

HOUSING SELECT COMMITTEE			
Report Title	In-depth review into low cost home ownership – Evidence Session One		
Key Decision	No	Item No.	3b
Ward	All		
Contributors	Executive Director for Customer Services		
Class	Part 1	Date: 4 th February 2013	

1. PURPOSE

- 1.1. This report has been prepared in response to the Housing Select Committee's decision to review low cost home ownership and related issues in Lewisham.

2. EXECUTIVE SUMMARY

- 2.1. This report provides information in response to the scoping paper on the following points:
- The main options for low cost home ownership including the advantages and disadvantages of each option;
 - Examples of how each option has worked in Lewisham to date and the potential for, and desirability of, encouraging each option in the future;
 - Information on how each option might link into the Council's wider housing plans including the Housing Matters Programme.

3. RECOMMENDATION

- 3.1. That, to inform the review, Members of the Housing Select Committee consider this report and, at the meeting, examine the information provided through a discussion with relevant officers.

4. BACKGROUND

- 4.1. Lewisham has a total population of 275,885 and 116,091 households¹, an increase from the 2001 Census of 26,963 and 8,704 respectively.
- 4.2. Previous housing needs surveys showed Lewisham as having a housing tenure split of around 40% owner occupied, 30% private renting and 30% social renting, however the Census 2011 figures released recently show that the split is slightly different with 43.64% owning, 24.3% renting privately and 31.05% in social rented accommodation (see Table 1). A further anomaly is

¹ Census 2011

with the 'other social rented' figure. According to the data collection site for the national social housing regulator (NROSH+), as at March 2012 Lewisham had 21,377 homes owned by registered providers for general needs and supported housing accommodation, however the Census 2011 shows 17,968. This is probably due to confusion created by stock transfers and residents not being sure of who their landlord is.

<i>Table 1</i>	<i>2011 Census</i>		<i>2001 Census</i>	
	Number	%	Number	%
All Households	116,091	100	107,412	100
Owned Outright	17,273	14.9	16,518	15.4
Owned with a mortgage	31,955	27.5	35,601	33.1
Shared ownership	1,436	1.2	1,712	1.6
Rented from Council	18,084	15.6	28,536	26.6
Other social rented	17,968	15.5	9,654	9.0
Private rented	28,216	24.3	15,391	14.3
Living rent free	1,159	1.0	Not available	Not available

- 4.3. There is also a slight difference between the figures recorded for shared ownership. NROSH+ identifies 1,106 while the Census 2011 reports 1,436. This can most likely be explained by the different shared equity options offered directly by developers and therefore not recorded through NROSH+.
- 4.4. Using the Census figure of 1,436, this demonstrates that shared ownership contributes a small percentage (1.24%) to the overall home ownership picture.
- 4.5. Following the deletion of Band 4 from the Housing Register in October 2012 the total number of people in housing need at November 2012 was 7,493. Generally anyone from the housing register applying for shared ownership would have been from Band 4 however it could still be possible for someone in Bands 1-3 to be eligible for shared ownership especially as the income level has been increased to £50,000 pa.

Table 2					
Housing Register November 2012	Band				
Rehousing Reason	No Band Recorded	1	2	3	Total
No Rehousing Reason Recorded	27	3	9	151	194
Decant	-	194	-	1	195
Emergency	-	7	-	-	7
Exceptional Homeless	-	2	-	3	5
Exceptional Medical	-	8	-	-	8
Former armed forces personnel	-	1	-	-	1
Homeless Prevention	-	-	13	-	13
Leaving Care	-	42	-	-	42
Medical High	-	1	376	1	378
Medical Low	2	1	1	1,192	1,195
No Long Req Spe Unit	-	35	-	-	35
OC Una to Suc Tenanc	-	11	-	-	11
Oob Employment Conn	-	-	-	1	1

Overcrowded By 1 Bed	3	-	6	3,397	3,406
Overcrowded by 2 bed or more	-	-	447	16	463
Priority Homeless	-	-	-	742	742
Req 2 Ret Fol Decant	-	1	-	-	1
Retiring Lbl Tnt Emp	-	2	-	-	2
Starred decant priority	-	6	-	-	6
Success Too Large Pr	-	15	-	-	15
Supported Housing Move On	-	-	121	-	121
Un Occ High Demand	-	555	-	-	556
Welfare	-	-	-	96	95
Total	32	884	973	5,600	7,493

- 4.6. Shared ownership has always been viewed as having a role in the sustainability of communities in Lewisham however historically there was a higher priority for it in the very north and very south of the borough. The following paragraph is from the Unitary Development Plan (UDP) adopted in 2004 which explains why:

[Map 5.1](#) identifies those areas of the Borough where over 43% of ward households live in social-rented housing. The Borough average is 36%. In these areas the Council will seek agreement with developers on the most appropriate way of providing affordable housing. Agreement should reconcile the two objectives of a continuing supply of affordable housing for Lewisham with the need to avoid further concentrations of social rented housing. In determining applications for housing on sites in those areas shown on [Map 5.1](#), the Council will consider more flexible tenures including 'part ownership' and other shared equity schemes as considered appropriate for the delivery of affordable housing. This is in accordance with Circular 6/98 'Planning and Affordable Housing' (paragraph 15) which states 'Decisions about what affordable housing types to build should reflect local housing need and individual site suitability and be a matter for discussion and agreement between the parties involved'.

