



SCRUTINY BOARD (ENVIRONMENT AND NEIGHBOURHOODS)

Meeting to be held in Civic Hall, Leeds, LS1 1UR on
Monday, 17th January, 2011 at 10.00 am

A pre-meeting will take place for ALL Members of the Board
in a Committee Room at 9.30 am

MEMBERSHIP

Councillors

- B Anderson (Chair) - Adel and
Wharfedale;
- A Barker - Horsforth;
- G Driver - Middleton Park;
- P Ewens - Hyde Park and
Woodhouse;
- R Grahame - Burmantofts and
Richmond Hill;
- G Hyde - Killingbeck and
Seacroft;
- M Iqbal - City and Hunslet;
- J Marjoram - Calverley and
Farsley;
- L Mulherin - Ardsley and Robin
Hood;
- P Wadsworth - Guiseley and
Rawdon;

Please note: Certain or all items on this agenda may be recorded.

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A G E N D A

Item No	Ward/Equal Opportunities	Item Not Open		Page No
1			<p>APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</p> <p>To consider any appeals in accordance with Procedure Rule 25 of the Access to Information Procedure Rules (in the event of an Appeal the press and public will be excluded.)</p> <p>(*In accordance with Procedure Rule 25, written notice of an appeal must be received by the Chief Democratic Services Officer at least 24 hours before the meeting.)</p>	
2			<p>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC</p> <p>1 To highlight reports or appendices which officers have identified as containing exempt information, and where officers consider that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.</p> <p>2 To consider whether or not to accept the officers recommendation in respect of the above information.</p> <p>3 If so, to formally pass the following resolution:-</p> <p>RESOLVED – That the press and public be excluded from the meeting during consideration of the following parts of the agenda designated as containing exempt information on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information, as follows:</p> <p>No exempt information or items have been identified on this agenda</p>	

Item No	Ward/Equal Opportunities	Item Not Open		Page No
3			<p>LATE ITEMS</p> <p>To identify items which have been admitted to the agenda by the Chair for consideration.</p> <p>(The special circumstances shall be specified in the minutes.)</p>	
4			<p>DECLARATIONS OF INTEREST</p> <p>To declare any personal / prejudicial interests for the purpose of Section 81 (3) of the Local Government Act 2000 and paragraphs 8 to 12 of the Members Code of Conduct.</p>	
5			<p>APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTES</p> <p>To receive any apologies for absence and notification of substitutes.</p>	
6			<p>MINUTES - 6TH JANUARY 2011</p> <p>To confirm as a correct record the minutes of the meeting held on 6th January 2011</p> <p>(Copy to follow)</p>	
7			<p>INTERRUPTIONS IN THE REFUSE COLLECTION SERVICE</p> <p>To consider a report of the Director of Environment and Neighbourhoods on interruptions in the Refuse Collection Service.</p> <p>(Report to follow)</p>	
8			<p>DEVELOPMENT OF A RENT TO MORTGAGE MODEL</p> <p>To consider a report of the Director of Environment and Neighbourhoods on the development of a Rent to Mortgage Model.</p>	1 - 18

Item No	Ward/Equal Opportunities	Item Not Open		Page No
9			<p>INQUIRY TO REVIEW GYPSIES AND TRAVELLERS SITE PROVISION IN LEEDS - DRAFT REPORT</p> <p>To receive and consider the Board's draft final report of it's Inquiry to review Gypsies and Travellers Site Provision in Leeds.</p> <p>(Draft Final Report and recommendations to follow)</p>	19 - 20
10			<p>DATES AND TIMES OF FUTURE MEETINGS</p> <p>Monday 14th February 2011 Monday 14th March 2011 Monday 11th April 2011</p> <p>All at 10.00am (Pre-Meetings at 9.30am)</p>	

Report of the Head of Scrutiny and Member Development

Scrutiny Board (Environment & Neighbourhoods)

Date: 17th January 2011

Subject: Development of a Rent to Mortgage model

Electoral Wards Affected:



Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

1.0 SUMMARY

- 1.1. The purpose of this report is to describe the development of a rent to mortgage housing product, which was considered by Executive Board on 15th December 2010, for information and discussion by Scrutiny Board. It provides detailed information particularly on the mechanics of the model and how it is anticipated it would work. This is a pilot scheme and is one of a number of new housing products which the council has developed over the last few years to respond to the prevailing market conditions and provide new opportunities for residents. The Executive Board report is appended for information.
- 1.2. The product will be trialed on a small number of properties located in the east Leeds (EASEL) regeneration area.

