

Committee	Dated:
Housing Management and Almshouses Sub Committee	25 April 2016
Subject: Right to Buy Social Mobility Fund (City Home Purchase Grants)	Public
Report of: Director of Community and Children's Services	For Information
Report Author: Adam Johnstone, Strategy Officer	

Summary

This report informs Members of the outcome of the City of London's City Home Purchase Grant scheme. The scheme used funds from the Government's Right to Buy Social Mobility Fund to offer Right to Buy eligible tenants up to £30k to purchase a home on the open market.

The City of London was allocated £600k from the Fund to support a maximum of twenty grants of £30k. The City has agreed a total of five grants to eligible tenants. These are all tenants from our stated priority groups of older tenants, those seeking to move for employment opportunities, and those who could only fulfil their ambition of home ownership with a Home Purchase Grant.

Recommendation

Members are asked to note the report.

Main Report

Background

1. The Right to Buy Social Mobility Fund was announced by the Chancellor of the Exchequer, George Osborne, on 20 February 2015. The Fund made £42 million available in 2015-16 for which English local authorities were invited to submit bids for funding to provide a local cash incentive scheme to Right to Buy eligible tenants.
2. The scheme provided a one-off cash payment, not exceeding £30,000 per application, to eligible tenants in place of their Right to Buy discount, to enable them to purchase a property on the open market. The objective was to provide tenants with the opportunity to purchase a property of their choice and in doing so free up a social property which could be re-let to new tenants.
3. On 27 March 2015 the Government announced the outcome of the bidding process. The City was one of 42 local authorities to be successful, and was allocated £600k to support a maximum of twenty grants.

4. Applicants needed to demonstrate their ability to purchase a home, a commitment to achieving a move within the 2015-16 financial year and that all members of the current household would be adequately housed after a move, with their existing home returned vacant to the City.
5. Following promotion of the scheme, the City offered a six week window of opportunity to bid, after which applications would be processed and prioritised.

Current Position

6. The City received a lower than anticipated number of applications for City Home Purchase Grants. The scheme was promoted through a leaflet delivered to every general needs home in our stock, posters, information on the City's website and promotion through our tenant newsletter and on the Facebook pages for each of our estates. The number of enquiries increased after the first few applications were approved and the application window was extended until October to take advantage of the additional interest this generated.
7. A total of ten applications for City Home Purchase Grants were received from tenants. Of these, eight were accepted, one was rejected as the information provided was incomplete and one was refused due to issues with the applicant's tenancy. One applicant later withdrew, as they were unable to afford a property in their preferred area even with a City Home Purchase Grant.
8. Two purchases have already completed and two more were due to complete in the 2015-16 financial year. The final three applicants were not due to complete until the 2016-17 financial year. One of these is sufficiently far advanced to continue with their purchase, while the other two fall too far outside of the requirement for tenants to complete their purchases within 2015-16 for DCLG to allow them to proceed.
9. In line with Government criteria, the City's scheme aimed to prioritise bids from older tenants, tenants wishing to move closer to the labour market and tenants who could demonstrate that home ownership would be impossible without a City Home Purchase Grant. Of the five successful applications, one was from a tenant moving to take up an offer of employment. Based on their mortgage Agreements In Principle, the remaining four applicants would have not been able to afford to buy their City of London homes, even with a Right to Buy discount.
10. All but one of the successful applicants are leaving London, indicating that affordability remained an important constraint, even with a City Home Purchase Grant. The four applicants leaving London are buying homes in Hastings, Slough, Gravesend and Shrewsbury.
11. The successful applications came from tenants living in more expensive estates, either within the City of London or the immediate vicinity. Very high property prices may have meant these tenants were unable to exercise their Right to Buy and looked to City Home Purchase Grants as an alternative. A lack of take up

from tenants in more peripheral estates may reflect the fact that home ownership through Right to Buy is more attainable in these areas.

12. Five two-bedroom properties will be returned to the City and made available for re-letting. Despite offering a flat rate grant for all property sizes, applications to the scheme have been from tenants in family sized homes. This may also be because these tenants have found it harder to exercise their Right to Buy.
13. Due to the low volume of applications the administration of the City Home Purchase Grant scheme was accommodated within existing staff workloads. The absence of numbers that would require the prioritisation of eligible applications also limited the burden the scheme created. The City covered the cost of promoting the scheme and offered successful applicants a flat rate grant of £1,000 towards removal expenses.
14. The Government originally intended the Right to Buy Social Mobility Fund to run for two years. The scheme has now been cancelled a year early and will not operate after the 2015-16 financial year.
15. The City's low number of applications should be considered against the national context. Around a quarter of the council's with funding from the Right to Buy Social Mobility Fund failed to make any grants at all. Those that experienced the most success used the money to complement existing Cash Incentive Schemes. Southwark, which had been allocated funding for 75 payments in 2015-16 and had already approved 25 applications for 2016-17, was offering tenants up to £81,000 towards an open market purchase.
16. In the Housing and Planning Bill, the Government has proposed the sale of high value council homes as they become vacant. Given their concentration in the most expensive estates, it is likely that many of the properties released by the City Home Purchase Grant Scheme would have been sold under this policy. By encouraging tenants to vacate their homes before this policy comes into force, we will be able to make five lettings to people in housing need that may not otherwise have been possible.

Corporate & Strategic Implications

17. The City's Corporate Strategy seeks a world class City which supports our communities through the appropriate provision of housing, and supports a safer and stronger City through supporting community cohesion. The City Home Purchase Grant scheme enabled five households to achieve their aspiration of home ownership and will enable at least five offers of suitable accommodation to be made to City residents or workers in housing need.

Conclusion

18. The City Home Purchase Grant Scheme has seen a lower than anticipated take up from tenants. This has been the experience of most participating local authorities and widespread difficulties may have contributed to the Government's decision to end the Right to Buy Social Mobility Fund a year early.

19. Tenants who did apply for the scheme were living in family sized accommodation in the City itself or a short distance away. Very high property prices may have meant that Right to Buy was not affordable for these tenants and home ownership may not have been possible for them without a City Home Purchase Grant.

20. Most tenants receiving a City Home Purchase Grant used it to leave London, indicating that affordability remained a limiting factor. The scheme provided an effective way to assist our tenants into home ownership while maximising the stock available for new lettings to people in housing need. However, to operate at a larger scale, more substantial grant payments may have been required.

Appendices

- Appendix 1 – Case Study

Background Papers

- Right to Buy Social Mobility Fund (City Home Purchase Grants)
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Appendix 1 – Case Study

Mr and Mrs A lived in a two bedroom flat on the Golden Lane Estate. High property values in Central London meant they were unable to afford to buy their current home, even with a Right to Buy Discount. Using a City Home Purchase Grant, they moved to Slough in December 2015. Their former home has been re-let to a family on the homeless waiting list who had previously been living in temporary accommodation.