- 4.7. Map 5.1 can be found at Appendix 1.
- 4.8. The wards identified to the north have subsequently undergone some major redevelopments including the councils own estates where a conscious effort was made to ensure that tenure was diversified. A low percentage of social rented and shared ownership has been achieved on some of the new private developments resulting in the tenure overall becoming more mixed (although there are no specific figures to support this until 30th January 2013 when the Census 2011 tenure breakdown will be available). The wards to the south, however, have generally not changed to a great deal.
- 4.9. The approach taken by the council during negotiations with developers is to seek the maximum percentage of affordable housing that the viability of the scheme allows for, ideally 50%, with a tenure mix of 70% social or affordable rent and 30% intermediate. In areas where we feel the tenure could be more mixed we seek the maximum percentage of affordable homes (social/affordable rent or shared ownership) that the scheme can deliver, but we may allow the mix to vary from the 70:30 – for example to deliver a 50:50

affordable housing tenure split or on some smaller sites where a tenure mix is not practical, all of the affordable may be intermediate.

- 4.10. The income levels for applicants to Lewisham shared ownership schemes are clearly laid out in the Planning Obligations Supplementary Planning Document (adopted 24th January 2011) and should be considered by registered providers and developers when working on the viability of each scheme. The income levels and how they were arrived at are set out below:

A.1.97 Intermediate accommodation should be affordable for rent or purchase by households where the average total gross household annual income does not exceed £28,015 in respect of all 1 bed dwellings, £32,372 in respect of all 2 bed dwellings, £40,943 in respect of all 3 bed or larger dwellings (i.e. row 4 in Table A.1).

Table A.1 – Household Income Thresholds

	1 bed	2 bed	3 bed or larger
1. Cost of private housing in lowest quartile ¹	134,500	165,000	225,000
2. Annual household income required to purchase private housing ²	38,429	47,143	64,286
3. Annual household income range for affordable rental housing ³	Up to 17,600	Up to 17,600	Up to 17,600
4. Annual household income range mid-point for intermediate housing (mid point of 2 and 3).	28,015	32,372	40,943

¹ SELHP Housing Market Bulletin Table 5d – Lower Quartile prices in South East London (and Lambeth) by ward, housing type and size, February 2010
² Assumes 3.5 x gross income multiplier (in line with HCA calculator).
³ London Plan

5. Right to Buy/Preserved Right to Buy/Right to Acquire

- 5.1. The Right to Buy (RTB) recently underwent some major policy changes, which were implemented from the 1st April 2012. The maximum discount allowed was increased from £16,000 to £75,000 (depending on the type of property and qualifying period). Councils are permitted to retain the receipts and use them to develop new, replacement, affordable homes.
- 5.2. Right to Acquire (RTA) is available to tenants of self contained RP properties built or purchased after 1st April 1997 and allows them to buy the property that they currently live in. Due to the restrictions there hasn't been the same level of interest as with RTB, and the discount remains limited to £16,000. There have been 22 properties purchased through RTA since 2002.
- 5.3. Social Homebuy is a discretionary scheme offered by LAs and RPs with a maximum discount of £16,000 and allows tenants to purchase a share of their own home. There have been 5 sales since 2008 by three different RPs.
- 5.4. The direct advantage of the RTB scheme for the tenant is the opportunity to purchase their own home, the home that they have lived in for an eligible amount of years. They know the area, their neighbours and have made the house or flat their home.
- 5.5. The disadvantage to the tenant is the costs associated with the sale. Even with a discount there may be the need for a deposit, there will be mortgage payments and fees associated with the purchase itself. There will also be

the responsibility of repairs and maintenance and high major works bills, which is more of an issue for a flat than a house, as to some extent the decision of when to do those works is out of the hands of the leaseholder.

- 5.6. The advantage to the council of a RTB sale, under the new scheme, is the opportunity to use the receipt to provide a new, potentially more suitable, affordable home. This has only become an option following the Government changes as previously councils were required to share proceeds with the Government. Councils were only able to retain 25% of the proceeds whereas the new scheme means that councils can recycle 100% of proceeds.
- 5.7. The use of the receipt also has a number of restrictions to it such as potentially having to charge a new affordable rent which can be up to 80% of the local market rents. Although the new scheme potentially allows for like for like replacement, in London and other high value areas, this will not in fact be the case.
- 5.8. In theory RTB has been considered a natural way to mix tenures in the local community, however this has not necessarily been the case as these properties are often rented out, potentially to homeless households or people on housing benefit.
- 5.9. There are a number of disadvantages to the council through RTB. One is the loss of our more popular stock (such as terraced houses) in some of the more desirable areas, potentially where there isn't a lot of new build happening.
- 5.10. Individual sales under the RTB do not directly affect the retained stock or stock transferred to RPs. However there is a cumulative effect if the sales increase. For the council there is the loss of rental income and the impact on the housing revenue account and therefore the councils ability to invest in existing stock.
- 5.11. The impact can be measured using an the average rent at the start of 2012/13 of £87.49pw (£4,458.49pa):

Rental Income (Less 2 % Voids)	-£4,458.49
Less Management Costs	£1,285.95
Less Maintenance Costs	£1,745.44
Less Capital Costs	£1,115.83
Net Position	-£311.27

- 5.12. This would be a net loss of income of £311.27 per unit sold.
- 5.13. RPs subject to preserved RTB will have financially modelled the potential impact of levels of sales especially after their decent homes work is complete.
- 5.14. Although we have not experienced the dramatic increase in actual sales that we anticipated following the introduction of the new scheme, the numbers of properties sold over the years can be seen in detail in Appendix 2. The total number of properties sold in Lewisham through the RTB from 1979 to 2012 is 13,345. 12 RTB sales have been completed by early January 2013.

