

FOR PUBLICATION

RIGHT TO BUY SOCIAL MOBILITY SCHEME (H000)

MEETING: 1. CABINET
2. CABINET MEMBER FOR HOUSING

DATE: 1. 16 JUNE 2015
2. 2 JUNE 2015

REPORT BY: ALISON CRAIG – HOUSING SERVICE MANAGER
BUSINESS PLANNING AND STRATEGY

WARD: ALL

COMMUNITY ASSEMBLY: ALL

KEY DECISION REFERENCE (IF APPLICABLE): 516

FOR PUBLICATION

1.0 PURPOSE OF REPORT

- 1.1 To advise Cabinet on the successful bid to the Right-to-Buy Social Mobility Fund and for Cabinet to agree its implementation.
- 1.2 To seek Cabinet approval to adopt a local Right-To-Buy Mobility scheme designed to lower the impact of the loss of stock due to the RTB in high demand areas of the Borough.

2.0 RECOMMENDATIONS

- 2.1 That Cabinet notes the successful Right-to-Buy Social Mobility Fund bid and agrees the steps taken to implement the scheme locally.
- 2.2 That Cabinet approve the development and implementation of a locally designed Social Mobility Scheme to offer an alternative to exercising the Right-to-Buy in high demand areas of the Borough.

2.3 That Cabinet approve the inclusion of an additional £200,000 in the Housing Capital Programme to create a fund for the local scheme.

3.0 **BACKGROUND**

3.1 In March 2015 the Government launched the Right-to-Buy (RTB) Social Mobility Fund. The fund was launched 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 Local Authorities were invited to bid to the fund to access monies to help one or more these groups into owner occupation. The fund enables eligible households the opportunity to access £20,000 towards the cost of purchasing a home on the open market.

3.3 To identify whether the scheme was suitable for tenants in Chesterfield a review of available tenancy termination and Right-to-Buy data was undertaken. This found:

- Excluding households exercising their RTB only 25 tenant households moved from social housing into owner occupation each year (less than 2% of all tenancy terminations)
- There was a clear difference in RTB take up of those in traditionally built homes than those in homes of non-traditional constructions designated as defective.
- Sale completion rates for traditionally built homes under the RTB are around 50%. For those in designated defective non-traditional housing types the completion rate is only 25%
- Waiting list demand is not affected by property construction type.
- Very few households were seeking a move for work reasons on the Housing Register. Given the small geographical size of the Borough this was expected.
- No local evidence could be identified to support the needs for a scheme for older persons

3.4 Based on the findings of the review a bid was submitted to the scheme in late March requesting £200,000. The funding would be used to assist ten households in designated defective non-traditional property types into owner occupation with the assistance of a £20,000 Government contribution.

- 3.5 Chesterfield Borough Council has 513 designated defective properties that would be eligible for the funding. The properties will be targeted with publicity and letters once the scheme is launched in June 2015.
- 3.6 On the 26 March 2015 the Council was notified of the success of the bid and eligibility to draw down £200,000 to fund the scheme.
- 3.7 Part of the bidding criteria was to encourage the adoption of locally designed and funded schemes. As part of the bid, it was proposed that, subject to Cabinet approval, Chesterfield Borough Council would develop a scheme offering an alternative to the Right-to-Buy in high demand areas of the Borough.

4.0 **CURRENT POSITION**

- 4.1 Since the success of the bid was announced, work has been ongoing to develop a suitable legal framework for both the Government scheme and a locally designed scheme.

Government Scheme

- 4.2 The parameters for the Government scheme are largely fixed and tied to the funding criteria, a copy of which is attached at **Appendix 1**. Moving forward the impact we can have on the scheme is on how we launch and operate it. Publicity for the scheme is being planned in the form of an article in the summer edition of Our Homes, a letter outlining the scheme to all eligible households and promotional materials in the Council's Housing Solutions Centre - 'On the Move'.
- 4.3 Tenant's eligibility for the scheme will be the same as the eligibility for the RTB with a requirement to have been a tenant for at least three years before becoming eligible.
- 4.4 The conditions attached to the funding will also mirror the RTB discount with a sliding scale of repayments if the property purchased is resold within five years. Any funding recovered would be recycled back into the scheme.
- 4.5 An anticipated schedule of tenants assisted through the scheme was provided to Government. This is set out in the table below.

	2015-16			
	Q1	Q2	Q3	Q4
Tenants unable to Mortgage their social property	0	1	4	5

- 4.6 The money will be available for a £20,000 deposit contribution for the purchase of a property and will only be payable to a solicitor as part of a property purchase with no monies being passed directly the tenant.
- 4.7 If the scheme is popular the money will be allocated on a first come first served basis. An opportunity to bid towards a second bid round proposed by Government for 2016/17 could also be considered.

Local Devised Mobility Scheme

- 4.8 The ability to design a locally based scheme enables the targeting of funds to make efforts to retain the supply of housing stock in high demand areas of the Borough. Although relatively few households move directly into owner occupation without utilising the RTB, those that do tend to be tenants of flats purchasing property on the open market. It is important that any funding for a local scheme should not be allocated to households who potentially would move anyway as the fund would merely offer an additional contribution towards a sale that would have taken place anyway.
- 4.9 To ensure that this is the case the local fund should only be offered as an alternative to the RTB once a RTB application has been received. The opportunity to access the funding will be offered as a RTB application for a property in a high demand area is received. It is not proposed to widely promote the scheme but offer it only as an alternative to the RTB in appropriate cases.
- 4.10 It is proposed that the value of the fund is £200,000 with a maximum of £20,000 per household.
- 4.11 One of the main reasons households struggle to purchase homes currently is the inability to get together sufficient funds for a deposit. The scheme can offer ten households the opportunity to access a £20,000 deposit towards a house on the open market.
- 4.12 The £20,000 would be offered as (or part of) a deposit towards a property purchase on the open market. At the present time it is unclear as to whether a £20,000 offer is as attractive as a potential discount under the RTB that could be three times that amount. The scheme will offer households the ability to exercise a choice – something the RTB cannot do – in the housing market rather than being restricted to the property they currently occupy. A review of the scheme will take place after an initial six months.
- 4.13 Given the limited size of the fund available discussions with the Housing Solutions Team at 'On the Move' were held to identify the property types

and areas where additional supply is required and any attempts to reduce the loss of stock should be focussed. The outcome of the discussion was to determine that the policy will apply to all houses in the following areas:

