DARLINGTON
Borough Council

Low-Cost Home Ownership Policy 2022

Contents

Introduction 3

Policy Aims 3

Relevant Legislation 4

Useful Information 4

Right to Buy 5

Rent to Buy 7

Shared Ownership 9

Additional Information 14

Implementation of the Policy 15

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Introduction

Housing Services are committed to building sustainable communities and offering low-cost homes both to rent and buy. As a Council, we have a strategic ambition to deliver a range of tenure models to improve and diversify the supply of low-cost housing within the Borough.

For residents who would like to own their own home but are unable to afford to purchase a property outright from the open market, we offer a range of low-cost options to them. This Policy explains this range of home ownership options available for our properties.

The Policy has been designed to be an effective tool to enable us to explain the available options for residents and to incorporate best practice and the legal framework around low-cost home ownership. The options covered in this policy are:

- Right to Buy
- Rent to Buy
- Shared Ownership

Policy Aims

Through the promotion and operation of our low-cost home ownership policy Darlington Borough Council Housing Services aim:

- To promote the options that are available for low-cost home ownership of our properties.
- To support people that would otherwise struggle to purchase a property on the open market.
- To deliver a fair and consistent approach that reflects our commitment to creating sustainable communities.
- To deliver an efficient and effective approach to low-cost home ownership.
- To ensure staff and residents are aware of the policy and understand its aims.
- To comply with legal requirements and regulatory procedures

There are a number of other home ownership schemes. This policy does not cover all of these; only those being offered by Housing Services.

Relevant legislation

In offering low-cost home ownership products, Housing Services will meet all legal and regulatory requirements including money laundering and anti-fraud practices:

- Housing Act 1980
- Housing Act 1985
- Housing & Planning Act 1986
- Housing Act 1988
- The Leasehold Reform, Housing & Urban Development Act 1993
- Housing Act 1996
- Housing Act 2004
- Deregulation Act 2015
- Localism Act 2011
- lordslibrary.parliament.uk/right-to-buy-past-present-and-future
- Data Protection Act 2018
- Equality Act 2010
- General Data Protection Regulations (GDPR)
- Financial Regulations
- Complaints Policy
- Prevention of Social Housing Fraud Act 2013
- The Charter for Social Housing Tenants – Social Housing White Paper 2021
- Landlord and Tenant Act 1985
- www.gov.uk/government/publications/right-to-buy-a-guide-for-local-authorities
- www.gov.uk/shared-ownership-scheme
- www.gov.uk/council-housing
- www.gov.uk/guidance/capital-funding-guide/2-rent-to-buy
- Affordable Homes Programme 2021-2026 (AHP)
- www.gov.uk/rent-to-buy
- www.helptobuyagent1.org.uk/
- www.gov.uk/right-to-buy-buying-your-council-home
- 2004 – Housing Health & Safety Rating System
- Homeless Prevention Act 2017
- Care Act 2014

Useful Information

Before applying to purchase a property, we recommend that tenants consider all the costs involved in being a homeowner. It is important to be aware that applicants cannot claim Housing Benefit to help towards mortgage costs.

Costs involved in purchasing a home include (not exhaustive):

- Solicitors' fees.
- Stamp duty.
- Mortgage fees.
- Any surveys or checks required by the mortgage provider.

Ongoing costs include (not exhaustive):

- Mortgage repayments.
- Buildings & Contents Insurance.
- Service charges (apply to leaseholders only).
- Repairs and maintenance.
- Annual gas services.
- Water charges.
- Life Assurance.
- Income Protection Assurance.

Right to Buy

Right to Buy for Council tenants was introduced through the Housing Act 1980 and gives local authority secure tenants the right to buy their current home at a discounted amount.

Eligibility

To be eligible to apply for the Right to Buy the following criteria must be met:

- It's their only or main home.
- It's self-contained.
- They are a secure tenant.
- They have had a public sector landlord (for example, council, housing association or NHS trust) for 3 years - it does not have to be 3 years in a row.

Discounts & Valuations

In line with legislation, we offer discounts on the market value of our homes when purchased. The amount of discount offered is based on the number of years a person has held a qualifying tenancy (details are set out in s.129 of the Housing Act 1985). The maximum discount allowed increases each year in April in line with the consumer price index (CPI).

The discount may be reduced by a rule called the cost floor. This may apply if your home has recently been purchased or built by the Council or we have spent money on repairing or maintaining it. Under the cost floor, the discount you receive must not reduce the price you pay below what has been spent on building, buying, repairing or maintaining it. If the cost of works carried out over the 10-year period is greater than the market value of your home, you will not receive any discount. This period is 15 years if your home was built or acquired by the Council after 2 April 2012.