2.0 BACKGROUND

- 2.1. A key aspect of the delivery of regeneration within the East and South East Leeds area has been the development of mixed income, mixed tenure communities. The programme of work so far also recognises that the area lacks a variety of housing choices. This, coupled with the notion of developing the housing “ladder” in Leeds has led to the development of a number of housing products enabling people to access home ownership. A summary of these products is included as Appendix A.
- 2.2. The council’s rent to mortgage product was developed as a response to the tightened mortgage market and in particular the difficulties people face where lenders are asking for high levels of deposits. The development of a rent to mortgage product allows the occupier to rent a property for a specified period of time during which there is an opportunity to either acquire the property outright or to acquire it by way of a shared ownership lease enabling the occupant to buy the property in stages.
- 2.3. This model does not require the applicant to have either a deposit or a mortgage in place straightaway and differs from other models such as equity loan in this respect. Rather, it allows the occupant to rent a new home at an “intermediate rent” (this is described further below), and a period of up to five years within which they can save towards a deposit and eventually purchase the property. Buying the property could either be as an outright purchase or by buying the property in stages through shared ownership.
- 2.4. The scheme will be operated by East North East Homes including advertising and letting the houses. Although the agreement cannot force occupants to save as such, review meetings will be held to assess their ability to purchase and it will be clear from the point of advertising the product, that it is envisaged as a stepping stone to home ownership. The product will be trialed for ten houses which are located in Gipton and Seacroft.
- 2.5. An eligibility criteria has been developed which gives first priority to people who live in the defined EASEL area, in addition to means testing to ensure an applicant is able to afford the rent level and subsequent purchase. It is anticipated that applicants which fall within the defined criteria would be unlikely to be able to access a council tenancy (and the associated Right to Buy), but offers a opportunity to working people who cannot yet purchase a home.

3.0 HOW THE MODEL WILL WORK

- 3.1. The scheme requires the use of assured shorthold tenancies (AST) to ensure that it can operate effectively. The Council cannot grant ASTs directly but can do so via an intermediary landlord, in this case East North East Homes, using the statutory consents and powers described in the December Executive Board report. These include Section 32 of the Housing Act 1985 which gives the Council the power to dispose (via a lease in this case) of property subject to obtaining the consent of the Secretary of State and following Executive Board approval we are now seeking this specific consent; also Section 2 of the Local Government Act 2000 which enables the Council to undertake activity to promote the economic, social or environmental well-being of its area.
- 3.2. The property would be let in the first instance as an Assured Shorthold Tenancy. During this time the ALMO would have normal repair and maintenance obligations

but the tenancy is sufficiently flexible that it can be terminated and the property purchased when the tenant is ready to do so (within a fixed timescale of five years).

- 3.3. The design of the model is based on that of Registered Social Landlords (RSLs) and utilises the documentation produced by the Homes and Communities Agency.
- 3.4. For the first phase of occupancy when the tenant is occupying the property as an assured shorthold, the rent will be charged at an intermediate rent level of 80% of the market rent and as such is higher than a social rent but lower than full market price. This is one way through which we can ensure that the tenants will be able to afford future mortgage repayments. The prevailing market rent has been calculated by Property Services looking at the market rents charged by local estate agents taking into account the type and quality of the properties. In proposing that we let the properties at the 80% market rate we are emulating the approach used by RSLs and thus their experience of demand and affordability. The table below shows how the rent levels compare for one of the plots as an example.

Plot	Market Rent	Intermediate Rent	Social rent
127	£525 pm	£420 pm	£304.5 pm

- 3.5. When the occupier chooses to purchase the property they can either do so outright or opt to buy the property in stages through a shared ownership lease – buying either 25, 50 or 75% of the unit. As a shared owner they become fully responsible for the repair and maintenance of the property irrespective of the percentage they purchase. In this phase the council will receive a capital receipt in addition to a rental charge on the unsold proportion. Again, adopting the existing model used by RSLs, this is proposed as 3% of the unsold equity in the property. At this stage the shared owner would be making mortgage repayments and paying rent on the remaining proportion of the property.
- 3.6. For example, if the occupant chooses to purchase the property at an initial level of 25%, the income received by the council would be:

