

DRAFT CASH TO LEAVE POLICY

1. Introduction

West Lancashire Borough Council has a limited supply of family sized accommodation when compared with the demand expressed by our Council House Register. The main need is for family houses of two bedrooms or more. The Council has therefore adopted a Cash to Leave Scheme.

Under this scheme, council tenants who are giving up these types of accommodation are eligible for a cash payment towards the purchase of a property on the open market that meets their household needs subject to the criteria mentioned below. This frees up accommodation for the Council to let to applicants in need of family housing from the Council Housing Register.

2. Eligibility

The Cash to Leave Scheme is available to tenants who meet the following:

- Have been a secure tenant of West Lancashire Borough Council for a minimum of three years.
- Have not been in receipt of Housing Benefit for at least 12 months consecutive months
- Occupy a general needs family house with two or more bedrooms
- Have maintained a clear rent account for at least 3 months and keep it clear up to and including the date of completion.
- Are up to date with other Council payments such as Council Tax.
- Agree to provide vacant possession of their present home on the date of completion of the purchase of your new home.
- Agree to purchase jointly a new home, if you have a spouse or partner who normally resides with you.
- Must be the purchaser or joint purchaser of the property for which the Grant will be paid
- Would not be able to purchase a property without the Cash to Leave Incentive Grant from the Council
- That the heads of the household collectively have sufficient income to maintain a mortgage on the property for which the Cash to Leave Incentive Grant will be paid
- Agree to provide evidence of savings and investments regarding your household income in order to demonstrate the potential to purchase a property on the open market.
- Agree that all adult members of the household will sign an authorisation giving this Council permission to confirm the details provided on their Cash to Leave Scheme application form.
- Agree that the property will be for their sole use and occupation and will be their principal home.

- Agree to a charge being attached to their property in connection with repayment of Cash to Leave Grant in accordance with the requirements of paragraph 7.

NB: If the tenant has savings, the first £3,000 will be disregarded to allow for legal and other fees. The tenant must be able to afford the mortgage, stamp duty, building insurance and legal fees.

3. Ineligibility

A Cash to Leave Scheme Grant will not be available to people who:

- Are subject to a possession order
- Have been served with a Notice of Seeking Possession for anti-social behaviour or a Notice Seeking Possession or Demotion has been served on the tenant in the last 12 months, the tenants are in rent arrears or court proceedings are ongoing, unless dispensation has been granted by Executive Manager Housing & Property Maintenance Services, in consultation with the Portfolio holder
- Hold an introductory tenancy or are licensees
- Have previously received a Tenant Incentive Scheme grant payment or Cash to Leave Grant
- Applications will not be accepted where one of the household member(s) is on the Council Housing Register and may become homeless if the tenant moves following a successful Cash to Leave Grant application.

4. Tenant responsibility and future rehousing by the Council

The Council needs to satisfy itself that a tenant applying to the scheme is eligible and will consider household income and expenditure, along with savings and investments as part of that process.

The tenant(s) however, will be expected to take the full responsibility of making an informed decision before proceeding with the scheme. Tenants should seek advice on initial payments and financial commitments that homeownership involves such as stamp duty, solicitors fee, surveyor, mortgage, life insurance, content and building insurance.

Tenants should be aware that, should they subsequently lose the home that was purchased using a grant from the Cash to Leave Scheme, they may be considered "intentionally homeless" and will not be eligible for re-housing by the Council if the loss of the accommodation is due to any deliberate act or omission by the applicant, which subsequently causes the loss of the accommodation, and assuming it was reasonable to continue to occupy the accommodation. Such a deliberate act or omission would include non-payment of the mortgage repayments, where the Council is satisfied that the applicant had the means to meet the repayments, or any other deliberate breach of the terms of the mortgage.

5. Incentive Payments

An incentive payment of up to £15,000 will be paid to bridge the gap between what you can afford to borrow and the cost of a property of the size and type that is appropriate for your household. In low value areas the incentive payment made by the Council will not be greater than 20% of the open market value of the property or £15,000 whichever is the lower.

NB: The Cash to Leave Scheme Incentive payment will not be paid direct to the tenant.

6. Budget Limits

The above payments will be subject to budget limits and fund availability.

The council reserves the right to reduce the payments above by:

- The amount of rent arrears owed to the council at the time of transfer; and/or
- The cost of any works that the council has to undertake to the vacated premises as a result of damage or neglect on the part of the tenant and/
- Any other reinstatement works to bring the work back to the Council lettable standard, that are not regarded as fair wear and tear and/or
- Any outstanding court costs

Payments will be authorised once the tenant has moved and following an inspection of the vacated property.

Applicants **must** be registered on the scheme **before** a move takes place for a payment to be authorised.

7. Time Limits

Once an applicant has been accepted on the Scheme they will be expected to locate and purchase a property as speedily as possible. This is because a potential grant payment will be reserved and held back and will not be made available to any other applicant until a property sale has been completed or the applicant is removed from the scheme by the Council.