Any discount is based on:

- The length of tenancy with a public sector landlord.
- The type of property (i.e. flat or a house).
- The value of the property.

Each property is valued individually according to the market values at the time of application. We do not hold records of property values and will only value a property once a tenant makes an application for the Right to Buy to ensure it is up to date.

A qualified valuer will inspect the property once an application has been accepted, there is no charge for this valuation. We employ an independent valuer who is RICS registered and valuations are carried out in accordance with RICS Valuation Standards (Red Book). Valuations will not include any improvements applicants have made to the property; however, applicants must notify us of such improvements when making their Right to Buy application.

Valuations include:

- An inspection of the property by a surveyor.
- An overview of the property, its construction, location and accommodation.
- Overview of the property's general condition (with photographs).
- Sale prices of comparable properties.
- Valuation of the property, with a description of the evidence and assumptions made.

If an applicant disagrees with the valuation price, they can ask for the District Valuer to carry out an independent valuation, this is a "determination of value" under Section 128 of the Housing Act 1985. Applicants must let us know of this request within 3 months of receiving the section 125 notice (the offer notice) and then have a further 4 weeks to put their case to the District Valuer.

Re-sale of properties bought under the Right to Buy scheme

Right to Buy buyers have to repay some or all of the discount if they sell the property within 5 years and may get a smaller discount if they have used Right to Buy in the past. They also have to pay back all of the discount if they sell within the first year. After that, the total amount they pay back reduces annually and depends on the value of the property when sold.

Properties re-sold within 10 years of buying through Right to Buy, must firstly be offered back to Darlington Borough Council. The Council can nominate another registered social landlord to buy the property

The property would be sold at the full market price (the seller would still be expected to pay back the required amount of discount if bought back within 5 years). Properties can be sold to anyone if we or another social landlord does not agree to buy within 8 weeks.

Properties exempt from Right to Buy

Some of our properties, such as those built specifically for the elderly are not available to purchase.

Further details, including full details on timescales and the process for Right to Buy can be found at:

www.darlington.gov.uk/housing/your-home/your-tenancy/right-to-buy and

www.gov.uk/government/publications/your-right-to-buy-your-home-a-guide--2

Rent to Buy

Rent to Buy allows residents to move into a new property straight away and pay a reduced rent, which allows them extra time, and money, to save towards a mortgage deposit. Tenants that access Rent to Buy products will not be entitled to exercise Preserved Right to Buy, even where these rights may have existed from previous social housing tenancies.

Rent to Buy properties are let on a fixed-term tenancy on an affordable rent, which is 80% of the market rent value and above social rent values, for a fixed term. Tenants are expected to save for a deposit during the length of the tenancy.

At the end of the fixed term tenancy, we will either:

- Continue to offer the property as Rent to Buy.
- Sell the property on an outright basis with the current tenant being given the right of first refusal.
- Retain and convert the home to rented housing on either an affordable or market rent basis.

Eligibility

The eligibility criteria to apply to be a Rent to Buy tenant include the following:

- Applicants must be of working age and in employment and have a household income sufficient to be able to make rental payments and save for a deposit for outright purchase. We will conduct affordability / credit checks and will require proof of income for lead tenants and any joint tenants. A non-refundable charge for each applicant will apply for this service which, must be paid upfront before applications are processed.
- Applicants are not expected to have the financial capacity to be able to afford a mortgage deposit on the open market or purchase outright at the point of application.
- Applicants should be first time buyers or returning to the market following a separation and would need to prove they have no legal interest in any properties.
- Applicants must not have been excluded for any reason from local housing registers, such as, for former arrears above specified levels with no arrangement to pay, serious anti-social behaviour or unspent criminal convictions.
- Applicants and household members must have sufficient leave to remain in the UK and are eligible to rent properties.
- The total household composition must not exceed the available bedrooms and lead to statutory overcrowding (that would require enforcement or intervention action from local authorities). Where there is more than one party interested in a rent to buy property, preference may be given to a household that would not breach overcrowding definitions. Similarly, Housing Services may consider under-occupation in rent to buy properties where there are no other interested parties but will give preference to households that more closely match the property size to make best use of resources.

We will allocate Rent to Buy properties to applicants that meet the above eligibility criteria on a first-come, first-served basis (except where preference is given to households that more closely match the property size, to make best use of resources, as outlined above).

