

Caerphilly County Borough Council

Low Cost Home Ownership Policy

December 2021

Contents

1. Introduction.....	1
2. Shared Equity	1
3. Who Can Apply.....	2
4. Making an Enquiry	3
5. Independent Financial Advice.....	3
6. Prioritising Enquiries	4
7. Calculated Bedroom Requirement.....	4
8. Purchasing Additional Equity Shares.....	5
9. Selling the Property	5
10. Remortgaging.....	6
11. Leaseholders	6
12. Repairing & Maintenance Responsibilities	7
13. Subletting	8
14. Monitoring & Annual Review	8
Appendix 1: Key Workers.....	9
Appendix 2: Calculated Bedroom Requirement	10

1. Introduction

- 1.1 As part of its strategic housing and place shaping agenda, two key aims of the Council are to create mixed and sustainable communities where people want to live and to promote health and wellbeing. The Council looks to achieve these aims through the provision of a range of good quality, affordable homes, whether that is delivered through the planning system, in partnership with local housing associations or via its own resources.
- 1.2 Information provided from assessments of the local housing market undertaken by the Council and data collected via the Common Housing Register shows a high requirement throughout the county borough for a range of good quality, affordable homes, including social rented accommodation and low cost home ownership. With the household price to income ratio in the county borough standing currently at 5.1:1 (ONS, Mar 2020), we know that the gap between house prices and household incomes makes it difficult for many people on low incomes wanting to access home ownership to do so without some form of financial assistance.
- 1.3 The overall aim of this policy, therefore, is to help meet the requirement for affordable home ownership identified throughout the county borough by providing assistance to those people on low incomes that aspire to home ownership but cannot afford to buy without financial assistance. The provision of social housing is governed by a separate policy.

2. Shared Equity

- 2.1 This policy applies to those properties purchased by the Council through the s106 Agreement process or properties built via its own development programme. It does not provide for prospective home buyers to purchase properties on the open market.
- 2.2 Properties are purchased on a shared equity basis only. The home buyer will be expected to purchase 70% of the open market value of the property via a mortgage and, if applicable, savings. The remaining 30% is funded by the Council via an interest-free equity loan. Unlike shared ownership the home buyer does not have to pay rent on the Council's equity loan. In exceptional circumstances, as determined by the Council, the prospective home buyer may be permitted to purchase as little as 50% of the property.
- 2.3 The equity loan is secured on the property by the Council via a legal charge. The home buyer may purchase further equity shares in their home after an agreed period, typically 3 years - see Section 8. When the property is sold any equity loan outstanding will be repaid in full to the Council.
- 2.4 If the property is sold the equity share will be repaid in full to the Council. The value of the equity share in percentage terms is linked to the rise in the value of the property. For example, if the value of the property rises by 10%, the value of the equity share will raise by 10%. If the value of the property does

not increase the home buyer will be expected to repay the original financial value of the equity share.

3. Who Can Apply

- 3.1 This policy is aimed at low to middle income, first-time buyers wanting to access affordable home ownership, who satisfy the eligibility criteria. This policy defines a first-time buyer as someone who has never owned their own home in the UK or anywhere in the world, either outright or with a mortgage. In cases of joint purchase, all prospective home buyers must be a first-time buyer. In exceptional circumstances, as determined by the Council, this definition may be waived.
- 3.2 The home buyer must be able to afford to purchase a minimum of 70% of the property's full market value, as per paragraph 5.2, unless exceptional circumstances exist as per paragraph 2.2. Those people that can afford to purchase more than 90% of the full market value of the property will not be eligible for assistance under this policy.
- 3.3 To be regarded as eligible under this policy all prospective home buyers will need to satisfy the following criteria:
- Must be 18 years old or over;
 - Must hold a British passport or have been granted settled status in the UK;
 - Must be a first-time buyer; and
 - Must be living or working in the county borough, having done so continuously for the previous 3-year period*.

*Except for personnel in the process of leaving the British Armed Forces, British Armed Forces veterans who have left the services in the last 3 years or their bereaved spouses, either of whom must have previously had a local connection to the county borough.

For joint applications, only one of the prospective home buyers needs to satisfy the working or residence criteria.

Prior to being offered the opportunity to purchase a property the prospective home buyer will need to provide:

- evidence of independent financial advice on mortgage products, affordability and repayments; and
 - a mortgage in principle certificate/statement from a lender regulated by the Financial Conduct Authority.
- 3.4 The prospective home buyer will only be permitted to purchase a property which the Council assesses is suitable to the specific needs of their household.

- 3.5 At its discretion the Council may choose to waive all or part of the criteria in paragraph 3.3 and 3.4 where it is satisfied that there are no eligible people on the waiting list.