Plot	Full price	25% purchase receipt received by LCC	Remaining charge on LCC equity at 3%
127	£97,000	£24,250	£187 pm or £2,184 pa

- 3.7. For the occupants, using the mortgage calculator provided by the website direct.gov.uk we can estimate their payments as follows:

Rent	mortgage payment (6% interest rate)	Total cost
£187 pm	£156pm	£343 (plus ongoing maintenance and repair)

- 3.8. The charge paid on the unsold equity is calculated at 3%. This calculation is comparable to that set by RSLs and in that respect we are making use of their market experience of the affordability of this home ownership model – bearing in mind the purchaser will need to meet their mortgage payments and any maintenance costs.
- 3.9. Through testing the model we will be able to build up our intelligence of what is affordable in this market particularly as mortgage products change. The RSL sector has been offering shared ownership for around 20 years and a local example is Chevin Housing (through their subsidiary Rosa Homes) who have successfully let homes in east Leeds on this basis.

4.0 NEXT STEPS

- 4.1. Following Executive Board approval to the development of this pilot project, we will seek the consent of the Secretary of State to the disposal of the properties as a lease to East North East Homes.
- 4.2. The details of the lease to ENEH will be finalised which will set out the operation of the scheme including advertising and letting the Assured Shorthold Tenancies.

5.0 CONCLUSION

- 5.1. The Rent to Mortgage scheme is a pilot product which seeks to introduce a new way of supporting access to owner occupation through an initial period of rent and an opportunity to purchase a property in stages. It is aimed at people who aspire to purchase their own home but who are not in a position to purchase straightaway. It will also support the objective of developing mixed income communities and a housing market ladder within east Leeds.

Appendix A

Product	Key Features
Equity Loan	<p>A loan of (typically) 30% towards full purchase price of a property which is repayable on sale of the property</p> <p>Owner meets the cost of the deposit required by the lender plus monthly mortgage repayments on the remaining loan</p> <p>The scheme at Amberton Park Gipton is an example of this wherein the Council provided the funding to assist purchase for eligible applicants</p>
Homebuy Direct	<p>A loan of 30% towards full purchase price of a property is provided by the Homes and Communities Agency and a developer and is repayable on sale of the property.</p> <p>Owner meets the cost of the deposit required by the lender plus monthly mortgage repayments on the remaining loan</p> <p>The scheme is open to people with a household income of up to £60,000, who could not otherwise afford to buy a suitable property on the open market in the area where they live or work.</p> <p>The HCA has provided funding for this product for a number of developers including Bellways and Urban Splash in the east Leeds regeneration area.</p>
Private sector equity products	<p>A number of developers operate their own equity loan scheme often at a slightly lower rate eg 25% which is payable on sale of the property or may be a time limited loan of say 10 years.</p> <p>Owner meets the cost of the deposit required by the lender plus monthly mortgage repayments on the remaining loan</p> <p>An example of this is the Opening Doors product offered by Bellway Homes nationally and which was offered as part of the east Leeds regeneration area.</p>
Local Lettings	<p>The council's approach to letting its secure tenancies has included the development of local lettings policies which for example include a priority for working families to access new homes. This is to support the development of mixed income communities.</p> <p>An example of this has been the new build council housing in Gipton and Seacroft developed through the east Leeds programme.</p>

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Report of the Director of Environment and Neighbourhoods

Executive Board: 15th December 2010

Subject: Development of a Rent to Mortgage housing model

<p>Electoral Wards Affected:</p> <p>Killingbeck and Seacroft Gipton and Harehills</p> <p><input checked="" type="checkbox"/> Ward Members consulted (referred to in report)</p>	<p>Specific Implications For:</p> <p>Equality and Diversity <input type="checkbox"/></p> <p>Community Cohesion <input type="checkbox"/></p> <p>Narrowing the Gap <input checked="" type="checkbox"/></p>
Eligible for Call In <input checked="" type="checkbox"/>	Not Eligible for Call In (Details contained in the report) <input type="checkbox"/>

EXECUTIVE SUMMARY

This report proposes the use of a new housing product to support people moving from renting to purchasing their homes. In order to support the development of mixed communities in the East and South East Leeds regeneration area and to develop the local housing "ladder" of flexible tenure options, a "rent to mortgage" product for the EASEL property acquisitions is being developed. A rent to mortgage scheme provides an opportunity for individuals to rent a property for a specified period of time during which there is an opportunity to either acquire the property outright or to acquire it by way of a shared ownership lease enabling the occupant to buy the property in stages. The development of the model therefore reflects the aspiration to develop the housing ladder in the area.

