

Report to the Cabinet

Report reference: C-027-2012/13
Date of meeting: 22 October 2012



**Epping Forest
District Council**

Portfolio: Housing
Subject: Home Ownership Grants Scheme
Responsible Officer: Lyndsay Swan (01992 564146)
Democratic Services Officer: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

(1) That the Home Ownership Grant Scheme set up in 2008/09, but suspended in 2011/12 and 2012/13, be discontinued permanently.

Executive Summary:

The Council introduced the Home Ownership Grant (HOG) 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 mortgages. As a result of this, the Council agreed not to offer any new grants in 2011/12 and 2012/13 but to consider whether the Scheme should be resumed in 2013/14.

Although the mortgage market has improved a little since the Scheme was originally suspended, mortgages are still hard to come by for first time buyers. In addition, changes to the government's Right to Buy Scheme (RTBS) in April 2012 make it likely that qualifying tenants that are able to get mortgages will find the RTBS a more attractive option than the HOG Scheme. The Council has also now introduced its successful Open Market Shared Ownership Scheme. It is recommended, therefore, that the Scheme is discontinued permanently.

Reasons for Proposed Decision:

The HOG Scheme was not offered to new applicants in 2011/12 and 2012/13 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, and the maximum allowable discount under the RTBS has increased to £75,000, it is not likely that the Home Ownership Scheme will be seen as an attractive option.

Other Options for Action:

As it is unlikely that enough applicants will be able to get sufficient finance to buy suitable properties or, those that can will be more likely to exercise their Right to Buy (RTB), the option to re-open the Scheme in 2013/14 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. In addition, for those applicants who are able to get mortgages, it would be difficult to adjust the terms of the Scheme to compete with the more beneficial terms of the revised RTB Scheme.

Report:

1. The Home Ownership Grant (HOG) Scheme was piloted in 2008/09 as a 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 each 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. In accordance with this decision, a review was carried out in 2011 and, as a result, the Cabinet agreed at its meeting on 12 September 2011 that the HOG Scheme should be suspended for a further year (C-021-2011/12) and that, once again, no capital budget provision should be made for the Scheme in 2012/13. It was also agreed by the Cabinet Report that, if the circumstances in the mortgage market were no better when the Scheme was reviewed in 2012 than they were in September 2011, there would be no benefit in resuming the Scheme in 2013/14. Having reviewed the current position, it is not considered that it is any easier for first time buyers to obtain mortgages than it was in 2011.

6. The aims of the HOG Scheme were to give tenants the opportunity to become homeowners and make their Council tenancy available for re-letting. These aims continue to be of importance, however, there is now an alternative mechanism to do this and one which is generally much more attractive to tenants. This is through the revised RTB Scheme under which qualifying tenants can now receive up to £75,000 discount to buy their home (compared to £34,000 previously). It is likely that tenants are much more likely to purchase the home they are living in, and save £75,000, than buy another property, move, and save just £28,000. The Council is also able to use the receipts from these RTB sales to build

replacement Council houses, an option which it is pursuing through a modest house-building programme.

7. It is also not considered a good use of the Council's resources to increase significantly the amount of grant made available under the HOG Scheme, especially since the Council has now successfully introduced an alternate scheme for first time buyers, being the Open Market Shared Ownership Scheme in partnership with B3Living (formerly known as Broxbourne Housing Association). Not only does this enable local housing applicants to purchase a property of their choice from the open market on a shared ownership basis, the Council's financial contribution is through an interest-free loan to B3Living, which is repaid when the shared-owner purchases additional equity and used to fund further property purchases, rather than a grant to the applicant, which is not repayable.

8. In conclusion, therefore, as it is considered that the circumstances in the mortgage market are little better than when the Cabinet last reviewed the Scheme and there are alternative arrangements in place to assist Council tenants that aspire to home-ownership, the HOG Scheme should be permanently discontinued.

Resource Implications:

No budgetary provision has been included within the Capital Programme for the resumption of the scheme in 2013/14.

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 is a risk that the additional RTB receipts earmarked for the Council's house-building programme have to be returned to the Government. This has been included in the Housing Directorate's Risk Register which includes an action to reduce the risk.

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.