

**ANGUS COUNCIL**

**COMMUNITIES COMMITTEE – 14 NOVEMBER 2017**

**MORTGAGE TO RENT SCHEME**

**REPORT BY HEAD OF HOUSING, REGULATORY AND PROTECTIVE SERVICES**

**ABSTRACT**

This report seeks approval for Angus Council to participate in the Home Owners Support Fund's Mortgage to Rent Scheme.

**1. RECOMMENDATIONS**

It is recommended that the Committee:

- (i) Agrees that Angus Council should participate in the Home Owners Support Fund's Mortgage to Rent Scheme
- (ii) Agrees that purchases and related costs can be funded from an appropriate funding source to be identified from within existing resources on an ongoing basis.
- (iii) Delegates authority to the Service Manager (Housing), to approve the purchase of suitable properties.

**2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/COPORATE PLAN**

This report contributes to the following local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016:

- Angus is a good place to live in, work in and visit
- Individuals are supported in the own communities with good quality services

**3. BACKGROUND**

- 3.1. The Scottish Government's Home Owners Support Fund's (HOSF) Mortgage to Rent (MTR) scheme for social landlords was launched in April 2015. The MTR scheme aims to help home owners who are in financial difficulty and in danger of being made homeless remain in their home by selling it to a social landlord. In return, the home owner receives a secure tenancy from the social landlord.
- 3.2. To date only a small number of social landlords have signed up to the scheme, with only two other landlords currently participating in Angus. In 2016/17, there were 45 homeless applications from homeowners citing mortgage debt and imminent repossession proceedings. Given the volume of repossession cases it is likely that HOSF could assist a number of homeowners in Angus.

**4. PROPOSALS**

- 4.1 The Council is not currently registered to participate in the MTR scheme however there are a number of recognised benefits for Angus Council by participating:
  - We can use the scheme to expand our housing stock at a discounted price (compared to purchasing properties on the open market or through our new build programme) as the Scottish Government will pay a subsidy of up to 60% of the purchase price for a property;

- We can claim a repairs costs subsidy (up to £8500) for bringing the property up to the Scottish Housing Quality Standard (SHQS). We can claim for SHQS repairs, as well as electricity and gas checks and repairs;
- We can avoid homelessness costs in the event of property repossession;
- There is no obligation to purchase a property that the Scottish Government (HOSF team) refer to us;
- This is a voluntary scheme and we are free to join or leave at any time;
- We can claim abortive costs (up to £750) if an application is withdrawn by any party (including Angus Council); and
- We can repurchase desirable ex-council stock.

4.2 It is therefore proposed that Angus Council should participate in the Home Owners Support Fund's Mortgage to Rent Scheme to purchase properties at risk of repossession, as an additional and effective tool to help prevent homelessness in Angus when there is capacity within funding resources.

4.3. Potential risks we may encounter include:

- The problems of multiple debt or the complexities in the case can affect the financial viability and this can involve the requirement for other loans to be discharged by lenders. As a result timescales can be longer, which increases costs for the applicant who is already in financial difficulty;
- There can be excessive repair costs due to the property having been neglected. Very often these costs are above the repairs subsidy of £8,500 which can lead to a reduction in, or the complete removal of, any equity in the property.

4.4 These potential risks will be managed in the policy and procedural guidance, and will inform the final decision whether to proceed with each purchase.

## 5. FINANCIAL IMPLICATIONS

5.1. Purchases and related costs can be funded from an appropriate funding source within existing resources including the Home Owners Support Fund, the Capital Programme, the Affordable Housing Revenue Account and the Affordable Housing Account.

5.2. Operating costs (management and maintenance) would be marginal and absorbed within existing resources. The capacity to claim up to £8500 subsidy for repairs should minimise maintenance costs. Repairs in excess of £8,500 can be funded from other sources, including any equity to be returned to the homeowner or trustee following the sale; a third party; or by us.

5.3. Should the purchase price be lower, the assumed financial requirement will be lower. This is likely to be demonstrated in Angus property prices, especially ex-local authority stock.

**NOTE:** No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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List of Appendices: Appendix 1 - Home Owners Support Fund: Mortgage to Rent Scheme Policy and Procedure