4. Making an Enquiry

- 4.1 Enquiries for low cost home ownership can be made via the on-line form which can be accessed through the Home Search Caerphilly website. Assistance with completing the form can be accessed through the Common Housing Register team.
- 4.2 All enquiries will be assessed in accordance with the criteria set out in this policy.
- 4.3 Where the prospective home buyer satisfies the eligibility criteria, they will receive a letter from the Council advising them of their enquiry date and indicative bedroom requirement (see Section 7). The prospective home buyers will then be contacted should potentially suitable properties become available for purchase in their preferred area(s) of choice.
- 4.4 Prospective home buyers that don't meet the eligibility criteria will not be considered for housing provided under this policy. In such instances the Council will write notifying the reason(s) for ineligibility.
- 4.5 Prospective home buyers must notify the Council of changes in their circumstances that are likely to affect their ability to purchase a property or the size and type of property required, e.g. changes in household composition, change of address, change in income or employment status etc.
- 4.6 The information provided by the prospective home buyer will be reviewed by the Council at point of enquiry and then verified should a suitable property become available.
- 4.7 Any non-statute barred debts owed to Caerphilly County Borough Council will be required to be cleared by the prospective home buyer before purchase of the property is completed, e.g. Council Tax, rent arrears, sundry debts etc. Debts owed will apply to all members of the prospective household and not just the prospective home buyer.

5. Independent Financial Advice

- 5.1 Buying a home is one of the biggest financial commitments that a person will make in their lifetime. It is imperative, therefore, that prior to being provided with the opportunity to purchase a property being sold under this policy the prospective home buyer seeks good quality, independent financial advice. This will ensure that they identify the right mortgage product for their circumstances, understand the full costs associated with home ownership and verify that they are able to afford the mortgage repayments, thereby

increasing their chances of sustaining home ownership. Prospective home buyers will be required to provide proof of advice as and when a property becomes available for purchase.

- 5.2 Details of independent financial advisors can be accessed from the Money Advice Service or Citizens Advice websites.

6. Prioritising Enquiries

- 6.1 In the event of interest for a property being expressed from more than one prospective home buyer, priority for properties provided through this policy is granted to those fully satisfying the eligibility criteria in the following order:
- I. A serving member of the British Armed Forces that is due to or in the process of leaving the Armed Forces, an Armed Forces Veteran (having left the services within the last 3 years of submitting their application) or a bereaved spouse or civil partner of a member of the British Armed Forces that died within active service within the last 3 years;
 - II. Disabled people or older people who have been assessed by the Council's occupational therapist to be living in housing not suited to their needs;
 - III. A key worker living or working in the county borough (see Appendix 1);
 - IV. A tenant of Caerphilly County Borough Council or a housing association tenant living in the county borough who would free up a social home for which there is an identified need;
 - V. All other groups of people.
- 6.2 Where more than one prospective home buyer satisfies the prioritisation criteria, priority will be awarded to those with the earliest received enquiry date.

7. Calculated Bedroom Requirement

- 7.1 When completing their application form prospective home buyers will be able to express a choice over area and property type, with the size of the property to be determined by the Council based on affordability and current household composition. To allow for household growth or to accommodate a medical or support need, prospective home buyers may purchase a property one bedroom larger than their determined bedroom requirement, typically up to a maximum of 4 bedrooms.
- 7.2 The household size criteria are set out in Appendix 2.

8. Purchasing Additional Equity Shares

- 8.1 Home buyers that have purchased their home via this policy will be able to buy further equity shares in their home after an agreed period, typically 3 years. However, shares must be purchased in portions of no less than 10%. Where the home buyer increases their share to a 100% equity share, they will automatically become the outright owner of the property.
- 8.2 The value of further equity shares in the property will be determined by an updated open market valuation of the property, which will be carried out by an independent Royal Institution of Chartered Surveyors registered valuer duly appointed by the Council. The cost of the valuation and any legal costs incurred by the Council are borne solely by the home buyer. The home buyer will also be responsible for their own solicitor's legal fees. The process required to purchase additional equity shares will be set out in the legal charge that will be placed on the property.
- 8.3 In the event of a dispute over the value of the property the home buyer and Council will jointly appoint an agreed valuer. The cost of the valuation and any legal costs incurred by the Council will be borne solely by the home buyer.

