

## **Report to the Cabinet**

**Report reference: C-021-2011/12**  
**Date of meeting: 12 September 2011**



**Epping Forest  
District Council**

**Portfolio: Housing.**

**Subject: Home Ownership Grants Scheme.**

**Responsible Officer: Lyndsay Swan (01992 564146)**

**Democratic Services Officer: Gary Woodhall (01992 564470)**

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### **Recommendations/Decisions Required:**

**(1) That the suspension of the Home Ownership Grant Scheme continues in 2012/13, but that the position is reviewed again in twelve months time with a view to resuming the scheme in 2013/14 if the property market conditions have improved.**

### **Executive Summary:**

The Council introduced the Home Ownership Grant Scheme in 2008/09, originally offering secure tenants £34,000 to buy another property and vacate their current Council-owned property. It was aimed at first time buyers and allowed the Council to regain properties to let under the Allocations Scheme.

While initially the Scheme proved extremely popular, it became evident that applicants were finding it increasingly difficult to get a mortgage. As a result of this, the Council agreed not to offer any new grants in 2011/12 and to consider whether the Scheme should be resumed in 2012/13. On reviewing the situation again, however, it appears that circumstances in the mortgage market are no better. It is recommended, therefore, to continue with the suspension of the Scheme in 2012/13 but to consider the position again in 2012 with a view to resuming it in 2013/14 if property market conditions have improved.

### **Reasons for Proposed Decision:**

The Scheme was not offered to new applicants in 2011/12 because applicants were finding it increasingly hard to finance the purchase of suitable properties on the open market. As the current financial situation is no better, it is not likely that it would be any easier for applicants to get mortgages of a sufficient size. However, as it is possible that the situation may improve over the next twelve months, consideration should be given to opening the Scheme to new applicants in 2013/14.

### **Other Options for Action:**

- As it is unlikely that enough applicants will be able to get sufficient finance to buy suitable properties, the option to re-open the Scheme in 2012/13 has been discounted.
- There is an option to offer the Scheme under different terms, such as offering fewer grants and (possibly) at a higher rate, however, this has been discounted as it is not felt to be cost-effective in terms of administration. Officers' experience is that when the Scheme is first

advertised, there is initially a lot of interest but the fall-out rate is high as most applicants do not meet the eligibility criteria and many of those that do are unable to borrow enough money to buy the property of their choice.

- The option to discontinue with the Scheme entirely has been discounted because it is felt that, in appropriate market conditions, it is a good scheme that gives Council tenants the opportunity of becoming home-owners and also makes Council properties available for re-letting. It is considered that when the financial situation improves, mortgage lenders will become willing to offer the finance required and the Scheme will be successful again.

### **Report:**

1. The Home Ownership Grant Scheme was piloted in 2008/09 under the cash incentive scheme for first time buyers. The Scheme was offered to secure tenants who met the eligibility criteria agreed by Members, to enable them to purchase a home on the open market and release a Council-owned property for re-letting. Five grants were made available in 2008/09 at £34,000 and, as the Scheme proved very successful, another five were offered in 2009/10.

2. At the Cabinet meeting on 1 February 2010, Members agreed that the Scheme should continue but, in view of the relatively high interest shown by tenants at that time, the amount of individual grants should be reduced from £34,000 to £28,000. This would enable 6 grants to be provided in 2010/11 within the budget of £168,000 (C-074a-2009/10).

3. However, due to the financial climate, applicants began to find it difficult to obtain mortgages and some withdrew their applications. Other applicants on the reserve list were offered the opportunity to proceed and all five grants from the 2009/10 funding were eventually awarded although, because of the difficulty applicants were having in getting mortgages, the final one had to be given to an applicant shortlisted for a grant from funding for 2010/11. Moreover, due to the limited choice of applicants, a number of the vacated properties returned to the Council for re-letting were smaller than the more desirable, larger properties that became available when the scheme was first introduced.

4. In the light of these concerns, at the Cabinet meeting on 6 December 2010, Members agreed to suspend the Home Ownership Grants Scheme for 1 year in 2011/12 and to review the budget provision for Home Ownership Grants annually from 2011/12 (C-043-2010/11), which is the purpose of this report.

5. It is considered that as at present the circumstances in the mortgage market are no better than when the Cabinet last reviewed the scheme, there are no benefits in resuming the Scheme in April 2012. However, as the twin benefits of giving tenants the opportunity to become home-owners and making Council properties available for re-letting are of increasing importance, it is recommended that the situation is reconsidered in twelve months time, if market conditions improve.

### **Resource Implications:**

No budgetary provision has been included within the Capital Programme for the resumption of the scheme in 2012/13.

### **Legal and Governance Implications:**

Housing Act 1985.

**Safer, Cleaner and Greener Implications:**

N/A.

**Consultation Undertaken:**

No consultation undertaken.

**Background Papers:**

None.

**Impact Assessments:**

Risk Management

There may be insufficient applicants for Home Ownership Grants, however, by suspending the Scheme until there is an observable improvement in the financial markets, this is less likely to happen.

A tenant may obtain a Home Ownership Grant through fraudulent means. However, safeguards are in place to minimise this.

Equality and Diversity

*Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?* No

*Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?* No

*What equality implications were identified through the Equality Impact Assessment process?*  
None were identified.

*How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?*  
None identified.