

## CABINET

23 June 2015

<b>Title:</b> Estate Renewal Decant Assistance Scheme	
<b>Report of the Cabinet Member for Housing</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
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<b>Accountable Divisional Director:</b> Jeremy Grint, Divisional Director of Regeneration	
<b>Accountable Director:</b> Steve Tucker, Interim Director of Housing	
<b>Summary</b>	
<p>This report is seeking authority to establish a Cash Incentive Scheme primarily to accelerate the current Estate Renewal decant programme and to establish a delivery approach and approval for the recommended targeting and cascade strategy. By offering this scheme the Council will be removing these households from the overall decant requirement and thus free up properties that can go to other households awaiting decant or general needs lettings.</p>	
<p>The Council has approved a challenging programme of decants to facilitate its ambitious Estate Renewal programme. The main factor limiting delivery of Estate Renewal new homes is the speed and quantity of decants that can be achieved. This scheme seeks to increase the options available to current tenants.</p>	
<p>In order to deliver this scheme, the Council has successfully bid for £1.2 million funding from the Department of Communities and Local Government (DCLG). The bid was for 40 x £30,000 cash incentive payments which the Council would then 'top up' with £400,000 from the existing Estate Renewal budget to create 40 x cash incentive payments of £40,000. Confirmation of the outcome of the bids is available on <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/418717/successfulBidders.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/418717/successfulBidders.pdf</a></p>	
<p>The funding is to be distributed as a cash incentive payment to households to enable them to buy a property on the open market. The applications would be administered via LBBDD's Home Ownership Team, the Regeneration service and solicitors - no cash payments would be made directly to tenants. All tenants would have to meet an eligibility criteria that ensures that they qualify for the payment, are able to meet the one off costs and understand the responsibilities that homeownership brings.</p>	

## **Recommendation(s)**

The Cabinet is recommended to:

- (i) Authorise the establishment of a Cash Incentive Scheme, aimed primarily at accelerating the Council's Estate Renewal decant programme;
- (ii) Approve the delivery approach for the scheme as set out in section 2 of the report; and
- (iii) Approve the recommended targeting and cascade strategy as set out in section 2 and Table 1 of the report.

## **Reason(s)**

LBBDD does not currently have a Cash Incentive Scheme and officers do not have the authority to administer payments in this way. Therefore, this report seeks the required approvals to proceed with delivering the scheme.

Government launched this Fund as a way to help tenants, who have the Right to Buy but cannot access their discount, for certain reasons, to benefit from a discount.

## **1. Introduction and Background**

1.1 Government launched the 'Right to Buy Social Mobility Fund' of £84 million for 2015/16 and 2016/17 in February 2015. The core objective of the scheme is to extend the opportunity for households entitled to the Right to Buy to purchase a property and is aimed at:

- Older tenants wishing to move to a different area to be closer to family or into more suitable accommodation;
- Working age tenants who may want to move closer to employment opportunities
- Tenants struggling to get a mortgage, for example because they live in a property of non-standard construction.

1.2 The Fund is not open to tenants with the Right to Acquire.

1.3 The cash incentive is intended to support eligible social tenants who can exercise their Right to Buy but whose home may be unsuitable for their needs or difficult to obtain a mortgage for to purchase a new home on the open market. Tenants should vacate their social property when they receive the cash incentive; and should not return to social housing whilst they own a property for which they received a cash incentive.

1.4 LBBDD officers successfully bid for £1.2 million of the Fund. We bid for a pilot scheme of 40 cash incentives of £40,000 each. The bid was for 40 x £30,000 cash incentive payments which LBBDD would then 'top up' with £400,000 from the existing Estate Renewal budget to create 40 x cash incentive payments of £40,000.

- 1.5 The funding is to be distributed as a cash incentive payment to households to buy a property on the open market. The payments would be administered via LBBD's Home Ownership Team, regeneration service and solicitors, no cash payments would be made directly to tenants.
- 1.6 As we have a large number of Tenants whose current homes are in designated Regeneration areas our bid was focused on funding which would be targeted at tenant households in these areas whose homes have a demolition order.
- 1.7 This proposal is consistent with Asset Management Strategy of optimising and ensuring the best use of our stock and the Core Housing Objectives:
- Good quality and well maintained homes that people are proud to live in
  - Prevent / tackle homelessness and provide best available options
- 1.8 The key benefits of this successful bid are:
- We can pilot an approach to tenant decanting with additional funds from the Government.
  - We can accelerate the Estate Renewal Decant Programme, particularly the redevelopment of Gascoigne and Sebastian Court.
  - If the scheme becomes available to non-Decant households, the scheme will create empty properties for applicants on the housing register.

