Part I – Release to Press

Meeting: **EXECUTIVE**

Council Agenda Item: **13**

Portfolio Area: Resources & Housing

Date: **11 September 2012**

'FIRST STEP' – COUNCIL MORTGAGE SCHEME

KEY DECISION

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1. PURPOSE

To approve the Council's participation in the Local Authority Mortgage Scheme (LAMS).

2. RECOMMENDATIONS

2.1 Executive is recommended to agree that the Council in principle adopts the LAMS in accordance with the outline provided within this report, and approve the following:

(a) A total indemnity value of £500,000 for Stevenage Borough Council;

(b) To note that Hertfordshire County Council is proposing to provide a total indemnity value of £1,000,000 which will be 'pass ported' from the county council to the district. A funding service Level Agreement between the county council and the district council setting out the relationship and the relevant share of risk/return in respect of the £1,000,000 from the county council will be agreed;

(c) A total indemnity of £1,500,000 will be placed with the selected lenders.

(d) A maximum loan size for the Stevenage scheme of £180,500 (based on a 95% loan on a house valued at £190,000 and an individual with a 5% deposit);

(e) The Scheme to apply to all post code areas within Stevenage, to be provided to the lender(s) in a schedule to the indemnity deed;

(f) Subject to satisfactory resolution of the wording of the Opinion Letter referred to in the legal implications that the Council will confirm the Provision of appropriate indemnities to the Council's Chief Legal Officer (Monitoring Officer) and Strategic Director (Resources) (Chief Financial Officer), in accordance with the relevant legislation and lenders' requirements;

(g) Delegate authority to the Strategic Director (Resources), in consultation with the Borough Solicitor and Executive Members for Resources and Housing, to agree the detailed financial and contractual arrangements and sign the necessary contracts, agreements and indemnities.

2.2 Executive recommends to Council that:

(a) A capital scheme to a maximum value of £500,000 be included in the Council's Capital Programme for 2012/13, funded from the New Homes Bonus Reserve (£250,000); and sale of General Fund maisonettes (£250,000)

(b) The Council's Treasury Management Strategy is amended as required to accommodate the accounting treatment required for the LAMS.

3. BACKGROUND

3.1 The turmoil in the financial and banking market has had a severe impact on both the local economy and on local housing in Stevenage. Nationwide Building Society has recently reported that due to the challenging conditions prevailing in late 2011, with the economy contracting in the final three months of the year, it is not surprising that house price growth softened at the start of 2012. UK house prices declined by 0.2% in January 2012, but are 0.6% higher than one year ago. The economy is not expected to gather much momentum until the second half of 2012 at the earliest, which suggests that labour market conditions and buyer sentiment may be slow to improve.

3.2 There is still considerable concern about some areas of the housing market, particularly the low percentage of first time buyers. The Council of Mortgage Lenders (CML), reported in February 2012 that the housing and mortgage market sentiment had improved a little over recent weeks, but the pick up is comparatively recent and from a low base. It remains to be seen if this trend can be sustained as the housing market may have been temporarily boosted by relief for first time buyers from stamp duty tax which expired in March 2012.

3.3 Current constraints are a particular problem for first-time buyers, especially those unable to provide a substantial deposit. While mortgage insurance, shared ownership, and product innovation can all potentially play a part, none will provide a "magic bullet" to normalise the mortgage market for first-time buyers. This is likely to be a gradual process as confidence in funding markets and lending decisions is restored in the light of a more stable market environment. The preference for low loan to value mortgages is therefore expected to continue to restrict first time buyers in the current financial environment. As a result of the recession and the adverse effect on the local economy and the housing market, a number of local authorities are trying to take a proactive approach in supporting the local area, and also to address pressing issues in increasing the supply of affordable housing.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Current situation

4.1.1 Most mortgage lenders in today's market are typically prepared to lend a maximum of 75% - 80% loan to value (LTV), even if the applicant can afford a 95% mortgage. This means the applicant requires a substantial deposit, e.g. a first time buyer purchasing a property valued at £150,000 would have to provide a deposit in the region of £30,000. Many potential first time home-buyers do not have the funds needed for the deposit.

4.1.2 As a result of the current economic environment, uncertainty in the housing market and the difficulties in obtaining an affordable mortgage, many potential home-buyers may remain in social / affordable housing units, thereby reducing the availability of social / affordable housing for those who may have a greater need. Increasing the supply of affordable / social housing is a key corporate priority for most local authorities.

