

Design & Cost Report

**REPORT OF DIRECTOR OF ENVIRONMENT AND NEIGHBOURHOODS.
REPORT TO EXECUTIVE BOARD
DATE 11 September 2007**

**SUBJECT: The Gipton HomeBuy Scheme
SCHEME No. 14054 000 000**

Electoral Wards Affected:
Gipton and Harehills

Specific Implications For:

Ethnic minorities

Women

Disabled people

Eligible for Call In

Not Eligible for Call In
(Details contained in the report)

Executive Summary

The purpose of this report is to inject this scheme into the 2007-08 capital programme and to obtain authority to spend £1,308,014 to provide a private equity model. This resource will fund an equity stake of up to 50% of the purchase price of a property, dependant upon the applicant being able to fund a conventional mortgage of at least 50% of the market price to purchase a home on the new development on the former Amberton Road / Lower Gipton Crescent site.

The scheme will be targeted at first time buyers, low income workers, social and private sector tenants and households in housing need unable to access the housing market, who either live within the Gipton Neighbourhood Renewal Area or an area that is subject to clearance for the East and South Ease Leeds Regeneration Initiative - EASEL.

1.0 Executive Summary

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2.0 Background Information

In May 2004 the Council's Executive Board approved the establishment of a new build Low Cost Home Ownership Scheme on the site of the former Amberton Road / Lower Gipton Crescent flats in the centre of Gipton. The Scheme as originally approved, proposed the use of the Capital Receipt from disposal of the site as grant aid to assist people resident within the Gipton Renewal Area to purchase their own home. The initial Scheme broadly followed the Housing Corporation's Cash Incentive Scheme.

This approval was varied by Executive Board in February 2006, following the introduction of the Social HomeBuy initiative by the Government to become the Gipton HomeBuy Scheme. With HomeBuy house purchasers are assisted with 'equity stake' mortgages rather than grants. The HomeBuy mortgages are interest and repayment free and are a fixed percentage charge on the property which is repayable either upon sale or by earlier settlement.

A number of operational issues required further clarification at the time of the Executive Board decision, mainly in relation to Financial Services Authority and Office of Fair Trading licensing, the then Director of Neighbourhoods and Housing and the Director of Legal and Democratic Services were given delegated powers to agree the final detail of the Scheme.

Whilst the further clarification has been ongoing officers from the Council's Development Department have been negotiating and concluding the land disposal with Gladesdale Homes.

Following the successful conclusion of negotiations, the completion of the sale was concluded on the 3rd May 2007 with a total amount being paid to the authority of £ 1, 308, 014 in respect of the sale of the site.

Gladesdale Homes are now on site and building work has commenced. The nomination agreements have been concluded with Gladsedale Homes and form part of the sale agreement.

The marketing of the scheme has been undertaken by Gladsedale Homes with the initial administrative checks in terms of selecting suitable applicants who fulfil the criteria is being undertaken by East North Homes.

3.0 Main Issues – Gipton Homebuy Scheme

The proposed Gipton HomeBuy Scheme which broadly follows the Housing Corporation's Social HomeBuy Scheme save for the qualification criteria and mortgage /percentages have been tailored to suit local circumstances and what has previously been agreed by the Council's Executive Board.

The key components of the scheme for successful applicants to be supported by the local authority and approved for the approval of and are set out in appendix A of the report is the information guide that East North East Homes have produced.

This appendix sets out

- A description of the Gipton Homebuy Scheme
- Who is are eligible to apply,
- Financial information describes the equity loan

- Reasons as to why an applicant may not qualify.
- The process once a nomination has been agreed.
- Details of the related costs that the proposed purchaser is likely to incur.

The Director of Legal and Democratic Services has obtained confirmation from the Office of Fair Trading that the Council is exempt from the requirements of the Consumer Credit Act 1974 save for the provisions of Sections 137 to 140, and that this exemption will carry forward into the Consumer Credit Act 2006. In so far as Sections 137 to 140 are concerned Trading Standards have advised that they do see a clause requiring a mortgagor to repay a percentage of the value of their property rather than the amount originally borrowed as an 'extortionate credit bargain' or an 'unfair contract term' although they have suggested that very clear information should be issued to Communities and respective borrowers.

The Financial Services Authority has also confirmed that the Financial Services and Markets Act 2000 only applies to loans secured by a first charge on a property and that, in any event, the Council is exempt from the General Provision contained in Section 19 by virtue of the Financial Services and Markets Act 2000 (Exemption) Order 2001.

