

Item No.	Classification	Date: 20 January 2011	Decision Taker: Deputy Leader of the Council & Cabinet Member For Housing Management
Report title:		Home Ownership – Cash Incentive Scheme to assist secure tenants vacating Maydew House permanently	
Ward(s) or groups affected:		All	
From:		Strategic Director of Housing	

RECOMMENDATIONS

1. That the Cabinet Member agrees to the implementation of a Cash Incentive Scheme for tenants of Maydew House to be administered by Home Ownership Services, on the terms specified paragraphs 4 and 5.
2. That the scheme is funded from within existing resources allocated to the Cash Incentive Scheme specified in paragraphs 6 - 9.
3. That the Cash Incentive Scheme budget expended on grants for Maydew House secure tenants, including the Home Ownership's administration costs is replenished from the resulting capital receipt should the future decision be taken to dispose of Maydew House.

BACKGROUND INFORMATION

4. Local Authorities have the statutory power to offer cash grants to assist secure tenants to purchase a home on the open market. There are currently no statutory regulations or restrictions specifying the way in which local authorities must operate such grant schemes. Local Authorities can therefore choose whether or not to operate such schemes and identify their own strategic aims for doing so.
5. Since January 2008, Home Ownership Services has administered Southwark Council's cash incentive grant scheme, which has been branded the "Home Purchase Grant Scheme". The aim of the scheme is to tackle overcrowding with the release of larger units back to lettable stock. (See attached appendices 1 & 2)
 - The initial £280k budget for the scheme, granted by the GLA has been fully spent. Current funding from the scheme is derived from capital receipts from two Social Homebuy sales in 2008/09, as well as capital receipts from 2009/10 from the sale of two leasehold properties that were subject to forfeiture.
 - The scheme is running successfully with a total to date of 21 3+ bedroom properties released to the council for re-letting to overcrowded tenant households, with an average grant amount per unit of approximately £24k.

6. In March 2010, a consultation exercise began with Maydew House on the investment difficulties relating to the block and possible options for the future. They were informed that essential investment identified as needing to be carried out to the building and the individual properties within it could not be completed without the removal of asbestos and that the asbestos removal was not practical with residents in occupation.
7. Part of the consultation was to explore with secure tenants, the possibility of the council assisting those wishing to move permanently from both the building and local authority tenure in Southwark, with assistance through the cash incentive scheme. It should be noted that Maydew House secure tenants do not currently qualify for the scheme as it is only open to secure tenants of properties that have at least three bedrooms. All the flats in Maydew House have two bedrooms. In addition to this, a property released from the outgoing Maydew tenant household could not be used to accommodate another household as the building is being decanted.
8. During the consultation process, a total of 11 tenant households expressed an interest in the possibility of a cash incentive scheme for Maydew House. All were sent general information on how such schemes work and offered the opportunity to complete income/expenditure declaration forms ahead of the Cabinet decision of 9 August 2010. The reason the tenants were extended this opportunity was to firstly enable Home Ownership Services to help them with an informal assessment of their likely affordability level. The second reason was to ensure that applications received under any scheme put in place subject to the Cabinet decision could be administered swiftly. To date, only one tenant household of the eleven has completed the forms and returned them with supporting documents Home Ownership.

KEY ISSUES FOR CONSIDERATION

9. The cash incentive scheme was established as one of a range of measures to increase the supply of housing and tackle overcrowding in Southwark. Properties that are returned to the council under the scheme are direct-offered to existing tenant households that are overcrowded.
10. The scheme has the additional benefit of increasing options for tenants seeking to become homeowners, but not being able to afford to buy in the area they live or not wanting to exercise the Right to Buy or apply for Social Homebuy for the property they rent.
11. The current budget for the scheme has been allocated for the specific purposes noted in paragraph 3.1. It is a requirement of the cash incentive scheme that the property being released should be immediately re-lettable, with minimal void work having to be carried out. Although no decision has been made on the future of the block, as a decision has been made to decant Maydew House, the flats do not meet the requirement of being immediately re-lettable, although there is likely to be scope to meet the aim of reducing overcrowding for some applicants.

