

FOR PUBLICATION

UPDATE ON LOCAL AUTHORITY MORTGAGE SUPPORT SCHEME (LAMS) (H000)

MEETING:	1. CABINET 2. EXECUTIVE MEMBER FOR HOUSING
DATE:	1. 25 th MARCH 2014 2. 17 th MARCH 2014
REPORT BY:	HOUSING SERVICE MANAGER – BUSINESS PLANNING AND STRATEGY
WARD:	ALL
COMMUNITY ASSEMBLY:	ALL
KEY DECISION REFERENCE (IF APPLICABLE):	378

FOR PUBLICATION

1.0 PURPOSE OF REPORT

- 1.1 To update Members on the progress of the Local Authority Mortgage Support Scheme with Lloyds Banking Group.
- 1.2 To approve amendments to the maximum loan size from £114,000 to £142,500 in an attempt to increase the take up of the product.

2.0 RECOMMENDATIONS

- 2.1 That Members note the limited progress of the Local Authority Mortgage Support (LAMS) Scheme so far.
- 2.2 That Members approve the raising of the maximum loan size to £142,500 (applicants would be able to consider properties up to the

value of £150,000 with a deposit of 5%) to match that of the Derbyshire County Council wide LAMS Scheme. This would raise the maximum indemnity for an individual property from £24,000 to £30,000.

2.3 That a new round of publicity for the scheme is carried out.

3.0 **BACKGROUND**

3.1 The LAMS Scheme was approved for adoption by Cabinet on 19th February 2013 and approved by Full Council on 28th February 2013. The recommendations approved were as follows:

3.1.1 That Members adopt the cash backed LAMS Scheme with Lloyds Banking Group in accordance with the outline below:

- The maximum limit for the total indemnity to be offered under the scheme is £1,250,000 with £1,000,000 from the Council and £250,000 from Derbyshire County Council.
- The maximum loan size is £114,000. Setting the maximum loan at £114,000 enables First Time Buyers (FTB) using the LAMS Scheme with a 5% deposit of up to £6,000 of their own to consider properties up to the value of £120,000.
- The qualifying postcodes will include all postcodes within Chesterfield Borough and will exclude any that cross the boundary into a neighbouring authority. The qualifying postcodes will be provided to the lender in a schedule to the indemnity deed.

3.1.2 That Cabinet recommends to Full Council that it indemnifies the Monitoring Officer against all liability she incurs by providing Lloyds Bank with an opinion and by providing Lloyds Bank with a signed Opinion Letter.

3.1.3 That the Cabinet recommends to that Full Council that it approves the proposed amendments to the Treasury Management Strategy Statement to allow a non-specified investment of £1.0m for a period of 5 years with Lloyds Banking Group in order to operate a Local Authority Mortgage Scheme.

3.1.4 That a further report is brought to Members after six months of the scheme launching to provide an update on the Scheme.

3.1.5 Following the approval for the LAMS Scheme at Full Council it was launched on the 29th May 2013.

4.0 **SCHEME PROGRESS**

4.1 The progress of the Scheme has been much slower than anticipated. For completed applications less than 10% of the total indemnity has been utilised by December 31st 2013. If applications currently being considered are taken into account then approximately 14% of the indemnity has been utilised. The list of applications and completed Mortgages is attached in **Appendix 1**.

4.2 After the Scheme had been running for several months it was clear that the uptake was lower than expected. To understand why this was the case Sector Treasury Services were asked to undertake a review of the Scheme to identify any apparent reasons for the slow progress of the Chesterfield scheme.

5.0 **REVIEW OF SCHEME PROGRESS**

5.1 Sector reviewed the scheme at our request in October 2013. A copy of the review is attached in **Appendix 2**.

5.2 The main comparison for the review of the scheme was the wider Derbyshire County Council (DCC) LAMS Scheme that operated in the rest of Derbyshire (excluding Derby City). The popularity of the DCC scheme meant that the indemnity was utilised after three months.

5.3 The maximum loan size for the DCC scheme was set higher at £142,500 as average property prices are higher in most other districts in Derbyshire. Although the review indicates that the CBC maximum loan of £114,000 should not be inhibiting the success of the scheme, as 72% of the loans issued in the DCC scheme were lower than our maximum loan value, raising the maximum loan value will enable more properties to be considered under the scheme.

5.4 As part of the review Lloyds did state that on occasion the maximum value was set too low for some families in Chesterfield

who would have been interested in the product.

