development of Council owned garage sites	Holly Brett	To appoint Norfolk Property Service (NPS) as contractor for the development of new housing on Council owned garage sites and the appointment of Colchester Borough Homes (CBH), through the deed of variation to the current Management Agreement, to act as client and agent for contract delivery purposes.	Agreed 13/5/13
26/6/13	HOU-001-13	Garden Apportionment for council flats under Right to Buy	Karen Paton	The adoption of a clear policy on the fair distribution of gardens when a Right to Buy application is received from a Council tenant living in a flat	Agreed 3/7/13

Agenda item 11
Record of Decisions taken under Scheme of Delegation to Cabinet Members
9 March – 3 July 2013

Portfolio – Planning, Community Safety and Culture					
Date	Number	Report Title	Author	Decision	Result
20/5/13	PLA-014-12	Response to Communities and Local Government Consultation on “Community Infrastructure Levy further reforms”	Mark Edgerley	To agree that the responses provided within the officer briefing paper (Appendix B) are returned to the DCLG as part of Colchester Borough Council’s comments on this consultation document.	Agreed 28/5/13

Portfolio title change from Renaissance to Regeneration (22 May 2013)

Portfolio – Renaissance					
Date	Number	Report Title	Author	Decision	Result

Portfolio – Regeneration from 22 May 2013

Date	Number	Report Title	Author	Decision	Result

Portfolio – Strategy

Date	Number	Report Title	Author	Decision	Result

Agenda item 11
Record of Decisions taken under Scheme of Delegation to Cabinet Members
9 March – 3 July 2013

Portfolio – Street and Waste Services					
Date	Number	Report Title	Author	Decision	Result



Cabinet

10 July 2013

Item
9(iii)

Report of	Assistant Chief Executive	Author	Sean Plummer
Title	Local Authority Mortgage Scheme		☎ 282347
Wards affected	All wards		

This report concerns the proposal for Cabinet to recommend to Council setting up a Local Authority Mortgage Scheme (LAMS)

1. Decisions Required

1.1 To consider and recommend to Council that :

- (i) The Council agrees the development of a Local Authority Mortgage Scheme (LAMS) in Colchester Borough.
- (ii) A total indemnity value of up to £2million is allocated to LAMS subject to match funding from Essex County Council up to £1million.
- (iii) The eligibility for the Council scheme referred to will be limited to people borrowing £150,000 or less.
- (iv) A capital scheme to a maximum value of £2million for LAMS is included in the Council's Capital Programme for 2013/14 funded in equal parts through borrowing and match funding from Essex County Council as set out within this report.
- (v) The Assistant Chief Executive, in consultation with the Monitoring Officer and the Portfolio Holder for Business and Resources be authorised to:
 - determine the allocation of the £2million scheme funding to specific lenders, including Lloyds TSB
 - determine the qualifying post codes for the scheme
 - agree the detailed financial and contractual arrangements with Lloyds TSB and any other LAMS lenders
- (vi) The Monitoring Officer be authorised to give an opinion letter as required to any LAMS lender.
- (vii) Approval be given by the Council to enter into a deed of indemnity with the Monitoring Officer in respect of any opinion letter he gives, the form of such deed to be approved by the Assistant Chief Executive.

2. Reasons for Decisions

2.1 One of the main barriers to first time buyers getting on the housing ladder is the requirement from many lenders for deposits in the region of 20 - 25% even where income levels mean that the mortgage is affordable.

- 2.2. To help address this issue the Council has been invited to work with Essex County Council to establish a Local Authority Mortgage Scheme (LAMS) that will give a limited financial indemnity to an approved lender providing mortgages to first time buyers.
- 2.3. LAMS were first established as a pilot in 2009 by Sector Treasury Services (Sector), and there are schemes operating in 54 local authority areas

3. Alternative Options

- 3.1 The Council could choose not to take part in this initiative.