Costs

Rent to Buy properties are subject to an annual rent increase in April and tenants will be given one calendar month's written notice of this increase. The maximum increase will be Consumer Price Index figure (calculated the previous September) plus 1%.

Tenants can purchase the property within the 5 years period but at our discretion. They must meet all shared ownership eligibility, affordability, and sustainability requirements.

Rent to Buy homes are sold at the market value at the point of applying to purchase and tenants wishing to buy their home will need to obtain a mortgage to do so. Homes are sold on the basis of the new model of Shared Ownership introduced by Government from 1 April 2021.

Valuation of properties

Each property is valued individually according to the market value at the end of the fixed term tenancy. We do not hold records of property values and will only value a property once a decision is made at the end of a fixed term tenancy to sell. This ensures that the valuation is accurate and up to date.

A qualified valuer will inspect the property, there is no charge to the tenant for this valuation. We employ an independent valuer who is RICS registered, and valuations are carried out in accordance with RICS Valuation Standards (Red Book).

Valuations include:

- An inspection of the property by a surveyor.
- An overview of the property, its construction, location and accommodation.
- Overview of the property's general condition (with photographs).
- Sale prices of comparable properties.
- Valuation of the property, with a description of the evidence and assumptions made.

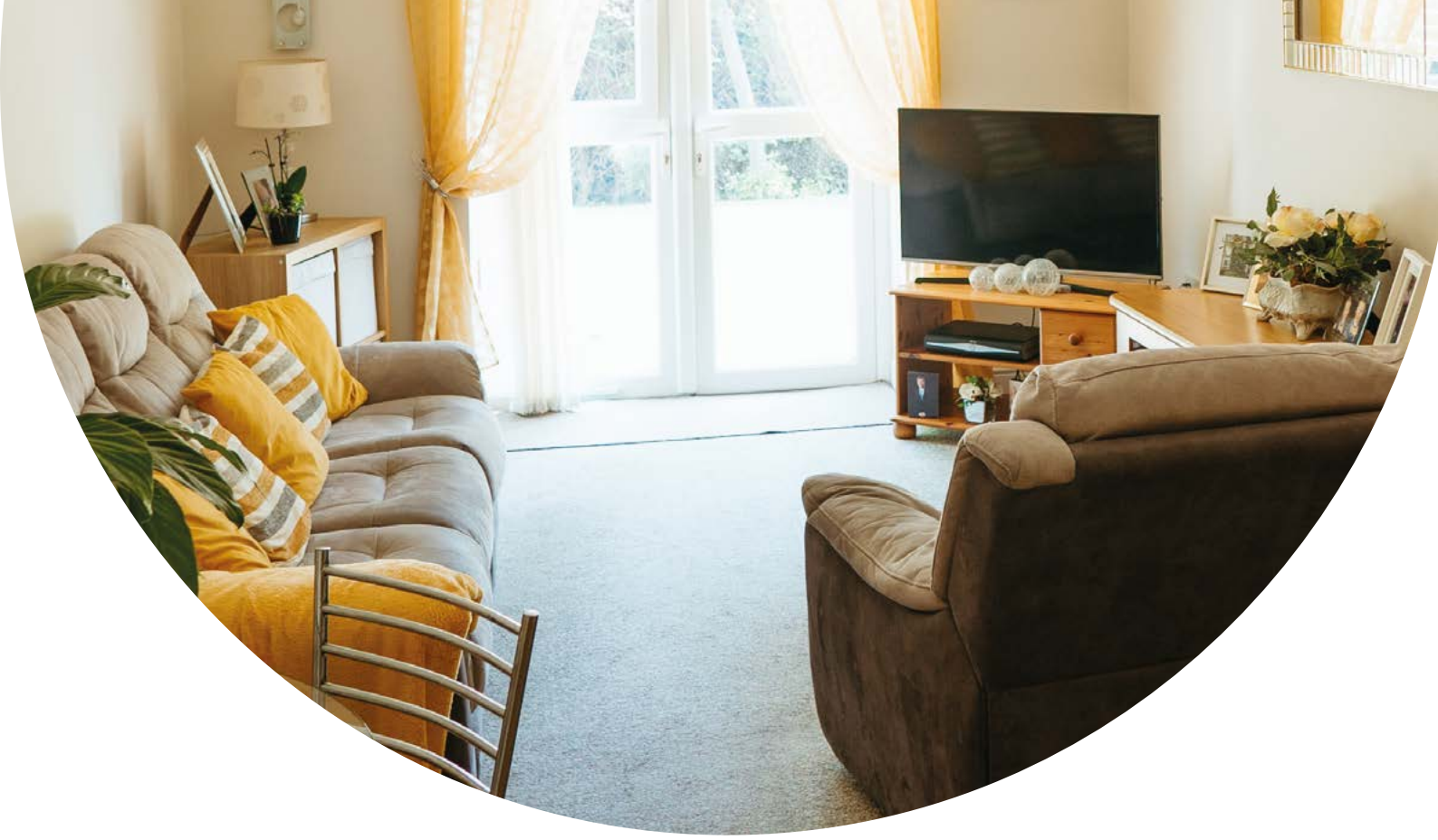
Allocation of properties

Rent to Buy homes are not subject to the nomination process and there are no local or prioritisation criteria applied, other than on rural properties as set out in section 106 agreements.

We will advertise Rent to Buy properties in a number of ways such as:

- Direct forms of marketing on development sites (via billboards and in sales offices)
- Through our website
- Through external internet-based property lettings companies
- Local estate agents

We will hold a register of all eligible applicants and will advise them of any additional Rent to Buy opportunities on our sites that may become available in future, trying where possible to meet their property type preferences and areas of choice.



Tenancy Deposit and Advance Rent Payments

Applicants who wish to access the Rent to Buy option are required to pay before signing-up for the property, a deposit equivalent to one month's rent and the first month's rent in advance. Depending on when the tenancy commences, they may also have to pay rent due until the end of the month until a direct debit has been set up.

Housing Services are registered with the Government backed Deposit Protection Scheme (DPS) which ensures the tenant's deposit is held securely and independently for the duration of the tenancy. Housing Services will register the deposit with the DPS and provide the tenant with the prescribed information within 30 days of receipt.

On termination of the tenancy, the deposit is repayable to the outgoing tenant, less any costs owed to Housing Services in respect of:

- Rent owed (inclusive of service charges)
- Damages to the property or other rechargeable items
- Costs of any enforcement actions by Housing Services, such as court applications.

