

FOR PUBLICATION

RIGHT TO BUY SOCIAL MOBILITY SCHEME (H000)

MEETING: 1. CABINET
2. CABINET MEMBER FOR HOUSING

DATE: 1. 5 APRIL 2016
2. 14 MARCH 2016

REPORT BY: HOUSING MANAGER

WARD: ALL

COMMUNITY ASSEMBLY: ALL

KEY DECISION REFERENCE (IF APPLICABLE): 610

FOR PUBLICATION

1.0 PURPOSE OF REPORT

- 1.1 To provide an update to Cabinet on the Right-to-Buy Social Mobility Fund.
- 1.2 To seek Cabinet approval to continue to offer a scaled back local version of the Right-to-Buy Social Mobility Scheme for 2016/17.

2.0 RECOMMENDATIONS

- 2.1 That Members note the outcomes of the Right-to-Buy Social Mobility Scheme
- 2.2 That Members note that the Government backed scheme is to close from April 2016

2.3 That Members approve the continuation of a scaled back local version of the Right-to-Buy Social Mobility Scheme for 2016/17 and that the associated costs are met from the Housing Capital Programme.

3.0 **BACKGROUND**

3.1 In June 2015 Cabinet approved the implementation of the Right-to-Buy Social Mobility Scheme. This scheme was a Government funded initiative to provide three groups of tenants the opportunity to access home ownership where taking up the Right-to-Buy of their current property was not a feasible option. The three groups of tenants eligible for the funding were:

- Older persons
- Those needing to move for work reasons
- Those occupying property types where accessing mortgage finance can be difficult. e.g. designated defective properties of non-traditional construction

3.2 Chesterfield Borough Council accessed £200,000 of Government funding to offer the RTB Social Mobility Scheme for those living in designated defective property types. The fund enabled eligible households the opportunity to access £20,000 towards the cost of purchasing a home on the open market.

3.3 The scheme was offered to the tenants of the 513 designated defective properties through targeted publicity and mailshots in July 2015.

3.4 Alongside the implementation of the Government's scheme, a local scheme offering an alternative to the Right-to-Buy in high demand areas of the Borough was launched. This scheme was funded from the Housing Revenue Account (HRA) Housing Capital Programme.

3.5 It was proposed in the original report that both policies would be reviewed in early 2016 to look at their success or otherwise and make recommendations on their future.

4.0 **SCHEME PROGRESS AND REVIEW**

Government Scheme

4.1 Following the publicity many enquiries were received from tenants asking to know more about the scheme. After initial discussions with the tenants about the product and how it worked the enquiries were reduced down to 14 households who the product could be suitable for.

- 4.2 As a first step, eligible, interested households were asked to ensure that they could access suitable Mortgage finance – with the assistance of a £20,000 deposit through the scheme. Several calls were fielded from Estate Agents and Mortgage advisors enquiring about the product and the terms on which the grant was offered.
- 4.3 After two months two firm applications had been received and approved for offering the grant. These two applications have progressed to completion and these households have now moved into their own properties freeing up two properties for households on the Council's waiting list. The Council has recently been refunded by Department for Communities and Local Government for the £40,000 grant expenditure incurred.
- 4.4 Follow up enquiries with other interested households found that the majority were unable to access suitable Mortgage finance for a variety of reasons such as being self-employed and not being able to provide enough years of accounts, to not being offered enough Mortgage finance to buy a property they wanted. Other households had experienced changes in their circumstances that meant whilst they were still interested they could not progress at the current time.
- 4.5 In January 2016 the Government wrote to Councils to advise that it was closing the scheme as of March 2016 – it is likely that the reason was the low take up of the offer nationally. A recent article in the housing press found that a third of councils who had accessed the scheme had not managed to offer a single grant through the scheme.
- 4.6 Occasional new interest in the scheme continued into 2016, however once the Government indicated it was closing the scheme and would not commit to paying any grant beyond April 2016, these households were advised that it was highly unlikely that their sales would complete in time to be eligible.