4. Supporting Information

General Economic Background

- 4.1. According to the Building Societies Association (BSA), one in four prospective first-time buyers believe it will take them at least 10 years to have a deposit in place and one in five believe they will still be renting or living with family in 2022. 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 will continue 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 has improved although it is likely to continue to restrict first time buyers with a lower deposit in the current financial environment.
- 4.1. Supporting the housing market is an integral part of the government’s wider economic growth agenda and has supplemented its housing strategy with a number of measures to boost house rebuilding. FirstBuy was extended to March 2014; a debt guarantee scheme has been introduced; and a key policy development for the UK economy has been the launch in August 2012 of the Funding for Lending Scheme (FLS).
- 4.2. Overall there are grounds for some optimism although there remains concern about some areas of the housing market, particularly the low percentage of first time buyers and large regional variations. Raising a deposit is still the biggest barrier for all UK home buyers. There are many positive signs and it remains to be seen if there will be an improving and sustainable trend going forwards as any improvement is comparatively recent and from a low base.
- 4.3. As a result of the economic climate and the adverse effect on the local economy and the housing market, a number of Local Authorities are taking a proactive approach in supporting the local area, and addressing pressing issues in increasing the supply of affordable housing.

Current Situation

- 4.4. In present market conditions most mortgage lenders are typically only 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 £150,000 would have to provide a deposit of between £30,000 and £37,500. Many potential first time home-buyers do not have the funds needed for the deposit.
- 4.5. Rather than the Council entering into the residential mortgage market the proposal is to enter into partnership with residential mortgage lenders, with the remit of minimising the financial impact on the Council, and at the same time taking advantage of the expertise already available from existing mortgage providers.

The Local Authority Mortgage Scheme (LAMS)

- 4.6. This national 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. The scheme is standard and there is very little flexibility for Local Authorities to vary the terms set out by the lender. Under the scheme, the participating Council is able to specify three qualifying criteria:
- (a) the maximum level of indemnity (ie the size of the scheme, which can be between £1m and £2m)
 - (b) the maximum loan size (based on 95% of property price) and
 - (c) the qualifying post codes (the scheme will be open to the purchase of any property within these postcodes)
- 4.7. If a potential buyer meets the strict credit criteria applied by the lender, and meets the criteria set out by the Council to qualify for a mortgage under the scheme, the Council will provide an indemnity to the value of the difference between 75% of the value of the property and the amount borrowed. The potential buyer will thereby obtain a mortgage of up to 95% on similar terms as a 75% mortgage which will enable people to borrow with only a 5% deposit – if they meet the other lending criteria.
- 4.8. It should be stressed that the scheme does not promote reckless lending: it is essential that the applicant meets the standard lending criteria as set out by the lender, and that the higher LTV mortgage is affordable.
- 4.9. 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.
- 4.10. Assuming no default by the buyer, the indemnity liability would terminate on the earliest of the end of the agreed indemnity period which is five years from the purchase date or an early repayment of the mortgage. (e.g. if the buyer subsequently moves house). This can be extended by up to two additional years if the mortgage is in more than 90 days arrears by the end. The fixed-term deposit would be repaid to the Council at the date of maturity, plus interest due.
- 4.11. The indemnity would only be called upon if a loss is crystallised by the lender, which would only arise if the property is repossessed. By way of example, a property valued at £150,000, with a mortgage of £142,500 would have a local authority indemnity of up to £30,000. If the property is sold for £100,000, net of costs, the full value of the £30,000 indemnity would be requested by the lender. If the property is sold at £130,000 net of costs, i.e. an actual loss of £12,500 is incurred by the lender; £12,500 would be requested from the Local Authority. Any loss in excess of the value of the indemnity would be borne by the lender.
- 4.12. The participating Council, will place a 5-year deposit with the lender at the start of the scheme. The deposit will be for the full £1m or £2m. The deposit will be placed for 5 years from the date upon which the last mortgage backed by the scheme was granted. After that date it is likely that a smaller sum will be need to be placed on deposit to cover the mortgages of any participants who are in arrears after 5 years. 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 attached. The Council will receive interest at a variable rate for 5-years. The interest rate paid will be the commercial deposit rate plus a premium (the premium for Lloyds TSB is 0.70%).

