

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 11th April 2016

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WARD(S): All

PORTFOLIO: Councillor Anderson, Leader and Finance & Strategy

PART I **NON-KEY DECISION**

LOCAL AUTHORITY PARTNERSHIP PURCHASE SCHEME (LAPP) UPDATE

1. **Purpose of Report**

For members to note the progress on implementing this scheme and to comment and consider the proposed scoring mechanism for potential applicants as at Appendix A.

2. **Recommendation(s)/Proposed Action**

The Cabinet is requested to resolve:

- (a) That the progress on the implementation of the Local Authority Partnership Purchase Scheme be noted.
- (b) That the Cabinet comment upon the scoring mechanism for applicants included at Appendix A.

3. **The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan**

3a. **Slough Joint Wellbeing Strategy Priorities –**

Priorities:

- Health
- Economy and Skills
- Regeneration and Environment
- Housing
- Safer Communities

Cross-Cutting themes:

Civic responsibility - this scheme should assist in that it is assisting local residents in living in Slough and having a longer term stake in the borough by having their own property here.

Improving the image of the town - the Scheme informs the theme by helping to support people to live and work within the borough.

3b. Five Year Plan Outcomes

- There will more homes in the borough, with quality improving across all tenures to support our ambition for Slough – this scheme supports local residents in buying property and helping the supply of properties within the borough.
- The Council's income and the value of its assets will be maximised – as per the report – if the scheme is subscribed to the £5m level in year 1, £280k of income is expected (annualised) to the Council p.a.
- All outcomes – by supporting key workers, it is expected that this will lead to an improved recruitment and retention offer for staff delivering local services included across the 5 Year Plan

4. Other Implications

(a) Financial

The LAPP scheme has significant financial implications.

The total cost set aside in the Council's Capital strategy (as approved in February 2016) was £9.5m in total (£5m in 2016-17 then £4.5m in the following year depending upon demand).

The Council is proposing to then receive a rental stream of at least the prevailing PWLB (Public Works Loan Board) rate to ensure that taxpayers are getting a return at the market rate of borrowing, so are not subsidising this scheme. On £5m of borrowing, this return would be at least £280,000 p.a. at the prevailing borrowing rates. There would also be administration costs on top of this.

(b) Risk Management

A number of risks were set out in the original report (14.9.2016 to Cabinet) – an update on some of these have been included in the below

Recommendation	Risk/Threat/Opportunity	Mitigation(s)
The scheme itself	Risk – house prices fall	The Council's loss is limited to the share of the original purchase and 18 months of mortgage interest and reasonable costs of recovery. Local property prices remain buoyant, but the Council is clearly exposed to risk through this scheme
	Opportunity – house prices increase	Additional capital receipts come to the Council at the time of the property being sold
	Risks - Lack of lenders	Three financial institutions are already agreed to support the

		scheme and are: <ul style="list-style-type: none"> • Halifax • Nationwide Building Society • TSB
	The buyer defaults	<p>The Council's loss is limited to the share of the original purchase and 18 months of mortgage interest.</p> <p>The Council has an opportunity to purchase the lenders share of the property, to use for its own purposes e.g. introduce into the HRA, or retain as an investment.</p> <p>The Council will collect rent in a similar way to the mortgage lender as will ensure that debt collection is enforced</p>

(c) Human Rights Act and Other Legal Implications

Legal services have reviewed this scheme at its inception and subsequently. The issue of State Aid has been addressed through ensuring that the rental stream element is paid back at least at the prevailing PWLB rates. The supporting lease has been agreed with Legal services. Legal services are currently reviewing the support they require to work with applicants through the process.

(d) Equalities Impact Assessment

A full EIA is detailed at Appendix B.

(e) Workforce

The LAPP will be used to support key-workers within Slough. The exact clarification of a key worker is being confirmed for this scheme, but is likely to include school teachers and social workers.

The scheme will therefore help support the recruitment and retention of key workers into the borough and so assist in the provision of public services to residents.

5. **Supporting Information**

5.1 The LAPP scheme is designed to allow individuals and households to purchase a property in Slough on the open market with assistance from the Council. This will be first scheme of its type in the country that we are aware that operates on the open market in this way.

- 5.2 There are many purposes to the scheme and these include:
- Income and assets are expected to increase over the life of the scheme to help support the Council's income and the services that are provided to residents and businesses.
 - To assist residents who are currently in rented accommodation to move into owning their own home
 - It will help alleviate pressures on the private rented sector, make good use of existing housing stock and improve the quality of housing in the area
 - The scheme will be targeted towards key workers helping to recruit people with the required skills to deliver local public services

5.2 Members approved the LAPP scheme at Cabinet on the 14th September 2015. The paper at the time set out the key principles of the scheme, but they are summarised below following further work on the scheme in the interim:

- An applicant will approach the Council expressing an interest in the scheme
- The Council will assess the applicant to ensure that they meet the Council's criteria (see appendix A)
- If successful, the applicant will then be passed to an independent broker who will provide a check on the applicants finances and feasibility for the scheme
- If successful, the applicant will then arrange a mortgage and arrange the respective legal transactions with the Council and mortgage lender.