- 5.15. There is an impact on the councils resources where decent homes work has been undertaken to properties still in council ownership (and managed by Lewisham Homes and Regenter B3), usually flats, where the leaseholder (who either directly purchased from the council or purchased subsequently) is unhappy with either the work to their property or the way it has been charged to them and contacts the Leasehold Valuation Tribunal (LVT).
- 5.16. Officers are not aware of any recent cases where companies are seeking to induce tenants to buy their properties and then sell them under rent back schemes. There is, however, one current case of RTB fraud.
- 5.17. Lewisham has received 183 applications since the new discount rules came into effect on 2 April 2012 as at December 2012 and accepted 155 of them. This compares to a total figure of 58 forms received in 2011-12. On average around 22 applications are received each month. On that basis, it is estimated that a further 66 applications will be received between 1 January and 31 March 2013, a total of roughly 249 applications for the year.
- 5.18. Generally the RPs have all seen an increase in PRTB applications since the introduction of the new RTB scheme.

RP	Applications in 2012/13	Completions	Increase in applications on previous years
Affinity Sutton	12	1 imminent	Yes
London & Quadrant	19	0	Yes
Phoenix	57	4	Yes

- 5.19. Part of the new guidance for RTB requires local authorities to be pro-active in advertising RTB and the changes that were brought in after the 1st April 2012. Lewisham Homes have advertised in their newsletters, on their website and in local housing offices. The Government have also advertised at a local level such as on bus stops.
- 5.20. An example of a Lewisham Homes newsletter can be seen at Appendix 3.

6. Cash Incentive Scheme

- 6.1. The Cash Incentive Scheme (CIS) is run by Lewisham Council. It is offered as an incentive to tenants that can afford it, to leave their council home with a lump sum which can be used to purchase a property of their choosing.
- 6.2. In light of the recent changes to the RTB scheme, and the councils wish to retain properties, a project group has been set up to look at the possibility of increasing the CIS amount to bring it in line with the RTB discount available. Proposals will be taken to Mayor and Cabinet. Even though this will be a cost to the council it will retain a property for continued use as social housing, at a cost cheaper than re-providing it.
- 6.3. Take up of the CIS is relatively low, as shown below. The table shows that take up since the introduction of the new RTB scheme is minimal.

Year	Take Up
08/09	8

09/10	12
10/11	16
11/12	10
12/13	1 to date

6.4. The available budget for CIS is £565,869.

6.5. The current incentive offered is shown below:

Type of property you will be returning to the Council	Buying within Lewisham borough	Buying outside Lewisham borough	<i>Fast mover bonus*</i>
4 bed (or larger) ground floor flats and houses	£29,000	£27,000	£1,000
3 bed ground floor flats and houses	£25,000	£23,000	£1,000
2 bed ground floor flats and houses	£22,000	£20,000	£1,000
3 bed (1st, 2nd, 3rd floor) with lift	£20,000	£18,000	£1,000
2 bed (1st, 2nd, 3rd floor) with lift	£19,000	£17,000	£1,000
2 and 3 bed other	£16,000	£15,000	£1,000
1 bedroom	£14,000	£12,000	£1,000

7. Shared Ownership/Shared Equity

Background

- 7.1. Low cost home ownership products have been available for many years, undergoing re-inventions depending on the market situation or government policy changes. Most products have been channelled through the Homebuy Agent, an organisation that acts as a one stop shop for applications by potential purchasers or intermediate renters, and for marketing properties for all providers. The Homebuy Agent has been tendered a few times over recent years with the service being consistently provided in London by a partnership of London & Quadrant (focussing on South London) and Metropolitan Housing Trust (focussing on North London). The Homebuy Agent is currently referred to as FIRSTSTEPS and their website can be viewed at: <http://www.firststepslondon.org/>
- 7.2. In September 2012 the Mayor of London issued a funding prospectus as part of his Housing Covenant. The prospectus related specifically to Homes for working Londoners and requested bids for a flexible product; rent to save; shared ownership and equity loans.
- 7.3. The Flexible product can be any of the following:
- 7.3.1. Rent to save – similar to Rent to Homebuy. The tenant pays a rent of up to 80% of the market rent and commits to saving a deposit within 5 years to purchase.
- 7.3.2. Traditional shared ownership. Applicant buys between 25% and 75% of property and pays a rent on the unsold equity of up to 2.75% pa.
- 7.3.3. Equity loan. A maximum loan of up to 20% of the property value with an interest fee of 1.75% of loan charged from year 6.

7.3.4. Properties relating to the flexible product should be owned by an RP at the time of first letting/sale. This is for regulatory reasons and helps to ensure that the grant is recycled.

7.4. The Covenant also announced the abolition of the Homebuy Agent. The GLA intend to streamline this process by bringing the service in house. The agent will no longer exist. Applicants will deal with each marketing organisation individually. The South East London Housing Partnership is looking at ways that this service can be maintained as it will impact on both local authority and RP workloads/resources plus the one stop approach for applicants will be lost.


7.5. The GLA will provide a portal type website linking to each providers marketing websites.

Current Shared ownership/shared equity Products

Traditional shared ownership

7.6. Shared Ownership enables someone to purchase a new or existing home from a housing association. They purchase the maximum share in the property that they can afford with a minimum requirement of 25% and maximum of 75% and pay rent on the remaining share. Properties are either brand new or being sold by existing shared owners. The rent on the outstanding share is usually set at a maximum of 3% on the value of that share when the home is first sold. Rent levels on resale homes can be higher.