12. As stated in paragraph 2.2, funding for the cash incentive scheme is sourced from capital receipts from Social Homebuy sales and the re-sale of properties where the leasehold interest has been forfeited by order of the court.
13. The Social Homebuy receipts have not been fully allocated to date. Of a budget of £333k, spend currently stands at £170k. There are however sufficient numbers of applications in progress to fully exhaust the remainder of this budget. It should be noted that in any case, it is the Home Ownership's view that the 2006 Capital Finance Regulations (SI 2006 No 521) do not permit the Social Homebuy receipts to be used to operate a cash incentive scheme for Maydew House.
14. The capital receipts from the sale of forfeited leasehold property total approximately £300k. None of these funds have been allocated to date and therefore it is these funds that are potentially available to finance a grant scheme for Maydew House secure tenants.
15. Based on the number of Maydew House tenants that have expressed an interest in the cash incentive scheme, the number of secure tenants we believe would be eligible (after preliminary investigation) and our experience of applicant churn levels, Home Ownership Services recommend that a maximum of £125k of the existing capital resources detailed in paragraph 3.6 be set aside as sufficient to operate the scheme for Maydew House.

CRITERIA OF A CASH INCENTIVE SCHEME FOR MAYDEW HOUSE

16. It is recommended that a grant scheme offered to secure tenants in Maydew House is on terms broadly matching those for secure tenants borough wide, but with certain necessary changes.
17. Applicants must hold a secure tenancy at the time of application and be in residence of the Maydew House property up to the date of completion of the purchase of a private property. The applicants must have held a secure tenancy with Southwark Council for at least two years and not be in breach of their tenancy agreement. There should be no NTQ or NOSP either served or in force at the time of application.
18. The tenant/s must not have an application pending against them for a demotion, suspension or possession order due to anti-social behaviour.
19. The tenant/s must not have had more than 5 weeks rent arrears in the last 6 months or owe any other monies (including Council Tax and Housing Benefit) to the council during the application. The tenant/s must not be in arrears of more than 5 weeks rent at the time of application and must clear the rent account before completion of the grant assisted purchase.
20. The tenant/s must not be in receipt of Housing Benefit or full Council Tax benefit.
21. Applicants must not have a bankruptcy petition pending or a receiving order in force and must not be un-discharged bankrupts.

22. The property condition and our ability to re-let is not intrinsic to this scheme. We would however expect that the tenants should have maintained the property to the level required by the conditions specified in their tenancy agreements.
23. The maximum grant amount should be set at £20k in accordance with paragraph 9a of the 2009 report (see Appendix 2). There will be no additional 'desirable features' payment as none of the properties meet the relevant criteria. The council will however undertake to meet removals costs to a maximum of £3k as we do with the existing scheme.
24. Qualifying resident and non-resident family members can jointly purchase a private property with the qualifying tenant(s).
25. The council's default position remains that the grant should be secured by way of a second charge on the new property for a period of 5-years, unless this can be proven to be a barrier to the success of the scheme.
26. A recent amendment to the Home and Communities Agency Capital Funding Guide means that eligible applicants for Low Cost Home Ownership Schemes such as New Build Homebuy may be able to use local authority grants to assist them in their purchase. The issue of this so-called "double subsidy" was noted in the 'Revised Cash Incentive' IDM from August 2009. The matter has not been fully resolved, as we have yet to complete an application for a grant to be used in tandem with a Homebuy purchase. Southwark Council will be at the forefront of liaising and negotiating with RSL providers in this regard and Maydew House applicants could be among some of the first to benefit from the change.
27. A strict 'window of opportunity' should be applied to tenant applications for the scheme. We recommend that tenants are advised that applications must be received within 4-weeks of this decision becoming implementable. The timescales for provision of information during the application process must and will be strictly adhered to in order to avoid delays in decanting the building.

Community Impact Statement

28. This decision is judged to have a minimal impact on the wider community. The proposals will provide a small number of secure tenant households in Maydew House access to affordable home ownership and the council will therefore not have to make re-housing arrangements for them from its own housing stock. However, using funds allocated to the scheme for the purpose of tackling overcrowding, will result in there being fewer grants available for tenants elsewhere in the borough and accordingly less family-sized units being released. It is for this reason that the third recommendation, to replenish the cash incentive scheme budget from the proceeds of the sale of Maydew House should such a decision be made in the future, is made. It should again be pointed out that the number of grant applicants in Maydew House is likely to be small and a cap as to the amount of capital to be set-aside of £125k has also been recommended.

