

WEST OXFORDSHIRE DISTRICT COUNCIL
FINANCE AND MANAGEMENT OVERVIEW AND SCRUTINY COMMITTEE
WEDNESDAY 11 JULY 2018

LOCAL AUTHORITY PARTNERSHIP PURCHASE SCHEME (LAPP)
REPORT OF FFYONA MACEWAN, HOUSING ENABLING MANAGER

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(The report is for information)

1. PURPOSE

To update Members of the Committee on the West Oxfordshire Local Authority Partnership Purchased Scheme (LAPP).

2. RECOMMENDATION

That the information provided be noted.

3. BACKGROUND

- 3.1. The Local Authority Partnership Purchase Scheme (LAPP) was developed in response to the increasing cost of buying or renting a home. The scheme operates on a shared ownership model, whereby an applicant will buy the majority of the property, with the Council buying the remaining lesser share.
- 3.2. The scheme is aimed at applicants who cannot afford outright purchase, do not have a large deposit but who can afford mortgage repayments.
- 3.3. The LAPP scheme allows an applicant to identify a property and purchase a home on the open market, rather than restricting applicants to purchase properties specifically deemed to be 'shared ownership' property.
- 3.4. The scheme was chosen for West Oxfordshire due to the relatively high price of property within the district. The West Oxfordshire scheme would consider any properties within the West Oxfordshire boundary.
- 3.5. The Council developed its own scheme with the assistance of experts at Capita and a mortgage broker, Censeo. The West Oxfordshire scheme went 'live' in August 2017, with a closing date in October. Council allocated £500,000 of budget to support the LAPP scheme.

4. SELECTION CRITERIA

- 4.1. Applicants were able to access the scheme via the submission of an application form. All applications to the West Oxfordshire scheme being assessed as part of a two-stage process. Applications were initially scored based upon:
 - How long the applicant(s) had lived in West Oxfordshire

- Is the applicant a 'key worker'?
 - Do the applicants have dependants?
 - Are the applicants living in, or on the waiting list of social housing?
 - Is the applicant a first-time buyer?
- 4.2. The more criteria the applicant met, the greater 'points' they would score. The higher scoring applications would then pass to stage two of the selection process, which was managed by Censeo. Censeo would undertake financial checks upon the applicant(s) to make sure that the application was affordable and suggest a maximum loan value.
- 4.3. West Oxfordshire had allocated £500,000 toward the scheme. It was anticipated that this would only be able to support up to a maximum of 5 to 6 applications.
- 4.4. The West Oxfordshire scheme was established on the 70/30 model. The applicant would purchase a 70% share in the property, with the Council purchasing the remaining 30%. The applicant would have to be able to sustain a 90% mortgage on their 70% share, so will therefore need to have a 10% deposit for the purchased share (10% of 70% = 7% deposit against the property purchase price).

5. APPLICATIONS

- 5.1. After the West Oxfordshire scheme went 'live' it initially proved very popular. So much so that at the end of October the scheme was closed to enable all 46 applications to be assessed.
- 5.2. Rather than continuing to receive applications, it was hoped that the initial 46 applications could be assessed and scored, and a suitable number of applications passed to the next stage of assessment. It was anticipated that this initial swathe of applications would yield a suitable number of applications. In leaving the scheme open it would potentially give false hope to later applicants – being mindful that the Council could only hope to support 5-6 schemes at best.
- 5.3. In assessing the claims, a maximum score against the criteria would score 9 points. All applications scoring 7 or 8 points (out of 9) – 14 in total – were passed to Censeo for the second stage of assessment, to assess affordability.
- 5.4. The reasons that some applicants did not meet the eligibility criteria included; outside area, income in excess of £80,000 or already had legal interest in property.
- 5.5. Censeo carried out a detailed check on what was affordable against the type of property each applicant was looking for. Average prices were used depending upon whether the applicant was looking to buy a 2, 3 or 4 bedroom property, up to a maximum value of £375,000 (see annex)
- 5.6. Of the 14 applicants assessed, only two were deemed to be able to afford a mortgage on 70% of a property. The two applicants were informed that they had been successful and were told that the Council were willing to support them, should they find a property to buy.
- 5.7. Of the 12 applicants that did not pass the financial assessment (the ability to sustain a 70% mortgage on a property), Censeo calculated that the vast majority could only afford a mortgage at the 35% and 45% range. This was way below the initial 70% target that the Council had set.

- 5.8. The Council has the ability to vary the purchase shares from the initial 70% applicant / 30% Council split. The LAPP scheme allows for up to a 50%/50% split. However, the larger the share that the Council takes on, the less applicants that the Council would be able to support with the budget available.
- 5.9. The basic problem remains – property price within West Oxfordshire remain high and property purchase is difficult

6. THE WAY FORWARD

- 6.1. There are currently two applicants under the scheme that are (as far as is known) actively looking for a property.
- 6.2. The Council could chose to:
 - Continue on with the current two applicants and wait for them to find suitable properties to purchase.
 - Look to vary the ownership percentages, with the Council taking on a larger ownership share that the current 30%.
 - Look at applicants with fewer 'points' scored against the West Oxfordshire application criteria (see paragraph 4.1 for the criteria). These criteria were set to ensure particular groups were supported. Changing the criteria or accepting applicants with fewer points would mean a larger number of applicants, but the scheme may not then support those that it was designed to support.
 - Choose to re-open the scheme to new applicants and look for new 'high scoring' applications.
 - Choose to close the scheme completely and re-allocate the £500,000 budget to a different scheme.
- 6.3. Any changes to the scheme will be need to be raised with Cabinet and the portfolio holder for Finance.

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Date: 30^h June 2018