9. Selling the Property

- 9.1 The home buyer is not able to sell their home without first securing the Council's permission. Notification of intention to sell the property must be made in writing. Separate criterion applies to those people who have purchased a 100% equity share in their home, see paragraph 9.9.
- 9.2 A valuation will then be undertaken to establish the current open market value of the property. The valuation will be carried out by an independent Royal Institution of Chartered Surveyors registered valuer duly appointed by the Council. The cost of the valuation will be borne solely by the homeowner.
- 9.3 A current Energy Performance Certificate is required when the property is sold. The homeowner will be required to obtain the Energy Performance Certificate via a registered domestic assessor. The homeowner will bear the cost of obtaining the Energy Performance Certificate.
- 9.4 The Council will have eight weeks from the acknowledgement of the receipt of notification to identify a suitable home buyer to purchase the property. If a home buyer cannot be identified within the eight-week period or the Council decides not to exercise its option to purchase the property, the homeowner may sell the property on the open market.
- 9.5 The property must be marketed at its full open market value, as determined by an independent Royal Institution of Chartered Surveyors registered valuer. Any proposed sale at less than the full open market value needs to be considered and agreed beforehand by the Council.

- 9.6 The Council's equity share will be repaid in full by the home buyer upon completion of the sale, as per the criteria set out in paragraph 2.4.
- 9.7 If a new purchaser is identified, they will purchase the property at no less than a 70% equity share unless agreed beforehand by the Council.
- 9.8 All costs incurred by the Council associated with the sale of the property will be borne solely by the home buyer on completion of sale.
- 9.9 If looking to sell their home, homeowners that have purchased a 100% equity share will be required to offer the property to the Council, at open market value, before it is advertised for sale. The Council will have 14 days to formally respond to this offer. Where the Council declines the offer to purchase the property or fails to respond within the prescribed timescale, the homeowner may sell the property on the open market.

10. Remortgaging

- 10.1 The home buyer may choose to remortgage their property at any stage, subject to approval from their lender. Where this results in the Council incurring any costs or legal fees, the homeowner will be required to repay all costs incurred by the Council.

11. Leaseholders

- 11.1 Homes are sold by the Council either on a freehold or leasehold basis. Where the home is sold on a leasehold basis the Council will retain ownership of the freehold.
- 11.2 The duration of the lease provided by the Council will typically be 125 years. In addition to the cost of purchasing a property, the leaseholder will also have to pay to the Council an annual ground rent and service charge to cover the cost incurred by the Council of maintaining common parts of the building. Included within the services charge is a cost for any management services provided by the Council.
- 11.3 Leaseholders have a right to request an extension of the duration of the lease from the Council, providing certain conditions are met. The extension can add up to 90 years to the existing lease. All costs associated with extending the lease, including those incurred by the Council, will be paid by the leaseholder. Where both parties are unable to agree the cost of extending the lease, the price may be set by the Leasehold Valuation Tribunal.

Repairing & Maintenance Responsibilities

- 11.4 The home buyer is responsible for keeping their home in good order. This extends to paying for the cost of all repairs and maintenance to their property, both internally and externally including gardens, paths, outbuildings and boundaries, except where paragraph 12.4 applies.
- 11.5 Where the property is served by a Sustainable Drainage System (SuDS) that is situated within the property curtilage / boundary and serves only that property, then the home buyer will be responsible for the maintenance of the Sustainable Drainage System. If such features exist, these will be clearly identified on the plot layout plan and a maintenance plan will be provided by the Seller. Such features should also be identified in Conveyancing searches. Such features must be maintained in accordance with the maintenance plan and must be retained on the property.
- 11.6 Where the property is served by Sustainable Drainage Systems (SuDS) that also serve another property or properties then maintenance will be the responsibility of the Council.
- 11.7 Where the property is purchased on a leasehold basis the cost of repair and maintenance to the building's structure and, if applicable, repairs and maintenance to shared areas will be carried out by the Council or its agent. The costs of the repairs and maintenance will be shared with the leaseholders and passed on to the home buyer by way of a leaseholder service charge.
- 11.8 Minor improvements, which do not require planning permission or building control approval (such as changing kitchen units), may be carried out at any time and do not require the home buyer to notify the Council before carrying out the improvement.
- 11.9 The Council defines a major improvement as work which that increases the value of the property including:
- Addition of a conservatory;
 - Addition of a new garage/car port;
 - Addition of a new driveway and dropped kerb; and
 - Addition of a porch;
 - Cavity wall insulation.
 - Installation of central heating;
 - Installation of double-glazed windows/doors;
 - Extension;
 - Loft conversion;
 - New bathroom suite;
 - New fitted kitchen;
- 11.10 The homeowner will need the written permission from the Council to carry out major improvements to their home. The Council will respond to such requests within 4 weeks of acknowledged receipt of the required information.

