

REPORT TO COUNCIL

REPORT OF: STRATEGIC RESOURCES – WELL RUN COUNCIL PORTFOLIO HOLDER

REPORT NO: HOF242

DATE: 11 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 Strategic Resources - 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		
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	Report to Council – 1 March 2012 http://moderngovsvr/mgConvert2PDF.aspx?ID=10166 Report to Council – 3 May 2012 http://moderngovsvr/mgConvert2PDF.aspx?ID=10386 Equality Analysis – Teachers Building Society: http://moderngov.southkesteven.gov.uk/ieListDocuments.aspx?CId=261&MId=2982&Ver=4	

1. RECOMMENDATION

It is recommended that:

- Council approve the continuation and extension of the Local Authority Mortgage Scheme (LAMS) and commit a further amount of £1M to the existing partnership with Lloyds TSB Bank Plc and;
- Council approve the inclusion of the additional lender Teachers Building Society having taken into consideration the information provided in this report.
- Council approve the recommendation to increase the maximum loan size per application to £147,250.

- Council delegate to the Strategic Director (Corporate Services) and the Portfolio Holder (Strategic Resources, Well Run Council) the authority to include other lenders into the scheme up to a maximum of £0.5M per lender.
- Council delegate to the Strategic Director (Corporate Services) the authority to execute the legal documentation, obtain and authorise the required legal indemnities to take part in the scheme and approve the criteria, terms and conditions of each individual lender.

2. PURPOSE OF THE REPORT

The LAMS 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 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 Local Authority 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 (cumulative total)	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
April	2 (26)	18	£450,650
May	3 (29)	21	£518,225*

*Remaining indemnity as at 31 May 2013 £481,775

In term of postcode analysis, the 29 applications received to date are received in respect of the following postcode areas:

NG31 – 22
 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 although Teachers BS has the limitation of being available to only teachers and education professionals. However it has been confirmed that Leeds Building Society do not have the financial capacity to invite any further local authority partners during 2013 although this will be reviewed by Leeds during the year.

The average property value for a 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 (i.e. 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.

Cabinet is considering this matter at their meeting on 1st July 2013 and the recommendations in this report are made subject to the approval of the Cabinet on the 1st July 2013.

4. OTHER OPTIONS CONSIDERED

None applicable

5. RESOURCE IMPLICATIONS

None applicable

6. RISK AND MITIGATION

None applicable

7. ISSUES ARISING FROM EQUALITY IMPACT ANALYSIS

A full impact analysis was undertaken at the time of Council approving the introduction of the current scheme. This report seeks extension to the approved scheme and therefore no further impact analysis is required in respect of an extension of the Lloyds Bank Plc scheme. Any other scheme must be considered on its merits and impact analysis should be carried out on any variation from the current scheme.

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. It is appropriate that delegated authority is given to the Strategic Director to permit the effective and efficient introduction of any new proposed scheme. The individual detail of the terms of any new scheme is not known at the time of writing this report.

11. COMMENTS OF OTHER RELEVANT SERVICES

None applicable

12. APPENDICES

None