

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO HEALTH & HOUSING COMMITTEE

DECISION

meeting date: THURSDAY, 26 OCTOBER 2023
title: ASSISTED PURCHASE SCHEME
submitted by: DIRECTOR OF ECONOMIC DEVELOPMENT AND PLANNING
principal author: RACHAEL STOTT, HOUSING STRATEGY OFFICER

1 PURPOSE

- 1.1 To update Committee on the previously approved equity share scheme and to seek approval to take the scheme forward, renamed as an Assisted Purchase Scheme across the whole Ribble Valley.
- 1.2 The intention of for the scheme to assist first time buyers to access the housing market, through the availability of a loan which would be registered as a charge on the property.
- 1.3 Relevance to the Council's ambitions and priorities
 - Community Objectives – To meet the affordable housing needs of all households in the borough.
 - Corporate Priorities - To match the supply of affordable homes with the identified needs.
 - Other Considerations – None.

2 BACKGROUND

- 2.1 In 2004 Ribble Valley Borough Council launched the Homebuy scheme to help first time buyers access the housing market. RVBC offered upto 25% as a loan towards the purchase of market properties against the maximum purchase price of £180,000. The loan was not interest bearing but was payable on the sale of the property. The authority would expect to receive 25% of the open market value at the point of sale. If the property market was increasing at the time of the sale, the authority could expect to make a gain on its original investment. However, there is the risk that if the property market was in decline, the return may be less than the original loan.
- 2.2 In 2004 Ribble Valley Borough Council helped 8 first time buyers access the housing market through the scheme when a waiting list was in operation. In the current climate with lenders insisting on more than 10% deposits, the proposal is to run the scheme again. The scheme is not just about assisting those who do not have a deposit, applicants must demonstrate that their income alone does not allow them to purchase the property at its current open market value.
- 2.3 A report to Health and Housing Committee March 2022 detailed the receipted commuted sum monies received across the borough. With exception of Longridge sum the individual amounts stem from a variety of sites ranging from £60,000 contribution to £274,000.
- 2.4 The report recommended replicating the Homebuy scheme delivered in 2004, with an equity share scheme utilising the £422,130.00 of S106 contributions. Committee in March 2022 resolved to:

- Ask officers to explore the equity share option to enable residents of the Borough to get a first step on the housing ladder which is similar to schemes provided by Central Government and agree the principles of the scheme policy as outlined in the report. The policy will be brought back to the next Committee for information.
- Agree to utilising the receipted commuted sums as follows:
 - a) Land at Chatburn Old Road, Chatburn – deliver an Equity Share option for first time buyers in Chatburn
 - b) Land at East of Clitheroe Road, Barrow and Peel Park Ave, Clitheroe – deliver an Equity Share option for first time buyers in Barrow
 - c) Land at Church Raikie, Chipping and Buildings and Land at Dog and Partridge, Hesketh Lane, Chipping – on receipt of all the commuted sums from the two schemes: deliver an Equity Share option for first time buyers in Chipping.

2.5 There has been a delay in bringing forward this proposal due to the difficulty in securing advice as to a necessary financial regulation of the scheme. However, since that date advice has been provided by Homes England, Cheshire East Council (who have delivered an identical scheme and plan to do the same again using commuted sum monies) and the Financial Conduct Authority. All these parties agreed that delivering the scheme is an option for the RVBC.

3 PROPOSAL

3.1 To progress the previously approved scheme although to rename it to Assisted Purchase Scheme (to avoid confusion with other schemes in the market). The Scheme will be made available to all first-time buyer households to enable them to access the housing market. Full details of the proposed eligibility criteria is below.

3.2 The scheme is to enable access to existing stock in the borough and to allow choice for first time buyers. First time buyers can use the scheme to choose a property rather than rely on affordable housing on new build sites.

4. SCHEME ELIGIBILITY CRITERIA

4.1 The following scheme criteria is proposed.

House Value: The assisted purchase scheme maximum house price value is £240,000.

The maximum assistance £24,000 per application
This is converted into a percentage and registered as a land charge.

