

REPORT TO RESOURCES PDG

REPORT OF: HEAD OF FINANCE

REPORT NO: HOF282

DATE: 24 July 2014

TITLE:	Local Authority Mortgage Scheme update	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	None	
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 ANALYSIS:	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
Equality and Diversity	N/A	No
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

To inform members of the current position with respect to the Local Authority Mortgage Scheme (LAMS).

2. PURPOSE OF THE REPORT

To update members on the progress and financial position with respect to the South Kesteven LAMS what was introduced in March 2012.

3 DETAILS OF REPORT

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. A further £1M was approved by Council in July 2013.

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 2012	1	-	£19,800
August 2012	2 (3)	-	£61,800
September 2012	3 (6)	2	£111,550
October 2012	5 (11)	2	£183,150
November 2012	2 (13)	5	£213,600
December 2012	2 (15)	8	£251,400
January 2013	2 (17)	13	£288,400
February 2013	4 (21)	14	£364,375
March 2013	3 (24)	16	£425,650
April 2013	2 (26)	18	£450,650
May 2013	3 (29)	21	£518,225
June 2013	5 (34)	22	£608,738
July 2013	6 (40)	24	£671,450
August 2013	3 (43)	27	£739,446
September 2013	4 (47)	29	£841,646
October 2013	5 (52)	34	£935,596
November 2013	2 (54)	36	£935,596*
December 2013	7 (61)	43	£935,596*
January 2014	1 (62)	44	£956,652*
March 2014	2 (63)	45	£956,652*
May 2014	1 (64)	46	£978,983*

**the indemnity figures reflects both offers and completed mortgages.*

In terms of postcode analysis, the 64 applications received to date are received in respect of the following postcode areas:

NG31 – 47
NG32 – 2
NG33 – 2
PE9 – 12
PE6 – 1

A map of the district is attached which shows the distribution of the **completed** mortgage applications. The majority of these are under the scheme 1 criterion which included a lower loan to value limit of £118,750 and is reflected by a higher number of applications in the north of the district. It is expected that scheme 2 will introduce a more balanced position following the increase of loan size.

A further £1M was deposited on 20 February 2014 to support the scheme as agreed at the Council meeting in July 2013, and the maximum loan size per application was increased to £147,250 in order to increase the take up of the scheme in the PE9 area.

It is pleasing to note that there are currently no default payments on the mortgages that are operating under the SK LAMS scheme which will partly be due to the careful validation process Lloyds have undertaken before accepting an applicant onto the SK backed scheme.

The Authority will receive £190K in interest for the 5 year period of the £1M deposited at a fixed interest rate of 3.79%. This rate is significantly higher than current investment rates that are in the region of 0.60% - 1.10%. The interest earned is set aside to fund any potential future default payment arrangements with respect to the scheme participants. The second £1M is attracting a rate of 2.86% and annual interest of £29K. In the event that no payment defaults occur then the earned interest will be transferred to revenue balances.

4. OTHER OPTIONS CONSIDERED

5. RESOURCE IMPLICATIONS

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

It is appropriate that the Resources PDG are updated on the scheme and the outcome following the work which was done to deliver this project.

11. COMMENTS OF OTHER RELEVANT SERVICES

None applicable

12. APPENDIX: