

Meeting: Council

Date: Wednesday 18 July 2012

Subject: Local authority mortgage scheme (LAMS)

Report of: Councillor Margaret Bannister on behalf of the Cabinet

The Council is asked to consider the minute and resolution of the Cabinet meeting held on 30 May 2012 as set out below together with the additional recommendation (2) proposed by the Chief Finance Officer.

Further copies of the report to Cabinet are available on request – please see end of this report. A copy may be seen on the Council's website at:

<http://www.eastbourne.gov.uk/council/meetings/cabinet/>

The Council is recommended to:-

(1) Approve the recommendations of the Cabinet as set out below.

(2) Agree to vary the Council's treasury management policy to allow the maximum length of investment to that required by the LAMS Scheme.

***12 Local authority mortgage scheme (LAMS)**

- 12.1 Cabinet considered the report of the Senior Head of Community. A number of local authorities had introduced a LAMS so that they could help otherwise credit worthy but capital-short first time homebuyers secure the finance they needed to buy a home of their own. The scheme was launched nationally in March 2011 and by the end of May 2012, 35 councils in England were expected to have their own LAMS.
- 12.2 The project had been developed by Sector Treasury Management Services, who were the Council's treasury advisers. There were currently 6 mortgage providers currently in the scheme and Sector would receive a commission on each loan from the lender. The scheme did not promote reckless lending and the lenders would make sure that the repayments on the mortgage were affordable to the buyer. LAMS could not be used for right to buy purchases, buy-to-let or new build properties. It would be available to first time buyers who met local criteria set by the Council.
- 12.3 If a potential buyer met the strict credit criteria applied by the lender and the conditions set out by the Council to qualify for a mortgage under the scheme, the Council would provide an indemnity to the value of the difference between a loan-to-value mortgage, covering 75% of the

property cost and a maximum 95% loan-to-value mortgage. The buyer thereby secured a 95% mortgage on similar terms as a 75% mortgage, but without the need to provide the substantial deposit usually required.

- 12.4 With an indemnity level set at £29,000, for each £1m the Council committed to LAMS, up to 34 first time buyers could be helped to buy a home of their own. Further details of likely eligibility criteria, worked examples, risk management and legal implications were detailed in the report and accompanying appendices.

- *12.5 **Resolved (budget and policy framework):** That full Council be asked to approve:

(1) That the Council participate in the Local Authority Mortgage Scheme (LAMS), initially up to a value of £1m and subject to:

- (a) obtaining legal advice from our in-house legal team, and external legal advice if necessary, that the scheme does not in any way contravene any State Aid rules;
- (b) consulting the Council's Monitoring Officer as to whether she might be prepared to offer an Opinion Letter confirming the legal enforceability of the scheme; and
- (c) the Council being required to indemnify the Monitoring Officer in respect of any personal liability should the Monitoring Officer be prepared to offer such an Opinion Letter;

(2) That the eligibility criteria for residents to access the new scheme, as detailed in the report be approved.

(3) That the Senior Head of Community, in consultation with the Chief Finance Officer and the lead Cabinet members for finance and housing and communities, be given delegated authority to investigate, approve and enter into agreements with any financial institution participating in LAMS.

(4) That a LAMS reserve be set up into which the difference between the interest earned and the borrowing costs on the deposit made to the mortgage lender and any premiums due are transferred annually.

For a copy of the report please contact Local Democracy at 1 Grove Road, Eastbourne, BN21 4TW. Tel. (01323) 415022 or 415021.
E-mail: localdemocracy@eastbourne.gov.uk

For further information please contact: Andy Thompson, Strategic Housing Manager. Tel: (01323) 415736 or internally on extension 5736.
E-mail: andrew.thompson@eastbourne.gov.uk

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