- 4.13. In accordance with 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 Council to the lender, a request for payment would be made by the lender. The Council will have the option to pay within 30 days or deduct from the cash deposit at the end of the fixed term.
- 4.14. Once these parameters have been set, the mortgage lender will manage the operational side of the scheme without any direct input from the Council.
- 4.15. Sector Treasury Services Ltd 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. 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.

Colchester Proposal

Size of scheme

- 4.16. Essex County Council has agreed to provide match funding of up to £1m to authorities setting up a scheme. On this basis it is proposed that Colchester allocates £1m to create a £2m scheme.
- 4.17. Because of the £2m limit per authority, ECC will provide the funding to the Colchester Borough Council. There will be a service level agreement between the County Council and the Borough Council setting out the relationship and confirming that the costs, liabilities and returns will be split 50:50 between the two councils.

Postcodes

- 4.18. The scheme can only cover postcodes which are wholly within the Colchester Borough area. Some postcodes straddle the Borough boundary and therefore include properties outside the agreed area. No district can cover these split post codes.
- 4.19. To cover these postcodes the County Council has agreed to have its own scheme which covers postcodes which straddle the boundary between districts who are running their own scheme. However, the national conditions of the scheme only permit the County Council scheme to cover postcodes which are wholly in Essex. The County Council scheme cannot therefore include postcodes which straddle boundaries with other counties which in our case includes Suffolk.

Maximum Loan Value

- 4.20. Setting the maximum loan size will influence the number of citizens who can be assisted and the type of property they can access. There is a variation of property prices across the borough. It is proposed to set the maximum loan value at £150,000 for the Colchester scheme, which would effectively result in a maximum property value of approximately £158,000, for an applicant with a 5% deposit.

4.21. The following table shows the potential number of first time buyers that the scheme may initially assist based on £2m advance, assuming an average *purchase* price of £150,000.

Total Local Authority Indemnity	£2,000,000
Assumed Property value	£150,000
5% Deposit	£7,500
95% Mortgage	£142,500
Local Authority Indemnity	£30,000
Potential number of mortgages	66

Legal Requirements

4.22. All LAMS lenders require the Council to sign an Indemnity Deed in a prescribed form. In addition, Lloyds TSB has particular requirements for the Council's Monitoring Officer to provide an Opinion Letter confirming that the Council has the power to enter into, observe and perform the terms and obligations required of it under the scheme; and for the Council to indemnify the Monitoring Officer in respect of any personal liability he may incur by providing the Opinion Letter. This indemnity will be granted by a deed between the monitoring officer and the Council.

4.23. The legal issues concerning state aid have been considered and it is considered that the fact that the beneficiaries of the scheme are individuals rather than businesses minimises the possibility of the scheme being considered to be state aid. Any state aid would be a purely incidental benefit to the banks, and lending will only be to people considered to be a good risk. The council will receive a commercial return on its cash deposit plus a premium and the scheme is therefore compliant with the market economy investor principle. The scheme has been developed in consultation with the State Aid advisors at the Department of Business Innovation and Skills which is the lead Government department on State Aid issues.

5. Proposals

5.1 It is proposed that it be recommend to Council that:-

- (i) a Local Authority Mortgage Scheme (LAMS) be developed based on the following criteria:-
 - Inclusion of all postcodes wholly within the Colchester Borough
 - The deposit and indemnity will be a maximum of £2million (including a maximum contribution from Essex County Council of £1million) and that this be included in the capital programme.
 - The maximum loan to value is set at £150,000.
- (ii) the Assistant Chief Executive, in consultation with the Monitoring Officer and the Portfolio Holder for Business and Resources is authorised to:
 - determine the allocation of the £2million scheme funding to specific lenders, including Lloyds TSB
 - determine the qualifying post codes for the scheme
 - agree the detailed financial and contractual arrangements with Lloyds TSB and any other LAMS lenders
- (iii) it authorises the Monitoring Officer to give an opinion letter as required to any LAMS lender.

(iv) Approves the Council to enter into a deed of indemnity with the Monitoring Officer in respect of each opinion letter she gives, the form of such deed to be approved by the Assistant Chief Executive.

