

# REPORT TO COUNCIL

**REPORT OF: Councillor Mike Taylor - Assets and Resources Portfolio Holder.**

**REPORT NO: SD031**

**DATE: 1<sup>st</sup> March 2012**

<b>TITLE:</b>	<b>Local Authority Mortgage Scheme</b>	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	Key decision	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Cllr Mike Taylor Assets and Resources Portfolio Holder	
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<b>INITIAL IMPACT ASSESSMENT:</b>	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
<b>Equality and Diversity</b>		
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Your Council and Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	Report to Cabinet - SD01 Local Authority Mortgage Scheme -5 <sup>th</sup> December 2011 Report to Cabinet – SD30 – Local Authority Mortgage Scheme – 6 <sup>th</sup> February 2012 Report to Resources PDG HOF186 – Local Policy for Scheme Eligibility – 19 <sup>th</sup> January 2012	

## 1. RECOMMENDATIONS

It is recommended that:

- 1.1 Council approves participation in the Local Authority Mortgage Scheme (LAMS), in partnership with Lloyds Bank plc up to a limit of £1m. The LAMS scheme is detailed for reference at Appendix A;
- 1.2 Council approves plans to extend the LAMS across other lenders as they enter the scheme up to a total value of £5m subject a full analysis of impact against priorities of the first £1m and subject to budget provision;

- 1.3 Council approve the policy for scheme eligibility as detailed in this report and attached at Appendix B;
- 1.4 Council delegate to the Strategic Director (Corporate Services) the authority to execute the legal documentation and obtain the required legal indemnity to take part in the scheme.

## **2. PURPOSE OF THE REPORT**

- 2.1 The purpose of this report is to make the recommendations to Council to approve participation in the Local Authority Mortgage Scheme in accordance with the proposed policy for scheme eligibility.

## **3. DETAILS OF THE REPORT**

- 3.1 At its meeting in December 2011, Cabinet agreed in principle to make recommendations to Council to enter a Local Authority Mortgage Scheme. The Resources Policy Development Group developed a local policy for scheme eligibility which was approved by Cabinet at its meeting on the 6<sup>th</sup> February 2012.
- 3.2 The scheme eligibility proposed and as detailed in the Local Authority Mortgage Scheme Policy is as follows:
  - The scheme should be open to first time buyers looking to purchase properties where the property is located within the boundary of South Kesteven district.
  - The scheme should be available for properties priced up to and including £125,000.
  - The scheme should only be available to first time buyers.
  - The scheme should run for a period as a pilot, with available funding of £1m.
  - The scheme should not be available for the purchase of new build properties.
  - For the pilot phase, SKDC should partner with Lloyds Bank plc, as the most experienced provider of LAMS. It was further recommended that cash should be deposited with the lender in order to maximise the return on the investment.
  - That there should not be a charge by the Council for administration of the scheme. The scheme provider would administer each application for scheme assistance
  - That the Council should not provide an advice service on mortgage selection or eligibility for the scheme. This will be made available by any scheme provider.

- 3.3 In determining the criteria for scheme eligibility, evidence of property sales within the district, the requirements of scheme operators, the current stamp duty levels and the criteria for national government schemes available were considered. It was acknowledged that any Council funded scheme should compliment government schemes and not replicate them. The government's First Buy Scheme was available for new build properties only. The proposed criteria will benefit those first time buyers wishing to purchase non new built residential properties. It is understood this will assist the stimulation of the housing market. Scheme providers will provide the administration of the scheme. Applications will be made direct to the provider. It is not anticipated the Council will be involved in the administration of the scheme other than monitoring compliance with the scheme and take up. No charge is proposed for entry to the scheme. Any advice required about the scheme will be given by the provider.
- 3.4 The scheme proposed requires a personal indemnity from a statutory officer of the Council confirming the legal enforceability of the scheme. Such a personal indemnity could make that individual personally liable in respect of any claim made under the scheme. It is not appropriate for a personal indemnity to be given. Various options relating to the provision of this obligation are being investigated.

#### **4. OTHER OPTIONS CONSIDERED**

#### **8. RESOURCE IMPLICATIONS**

The resource implications are detailed at Appendix A and in the S.151 Officer's comments below.

#### **9. RISK AND MITIGATION (INCLUDING HEALTH & SAFETY AND DATA QUALITY)**

Risk assessment for the provision of the scheme has been carried out by Sector, the Council's Treasury Management advisors. This assessment is included in Appendix B. The assessment was carried out in respect of pilot schemes already implemented

#### **10. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT**

The Equality Impact Assessment is attached at Appendix C. There are no issues arising from the assessment.

#### **11. CRIME AND DISORDER IMPLICATIONS**

None

#### **12. COMMENTS OF FINANCIAL SERVICES**

The scheme will commit, initially, £1m of the council's funds that would ordinarily be invested. At present the Council is recouping 1.58% on longer term deposits, investment rates have seen dramatic falls since the onset of the economic downturn in 2008. The Lloyds LAMs scheme offers an enhanced rate of premium on top of their existing 5 year commercial deposit rate. Clearly this is multiplied by fivefold if the indemnity increases to £5m. Risk will relate to the

likelihood of default and sale at less than purchase value. History dictates that default levels run at less than 0.5% of mortgages that sales proceeds would need to drop significantly if the Council was to put at risk its initial deposit as the interest earned would potentially out way any losses in the unlikely event they would occur.

### **13. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

Local authorities have the power to provide the indemnity required by scheme providers in accordance with s.442 of the Housing Act 1985 (as amended). The indemnity in the scheme proposed requires the deposit of security with a bank. Individual indemnities will be required in respect of legality. It is essential that criteria for eligibility to the scheme are determined. Legality will depend on the policy created to adopt the scheme, how that policy will contribute to the Council's strategic objectives and priorities, the process for financing the scheme, the eligibility criteria and, generally, how the policy will be implemented. Any policy approved at Council should be incorporated into the Council's Housing Strategy and Treasury Management Policy.

### **14. APPENDICES:**

Appendix A - Local Authority Mortgage Scheme  
Appendix B – Proposed Local Authority Mortgage Scheme Policy  
Appendix C – Sector Risk Assessment