4.1.3 Rather than entering into the residential mortgage market themselves, local authorities have therefore explored the possibility of entering into a partnership with residential mortgage lenders, with the remit of minimising the financial impact on the Council, and at the same time taking advantage of the expertise already available from existing mortgage providers.

4.1.4 In September 2009, Sector Treasury Services set up a pilot scheme to assess the viability of a new Council Mortgage Scheme (LAMS), including the legal and accounting issues surrounding a financial indemnity of this nature. 11 Local Authorities initially sponsored the pilot scheme.

4.1.5 The remit of the pilot scheme included initial discussions with a range of residential mortgage lenders, with a view to securing options for funding the scheme. Initial discussions with potential funders / partners revealed that due to the high level of set up costs, funders would only be interested in a large national scheme rather than separate arrangements with individual Local Authorities. It was also considered appropriate to discuss the proposed scheme with the Council of Mortgage Lenders (CML). Early discussion with the CML has secured support for a standard national scheme.

4.1.6 Following the successful completion of the pilot scheme, this report outlines the scheme where the Council can provide targeted help to potential home-buyers to enable them to obtain a mortgage. The scheme is a private sector initiative, i.e. not linked to the Right to Buy Mortgage scheme previously provided by local authorities.

4.1.7 The pilot scheme has provided comprehensive accounting advice and obtained Counsel's opinion on the legality of the scheme.

4.2 The Council Mortgage Scheme (LAMS)

4.2.1 The scheme was launched nationally in March 2011, and mortgages were initially launched in Blackpool and Warrington. A further 25 Local Authorities have since launched, and approximately 35 plan to launch in the coming months.

4.2.2 The LAMS is aimed at first time buyers, providing help for potential buyers who can afford mortgage payments - but not the initial deposit – to get on to the property ladder. Under the scheme, each council will be able to specify three qualifying criteria; the maximum level of indemnity, the maximum loan size (based on 95% of maximum property valuation) and the qualifying post codes. The scheme is standardised as much as possible.

4.2.3 The scheme is currently supported by severn mortgage lenders; two national lenders (Lloyds Banking Group and Leeds Building Society), and five smaller lenders; Furness BS, Leek United BS, Marsden BS, Kent Reliance BS Teachers BS. It is expected that further lenders will be joining at a later stage. It is a requirement of the scheme that mortgage applicants should have a choice of mortgage providers, and the scheme should be available to all lenders on a national basis. New lenders are to join the scheme in the near future.

4.2.4 If a potential buyer meets the strict credit criteria applied by the lender, and meets the criteria set out by the Council to qualify for a mortgage under the scheme, the Council will provide a top-up indemnity to the value of the difference between the typical LTV (i.e. 75%) and a 95% LTV mortgage. The potential buyer will thereby obtain a 95% mortgage on similar terms as a 75% mortgage, but without the need to provide the substantial deposit usually required.

4.2.5 It should be stressed that the scheme does not promote reckless lending, it is essential that the applicant meets the standard lending criteria as set out by the lender, and that the higher LTV mortgage is affordable.

4.2.6 The indemnity will be in place for a fixed 5 year period for each mortgage granted under the scheme, which may be extended for a further 2 years if a mortgage were in arrears in the last 6 months of the initial 5 year period.

4.2.7 The indemnity would only be called upon if a loss is crystallised by the lender. By way of example, a property valued at £150,000, with a mortgage of £142,500 and with council indemnity of £30,000 is sold at £100,000, net of attributable costs. The full value of the £30,000 indemnity would be requested by the lender. If the property is sold at £130,000 net of costs, i.e. an actual loss of £12,500 is incurred by the lender, £12,500 would be requested from the Council. Any loss in excess of the value of the indemnity would be attributable to the lender. The lender would request payment from the Council, who would undertake to make payment within 30 days.

4.2.8 The table below shows the potential number of first time buyers the scheme may initially assist based on a £500,000 advance, assuming a purchase price of £150,000. This does not include the indemnity value from the County Council.

Total Council Indemnity	£500,000
Assumed Property value	£150,000
5% Deposit	£7,500
95% Mortgage	£142,500
20% Council Indemnity	£30,000
Potential number of mortgages	16

4.2.9 It is anticipated that the Council will set a maximum limit for indemnities offered, either in total or for the forthcoming year.