7.7. Some recent examples of advertised properties are:

Family Mosaic - Greenbanks, Algernon Road, SE13	
	<ul style="list-style-type: none">• A minimum 35% share is being advertised for a 2 bed flat.• The full market value is £247,500.• Required earnings £33,627.• Estimated total monthly cost £913:<ul style="list-style-type: none">○ Monthly mortgage - £456○ Monthly rent - £286.89○ Monthly service charge - £170.11• Eligibility criteria -<ul style="list-style-type: none">○ Applicants registered and approved for Shared Ownership○ Priority will be given to applicants living or working in the south east London sub-region○ Additional priority will be given to council and housing association tenants

Asra – Pride of Deptford



- A minimum 25% share is being advertised for a 2 bed flat.
- The full market value is £210,000
- Required earnings £24,000
- Estimated monthly cost £742
 - Monthly mortgage - £276
 - Monthly rent - £386.20
 - Monthly service charge - £80
- Eligibility criteria –
 - To be eligible you must live or work in the London Boroughs of Bexley, Bromley, Greenwich, Lewisham, Southwark only. MOD employees are also eligible to apply. And priority given to existing council tenants.

FirstBuy

7.8. FirstBuy gives people the opportunity to buy a new home with the help of an equity loan of up to 20% of the full purchase price. The FirstBuy equity loan is interest free for the first five years with a charge payable from year six. FirstBuy is available on homes in designated developments across London and is funded by the developer and by the government.

7.9. The applicant therefore purchases a minimum of 80% of the property with a mortgage and a deposit. They need to be able to raise a minimum deposit equivalent to 5% of the value of the property. No fee will be charged on the loan for the first five years. After that they pay a fee on each of the equity loans of 1.75%, rising annually by the increase in the Retail Price Index (RPI) plus 1%.

7.10. Barratt Homes have delivered 12 FirstBuy homes this year and 13 homes last year on the development known as Renaissance (in Loampit Vale). An example of the affordability of this scheme is below:

Unit type	1 bed 2 person
Purchase price	£220,000
Income	£52,000
Savings	£30,000
Grant	£23,200

7.11. Unfortunately the monthly costs for these flats are unavailable however a similar valued site in Bromley is currently being advertised.

- The full market value is £233,995
- Required earnings £47,000
- Estimated monthly mortgage £1,040
- Deposit required £9,360

- 7.12. Crest Nicholson have also completed on 11 FirstBuy homes at Riva in Lee High Road.

HomeBuy Direct

- 7.13. With this product someone purchases a minimum of 70% of the property with a mortgage and a deposit. They need to be able to raise a minimum deposit equivalent to 5% of the value of the property. No fee will be charged on the loan for the first five years. After that they will pay a fee on each of the equity loans of 1.75%, rising annually by the increase in the Retail Price Index (RPI) plus 1%. There are only a limited number of properties left in London available via this product.

Rent to Buy

- 7.14. Rent to Buy offers the opportunity to rent a newly built home on an Intermediate Rent basis; allowing people to rent a home at a rent which is charged at approximately 20% lower than would be expected for a similar home on the open market. People can do this for up to five years with the option to buy the home through FIRST STEPS Shared Ownership when they are ready to buy in the longer term. London & Quadrant HT ran a programme along these lines entitled UP2U.
- 7.15. Circle Anglia are letting 11 flats in Bell Green as rent to buy at the following rent levels:
- 1 bed - £640pcm - £760pcm
 - 2 bed - £760pcm - £800pcm
 - Minimum rental income range £19,200 - £24,000 per annum.

Newbuy

- 7.16. The NewBuy scheme is designed to help overcome the deposit gap for new home buyers. It is aimed at first-time buyers and those who already own a home who only have funds for a 5-10% deposit on the home they wish to buy in England. The lenders participating in the scheme will provide a 90-95% loan-to-value mortgage for buyers meeting their qualifying criteria.

Armed Forces Home Ownership Scheme (AFHOS)

- 7.17. The Armed Forces Home Ownership Scheme is a pilot scheme designed to help some people in the armed forces to buy a home to suit their needs, with some extra help to top up their mortgage. The scheme is designed specifically to provide assistance for qualifying service personnel to purchase a home on the open market. If eligible, they can receive an equity loan of between 15-50% of the value of the home that they choose on the open market, usually through an estate agent like any other buyer. For example, if they qualify for a mortgage of £70,000 and have a deposit available of £10,000, they could potentially purchase a property worth up to £155,000.
- 7.18. To be eligible they must have between 4-6 years continuous service, and be unable to afford a suitable home on their own.
- 7.19. The scheme is administered by an appointed scheme agent, Swaythling Housing Society.

Historic Products

Homebuy

- 7.20. Homebuy is the umbrella term for a number of home ownership products, however historically it referred specifically to a product aimed only at existing tenants and people on the waiting list. The applicant would need to be able to get a mortgage for 75% of the purchase price. The remaining 25% was provided through a loan from the RP. There were no loan repayments until the property was sold. Repayment was based on 25% of the sale value.

London Wide Initiative (LWI)

- 7.21. London Wide Initiative was a shared equity product for key workers, and in some cases local residents, at specific developments across London. Through LWI, the government retains a percentage of equity in a home and the home buyer did not need to make any monthly payments on the government's share. If the home buyer left their key worker profession within the first three years of ownership then they repaid the government's share or sold the home.