The report requests approval to disposal of ten properties to East North East Homes Limited and approve the implementation of a "rent to mortgage" scheme as set out in this report.

1.0 Purpose Of This Report

- 1.1 This report proposes the use of a new housing product to support people moving from renting to purchasing their homes. It follows the Executive Board report dated 13th February 2009 entitled 'Support for the Affordable Housing and Regeneration Priorities' and relates to the acquisition of 20 houses as part of the East and South East Leeds (EASEL) phase 1 housing development in Gipton and Seacroft.

2.0 Background Information

- 2.1 In order to support the EASEL mixed communities objective and to develop the local housing "ladder" of flexible tenure options, a "rent to mortgage" product for the EASEL property acquisitions is being developed. The model is an established product which is used by Registered Social Landlords (RSLs) nationally and if successful this form of intermediate tenure could be introduced in a number of locations across the city.
- 2.2 The 'Analysis of the Leeds Housing Market' (2007) collated findings from a range of research into housing market trends and housing needs in Leeds. Research into the demand for social housing highlighted that there are missing rungs in the middle of the 'housing ladder'. Households on low incomes are finding it increasingly difficult to purchase their own home or rent privately. The report concluded that intermediate housing formed only a small percentage of the housing market and the development of flexible tenures are needed to address financial stability and viability of home purchase.
- 2.3 The council's primary regeneration objective in east and south east Leeds is to secure the economic, social and environmental well-being of the area and its residents. The development of "mixed communities" (i.e. mixed tenure/mixed income housing areas) has underpinned much of the programme and the Gipton area was chosen by Communities and Local Government (CLG) as a mixed communities demonstration project.
- 2.4 In essence, a rent to mortgage scheme provides an opportunity for individuals to rent a property for a specified period of time during which there is an opportunity to either acquire the property outright or to acquire it by way of a shared ownership lease enabling the occupant to buy the property in stages. The development of the model therefore reflects the aspiration to develop the housing ladder in the area.
- 2.5 To facilitate the scheme all of the properties would be leased to an intermediate landlord, in this case East North East Homes Leeds (ENEH), with the freehold remaining in the ownership of the Council. ENEH will then make the properties available on Assured Shorthold Tenancies (AST) to occupiers who will have the opportunity either to acquire the freehold of the property or take a shared ownership lease within a predetermined period. The main elements of an AST and a shared ownership lease are set out below at section 3.
- 2.6 It is intended that the scheme would be aimed at individuals who would not otherwise qualify for a social rented home (or would be unlikely to be allocated one) but who could neither afford to buy a home outright nor have a large enough deposit available to be able to obtain a mortgage, but who would be able to purchase at some time in the future. Unlike other schemes developed by the council (e.g. the Gipton Homebuy scheme) a rent to mortgage scheme would not require individuals to secure a mortgage immediately. Rather, it would allow them to rent a property at an intermediate rent (i.e. a rent above social rent but below

market rent) and give them time to save for a deposit sufficient for them to be able to purchase the property either outright or through shared ownership.

- 2.7 The proposed criteria for participation in the scheme are attached at Appendix 1. However, it should be noted that the criteria may have to evolve depending on various factors such as the demand for the scheme. It is therefore proposed that the Director of Environment and Neighbourhoods be given delegated authority to make future amendments to the criteria as required.
- 2.8 In February 2009, the Executive Board approved the purchase of 20 properties at the Oaks, Gipton and Parkside, Seacroft from Bellway Homes with the intention of offering residents a mix of council rented and intermediate rented properties (rent to mortgage or similar). Ten of these properties have already been made available for social housing and it is now proposed that the remaining ten properties be made available to residents in accordance with the proposed rent to mortgage scheme.
- 2.9 All the properties intended for this scheme are two bed houses: numbers 14,15,16,18 and 19 The Oaks and numbers 127,128,129,130 and 139 Parkside. A plan showing the location of the properties is attached as Appendix 3.