In terms of approvals once the case has been agreed in principle by the East North East Homes and Gladsedale Homes, the case papers are passed to the Environment and Neighbourhoods Directorate to review the application and then subject to approval, obtain the necessary approvals from Legal and Democratic Services and the Chief Finance Officer. This will form part of the conveyancing process leading to exchange of contracts and completion in respect of the applicant.

There will be associated Legal costs incurred by the Council. These costs will be set against the overall financial allocation as professional fees.

The scheme is already proving extremely popular and given the level of applications to be processed, the financial profile set out in section 7.0 of this report will require constant monitoring by officers from the Environment and Neighbourhoods Directorate, Corporate Finance and East North Homes.

4.0 Consultations

There has been ongoing consultation as the scheme has been developed. Detailed below is the list of the partners and stakeholders who have been involved and consulted on a regular basis as the scheme has been developed.

- East Area Management
- East Neighbourhood Renewal Team
- East North East Homes
- Gipton and Harehills Ward Members
- Government Office of Yorkshire and the Humber
- Communities and Local Government
- Leeds Housing Partnership
- Lead Members and the Executive Member for Environment and Neighbourhoods

5.0 Community Safety

There are no implications for Community Safety.

6.0 Programme

The £1, 308, 014 from the sale of the site is the available resource to fund the provision of equity shares in respect of the Homebuy scheme.

7.0 Capital Funding and Cash Flow

Previous total Authority to Spend on this scheme	TOTAL £000's	O MARCH 2007 £000's	FORECAST			
			2007/08 £000's	2008/09 £000's	2009/10 £000's	2010 on £000's
LAND (1)	0.0					
CONSTRUCTION (3)	0.0					
FURN & EQPT (5)	0.0					
DESIGN FEES (6)	0.0					
OTHER COSTS (7)	0.0					
TOTALS	0.0	0.0	0.0	0.0	0.0	0.0

Authority to Spend required for this Approval	TOTAL £000's	O MARCH 2007 £000's	FORECAST			
			2007/08 £000's	2008/09 £000's	2009/10 £000's	2010 on £000's
LAND (1)	0.0					
CONSTRUCTION (3)	0.0					
FURN & EQPT (5)	0.0					
DESIGN FEES (6)	0.0					
OTHER COSTS (7)	1308.0		625.0	683.0		
TOTALS	1308.0	0.0	625.0	683.0	0.0	0.0

Total overall Funding (As per latest Capital Programme)	TOTAL £000's	O MARCH 2007 £000's	FORECAST			
			2007/08 £000's	2008/09 £000's	2009/10 £000's	2010 on £000's
Land Sale Capital Receipt	1308.0		625.0	683.0		
Total Funding	1308.0	0.0	625.0	683.0	0.0	0.0
Balance / Shortfall =	0.0	0.0	0.0	0.0	0.0	0.0

8.0 Revenue Effects

There are no specific revenue effects in respect of the available resources. The scheme is being administered by East North East Homes in conjunction with Legal and Democratic Services and all professional fees will be set against the Capital Receipt.

9.0 Risk Assessments

The funding model does not attract sufficient interest. The current level of applications means that is more likely that the scheme will be oversubscribed. The future projections of growth meant that investment via the scheme is likely to provide a reasonable return that will enable the funding to be recycled in future years upon sale of properties or the purchase of the equity element by the home owner.

The housing market fails to support the rate of return. The current house price growth across the city remains strong despite the recent increases in interest rates. Across the region the economic growth that is being driven by the city suggests that there is the potential for house price growth to increase by 40% by 2012, which would confirm the projections in terms of growth and the rate of return. The initial sale price of a two bedroom 'starter' home is currently 18% less than the average price of that type of property in the area and 50% less than the Leeds average.

The EASEL Joint Venture fails to create stability within the local housing market and reduce the mono tenure nature of the tenure. The Gipton Homebuy scheme is ground breaking for the authority, but has also obtained support from Communities and Local Government in terms of good practice. The approach being adopted has been a catalyst for changing the tenure balance within the area, which is a key outcome of EASEL. .

10.0 Recommendations

- 10.1 Executive Board are requested to inject £1,308,014 fully funded by the sale of the land at Amberton Road / Lower Gipton Crescent to Gladesdale Homes.
- 10.2 Executive Board are requested to authorise expenditure of £1,308,014.