## 2. Delivery Approach

- 2.1 At the Gascoigne Estate, there are 800 homes currently subject to demolition orders and this number has been divided into development phases, there are 240 homes in the current phase of decanting, with the remaining 760 being phased over the next 5 years. We believe that due to the suspension of normal Right to Buy due to the demolition orders a reasonable proportion of these households would take up this opportunity. Within the target groups, we are aware of 50 households who would consider this option and if we were successful we would start to promote the scheme to those households.
- 2.2 One Regeneration Officer and two Housing Decant Officers are already in place delivering the decant programme and we plan for the cash incentive to be promoted by these officers alongside other Decant options.
- 2.3 Officers across the Housing Department and the Regeneration service have drawn up an action plan for delivering the scheme.
- 2.4 As there is no scheme in place, we do not know how popular the scheme might be with eligible households. Therefore, in order to manage demand, we have created 3 stages for promoting the option, based on the Estate Renewal Programme and the households' situation – these are set out in **Table 1** below. Officers recommend that the option is targeted initially at Stage 1 and then Stage 2, which are currently in the Estate Renewal programme. Households in Stage 1 will be given 28 days to express interest in the scheme. If there is insufficient interest in the scheme for Stage 1, officers will recommend to the New Build Project Board that households in the next stage are contacted. After this, all other eligible households will be invited to apply for the scheme:

**Table 1**

<b>Stage</b>	<b>Block</b>	<b>Rationale for priority</b>
1.  Approx 100 eligible households	Sebastian Court	Housing Investment Group has agreed that the roof will not receive major repairs prior to demolition. Therefore we have a significant responsibility for the block to be decanted before Winter 15/16. This pilot could accelerate the decant process.
	Gascoigne West	Part of Housing Zone and therefore part of a timed delivery programme linked to agreed funding.
	Earlsdown House	Phase 4 of Gascoigne and therefore tenants are unlikely have significant priority for moving to a more suitable property in the next 3 years.
	Crisp House	Phase 4 of Gascoigne and therefore tenants are unlikely have significant priority for moving to a more suitable property in the next 3 years.
2.  Approx 100 eligible households	Tasker House	Phase 4 of Gascoigne and therefore tenants are unlikely have significant priority for moving to a more suitable property in the next 3 years.
	Wheelers Cross	Phase 4 of Gascoigne and therefore tenants are unlikely have significant priority for moving to a more suitable property in the next 3 years.
	Dovehouse Mead	Phase 4 of Gascoigne and therefore tenants are unlikely have significant priority for moving to a more suitable property in the next 3 years.
	Longreach Court	Phase 4 of Gascoigne and therefore tenants are unlikely have significant priority for moving to a more suitable property in the next 3 years.
3.	All other eligible households.	They meet the overall bid criteria.

2.5 Within each of the stages targeting these blocks, officers recommend the following priority cascade:

- Older people
- People wishing to stay in the Borough
- All others within the stage

2.6 If the scheme is not initially popular we can also consider using the 'bulk texting' promotion function available within both Housing Services and Housing Options.

2.7 Within each element, we will take a 'first come, first served' approach.

- 2.8 Officers propose that subject to scheme approval, tenants in the first stage are written to with a 28 day response time to express interest. If sufficient interest is received from this stage, officers will pursue cases just from this stage. If insufficient interest is received, the cash incentive will be cascaded to the next stage.
- 2.9 Officers propose that Regeneration and Decant Officers promote the scheme to tenants and that the Home Ownership team administer the applications as there would need to be Right to Buy type assessments.
- 2.10 In order to process the application, LBBD officers will develop an application procedure which will be similar to that of the RTB process as those applying will need to satisfy the RTB eligibility criteria.
- 2.11 If applicants met the criteria, LBBD would administer a standard confirmation letter to households which could provide evidence to solicitors and mortgage lenders of an intention of the household to use the Cash Incentive.
- 2.12 Applicants would then be given a period of time (3 months) to find a property and confirm that they have had an offer accepted on a property and have instructed solicitors. After this time officers will review on a case by case basis to assess progress and decide if the offer should be withdrawn.

### 3. Eligibility and Affordability

- 3.1 Applicants for this scheme will be assessed for eligibility (which will include an affordability assessment) and the scheme will be responsibly promoted to ensure that applicants understand the full implications of homeownership, including responsibility for repairs, maintenance and all household costs.
- 3.2 Affordability, linked to a lack of suitable affordable properties in the local market and the schemes appeal compared to a straight forward Right to buy are the key risks to the schemes success. The examples below show the cost to a tenant for a 1 bedroom flat and a 3 bedroom house using both schemes. The average prices have been taken from Right to Buy and recent valuations data and the mortgage payments have been calculated using the BBC Money website mortgage calculator.

#### Example 1 – 1 bedroom flat

##### Right to Buy option

Average Property Price (1 bedroom flat)	£155,000
Average % Discount	42%
Average Discount	£65,000
Average total purchase price	£90,000
Loan to Value (LTV)	58%
Monthly mortgage payment including product fee (overall cost for 3.5% APR repayment over 25 years)	£455.05

## Right to Buy Social Mobility Option

Average Property Price (1 bedroom flat)	£155,000
One off Cash incentive payment	£40,000
Percentage value of Cash incentive payment	25.8%
Average total purchase price	£115,000
Loan to Value (LTV)	74.1%
Monthly mortgage payment including product fee (overall cost for 3.5% APR repayment over 25 years)	£581.45

