

## Notice of Non-key Executive Decision

<b>Subject Heading:</b>	Arrangements to administer the Havering Tenant Incentive Scheme, ("TIS")
<b>Cabinet Member:</b>	Cllr Joshua Chapman, Lead Cabinet Member for Housing
<b>SLT Lead:</b>	Patrick Odling-Smee, Director of Housing Services
<b>Report Author and contact details:</b>	Kwabena Obiri, Housing Choice & Applications Manager 01708 433158 <a href="mailto:Kwabena.obiri@havering.gov.uk">Kwabena.obiri@havering.gov.uk</a>
<b>Policy context:</b>	The Tenant Incentive Scheme (TIS) will allow for council tenants interested in homeownership to access a new affordable option fulfilling the Council's Housing Strategy 2014-17 priority to "...enhance Havering residents' access to affordable home ownership across the Borough". N.B. This is a supplementary decision report to the 2014 Non-key Executive decision to support the scheme for the 2019/20 financial year.
<b>Financial summary:</b>	An amount of £33,000 will be paid under the Tenants Incentive Scheme, from the available budget in the Housing Revenue Account.
<b>Relevant OSC:</b>	Towns and Communities
<b>Is this decision exempt from being called-in?</b>	yes

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**The subject matter of this report deals with the following Council Objectives**

Communities making Havering	<input type="checkbox"/>
Places making Havering	<input checked="" type="checkbox"/>
Opportunities making Havering	<input type="checkbox"/>
Connections making Havering	<input type="checkbox"/>

## Part A – Report seeking decision

### DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

This request is to approve a grant of £33,000 made available from the Tenant Incentive Scheme (“TIS”) to enable council tenants to purchase a property on the open market. Mr Clark & Miss Norrie have fulfilled the qualification criteria as set out below in order to be eligible for the scheme.

### AUTHORITY UNDER WHICH DECISION IS MADE

Cabinet received information on the introduction of the Tenant Incentive Scheme, including its call on HRA resources on 8<sup>th</sup> February 2017 as part of the HRA Budget for 2017/2018 and HRA Major Works Capital Programme 2017/18 – 2019/20 Cabinet Report.

The Assistant Director of Housing Demand is now approving the arrangements to administer the scheme, acting under authority delegated within the Council’s Constitution paragraph 3.3 – Financial Responsibilities (b) :

*To oversee the delivery of programmes agreed by Council and Cabinet*

### STATEMENT OF THE REASONS FOR THE DECISION

#### Purpose of the Havering Tenant Incentive Scheme

The main purpose of the scheme is to:

- Offer existing secure tenants a one off payment to surrender their tenancy.
- Ensure subsequent vacant properties for re-let to meet the demand for social housing on the Council’s housing register.

The scheme is an alternative to the Right to Buy and provides an affordable home ownership option to existing tenants looking to own their own home, without buying their current Council property.

#### Eligibility Criteria

To qualify for the scheme, the applicant must meet all the eligibility criteria listed below:

##### a) Tenancy related criteria

To qualify the tenant must:

- Be aged 18+ years
- Have been a secure Council tenant for at least five years (this includes time holding an introductory tenancy).
- Agree to give vacant possession of their Havering Council property upon

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completion of the house purchase, meaning all household members who live at the property have to vacate.

- Agrees that on the completion of the house purchase, have a clear rent account. This means that the household with rent arrears are eligible to *apply* but any consequent offer will be conditional on them clearing all arrears.
- Commit to leaving their current Council property in a good condition or meeting the cost of any recharges at the point of vacating.

### **b) Earnings and affordability related criteria**

To qualify the tenant must:

- Have a regular earned income not exceeding:
- £52,000 a year if a 1 or 2 bedroom property is required.
- £62,400 a year if a 3 bedroom property is required (N.B. given how the scheme works, the purchase of a 4 bedroom property is unlikely to be viable, although such cases will be considered individually).

*N.B. this is in line with Havering Council's Framework: access to affordable home ownership conditions.*

- Be unable to afford to buy a property that reflects their current need on the open market without a TIS grant.
- Obtain a repayment Mortgage Offer in Principle from an established and reputable lender at an 80% loan-to-value (LTV) ratio. N.B. this LTV ratio has been applied so as to minimise the risk of default should interest rates rise.
- Have savings of at least £3,000 to cover the costs reasonably associated with home purchase. N.B. an additional savings contribution to the purchase itself will be required based on the applicants annual income see Appendix 1 for details.

### **c) Purchase and occupancy related criteria**

- purchase jointly if their current tenancy is a joint tenancy. N.B. the tenant could also purchase jointly if a tenant holding sole tenancy wants to purchase with their partner, or another family/household member, so long as this second person can demonstrate the home to purchase will be their sole home.
- Commit to living in the purchased property as their sole home, or in exceptional circumstances their principal home.

## **Grant assistance available**

Applicants, who meet the above criteria, will be eligible for assistance under the Havering TIS, subject to availability of funds. The TIS grant:

- Is a one-off grant to enable home purchase of up to £33,000 dependent on the individual circumstances – see below.
- Provide a 20% home purchase deposit when applied in combination with the tenant's savings.
- Will be of sufficient level to enable the purchase of a property that, in terms of the size, is no bigger than their current household needs calculated in accordance with the bedroom standard *plus one* additional bedroom .
- Can be used to purchase a home either within or outside the Borough of Havering.