3.0 Main Issues

- 3.1 The operation of this scheme will entail the Council granting leases of the properties to East North East Homes (ENEH) who will in turn grant Assured Shorthold Tenancies (AST) to the occupants who will have the opportunity within a predetermined period to acquire the property outright or take a shared ownership lease. Whilst the scheme is similar to schemes operated by RSLs across the country, RSLs operate under a different statutory regime.
- 3.2 It is proposed that the properties would be let to ENEH by way of a lease for an appropriate period having regard to the objectives of the scheme. The lease would be at nil consideration, either by way of a peppercorn rent or, if necessary for the purpose of the General Consents referred to later in this report, at market rent subsidised by means of a grant from the Council to ENEH.
- 3.3 The AST will be between ENEH and the occupants. An AST can run on a weekly, monthly or other periodic basis, and could be brought to an end either to allow the tenant to purchase the property or, if the tenant is unable or unwilling to acquire the property to enable ENEH to recover possession. In addition, it would also allow ENEH to take action for a breach of any of the terms of the tenancy such as non-payment of rent or anti-social behaviour. The rent payable by the tenant would be an intermediate rent described in further detail below.
- 3.4 The scheme requires the use of ASTs in order to make the scheme flexible enough for it to provide a way for residents to progress to ownership. Since the Council cannot itself grant ASTs it needs to lease the properties concerned to ENEH. The grant of an AST also gives ENEH the ability to deal effectively with situations where individuals are unable to acquire the property so that others can be given an opportunity to do so.
- 3.5 It is anticipated that the scheme will be attractive to individuals who aspire towards home ownership but who do not have a deposit in place to buy a property or are unable to access social housing. Such individuals would be able to acquire the property concerned either outright or on a shared ownership basis within a period of four years or as otherwise determined by the director of Environment and Neighbourhoods

- 3.6 An individual's ability to participate in the scheme will be determined by way of eligibility criteria. Amongst other matters, these criteria will initially give priority to people already living and/or working in the EASEL area. All participants in the scheme will also have to demonstrate that they intend and are likely to be able to acquire the property within the timescale referred to above. ENEH have gained considerable experience of operating this kind of process via the Gipton Homebuy scheme, and it is proposed that they would administer the scheme in accordance with the eligibility criteria set out in Appendix 1 or as otherwise determined by the Director of Environment and Neighbourhoods.
- 3.7 At the time that they apply, it will be made clear to participants that the intention is for the scheme to be a stepping-stone towards ownership, albeit one which does not require a mortgage or a deposit to be in place immediately. The rent each property on an AST would be an "intermediate rent" which will be the equivalent of 80% of the market rent (though it is anticipated that this will still be higher than the social rent for such properties). The purpose of having an intermediate rent will be to allow the tenant to be able to save towards a deposit and fund their acquisition of the property at a later date. The amount of the intermediate rent will be determined by the Director of City Development.
- 3.8 At any time during the period of their AST, the tenant will be able to elect to buy the property either by way of outright purchase or by taking a shared ownership lease from the Council. The shared ownership lease will be granted by the Council on payment by the tenant of a premium calculated by reference to the market value of the share of the property which they are buying (which will be no less than 25%). The lease will also provide that the tenant can purchase further shares of the property and that if they wish to they will ultimately be able to purchase the freehold of the property from the Council.
- 3.9 Under a shared ownership lease, the tenant buys a 'share' of the property and pays rent on the remaining share of the property (which remains in the ownership of the Council). The Tenant can buy further shares in the property at the market value of those shares at the time of purchase. Buying further shares is referred to as 'staircasing'. When the tenant owns 100%, he or she can acquire the freehold in the property for no charge. As the tenant buys further shares, the rent will be reduced proportionately to reflect the fact that the Council's interest in the property has reduced.
- 3.10 Although initially the property is not owned outright, the tenant does have the normal responsibilities of a full owner. This means, for example, that the tenant will be obliged to pay 100% of the outgoings relating to the property and to keep the property in good and substantial repair and condition.
- 3.11 The rent under the shared ownership lease will be reviewed every year. The reviewed rent will be increased in line with any proportionate increases in the retail prices index (RPI). The rent will be reviewed on an 'upwards only' basis. This means that the level of rent will not go down when it is reviewed.
- 3.12 The following is a worked example to illustrate how the model works.

