

Report to the Cabinet

Report reference: C-103-2008/09.

Date of meeting: 9 March 2009.



**Epping Forest
District Council**

Portfolio: Housing.

Subject: Continuation of the Home Ownership Grants Scheme.

Responsible Officer: Sandy Lindsay (01992 564035).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations:

- (1) That, following the success of the Pilot Scheme, the Council provides additional funding for the Home Ownership Scheme in 2009/10;**
- (2) That the Scheme comprises the following elements:**
 - (a) The provision of up to five capital grants by the Council of £34,000 to existing Council secure tenants to purchase a property on the open market in England;**
 - (b) Secure tenants to be eligible for the grant, irrespective of the size and type of Council home they currently occupy and their length of tenancy, with the exception of secure tenants living in sheltered accommodation;**
 - (c) No limitations being made on the type, size or price of the property that applicants wish to purchase; and**
 - (d) Through the use of a legal charge, grant recipients to be required to repay a proportion of the grant if they sell the purchased property within five years, with the proportions set at the same as those that currently apply under the Right to Buy;**
- (3) That, in order to fund the continuation of the Scheme, additional provision of £170,000 be made within the Housing Capital Programme for 2009/10, when the Capital Programme is next reviewed in June 2009;**
- (4) That the details of the scheme, and the necessary legal agreements, be the same as for the Pilot Scheme;**
- (5) That the selection criteria used to prioritise the shortlist of applications gives priority to tenants of the following types of properties (in ranked order):**
 - (i) Houses;**
 - (ii) Flats, maisonettes or other properties with at least two bedrooms; and**
 - (iii) Properties in higher demand areas;**
- (6) That the following conditions be applied to the Scheme:**
 - (a) Applicants must occupy their Council property as their only and principal home;**
 - (b) Applicants must have a minimum of £2,000 savings, in order to meet some of the costs involved with moving home;**

- (c) Applicants with arrears over £50 be excluded from the Scheme; and
- (d) Applicants must not be in receipt of any Housing Benefit at the time of application and grant provision;
- (7) That the Director of Housing be authorised to select the recipients for the grants, in accordance with the above selection criteria and conditions and, if necessary, any other criteria considered appropriate;
- (8) That, if the applicants for the two outstanding grants in respect of the original pilot scheme do not complete their purchases within a reasonable period of time, the grants be re-allocated to other applicants using the agreed selection criteria and conditions; and
- (9) That the Housing Portfolio Holder reviews the success of the Scheme's continuation after nine month's operation and reports to the Cabinet on whether or not the Scheme and associated funding should be continued into 2010/11.

Executive Summary:

The Pilot Home Ownership Scheme has proved to be successful, with 38 applications received and five Home Ownership Grants offered to applicants. The report proposes the continuation and funding of the Scheme into 2009/10, with the provision of a further five grants to assist more tenants to enter home ownership and to release a further five Council properties for allocation to applicants on the Housing Register.

Reasons for Proposed Decision:

The Pilot Home Ownership Scheme has proved to be successful. The continuation of the Scheme into 2009/10 will assist more tenants to enter home ownership and will release a further with five Council properties for allocation to applicants on the Housing Register.

Other Options for Action:

The main alternative options are:

- To no longer operate the Scheme and not make any further grants available.
- To provide a different amount of Home Ownership Grant.
- To vary the terms of the Scheme.
- To make more or less grants available in 2009/10.
- To defer the continuation of the Scheme until 2010/11, and make capital provision in that year accordingly.

Report:

1. In October 2007, the Cabinet approved a pilot scheme for the provision of five Home Ownership Grants of £34,000, totaling £170,000, to be awarded to five Council tenants in 2008/9 (subject to them meeting the agreed criteria). The grants would enable secure tenants to purchase a property on the open market and give vacant possession of their Council property on the day of completion. Once their property had been vacated, the Council could then make this available through the Home Option Scheme. The Scheme would therefore assist 5 tenants to enter home ownership, and 5 housing applicants to access Council housing. The Cabinet also agreed that the Housing Portfolio Holder should review the Pilot Scheme after six month's operation, including whether the funding allocation is sufficient.

2. Due to the successful promotion of the Scheme, 38 applications were received. The Housing Portfolio Holder therefore agreed subsequently a selection criteria and, as a result, five applicants were short-listed to receive grants. To date, of the five successful applicants,

three have completed their house purchase and moved to new properties. The fourth applicant has located a property and the sale is in progress. The fifth applicant is still seeking alternative accommodation and has been required to bring his present Council property up to an acceptable standard, before the grant will be provided.

