

North Lanarkshire Council

Report

Housing and Regeneration Committee

approval noting

Ref SL/LV/AMcG

Date 19/02/20

Review of Mortgage to Rent Criteria

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Executive Summary

Committee is asked to approve the removal of additional North Lanarkshire Council (NLC) criteria placed on applicants referred to the council through the Scottish Government Mortgage to Rent (MTR) scheme.

NLC agreed to participate in the MTR scheme in 2003/04 and since then has purchased 70 properties.

Due to budget pressures, the council applied its own criteria to ensure that limited resources were targeted appropriately. The criteria applied was the same as the Priority Need test applied to homeless applicants and the purchase of properties through the MTR scheme was only considered where the following criteria was met:

- households with children;
- pensioners;
- those with a serious disability or health condition

Although the Priority Need test was abolished in December 2012, the additional criteria on MTR applications is still applied and this was linked to previous budget allocation.

From 2019/20, funding of the MTR scheme is provided through borrowing arrangements similar to the process for the Empty Homes and Open Market Purchase Schemes and enables far greater flexibility in the number of properties that can be purchased.

The current subsidy level provided for MTR properties is around 60% and recent changes made to funding mechanisms to purchase properties suggests that it would be beneficial to consider the removal of the additional NLC criteria on MTR applications.

Removal of the additional criteria would enable an increased level of properties to be purchased, prevent homelessness for those households and also increase the council's housing stock at a lower cost than purchasing on the open market.

Recommendations

It is recommended that the Committee:

- (i) Approve the removal of additional NLC criteria placed on applicants referred to the council through the Scottish Government Mortgage to Rent scheme.

The Plan for North Lanarkshire

Priority All priorities

Ambition statement (13) Improve preventative approaches including self-management and giving people information and choice over supports and services

1. Background

- 1.1 The MTR scheme was developed by the Scottish Government in 2003 to assist households who are in arrears with their mortgage or secured loan and are at risk of repossession. It allows households to sell their home to a local authority or housing association and continue to live in the property as a tenant thereby preventing them from becoming homeless.
- 1.2 The scheme is operated by the Scottish Government and all applications must be made directly to them. Applications are subject to a range of qualifying criteria before being accepted onto the scheme. The applicant must:
- Have been unable to make full payments on a loan secured against the home for at least three months
 - Have cumulative arrears of at least one month
 - Have failed to reach agreement with the lender on how to manage the arrears; alternatively, a trustee may have been appointed and they have decided to force the sale of the family home
 - Obtained independent financial advice from Citizens Advice Bureau (CAB) or Money Advice (this must be completed prior to any application being submitted)
 - Be ineligible for help through other UK Government support schemes such as Income Support for Mortgage Interest and Homeowners Mortgage Support. However if this assistance does not remove the threat of repossession, then the Scottish Government may still consider the application
 - The value of the home must be less than the maximum levels set for Lanarkshire. These are currently set at;
 - 2apt - £65,000
 - 3apt - £70,000
 - 4apt - £80,000
 - 5apt - £115,000
- However the valuation criteria may be reconsidered where individuals have particular housing needs because of a disability.
- Have lived in their home for the last 12 months;
 - Not have a home elsewhere, although consideration will be given in exceptional circumstances;
- 1.3 The Scottish Government provide a subsidy to social landlords on purchasing a property and although subsidy levels have varied over the years, the current level of subsidy provided per property is an average of 60%.
- 1.4 Housing and Property Services Committee approved North Lanarkshire's participation in the Scheme in 2003/04 and the first property was purchased in July 2004. Since then, the Housing Service has purchased a total of 70 properties through the scheme.
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2. Report

- 2.1 Due to budget pressures, North Lanarkshire Council applied its own criteria to ensure that limited resources were targeted appropriately. From the beginning, the criteria applied was the same as the Priority Need test applied to homeless applicants and the purchase of properties through the MTR scheme was only considered where the following criteria was met:
- households with children;
 - pensioners;
 - those with a serious disability or health condition;
- 2.2 The Priority Need test was abolished from homelessness legislation in December 2012 however the criteria applied for MTR cases has remained the same and is still in operation at this time due to the pressure on budget allocation.
- 2.3 The budget allocation for MTR properties has varied slightly over the years from £150,000 to £175,000 and enabled the purchase of around four to five properties per year, depending on the value of the properties concerned. In 2014/15, additional funding of £250,000 was made available and enabled an increased level of properties to be purchased.
- 2.4 Until 2016, the budget was provided from Non-HRA funding, however due to pressure on budgets, funding was transferred to HRA from 2017/18.
- 2.5 From 2019/20, it was decided that future funding of the MTR scheme would come from borrowing arrangements similar to the process for the Empty Homes and Open Market Purchase Schemes.
- 2.6 In the last two years, there have been approximately 10 requests per year from the Scottish Government to consider MTR applications, however half of these have had to be refused due to the applicants not meeting our criteria.
- 2.7 The current subsidy level provided for MTR properties is around 60% and the recent changes made to funding mechanisms to purchase properties suggests that it would be beneficial to consider the removal of the additional criteria on MTR applications.
- 2.8 This would enable an increased level of properties to be purchased, prevent homelessness for these households and also increase the council's housing stock at a lower cost than purchasing on the open market and ensures best value is delivered.

3. Equality and Diversity

3.1 Fairer Scotland Duty

The removal of the NLC criteria enables an increased number of households to be assisted through the MTR scheme, preventing homelessness and providing the necessary support to improve their socio-economic opportunities and reduce inequalities.

3.2 Equality Impact Assessment

Consideration has been given to the impact of these changes and it is clear that they improve access to a service and reduce existing inequalities across protected characteristic groups and strengthen the impact of future opportunities.

4. Implications

4.1 Financial Impact

The budget for the MTR scheme in 2018/19 was £150,000 and was funded from the HRA. From 2019/20, it was decided that future funding of the MTR scheme would come from borrowing arrangements similar to the process for the Empty Homes and Open Market Purchase Schemes.

4.2 HR/Policy/Legislative Impact

There are no personnel, policy or legislative implications.

4.3 Environmental Impact

There is no environmental impact arising from this report.

4.4 Risk Impact

There are no risks arising from this report.

5. Measures of success

5.1 Increased numbers of households at risk of repossession are prevented from becoming homeless and achieve improved outcomes across housing, health and wellbeing and economic activity, education and training.

5.2 Best Value is achieved.

6. Supporting documents

6.1 Additional information on the MTR Scheme can be found on the Scottish Government website; Home Owner Support Fund page: <https://www.mygov.scot/home-owners-support-fund/>



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