## Example 2 – 3 bedroom house

### Right to Buy Option

Average Property Price (3 bedroom Hse)	£275,000
Average % Discount	31.63%
Average Discount	£87,000
Average total purchase price	£188,000
Loan to Value (LTV)	68.36%
Monthly mortgage payment including product fee (overall cost for 3.5% APR repayment over 25 years)	£950.55

### Right to Buy Social Mobility option

Average Property Price (3 bedroom Hse)	£275,000
One off Cash incentive payment	£40,000
Percentage value of Cash incentive payment	14.54%
Average total purchase price	£235,000
Loan to Value (LTV)	85.45%
Monthly mortgage payment including product fee (overall cost for 3.5% APR repayment over 25 years)	£1188.19

- 3.3 Whilst the examples show that the Right to Buy Social Mobility Scheme is less affordable when compared to standard Right to Buy it gives more flexibility and choice to tenants over the property they purchase.

## 4. Options Appraisal

- 4.1 Set out below is an assessment of the options:

Do nothing	The Council has been awarded £1.2m in funding for this project. Without authority to proceed, officers cannot implement the project and the funding would be returned.
Do not establish a priority cascade	Officers have considered not using a priority cascade and promoting the scheme to all eligible households. However, this could create high expectations for 100s of households which might be disappointed. The purpose of the cascade is to co-ordinate the funding with the Council's wider regeneration objectives.

Establish more and smaller deposits	Officers have considered delivering more, smaller deposits. For example, we could establish a scheme of 64 deposits of £25,000. However, given the target groups are older people and households which are working but may not have large incomes, we believe the scheme will be more effective if the Cash Incentive can act as a significant deposit for a home.
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## 5. Consultation

- 5.1 An internal staff group from across the Housing and Regeneration Teams have been consulted on these proposals and the Lead Member for Housing has signed off the procedure and staged approach to the offering of the incentive payments.

## 6. Financial Implications

Implications completed by: Carl Tomlinson, Finance Group Manager

- 6.1 The council has been awarded £1.2m of the Right to Buy Social Mobility Fund to be utilised in 2015/16. The bid was for forty £30k cash incentive payments which will be 'topped up' with £400k from council resources to create forty cash incentive payments of £40k. The budget for the top up element of the cash incentive is available within the Estate Renewal capital budget for 2015/16 (£6.4m as agreed at February 2015 Cabinet). There is no additional budget pressure as a result of this bid.
- 6.2 Receipt of the £1.2m from the DCLG will be via two grant payments, one in quarter 2 of 2015/16 and one in quarter 4. The payment in quarter 2 will be subject to the provision of satisfactory evidence of completed purchases (i.e. contracts signed) or purchases in the conveyancing pipeline. The payment in quarter 4 will be subject to the provision of satisfactory evidence of completed purchases or purchases that have exchanged contracts. DCLG have stated that any funding that becomes available in quarter 2 as a result of lack of demonstrable take-up and forecast take-up by quarter 2 will be offered to other successful bidders who can demonstrate over-subscription of their local scheme.

## 7. Legal Implications

Implications completed by: Alison Stuart, Principal Solicitor

- 7.1 Strict governance arrangements will need to be in place to ensure that the tenant is eligible and qualifies for the scheme. Legal advice and assistance should be sought where necessary.

## 8. Other Implications

- 8.1 **Risk Management** – there is a risk that the scheme is not popular with the target group. To mitigate this risk we have the option to promote the scheme to all eligible households. The grant is claimed quarterly in arrears.

- 8.2 **Contractual Issues** – the Cash Incentive will be initially promoted as an option for tenants who are in the latter phases of current redevelopment programmes and will be administered by the Conveyancing Team. The cash incentive is confirmed to the customer’s solicitor who administers the sale. No cash payments will be made to customers; as such there are no contractual issues
- 8.3 **Staffing Issues** – There are no staffing implications arising from this report. Administration of the Cash Incentive will be carried out by current staff within the Housing and Regeneration Teams
- 8.4 **Customer Impact** – This proposal will give more choice to current Council tenants and especially those impacted upon by the current Regeneration Programmes as it creates a new housing option for households eligible for the Right to Buy but who are not able to purchase their own home.
- 8.5 **Safeguarding Children** – This scheme could release council homes for those on the waiting list. This could benefit households currently on the housing register.
- 8.6 **Health Issues** – This scheme contributes to the Councils overall all objective of improving the housing standards by adding additional options open to those in identified redevelopment areas thus increasing the pace of the the decanting and enabling identified sub standard housing to be replaced.
- 8.7 **Property/Asset Issues** – This proposal could accelerate the pace of the Estate Renewal Decant Process which will have a positive effect on the long term condition of our stock.

**Public Background Papers Used in the Preparation of the Report:**

- Right to Buy Social Mobility Fund Prospectus: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/405851/Right to Buy Fund - Bidding Guidance.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/405851/Right_to_Buy_Fund_-_Bidding_Guidance.pdf)
- Estate Renewal Cabinet Report February 2015: <http://moderngov.barking-dagenham.gov.uk/documents/s87233/Estate%20Renewal%20Programme%20Report.pdf>

**List of appendices:** None