Property Type: 2 bedroom property with off road parking, Parkside, Seacroft.		
Intermediate rent payments		
Market rent pcm = £525	Intermediate rent payments at 80% of market rent pcm= £420	
Shared ownership		
<ul style="list-style-type: none"> - Market value of the property £100,000. - Assuming nil deposit for the purpose of illustration (this would need to be negotiated with the lender, dependent on mortgage products) £100,000 mortgage would cost approximately £644 pcm based on 6% interest rate, repayment over 25 years. - Monthly rent calculated as a proportion of remaining value in a property per annum, this follows the HCA and RSLs who calculate on a basis of 3% 		
25% shared ownership	50% shared ownership	75% shared ownership
monthly mortgage value for £25,000 = £161	monthly mortgage value for £50,000 = £322	monthly mortgage value for £75,000 = £483
£75,000 remaining value (3%) = £187.50	£50,000 remaining value (3%) = £125.00	£25,000 remaining value (3%) = £62.50
Total = £348.50	Total = £447	Total = £545.50

4.0 Implications For Council Policy And Governance

- 4.1 It is important to understand what will happen if either the tenant is unable to proceed to purchase the property or chooses not to for some other reason. Appendix 2 sets out the potential courses of action in the event of this occurring and paragraph 6 of this report outlines the risk.
- 4.2 Ward member consultation on the development of intermediate rent products took place in 2009 prior to the Executive Board report. However, further ward member consultation will take place to provide the detail on this proposal prior to the Executive Board meeting.

5.0 Legal And Resource Implications

- 5.1 The scheme requires the use of assured shorthold tenancies (AST) to ensure that it can operate effectively. As outlined above, the Council cannot grant ASTs so in order to facilitate the scheme it will therefore be necessary to grant leases of the properties to East North East Homes Limited (ENEH) who will undertake to manage them for the purposes of and in accordance with the objectives of the scheme. Section 32 of the Housing Act 1985 gives the Council the power to dispose of any property that it holds for the purposes of Part II of that Act subject to obtaining the consent of the Secretary of State to the disposal.
- 5.2 The Secretary of State has issued a general consent upon which the Council could rely. There is though a financial limit as to the value of disposals which the Council can make under the consent in any financial year and in the circumstances it may be advantageous for the Council to apply for specific consent for the disposal to ENEH so as to retain flexibility as to the future use of the consent. The appropriate

course of action will be determined by the Director of Environment and Neighbourhoods in consultation with the Director of City Development.

- 5.3 In addition, Section 2 of the Local Government Act 2000 provides that the Council can do anything which it considers is likely to achieve the promotion and improvement of the economic, social or environmental well-being of its area and/or anybody living and/or working in its area.
- 5.4 In determining whether or not and how to exercise its well-being powers, the council must have regard to its sustainable community strategy, which is the Vision for Leeds. Within this document the themes of “thriving places” and “harmonious communities” are relevant.
- 5.5 In relation to the use of the Council’s well-being powers, Executive Board should consider whether well-being is likely to be improved or promoted as a consequence of the proposals set out in this report. The reports of the Director of Neighbourhoods and Housing and the Director of Development to Executive Board in 2007 set out regeneration objectives and priorities for the EASEL area with a view to securing its economic, social and environmental well-being.
- 5.6 Using well-being powers in this way fits with the overall approach taken throughout the development of the EASEL initiative including the establishment of the Joint Venture Company, to deliver mixed communities.
- 5.7 Section 27 of the Housing Act 1985 prohibits the Council from entering into any management agreement in respect of its housing stock without the consent of the Secretary of State. Advice has therefore been sought from Communities and Local Government (CLG) regarding the Council’s ability to operate the scheme with ENEH within the Council’s existing Section 27 agreement and consents. CLG has confirmed that no variation to this agreement will be required, other than to include the properties within the current Management Agreement with ENEH.
- 5.8 An Equality Impact Assessment will need to be undertaken following approval to develop the model.

