

NORTH LANARKSHIRE COUNCIL

REPORT

To: HOUSING & TECHNICAL SERVICES COMMITTEE		Subject: COUNCIL HOUSE SALES – HOME LOANS
From: DIRECTOR OF HOUSING & PROPERTY SERVICES		
Date: 10 January 2003	Ref: TMCK/IW	

1. Introduction

1.1 The purpose of this report is to advise Committee over changes following the enactment of the Housing (Scotland) Act 2001 with regard to provisions for loans to be made available to purchasers of council houses. The report also seeks agreement to proposals for dealing with future applications.

2. Background

2.1 Almost all purchasers acquire their houses without recourse to the Council for loan assistance.

2.2 Until 30 September this year, legislation existed which required authorities to give loans to applicants subject only to income and on the basis that the applicant supplied a statement that they were unable to secure loan finance from other institutions. The provision was referred to as the “lender of last resort”. Ten loans have been provided in the current financial year.

2.3 This legislation, which was contained in the Housing (Scotland) Act 1987, was repealed by the Housing (Scotland) Act 2001, thereby ending the obligation on authorities to offer such loans.

2.4 However, loans can still be given within the discretionary powers that continue to be available within the Housing (Scotland) Act 1987.

2.5 Loans typically have been given for non-traditionally built house types which building societies or banks do not consider suitable as security for a loan. In some cases, loans are also given where the applicant’s income is from State Benefits.

3. Financial Implications

3.1 Home loan advances are financed from the HRA Capital Programme which, in turn, is credited with repayments. Advances and repayments made over the last four years are as follows:

Year	Advances (Expenditure) £000	Repayments (Income) £000
1999/2000	155	246
2000/2001	228	182
2001/2002	152	235
2002/2003 (projections)	<u>150</u>	<u>225</u>
	<u>685</u>	<u>888</u>

4. Proposals

4.1 The numbers of applicants are limited and it is considered that provision should continue to be made for those using the discretionary powers available.

4.2 It is also considered that the previous framework for determining applications has worked well and should be continued subject to clarification of the following points:

- In view of the well-recognised problems that arise with sales in multi-storey properties, no loan will be made available to such applicants;
- No loan will exceed the purchase price nor will any loan be made available on a subsequent sale;
- The discretion will continue to be exercised to give extension loans in association with the Council's capital programme works;
- All applications will be the subject of a creditworthiness check to safeguard the position of the Council on repayment; and
- Future applications will continue to be processed by the Director of Finance in terms of the Council's Scheme of Delegation.

5. Recommendation

5.1 It is recommended that future loan applications in Right to Buy cases be dealt with as outlined in Section 4 above.

6. Background Papers

6.1 These are available within the Housing and Property Services Department.

A handwritten signature in black ink, appearing to read 'T McKenzie', written over the printed name.

T McKenzie
Director of Housing & Property Services