Open Market HomeBuy

- 7.22. Open Market HomeBuy helped first time buyers and key workers buy a home of their own on the open market with help of an equity loan. In 2008 two options replaced the old Open Market HomeBuy scheme that had existed since 2006, these options were MyChoiceHomeBuy and Ownhome.

MyChoiceHomeBuy

- 7.23. MyChoiceHomeBuy was a government funded, low cost home ownership product that enabled eligible applicants to choose and purchase a home of their own on the open market with the help of a flexible equity loan. Home buyers would raise a mortgage with a high street bank or building society and received a government equity loan of up to 50% of the property value. There was an annual charge on the loan of 1.75% in the first year that would marginally increase each following year.

Ownhome

- 7.24. The alternative scheme to MyChoiceHomeBuy was called Ownhome delivered by Places for People where home buyers could borrow between 20% and 40% of the value of their chosen property, up to a maximum of £165,000. No interest payments were payable on the Ownhome loan for the first five years. After five years interest was charged at a fixed rate of 1.75% each year. After a further five years this would increase to a fixed rate of 3.75% p.a.

First Time Buyers' Initiative (FTBI)

- 7.25. First Time Buyers' Initiative was a government backed scheme started in 2006 delivered through English Partnerships (the then national regeneration agency, in collaboration with the Housing Corporation). It enabled aspiring first time buyers, who could not otherwise afford to buy a new home, to

purchase a new property with an affordable mortgage and with government assistance on a designated FTBI development. Assistance was paid to the participating house builder, not the first time buyer. The government would then be entitled to a share of the future sale proceeds which are equal to the initial percentage contribution required to assist the buyer. It enabled the FTBI buyer to take out an affordable mortgage (minimum 50% of the total purchase price) on which they would make repayments.

Key Worker Homebuy

7.26. This is an equity loan scheme that operates in a similar way to Homebuy. Qualifying key workers could obtain a loan of up to £50,000 to put towards a purchase on the open market. The amount of the loan was determined by what the key worker could afford. Unlike Homebuy, it didn't have to be 25% of the value. The loan was only repayable if the property was sold or if the purchaser stopped being a qualifying key worker. At this point, the percentage of the value that was represented by the loan at the original point of purchase was repayable to the housing association.

7.27. The proceeds were all recycled to provide more affordable homes for key workers.

London Challenge Key Teacher Homebuy

7.28. This was a highly targeted scheme aimed at teachers with specific attributes such as leadership potential, or teaching in a challenging school. The scheme operated in the same way as Key Worker Homebuy except that qualifying teachers could access equity loans of up to £100,000 to buy a home on the open market. These buyers did not have to be first time buyers.

Key worker new build shared ownership

7.29. This scheme operated in the same way as ordinary shared ownership except that it was only available to a defined group of key workers, defined by the then Housing Corporation. Purchasers who stopped being a qualifying key worker had to buy all of the remaining equity or sell the home to a qualifying key worker nominated by the housing association.

Do-it-yourself-shared-ownership (DIYSO)

7.30. The Government stopped funding Do-It-Yourself-Shared Ownership (DIYSO) homes some years ago. DIYSO worked in the same way as shared ownership except that instead of being offered a new home, the applicants themselves found a home to buy on the open market. The home could be anywhere in England. Consequently some housing associations have a few DIYSO homes outside their usual area of management.

Home Ownership for People with Long Term Disabilities (HOLD)

7.31. The South East London Housing Partnership have worked with Hyde Housing Association for several years to provide innovative and flexible solutions to help residents with disabilities to stay and even purchase their own homes and to live independently.

- 7.32. HOLD is not a separate product but the route that people with long term disabilities can use to buy shared ownership properties in London. To qualify for this scheme people must:
- Be over 18 years of age;
 - Have a recognisable housing need;
 - Have a good credit history;
 - Have no outstanding debts;
 - Be receiving medium or high rate Disability Living Allowance Care Component; and
 - Be unable to work now or in the future (ideally this will have been proved through a Work Capability Assessment).
- 7.33. The scheme is only suitable for single people or for couples who are both disabled and who are both unable to work due to their disability.

Advantages/disadvantages of shared ownership/shared equity

- 7.34. These products work for people that are recognised as being in housing need, are potentially on the housing list but will never be a high enough priority to realistically be housed in social/affordable rented accommodation. These are often low income, working households unable to buy on the open market.
- 7.35. The main advantage, therefore, would be that these options give people the opportunity to purchase their own home and to get a foot on the property ladder.
- 7.36. The main disadvantage of these products, in the same way as purchasing outright, is that if a persons financial situation deteriorates their home is at risk of repossession.
- 7.37. Purchasers can sometimes find it difficult to sell a property if they only have a share and haven't been able to purchase the whole property. As the RP will still own a percentage, they have first refusal to buy the property but generally the resale will be advertised via the Homebuy Agents webpage.
- 7.38. Applicants should also be aware that for programmes such as shared ownership where there is a mortgage and rental element, the monthly cost can be quite high, in some cases competing with outright mortgages.
- 7.39. Using the Pride of Deptford scheme as an example, with a value of £210,000 and putting it through the BBC's mortgage calculator suggests a monthly mortgage payment of £1,004 or £525 for an interest only mortgage (assuming 3% interest rates and a mortgage over 25 years). The total cost monthly cost through shared ownership was £742.
- 7.40. The proportion of home owners helped with these products is difficult to say especially as these products have been running for a number of years and not all of the records are available. Some have also been resold as shared ownership where the original owner didn't staircase up to owning 100%. There is no way of knowing exactly how many people have been helped into home ownership in that way.

