

# Individual Executive Member Decision

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| <b>Title of Report:</b>                       | <b>Review of First Step West Berkshire</b> |
| <b>Report to be considered by:</b>            | Individual Executive Member Decision       |
| <b>Date on which Decision is to be taken:</b> | 6 December 2010                            |
| <b>Forward Plan Ref:</b>                      | ID2187                                     |

**Purpose of Report:** To review the progress of the First Step West Berkshire scheme and seek approval for amendments to the scheme

**Recommended Action:** The Portfolio Holder for Planning & Housing approve the proposed amendments to the scheme, as set out in paragraph 4.1 of this report

**Reason for decision to be taken:** The First Step West Berkshire scheme was approved by Executive on 8<sup>th</sup> October 2009, subject to a detailed proposal being drawn up and agreed with the Portfolio Holder for Planning & Housing. As part of the proposals, it was agreed that a review of the scheme would be undertaken after 6 months. This report sets out the outcome of the review and makes a number of recommendations for amendment to the scheme.

**Statutory:**  **Non-Statutory:**   
**Other:**

**Other options considered:** 1. The scheme could continue to be operated on the current basis without amendment.  
2. The scheme could be ended.

**Key background documentation:** 'Responding to the Recession - Housing Services' Executive report, 8<sup>th</sup> October 2010

| Portfolio Member Details         |  |
|----------------------------------|--|
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## Implications

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| <b>Policy:</b>            | This report proposes amendments to eligibility criteria for an existing scheme. All details are set out in the report. |
| <b>Financial:</b>         | Approval for funding for the scheme was granted by Executive on 8 <sup>th</sup> October 2010.                          |
| <b>Personnel:</b>         | N/A  |
| <b>Legal/Procurement:</b> | N/A  |
| <b>Environmental:</b>     | N/A  |
| <b>Partnering:</b>        | This report proposes amendments to a scheme which is run in partnership with Newbury Building Society                  |
| <b>Property:</b>          | N/A  |
| <b>Risk Management:</b>   | N/A  |
| <b>Community Safety:</b>  | N/A  |
| <b>Equalities:</b>        | An EIA has been completed  |

## Consultation Responses

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### Members:

**Leader of Council:** No response received

**Overview & Scrutiny Management Commission Chairman:** 08/11/10 Was happy to accept the report

**Select Committee Chairman:** No response received

**Ward Members:** No response received

**Opposition Spokesperson:** No response received

**Local Stakeholders:** Roger Knight, Newbury Building Society

**Officers Consulted:** Liz Patient, Solicitor  
Sarah Mitchell, Senior Accountant  
June Graves, Head of Housing & Performance

**Trade Union:** N/A

| Is this item subject to call-in.   | Yes: <input checked="" type="checkbox"/> | No: <input type="checkbox"/> |
|--|--|------------------------------|
| If not subject to call-in please put a cross in the appropriate box:               |  |                              |
| The item is due to be referred to Council for final approval                       | <input type="checkbox"/>                 |                              |
| Delays in implementation could have serious financial implications for the Council | <input type="checkbox"/>                 |                              |
| Delays in implementation could compromise the Council's position                   | <input type="checkbox"/>                 |                              |
| Considered or reviewed by OSC or associated Task Groups within preceding 6 months  | <input type="checkbox"/>                 |                              |
| Item is Urgent Key Decision  | <input type="checkbox"/>                 |                              |

## Supporting Information

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### 1. Background

- 1.1 First Step West Berkshire was launched in December 2009, as part of the Council's response to the recession. The scheme, which is run in partnership with Newbury Building Society (NBS), offers an equity loan of up to £10,000 to local people who are purchasing their first property.
- 1.2 The First Step West Berkshire scheme was approved by Executive on 8<sup>th</sup> October 2009, subject to a detailed proposal being drawn up and agreed with the Portfolio Holder for Planning & Housing. Advice has been sought from Policy & Communication who have confirmed that, as the detail for the scheme was delegated to the Portfolio Holder, the amendments can be dealt with via an Individual Decision.