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- Shall be calculated as so as to make affordable the lowest quartile-priced home in Havering, of the required size. That is, the cheapest 25% of the properties of the required size in Havering will become affordable with the help of a TIS grant. The lowest quartile price will, of course vary from time to time. For the purpose of illustration, the lowest quartile prices in Havering at March 2020 are:
  - £170,000 for a 1 bedroom property
  - £220,000 for a 2 bedroom property
  - £325,000 for a 3 bedroom property

### **Operation of the scheme**

The level of grant shall be allocated as follows.

So long as an 80% mortgage on the lowest quartile-priced home of the size eligible (see above) can be gained from a lender based on the tenant's income (including joint income where applicable), the Havering TIS shall make a grant up to a maximum of £33,000 to cover the shortfall between the tenant's savings and the amount required to make a deposit of 20% of the purchase price.

The level of grant shall vary between individuals based on their income, savings to contribute to their deposit and the size of the property being purchased. Put simply, the higher the income, the higher the saving required to be eligible to be eligible for a grant, and the higher the saving in relation to the size of a 20% deposit the lower the grant.

The payment of the grant is made on the day of completion so it cannot be used for any other purpose than the purchase of the property.

In principle, the TIS grant will be a one-off incentive that does not have to be repaid to the Council unless:

- (a) The property is sold within five years from the date of purchase
- (b) The property is not used as their principal home – for example, the property is rented out.
- (c) The property is sold without another home being purchased.

It will be a condition of the grant that the recipient will agree to the imposition of a charge on the property to be purchased.

The Council will apply discretion should repayment be too onerous and/or unreasonable given individual circumstances. N.B. such an approach already exists relating to the waiving of right to buy discounts.

Resources allocated to the scheme are limited and the scheme will be available on a first come, first served basis. Officers anticipate the up to 30 grants will be made available over the period of 2018/19 and 2019/20 with an equal split between the two financial years.

Havering TIS will be administered by the Housing Choice & Applications team that will be responsible for the delivering the scheme as part of the housing advice function.

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**OTHER OPTIONS CONSIDERED AND REJECTED**

A variety of different means of administering the Havering TIS has been considered and rejected. The current proposal is considered the most favourable in terms of directing the grant to those most in need of financial assistance.

The Council could not decide to use the scheme at all. This has been rejected as such a decision would result in HRA funding being withdrawn and go against the Council's objectives to secure more housing stock for those with housing needs.

The Council could also make the scheme available to any current tenants with no minimum length of tenancy or a different length of tenancy. This was rejected as it was considered more appropriate to make the scheme available to those with an equivalent of tenure to those who qualify under the Right to Buy scheme.

**PRE-DECISION CONSULTATION**

No formal consultation with the public is required.

**NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER**

Name: Kwabena Obiri

Designation: Housing Choice & Applications Manager

Signature:

Date: 06/03/2020



## **Part B - Assessment of implications and risks**

### **LEGAL IMPLICATIONS AND RISKS**

In accordance with the conditions of the TIS, the recipient of the grant will agree to the Council registering a legal charge on the property. The TIS grant will be a one-off incentive that does not have to be repaid to the Council unless :

- (a) The property is sold within five years from the date of purchase
- (b) The property is not used as their principal home – for example, the property is rented out.
- (c) The property is sold without another home being purchased.

Unlike the Right to Buy scheme, the grant to be repaid to the Council does not reduce by one-fifth for each complete year that has elapsed after the conveyance or grant. The tenant will be required to repay the grant in full unless the Council considers that repayment would lead to demonstrable personal hardship.

The grant will be transferred to the tenant's solicitor on completion provided that the Council receives a certified copy of the application (signed by the tenant) to register a legal charge at the Land Registry.

In order to comply with the Anti Money Laundering and Anti Theft obligations, Legal will verify the tenant's solicitor's bank details and undertake further due diligence checks.

Upon completion of the matter, Legal will prepare a completion report detailing the terms of the transaction, copy of the completed transfer and certified copy of the signed application to charge the new property which will be circulated to the requisite departments.

### **FINANCIAL IMPLICATIONS AND RISKS**

An amount of £33,000 will be paid under the Tenants Incentive Scheme, from the available budget in the Housing Revenue Account. This is subject to the qualifying conditions being met.

### **HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)**

The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

### **EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS**

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This is a one off loan that is part of a programme that will enable tenants to move out of council accommodation rather than purchase through the right to buy. This will therefore benefit those groups with protected characteristics that are in housing need in the borough.

**BACKGROUND PAPERS**

None



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**Part C – Record of decision**

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

**Decision**

Proposal agreed

**Details of decision maker**

Signed



Name: Patrick Odling-Smee

Cabinet Portfolio held:

CMT Member title:

Head of Service title

Other manager title:

Date: 19 March 2020

**Lodging this notice**

The signed decision notice must be delivered to the proper officer, Debra Marlow, Principal Democratic Services Officer in Democratic Services, in the Town Hall.

**For use by Committee Administration**

This notice was lodged with me on \_\_\_\_\_

Signed \_\_\_\_\_