- 7.41. Nationally, between 1995/96 and 2009/10 new LCHO supply, mainly via RPs, has totalled 215,640 dwellings – an average of around 14,400 per year – though these figures include a range of schemes and cover both new-build and acquisitions (source DCLG Housing Statistics).
- 7.42. What we do know, however, is the number of properties built or purchased with support from the LB of Lewisham, The Housing Corporation/Homes and Communities Agency/Greater London Authority over the years. These figures are shown below:

LCHO	New Build	Other Purchases
2002/03 - 2011/12	614	300
2012/13 Actual (to 31st December)	145	0
2012/13 Forecast	66	0
Total	825	300
Forecast for future years	125	0

- 7.43. The majority of the newbuild shared ownership properties were built as part of estate regeneration programmes in partnership with RPs (Pepys, Sundermead or Silwood for example), or on sites that the RP wholly owned (Hyde Wardalls Grove, Circle Bell Green Gas Works, L&Q Nightingale Lane).
- 7.44. There have been a few exceptions that were built purely as part of a section 106 agreement however these are in the minority (Seager Distillery, Silkworks).
- 7.45. The general housing market directly affects the low cost home ownership market. This can happen in more than one way. The current market situation has meant difficulty getting mortgages without a substantial deposit. The requirement for a large deposit is often out of the reach of the purchaser and below inflation wage rises, higher rents and the increasing cost of living are all making saving harder.
- 7.46. The impact of this situation is that RPs are less likely to take the risk in developing large numbers of low cost home ownership properties and are preferring to deliver higher numbers of new affordable rent homes.
- 7.47. The differing and ever changing products on offer can be confusing to the potential purchaser and may prevent people fully considering low cost home ownership as an option, preferring to remain in social, affordable or private renting. Choices may become more confusing with the abolition of the Homebuy Agent in April 2013.
- 7.48. Historically, Lewisham has not particularly experienced the high numbers of unsold shared ownership properties that other boroughs have had issues with. It has been suggested that this is because Lewisham is generally more affordable than other areas and the values are pitched at the right levels for first time buyers.
- 7.49. Housing Matters will be considering low cost home ownership options as part of the infill development programme, alongside social/affordable rent and

private sale. The decision as to which tenures will be delivered will be informed by the viability of a site and its location and suitability for different tenures. This may result in some mono tenure sites (generally the smaller ones) and some mixed tenure sites. The tenure of the neighbouring properties will also be a factor.

8. Self Build

- 8.1. Self build is the opportunity for people to build their own home through a variety of different approaches. A private resident can purchase a piece of land, get planning permission and build their own home to live in or sell with very little involvement from the council. Alternatively a group can approach the council and a proposal can be developed together.
- 8.2. The main advantage is that as well as having an end product that can be lived in, ideally by the person that built it or at least worked on it, training has been provided and hopefully someone has been helped back into employment.
- 8.3. A disadvantage of self build is that where a formal training programme is being provided, the build programme can last longer than a traditional build. There can also be a high drop out rate on some schemes where people realise that they cannot commit to the time required.
- 8.4. There are degrees of build that can be delivered through this process. It can range from the complete build being undertaken by the self builder, assisted build where certain trades can be supported and training provided through to the final decorations and fixings being carried out.
- 8.5. Lewisham has a solid history in delivering self build projects. The two most well known are Walters Way and Segals Close – 27 homes in total. In the 1970's Segal Close and in the 1980's Walter's Way were developed using the approach of Walter Segal, a German architect who settled in England in the 1930's. It was the first social housing self build scheme and is studied by students and groups interested in this approach to developing homes.
- 8.6. Three schemes in the borough that have been developed during the 1990's (in Drakefell Rd, Moorside Rd and Chinbrook Meadows) were all developed by the self-build groups in conjunction with a housing association. The developments would have been funded through a mixture of Social Housing Grant (from the Housing Corporation or from the local authority's Housing Investment Programme) and private finance raised by the housing association. Social Housing Grant can only be paid to a Registered Social Landlord, such as a housing association.
- 8.7. More recently Lewisham has worked with London & Quadrant Housing Trust on the Sundermead estate regeneration development (10 units) and at Beechmont Close to develop homes through assisted build. The 13 unit Beechmont Close scheme was specifically targeted at young employed residents of the borough (aged between 18 and 25). Both of these schemes were linked to Lewisham College.
- 8.8. The Council is currently working on a potential Custom Build (the new term for self build) development at Church Grove, Ladywell which will involve working with a local community group in one capacity or another.