The Council reserves the right to remove any accepted applicant from the scheme if it is of the opinion that the applicant is not making sufficient headway in locating an appropriate property for their household. The Council will not be liable for any fees incurred by the applicant. As a guide the following will be considered:

Stage	Time Period Allowed
Obtain mortgage offer and locate a property	4-7 weeks
Offer made	2 weeks
Commission Building Surveys and review reports and decide whether to proceed or renegotiate purchase price	3 weeks
Completion of remaining legal activity, searches and exchange of contracts etc,	4-8 weeks

7. Repayment of the Grant

Repayment of grant is required should the property that was purchased by using the Cash to Leave Grant be sold in accordance with the time scales shown below.

Period of time from completion of purchase	Percentage of Cash to Leave Grant to be paid back
1 year	100%
2 years	75%
3 years	50%
4 years	25%
5 years and over	0%

8. Property Type and Bed Size

Tenants can select a residential property on the open market, provided that it is:

- Immediately habitable
- Acceptable for mortgage purposes
- A suitable size for your household

The Cash to Leave Scheme will not assist in the purchase of:

- A commercial property
- A property at auction
- A mobile home
- A plot of land on which to build
- A property requiring renovation that is not immediately habitable
- A Shared Ownership property
- A property belonging to someone else being purchased under Right to Buy

In terms of bed size, the property purchased by the tenant must meet the households bedroom requirements. The Scheme will allow for one additional bedroom over and above the household bedroom requirement.

9. Property Location

There are three distinct housing market areas within West Lancashire each with varied house price ranges. These are described as:

- Former new town of Skelmersdale
- Market Town Areas of Ormskirk, Aughton and Burscough
- Rural Settlements

The Council is keen to see an increase in home ownership in all parts of the Borough, however within Skelmersdale home occupation rates is disproportionate to the rest of the Borough. With that in mind the following will apply when a tenant is identifying a property that they would like to purchase.

Tenants Existing Council Home	Can Purchase in
<ul style="list-style-type: none">• Former new town of Skelmersdale	<ul style="list-style-type: none">• Former new town of Skelmersdale
<ul style="list-style-type: none">• Market Town Areas of Ormskirk, Aughton and Burscough	<ul style="list-style-type: none">• Former new town of Skelmersdale• Market Town Areas of Ormskirk, Aughton and Burscough
<ul style="list-style-type: none">• Rural Settlements	<ul style="list-style-type: none">• Former new town of Skelmersdale• Market Town Areas of Ormskirk, Aughton and Burscough• Rural Settlements

10. Mortgage Affordability and Term

Mortgage repayments vary with interest rates, which can rise. When considering home ownership a Building Society or Bank can advise on the maximum amount that can be borrowed subject to financial status (as a rough guide this is normally three times a single income or four times joint income and sometimes higher in certain circumstances). The Council does not recommend obtaining maximum mortgages as the household becomes more financially exposed should mortgage interest rates rise or there is some other unexpected household expense.

Strategic Housing Market Assessment (SHMA) Practice Guidance Version 2, issued by Department for Communities and Local Government: in August 2007 suggests that a household can be regarded able to afford to buy a home if it costs 3.5 times the gross household income for a single earner household or 2.9 times the gross household income for dual-income households.

The Cash to Leave Scheme will use the SHMA guidance as an assessment criteria when determining a households eligibility for the scheme.

It is recommended that a mortgage term of no more than 25 years be accepted.

11. Property Inspections

A pre-transfer inspection will be carried out once the Council has received your Cash to Leave Grant application form. This will help, in part, determine if there are any likely issues that may impact on the size of Cash to Leave Grant payment. E.g. the need to remove non fire retardant ceiling tiles.

12. Financial Resources

The budget available for the existing scheme is currently £216,000. The scheme will be kept under review and the need for any additional funding will be dealt with as part of the annual budget setting process.

13. Applications & Assessment

Applicants must complete a housing application form and Cash to Leave Scheme Application Form available from the Voids and Allocations Team

Once an applicant has been accepted onto the scheme they will be given a welcome pack with details of the various phases of the process.

14. Voids and Allocations Team

The Scheme will be administered by the Voids and Allocations Team based at Sandy Lane Offices, Skelmersdale. Contact details:

Voids & Allocations Team
Housing Services Division
P.O. Box 16
52 Derby Street
Ormskirk
L39 2DF

E-mail: voidsandallocationsteam@westlancs.gov.uk
Tel: 01695-577177

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Example

If you earn enough to borrow £80,000 (your mortgage potential) but the property you want to buy is £95,000, then the Council will may be able to assist you with a cash grant of £15,000 to bridge the gap.

<i>i.e</i>	<i>Cost of the property</i>	<i>£95,000</i>
	<i>Mortgage potential</i>	<i>£80,000</i>
	<i>Grant required</i>	<i>£15,000</i>

NB. The amount of grant given does also depend on a number of other factors such as:

This depends on –

- How much you can afford to borrow.
- The size and cost of property needed to accommodate your family.
- Size and condition of the property you vacate.
- The overall sum available to the Council in any one year.