

Item No. 14.	Classification: Open	Date: 18 January 2022	Meeting Name: Cabinet
Report title:		Home Purchase Grant (Cash Incentive) Funding Report	
Ward(s) or groups affected:		Borough-wide	
Cabinet Member:		Councillor Stephanie Cryan, Council Housing and Homelessness	

FOREWORD - COUNCILLOR STEPHANIE CRYAN, CABINET MEMBER FOR COUNCIL HOMES AND HOMELESSNESS

In 2007, the Council launched the Home Purchase Grant scheme that provides cash incentives to tenants who wish to move and purchase a property in the private sector. The vacated home is then returned to the Council and re-let or used as temporary accommodation. In the past, the funding for the scheme has been thorough Social Homebuy sales but in recent years the amount of funding has significantly reduced. The Home Purchase Grant scheme is very popular and we are oversubscribed with applications from residents.

In order to meet the need and to allow up to 63 much needed homes to be returned to the council this report asks that Cabinet agree a variation to the Housing Investment Programme and make £2.15 million available to clear the backlog of applications.

This investment will help to meet the growing need for good quality council homes for some of the 16,500 households on the council's waiting list and will form part of a holistic approach to meeting the housing need in Southwark.

RECOMMENDATIONS

1. Approve amendment to the policy for funding the Home Purchase Grant scheme to enable it to be funded from all resources available to support the Council's Housing Investment Programme where permitted rather than solely from capital receipts arising from Social Homebuy sales.
2. Approve a variation to the Housing Investment Programme to make available a sum of £2,150,000 for the Home Purchase Grant Scheme in 2022-23 to allow the backlog of applications to be cleared.

BACKGROUND INFORMATION

3. The Home Purchase Grant scheme was approved in 2007 as a cash incentive scheme for tenants who are considering moving to the private

sector. The vacated tenant property is then returned to the Council and available to re-let to those on the housing waiting list or for temporary accommodation.

4. The Home Purchase Grant Scheme is currently funded by the capital receipts received from Social Homebuy (shared ownership) transactions.
5. In addition to the funding received from capital receipts, the Council received government match funding of £630,000 in 2015/16. Since then, the scheme has been limited to self-funding through Social Homebuy capital receipts.
6. The table below shows the capital receipts received in recent years:

Financial year	Social Homebuy Applications	Social Homebuy Completions	Capital Receipts
2021/22*	6	2	£652,152
2020/21	17	4	£612,450
2019/20	13	5	£1,012,394
2018/19	9	4	£813,220

* Forecast 2021/2022

7. Capital receipts raised, which were not used for Home Purchase Grants in any financial year, were deemed to be carried over into the following financial year. Below is an overview of the remaining budget in the program from 2018/19 which has been reduced by the Home Purchase Grant spent year on year:

Financial Year	Budget	Completions	Spend
2021/22+	£629,520	16 grants	£563,532
2020/21+	£998,831	11 grants	£369,311
2019/20+	£1,245,620	7 grants	£246,789
2018/19+	£1,902,156	19 grants	£656,536

8. Since inception, the scheme has been extremely popular and consistently oversubscribed. As of October 2021, 75 applicants have expressed an interest in the scheme and 13 of those are assessed and eligible. The remaining 62 applicants are being held on a waiting list pending funding. Approximately 50% of all applications processed generally meet our eligibility criteria and are offered a grant; meaning of the 62 applicants

waiting for assessment, approximately 31 will be successful.

9. At the end of 2020-21, the Social Homebuy receipts carried forward to 2021/22 is £486,708. We forecast that we will receive approximately £652,125 in Social Homebuy receipts income in 2021-2022, which equates to a maximum of 20 Home Purchase Grant completions. The total expected receipts for 2021/22 will be £1,138,833. The total forecast cases for 2022/23, including those currently on the waiting list will total 63 at a cost of £2,148,000.
10. It should be noted that once the grants funds have been allocated to an application, they cannot be redistributed unless the applicant withdraws. The timeline for completions is up to 12 months. This means that funds can appear on budget accounts as unused where they have been committed to approved grant applicants meaning no further applications can be processed, as funding is not available.
11. The table below illustrates how many additional home purchase grants we could allocate, based on average grants of £33,000 per property, and would be the number of additional properties returned to the Council for letting:

Additional Funding	Average Home Purchase Grants
£2,150,000	63 Completions
£1,500,000	46 Completions
£1,250,000	42 Completions
£1,000,000	30 Completions
£750,000	23 Completions
£500,000	15 Completions