4.2.10 The Council will be required to place a 5-year deposit at the start of the financial year to the full value of the indemnity being offered. The deposit will be in place for the term of the indemnity – i.e. 5 years (with the possibility of a further 2 year extension if the mortgage is in arrears at the end of the initial 5 years) - and may have conditions / structures attached. The Council will receive a 5-year commercial deposit rate plus a premium of 0.70%. The Council will be required to have a deposit in place with the lender to cover the level of the residual indemnity at the end of the 5 year initial period.

4.2.11 In accordance with legislation, the lender will not have a legal charge over the deposit. In the event of an indemnity being called and an amount being payable by the Council to the lender, a request for payment would be made by the lender. The Council will undertake to settle the amount payable within 30 days.

4.2.12 Assuming no default by the buyer, the indemnity liability would terminate on the earliest of the end of the agreed indemnity period (i.e. 5 years) or an early repayment of the mortgage. The fixed-term deposit would be repaid to the Council at the date of maturity, plus interest due.

4.2.13 When a council decides to participate in the LAMS, they need to agree the criteria required to qualify for the scheme. The allowable local criteria are:

- maximum limit for the total indemnity to be offered under the scheme (maximum £2m per Council);
- maximum loan size (based on maximum property valuation); and
- qualifying post codes within the boundary area of the Council.

4.2.14 Once these parameters have been set, the mortgage lender will manage the operational side of the scheme without any direct input from the Council.

4.2.15 Sector Treasury Services Ltd will undertake an annual audit of the scheme to ensure both parties are fully compliant with the agreement and provide monthly management information reports. Due to the changing environment, further legal and / or accounting advice may be required during the life of the LAMS. Sector Treasury Services Ltd will obtain updated advice on behalf of participating authorities. Any additional fees incurred in this respect will be agreed with all parties in advance.

4.3 The Stevenage Proposal

4.3.1 The LAMS contributes to the Council's corporate priority in its Corporate Plan 2008 – 2013 to 'Provide quality, affordable housing', recognising that increasing the supply of affordable / social housing is essential to retaining individuals with key economic skills and experience within the town.

4.3.2 Setting the maximum loan size will both determine the number of citizens who can be assisted and the type of property they can access. The average value of properties in Stevenage are shown in the table below:

Average Property Prices in Stevenage as at July 2012:

1 bedroom flats	2 bedroom flats	2 bedroom houses	3 bedroom houses	4 bedroom houses	Overall average property price
£107,400	**£153,300**	**£162,300**	**£186,300**	**£276,600**	**£187,400**

The average one-bedroom house in Stevenage is £107,400 and £162,300 for a two-bedroom house. The average value property price used by North Hertfordshire, East Hertfordshire and the County Council schemes is £200,000 which is higher than average Stevenage house prices for July. Officers recommend £180,500 as the maximum loan value which would give access to properties including some three-bedroom houses in parts of the town (up to a value of £190,000). This would mean with a minimum 5% deposit a maximum loan of £180,500, it is therefore proposed to set the maximum loan at this level for the scheme. The maximum indemnity given by Stevenage Borough Council under the scheme would be £38,000.

4.3.3. The proposed scheme assumes the scheme will apply to all postcodes within the Town, however postcodes that cross District boundaries have to be excluded from the District scheme, to avoid mortgages being offered to residents in neighbouring authorities. There are four postcodes that would be excluded which would exclude 55 properties from the scheme, these are:

POSTCODE	Shared with
SG2 7HN	East Herts
SG2 7QG	East Herts
SG1 2JE	North Herts
SG2 7QH	East Herts

However, these addresses will be included in the County Council's own scheme which has a value of £2million.

4.3.4 There are seven mortgage lenders active in the market, of which two lenders have a presence in Stevenage and the only two lenders participating in the 'cash backed scheme', officers recommend that to ensure the widest offer to residents and ensure that risk to the Council is minimised, that two lenders Lloyds TSB and Leeds Building Society are the Lenders used to facilitate the scheme, subject to the conditions required by the Lenders being agreed by officers.

4.3.5 A launch date in November 2012 is currently planned. The initial branding discussions for the scheme have come up with a working title of 'First Step – Council Mortgage Scheme' and this will be part of the national Local Authority Mortgage scheme.

4.4 Associated Hertfordshire County Council Proposal

4.4.1 The County Council has recently approved a £2million county scheme, which will also provide £1million support to each of Hertfordshire's District Councils that decide to adopt a district scheme.

