

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Executive Committee
Date:	14th February 2017
Subject:	Policy on Equity loans for first time buyers and Empty Homes Grants financed through the Empty Homes and Second Homes council tax premium
Portfolio Holder(s):	Councillor Aled Morris Jones
Head of Service:	Shan Lloyd Williams
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Local Members:	All

A –Recommendation/s and reason/s
<p>Recommendation</p> <p>The Executive are recommended to approve this Policy for the implementation of two new schemes:</p> <ol style="list-style-type: none"> 1) Grant to help first time buyers purchase and renovate an empty homes 2) Equity loans to help first time buyers <p>Both schemes are funded from the Council Tax premium which will be raised on second Homes and empty homes on the Isle of Anglesey from April 2017.</p> <p>The policy will be operational in the specified community council areas which have the highest numbers of second homes and /or the lowest numbers of homes at lower quartile house prices.</p> <p>Reasons</p> <p>These two schemes will use part of the additional revenue raised from the premium to provide assistance to local householders who have been affected by a lack of affordable homes. These schemes were selected after a discussion process with members of the Executive about the preferred way to use the proceeds of the premium. Discussions also culminated in specific areas being identified to be targeted.</p>

Background

The Housing (Wales) Act 2014 provides local authorities with discretionary powers on whether to charge a premium on long-term empty dwellings or second homes (or both). The Welsh Government's aim in creating this discretionary power for local authorities to charge a premium, on top of the standard rate of Council Tax was to help local authorities to

1. Bring long-term empty homes back into use to provide safe, secure and affordable homes;
- and
2. Support local authorities in increasing the supply of affordable housing and enhancing the sustainability of local communities.

Anglesey County Council resolved in March 2016 that from 1 April 2017 it would charge a premium set at 25% of the standard rate of council tax for both long term empty dwellings and for second homes. This % amount will be reviewed during 2018/19.

A discussion paper was produced which offered a number of options for using a portion of the receipts from the premium to assist households on the island for who are struggling to access affordable housing and would also assist with bringing back empty homes into use and therefore improving the communities where these are situated. The preferred options were two schemes targeted on first times buyers:

1. Grants for first time buyers to purchase empty homes in a community council area where the buyer has a local connection. Grants will be available in specified community council areas which have which have the highest numbers of second homes and /or the lowest numbers of homes at lower quartile house prices. These would be grants and would not be repaid payments (effectively they are one off payments subject to certain conditions).
2. Low cost home ownership for first time buyers through an equity loan to assist with house purchase. Loans will be available in specified community council areas which have which have the highest numbers of second homes and /or the lowest numbers of homes at lower quartile house prices. Buyers will need a local connection with the community council area in question. The equity share will be repaid when the householder sells the property in the future and the funds recycled.

A detailed policy has been developed outlining eligibility for the scheme and how it would work in practice. This is appended to this report.

Financing the schemes

An indicative allocation of £170,000 has been identified to finance these schemes in 2017-2018, this allocation does not include the funding of an Empty Homes Officer and Housing Benefit Officer.

As this will be demand lead prioritization will be given to date order of applications.

Based on the above indicative allocation the table below is for illustration purposes on the number of households which could be assisted per annum:

Premium %	Estimated additional revenue	Grant to renovate empty homes -no. of households assisted	Equity Loan for Homeownership using existing housing stock - no. of households assisted
25%	£170,000	5	2

B – What other options did you consider and why did you reject them and/or opt for this option?

Initial consideration was given to a number of options which would support the Welsh Government’s stated aim in the statutory code of guidance on the implementation of the premium that where a premium is charged it should assist with bringing back long term empty homes into use as safe, secure and affordable homes and increasing the number of affordable homes.

The preferred options are those which can be implemented and see effect without delay and to supplement existing work within the Council already taking place to increase numbers of affordable housing (e.g. the Council and Housing Association programme to develop social housing via Social Housing Grant allocation).

The other options which, after consideration, members of the Executive decided not to take forward were:

- Assisted home purchases – development specific
Issue - this would have restricted equity loans to specific new build schemes on the island
- Additional help for a deposit to secure a mortgage for first time buyers
Issue – there are risks in the Council providing finance where buyers have not been able to afford to save a deposit.
- Grants for new build, similar to social housing grant
Issue - duplication of funding available through Social Housing Grant and Housing Finance Grant
- Funding to support Community Land Trusts
Issue – longer term project for which it is difficult to predict outcomes

The specific details of the Policy have been developed to take account of the nature of the issue of empty homes on the island and to give priority to the parts of the island where

second homes and lack of homes affordable to first time buyers is a particular problem due to the affordability of these properties.

