

**CHESTERFIELD BOROUGH COUNCIL – LAMS REVIEW
OCTOBER 2013**

Introduction

1. Chesterfield Borough Council (CBC) launched the Local Authority Mortgage Scheme (LAMS) in May 2013 although progress to date is slower than would have been expected based on performance of similar and neighboring schemes.
2. A full review has been undertaken and findings and suggested actions.

Background

3. CBC launched the Scheme on 29 May 2013 with the following eligibility criteria:
 - a. Total Indemnity £1,250,000
 - b. Maximum loan size £114,000
 - c. Postcodes All
4. CBC is within Derbyshire County Council (DCC) and DCC has operated a similar scheme with the following eligibility criteria:
 - a. Total Indemnity £1,750,000
 - b. Maximum loan size £142,500
 - c. Postcodes All with the exception of CBC and Derby City postcodes
5. DCC scheme launched on 12 March 2013 and closed three months later on 17 June 2013. Speed of utilization was therefore between 1.5 and 2 months per £1m deposit.

Derbyshire County Council Scheme

6. Activity at 30 September:

a. Applications	88
b. Completions	60
c. Average property value	£100,892
d. Average loan value	£107,543
e. Average LTV	93.81%
f. Lowest loan value	£63,000
g. Highest loan value	£142,500
h. % of loans less than max loan set by CBC	63 of 88 – ie 72%
i. Average age	28
7. North East Derbyshire
 - a. 10 applications (ie 11%)
 - b. Loans range from £52,500 to £111,713, therefore all below £114k
8. Bolsover
 - a. 13 applications (15%)
 - b. Loans range from £40,500 to £117,800 but all but one is below £114k
9. The DCC split by local authority is shown in the figure below:

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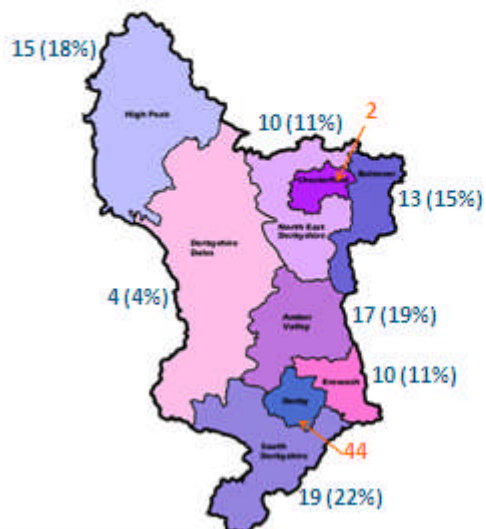
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SECTOR

Treasury Management Spring Seminars 2012 - 10/10/12

Mortgages in Derbyshire – 88 in total



15

Summary Data – Chesterfield

10. Activity at 30 September:

a. Applications	6
b. Completions	2
c. Average property value	£95,500
d. Average loan value	£88,158
e. Average LTV	92.31%
f. Lowest loan value	£51,300
g. Highest loan value	£114,000
h. Average age	30

Speed of Utilisation - Chesterfield

11. The speed of utilization for the CBC scheme appears below:

	30 June 2013	31 July 2013	31 August 2013	30 Sept 2013
Applications	2	2	5	6
Offers	1	1	0	2
Completions	0	1	2	2

Lloyds Bank Branch

12. Contact number direct to MaPA at Lloyds: Checked and number is correct – direct call to Lisa Walker.
13. Two messages left on MaPA answer machine – Replied the following day.
14. Attempted to call two local branches – call redirected several times and eventually put through to the Gloucestershire number for mortgage applications and then to a Halifax branch. No information provided at any point regarding LAMS.

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15. Level of Interest: Lack of awareness locally about the Scheme – some interest and once it is discussed everyone really wants a mortgage under the Scheme.
16. Publicity: The local newspaper did not attend to take photos and although photos were taken by the Council, not aware of any publicity as a result. Would be willing to display posters in branches and will raise awareness again amongst the team in the branches.
17. Maximum Loan Size: Still receive many enquiries about the Derbyshire Scheme and that was much easier to promote as the max loan size was more applicable to the area. A max loan size of a figure similar to the Derbyshire scheme would be far more attractive as the majority of FTB's do have children and are looking for a 3 bed roomed semi or detached. The current max loan size prevents access to such properties. Several people have enquired about the Scheme but have not proceeded due to the low max loan size.
18. Other comments: Quite a small area and only a few small areas where FTB's tend to buy – and these are the areas where the max loan size is too low.

