

BROMSGROVE DISTRICT COUNCIL

EXECUTIVE CABINET

DATE 4th July 2007

AFFORDABLE HOUSING UNDER THE HOMEBUY SCHEME

Responsible Portfolio Holder	Cllr P. Whittaker
Responsible Head of Service	Dave Hammond

1. SUMMARY

- 1.1 The report outlines the Government's Homebuy Scheme that is operated in Herefordshire and Worcestershire by West Mercia Housing Group under which a grant subsidy in the form of an equity loan is given to allow first time buyers to purchase a home on the open market at 75% of its market value. A limited amount of Government grant is available to support the scheme over the period of 2006 – 2008.
- 1.2 An opportunity arises for the availability of the scheme to be extended when the government funding has been exhausted by the Council contributing grant that would be match funded by the RSL operating the scheme.
- 1.3 The report offers the opportunity for the Council to approve the scheme in principle for funding from the Council's Strategic Housing Capital Programme in the absence of demand for funding for new build shared ownership schemes. If approved, the scheme would only be funded in the event of there being applicants wishing to take up the scheme after the government funding has been exhausted.

2. RECOMMENDATION

- 2.1 **That the Bromsgrove Homebuy Scheme be approved as a scheme to receive local authority grant in the event of there being funding remaining available within the approved housing capital budgets and there being a demand from Bromsgrove applicants after government financial support to the scheme has been exhausted.**

3. BACKGROUND

- 3.1 West Mercia Housing Group is the Government's appointed agency for the operation of the Homebuy Scheme in Herefordshire and Worcestershire.
- 3.2 The Homebuy Scheme allows first time buyers to access the private housing market by purchasing a dwelling at 75% of market value. Under the scheme, the Registered Social Landlord (RSL) operating the scheme provides the interest free 25% equity loan secured by a charge against the property. The owner benefiting under the scheme has to repay the 25% loan within a 10 year period based upon open market value at the time. The maximum purchase price for a dwelling to qualify under the scheme is £165,000.
- 3.3 Whilst the scheme will still not be affordable to many housing applicants it can provide a viable option for a number of people struggling to get onto the property ladder and whose future income prospects would allow them to repay the initial subsidy within 10 years or move on to alternative housing. Housing needs studies at both local and South Housing Market Area level indicate a significant demand for intermediate housing solutions of this nature.
- 3.4 Government funding has been allocated to West Mercia Housing Group to enable up to 135 completions across Herefordshire and Worcestershire over the two year period up to March 2008. The scheme has been suspended during part of the last financial year whilst the Government was introducing changes to the original scheme by bringing in additional private funding and introducing the 10 year pay back clause. Accordingly marketing has been delayed. However in Bromsgrove the scheme has to date, delivered 3 completions, 15 firm offers of assistance and has a waiting list of 24 applicants expressing an interest in the scheme.

4.0 AN OPPORTUNITY TO EXTEND THE HOMEBUY SCHEME IN BROMSGROVE

- 4.1 There is an opportunity to extend the scheme in Bromsgrove if there is continuing demand after the government funding has been exhausted. West Mercia Housing Group is prepared to match fund 12.5% of the grant subsidy required for each completion if the Council agrees to also fund 12.5% of the loan cost.
- 4.2 On a dwelling being purchased at the price ceiling (allowed under the scheme) of £165,000 the 25% subsidy would be £41,250. Under the proposed extension to the scheme, the RSL would fund £20,625 (12.5%) and BDC would fund £20,625 (12.5%). Under the 10 year payback clause, or in the event of the dwelling being sold, 12.5% of the market value at the

- time of payback or sale, would be repayable to the Council or ring fenced and recycled for further investment in the scheme.
- 4.3 For each completion administered by the RSL, the Council will be charged £1,000 administration fee.
 - 4.4 The maximum grant subsidy per completion would therefore be £21,625.
 - 4.5 Three neighbouring authorities within Herefordshire and Worcestershire have approved funding additional units through this scheme outside of the existing government funding.
 - 4.6 For the reasons set out under 'financial implications' below it is recommended that the scheme be approved for introduction only when all government support has been exhausted and again only in the event of there being spare capacity within the approved strategic housing capital budget if not required to supplement new build schemes being worked up by our partner RSLs in readiness for the 2008 – 2011 Housing Corporation bidding round.

5.0 FINANCIAL IMPLICATIONS

- 5.1 As set out above at 4.2 to 4.4 the maximum cost to the Council per completion would be £21,625.
- 5.2 The grant funding would be re-cycleable at 25% of market value at the time of sale or repayment within 10 years.
- 5.3 There is competition for the Council's Strategic Housing Capital Programme budgets. For 2007/08, £740,000 of the £777,000 capital budget available for supporting rented housing schemes has been committed to the Hostel Remodelling programme. Accordingly for 2007/8 their only remains £37,000 for rented housing. In addition there is a budget of £182,000 approved to support low cost housing schemes (shared ownership and fixed equity schemes)
- 5.4 However, a number of new affordable housing schemes are currently being worked up in preparation for the Housing Corporation's next bidding round (2008 – 2011) and accordingly the funding remaining (as detailed at 5.3 above) may be required to help support bids through jointly commissioning new schemes. Accordingly it is recommended that at this stage the funding that remains available should not be utilised to support the extension of the Homebuy scheme until it is clear what competing demands there will be to supplement other new build schemes being worked up.

- 5.5 However, members are asked to approve this scheme for the application of any approved housing capital funding remaining unallocated to new build schemes later in the financial year.

6. LEGAL IMPLICATIONS

- 6.1 Implementation of the scheme would require a legal agreement to be drawn up between the Council and West Mercia Housing Group.

7. CORPORATE OBJECTIVES

- 7.1 The scheme addresses Objectives 1, 2 and 3 by supplementing the availability of affordable housing, improving the availability and access to private sector housing and indirectly assisting in addressing homelessness by taking the pressure off the demand for social housing.
- 7.2 By implementing this scheme, the Council will be making better use of the housing market as a whole. The district has witnessed an increase in the market value of properties in recent years leading to an unbalanced housing market where only the more affluent can afford to buy. The proposed scheme would go some way to realigning these inconsistencies by making private property more affordable to lower income households.

8.0 CUSTOMER IMPLICATIONS

- 8.1 Improved customer service by enabling a wider range of housing options to be made available and to potentially be able to assist applicants who would otherwise be unable to benefit from the government subsidised Homebuy scheme.

9. OTHER IMPLICATIONS

Procurement Issues West Mercia Housing Group is the Government appointed agent for operating the National Homebuy Scheme which the proposed scheme would be an extension of.
Personnel Implications None as scheme will be administered by West Mercia Housing Group.
Governance/Performance Management N/A
Community Safety including Section 17 of Crime and Disorder Act

1998 N/A
Equalities and Diversity West Mercia Housing Group operates an Equalities and Diversity Policy.

10. **OTHERS CONSULTED ON THE REPORT**

Portfolio Holder	Yes
Acting Chief Executive	Yes
Corporate Director (Services)	Yes
Assistant Chief Executive	Yes
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal & Democratic Services	Yes
Head of Organisational Development & HR	N/A
Corporate Procurement Team	N/A

11. **BACKGROUND PAPERS**

None

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