C – Why is this a decision for the Executive?

This is a new policy, it is not reserved to Council nor is it within the Scheme of Delegation to Officers, so by default it is an Executive function under s13(2) LGA 2000

CH – Is this decision consistent with policy approved by the full Council?

The full Council agreed on March 2016 to use its discretionary powers to raise a Council Tax Premium on long term empty dwellings and second homes from 1st April 2017.

D – Is this decision within the budget approved by the Council?

The schemes will be funded from extra receipts raised from the Council Tax premium on Empty homes and Second Homes and will be operational from the latter part of 2017-2018

DD – Who did you consult?

What did they say?

DD – Who did you consult?		What did they say?
1	Chief Executive / Senior Leadership Team (SLT) (mandatory)	Comments have been reflected within the report
2	Finance / Section 151 (mandatory)	Supportive
3	Legal / Monitoring Officer (mandatory)	Comments have been reflected within the report
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Procurement	
8	Scrutiny	
9	Local Members	
10	Any external bodies / other/s	

E – Risks and any mitigation (if relevant)

1	Economic	
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2	Anti-poverty	
3	Crime and Disorder	
4	Environmental	
5	Equalities	
6	Outcome Agreements	
7	Other	

F - Appendices:
Appendix 1: Policy on Help for local first time buyers financed from the Council Tax Premium on empty homes and second homes.

FF - Background papers (please contact the author of the Report for any further information):
Guidance on the Implementation of the Council Tax Premiums on Long-Term Empty Homes and Second Homes in Wales – Welsh Government, January 2016

Appendix 1: Policy on help for local first time buyers financed from the Council Tax Premium on empty homes and second homes.

1. Background to the policy

Legislative changes in the Housing (Wales) Act 2014 (“2014 Act”) gave local authorities discretionary powers on whether to charge a premium on long-term empty dwellings or second homes (or both). The Welsh Government’s aim in creating this discretionary power for local authorities to charge a premium, on top of the standard rate of Council Tax was to be a tool to help local authorities to

- Bring long-term empty homes back into use to provide safe, secure and affordable homes; and
- Support local authorities in increasing the supply of affordable housing and enhancing the sustainability of local communities.

Anglesey County resolved in March 2016 that from 1 April 2017 it would charge a premium set at 25% of the standard rate of council tax for both long term empty dwellings and for second homes. This amount will be reviewed during 2018/19.

Funds raised from the premium is to be used to fund two initiatives which will support local households who would otherwise struggle to find suitable affordable housing in their local area. It will also assist with bringing back into use long term empty properties which can blight neighbourhoods and provide high quality affordable homes within communities

Empty homes are found across the island of Anglesey and are of many different types and state of repair. The Council recognises that as well as meaning less homes are available to people who need them, empty homes can deteriorate quickly and attract anti-social behaviour.

Second homes are also found in most parts of the island but some areas are effected more than others. These are, in the main, found in areas popular with tourists where average house prices are also high.

For the purposes of this policy, both schemes are being targeted on community council areas which have the highest percentage of second homes and on community council areas where in recent times there have been the least opportunities to purchase a home for £115,000 or less (£115,000 was the lower quartile house price for all house sales on Anglesey between January 2015 and September 2016). This will be reviewed after the first year of operation.

The following sections describes the two schemes which will be offered in 2017-18 funded through the Council tax premium.

2. First Time Buyer grants for empty properties

How does it work?

A property which has been empty for 6 months and in need of improvement which has been for sale on the open market, is identified by a first time buyer.

A grant of up to a maximum of £20,000 is awarded towards the cost of eligible works. This will ensure that the property can be made “warm, safe and secure”. The procedure is set out in greater detail at Appendix 1a.

Who benefits from this option?

Households with a local connection to the relevant Community Council area in Anglesey and who intend to live in the home for a minimum of 10 years

and

- whose financial circumstances are stable and enable them to take on and maintain mortgage payments and to raise a deposit

and

- can demonstrate that grant assistance is appropriate through a financial means test.

3. Low cost home ownership - equity loan to assist with house purchase (“Home Buy”)

How does it work?

First time buyers will have the opportunity to obtain an equity loan to enable them to purchase a suitable home in their local area which they would otherwise be unable to afford.

This is achieved by the Council or a Housing Association taking an equity share of 20% to 50% in a new build or existing dwelling identified by the buyer.

