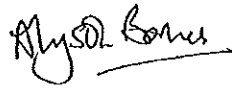


SPECIAL URGENCY DECISION

Leader of Council:
Councillor Alyson Barnes

Signature:



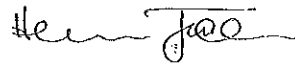
Chair of Overview and Scrutiny:
Councillor Jackie Oakes

Signature:



Decision Taker:
Councillor Helen Jackson

Signature:



Details of Decision and Reasoning:

Decision: That the Council agrees as a registered provider to purchase [REDACTED] via the mortgage rescue scheme at a cost of £56,315, which will be match funded with £49,940 Social Housing Grant from the Homes and Communities Agency, in connection with the final mortgage rescue application.

Reason for decision:

To support the last outstanding case for mortgage rescue before the funding is withdrawn completely. This is a one off decision to allow this case to proceed and to avoid re-possession and homelessness.

As the national mortgage rescue scheme is coming to an end, other registered providers are less willing to commit to ad hoc property acquisition in other areas.

Without the Council's support, the Homes and Communities Agency funding would be lost as it was withdrawn after the 30th September 2014.

Reason for Special Urgency:

The Council was given until 30th September 2014 to complete the negotiations associated with this case. A short extension has been agreed to secure the Council's agreement as a registered provider to purchase the property. The decision cannot be deferred until the next Cabinet meeting as the funding from the Homes and Communities Agency would no longer be available.

Decision to be taken by:

Head of Health, Housing and
Regeneration

Documents to be considered by the
decision taker:

Confidential report - not for publication
under Schedule 12A of the Local
Government Act 1972 Part 1 Paragraphs
1-3.

Implications:

Financial and Property implications –

The Council will be using internal
borrowing to finance the gap funding of
£56,315.

Subject to annual maintenance costs the
anticipated rental income will give a
repayment profile of c. 13 years.

Opportunity cost of lost interest over the
13 years is c. £500 pa.

Annual maintenance costs and
refurbishment should be anticipated and
provided for – this can be resolved by a
qualified surveyor's report. Any
subsequent provision will increase the 13
year payback period.

Status:

Not for publication under Schedule 12A of
the Local Government Act 1972 Part 1
Paragraphs 1-3 - Redacted

Date:

10/10/2014

NOTES

A Key Decision is defined as one that either:

- a) is, in value worth more than £100,000, or
 - b) has a **significant impact** because (for example) it either:
 - (i) affects individuals or organisations outside the Borough; or
 - (ii) will have a long term (more than 5 years) or permanent effect on the council or the borough.
1. Status - Is the issue an open and public matter or is it a private and excluded matter as described in Schedule 12 A of the Local Government Act 1972. If it is an open matter it is for publication. If it is a private matter it is not for publication and you state the reason why and the appropriate paragraph number of Schedule 12A.
 2. Implications – List any financial staffing and legal implications and remember to consult with legal, human resources and finance. Also consider implications such as LA21 Environment, Human Rights Act 1998. Equal opportunities, Community Safety, IT, Land and Property and Partnership Working.
 3. When the decision has been made and the form signed by the decision taker and the portfolio holder the form should be sent to the Committee Services Manager.

Responsible Officer: Cathy Lord

Title/Subject Matter: Mortgage Rescue Application - Alternative Proposals for the Final Case

Status: Private not for publication - redacted

Summary:

The Government set up the national Mortgage Repossession Scheme (MRS) in 2009 to allow owner-occupiers on the verge of repossession to be 'rescued' via purchase by Plumlife (part of Great Places Housing Association) and syndicated to a Housing Association thereby allowing them to become a housing association tenant.

Set criteria were attached to the scheme, which is administered by the Homes and Communities Agency (HCA), and which have become more restrictive over time as the funding allocation has reduced.

The Government closed the scheme to new applications at the end of March 2014. The Council is dealing with the final two applications in the pipeline.

Since the March submission deadline a great deal of work has been done to try and achieve a positive result for these two applicants, however a number of obstacles have arisen since this date which have been exacerbated by Plumlife. It is now clear that it is no longer possible for these properties to progress through Plumlife to transfer a traditional Housing Association. The HCA have imposed a final deadline of the 30th September to resolve all outstanding Mortgage Rescue cases. As it is no longer possible to progress through the tradition MRS process, an alternative solution is being sort as a matter of urgency. The deadline is the end of September 2014 for both purchases to be agreed with the mortgage lenders and to be with solicitors.

The properties are both 3 bedroom houses - [REDACTED]

Plumlife is unwilling to purchase both properties themselves, and despite being offered to other housing associations, no other Registered Provider (RP) has been willing to purchase them as they do not want to acquire ad hoc scattered properties this late in the closing scheme.