- 8.9. Working with Lewisham Homes, the council is also considering a training opportunity linked to bringing long term voids back into use. Its also worth mentioning that Lewisham Homes and their contractors have apprentices learning the different building trades.
- 8.10. As mentioned above, the build programmes, especially when linked to a college course, can take longer than traditional build and with a large waiting list of people in housing need, it's difficult to justify the time when people are desperate for suitable accommodation.
- 8.11. It may be in the future that we reconsider our approach to self build. To ensure a shorter timescale the building methods could be reconsidered. For example, the Council may consider using off site manufacture methods where the majority of the property is built in a factory which results in a shorter period actually on site. There could be opportunities for people interested in self build to use this simpler method, still receive training relating to building trades and produce a quicker result.
- 8.12. The timescales can be demonstrated by the assisted build example at Beechmont Close. The initial consultation took place in 2005 and throughout 2006. Planning permission was granted in 2007. The properties were completed in 2010.
- 8.13. While the council itself is not able to bid for funding through this programme, groups that we may work with can. The council has had several discussions and meetings with the GLA to discuss the details of their programme and our proposals and so far have received positive feedback.
- 8.14. A number of different types of groups have expressed an interest in working with us. We have met with one and will be meeting others in January 2013.
- 8.15. As mentioned above, a proposal is being worked on for Church Grove in Ladywell. Mayor and Cabinet agreed that officers can take the scheme forward at the end of October 2012. Other opportunities are being considered as part of the infill site development programme, linked to Housing Matters. If any sites are suitable for this type of development, self build will be considered.
- 8.16. It is not possible to say exactly how much a development would cost in the current housing market as a scheme has not been delivered in this way for several years (since 2010) however if council land is provided at a discount or for free (in this time of budgetary constraints) the development would need to meet key council priorities. The cost of the most recent assisted build scheme are outlined below:
- The scheme consisted of 6x1 bed flats, 4x2b flats and 3x3 bed houses. As the project was aimed at young unemployed people, they were eligible for the 1&2 bed flats only;
 - It was a small site at 0.2 hectares;
 - The land was sold for £320,000 but was valued at around £900k resulting in a large discount and reduced receipt for the council;

- Work cost was £1,497,373 with an on-cost of £317,813;
- The grant input from the Homes and Communities Agency was £1,640,000.

9. Community Land Trusts

9.1. Community Land Trusts (CLT) are non-profit, community-based organisations run by volunteers that develop housing, workspaces, community facilities or other assets that meet the needs of the community. They are owned and controlled by the community and are made available at permanently affordable levels.

9.2. There are a number of benefits to setting up and running a CLT. Usually, the stimulus is a desire to create affordable homes that are available to local people who cannot afford open market housing. However, sometimes local people might take on another challenge facing their community, such as setting up a community shop, or purchasing the local pub when it is about to close. Small grants are available from the National CLT Network for emerging groups working on their first project.

9.3. To create affordability a CLT needs to receive initial subsidy in one form or another; be it free land, or financial grants from government, charities or benefactors. Once properties have been built, the land on which they are built is protected from fluctuations in land market valuations by a legal 'asset lock' that is a fundamental part of all the CLT structure.

9.4. Generally:

- CLTs are locally driven, controlled and democratically accountable;
- They can meet local housing need even in areas with very high house prices;
- By retaining an equity share in each property, they provide housing that is permanently affordable, benefitting many generations of residents;
- CLTs give the community an asset for the future;
- CLTs genuinely empower local communities, where communities are part of the vision and solution for their local area.

9.5. Advantages include:

- Local interaction and networks;
- Increased confidence and development of new skills;
- Projects have helped to create jobs and develop new community facilities;
- It has, in some places, helped to reverse population decline;
- Most projects generate their own income;
- Many projects incorporate renewable energy generation elements;

9.6. The disadvantages include the need for a local authority resource, by way of support, at a time of budgetary constraints, along with some kind of financial input most likely from the council. There is also the potential for the community to become unable to provide the time and resources required to continue with the project which could jeopardise its future.

- 9.7. There are a few examples of urban based CLTS, two of which are listed below – more can be found at <http://www.communitylandtrusts.org.uk/See-it-and-Believe-it/urban-clts>
- East London CLT - Community housing as part of the Olympic Park legacy, with a focus on redeveloping St Clement's hospital.
 - Brixton Green CLT - Brixton Green CLT is currently developing plans to create a large-scale urban regeneration project. The aim is to create a community-owned mix of housing, employment, health and education to help create local wealth and benefit the Brixton community.
- 9.8. All housing land that can be potentially built on is currently being considered for the councils new build project, linked to Housing Matters. It is possible that an opportunity could arise when considering the future of use for each site however the council has not yet been formally approached by a community group wishing to take this approach.
- 9.9. The Councils Asset schedule lists all sites owned by the council, not just the housing sites. The list includes old depot sites, pubs and social clubs, former offices, current offices and other building types. Any identified for sale will have a capital receipt assumed.
- 9.10. For the purposes of the infill development sites, a cost of around £150,000 per unit has been assumed for building a home where free land is available. The cost of a CLT building would depend on the level of support that the Council decided to give i.e. if free or discounted land could be contributed.

10. FINANCIAL IMPLICATIONS

- 10.1. This report informs the Housing Select Committee's review of low cost home ownership and related issues in Lewisham and, as such, there are no financial implications arising from this report.

11. LEGAL IMPLICATIONS

- 11.1. There are no specific legal implications arising from this report.

12. EQUALITIES IMPLICATIONS

- 12.1. There are no specific equalities implications for this report.

13. ENVIRONMENTAL IMPLICATIONS

- 13.1. There are no specific environmental implications for this report.

