



Community Services Scrutiny Committee

Briefing Paper

Report of: David Buckland (Head of Financial Services)

Date: Wednesday, 8th April 2009

Open

Review into the potential provision of Local Authority Mortgages

1. Summary

- 1.1 This briefing paper presents a draft scoping document in relation to the review into the potential provision of Local Authority Mortgages. This review follows the approved proposal by Council as part of the budget process for 2009/10. The draft scoping document is attached at Appendix A.
- 1.2 It is requested that a Review panel be established to consider the proposal in detail and report back to the Community Services Scrutiny Committee with the findings by July 2009.

2. Background

- 2.1 Wyre Forest District Council in common with other Local Authorities used to be major providers of mortgages. This practice came to a stop during the early 1980's when mortgages were more readily available from the private sector.
- 2.2 A key statutory provision in this area is Part 14 of the 1985 Housing Act. This statute gives local authorities the power to lend to individuals for the purpose of acquiring, constructing or converting a house. This power also extends to loans for the purpose of repaying a previous loan made for any of these purposes.
- 2.3 One of the most significant conditions of lending under the 1985 Housing Act is the requirement for the local authority to charge the higher of the local average rate of interest (as determined by each authority on a bi-annual basis) and the standard national rate.
- 2.4 The current standard national rate set by the Secretary of State on the 28th January 2009 is 3.93%. In the current market conditions, this rate is potentially more attractive than it has been in previous years.

- 2.5 It is worth bearing in mind however that this rate is **variable** at the discretion of the Secretary of State and the local authority is obliged to ensure that the terms of its loan allow for this. The following table details the changes in the rates over the last 12 years.

Standard National Rate (SNR) - from 1 September 1997

Date of notification to local authorities	Standard National Rate (SNR) - per cent (%)	Effective from:
15 August 1997	7.78	1 September 1997
20 January 1998	8.17	1 February 1998
14 August 1998	8.57	1 September 1998
25 November 1998	7.76	1 December 1998
13 January 1999	6.98	1 February 1999
18 February 1999	6.51	1 March 1999
24 February 2000	7.29	1 March 2000
19 March 2001	6.68	1 April 2001
8 June 2001	6.33	1 July 2001
17 September 2001	6.06	1 October 2001
31 October 2001	5.64	1 December 2001
10 December 2001	5.19	1 January 2002
16 September 2004	6.28	1 October 2004
5 February 2007	6.89	12 February 2007
21 November 2008	5.07	1 December 2008
28 January 2009	3.93	2 February 2009

- 2.6 At the meeting of the Budget Review Panel on 11 February 2009, the concept was introduced in a joint Liberal/Liberal Democrat proposal for the Council to consider reintroducing such mortgages for individuals to purchase Shared Ownership properties, with the added condition that the mortgages be underwritten by the relevant Registered Social Landlord (RSL).

- 2.7 The proposal was subsequently (although with no specific identification of potential values) included within the Cabinet proposals which were approved by Council on 25th February 2009 as follows:

Housing Act Advances

To request Community Services Scrutiny to consider the proposal to provide Local Authority Mortgages in relation to Shared Ownership properties underwritten by RSL's.

- 2.8 This proposal has therefore led to the scoping document attached at Appendix A.
- 2.9 During the consideration of the proposal Members will need to consider issues such as the affordability and risk of the proposal, along with potential associated policy matters.

3. Key Issues

- 3.1 At this stage a review panel be established from members of the Community Services Scrutiny Committee, to further consider this proposal in detail and report back to a future meeting of this Committee.

4. Recommendations to the Community Services Scrutiny Committee

- 4.1 That a review panel be established to consider the proposal as detailed in paragraph 2.7.
- 4.2 That the draft scoping document attached at Appendix A be approved.

5. Consultation

- 5.1 CMT
- 5.2 Other Local Authorities

6. Relevant Council Policies/Strategies

- 6.1 Corporate Plan 2008-2011

7. Wards affected

- 7.1 District Wide

8. Appendices

- 8.1 Appendix A – Scoping of Scrutiny Exercise

9. Background Papers

- 9.1 Minutes of the Budget Review Panel held on 11 February 2009
9.2 Minutes of Council held on 25 February 2009

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