Plumlife (Great Places) are the contracted agency for the MRS in the North West, and as the scheme has approached an end, they have been more unwilling to take on these ad-hoc MRS properties across the whole of the North West, as they regard it as a management liability. Originally, they maintained that they did not have stock in Rossendale, but in fact they have a substantial affordable housing development programme agreed with the HCA, which the Council is supporting. That hurdle has been overcome, but sceptically, we feel that Plumlife have undervalued both properties, to increase the shortfall and therefore the amount to be met by the owner or to be written off by the mortgage company; both of which are likely to render the application unviable.

The MRS only allows for grant funding towards 90% of the valuation, and if the mortgage company are unwilling to write off any of the shortfall between that figure and the mortgage redemption figure, the owner has to meet the entire shortfall. In the case of [REDACTED] based on Plumlife's valuation, the shortfall is £18,960. In the case of [REDACTED] based on Plumlife's valuation [REDACTED], the shortfall is approximately £23,408.

Both applicants are in mortgage arrears and we have been able to negotiate and agree with the mortgage companies to withhold further legal action pending the outcome of the MRS applications.

Following discussions with the HCA, they have suggested that if the Council were to step in to use its RP status to acquire the properties instead of a more traditional RP, this would allow the application to proceed and to protect the social housing grant that would be attached to the property.

In order to investigate this option further the following actions have been taken:

1. Both properties have been re-valued by RBC's Estates Department, and by Pentlands.
2. A property inspection has been undertaken, and schedule of works developed to meet Decent Homes standard.
3. Shelter and CAB have undertaken a financial review for both applicants regarding affordability post rescue, based on rental payments and any housing benefit payable, and to assess whether applicants could afford to pay any shortfall.

As a result of this work, it has become apparent that the application from [REDACTED] [REDACTED] is not viable, as the applicant is unable to meet the significant shortfall payments (the property is in substantial negative equity due to re-mortgage) and the level of works required at the property to meet the owner's disability needs are too high.

With regard to [REDACTED] the applicant's details are as follows:

4. The Council originally submitted an application for MRS in 2011, but it was withdrawn due to a change in the applicant's financial circumstances. Following lengthy discussions with Plumlife they agreed that the Council could re-submit another application by the deadline end of March 2014.

6. The property has been adapted and further adaptations are currently in progress.

8. Plumlife's original valuation is [REDACTED] and the subsequent valuation by RBC Estates is [REDACTED].

The MRS Scheme was set up originally by the Government where there would be significant costs in the family being made homeless and the Council's temporary accommodation liability and further adaptations if the applicant was to be rehoused.

Following discussions with the HCA and in an attempt to safeguard the applicant's home using social housing grant and to achieve a cost effective and successful solution, the proposal is for the Council to step into the MRS Scheme, using its status as an RP, to access the Social Housing Grant (47% of the total cost of purchase and decent home works) from the Homes and Communities Agency, and to provide a short-term loan to meet remaining 43% (internal not to applicant) to allow the MRS rescue to go ahead; the loan will be repaid via the rental income, and the property could be sold at any stage to recoup any outstanding loan.

Implications: Financial:

1. [REDACTED]

Valuation	[REDACTED]
Purchase price (90% of the valuation)	[REDACTED]
Mortgage redemption figure approximately (tbc)	[REDACTED]
Owner to meet the shortfall of approximately	[REDACTED]
Decent Homes Works required approximately	[REDACTED]
Total acquisition costs	[REDACTED]
Social Housing Grant (47%) from HCA	£49,940
Short term loan required from the Council	£56,315 (at a suitable interest rate)
Rental income – 80% of market rent (£525) as per the Mortgage Rescue Scheme regulations	[REDACTED]
Ongoing management – this will involve day to day repairs only, with no voids or change of tenancy. This could be undertaken in house, or under a similar arrangement as the empty property housing management scheme for a set fee from the rental figure.	

Information taken into account:

Existing housing management scheme in operation managing empty property scheme across Pennine Lancashire. Including management costs, rental repayments and maintenance and repairs costs.

Options Considered:

1. Do nothing – the mortgage company has already indicated that all measures to avoid further legal action resulting in repossession have already been taken and therefore their intention is to pursue repossession if the Mortgage Rescue application fails. The applicant will be entitled to a priority homelessness application to the Council, which will involve a temporary accommodation duty, with a possible wait for suitable accommodation being available through BwithUs, and replicated disabled facility grant funded adaptations.

2. Look for alternative RPs – this has already been undertaken by Plumlife and has not been successful.

3. Take direct action as proposed.

Decision (with reasons):

The decision is to pursue the final MRS application for [REDACTED] with the Council acting as the registered provider to purchase the property at a cost of £56,315 (53% of the overall scheme costs) to be matched with £49,940 Social Housing Grant from the Homes and Communities Agency.