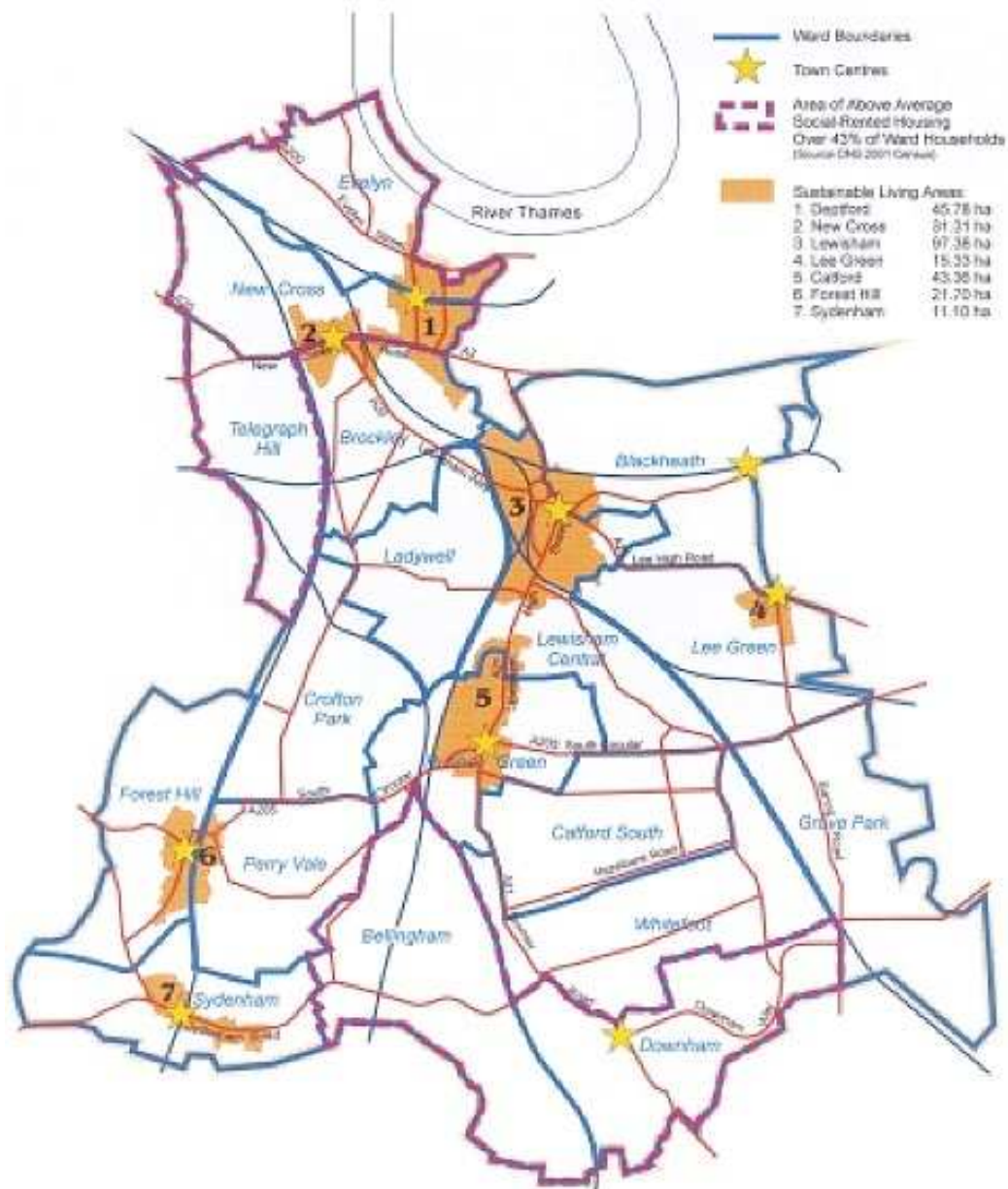
14. BACKGROUND DOCUMENTS

Mayors Covenant, Homes for working Londoners - <http://www.london.gov.uk/homesforworkinglondoners>

For further information on this report please contact Louise Spires, Strategy, Policy and Development Manager on extension 46649

Appendix 1

UDP 2004 – Pattern of Affordable Housing



Map 5.1 PATTERN OF AFFORDABLE HOUSING

Appendix 2

RTB sales since 1979:

	1979 to 1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	TOTAL
Sales	9,503	371	83	.	.	1,000	1,027	682	343	181	109	13	4	11	18	13,345



WANT TO GET INVOLVED? Request a copy of our Residents' Compact and find out how! ☎ 020 8613 7660

Changes to the Right to Buy

From 2 April there are major changes happening to the Right to Buy (RTB) Scheme. Most secure tenants have the right to buy their homes at a discounted price once they have been public sector tenants for a minimum of five years.

The Government announced that they would be increasing the maximum RTB discount up to £75,000 from 2 April 2012.

The exact amount of discount depends on the market value of your home and the length of time that you have been a tenant.

Making the right choice

Becoming a homeowner is one of the most important decisions you will make. We have a team who can help you with your application and discuss the benefits, costs and obligations of becoming a homeowner.

Our advice is free and in most cases we can provide the same service as those who charge. We do not receive any commission from mortgage companies or other organisations.



We have a team of officers who can help with your Right to Buy application free of charge.

Leasehold Services

Right to Buy application process

Get your free information booklet or talk to a member of the RTB team today!

☎ 0800 028 2 028 press 5
 @ leasehold@lewishamhomes.org.uk
 www.lewishamhomes.org.uk

Things to consider when buying your home



If you sell your home five years after buying it, you won't need to repay any of the discount. (NB - you will have to repay some or all of the discount if you sell within the five year period)

You will need to arrange and pay for all repairs inside your home, including repairs to your central heating.

If you have a mortgage it will include interest on the amount you have borrowed and your interest rate may increase over the years.

If you buy a leasehold property (flat or masonette) you will pay service charges to cover works to shared areas of the block and services to your property which may include caretaking, antisocial behaviour etc.

As a homeowner you cannot claim housing benefit. The Department for Work and Pensions does provide some help with mortgage payments if you run into financial difficulty, but this may not cover all of the monthly mortgage payment.

If you do not pay your mortgage, your home may be repossessed.