

**REPORT FOR: Tenants, Leaseholders
and Residents
Consultative Forum**

Date of Meeting:	27 February 2013
Subject:	Cash incentive schemes for Council tenants
Key Decision:	No
Responsible Officer:	Lynne Pennington Divisional Director of Housing
Portfolio Holder:	Cllr Bob Currie, Portfolio Holder for Housing
Exempt:	No
Decision subject to call - in	No
Enclosures:	Appendix 1 - Summary of Possible Schemes & Feedback Sheet

Section 1 – Summary and recommendations

Social housing stock in the borough of Harrow is limited and in increasingly high demand. This report outlines our early thinking on a variety of schemes that could help to free up properties in the Council's housing stock, by offering cash incentives to tenants to move elsewhere.

Funding for these schemes has been allocated within the HRA budget and MTFs for the period 2013-14 to 2016-17 approved by Cabinet on 14 February 2013, and within the HRA business plan to 2018-19, subject to Cabinet approval.

Recommendations:

TLRCF are asked to note and make comments on the proposed schemes.

Reason: (For recommendation)

To ensure TLRCF is consulted at an early stage in the development of options for cash incentive schemes.

Section 2 – Report

Context

- 2.1 Social housing in Harrow is in short supply and high demand. It accounts for only 10.6% of the total housing stock in the borough, compared to a national average of 17.7% (Census, 2011).
- 2.2 Evidence from Harrow's housing register suggests that demand for the limited social housing stock is rising; the number of households registered for accommodation increased by 4% between April 2011 and 2012. This increase in demand has been mirrored by a significant increase in waiting time for properties, and particularly for family-sized accommodation.
- 2.3 Given the high demand for social housing in the borough, the Council has a responsibility to promote best use of the available stock. This objective is outlined in the Council's draft over-arching Housing Strategy (2013-18), and details of how this could be achieved in practice are outlined in the draft Allocations scheme. Both of these documents are currently open for public consultation. Members have recently approved the implementation of 5-year fixed-term tenancies for the same purpose.
- 2.4 Cash incentives paid to council tenants may also be an important way of achieving best use of the limited social housing stock. In the light of the introduction of flexible tenancies in 2013 they would offer options to tenants whose tenancies are not to be renewed at the end of the 5 year period. Incentives would be paid only where tenants meet certain criteria and leave vacant possession of the Council property. The objective of such schemes are variously to:
 - a. Release family-sized accommodation for re-letting, allowing the council to help those households that are homeless or in housing need;
 - b. Encourage under-occupying tenants to downsize;
 - c. Increase the choices available to council tenants and enable them to better meet their housing aspirations, including offering an alternative to them exercising the right to buy.
- 2.5 This report outlines a number of potential incentive schemes that could be introduced by Harrow Council. TLRCF are asked to comment on the proposals at this early stage of their development. At this stage there is no commitment that the schemes will be introduced, as the details and deliverability need to be developed before they can be recommended for implementation.

A. Incentives for under-occupying tenants to downsize to another social housing property – current scheme & possible extensions

- 2.6 Harrow Council currently operates a scheme to encourage council tenants under-occupying their property to downsize to another housing association or Council property. Tenants are given the highest priority on the Council's waiting list, have their removal costs covered and are paid £1,500 per under-occupied room in their home when they downsize (up to a maximum of £4,500).
- 2.7 This incentive scheme could be made more attractive by increasing the financial incentive offered per bedroom, or the services provided (e.g. for removal of unwanted goods). The scheme could be extended to cover tenants who transfer to another social housing property outside of London. We could also ask other social housing providers (housing associations) in Harrow to offer similar schemes to make the best use of their stock. The Council would then have nomination rights to a proportion of the properties.
- 2.8 An incentive could be offered to households that are due to be affected by housing benefit under-occupancy penalties (the 'bedroom tax') from April 2013. The incentive to downsize could be based upon the legitimate costs of moving to a smaller home.