A maximum of £75,000, but usually less, per home is purchased by the Council or Housing Association. In the long term the subsidy is recycled at the point the household moves or choose to purchase the share originally held by the Council /Housing Association. The amount depends on the price of homes in the area where the household need to buy and the financial means of the household.

The households need to be able to raise a minimum 5% deposit on the share of the home which they will own and to be able to obtain a mortgage on the share they will purchase.

Who benefits from this option?

First time buyers with a local connection to the Community Council area where they propose to buy a home

- whose financial circumstances are stable and would enable them to take on and maintain mortgage payments and to raise a deposit.

but

- cannot afford to buy on the open market without assistance.

The scheme is currently available in the following Community Council areas which have the highest numbers of second homes and /or the lowest numbers of homes at lower quartile house prices.

Beaumaris	Llanfair Pwllgwyngyll
Bodffordd	Llanfair-Mathafarn-Eithaf
Cwm Cadnant	Llangefni

Llanbadrig	Llangristiolus
Llanddona	Mechell
Llanddyfnan	Menai Bridge
Llaneugrad	Moelfre
Llanfachraeth	Rhoscolyn
Llanfaelog	Rhosybol
Llanfaethlu	Trearddur Bay

Appendix 1a)

Empty Property renovation grant for First Time Buyers

The purpose of these grants is to support first time buyers to become the owner of a home that is affordable to them and to make best use of existing housing stock by bringing back into use a long term empty home in need of improvement which is often a blight on the neighbourhood.

The grants will be available in the following areas.

Beaumaris	Llanfair Pwllgwyngyll
Bodffordd	Llanfair-Mathafarn-Eithaf
Cwm Cadnant	Llangefni
Llanbadrig	Llangristiolus
Llanddona	Mechell
Llanddyfnan	Menai Bridge
Llaneugrad	Moelfre
Llanfachraeth	Rhoscolyn
Llanfaelog	Rhosybol
Llanfaethlu	Trearddur Bay

Summary of conditions and process for grant

Conditions

1. The grant is only for properties empty six months or more, which has been for sale on the open market and in need of improvements to bring up to a suitable standard for occupation. As far as possible this would be to the Welsh Housing Quality Standard.
2. The grant is only for absolute first time buyers with a local connection*.
3. The size of the home must be appropriate to the applicant's needs. This means it should have no more than one bedroom above the current needs of the household (ie single person household and couple = maximum 2 bed property, household with one child = maximum 3 bedroom, household with two children = maximum 4 bedroom)
4. The Grant will be registered as a land charge for 10 years and must be repaid if applicant sells the property before this date.

Grant payable

1. Up to a maximum of £20,000 (including VAT), dependent on the level of works required.
2. Grant paid on completion of works when grant is under £10,000 and in two stages, at 50% and on completion of work when in excess of £20,000

Process

The applicant must have identified an empty home and have checked with the Council's Empty Homes Officer that it has been empty for six months or more before applying for the grant.

Financial assessment

1. An affordability assessment will be undertaken. The applicant will complete a Housing Need Assessment form and will need to produce relevant documents (payslips, bank statements, savings statement).
2. The process is to ensure that the applicant has an affordable housing need and has an insufficient resource from savings and mortgage offer to renovate the property. However the applicant must also demonstrate that they have sufficient funds to maintain a mortgage and complete the necessary works to the property if a grant is awarded.
3. Housing Services will carry out an assessment of the sale price of properties in the relevant community council area over the last two years to assess median house prices in the locality. This price and the level of income therefore needed to acquire a suitable property in that area will be taken into consideration in determining that the property is suitable for a loan.
4. The applicant is required to produce a mortgage offer confirming the maximum mortgage available. It is usually expected that the income to mortgage offer would be around 1:3 or 1:3.5.

* Local connection means that the applicant or at least one of the applicants has lived or worked in the relevant Community Council in Anglesey for a continuous period of five years or more immediately before submitting the application or has lived in the relevant Community Council on Anglesey for a continuous period of five years or more at some time in the past.

Appendix 1b)

Equity loan to assist with house purchase (provided with funding from the second homes premium)

The purpose of this loan is to support first time buyers to become the owner of a home that is affordable to them in areas of above average house prices on the island where homes would often be out of reach of first time buyers. It is intended to assist buyers who because of high prices in their local community are penalised in accessing suitable housing in comparison to those living in lower price areas.

The loans will be available in the following areas.

