



REPORT TO: Cabinet

DATE: 23rd August 2006

DEPARTMENT: Department of Community Services

REPORTING OFFICER: Director of Community Services
(Khyati Prajapati – Rural Housing Enabler)

SUBJECT: **Homebuy Plus – development of an equity loan scheme for buyers in the Golden Triangle area.**

WARD/S AFFECTED: All

FORWARD PLAN REF: 07/06/DCS138

1.0

PURPOSE OF REPORT

- 1.1 To provide Cabinet with an overview of the Homebuy Plus scheme, which helps people who cannot afford to purchase a property on the open market.
- 1.2 To request that Cabinet approves a Golden Triangle Home Buyers Plus Policy (please see Appendix 1).
- 1.3 To request delegation to Leeds City Council (LCC) to act as banker for the Homebuy Plus scheme. This involves LCC making equity loans to a Registered Social Landlord (RSL) to enable first time buyers in housing need in the Harrogate District to buy a home on the open market.
- 1.4 Legal Services and Financial Services have been consulted in the preparation of this report.

2.0

RECOMMENDATION/S

- 2.1 Cabinet approves the Golden Triangle Home Buyers Plus Policy in Appendix 1 to this report.

- 2.2 Cabinet delegates authority to LCC to act as banker, in accordance with Harrogate Borough Council's Golden Triangle Home Buyers Plus Policy.
- 2.3 That Cabinet delegates authority to the Director of Community Services to authorise LCC to administer the tender process on behalf of the Partnership, to sign the delegation arrangements and contract documentation on behalf of this Council.

3.0 RECOMMENDED REASON/S FOR DECISION/S

- 3.1 The Golden Triangle Partnership has developed an equity loan scheme, of which a pilot was successfully undertaken in 2005/06. It enables those on the Council's housing list who otherwise could not afford to buy a home on the open market, to do so.
- 3.2 The Department for Communities and Local Government encourages partnership working and innovation to meet demands for affordable housing.

4.0 ALTERNATIVE OPTION/S CONSIDERED AND RECOMMENDED FOR REJECTION

- 4.1 Not to support the Golden Triangle Home Buyers Plus Policy. This will result in the Homebuy Plus scheme not proceeding in the Harrogate District.
- 4.2 Not to delegate authority to LCC to act as banker for the Homebuy Plus scheme. This is rejected, as a nominated banker is needed to draw funds from the Regional Housing Board (RHB). LCC is best placed to do this.

5.0 THE REPORT

- 5.1 The Golden Triangle is a partnership between housing and planning professionals from LCC, City of York Council, Harrogate Borough Council and housing professionals from two RSLs: Home Housing Association and Yorkshire Housing Association.
- 5.2 The Homebuy Plus Steering Group is a sub-group of the Golden Triangle Partnership whose purpose is to set up the Homebuy Plus scheme. The sub-group comprises of the Golden Triangle's project manager and officers from LCC, Harrogate Borough Council and City of York Council.
- 5.3 The Housing Corporation, Government Office for Yorkshire and the Humber and Yorkshire Forward also provide an advisory role to the Partnership.
- 5.4 The Partnership was successful in securing £7.5m grant funding for years 2005/6 to 2010/11 from the RHBs transformational funding, to assist and increase the mechanisms available for the delivery of affordable housing within the Golden Triangle (Harrogate, York and North Leeds).
- 5.5 The funding is awarded on an annual basis. The first year's funds, £500k in

2005/06, funded a pilot Homebuy Plus scheme administered by Joseph Rowntree Housing Trust and proved highly successful. The scheme helped eight applicants in housing need to afford to buy a suitable home on the open market by providing them with either a 35% or 45% equity loan. Of these, seven were applicants local to the Harrogate District.

