

Assisted Purchase Scheme Policy

Housing Committee Tuesday, 30 November 2021

Report of: Executive Head of Communities

Purpose: For decision

Publication status: Unrestricted

Wards affected: All

Executive summary:

The Council operates an Assisted Purchase Scheme with the aim of increasing the Council's capacity to meet existing housing needs by giving existing council tenants a financial incentive to vacate their property and purchase a home on the open market.

Although numbers participating in the scheme are relatively low, it is recommended that the scheme continues, both to help release Council housing and to enable some who aspire to home-ownership achieve their goal.

The Scheme has not been reviewed for several years and it is recommended that the Scheme is revised to take into account rises in house prices during the last 10 years. The proposed changes also aim to target funding at those properties which are urgently required and make best use of public funds.

This report supports the Council's priority of:

- Building a better Council
- Creating the homes, infrastructure and environment we need
- Supporting economic recovery in Tandridge

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Recommendations to Committee:

That the amendments to the Assisted Purchase Scheme as set out in paragraphs 10 to 14 of the report be agreed, namely that with effect from 1st April 2022:

- A. eligibility for the Scheme will be restricted to qualifying tenants occupying properties with two or more bedrooms;
- B. the fixed grant amount payable to applicants purchasing a property be increased as follows:
 - for a two-bedroom property from £15,000 to £22,500
 - for a three-bedroom property from £18,000 to £27,000
 - for a four-bedroom property from £20,000 to £30,000;
- C. the fixed grant amount payable to applicants purchasing a share in a property with a partner or relative be increased as follows:
 - for a two-bedroom property from £11,250 to £16,875
 - for a three-bedroom property from £13,500 to £20,250
 - for a four-bedroom property from £15,000 to £22,500;
- D. the fixed value limits for qualifying purchases be increased as follows and reviewed annually:
 - for properties with up to three bedrooms: £268,878 to £358,000;
 - for properties with four or more bedrooms: £295,766 to £393,800.

Reason for recommendation:

To enable the revised Assisted Purchase Scheme Policy at Appendix A to be adopted from April 2022.

Introduction and background

- 1 Section 129 of the Housing Act 1988 gives discretionary powers to local authorities to assist existing tenants to purchase a home on the open market. For some years, the Council has used these powers to operate an Assisted Purchase Scheme and it is now considered timely to review the policy.
- 2 The objectives of the scheme are to release Council accommodation for letting to those in housing need and to encourage owner occupation where it is sustainable. It works by paying a grant to tenants to assist them to buy a property in the private sector.
- 3 There is no central government funding for such schemes, so local authorities must fund schemes from their own capital resources.

Current Scheme

- 4 The scheme is designed to assist the Council to meet housing needs by giving existing council tenants a financial incentive to vacate their property and purchase a home on the open market. The scheme also assists tenants to acquire a joint interest in a property with a partner or relative. In all cases the tenant has to acquire a legal interest in the property and payment is made through a solicitor.
- 5 The scheme pays a grant to council tenants with at least five years length of tenancy to help them to buy a property or joint interest in a property.
- 6 The grant amount available varies according to the size of the property to be vacated, i.e.:
 - £12,000 for a one-bedroom property
 - £15,000 for a two-bedroom property
 - £18,000 for a three-bedroom property
 - £20,000 for a four-bedroom property
- 7 The grant available to those purchasing a share in a property is 25% lower than the above.
 - £9,000 for a one-bedroom property
 - £11,250 for a two-bedroom property
 - £13,500 for a three-bedroom property
 - £15,000 for a four-bedroom property
- 8 Properties can only be purchased within fixed value limits. These are as follows:
 - £270,000 for a property with up to three bedrooms
 - £295,000 for a property with more than three bedrooms

Scheme Take Up

- 9 Although numbers participating in the scheme are relatively low, it does provide an alternative option for those tenants seeking to enter into home ownership. Take up of the scheme has continued to remain consistent in recent years. There have been 2 completions to date in 2021/22. This is in contrast to Right to Buy completions which averaged around 9 completions per year for the same period.

Financial Year	2018/19	2019/20	2020/21	2021/22 (to date)	2022/23 (proposed)
Completions	1	1	0	2	3
Total Grant Paid (£ nearest thousand)	15	18	0	33	75

Proposed Changes to the Scheme from 1st April 2022

- 10 The number of households on the Council's Housing Register who are in urgent housing need, and require properties with at least two bedrooms, is much higher than it is for those requiring one-bedroom properties. Furthermore, the supply of general needs one-bedroom properties becoming available for allocation by the Council has increased in recent years, particularly as a result of re-designation following the Council's review of its sheltered housing stock. It is, therefore, proposed that the Scheme should be amended to restrict eligibility to qualifying tenants occupying properties with two or more bedrooms.
- 11 In order to reflect the current housing market, revised limits for qualifying purchases bought under the Scheme are proposed. The current limits have not been revised since 2011, since when house prices have risen by approximately 50%. It is, therefore, proposed that the value limit for properties with up to three bedrooms should be increased to £358,000. This is the average house price for the South East of England according to HM Land Registry (September 2021). For properties with more than three bedrooms, the limit would be £393,7800 These limits will be reviewed annually.
- 12 The Scheme also includes fixed grant amounts that can be paid to applicants, which are dependent on the size of the property that they are purchasing. Since the limits were last set in 2011, house prices have increased in total by approximately 50%. It is therefore proposed that the grant amount payable to applicants purchasing a property be increased as follows:
- for a two-bedroom property from £15,000 to £22,500
 - for a three-bedroom property from £18,000 to £27,000
 - for a four-bedroom property from £20,000 to £30,000;
- 13 Similarly, the fixed grant amount payable to applicants purchasing a share in a property with a partner or relative be increased as follows:
- for a two-bedroom property from £11,250 to £16,875
 - for a three-bedroom property from £13,500 to £20,250
 - for a four-bedroom property from £15,000 to £22,500;

- 14 To support the changes proposed in the preceding paragraphs it is recommended that the current budget for the scheme is increased from £26,100 to £75,000 per annum from 1st April 2022.
- 15 Appendix A is the proposed Assisted Purchase Scheme Policy, as amended.

Key implications

Comments of the Chief Finance Officer

The increase in budget will be managed within the HRA's financial constraints and as such will not impact the Council's Revenue budget for 22/23. However given the financial position of the Council it is important that the budgetary provision is not exceeded.

Comments of the Head of Legal Services

When considering whether to adopt the recommendations of this report, Members should have in mind such decision must be within the Council's powers including the Council's fiduciary duty to the Council taxpayer. The Council is indeed authorised to implement the cash incentive scheme by virtue of Section 129 of the Housing Act 1988 as amended by The Regulatory Reform (Schemes under Section 129 of the Housing Act 1998) (England) Order 2003. There is no doubt that cash incentive schemes are a very cost-effective way for local authorities to release housing stock for re-letting when compared against the cost of building new stock, de-converting existing stock or purchasing stock. However, Members need to consider all matters especially as secure tenants who have obtained a sufficient interest in the property within the meaning of paragraph 4 of Schedule 5 of the Housing Act 1985 ('the 1985 Act') would be able to exercise the right to buy should they wish to and therefore would be perhaps reluctant to move from their current property.

Equality

This report is not considered to disadvantage or discriminate against any different groups with protected characteristics in the community.

Climate change

It is not considered that this report contains any proposals that will significantly impact the Council's ability to take action on climate change and hit its target of net zero carbon by 2030.

Appendices

Appendix A – Proposed Assisted Purchase Scheme Policy

Background papers

None

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