KEY ISSUES FOR CONSIDERATION

Advantages of Providing Additional Funding

12. The Home Purchase Grant scheme contributes additional properties, which are in short supply for either permanent or temporary accommodation, thus reducing costs.
13. A breakdown of how the grant is calculated is set out in the table below:

Beds	Basic Incentive	Moving costs assistance	Desirable features (if applicable)	Maximum Total Grant
5+ Beds	£45,000	£3,000	£3,000	£51,000
4 Beds	£40,000	£3,000	£3,000	£46,000
3 Beds	£35,000	£3,000	£3,000	£41,000
2 Beds	£30,000	£3,000	£3,000	£36,000

14. When comparing the average costs of temporary accommodation funding, the scheme is exceptional value for money as the average annual costs of 2-bedroomed Temporary Accommodation is £7,613 and for 3-bedroomed units, it is £10,376.
15. By re-funding the Home Purchase Grant Scheme with funding of £2,150,000 for the financial year 2022/23, the Council can bring back 63 properties into social housing use.

Social Homebuy Receipts

16. The capital receipts for Social Homebuy would continue to be collected and applied to the Housing Revenue Account fund but would no longer be linked to the Home Purchase Grant scheme.

Policy framework implications

17. If this report is approved, the implications relate to how the Home Purchase Grant Scheme is funded as per paragraphs 5 and 18 of the Revised Cash Incentive Scheme (July 2009) with funding no longer linked to the Social Homebuy receipts.

Community, equalities (including socio-economic) and health impacts

Community Impact Statement

18. There are no adverse impact on any of the equality strands.

Equalities (including socio-economic) impact statement

19. There are no adverse impact on any of the equality strands.

Health impact statement

20. No aspects of the Home Purchase Grant scheme impact adversely on health.

Climate change implications

21. No aspects of the Home Purchase Grant scheme impact on climate change.

Resource implications

22. There are no additional staff resources currently required to enhance the scheme.

Legal implications

23. The power to put in place schemes for payments to assist local housing authority tenants to obtain other accommodation is provided by Section 129 of the Housing Act 1988 as amended by the Regulatory Reform (Schemes under Section 129 of the Housing Act 1988) (England) Order 2003. S129 of the Act enables a local housing authority to put in place a scheme to make grants to or for the benefit of qualifying tenants or licensees of the authority to assist them to buy a dwelling house. The local authority has the power to impose such conditions as it feels appropriate.
24. The report confirms that such a scheme has been in place since 2007, revised in 2009 and sets out the arrangements for funding the scheme. The report seeks authority for additional funding for the reasons set out in the report.

Financial implications

25. It is estimated that in order to deal with the backlog of interested parties for the scheme, a budget of £2,150,000 would be required for 2022/23. It is anticipated that in subsequent years the budget required would be much lower as the backlog of applications would be cleared, and in view of this a review of the scheme is proposed in 12 months time to set the budget for the scheme for 2023/24.
26. Up until now, the policy has been to meet the cost of the home purchase grants from social homebuy receipts. This report is recommending removing this requirement, which will provide greater flexibility for funding the home purchase grants scheme and the Housing Investment Programme overall, by allowing access to all resources supporting the Housing Investment Programme, including borrowing where needed.
27. Grants of this nature can be treated as capital expenditure for the purposes of financing because they enable the recipient finance the purchase of an asset, which represents capital expenditure to them.

Consultation

28. Not applicable for this scheme.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

29. Not applicable.

Director of Law and Governance

30. The constitution determines that cabinet consider decisions regarding the strategic aspects of the regulation and control of the council's finances. The council has a legal obligation to set a balanced budget on an annual basis as prescribed in the Local Government and Finance Act 1992 and associated Regulations. The issues contained in this report will assist in the future discharge of that obligation.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Revised Cash Incentive Scheme	Specialist Home Purchase Team, MSHO, Tooley Street, 2 nd Floor, Hub 2	Trish Hadden 0207 525 3368
Link: https://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?Id=710		

AUDIT TRAIL

Cabinet Member	Councillor Stephanie Cryan, Council Housing and Homelessness	
Lead Officer	Richard Selley, Director of Customer Experience	
Report Author	Trish Hadden, Sales and Acquisition Manager	
Version	Final	
Dated	6 January 2022	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	6 January 2022	