



**SERVICES FOR THE COMMUNITY POLICY DEVELOPMENT AND SCRUTINY PANEL**

**MORTGAGE TO RENT SCHEME**

**REPORT BY HEAD OF HOUSING CONSTRUCTION AND BUILDING SERVICES**

**A. PURPOSE OF REPORT**

To update the Panel on rental charges to be applied to new Mortgage to Rent properties following Scottish Government changes to the scheme, effective from 1 April 2015, and to clarify the rent to be applied to subsequent tenancies.

**B. RECOMMENDATION**

The Panel is invited to note:

- (1) the changes introduced by Scottish Government on 1 April 2015 which impacts on the level of subsidy paid to West Lothian Council;
- (2) that an individual rent will be calculated for each new Mortgage to Rent property, which will be lower than the Scottish Government benchmark rent applied prior to 1 April 2015 but higher than the local West Lothian average social rent to ensure that the scheme remains financially neutral for existing council tenants;
- (3) that when a former Mortgage to Rent property becomes available for subsequent tenancies, rents will default to the standard West Lothian Council applicable rent, based on location and size of property.

**C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Focusing on our customers' needs; being honest, open and accountable; making best use of our resources; working in partnership
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	Existing policy review.
<b>III Implications for Scheme of Delegations to Officers</b>	None
<b>IV Impact on performance and performance Indicators</b>	The scheme helps with council performance indicators in dealing with homelessness.

<b>V Relevance to Single Outcome Agreement</b>	We live in resilient, cohesive and safe communities. People most at risk are protected and supported to achieve improved life chances.
<b>VI Resources - (Financial, Staffing and Property)</b>	Provision has been made in the 3 year Housing Capital Programme of £600,000 per annum through to 2017/18.
<b>VII Consideration at PDSP</b>	Services for the Community PDSP March 2009, May 2009, June 2010, June 2012 and 3 March 2015.
<b>VIII Other consultations</b>	Legal and Financial Services.

## **D. TERMS OF REPORT**

**D.1** An update was provided to the Policy Development and Scrutiny Panel on 3 March 2015, on council participation in the Scottish Government's Homeowners Support Fund, Mortgage to Rent scheme. The scheme enables home owners to remain in their home, when faced with financial difficulties and repossession, by selling their home to a public sector landlord and becoming a tenant of that landlord.

A report to the Council Executive on 26 May 2015 indicated that 123 properties had been acquired under the existing Mortgage to Rent scheme (MTR), and summarised changes coming into effect. It was noted that from 1 April 2015 Scottish Government purchase subsidies would be calculated by reference to average rental charges for social properties within each local authority area, rather than by reference to a national benchmark rent. The consequent effect would be for a greater subsidy to be awarded by Scottish Government and lower rents for prospective MTR tenants.

It was noted in the Council Executive report that an average social rent for West Lothian would be applied to new MTR properties and for subsequent tenancies.

### **D.2 Current Position**

The revised scheme has now been in operation for a number of months. It is noted that the revised scheme does attract a marginally higher purchase subsidy from Scottish Government, but also that the subsidy level is capped at a maximum of 60% of the purchase price. Given the capping arrangement, if the council applies the average social rental figure (i.e. the same rental figure used by Scottish Government to calculate the purchase subsidy) to the prospective MTR tenancy, a funding shortfall is created which will require to be met from within the Housing Revenue Account (HRA).

The MTR scheme should be financially neutral for existing tenants. It is therefore proposed that the rent should be individually calculated for each new MTR property, taking into account the new funding arrangements and purchase subsidy level, to ensure that there is no detrimental impact on the HRA. The rent level applied to new MTR tenancies will be lower than the Scottish Government benchmark rate applied prior to 1 April 2015, but is likely to be marginally higher than the average social rental figure within the local authority area.

It is further proposed that for subsequent tenancies, where the former MTR property becomes available for future tenants, then the rent defaults to standard West Lothian Council average rent for that property size and location.

Appendix 1 provides an example of how it is proposed to calculate the rent for new mortgage to rent properties.

## **E. CONCLUSION**

The mortgage to rent scheme provides a valuable safety net for a number of owner occupiers who, for a variety of reasons, get into serious financial difficulties and face repossession. The changes to the scheme introduced by Scottish Government on 1 April 2015 continue to be welcomed.

However, as outlined in this report, it is necessary to consider the rent level to be applied to new MTR properties to ensure that there is no detrimental impact to the HRA and existing tenants. It therefore proposed that the rent level for each new MTR property is calculated individually to ensure that the scheme remains financially neutral to the HRA. It is also recommended that where a former MTR becomes available for subsequent tenancies, that rents default to the average West Lothian Council level, according to property size and location.

## **BACKGROUND REFERENCES**

- F.** Services for the Community PDSP 3 March 2015 Council Executive August 2012 - The Future of Right to Buy in Scotland; A Consultation.

Scottish Government web site "Homeowners Support Fund"

Appendices/Attachments: One

Contact Person: Colin Miller, Housing Strategy and Development Manager, 01506 281379

Email: [colin.miller@westlothian.gov.uk](mailto:colin.miller@westlothian.gov.uk)

**Alistair Shaw,**

**Head of Housing, Construction and Building Services**

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