Resource implications

29. Within Home Ownership's current staffing structure (phase 4), a designated Cash Incentive Officer (Hay 8) is in post. It is not anticipated that additional resources will be required to undertake administration of a cash incentive scheme for Maydew House secure tenants as the take up is likely to be limited.

Consultation

30. A consultation event was held with Maydew House residents on 17 May 2010 between 4pm and 8pm at the Maydew House tenants hall. At the event, Southwark's Chief Executive informed attendees about the possibility of the council operating a cash incentive scheme for Maydew House secure tenants. A designated home ownership services officer spoke individually to those attendees that expressed an interest in this. A further event was held on the 8 June 2010, with the Cabinet Member for Housing Management. Again, a designated home ownership services officer was present and discussed the criteria of cash incentive schemes with residents and held a number of individual consultations.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director for Communities, Law & Governance (JJ012011)

31. Under Section 129 (1) of the Housing Act 1988 ("the 1988 Act") the Council is able (as a local housing authority) to make a scheme to pay grants to or for the benefit of qualifying tenants or licensees of the Council with a view to assisting each person to whom or for whose benefit a grant is made to acquire an interest in a dwelling-house. By virtue of Section 129 (2) of the 1988 Act, such a scheme shall contain such provisions as the Council considers appropriate.
32. The matters set out at paragraphs 1.1 and 1.2 of this report are reserved to the Individual Executive Member for Housing for decision under Part 3D, paragraph 6 of the Council's Constitution and therefore the recommendations set out therein may be approved.

Strategic Director of Regeneration & Neighbourhoods (MS012011)

33. The introduction of a Cash Incentive Scheme for secure tenants of Maydew House will provide a very useful alternative rehousing option. The future of Maydew House has yet to be decided, but it is of paramount importance to enable the rehousing process at Maydew House to proceed without delay and the scheme will assist with that.

Finance Director (IY012011)

34. The report proposes capital expenditure of up to £125,000 according to take-up, on grants of up to £20,000 each towards tenants' purchase of homes on the open market, plus up to a further £3,000 removal costs. In these circumstances, normal Home Loss entitlement of £4,700 would not be payable.

35. The expenditure would result in fewer Maydew tenants needing to be rehoused in HRA dwellings, hence marginally freeing this number of dwellings to enable housing of homeless families with a resultant saving in the General Fund.
36. The source of funding will be HRA capital receipts, initially those raised by sale of forfeited leasehold property, possibly to be later replaced by use of Maydew House proceeds if a decision is made to dispose. The use of these receipts will therefore reduce the resources available to the wider HRA capital programme.

Investment Implications (inv/ii2496/rjb)

37. This report proposes that a cash incentive payment be available to qualifying households in Maydew House, in the form of a home purchase grant of up to £20k, and additional assistance with removals costs up to £3k. The cost will be met from capital receipts from forfeited leasehold properties already identified for the cash incentive scheme within the Housing Investment Programme. Such payments, which are estimated at no more than £125k in total, will reduce the re-housing requirement and help speed the decant of the block.
38. The direct costs to the HIP normally associated with the decant of dwellings for major works are limited to home loss payments of £4,700 per unit. This amount would not be payable for households receiving home purchase grant, thus creating a saving of up to approximately £25k which will offset the cost of the grant within the overall HIP. However, if the decision is taken to dispose of Maydew House, then the amount of home purchase grant (plus Home Ownership administration costs) will be reimbursed to the CIS from the capital receipt generated, in line with recommendation 3. This will correspondingly reduce by up to £100k the level of capital receipts from the sale available for the wider programme including decent homes.

APPENDICES

No.	Title
1	Proposals for a Southwark Cash Incentive Scheme – IDM Report – October 2005
2	Revised Cash Incentive Scheme – IDM Report – August 2009
3	Maydew House – Results from Residents' Consultation

AUDIT TRAIL

Lead Officer	Gerri Scott, Strategic Director of Housing	
Report Author	Martin Green, Head Home Ownership and Tenant Management Initiatives	
Version	Final	
Dated	20 January 2011	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Strategic Director of Regeneration & Neighbourhoods	Yes	Yes
Principal Investment Officer	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Officer	20 January 2011	