

STATES OF JERSEY



PROPOSED GOVERNMENT PLAN 2024- 2027 (P.72/2023): ELEVENTH AMENDMENT

ASSISTED PURCHASE HOME OWNERSHIP SCHEME

Lodged au Greffe on 23rd November 2023
by Deputy M.B. Andrews of St Helier North

STATES GREFFE

PROPOSED GOVERNMENT PLAN 2024-2027 (P.72/2023): ELEVENTH
AMENDMENT

1 PAGE 3, PARAGRAPH (I) –

After the words “as set out at Appendix 3 of the Report” insert the words –

“, except that, on Page 9, after the words “to enter the housing market” there should be inserted the following new paragraph –

- “ • The Assisted Purchase Home Ownership scheme will be amended to allow a greater number of first time buyers to be supported, through a reduction of the shared equity loan to between 5 and 15 percent of market value.””

DEPUTY M.B. ANDREWS OF ST. HELIER NORTH

Note: After this amendment, the proposition would read as follows –

THE STATES are asked to decide whether they are of opinion –

to receive the Government Plan 2024 – 2027 specified in Article 9(1) of the Public Finances (Jersey) Law 2019 (“the Law”) and specifically –

- (a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2024 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law;
- (b) to refer to their Act dated 30th September 2016 and to approve the application of existing resources for work on the development of ‘user pays’ charges in relation to all aspects of waste, including commercial and domestic liquid and solid waste;
- (c) to approve the proposed Changes to Approval for financing/borrowing for 2024, as shown in Appendix 2 – Summary Table 2 to the Report, which may be obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approvals;
- (d) to approve the extension of the use of the existing Revolving Credit Facility to include the provision of funds that would otherwise be implemented through bank overdraft or bank overdraft facilities under Article 26 (1)(a) of the Law, should they be needed, subject to the limits outlined in that article;
- (e) to approve the transfers from one States fund to another for 2024 of up to and including the amounts set in Appendix 2 – Summary Table 3 in line with Article 9(2)(b) of the Law;

- (f) to approve a transfer from the Consolidated Fund to the Stabilisation Fund in 2024 of up to £25 million, subject to a decision of the Minister for Treasury and Resources based on the availability of funds in the Consolidated Fund as at 31 December 2023 in excess of the estimates provided in this plan, or from budgeted underspends identified before 31 December 2024;
- (g) to approve each major project that is to be started or continued in 2024 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 - Summary Table 4 to the Report;
- (h) to approve the proposed amount to be appropriated from the Consolidated Fund for 2024, for each Head of Expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law, and set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report;
- (i) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2024 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 6 to the Report;
- (j) to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2024 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 7 to the Report;
- (k) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2024 as set out in Appendix 2 – Summary Table 8 to the Report; and
- (l) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2024-2027, as set out at Appendix 3 to the Report, except that, on Page 9, after the words “to enter the housing market” there should be inserted the following new paragraph –
- “ • The Assisted Purchase Home Ownership scheme will be amended to allow a greater number of first time buyers to be supported, through a reduction of the shared equity loan to between 5 and 15 percent of market value.”

REPORT

In the Government Plan 2024-27 it has been proposed that £10,000,000 will be allocated toward a shared equity scheme to support first-time buyers, who will be eligible to receive a shared equity loan between 5 to 40 percent of a market price. It is expected the Homebuyer scheme will support between 30 to 60 households entering homeownership. As much as the proposed Homebuyer scheme has its merits; there is a need to bring forward this amendment to the Government Plan 2024-27 because I have some concerns that need to be addressed.

The Unintended Consequences

A 40 percent shared equity loan granted to parties purchasing a one-bedroom unit will lead to unintended consequences in the long-run. Upon the discharge of a one-bedroom unit, 40 percent of the proceeds go to the government. The original first-time buyers retain the remaining 60 percent of the proceeds. Such proceeds will be insufficient to meet the market price of another one-bedroom purchase unless the original first-time buyers have sufficient savings to afford the market price. Due to the proceeds potentially being insufficient alongside personal savings to acquire a new home; parties could be forced to borrow to assist them acquire a new home. It must also be recognised the original first-time buyers upon discharging the home could be close to retirement age, and therefore, it could prove complex for them to turn to borrowing.

I believe this will not impact original first-time buyers as much who acquire a two-bedroom unit as there will be sufficient proceeds upon the sale of a two-bedroom unit to acquire a one-bedroom unit. It will be the lower end of the housing market where original first-time buyers will face this predicament that will cause them significant problems.

The Proposals

A 40 percent shared equity loan should be reduced to ensure more first-time buyers can be supported. I understand there will be antithetical views regarding reducing shared equity loans within the agreed budget of £10,000,000 because it will increase demand. I do acknowledge this; however, this pilot scheme can be used to stimulate the housing market during a period where it is estimated house transactions will fall by 50 percent. I am therefore proposing the shared equity loan should be between 5 to 15 percent of a market value to avoid longer term implications as outlined above. In doing this, funds will be available to support more first-time buyers entering homeownership.

Comparative Analysis

Taking into consideration the mean house prices in the 'House Price Index Third Quarter 2023' I have compared a 15 percent shared equity loan compared to the proposed maximum shared equity loan of 40 percent as a percentage of mean values of bedroom units as shown below:

| | 15 Percent Shared Equity Loan | 40 Percent Shared Equity Loan |
|-------------------|-------------------------------|-------------------------------|
| One Bedroom | £54,300 | £144,800 |
| Two Bedroom Flat | £83,700 | £223,200 |
| Two Bedroom House | £90,900 | £242,400 |

| | | |
|---------------------|----------|----------|
| Three Bedroom House | £126,300 | £336,800 |
| Four Bedroom House | £210,600 | £561,600 |

It will be difficult to ascertain the total number of households who will be assisted because this very much depends on the number of bedroom units purchased by applicants who are accepted onto the Homebuyer scheme.

Financial and staffing implications

There is an existing budget allocation of £10,000,000 in the Government Plan 2024-27 to support first-time buyers accessing homeownership. There will be a manpower requirement within the Housing and Communities department to implement these changes to the scheme. Andium Homes will be managing the scheme on behalf of the Minister for Housing and Communities.