B. Incentive for tenants to move to a privately-rented property

- 2.9 An incentive could be offered to council tenants who move to a privately-rented property offering an assured tenancy. This may be suitable for older tenants who are seeking to move or down-size to an older persons' housing scheme /retirement village. The proposed cash incentive for such a scheme could be up to £20,000 per move, depending on the size of the property being freed-up.
- 2.10 In exceptional circumstances, an incentive may be paid to tenants seeking to downsize to a property with an affordable assured short-hold tenancy of at least 2 years, where it could be demonstrated that this would be an appropriate move for the tenant (e.g. due to health reasons or to be closer to family).

C. Incentive for tenants to move abroad

- 2.11 Where a tenant is seeking to move outside of the UK (for example to retire, to return to a former residence or to be closer to family or friends), a cash incentive could be paid to the tenant. The proposed incentive would be up to £20,000 per move, depending on the size of the property being freed-up.
- 2.12 As tenants would be moving outside the UK, it would be unfeasible for the Council to stipulate what type of tenancy the tenant should take on. Tenants using this scheme would therefore need to be made aware of

the potential insecurities of their tenancy if they plan to rent a property abroad.

D. Incentive for tenants to purchase a shared-ownership property

- 2.13 Tenants may be offered an incentive to move into a shared-ownership property. Shared ownership properties are designated on developments across the country, and allow people to part-rent or part-buy their property, making them far more affordable. In London, the Mayor's 'FirstBuy' scheme provides an equity loan of up to 20% of the purchase price of the property and allows deposits as low as 5% of the share of the property being bought.
- 2.14 Harrow Council could incentivise tenants to take advantage of such downsizing schemes by providing a cash lump-sum of up to £12,000 depending on the size of the Council property being released. This would assist the tenants to cover their deposit or pay relevant fees, and would enable those who have little money saved to meet their housing aspirations.
- 2.15 There are currently at least 61 Harrow Council tenants who have registered an interest to purchase a shared-ownership property and who have indicated that they have the income required to sustain a mortgage.

E. Incentives for tenants wanting to purchase their own home

- 2.16 The private sector in Harrow is unaffordable to many of the borough's residents. The average house price for a 3-bed property in Harrow is £352,000, which would require an annual household income of approximately £80,000 to fund a mortgage (Council of Mortgage Lenders, 2012). This leads to an affordability gap for many of the council's employed tenant households. There are two proposed incentive schemes to address this gap, both of which could be offered as alternatives to tenants considering applying for a Right to Buy (where the maximum discount is £75,000).
- 2.17 A simple incentive payment could be made to tenants looking to obtain a mortgage to purchase a house. The incentive could cover the gap between the maximum mortgage that could be obtained by the household (plus any savings) and the price of the house they wish to purchase. The maximum incentive could be capped depending on the size of property being released (e.g. £15,000 for a 1-bed property up to £25,000 for a 3-bed property). This is a similar incentive scheme to that offered by Harrow Council in the past, when government funding was available for this purpose, and is currently offered by Councils in Hillingdon, Guildford and Tower Hamlets.
- 2.18 Alternatively, Harrow Council could offer tenants an £80,000 interest free loan over 5 years to contribute to their mortgage. This would allow a tenant household with an income of £40,000 to purchase a property up to a value of £240,000. As a guide, this would enable them to buy a

2-bed property at average market price or a lower-quartile 3-bed property. The £80,000 lump sum could potentially be provided by a bank or from the Council's general fund, although this would require further investigation and consideration by Members. The Council could service the interest (approximately £16,000 per year) from the housing revenue account. The former tenant would need to re-mortgage at the end of the 5 year period, unless there were exceptional circumstances in which case the time may be extended. This incentive could be particularly useful for tenants who have a larger affordability gap between their household income and the cost of purchasing a home and who are confident that they may be in a position to increase their earning to meet the mortgage commitments within five years.