### 2. Progress to Date

- 2.1 Since the scheme has launched, the Council has received 16 applications, of which eight have been refused, two have completed and the rest are part way through the application process. The number of applications received is fewer than anticipated.
  - 2.2 The reasons for refusal are as follows, with the number indicating how many applications this reason is attributable to:
    - ~ not registered on the Common Housing Register (CHR) so not possible to assess housing need (1)
    - ~ not meeting NBS lending criteria (3)
    - ~ NBS contacted following application but not looking to purchase for at least 12 months (1)
    - ~ ineligible as does not live or work in West Berkshire (1)
    - ~ property ineligible as number of bedrooms exceed those allowed under the scheme (1)
    - ~ applicant is a shared-owner and therefore not a first-time buyer (1)
  - 2.3 Of the six who are within the application process, two were not registered on the CHR at point of application, one has been offered advice by NBS on repayment of credit cards to increase her borrowing capacity and three have been referred to NBS for assessment.
  - 2.4 In terms of marketing, over 450 potential applicants registered with the Homebuy Zone Agent have been directly contacted, and marketing material has been sent to estate agents and Parish Councils. At the launch of the scheme, there was significant media coverage, and information is also available on both the Council's and NBS websites.
- ### 3. Review of the Scheme
- 3.1 When the scheme was set up, it was agreed that a review would be undertaken after six months. The review of the scheme has been undertaken on the basis of known issues which have arisen during the first six months of operation, and following a meeting between the Council and NBS to specifically review the operation of the scheme.

- 3.2 Feedback from NBS indicates that enquiries about mortgages are very quiet at the moment and there is a general lack of first-time buyers. This view is supported by national data which indicates that there was a 1.3% fall in new buyers registering with agents in July ([www.hometrack.co.uk](http://www.hometrack.co.uk)). This inevitably impacts on the success of the scheme.
- 3.3 NBS also fed back that when they do suggest the scheme to people who have come in, their feedback is very positive. There has been some comment on the size of the equity loan available and it would be helpful if the ceiling could be raised. This is probably reflective of the fact that house prices in West Berkshire are beginning to rise again: the average house price in May 2010 was £220,567 compared to £204,679 in May 2009. Whilst the First Step West Berkshire scheme only requires a 5% deposit from applicants compared to a national average of 24% for first-time buyers (HCA, Housing Market Bulletin, July 2010), the high cost of housing in the district still makes it unaffordable for many.
- 3.4 It is also notable that the majority of applications received have not been registered on the Council's CHR prior to making an application. This inevitably delays the processing of applications, but the requirement to be on the CHR also means that applicants need to complete three application forms in order to access the scheme (the CHR application; the Council's First Step application; and the NBS mortgage application).
- 3.5 A number of enquiries have been received from people who have owned a home in the past, or who currently own a home but need to up-size due to changes in their domestic arrangements. To date, these people have not been accepted onto the scheme, regardless of whether or not they are in housing need. The scheme could be extended to accommodate current or past owners, in addition to first-time buyers, thus increasing the number of households who could be assisted.
- 3.6 Finally, the scheme allows applicants to purchase properties that meet their assessed housing need plus one additional bedroom. A number of applications and/or enquiries have been received from people who wish to purchase properties exceeding this restriction. It is arguable that if these households require assistance to buy a larger property, then they could potentially afford to enter the housing market if they purchased a property suitable to meeting their assessed need without financial assistance from the Council. For this reason, and to maintain the scheme in line with other similar schemes, it is not proposed to remove the restriction at this time.

#### **4. Proposed Amendments**

- 4.1 Following on from the review, it is proposed that the following amendments be made to the scheme, subject to a further review to be undertaken in six months time:

~ the size of the equity loan be increased to £20,000 – this will inevitably reduce the numbers of people assisted (potentially by half) but may increase take-up, given the anecdotal evidence offered by NBS

~ the scheme be extended to include people wishing to purchase shared ownership homes - there are limited shared ownership homes in the district at the current

time, however, restricted grant availability is likely to increase provision of shared ownership in the future and there are also re-sales

- ~ the scheme be extended to current or previous homeowners. To ensure that we are only assisting those who are in need, it is suggested that current and former homeowners must be in housing need in order to access the scheme. In addition, former homeowners will need to provide an explanation of why they sold their property and what happened to any equity.
- ~ that the requirement to be registered on the Common Housing Register is removed and the First Step application amended so that an assessment of housing need can be undertaken. This will allow an assessment similar to that of the CHR whilst streamlining the application procedure for First Step.
- ~ Subject to the above amendments being approved, a new leaflet and poster campaign be undertaken to promote the scheme.

## **5. Conclusions**

- 5.1 Whilst take-up of the scheme has been disappointing, First Step West Berkshire has been well-received and there is interest in the product. It is recommended that the proposed amendments are approved, subject to a further review being undertaken in six months time to monitor progress.

## **Appendices**

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There are no appendices to this report.