4.4.2 There will be an agreement between the County Council and each participating District Council setting out the relationship and the relevant share of risk / return in respect of the £1million support.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 The accounting treatment for LAMS is subject to clarification by the accounting bodies and discussions with the Council's auditors. Current advice from Sector is that:

- Regulation 25 (1)(c) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 defines that "the giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure that would if incurred by the authority, be capital expenditure", shall be treated as being capital expenditure. Therefore the LAMS scheme would be classed as capital spend.

5.1.2 The proposal in this report recommends that a £0.500 million total indemnity value be placed in the LAMS which would be funded from 2012/13 New Homes Bonus Reserve and the sale of three General Fund maisonettes.

5.1.3 As the Council is using the cash backed option, the mortgage lenders require a five year deposit to match the five year life of the indemnity. The deposit is an integral part of the mortgage lending, and is treated as capital expenditure and a loan to a third party. As this is a five year arrangement and the funds are due to be returned in full on maturity or an early repayment of the mortgage (whichever is earliest), if the Council funds the scheme from borrowing there is no need to set aside prudent provision to repay the debt liability and hence no Minimum Revenue Provision application. On maturity the money returned in five years time will be classed as a capital receipt and be used to fund the initial outlay, (this would require a change to the Council's Treasury Management Strategy.

5.1.4 The Council will receive a premium interest for the risk associated with the LAMS scheme, which will be added to the commercial deposit rate. This premium will be set aside in an earmarked reserve to contribute towards funding any future potential liabilities from any mortgage defaults.

5.1.5 The lender does not have a legal charge over the Council's deposit and will therefore in the event of a default request payment from the Council to be settled within 30 days.

5.1.6 Any call on the indemnity will trigger a payment of the relevant sum of up to 20% of the initial property valuation. Given LAMS is relatively new, there is no historic data on LAMS default rates. Prevailing market default rates are currently 0.3% (per Council of Mortgage Lenders). Defaults at this rate would be covered by the premium interest rate that the underwriting deposit attracts. However Sector estimates that the default rate applicable to the relevant client group may be up to 2% (though this does not represent an upper limit and would be expected to vary across England due to the different economic conditions). At a default rate of 2% the losses incurred would exceed the value of the additional premium of 0.7% earned by the deposit placed with the LAMS scheme. Given the relative resilience of Stevenage economy, it might be expected that the default rate would be closer to 2% than 0.3%, however this remains a risk.

5.1.7 Compared to a similar mortgage outside LAMS, there is potentially a greater risk of the lender seeking to foreclose in the event of arrears whilst the Council's indemnity is in place prior to the 5 or 7 year cut-off points, in order to realise the value of the indemnity to the lender. However, FSA regulations make this unlikely.

5.1.8 The Council's Treasury Management (TM) strategy will need to be amended to cover details of the LAMS scheme. This variation will be for the purposes of the LAMS scheme, and not a change to the current strategy for day-to-day operational activities. Under the Local Authority Mortgage Scheme the Council is required to place funds of £500,000, with lenders for a period of five years and up to a maximum of seven years. This is classified as being a service investment, rather than a treasury management investment, and is therefore outside of the Specified / Non specified categories

The necessary amendment will cover:

- use of institutions in the LAMS, and the distinction between \ service and Treasury Management investment;

- the longer duration of these deposits, which will be for 5 years with a possibility to extend for a further 2 years, compared to the current 12 month duration; the set aside of the premium above the commercial 5 year deposit rate, to contribute towards funding any future liabilities in the event of default; and

5.1.9 A detailed Risk Assessment is attached as Appendix A.

5.2 Legal Implications

5.2.1 The proposal has been developed in the context of the Council's priority to support economic well-being and economic development; it is not a treasury or investment decision (although financial risk is a consideration properly taken into account).

5.2.2 The Council has the power, under section 442 Housing Act 1985, to enter into an agreement to indemnify a mortgagee making a loan on the security of a house.

5.2.3 One of the participating banks Lloyds TSB is insisting that authorities provide an 'Opinion Letter' signed either by the Monitoring Officer or the Head of Paid Service stating that the scheme is lawful in every respect. This has to be backed by an indemnity from the authority for the officer signing the opinion letter. Should there be a successful challenge to the legality (vires) of local authorities participating in the scheme so requiring the repayment of the deposits, Lloyds TSB would be able to sue the officer on the opinion letter knowing that he or she had an indemnity from his or her council. In effect this is designed to pass all the legal/compliance risks to the authorities. The indemnity would be given under Section 101 Local Government Act 2000 (such an indemnity is already in place at SBC for both members and officers) but the relevant officer must believe the authority had the necessary power and have reasonable grounds for such belief. In the absence of these reasonable grounds the relevant officer would not be able to rely on the indemnity to pass his or her personal liability back to their authority.