Legislation

- 2.19 Councils are permitted to operate cash incentive schemes under Section 129 of the 1988 Housing Act and can determine the scheme criteria, grant levels and methods of assessing eligibility, but this is subject to the scheme being approved by the Secretary of State (SoS) where the scheme is to obtain accommodation otherwise than as a tenant or licensee of the authority. The Secretary of State can make his approval conditional on any such schemes containing certain provisions that he/she considers appropriate.

Proposed next steps

- 2.20 The Housing department needs to develop the proposed schemes in more detail to establish how they could be delivered in practice, and the costs and benefits of the various options. We welcome comments from TLRCF members on the proposals in this report. A further report will be made to the TLRCF once the schemes have been further developed.
- 2.21 TLRCF are asked to:
1. Take note of the report
 2. Make comments on the schemes outlined.

Section 3 - Financial Implications

- 3.1 Harrow Council has allocated a £250,000 revenue budget and a £250,000 capital budget in the HRA for this purpose for each of the three financial years from 2013-2016 (plus inflation). This does not include revenue funding for the Council's existing downsizing incentive scheme for tenants, which is described in 2.6 and is currently allocated £69,000 per year. The budget for cash incentives is set to increase between 2016 and 2019, with funding beyond 2016-17 being subject to Cabinet approval.

- 3.2 The Council's target is to release 12 homes in the two financial years between 2013 and 2015 as a result of the cash incentive investment, thus saving on the costs of homelessness to the General Fund.
- 3.3 In all cases where a tenant makes use of a cash incentive scheme to move out of social housing, the Council must ensure that this move is affordable and sustainable in the long-term. This will minimise the risk of the tenant facing homelessness at a later date. Payment of the incentives will therefore be dependent on the tenant's household income, savings and the previous conduct of their tenancy. Where downsizing cash incentives are paid to under-occupying tenants in receipt of welfare benefits, the Council must consider whether this payment will affect their benefit entitlement.
- 3.4 The Council will seek to enter into an agreement to reclaim any incentive paid to a tenant who moves within a short time (e.g. 5 years) after receiving a cash incentive.

Risk Management Implications

Risk included on Directorate risk register? Yes, as part of wider HRA and General Fund risk management.

Separate risk register in place? No

- 3.5 The risks will be fully considered as part of developing options for recommendation.

Equalities implications

- 3.5 The equalities implications of any schemes will be considered as part of developing options for recommendation.

Section 4 - Corporate Priorities

- 4.1 The proposals in this report incorporate the corporate priority:

United and involved communities
Supporting and protecting people who are most in need

Section 5 - Statutory Officer Clearance

Name: Roger Hampson

on behalf of the
Chief Financial Officer

Date: 14 Feb. 13

	—	on behalf of the
Name: Paresh Mehta	x	Monitoring Officer
Date: 14 Feb. 13		

Section 6 - Contact Details and Background Papers

Contact:

Jane Fernley
Housing Partnerships & Strategy Service Manager

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Background Papers:

Research into cash incentive schemes offered elsewhere in the UK.

Appendix 1 – Summary of Possible Cash Incentive Schemes & Feedback Sheet

Type of scheme	TLRCF Comments
<p>A. Under-occupation of social rented property</p> <ol style="list-style-type: none"> 1. Current Harrow Council scheme (£1500 per bedroom released) 2. Current scheme with increased incentives or services 3. Scheme for moves to social housing out of Harrow 4. Scheme run by other Harrow social landlords for their tenants 5. Scheme for households affected by 'bedroom tax' 	
<p>B. Moves to private rented property</p> <ol style="list-style-type: none"> 1. Move to an assured tenancy e.g. sheltered scheme 2. Move to min 2 year AST in exceptional circumstances 	
<p>C. Moves abroad Cash sum linked to size of property released</p>	
<p>D. Purchase a shared ownership property Cash sum linked to size of property released</p>	
<p>E. Purchase a property</p> <ol style="list-style-type: none"> 1. Cash sum to purchase a home linked to size of property released 2. 5 year interest free loan to assist with purchase of a home (to bridge affordability gap) 	