- 5.5 Lloyds believe increasing the maximum loan size will help with the success of the scheme in as it will widen the reach of the scheme to a greater number of properties, thereby increasing customer choice. By extending the maximum loan amount, the Council will increase the value of indemnity per transaction, but overall there will be no increase in risk. In addition, there will be less people helped through the scheme, but it is currently only available to the relatively few people prepared to purchase a cheaper property.
- 5.6 Though not referred to in the Sector review, in September 2013 the Government brought forward its Help-to-Buy Mortgage Guarantee scheme from January 2014 to October 2013. This scheme has many similarities to the LAMS scheme, although it is not restricted to first time buyers and is available for properties up to £600,000. Lloyds Banking Group has also signed up to be a part of this programme.
- 5.7 Although the Help-to-Buy scheme has received significant marketing (by Central Government) it is a more expensive product for the Mortgage applicant than LAMS.
- 5.8 If the new maximum loan amount is agreed it is proposed that the Council carries out the following publicity measures:
- A feature about some of the successful applicants is used to encourage others to apply. This can be sent to the local media and used in the next edition of Your Chesterfield which comes out in June. (This will be subject to identifying a Mortgagor willing to participate).
 - Use various council Twitter and Facebook social media accounts to promote the opportunities linking through to further information on the council's website.
 - Signposting the scheme with a promotional button on the home page of the council's website.
 - Produce promotional materials to go in the offices of local estate agents to pass on to their clients.

- Consider signposting adverts in the property pages of local newspapers and magazines that take people to further information on the website.

All publicity needs to comply with financial regulations and Lloyds compliance team to ensure it does not breach any Financial Conduct Authority guidelines.

6.0 **FINANCIAL IMPLICATIONS**

6.1 Although the take up of the scheme has been slow the money is invested at a guaranteed rate and therefore any projected returns are unaffected.

6.2 Amending the maximum loan and indemnity amounts could reduce the amount of Mortgages issued through the scheme. For any Mortgage taken out above the current £24,000 indemnity there is an increased liability on that property if the Mortgagee defaults.

7.0 **LEGAL IMPLICATIONS**

7.1 If Members agree to increase the maximum loan size Sector Treasury Services will request Lloyds issue an amendment to the Indemnity Deed. Once this is signed and returned to Sector and Lloyds the new limit will be in place.

8.0 **RISK MANAGEMENT**

Description of the Risk	Risk Rating	Like-lihood	Impact	Mitigating Action
Financial				
Increased liability for each Mortgage supported above the current £24,000 indemnity	L	L	L	The risks within the scheme are low. Nationally there is currently only one case in arrears from 2,400 completed LAMS mortgages.

9.0 **EQUALITIES IMPACT ASSESSMENT (EIA)**

9.1 The equalities impacts of all the proposals in this report for were considered and assessed in the first Cabinet Report on LAMS completed in 31st July 2012. This EIA has been reviewed and no further impact on any group with a protected characteristic has been identified. The results from the original EIA are summarised below.

10.0 **RECOMMENDATIONS**

10.1 That Members note the limited progress of the Local Authority Mortgage Support (LAMS) scheme so far.

10.2 That Members approve the raising of the maximum loan size to £142,500 (applicants would be able to consider properties up to the value of £150,000) to match that of the Derbyshire County Council wide LAMS scheme. This would raise the maximum indemnity for an individual property from £24,000 to £30,000.

10.3 That a new round of publicity for the scheme is carried out.

11.0 **REASON FOR RECOMMENDATIONS**

11.1 To increase the speed of take up of the LAMS Scheme.

11.2 To contribute to the delivery of the actions in the Barriers to Housing Supply Action Plan.

11.3 To contribute to the Council's Corporate Priorities; to make Chesterfield a thriving Borough and to improve the quality of life for local people.

ALISON CRAIG
HOUSING SERVICE MANAGER - BUSINESS PLANNING AND
STRATEGY

You can get more information about this report from Alison Craig 345156 or James Crouch 345150.

Officer recommendation supported/not supported/modified as below or Executive Member's recommendation/comments if no officer recommendation.

A handwritten signature in black ink, appearing to read "J. McManus". The signature is written in a cursive style with a large initial "J" and a circular flourish at the end.

Signed

Executive Member

Date 17.3.14

Consultee Executive Member/Support Member comments (if applicable)/declaration of interests