5.2.4 According to Sector, Lloyds TSB are not prepared to amend or allow any qualifications to the opinion letter. The Hertfordshire authorities proposing to participate in this scheme have, through Welwyn and Hatfield, obtained the opinion of James Findlay QC as to the legality of the scheme generally and specifically on sighing the Opinion Letter. Although he raises some minor issues particularly on the documentation of the scheme Mr. Findlay identifies State Aid as being of the greatest concern.

5.2.5 European Law as a general principle prohibits the State (including local authorities) from giving aid to the private sector. There are some general exemptions (not applicable here) and the Commission can on application from Member States approve exemptions. No application has been made to exempt this scheme and there seems to be no intention of doing so. If the scheme were found to involve local authorities giving state aid to the participating banks by underwriting an element of the mortgage debts it would be unlawful under European law. The legality of the scheme as a whole therefore hangs on whether on not the assistance to be provided by the local authorities amounts to state aid.

5.2.6 In correspondence between the Borough Solicitor and the relevant government department BIS (Business Innovation and Skills), civil servants have advised that they consider that there is a “a defensible case that there is no aid” based on “informal high level feedback …. from the Commission”. Based on the information available to the councils Mr. Findlay is less certain:

‘I consider that there is a real risk that is not the case and, having regard to Article 7 concerning indemnities referred to above, given the uncertainties it may well not be reasonable to form any view without further investigation’

His overall view is

‘In summary, whilst there are drafting issues the major matter of concern relates to State Aid and the impact that has on the Opinion letter. I consider there is a real risk Article 107 TFEUEU (that state aid restrictions) may be engaged. Whilst acknowledging the good sense of the point made towards the end of my Instructions that entering the scheme will be a calculated risk I consider that it would be prudent to undertake the further investigations noted before determining whether or not to do so.’

5.2.7 Mr. Findlay was specifically asked to advise on signing the Opinion letter. Based on his advice it appears that none of the Hertfordshire authorities are prepared to sign the Opinion Letter in its current form. Despite the advice from Sector the Hertfordshire authorities are writing to Lloyds TSB asking them to amend the Opinion letter otherwise it will not be signed.

5.2.8 It appears, however, that only Lloyds TSB is insisting on an opinion letter and the Council could, it appears, proceed with Leeds Building Society without this requirement. This may change the calculated risk in that the Council is not being asked to underwrite the absolute legality of the scheme as presumably the other banks have undertaken their own due diligence exercise. Instead it has to consider the prudence of proceeding against the risks that the scheme breaches the state aid rules and that it is successfully challenged. In doing this the Council should note Mr. Findlay’s comments that ‘a “defensible case” is not compelling but it does provide some reasonable ground for proceeding’.

5.2.9 If there were to be a successful challenge of unlawful state aid the banks would have to repay the deposits back to the Council. It is difficult to predict what other actions would result from this repayment.

5.3 Equalities and Diversity Implications

5.3.1 When considering proposals placed before Members it is important that they are fully aware of, and have themselves actively considered, the Council’s statutory obligations in relation to equalities. This will include paying close attention to any equalities impact assessment produced by officers.

5.3.2 The Equality Act 2010 requires the Council when exercising its functions to have due regard to the need to (a) eliminate discrimination, harassment, victimisation and other conduct prohibited under the Act; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it. The protected characteristics under the Equality Act 2010 are age; disability; gender reassignment; pregnancy and maternity; religion or belief, sex and sexual orientation.

5.3.3 An assessment of the equality implications of the Local Authority Mortgage scheme has been undertaken. The following areas have been identified for consideration.

5.3.4 The Local Authority Mortgage scheme is designed to enable first time buyers to gain access to home ownership in Stevenage.

5.3.5 A fundamental requirement of the Local Authority Mortgage scheme is that applicants need first to meet the strict credit criteria for mortgage loans applied by private sector lenders (not by the Council). The criteria set for mortgage lending are based on ability to repay the loan and factors such as income, credit score, job security etc, not any of the nine protected characteristics.