6.0 Risks

- 6.1 In using wellbeing powers under Section 2 of the Local Government Act 2000, the matter is not free of risk.
- 6.2 Challenges may range from the general use of the well being power in these circumstances to individual challenges brought in relation to decisions regarding eligibility and termination both during and at the end of the AST.
- 6.3 From a housing perspective, challenges may be brought on the basis that the existing secure/introductory tenancy regime allows the Council to achieve the scheme objectives through the Right to Buy/Discounted Purchase price and that the proposed route is designed to avoid the security of tenure enjoyed by Council tenants. However as described above the scheme is aimed at individuals who would not otherwise qualify for a Council tenancy or would be unlikely to be allocated one under the priority system. The participants in the scheme would be selected through eligibility criteria and would therefore enter into the scheme in the knowledge that the intention is to provide an affordable housing option designed to support housing opportunities and make a positive contribution to the well being of the community.

- 6.4 Furthermore the risk of challenge will increase if tenants are unable to proceed to purchase but wish to remain in occupation. Whilst this potential challenge can be managed to some extent by ensuring that all parties are aware of the purpose of the scheme at the outset, this remains a risk. Support and assistance will be given to the tenant to ensure that their options are understood and reviews of their ability to purchase will be carried out on a regular basis. Appendix 2 summarises the issues and risks associated with this.
- 6.5 There may also be Human Rights challenges on the scheme and in particular decisions to bring the AST to an end and the ALMO will need to ensure that it has robust processes in place. The nature of the challenges could focus on the decision making process leading up to the termination of the AST. It is proposed that any decision making process involving termination will take into account the current legal guidance. However, this is an area of law has seen considerable development over the last few years and further guidance is expected from UK Supreme Court shortly which may alter the position further.
- 6.6 Furthermore, the council may owe housing duties to tenants who cannot proceed to the purchase stage and have no reasonable prospects of doing so i.e. through loss of income etc. This may trigger wider housing duties such as under the homeless legislation and may place additional pressures on other social accommodation. Individuals may be well settled and reluctant to move.

7.0 Conclusions

- 7.1 A rent to mortgage product together with other affordable housing options meets the aspiration of a housing ladder. It enables people to rent a property with a view to purchasing their home within a reasonable timescale.
- 7.2 For the reasons set out in this report the Director of Environment and Neighbourhoods is of the opinion that the provision of a "Rent to Mortgage" scheme on the basis set out in this report will promote and/or improve the social, economic and environmental well-being of the area.

8.0 Recommendations

Members being satisfied that the implementation of a “Rent to Mortgage” scheme as set out in this report is likely to promote and/or improve the social, economic and environmental well-being of the area, Executive Board is asked to:

1. Approve the implementation of a “Rent to Mortgage” scheme as set out in this report.
2. Approve in principal the disposal of ten properties to East North East Homes Limited on the terms set out in this report so as to facilitate the implementation of the Rent to Mortgage scheme.
3. Approve the eligibility criteria for participation in the scheme as annexed to this report.
4. Delegate the ability to make changes to the eligibility criteria to the Director of Environment and Neighbourhoods.
5. Subject to all necessary consents being obtained delegate the settlement of detailed terms for the leases from the Council to East North East Homes Limited to the Director of City Development.
6. Delegate the approval of the terms of the Assured Shorthold Tenancy and the determination of the amount of the intermediate rent to the Director of Environment and Neighbourhoods and the Director of City Development.

9.0 Appendices

Appendix 1 – Proposed Eligibility Criteria

Appendix 2 – Options in respect of termination of AST

Appendix 3 – Map to show location of properties

10.0 Background Papers

Executive Board report “Support for the affordable housing and regeneration priorities”
13th Feb 2009

Executive Board reports titled East and South East Leeds Regeneration Area 2007

Appendix 1: Rent to Mortgage scheme – eligibility criteria

Priority	Criteria
	In priority order :
1.	applicants living in the EASEL area
2.	applicants whose immediate family live in the area who have lived there for over 12 months
3.	applicants employed in the EASEL area who do not earn more than £60,000 (joint income)
4.	applicants employed in Leeds who do not earn more than £60,000 (joint income)

And:

5.	must not be able to afford to buy a suitable property on the open market without assistance
6.	Must be able to afford 80% of the local market rent without further assistance eg housing benefit
7.	Applicants will be considered for a property that meets their current or intended housing need as determined through the Councils allocation policy.
8.	Applicants should make a commitment to enter home ownership through low cost home ownership products in the short to medium term (within 5 years) and be able to demonstrate how the discounted rent will enable them to save a deposit
9.	be a UK resident
10.	have a clear rent or mortgage account for at least the last 12 months and have a good credit history
11.	use the property as their only or principle home and not purchase as a “buy to let” or similar

Purchasers must not :

Appendix 1: Rent to Mortgage scheme – eligibility criteria

	Have been subject to action by Leeds City Council in relation to anti-social behaviour or be in breach of your current tenancy agreement
	Have a debt owing to the council
	Own or part own another residential property

Appendix 2 – Termination of Assured Shorthold Tenancies by the ALMO _ Illustration of some the risks.