Local Devised Social Mobility Scheme

- 4.7 When a Right-to-Buy application for a property in a high demand area is received a letter is sent to the household advising of the opportunity to access a deposit through the local Social Mobility Scheme. As at 19 February 2016 forty nine letters have been sent out.
- 4.8 The letter has generated several enquiries and some initial interest. However when a tenant is made their offer under the traditional Right-to-Buy the discount available is, on average, well over twice the £20,000 available through the Social Mobility Scheme.
- 4.9 As at March 2016 no households have taken up the local Social Mobility Scheme.

Review and future scheme

- 4.10 Both the local and national schemes have not been as successful as initially hoped and budgeted for. Even with access to a £20,000 deposit many households have struggled to secure finance to purchase on the open market. The product has worked for two households and therefore freed up two properties for households on the waiting list.
- 4.11 Despite the scheme not meeting expectations, it is proposed to continue with a scaled down version reducing the funding available from £200,000 to £60,000 in 2016/17. The reasons for continuing the scheme are that there are still some applicants who are interested in the scheme who need to provide additional years of income data to be eligible for a Mortgage and several other households who were not eligible as they had not been tenants for three years. The continued operating of the scheme also provides an ongoing opportunity to lower the potential number of RTB's
- 4.12 The scaled down scheme will be available for any tenant eligible for the Right-to-Buy to access.
- 4.13 If the £60,000 allocated to the scheme is not spent in 2016/17 then it will be closed in March 2017.

5.0 LEGAL IMPLICATIONS

- 5.1 As indicated in the original Cabinet Report 16 June 2015, the repayment conditions will form part of a binding legal agreement which the applicant will be required to sign and complete before any monies are issued.
- 5.2 The legal agreement will create a liability to repay the funding through the creation of a legal charge, which will be registered against the purchased property at the Land Registry
- 5.3 This charge will have second priority to the Mortgage advance the buyer secures to fund the balance of the purchase price, meaning that the property cannot be sold on without the repayment requirements being addressed.
- 5.4 The agreement will also provide that the Tenant will be required to immediately surrender their tenancy of the Council property on completion of their house purchase. Monies will only be issued directly to appointed Solicitors, for use only, for the agreed house purchase and not directly to purchasers.

6.0 **FINANCIAL IMPLICATIONS**

- 6.1 The 2015/16 Housing Capital Programme contained a provision of £200,000 for the administration of the Locally Devised Mobility Scheme, funded from the HRA. The 2016/17 Housing Capital programme includes a £60,000 budget for the scheme which was approved by Full Council on 25 February. The £200,000 provision in the 2015/16 budget will be reverted into the HRA working balance.
- 6.2 The day-to-day management and implementation of the locally funded RTB Social Mobility Scheme will be carried out within existing staffing resources.

7.0 **RISK MANAGEMENT**

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood
Tenants not terminating their tenancy upon receipt of funding	L	M	Conditions tied in eligibility of funding	L	L
£20,000 funding not used for house purchase	H	L	Funding to be used as deposit towards property purchase only	L	L

8.0 **EQUALITIES IMPACT ASSESSMENT (EIA)**

- 8.1 Not applicable

9.0 **RECOMMENDATIONS**

- 9.1 That Members note the outcomes of the Right-to-Buy Social Mobility Scheme
- 9.2 That Members note that the Government is to close the scheme from April 2016
- 9.3 That Members approve the continuation of a scaled back local version of the Right-to-Buy Social Mobility Scheme for 2016/17 and that the costs are met from the Housing Capital Programme.

10.0 **REASONS FOR RECOMMENDATIONS**

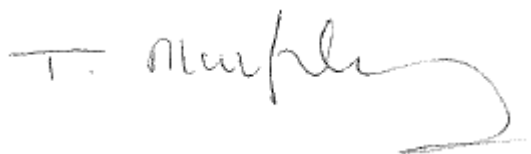
10.1 To meet Corporate Plan Objectives:

- 5 – To increase the supply and quality of Housing in Chesterfield Borough to meet current and future needs
- 9 – To become financially self-sufficient by 2020, so we can continue to deliver the services our communities need

**ALISON CRAIG
HOUSING MANAGER**

You can get more information about this report from James Crouch Housing Strategy and Enabling Manager Tel: 01246 345150).

Officer recommendation supported/not supported/modified as below or Executive Member's recommendation/comments if no Officer recommendation.



Signed:

Cabinet Member

Date: 14 March, 2016