



## Corporate Resources Scrutiny Committee

Report of: David Buckland, Director of Resources  
Date: Thursday 8<sup>th</sup> July 2010  
Open

### Review of Mortgage Review Panel Findings

#### 1. Summary

- 1.1 Following the review undertaken in 2009 where it was decided not to proceed with this service at this time, this paper provide the update requested by the Corporate Resources Scrutiny Committee on this issue.
- 1.2 Since the review was undertaken the available Capital resources within the Council have reduced, whilst at the same time there has been an increase in the amount of products available through the market. It is therefore recommended that the Council does not proceed with the proposal of reintroducing Local Authority Mortgages.

#### 2. Background

- 2.1 At the Council meeting on 25<sup>th</sup> February 2009 the Community Services Scrutiny Committee was asked to investigate the potential of the Council providing local authority mortgages in respect of Registered Social Landlord Shared Ownership properties.
- 2.2 The review objectives were to consider whether the proposal to provide Local Authority Mortgages could be realistically implemented at Wyre Forest District Council and if so, to agree recommendations on the policy matters associated with such a proposal. In addition, if the proposal was supported it would be necessary to recommend to Cabinet the level of funds which should be provided to support this initiative.
- 2.3 Members considered a variety of topics relating to shared ownership mortgages including:
  - Whether local RSL's were interested in entering into shared ownership mortgages with the Council
  - The types of mortgages available and the amount of deposit required
  - Availability of property
  - The process for checking eligibility and financial viability for purchasing shared ownership properties
  - The amount of reposessions for shared ownership mortgages.
  - The current economic climate and its effect on the Council entering into shared ownership mortgages.

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- 2.4 A key statutory provision in the 1985 Housing Act (Part 14) 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. However, the Act also dictates the rate which the Council must charge on any mortgages.
- 2.5 Historically the Council did provide mortgages, however, no new mortgages have been issued since 1994. At time of the review the District Council was responsible for 18 mortgages with an outstanding balance of £72,000, this has now reduced to 14 mortgages with £55,000 outstanding.

### **3. Key Issues**

- 3.1 Following detailed consideration of the matter the Members of the Review Panel concluded that they were in agreement to the principle of offering local authority shared ownership mortgages. However, following a long discussion on the current economic climate and the impact this was likely to have on available resources, it was not considered pertinent to proceed with the scheme at this point. However, Members were keen to reconsider the matter again in 6 months time.
- 3.2 Since the conclusion of the Review panel the Council has set the budget for 2010/11, in setting the budget decisions were made in relation to the financing of the ICT Strategy and the Capitalisation Directions for impairment charges arising from the Icelandic investments which mean that there are no capital receipts available for this proposal.
- 3.3 The only route available would be to enter into borrowing through the Public Works Loans Board (PWLB) to fund such mortgages. If the Council was debt free the current rate that we would charge for the mortgage determined by the Housing Act remains 3.13%, the PWLB rate for a 25 year annuity loan is 4.04%. Under the rules of the scheme the Council would be obliged to charge the 4.04% rate to any potential mortgagees.
- 3.4 Since the completion of the review there has also been an improvement in the number of mortgage products available in the market. These now stand at 2,635 compared with 1,601, with the biggest rise in the availability of mortgages for those with only 15 or 20% deposits.
- 3.5 Given the Council's own uncertainty surrounding the financial future and the improvement in the mortgage market it is recommended that the Council continues with the decision of not to proceed with this proposal.

### **4. Options**

**The Corporate Resources Scrutiny Committee is asked to recommend to Cabinet:**

- 1. That the Council does not proceed at this time to offer shared ownership mortgages in respect of RSL properties.**

**5. Consultation**

5.1 During the review the panel invited the following Registered Social Landlords to its meeting in order to ascertain their views on the possibility of the Council providing shared ownership mortgages:

- Community Housing
- Bromford
- West Mercia Housing
- Waterloo Housing

**6. Relevant Council Policies/Strategies**

6.1 Housing Strategy

**7. Implications**

7.1 There are no financial implications to the Council in relation to the recommendation.

**8. Wards affected**

8.1 All Wards

**9. Appendices**

9.1 None

**10. Background Papers**

10.1 Council Minutes 25<sup>th</sup> February 2009.

Mortgage Review Panel Minutes: 11<sup>th</sup> May 2009, 29<sup>th</sup> June 2009, 24<sup>th</sup> September 2009.

10.2 Shared Ownership and Leasehold Enfranchisement and Designation of 'Protected Areas' A Consultation Paper, Communities and Local Government

10.3 Housing Corporation – Have you Heard about New Build HomeBuy? (A guide to buying

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