Beaumaris	Llanfair Pwllgwyngyll
Bodffordd	Llanfair-Mathafarn-Eithaf
Cwm Cadnant	Llangefni
Llanbadrig	Llangristiolus
Llanddona	Mechell
Llanddyfnan	Menai Bridge
Llaneugrad	Moelfre
Llanfachraeth	Rhoscolyn
Llanfaelog	Rhosybol
Llanfaethlu	Trearddur Bay

Conditions

1. The loan is for first time buyers (must never have owned a property before)

The first time buyer must have a local connection to the community council area where they propose to buy a home. Local connection means that the applicant or at least one of the applicants has lived or worked in the Community Council area for a continuous period of five years or more immediately before submitting the application or has lived in the Community Council area for a continuous period of five years or more at some time in the past.

2. Applicants complete a questionnaire which establishes their household make up and the type of housing required, local connection and financial situation (a financial assessment)
3. The size of the home must be appropriate to the applicant's needs. This means it should have no more one bedroom above the current needs of the household (ie single person household and couple = maximum 2 bed property, household with one child = maximum 3 bedroom, household with two children = maximum 4 bedroom)
4. Housing Services will carry out an assessment of the sale price of properties in the relevant community council area over the last two years to assess lower quartile house prices and it is expected that the home to be bought will not exceed the lower quartile price for the type of property required. The level of the lower quartile price in the relevant community council will determine the income limit which will apply.

Process

1. The applicant is responsible for identifying an available home that they would wish to buy.
2. When a property has been found the Council will require an independent valuation to ensure that the purchase value is appropriate.
3. If the application is successful a social landlord* [Council or a Housing Association] will take an equity share in the property subject to the conditions laid out below.

Financial assessment

1. An affordability assessment will be undertaken. The applicant will complete a Housing Need Assessment form and will need to produce relevant documents (payslips, bank statements, savings statement).
2. The affordability assessment ensures that the person is able to obtain a mortgage but the amount available through these means and through savings is insufficient to afford the outright purchase of a home suitable to meet their needs.
3. The maximum amount of assistance is £75,000.00 and unless otherwise agreed the maximum amount of loan assistance will be 30% of the value of the qualifying property.

An example of how the scheme works:

- House price identified by the household that is suitable for their needs
= £120,000.000
- Annual Household income = £23,000.00
- Mortgage @ 3.5 times income = £80,500.00
- Plus 5% deposit = 4000.00
- Shortfall = £120,000.00 - £84,500.00.00 = £35,500.00 Or 30% of the property value

How the loan works

1. The shortfall between the amount affordable to the applicant and the property price is paid by the social landlord with the amount being calculated as the % of the current property value. If the property is sold in the future then it is this % of the market value, at the time the property is sold, that is repayable to the Council and 'recycled' for future use. household has full home ownership responsibilities and do not pay any interest on the loan awarded, but if the property value reduces then they will get less money back if they wish to sell in the future (Example a). If the property value increases then they will get more money than the original purchase cost.(Example b)

Example a)

A couple use the scheme to purchase a 2 bedroom property in 2017 for £120,000. 30% of this is funded by an equity loan of £35,500 from the Council and they put down a deposit of £4000 and take a mortgage of £80,500 for the remainder so that they have an equity share of 70% of the property value. After three years they move away from Anglesey and sell the property in 2020 for £118,000. The couple receive 70% of the sale price ie.£82,600 and 30% must be repaid to the Council ie.£35400.

Example b):

A couple use the scheme to purchase a 2 bedroom property in 2017 for £120,000. 30% of this is funded by an equity loan of £35,500 from the Council and they take a mortgage of £80,500 for the remainder (70% of the property value). They sell the property in 2022 for £132,000. The couple receive 70% of the sale price ie.£92,400 and 30% must be repaid to the Council ie.£39,600.

2. Households will be able to purchase the un-owned equity in 'tranches' of 10% of the market value at the time of repayment.(Example c)

Example c:

A couple use the scheme to purchase a 2 bedroom property in 2017 for £120,000. 30% of this is funded by an equity loan of £35,500 from the Council and they take a mortgage of £80,500 for the remainder (70% of the property value). After three years they find they can afford to increase their share of the property by 10% to 80%. They obtain a valuation of the property by a qualified Chartered Surveyor who states that the property is worth £125,000. They pay £12,500 to the Council in order to increase their equity share to 80%. When they sell the property in 2022 for £132,000 they receive 80% of the proceeds (£105,600) and 20% (£26,400) is repaid to the Council.

*It would be the Council's intention to run this scheme itself subject to ensuring that it can meet any requirements of the Consumer Credit licence. A similar "Homebuy" scheme is currently run on the Council's behalf by Grwp Cynefin.