Tenancy management and tenancy rights

Tenants of Rent to Buy properties can expect the same level of housing management services as is provided to all other tenants, including:

- Full repairs and maintenance service.
- Housing management support including arrears management, investigation of complaints, responding to reports of anti-social behaviour etc.

These services will be available up until the point where tenants give notice of intention to purchase in which case all repairs and maintenance responsibilities will be suspended, and all housing management functions would cease when the sale is completed. In addition to the housing management services, Rent to Buy tenants will also have an annual review in which they will be provided with an up-to date estimate of sale valuations (based on desk top assessment and comparable sales from the same development site).

At this annual review which would normally take place face-to-face in the home, Rent to Buy tenants will be expected to provide evidence of savings towards mortgage deposits. This will be supplemented by a mid-year progress check conducted by telephone.

Responsibilities

Rent to Buy tenants are required to abide by the terms of the tenancy agreement but will also be obliged to inform us of any change in circumstances that may impact on their ability to proceed with the eventual purchase or ability to meet rental payments, at the earliest opportunity.

Rent to buy tenants must ensure that their rent and other charges are paid on time. We will ensure financial viability is maintained at all times and will take a fair but firm approach to pursue non-payment of rent, service charges or other debts owed to Housing Services. If it becomes apparent that customers are not able to purchase the property within the expected timescales, we will offer advice to gain alternative accommodation.

Appeals

Where Rent to Buy tenants disagree with a decision taken by us to bring a tenancy to an end or they have been deemed ineligible for the rent to buy product, they may submit an appeal in writing within 14 days of receipt of the letter / notice informing them of this course of action.

We will give the tenant(s) no less than 5 days written notice of the appeal hearing (giving time and venue for the meeting) and the appeal will be heard by an appropriate senior Housing Manager.

We will inform the tenant(s) of the outcome of the appeal in writing at the earliest opportunity and where it has not been upheld before the date at which possession proceedings may begin.

Shared Ownership

For residents that are unable to afford a full deposit or mortgage payments for a home, Shared Ownership offers them the chance to buy an initial share of a home worth between 10% and 75% of its market value and to pay rent on the remaining share of the property to Housing Services.

The scheme enables residents to get onto the property ladder with a smaller mortgage and deposit and as circumstances change, they can purchase more shares in their home when they can afford to; this is called staircasing.

With Shared Ownership, residents can buy a shared ownership new build property or an existing shared ownership property through re-sale.

In line with the scheme, military personnel will be given priority along with additional priority groups, based on local housing needs.