Income: Max income for a couple is £80,000
Max income for a single person is £60,000

Council tax bands must be between A-D
House size for a couple must be a 2 bed
House size for a family 3 bed

Financial assessment: A mortgage in principle would be required to progress with the scheme which would set out the financial circumstances of the applicant and the amount required from the scheme.

4.2 Local connection will follow the approved definition as attached at Appendix 1. Applicant must sign a declaration that the property will remain their sole residence and cannot be rented out. An affordability assessment will be carried out which will require details of all savings, income and assets. Any offer of assistance is at the discretion of RVBC.

4.3 Worked example, a terraced property is on the market for £178,000. First time buyer with a local connection, working and earning £42,000 as their income and want to purchase. They have had a mortgage offer of £147,000.00 and have savings of £11,420. RVBC offers £19,580.00, through the assisted purchase scheme which is then converted to 11 % of the total value. Therefore, a land registry charge of 11% would be registered and at the point of resale would be repaid back to RVBC.

4.4 It is proposed to add a £350 administrative charge to each grant processed.

5. GEOGRAPHICAL CONSIDERATIONS

5.1 The resolution at Committee in March 2022 approved delivering the scheme in the parishes from which the commuted sum money was collected.

5.2 Further consideration of this at the Strategic Housing Working Group on 11 October 2023 identified that this could cause difficulties in delivering on a parish footprint and agreed a borough wide Assisted Purchase Scheme was a better option and would benefit all first time buyers across the borough. As such the Working Group has recommended that the Assisted Purchase Scheme be offered Borough wide.

6. RISK ASSESSMENT

6.1 The approval of this report may have the following implications.

- Resources – The total commuted sum monies is £ 422,130. This will deliver a maximum of 18 assisted purchase grants. The spend will be monitored monthly and all approvals reported to Committee.
- Technical, Environmental and Legal – There will be considerable input in staff time to process the grants which will require legal input. Hence there will be a £350 administrative charge for the completion of each grant.
- Political – Providing assistance for first time buyers in the housing market is a priority for the Council. This scheme allows first time buyers to choose a property as opposed to most other affordable housing schemes which are delivered through new build sites. Utilising the commuted sum monies is essential and this scheme will ensure the monies is committed to an affordable housing delivery.
- Reputation – The scheme will be promoted across the borough and advertised to encourage uptake.
- Equality & Diversity – The scheme will be available to all and promoted to ensure first time buyers in areas in the borough particularly those with limited affordable housing options.

7 RECOMMENDED THAT COMMITTEE

- 7.1 Approve proceeding with the delivery of the Assisted Purchase Scheme (changed from Equity Share Scheme) across the borough, in accordance with the criteria set out within section 4.
- 7.2 Confirm that the scheme can be made available to first time buyers across the borough and not limited to the parishes where the S106 monies were collected.
- 7.3 Agree to the inclusion of a £350 administration charge per grant.
- 7.4 Request that Officers provide updates to Health and Housing Committee in respect of the uptake and any issues with delivery of the scheme.

RACHAEL STOTT
HOUSING STRATEGY OFFICER

NICOLA HOPKINS
DIRECTOR OF ECONOMIC
DEVELOPMENT AND PLANNING

For further information please ask for Rachael Stott, extension 3235.

Appendix 1

Ribble Valley Local Connection

Local connection in the Ribble Valley is defined as:

- a) currently living in the Borough for more than 10 years;
- b) currently living in the Borough and have done so continually for between 5 to 10 years;
- c) currently living in the Borough and have done so continually for a minimum of 12 months;
- d) currently permanently employed in the Borough for a minimum of 12 months and are employed for a minimum of 18 hours per week paid or unpaid; or
- e) persons who at least one of the adult applicants have next of kin who have lived in the Borough continually for a minimum of five years. Next of kin for the purposes of this clause shall be defined as mother, father, brother, sister or adult dependent children;
- f) persons who are former residents of the Borough who have moved from the borough because of a lack of affordable housing in the borough.