

## **Report to the Cabinet**

**Report reference: C/049/2007-8.**  
**Date of meeting: 8 October 2007.**



**Epping Forest  
District Council**

**Portfolio: Housing.**

**Subject: Home Ownership Grants Scheme.**

**Officer contact for further information: Alan Hall (01992 – 564004).**

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

---

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

- (1) That the Council pilots a new Home Ownership Grants Scheme in 2008-09, comprising:**
  - (a) The provision of capital grants by the Council of £34,000 to existing Council secure tenants to purchase a property on the open market;**
  - (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, and without any limitations on the type, size or price of the property they wish to purchase;**
  - (c) 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, under the Pilot Scheme, up to 5 Home Ownership Grants (totaling £170,000) be provided;**
- (4) That, in order to fund the Pilot Scheme, provision of £170,000 be made within the Housing Capital Programme for 2008-09;**
- (5) That the Head of Housing Services and the Head of Legal, Administration and Estates be authorised to agree the detail of the scheme and the necessary legal agreements; and**
- (6) That the Pilot Scheme be reviewed by the Housing Portfolio Holder after six months operation, including consideration of whether the funding allocated to each initiative should be varied within the overall budget.**

### **Introduction:**

1. Members will be aware that house prices within the District continue to increase, resulting in an increasing number of local people being unable to purchase their own home. Many young people are living with their parents for longer, not through choice, but through necessity. As a result, more people look to the Council to assist them with their housing needs, including those who have a reasonable income and would, in the past, have been able to buy a home on the open market. This includes existing Council tenants with reasonable incomes. This has resulted in the number of people on the Council's Housing Register increasing significantly over recent years. There were 3,633 households registered in April 2007, compared to 1,478 in April 2002 (145% increase).

2. It is therefore proposed to introduce a new low cost home ownership initiative that

does not rely on new house building, through the provision of a capital grant by the Council to existing Council secure tenants who would like to give up their tenancy and purchase a property on the open market. This would be referred to as a "Home Ownership Grant", and would result in two main benefits:

(a) it would free up a Council property, that could be re-let to another housing applicant; and

(b) it would help someone to enter home ownership who, for whatever reason, does not want to purchase their current Council property under the Right to Buy.

3. The Council introduced a pilot scheme of Home Ownership Grants in 1992-93, when it made £120,000 available in the Housing Capital Programme to fund the provision of 10 grants of £12,000 each. However, there was very little take-up and only two grants were provided, which resulted in the Council discontinuing the scheme after 6 months. The reasons for the low take-up appeared to be two-fold:

(a) the level of grant was far lower than the discount that secure tenants could obtain by purchasing their Council home through the right to buy; and

(b) the scheme was tightly targeted; only secure tenants of 3 or 4 bedroom properties were eligible (in order to release much-needed 3 and 4 bedroom Council houses), and a number of other restrictions were applied.

4. However, the attractiveness of the right to buy has reduced over recent years. In 1992-93, many secure tenants were eligible for the maximum discounts of 60% for a house and 70% for a flat. Whilst, in theory, these percentages still apply, the maximum discount in monetary terms has been capped at £34,000 for a number of years. Therefore, since property prices have increased dramatically over the last 15 years, this capped discount is significantly lower in real terms than the discounts available in 1992-93.

5. It is likely, therefore, that the level of take-up would be higher now, although it is suggested that the level of Home Ownership Grant would need to be set at £34,000 – the same as under the right to buy. This may well prove attractive to tenants who want to buy a property, but do not wish to buy the property they are currently living in (e.g. because they are overcrowded, under-occupying, or do not like the area in which they are living).

6. It is also suggested that secure tenants should be eligible for the Home Ownership Grant, irrespective of the size and type of Council home they currently occupy and without any limitations on the type, size, location (provided it is within the UK) or price of the property they wish to purchase.

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. It is suggested that this restriction is not applied to recipients of Home Ownership Grants, in order to increase their attractiveness. However, also under the Act, if a right to buy purchaser sells their property within 5 years, they must repay a proportion of the discount given, depending on the period of ownership. It is suggested that the same terms apply to the provision of Home Ownership Grants, in order to safeguard against potential opportunism.

#### **Funding a Pilot First Time Buyers Scheme:**

8. The success of the scheme (mainly dependent on the level of take-up) cannot be predicted at this stage. Therefore, it is suggested that the Home Ownership Grants be piloted over a 12-month period during 2008-09, with a review by the Housing Portfolio Holder after six months operation.

9. To make the pilot scheme worthwhile, it is suggested that 5 Home Ownership Grants be made available, based on a maximum provision of £170,000 within the 2008-09 Capital Programme.

10. Part of the six-month review would be to consider whether, depending on the take-up, the funding allocated is sufficient.

11. There is currently no provision within the Council's Capital Programme to fund this proposed initiative and there is limited scope to divert funding from other projects in the Capital Programme. Therefore, for the scheme to proceed, it would be necessary to increase the Council's Capital Programme, funded from capital receipts. It is currently predicted that the balance of usable capital receipts will have fallen from £25.8m to £21m over the life of the current programme (including the capital receipt received from the sale of Site T11, Langston Road). It should 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 receipts would be to reduce investment income by approximately £11,000 per annum, which would have an impact on either the level of the Council Tax or the level of other services being provided.

**Statement in Support of Recommended Action:**

12. House prices within the District continue to increase, resulting in an increasing number of local people being unable to purchase their own home. The proposed Scheme is would assist up to 5 Council tenants to enter home ownership, other than through the right to buy, with five Council properties being released for allocation to other households on the Housing Register.

**Other Options for Action:**

13. Other than the recommended option, the main options are:

- (a) not to operate the scheme;
- (b) Reduce or increase the overall capital provision, to assist more or less people;
- (c) Provide a different amount of Home Ownership Grant and/or introduce more/different restrictions;
- (d) Defer implementation of the scheme to 2008-09, and make capital budget provision accordingly

**Consultation Undertaken:**

14. None

**Resource implications:**

**Budget provision:** £170,000 additional provision within the Capital Programme.

**Personnel:** Nil.

**Land:** Nil.

**Council Plan/BVPP reference:** Meeting Housing Need.

**Relevant statutory powers:** Home Ownership Grants – Section 129, Housing Act 1988.

One of the visions of the 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 and 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.

**Background papers:** Housing Policy File – “First Time Buyers Scheme”.

**Environmental/Human Rights Act/Crime and Disorder Act Implications:** None.

**Key Decision Reference (if required):** Key decision.