Reason	Option (s)	Mechanism	Risk	Mitigation
Breach of tenancy for example as a result of non payment of rent or anti-social behaviour.	Terminate tenancy by service of a notice, obtain a court order, apply for a warrant and obtain possession of the property	Terminate tenancy by service of a Housing Act 1998 section 21 notice.	As tenancy can be terminated by serving a notice only and possession is mandatory. The tenant may dispute allegations and argue public law grounds that the decision to take possession is that which no reasonable authority would take).	<p>Ensure all prospective tenants are aware of the purposes of the scheme and limitation within which it will work.</p> <p>Ensure that decisions to terminate on breach of the tenancy agreement are taken having considered all the relevant facts.</p> <p>Consider having a review procedure prior to taking possession action.</p>
<p>Tenant unable to purchase within 5 year timeframe</p> <ul style="list-style-type: none"> - chooses not to purchase - loss of job - unable to secure mortgage 	1. Tenancy ended by service of a notice, obtain a court order, apply for a warrant and obtain possession of the property	ASTs offer protection for the first 6 months as a possession order cannot be made to take effect. It then becomes a	<p>Tenant may claim the authority has a duty to rehouse under the homelessness legislation.</p> <p>If tenant has complied with</p>	<p>The product is marketed as a rent to mortgage product which would be made clear at the point of accepting the tenancy.</p> <p>Annual review meetings</p>

		<p>periodic tenancy capable of being ended by service of s21 notice</p>	<p>tenancy terms but cannot afford to buy then likely that homeless duties owed particularly if children involved and/or an vulnerability issues.</p> <p>Tenant may raise arguments under the public law as outlined above</p>	<p>will be held with the tenants to review ability to purchase.</p> <p>Consider having a review procedure prior to taking possession action.</p> <p>Any homeless application considered in line with the relevant legislation.</p>
	<p>2. Allow tenant to remain in the property on a periodic AST for upto a maximum period of 12 months in exceptional circumstances where there is a reasonable prospect (supported by evidence) of the tenants circumstances changing in order to allow them to proceed with purchase .</p>	<p>Allow the AST simply to continue to run as a periodic AST.</p>	<p>Tenant wishes to stay in the property for a considerable period over and above that specified under the scheme.</p> <p>Tenant may raise arguments under the public law as outlined above</p>	<p>Ensure that each case considered on its merits and that discretion to allow an extension is taken in only in exceptional circumstances and where supported by appropriate evidence. The maximum period for an extension would be upto 12 months.</p>



Originator: R L Mills

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Report of the Head of Scrutiny and Member Development

Scrutiny Board (Environment and Neighbourhoods)

Date: 17th January 2011

Subject: Inquiry to Review Gypsies & Travellers Site Provision within Leeds – Draft Report

Electoral Wards Affected: All



Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

1.0 Introduction

- 1.1 Scrutiny Board (Environment and Neighbourhoods) has now completed its inquiry to review gypsies and travellers site provision within Leeds. The Board is now in a position to report on its findings and its conclusions and recommendations resulting from the evidence gathered.
- 1.2 A copy of the draft final report along with a summary of the evidence considered during the inquiry will be circulated shortly for consideration at today's meeting.

2.0 Consultation

- 2.1 Scrutiny Board Procedure Rule 14.2 states that "where a Scrutiny Board is considering making specific recommendations it shall invite advice from the appropriate Director(s) prior to finalising its recommendations. The detail of that advice shall be reported to the Scrutiny Board and considered before the report is finalised. The Director shall consult with the appropriate Executive Member before providing any such advice."
- 2.2 The appropriate Directors have been consulted and any comments or advice that is received will be presented to the Board meeting today.

3.0 Recommendations

3.1 The Board is requested to:-

- (i) Agree the Board's final report and recommendations.
- (ii) Request that a formal response to the recommendations is produced in line with normal procedures for scrutiny inquiry reports as set out in Scrutiny Procedure Rule 15.1.