Property Review

- | | |
|---|---|
| 19. Average property value | £150,480 |
| 20. Property value - Value change | Increase by 5.52% (one year) and 10.54% (two years) |
| 21. Average price paid | £138,575 (based on 8397 sales) |
| 22. Average asking price | £190,538 (based on 1759 properties for sale) |
| 23. Property values for av detached | £226,794 |
| 24. Property value for av semi | £120,934 |
| 25. Property value for av terraced | £92,936 |
| 26. Property value for av flat | £112,111 |
| 27. Asking price for av 2 bed house | £111,972 |
| 28. Asking price for av 3 bed house | £167,750 |
| 29. Number of 2 bed properties for sale | 449 (but 744 3 beds and 339 4 beds) |

CBC Publicity

30. Posters and fact sheets have been produced and distributed to CBC.
31. A formal launch took place.
32. Query – press activity?
33. The CBC Scheme should have benefited from the publicity associated with the DCC Scheme.
34. A search on the CBC site revealed a page of information and access to the fact sheet with a contact number to James Crouch. This could be improved by also including the poster and the Lloyds contact number on the website (07841 490 542).
35. Three calls were made via the CBC main switchboard as a 'mystery shopper' approach. On each occasion I asked to speak to somebody about the Chesterfield Council mortgage scheme and went on to say that it was for first time buyers and provided help with a deposit. Results:
 - a. First call - The response was that this was probably not a borough council scheme but I was put through to the Homelessness Team. I left a message on an answering service but no call back has been received.
 - b. Second call - 'I don't know anything about that - must be something to do with homelessness' and I was then redirected to another Team but the phone was not answered
 - c. Third call – Put through to Homeless Team and was informed that the Council did not have such a Scheme and I was probably after HomeBuy and I would need to speak to the relevant Housing Associations. I confirmed that it was not that and they agreed to check again and call back. Received a call back within 10 minutes with the correct information and advised to contact James Crouch or Lloyds.

Conclusion

36. The Chesterfield scheme is progressing more slowly than would have been anticipated.

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37. Geographically Chesterfield Borough Council is a smaller than neighboring district councils although the concentration of properties indicates that there are comparable numbers of properties for sale. Contact with the Lloyds Bank branch indicates that it is a relatively small area and the areas where FTB's are interested in purchasing are above the max loan size. Many FTB's also look to buy outside of the Chesterfield area.
38. A review of the maximum loan size at CBC compared to say the DCC scheme suggests that the maximum loan size is not set too low as 72% of the properties purchased under the DCC scheme have a loan size lower than £114k. The DCC scheme did have a much higher maximum loan size at £142,500.
39. A review of the maximum loan size at CBC compared to available property and the value of property for sale in the area at the present time indicates that the maximum loan size is not too low but is on the low side. It also indicates that there are houses for sale below the maximum loan size (circa 449). Statistics indicate that first time buyers are seeking 2 / 3 bed roomed houses and the average price for a 2 bed roomed house is £112k and a 3 bed roomed house is £168k. The average age of a FTB in CBC (ie 30) is also a little higher than neighboring areas and higher than national averages under this Scheme (ie 27), it is more likely that FTB's are families with children and as such buyers may be looking for more than 2 bed rooms. The overall average property value is £150k. This data would suggest that the speed of utilization will be limited by the maximum loan size set, but does not explain the overall slow take up.
40. A detailed conversation with Lisa Walker (Lloyds) confirmed that she has been unable to support a number of potential applicants as the max loan size was too low.
41. CBC appears to have taken a number of actions to raise awareness regarding the Scheme including a webpage and use of posters. However a call via the switchboard was unsuccessful in reaching anybody to assist with the enquiry. A number of additional actions are suggested in the next section.
42. A number of difficulties were encountered when trying to contact Lloyds. These have been raised with Lloyds.

Suggested Actions

43. Consider raising the maximum loan size – the Lloyds branch suggested a figure in line with the DCC scheme of £142,500. **(Action: J Crouch)**
44. Rob Ferguson, Lloyds, has been asked to contact the branch to review the operation of the Scheme and how potential applicants reach the correct people. **(Actioned: H Sullivan)**
45. CBC should consider a number of actions to raise awareness as involvement from the local authority in terms of raising awareness locally has been found to increase the level of uptake and other LA's across the UK have taken the following action:
 - a. Provide more posters with new branding to CBC and to Lloyds **(Action: H Sullivan)**
 - b. Ensure that posters are displayed
 - c. E-mail to all staff attaching the fact sheet and poster – as staff tend to discuss this scheme with their relatives and friends. Staff may also be interested in the scheme.
 - d. Insert in a newsletter to the local population
 - e. Insert in a newsletter or staff magazine to all staff
 - f. Add Lloyds phone number on CBC website in the section relating to LAMS
 - g. Ensure that frontline staff are briefed and have access to the Lloyds phone number – three 'mystery shopper' calls were made, two of which resulted in CBC confirming that there was no such scheme and the third call was successful.
 - h. Please note that any publicity information (other than the attached documents) will **need to be checked with the lender first** to ensure that it does not breach FCA regulations
(Action for all actions other than 'a': J Crouch)

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5 November 2013

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