5.3.6 The next level criteria are set by the Council and relate to:

- Maximum loan size: It is proposed that a maximum loan size of £180,500 be set. Given the average cost of property across the town, this will enable access to a range of 1, 2 and 3 bedroom properties.

- Postcodes of property being purchased: Only postcodes that are within Stevenage are eligible for this scheme. There are currently four cross boundary postcodes with East Hertfordshire and North Hertfordshire District Council which would exclude 55 properties from the Stevenage scheme.

5.3.7 It will be important to ensure the scheme is well publicised so that all first time buyers in Stevenage are aware of the scheme and its eligibility criteria. It is suggested that the Council publicises the scheme generally through Chronicle, and on the Council website and through mortgage advisors, lenders, estate agents, local Housing Associations etc.

5.3.8 In order to ensure information is targeted to first time buyers in all sectors of the community, it is suggested that the scheme is publicised through the Herts Equality Council, and various voluntary, community and interest groups.

5.3.9 Sector will provide monthly monitoring reports to ensure the scheme is meeting its objectives and take up is monitored.

5.4 Risk Implications

5.4.1 A risk assessment of the scheme has been completed and included in Appendix A. There is a risk of default by the mortgagee which has been exemplified in paragraph 4.2.7, however within the risk matrix in Appendix A this is deemed to be a low risk.

BACKGROUND PAPERS

- Press reports – Nationwide Building Society, Council for Mortgage Lenders
- Sector Treasury Services Pilot Scheme
- Local Authorities (Capital Finance and Accounting) (England) Regs 2003
- Section 101 Local Government Act 2000

APPENDICES

- Appendix A – Risk Assessment

APPENDIX A

LAMS Risk Assessment

	Strategic Risk	Key Risk	Risk Rating	Likelihood	Impact	Preventative Measures	Notes
F1	**Financial**	Council affordability	Moderate	Low	Moderate / High	Make adequate budget provision	For a cash backed guarantee it may be prudent that the interest earned on the deposit is set aside in a ring fenced reserve to be used to fund future potential liabilities in the event of default and the guarantee being called upon.
F2		Lending to sub prime applicants	Low	Low	Moderate	Use lender's existing credit criteria	
F3		Applicant affordability	Low	Low	Moderate	Lenders will ensure the mortgage is affordable	
F4		Costs incurred in the event of the guarantee being called	Low	Low	Low	The number of repossessions by first-charge mortgage lenders in 2010 was 0.3% of all mortgages (Source – CML website). For each £1m, there is potential for loss of £3,000 if each default leads to a 100% loss of the value of the guarantee. For 95% LTV mortgages this may be higher, perhaps 1 – 2%. The cash backed guarantee will attract a premium investment return in the region of 4.1%, i.e. each £1m allocated to the scheme will earn £41,000.	No specific stats available for first time buyers only. For this purpose, it is assumed the full value of the guarantee will be lost in the event of default.
F5		Counterparty Risk	Low	Low	High	Partnership with highly reputable financial institutions for deposits. Ensure compliance with the TMSS.	The cash backed mortgage support should not be seen as a straight forward deposit with a financial institution. Participating Local Authorities may be required to provide a "financial advance" to the participating mortgage lender (to support mortgages in the local economy), so the requirements of the scheme would always be slightly different to the usual investment principles. This should be identified in the TMSS.

	Strategic Risk	Key Risk	Risk Rating	Likelihood	Impact	Preventative Measures	Notes
R1	**Reputation**	Poor publicity / bad press re use of public monies	Moderate	Low	Low	Press Officer to liaise closely with local press. Promotion of benefits of the scheme, i.e. supporting the local housing market and local economy Good promotional material. Joint working with partners and Estate Agents.	Sector / participating mortgage lenders will support the promotional process.
R2		Repossession in the hands of the lender, therefore outside the Council's area of responsibility	Moderate	Moderate	Low	Lender to inform Council if and when an applicant is facing repossession. Council may be able to support people to prevent repossession.	
R3		Poor publicity / bad press re possible repossession	Moderate	Moderate	High	Early notice from lender to the Council if action is due to be taken Council to assess alternative options	
O1	**Operational**	Housing market recovers and the scheme is no longer required	Moderate	Moderate	Low	The scheme will cease to exist. Guarantees already granted – for 5 years + a further 2 years if the account is 90+days in arrears - would remain in place.	