6. Strategic Plan References

- 6.1 The LAMS proposal supports the broad aim of creating opportunities for residents and can be viewed as supporting affordable housing.

7. Financial implications

Capital and Revenue Costs

- 7.1. Current advice from Sector regarding the accounting treatment for LAMS is that it constitutes a capital cost. As this is a 5 + 2 year arrangement and the funds are due to be returned in full on maturity or an early repayment of the mortgage (whichever is earliest), there is no need to set aside prudent provision to repay the debt liability and hence no MRP application. On maturity the money returned in 5 years' time will be classed as a capital receipt.
- 7.2. The Council will receive a premium interest rate for the risk associated with the scheme, which will be added to the commercial deposit rate. It is proposed that the premium will be set aside in an earmarked reserve to contribute towards funding any future potential liabilities if borrowers default. The interest though could be less than the liabilities.
- 7.3. Funding for the LAMS could be viewed as a bridging loan as the expectation is that CBC's contribution would be returned subject to any default costs. The cost of borrowing for a 5 year loan is currently 1.8%. However, as our treasury management strategy is to not borrow externally but use temporary cash reserves first the cost would actually be lower. On the basis that the cost of borrowing is expected to be broadly covered by the interest earned in the 5 year period any revenue costs can be expected to be minimal.

Financial Risks

- 7.4. The lender does not have a legal charge over the Council's deposit and will therefore, in the event of a default, request payment from the Council. The Council will have the option to pay within 30 days or deduct from the cash deposit at the end of the fixed term. Any default by a borrower will trigger a call on the indemnity and a payment of the amount of the borrower's default, but capped at relevant sum of up to 20% of the initial property price. LAMS is relatively new, the first schemes being less than two years old, but so far there have been no defaults. Prevailing market default rates are currently 0.3% per annum according to the Council of Mortgage Lenders). Defaults at this rate would be covered by the premium interest rate that the underwriting deposit attracts. Sector estimates that the default rate applicable to the relevant client group may be up to 2% per annum.
- 7.5. At a default rate of 2% the losses incurred would exceed the value of the additional premium of 0.7% earned by the deposit placed with the scheme. Given the relative resilience of Essex's economy, it might be expected that the default rate would be closer to 0.3% than 2%, however this remains a risk. Regular monitoring of loans will be taken place throughout the scheme and consideration will be given to LAMS as part of the usual assessment of balances.
- 7.6. Compared to a similar mortgage outside LAMS, there is potentially a greater risk of the lender seeking to foreclose in the event of arrears whilst the Council's guarantee is in

place prior to the 5 or 7 year cut-off points, in order to realise the value of the guarantee to the lender. However, FSA regulations make this unlikely.

- 7.7. In summary there is a financial risk associated with LAMS, however, the proposed approach to allocate the premium paid to an earmarked reserve will provide a sum to cover any initial risk and future assessment of the Council's balances will consider this issue of any potential liabilities in respect of LAMS.

8. Consultation

- 8.1 Consultation has taken place with Essex County Council in terms of the proposed scheme and the views of other authorities that have launched LAMS have been received.

9. Publicity Considerations

- 9.1 Initial publicity of the scheme will be undertaken and with a co-ordinated approach with the lender and Essex County Council as part of the launch.

10. Equality, Diversity

- 10.1 The LAMS scheme is subject only 2 elements of local discretion:-
- We need to specify the eligible postcodes which must be **solely** in the Colchester borough area
 - We need to specify the maximum value of any loan, which therefore caps each individual guarantee and the minimum number of applicants that can be supported and also the type of property they can access
- 10.2. All residents who are seeking to purchase a property within an eligible postcode will be eligible to apply for a mortgage with the named Scheme lender. As such there is no equality and diversity implication.
- 10.3. The loan value cap does restrict access to the scheme. However, this is matter for the Council to determine and is felt to represent a level which enables many first time buyers to access the scheme whilst also ensuring that a large number can benefit.

11. Risk Management Implications

- 11.1 The key financial risks associated with this proposal are set out within this report.

12. Standard References

- 12.1 There are no particular references to community safety, health and safety and Human Rights implications