- 5.6 A person can sell their home at any time, at which time they must repay the loan as a percentage share of the market value of the property at the time of repayment. The Partnership's share of the equity loan and any proceeds will be recycled through the administering RSL on a similar or other low cost home ownership scheme within the Golden Triangle area.
- 5.7 The second year's funds, £1,000,000 in 2006/07, will again be used to fund a Homebuy Plus scheme.
- 5.8 The Homebuy Plus Steering Group is currently in the process of procuring for a suitably qualified organisation, a RSL, to administer and invest in the Homebuy Plus scheme.
- 5.9 The funding will be used to develop a scheme to allow those in housing need, on low-average incomes and in the Golden Triangle area to get a foot onto the housing ladder. Successful applicants will be given a 35%, 40% or 45% equity loan towards the price of a home. The successful RSL will ensure that applicants meet the eligibility criteria and carry out financial assessments to determine the percentage amount to be loaned.
- 5.10 Successful applicants will contribute the remainder of the purchase price of a home through a mortgage and/or personal savings. The applicant is also responsible for all costs associated with the purchase, for example, legal fees, survey fees, stamp duty and removal costs.
- 5.11 In order to stretch the funding, the RSL, in addition to administering the scheme on behalf of the Partnership, will be required to invest into the scheme and match fund the Partnership's contribution. For example, if an applicant requires a 40% equity loan, which equals £40,000, the Partnership will provide £20,000 and the RSL will provide £20,000. This is a variation of the pilot scheme, where Partnership funds were used for the entire loan.
- 5.12 The RSL will hold the equity stake in the form of a second legal charge in each of the properties (the mortgage lender will hold the first charge). The legal charge will record that a person has bought their home with the help of the Homebuy Plus scheme and sets out certain responsibilities.
- 5.13 The equity loan provided through Homebuy Plus will be jointly funded by the Partnership and the successful RSL. It is anticipated that the Partnership's contribution together with the match funding provided by the RSL will help approximately 30 people to buy a property in 2006/07. The RSL will be required to develop a marketing strategy to try to ensure that the allocation is equally distributed between Leeds, York and Harrogate.

- 5.14 There are no interest or monthly payments on the loan.
- 5.15 When a Homebuyer sells their property they will repay the percentage amount borrowed, which is based on the market value of the home at the time of repayment. Homeowners may also choose to repay the loan early, the repayment arrangements being as above.
- 5.16 The proceeds from the repayment of the loan will be shared equally between the Partnership and the RSL unless the proceeds are less than the original loan amount. This may happen if there is a decrease in house prices in which case the RSL may use the Partnership's share to make up the funds the RSL has lost.
- 5.17 The Partnership's share will be retained by the RSL and identified as the Golden Triangle fund. The RSL will use these funds to provide further Homebuy Plus loans or on other affordable housing schemes in the Golden Triangle area in the future. The RSLs share will also be retained by the RSL but may be used as they wish.
- 5.18 A procurement exercise is in progress. Following submission of a Pre Qualification Questionnaire (PQQ) by interested organisations, five RSLs have been short-listed by the Partnership and (depending on satisfactory references) will be invited to tender for the scheme.
- 5.19 Upon tender, the following criteria will be assessed: level of funding the RSL is able to provide; methods of delivery and managing the scheme; marketing strategy; ability to deliver the scheme across the Golden Triangle area; admin costs (to come out of RHB allocation). It is envisaged that the successful organisation will be awarded the contract around October 2006.
- 5.20 The Partnership has nominated LCC the accountable body and banker of the allocation of RHB funds and will issue the Partnership's share of equity loans, on exchange of contracts, to the RSL.

6.0 CONCLUSION/S

- 6.1 The scheme has received RHB funding and will provide the Partnership authorities with an additional means of addressing the key housing issue of the demand for decent and affordable housing.
- 6.2 The initiative is both supported and encouraged by the Government Office as it demonstrates the benefits arising from local authorities in high demand areas working together towards a common goal.

Background Papers - None

OFFICER CONTACT: Please contact Khyati Prajapati, Rural Housing Enabler if you require any further information on the contents of this report. The officer can be contacted at Dept. of Community Services, Springfield House, Kings Road,

Harrogate and by telephone on 01423 551656 or by Email –
 khyati.prajapati@harrogate.gov.uk

SUSTAINABILITY ASSESSMENT / POLICY CONSIDERATIONS

		Implications are			
		Positive	Neutral	Negative	
A	Economy	✓			
B	Environment	✓			
C	Social Equity				
i)	General				✓
ii)	Customer Care / People with Disabilities				✓
iii)	Health Implications	✓			
D	Crime and Disorder Implications		✓		

If all comments lie within the shaded areas, the proposal is sustainable.