- 11.11 The Council will charge homeowners a fee to consent to major improvements. The fee will be payable on application. A charge will also be applied to retrospective permission requests.
- 11.12 It is the homeowner's responsibility to ensure that they obtain the necessary permissions before any major improvements are carried out to their property including planning permission, building control approval, sustainable drainage approval, etc.
- 11.13 Where the major improvements result in an uplift in the value of the property, upon sale of the property the value of the uplift will be shared between the homeowner and the Council in accordance with the respective percentage shares owned.

12. Subletting

- 12.1 Homeowners may only sublet their homes with the approval of the Council. The homeowner will also need the consent of their mortgage company.
- 12.2 Homeowners wanting to sublet must submit their request in writing to the Council. The Council will respond to such requests within 4 weeks of acknowledged receipt of the required information.
- 12.3 Subletting will only be permitted by the Council where the following criteria are met:
- the reason to sublet is unavoidable and is not for speculation or gain;
 - the sub-lessee meets the criteria for shared equity; and
 - the homeowner is subletting the property on a fixed-term agreement.
- 12.4 The Council will charge homeowners a fee to consent to subletting. This fee is payable on application. A charge will also be applied to retrospective subletting requests.

13. Monitoring & Annual Review

- 13.1 The Council will carry out periodic monitoring of the low cost home ownership enquiries to ensure the effectiveness of this policy and identify whether any groups protected by the Equality Act 2010 are discriminated against in the application of this policy.
- 13.2 The Council carries out an annual review of applications to ensure that people wish to remain on the list for low cost home ownership. The date of the review will be on or near to the anniversary of the date of enquiry. Prospective home buyers not responding to the review process will be deemed to no longer be interested in purchasing a property through this policy and their enquiry will be disregarded.

Appendix 1: Key Workers

For the purpose of this policy the following occupations are classified by the Council as key workers:

- civilian Ministry of Defence (MoD) personnel (i.e. clinical staff, MoD police officers and uniformed staff in the Fire and Defence Service);
- clinical staff employed by the NHS (excluding doctors and dentists);
- frontline police staff (civilians);
- Highways Agency traffic officer staff.
- LA educational psychologists;
- LA therapists (including occupational therapists and speech and language therapists);
- LA/LEA/NHS nursery nurses;
- LA/LEA/NHS social workers;
- police officers and community support officers;
- prison officers and some prison service staff in prisons;
- probation officers;
- social care and domiciliary workers;
- teachers, including further education teachers and early years/nursery teachers; and
- uniformed staff, below principal level, in fire and rescue services.

In the case of joint purchases, only one of the prospective home buyers needs to be a key worker.

All key workers must be employed within the South East Wales region.

The list is exhaustive and is in alphabetical order. It does not determine priority between any group of key workers.

Those people employed on a temporary basis are not included within the definition of a key worker unless there is at least 12 months remaining on their contract when they are due to complete their home purchase.

Appendix 2: Calculated Bedroom Requirement

Household Composition	Calculated Bedroom Requirement
Adult aged 18 or over	1 bed*
Adult aged 18 or over plus 1 child	2 bed*
Adult aged 18 or over plus 2 children aged under 10	2 bed*
Adult aged 18 or over plus 2 children of the same sex aged under 16	2 bed*
Adult aged 18 or over plus 3 children	3 bed*
Adult aged 18 or over plus 4 children (4 children aged under 10)	3 bed*
Adult aged 18 or over plus 4 children (2 children of the same gender aged under 16 plus 2 other children of the same gender aged under 16)	3 bed*
Adult aged 18 or over plus 4 children (2 children aged under 10 plus 2 children of the same gender aged under 16)	3 bed*
Adult aged 18 or over plus 4 children (with a configuration other than listed above)	4 bed
Adult couple (married or unmarried)	1 bed*
Adult couple plus 1 child (married or unmarried)	2 bed*
Adult couple (married or unmarried) plus 2 children aged under 10	2 bed*
Adult couple (married or unmarried) plus 2 children of the same gender aged under 16	2 bed*
Adult couple (married or unmarried) plus 3 children	3 bed*
Adult couple (married or unmarried) plus 4 children (4 children aged under 10)	3 bed*
Adult couple (married or unmarried) plus 4 children (2 children of the same gender aged under 16 plus 2 other children of the same gender aged under 16)	3 bed*
Adult couple (married or unmarried) plus 4 children (2 children aged under 10 plus 2 children of the same gender aged under 16)	3 bed*
Adult couple (married or unmarried) plus 4 children (with a configuration other than listed above)	4 bed

*To allow for household growth or to accommodate a medical or support need, prospective home buyers may purchase a property one bedroom larger than the calculated bedroom requirement, up to a maximum of 4 bedrooms, subject to their ability to afford the mortgage repayments.