5.3 Once an application has been successful and the property purchased then

- The Council will have an equity investment in the property, and will charge a rent on this.
- The Council will receive a proportionate share of the property when it is sold (equivalent to its initial share)
- The applicant can opt to 'staircase' their share to own more of the property
- When the property is sold, the funds are proposed to be reinvested in the scheme to keep the figure at £9.5m overall. Any surplus to this figure through growth in property prices will be decided upon by members as part of future capital strategy papers.

Next Steps & Communication

5.4 The scheme is anticipated to be open for applications from late May/early June for a restricted period to gauge the level of interest in the scheme. There will be some local communications about the scheme to advertise this to the groups included in appendix A.

5.5 Three financial institutions have committed to the scheme; TSB, Halifax and Nationwide Building Society. These are expected to be at the 85-90% LTV levels. The Council's ultimate aim is to partner lenders who will lend the 95% level (and thus the buyer will only require a 3.5% deposit), though this would require an indemnity and additional costs from the Council.

5.6 After the first ten successful applications, the Council will review the processes and applications to see what amendments need to be made to the scheme to either encourage more applications, or to changing the ranking criteria if there are significant numbers of applications.

6. **Comments of Other Committees**

The Scheme has already been considered by the Overview & Scrutiny Committee and approved by Cabinet and Council. This update has not been considered by any other committees.

7. **Conclusion**

The Cabinet are asked to note the progress made in implementing the scheme.

8. **Appendices Attached**

'A' - Draft nominations scoring system for applicants.

'B' - Equality Impact Assessment.

9. **Background Papers**

'1' - Cabinet paper 30 – 14.9.2016

Draft nominations

INTRODUCTION

The Local Authority Partnership Purchase (LAPP) Scheme is an extension of the UK shared ownership model. It is not restricted to specified 'shared ownership' properties but includes those purchased on the open market

The Council does not build or manage the properties. The buyer is a registered owner, co-owning the property with the Council.

The Council holds a 30% stake in each property and charges rent on this – with the buyer putting in at least 7% deposit and borrowing the rest from a mortgage lender.

Purchases are restricted to those within Slough Borough Council's borders, and subject to price limits.

The Council will have nomination rights and will set the qualifying criteria.

The council will assess eligibility; the lender will assess the financial viability of the buyer.

This document sets out the LAPP Nominations procedures.

OBJECTIVES

The procedures aim to meet the following objectives:

- To set the criteria for eligibility to LAPP scheme and provide a system for prioritising applicants;
- To enable local aspiring financially viable home owners, without sufficient resources to provide a full deposit for a mortgage, to purchase a home;
- To demonstrate that the Council offers fair and equal access to its LAPP scheme;
- To help business by targeting key workers
- To increase availability of affordable and social housing, by nominating aspiring home owners currently occupying these properties.

APPLICATIONS FOR LAPP SCHEME

The Council will collect the following information from each applicant:

- Current housing circumstances
- Reasons for wanting assistance via the LAPP scheme
- Details about property sought – size, approximate value, areas considered
- Approximate size of deposit available
- Employment details – identifying key workers
- Household size
- A written reference from a present landlord if applicable
- The applicant will be required to make the following declarations:
 - All information is correct, and no fraudulent claims have been made
 - That information may be shared internally and with external partners for the detection and prevention of fraud.
 - They do not have an interest (not restrictive ownership) in any other property in the UK or elsewhere. An interest covers any share in any other property for what ever reason.
 - Confirmation that the conveyance solicitor has fulfilled their anti-money laundering obligations.

The applicant will apply to SBC via the Capital / Treasury / SUR principal accountant via specific inbox

INELIGIBLE APPLICATIONS

The following applications will not be eligible for assistance under the LAPP scheme:

- Any individual who owns one or more existing properties
- Applications for a property used or to be used as a House in Multiple Occupation (HMO)

- Where the applicant is intending to sub-let the property

Key workers must remain in post for at least 24 months, otherwise the Council has the discretion to evoke staircasing powers.

SELECTION

Nominations will be selected using the following assessment:

- Reason for purchasing the property – the applicant must have the intention of occupying it as their sole, principal home.
- Priority will be assigned based on a point system considering the following criteria, and in the following order in the event of over-subscription.:
 1. **Local residents (2 points)** if resident over 5 years and a further **1 point** for resident over 10 years). *The aim is for at least 50% of nominations to be awarded to applicants who have been living in the SBC area for the past five years*
 2. **Key Workers (3 points)**. *The aim is for at least 20% of nominations should be awarded to key workers – teachers/social workers/blue light services/ Council workers*
 3. **Applicants with dependents** (children / carers / foster care responsibility) (**1 point**)
 4. **Applicants currently residing in existing Council owned social housing or on the waiting list for Council owned social housing (1 point)**
 5. **First-time buyers (1 point)**
- Initially applicants who have 3 points or more can access the scheme - this will be re-assessed after the first 10 applications.
- All nominations must be signed off by Asset Management/ Capital Accountant and Section 151 officer/Director of Resources

PARAMETERS

Records kept should demonstrate that the following parameters have been adhered to:

- The initial split between the two shares of the property is 70% purchased via mortgage and 30% purchased by the Council
- The maximum Council purchased share per property of £120k
- The maximum loan size for the occupier of £266k
- The qualifying post codes cover all in Slough Borough Council's area
- The maximum number of LAPP scheme properties in operation at any one time of 100 until further full Council approval is sought.