3. The Cabinet will be aware of the present economic climate and the difficulties facing first-time buyers to secure mortgages to purchase properties on the open market. House prices within the District continue to be high, despite the recent decline in the market. Therefore, the Housing Portfolio Holder is of the view that the Home Ownership Grant Scheme offers much-needed assistance for first-time buyers and increases the likelihood of Council tenants being able to obtain a mortgage. For this reason, having reviewed the success of the Scheme in accordance with the Cabinet's request, the Housing Portfolio Holder feels that the scheme should be continued into 2009/10, and that capital funding should be made available for the provision of a further five grants of £34,000 (which is the maximum amount of discount that a tenant can receive under the Right to Buy), totaling £170,000.

4. Providing a further five grants would allow five more secure tenants to purchase properties on the open market which would, in turn, free up five further Council properties that could be re-let to housing applicants.

5. It is suggested that, as before, all secure tenants should be eligible to apply for a Home Ownership Grant, irrespective of the size and type of Council home they currently occupy, with the exception of tenants living within sheltered accommodation (since a number of applicants in sheltered accommodation who received letters last year became confused about the proposal. Moreover, the Council has far less demand for sheltered accommodation than for general needs housing).

6. Since the number of applicants last year was more than the number of grants available, it is suggested that the ranked selection criteria previously agreed by the Housing Portfolio Holder continues to be applied, as set out in the Recommendations. It is also suggested that, although secure tenants should be eligible for grants to purchase properties without any limitations on their type, size, location or price, applicants should continue to be restricted to purchase a property in England, since it could prove more costly to the Council to provide grants for properties abroad.

7. Under the Housing Act 1985, tenants must have held a secure tenancy for 5 years before they are eligible for the Right to Buy. However, as before, it is suggested that this restriction is not applied to recipients of Home Ownership Grants, in order to increase their attractiveness and to enable the Council to select applicants living in properties with the greatest demand.

8. Also under the provisions of the Act, if a Right to Buy purchaser sells their property within 5 years of purchase, they must repay a proportion of the discount given, depending on the period of ownership. As with the Pilot Scheme, it is suggested that the same terms apply to the provision of the Home Ownership Grants, in order to safeguard against potential opportunism.

Funding the Continuation of the Scheme

9. To date funding of £170,000 has been made available for the Pilot Scheme: £102,000 has already been paid in 2008/09 and, as the final two applicants are unlikely to proceed to completion before the end of this financial year, £68,000 has been carried forward into 2009/10 as agreed in the Capital Review. If the applicants then fail to complete within a set timescale, it is proposed that the grants be offered to other applicants who applied for the Scheme, selected in accordance with the agreed criteria.

10. If the Cabinet wishes to provide a further five grants in 2009/10, it should be noted that there is currently no provision within the Council's Capital Programme, and that there is

limited scope to divert funding from other projects in the Capital Programme. Therefore, for the Scheme to continue into 2009/10, it would be necessary to increase the Council's Capital Programme, funded from capital receipts, when the Capital Programme is reviewed in June 2009. It is currently predicted that the balance of usable capital receipts will fall from £26.8m as at 31 March 2008 to £11.3m at 31 March 2013 (before taking the additional £170,000 into account). It should also be noted that the Council is currently benefiting from the revenue income generated by the investment of these balances. The full year effect of funding £170,000 of additional expenditure from capital receipts would be to reduce investment income by approximately £3,000 to £5,000 per annum depending on interest rates. This would have an impact on either the level of the Council Tax or the level of other services being provided.

Resource Implications:

An additional capital sum of £170,000 within the Council's Capital Programme, when the Capital Programme is next reviewed in June 2009.

Vacant possession of five Council properties for re-letting.

Legal and Governance Implications:

Housing Act 1985. Home Ownership Grants – Section 129, Housing Act 1988. One of the visions of the District's Community Strategy is for Epping Forest to be a district that has safe, decent and attractive housing that meets the needs of those who want to live in the District. Objective 2 relating to the vision is to make affordable housing available, in rural and urban locations, for people who want to live in the District.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

None.

Background Papers:

None.

Impact Assessments:

The nature of this report does not require an Equalities Impact Assessment. No risks have been identified.