

REPORT TO CABINET

REPORT OF: HEAD OF FINANCE

REPORT NO: HOF240

DATE: 1st July 2013

TITLE:	Local Authority Mortgage Scheme – approval of scheme extension	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	N/A	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor Mike Taylor Well Run Council Portfolio Holder	
CONTACT OFFICER:	Richard Wyles – Head of Finance 01476 406210 Email: r.wyles@southkesteven.gov.uk	
INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
Equality and Diversity	N/A	
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council’s website: www.southkesteven.gov.uk	
BACKGROUND PAPERS		

1. RECOMMENDATION

It is recommended that:

- Cabinet give consideration to the continuation and extension of the LAMS scheme and recommend a further amount £1M to the Lloyds TSB Bank Plc scheme and;
- Cabinet give consideration to the inclusion of the additional lenders Leeds Building Society and Teachers Building Society having taken into account the information provided in the report.

- Cabinet recommend the increase of the maximum loan size per application to £147,250.

2. PURPOSE OF THE REPORT

The LAMS scheme has been in operation for a year and the purpose of the report is to provide an update on its impact and to recommend the continuation and extension of the scheme.

3. DETAILS OF REPORT

Background

The Local Authority Mortgage scheme (LAMS) 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 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 indemnity could be un-funded or 'cash backed'. That is an agreed figure can be lodged with Lender (Bank or Building Society) or merely given in the form of a financial undertaking. The criteria will be set by the participating LA in conjunction with the mortgage provider.

At its meeting in March 2012, Council gave its approval for the implementation of a local scheme in partnership with Lloyds Bank Plc up to a limit of £1M and approved plans to extend the scheme across other lenders as they enter the scheme up to a total of £5M subject to a full analysis of impact against priorities of the first £1M and subject to budget provision.

The scheme went live in June 2012 and an analysis of the take up of the scheme is provided below:

Month	Offers made (in month)	Completed	Cumulative indemnity amount
July	1	-	£19,800
August	2 (3)	-	£61,800
September	3 (6)	2	£111,550
October	5 (11)	2	£183,150
November	2 (13)	5	£213,600
December	2 (15)	8	£251,400
January	2 (17)	13	£288,400
February	4 (21)	14	£364,375
March	3 (24)	16	£425,650*

*Remaining indemnity as at 31 March 2013 £574,350

In term of postcode analysis, the 24 applications received to date are received in respect of the following postcode areas:

NG31 – 17
 NG32 – 1
 NG33 – 1
 PE9 – 5

In accordance with the Council’s decision, the opportunity has been taken to give consideration to the inclusion of additional lenders to the scheme. Below is a listing of the lenders currently included in the LAMS scheme (as supplied by Sector Treasury Services Ltd).

Lender	Geographical area	Cash backed scheme	Non cash backed scheme	New Build	Readiness to launch	Bps above standard	Branches	Minimum indemnity
Furness BS	Local – North west	n/a	Yes	TBC		n/a	TBC	£0.5M
Leeds BS	National	Yes	n/a	Yes	Active	40	Yes	£0.5M
Leek United BS	Staffordshire, Derbyshire, Cheshire and Shropshire	n/a	Yes	No	Active	n/a	Yes	£0.5M
Lloyds Bank	National	Yes	n/a	No	Active	70	Yes	£1M
Marsden BS	Pendle (initially)	n/a	Yes	TBC	Ready	n/a	Yes	£0.5M
Teachers BS	National	n/a	Yes	TBC	Active	n/a	TBC	£0.5M or less
Kent Reliance BS	Initially Kent but national for future	n/a	Yes	TBC	Ready	n/a	intermediaries	£0.5M

Of the above it is considered that Leeds Building Society and Teachers Building Society would be of interest to the Council due to their national presence. Teachers BS has the limitation of being available to only teachers and education professionals however the inclusion of the lender could help attract professionals wishing to relocate into the district. (At the time of writing the report the Council has been notified that Leeds BS has yet to confirm its available capacity for additional authorities).

The average property value for the South Kesteven scheme is £97,529 and the average loan value is £90,111 which gives an average loan to value % of 92.60%.

It is accepted that the take up of the scheme is less in the south of the district and work is underway to understand the reasons for this which is potentially a combination of a reduced number of available properties within the limit of £125,000 price banding, reduced amount of local publicity and awareness of the scheme by Lloyds TSB Plc and fewer applicants meeting the overall criteria of scheme eligibility and therefore unable to proceed with the application.

Lenders require the maximum individual loan size to be stipulated at the inception of the scheme (ie 95% of the average property valuation locally) rather than the maximum actual property valuation. For South Kesteven the maximum loan size per application towards which assistance may be given to a first time buyer is up to and including £118,750 (95% of £125,000). It is proposed to raise this property valuation threshold to £155,000 which will ensure all suitable property values are included and will potentially act as a catalyst to increase the number of

successful applications in the PE9 area of the district. This would increase the maximum loan size to £147,250. To complement the increase in the loan size it is also proposed to replenish the Lloyds Bank scheme to the £1M.

Resources PDG considered this matter at their meeting on 30 May 2013 and recommended an additional £500K should be placed with Lloyds TSB and that the maximum loan value be increased to £147,250. However they did not recommend any further lenders be considered at this time but agreed to review this position on a regular basis.

4. OTHER OPTIONS CONSIDERED

None applicable

5. RESOURCE IMPLICATIONS

None applicable

6. RISK AND MITIGATION

None applicable

7. ISSUES ARISING FROM EQUALITY IMPACT ANALYSIS

None applicable

8. CRIME AND DISORDER IMPLICATIONS

None applicable

9. COMMENTS OF FINANCIAL SERVICES

Financial considerations are included in the report.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

Any extension of the existing scheme and any new scheme will require the appropriate specific authorities relating to that scheme. Whilst the Council has approved a potential spend on further schemes, the detail of the terms of the existing scheme or any new scheme were not known at the time and must be appropriately authorised.

11. COMMENTS OF OTHER RELEVANT SERVICES

None applicable

12. APPENDICES

None