- Brampton
- Brimington (Lansdowne)
- Hasland
- Holme Hall
- Loundsley Green
- New Whittington
- Old Whittington
- Pevensey

4.14 Tenant's eligibility for the money will therefore be the same as the Right-to-Buy eligibility.

4.15 It is proposed that both Policies are reviewed in early 2016 to look at their success or otherwise and recommend either amending, or ending the schemes as necessary. The policy and procedures for the RTB Social Mobility Scheme is attached as **Appendix 2**.

5.0 **LEGAL IMPLICATIONS**

5.1 Whilst the Government scheme has not looked to impose any conditions on purchasers regarding repayment of the funded contribution on a further sale of the purchased property, it is proposed that for both the Government Scheme, and the Local Scheme, repayment provisions should apply. It is further proposed that repayment conditions should be in keeping with the repayment of discount provisions which currently apply to tenants purchasing under the Right to Buy Scheme. These measures are intended to prevent misuse of the scheme for example a purchaser accessing the funding and then immediately selling on the property, and retaining the funding.

5.2 Under section 155 of the Housing Act 1985, Right-to-Buy purchasers who dispose of their property within 5 years of the original purchase have to repay all or part of the discount they received (unless it is an exempted disposal). The amount of discount reduces by 1/5 for each year following original sale, and is calculated by reference to the resale value of the property. For example if a tenant received 50% discount on a house valued at £90,000 and the property was then sold on, two years after purchase, at £100,000 the liability for discount would be 50% of £100,000 (£50,000.00) and then reduced by 2/5 - £30,000 repayable. Disposals which do not trigger discount (exempt disposals) can be broadly described as disposals in the course of a domestic breakdown or on a death.

5.3 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. The agreement will provide that the liability to repay the funding will create a legal charge, which will be registerable against the purchased property at the Land Registry. This charge will have second priority to the Mortgage advance the buyer secures to fund the balance of the purchase price. This will mean the property cannot be sold on without the repayment requirements being addressed. 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 implementation of the Government funded RTB Social Mobility Scheme will be carried out within the allocated resources of £200,000. If the scheme is popular the Government has proposed a further funding round for 2016/17, which Chesterfield Borough Council will need to bid for. The £200,000 grant for Government funded RTB Social Mobility Scheme will be drawn down through quarterly submitted claims to the Department of Communities and Local Government.
- 6.2 The day-to-day management and implementation of the Government funded RTB Social Mobility Scheme will be done within current resources. If the scheme is popular the Government has proposed a further funding round for 2016/17 so a second bid could be submitted.
- 6.3 The implementation of the locally designed scheme will require a budget of £200,000 including in the Housing Capital Programme. These additional costs can be met from the Housing Revenue Account Working Balance of which there is a projected surplus of £15,921,078 (subject to final accounts) at the 7 April 2015. Following a review of the scheme, budgets may be included in future capital programmes, depending on the success and appetite for the local scheme.

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
Take up of locally devised scheme may not be achieved	L	H	Funding could be transferred to extend Government scheme	L	L

8.0 EQUALITIES IMPACT ASSESSMENT (EIA)

8.1 The adoption of the RTB Social Mobility Scheme has been equality impact assessed. No negative impacts on any group with protected characteristics have been identified. The overall impact of the policy is positive as potentially more properties in high demand will become available to households on the waiting list. The policy also increases ownership options to those already in Council housing. A copy of the preliminary EIA is attached as **Appendix 3**.

9.0 RECOMMENDATIONS

- 9.1 That Cabinet notes the successful Right-to-Buy Social Mobility Fund bid and agrees the steps taken to implement the scheme locally.
- 9.2 That Cabinet approve the development and implementation of a locally designed Social Mobility Scheme to offer an alternative to exercising the Right-to-Buy in high demand areas of the Borough.
- 9.3 That Cabinet approve the inclusion of an additional £200,000 in the Housing Capital Programme to create a fund for the local scheme.

10.0 **REASONS FOR RECOMMENDATIONS**

10.1 To meet Corporate Plan Objectives:

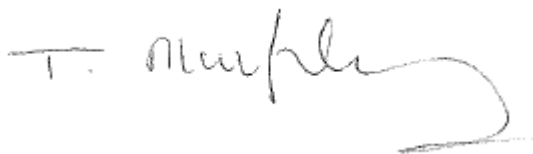
5 – To increase the supply and quality of Housing in Chesterfield Borough to meet current and future needs

9 – To become financially self-sufficient by 2020, so we can continue to deliver the services our communities need

ALISON CRAIG
HOUSING SERVICES MANAGER – BUSINESS PLANNING AND STRATEGY

You can get more information about this report from James Crouch Housing Strategy and Enabling Manager (extension 5150).

Officer recommendation supported.



Signed

Cabinet Member

Date 02/06/2015

Consultee Cabinet Member/Support Member comments (if applicable)