

DO IT YOURSELF SHARED OWNERSHIP (DIYSO) CAMPAIGN

1 SUMMARY

- 1.1 To seek Members approval to support an Essex wide campaign to ask Government to reintroduce Local Authority sponsored Do It Yourself Shared Ownership (DIYSO)

2 INTRODUCTION

- 2.1 DIYSO is a highly successful and popular form of shared ownership housing. People are able to buy the home of their choice on the open market (subject to the Government's area financial limits), taking an equity share of between 25% and 75% and paying a subsidised rent to a housing association on the percentage not owned.
- 2.2 In 1998, the Government announced that DIYSO would end and would be replaced by Homebuy, an alternative shared ownership scheme where the purchaser buys a fixed 75% equity stake and receives an interest free loan from the housing association for the remaining 25% of the property value. The Association recoups the loan on re-sale.
- 2.3 After a campaign from housing associations, the Government agreed a limited stay of execution, allowing local authorities to fund DIYSO programmes if they so chose, with a fundamental review of the scheme to take place in 2000/01 to finally decide its fate. However, the Housing Corporation's directly funded programme to housing associations ended in March 1999. Through the programme, specific Housing Associations were awarded funds by the Corporation on an annual basis to support purchases under the DIYSO Scheme.
- 2.4 Housing Associations and local authorities which continue to operate DIYSO believe it is a unique scheme, with a role in meeting housing need which is not covered by Homebuy. DIYSO caters for a different market. These housing providers believe DIYSO should therefore be retained.

3 WHY DIYSO IS IMPORTANT

- 3.1 In 1993 this Council, in partnership with Estuary Housing Association, sponsored the DIYSO scheme in Rochford through the Housing Corporation's directly funded programme. The Council also provided a £500 financial incentive funded from the Capital Programme to public sector tenants to encourage take-up and thereby release their existing accommodation for rent (Minute 50/95). Fifteen Rochford families

(including three public sector tenants) bought DIYSO properties between 1993-1998 and over 500 families Essex wide were assisted with DIYSO purchases within this period.

- 3.2 In areas such as London and the South East where the costs of buying a home are rising quickly, many people are being priced out of the market, cannot afford private sector rents and yet stand no chance of gaining social housing for rent.
- 3.3 Key workers – such as nurses, care staff, junior doctors, teachers – are finding it particularly difficult to afford homes close to where they work. The average house price in the South East at the end of 1999 was £121,000 according to the Halifax House Price Index. The average flat was £74,000. Key workers are earning a maximum of £20,000 - £25,000 a year and many earn far less. Mortgage lenders will generally lend about three times income or 2.5 times joint incomes. In addition, house prices may continue increasing more quickly than wages.
- 3.4 DIYSO can make a difference to the ability of people on these kinds of income to buy a home and achieve good quality housing conditions at a reasonable cost, which many would otherwise not be able to do.
- 3.5 In the South East, those applicants assisted under the Homebuy scheme this year had an average household income of £22,000. The average household income for a DIYSO applicant was £16,500. These are substantial differences in income. They show that families on less than average earnings in the South East can afford DIYSO but far fewer households can afford Homebuy.
- 3.6 Homebuy has the advantage of administrative simplicity and is easier for potential buyers to understand. However, the rigidity of the 75% purchase element and the income levels required by buyers to obtain a big enough mortgage in a rising housing market mean that DIYSO still has a significant role to play in achieving a genuinely flexible system of low cost home ownership.
- 3.7 DIYSO fits very well into the Green Paper's proposals for helping key sector workers onto the home ownership ladder.

4 RESOURCE IMPLICATIONS

- 4.1 If the scheme is reintroduced key workers may be afforded priority. However, further consideration may need to be given to the payment of an incentive to existing public sector tenants. This issue will be addressed at a later date if the scheme requires additional support from the Council.

5 PARISH IMPLICATIONS

- 5.1 The reintroduction of DIYSO could make a contribution to meeting the housing needs of those residents living in rural areas.

6 RECOMMENDATION

- 6.1 It is proposed that the Committee **RESOLVES**

To support the Essex wide Campaign to reintroduce Local Authority sponsored DIYSO. (HHHCC)

G P Woolhouse

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Background Papers:

Letter dated 1/8/2000 from Estuary Housing Association

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