To buy a home through a Shared Home Ownership scheme residents are required to contact a Help to Buy agent for the area they wish to buy in. More details of the Help to Buy agent for the North can be found at www.helptobuyagent1.org.uk.

Shared Ownership Scheme from 2022

From April 2021 the new model of Shared Ownership was introduced which means:

- The minimum share residents can buy is 10% of the property's market value, although applicants are required to purchase the maximum share they can afford.
- We are required to support shared owners with the cost of essential maintenance and repairs for the first 10 years.
- The minimum share that can be purchased through staircasing is 5% of the market value.
- Owners can purchase an extra 1% each year (new form of staircasing).
- Owners have more control over when they sell their home.

Requirements and Eligibility

Residents can buy a home through Shared Ownership if:

- Their household earns less than £80,000 a year, and
- They cannot afford all the deposit and mortgage payments for a home that meets their needs.

One of the following must also apply:

- They are a first-time buyer.
- They used to own a home but now can't afford to buy one.
- They are forming a new household – for example, after a relationship breakdown.
- They are an existing* shared owner looking to move.
- They own a home* and want to move but cannot afford a new home that meets their needs.

* If you own a home you must have:

- Formally accepted an offer for the sale of your current home (called 'sold subject to contract' or 'STC')
- Written confirmation of the sale agreed (called a 'memorandum of sale') including the price and your intention to sell
- Completed the sale of your home on or before the date you complete buying your shared ownership home.

Applying for a Shared ownership Home

There are 4 steps to applying for a Shared Ownership property:

1. Applicants must register with the Help to Buy Agent in the area they want to live. They will be required to complete an application form, either online or on a paper form. The agent will confirm if they are eligible for the scheme.
2. Once confirmed as eligible, applicants will then register their interest in an available property with the Council. An assessment by a mortgage advisor is required to ensure mortgage and rent payments are affordable. They will also advise on the share they can afford.
3. If the applicant is eligible to buy the home, they need to pay a fee to reserve it for a fixed period. This means that no one else will be able to reserve that property. We will advise how long it has been reserved for. Until this fee is paid, the property cannot be reserved, and this is on a first come first served basis.
4. Applicants will need to source their own legal professional to handle the purchase. The applicant is liable for all their legal costs and their solicitor will explain the terms of the shared ownership lease.

Costs and Charges

Applicants will be charged a non-refundable reservation fee to reserve the home they wish to buy for a fixed period. Applicants will be advised of the fixed period prior to paying the fee. The fee will be deducted from the final amount applicants pay for the property but if the sale does not go ahead, it will not be refunded or moved to another property.

Applicants are required to pay a deposit for their home, usually between 5% and 10% of the share they are buying when contracts are exchanged. Applicants may also need to pay stamp duty.

The following costs should also be considered by applicants:

- Ongoing monthly mortgage costs.
- Ongoing rent payments for the share they do not own.
- Repairs reserve fund.

Applicants' solicitors will go through all the buying costs in full during the process.

Rent charges are calculated to be affordable in line with Homes England rent setting guidance. They are reviewed annually; rents do not decrease from one year to the next.

We will also bill for costs such as:

- Buildings insurance.
- Ground rent.
- Administrative fees.
- Service charges.
- Communal repairs (in the case of flats).

Annual statements will be provided detailing the costs and a number of payment methods is available.

Any Shared Ownership resident that falls behind with payments will be contacted promptly by Housing Services. We will take a fair but firm approach to pursue non-payment of rent, service charges or other debts owed to Housing Services.

Staircasing

Shared Ownership leaseholders can buy additional shares of their home, until they own the majority or all of their home. This is called Staircasing and allows Shared Ownership leaseholders to own more of their home as they earn more money or can afford a bigger mortgage.

Shares will be based on the value of the home at the time of buying the shares, and not the value of their home when they first bought it. Leaseholders will be required to pay for a professional valuation of the property to determine the value of the shares before they can buy them.

A qualified valuer is required to inspect the property, they are required to be RICS registered with the valuation carried out in accordance with RICS Valuation Standards (Red Book).

Valuations should include:

- An inspection of the property by a surveyor.
- An overview of the property, its construction, location, and accommodation.
- Overview of the property's general condition (with photographs).
- Sale prices of comparable properties.
- Full valuation of the property, with a description of the evidence and assumptions made.

Responsibilities

Shared Ownership leaseholders are required to abide by the terms of the lease but will are also obliged to inform us of any change in circumstances that may impact on their ability to proceed with the eventual purchase or ability to meet rental payments, at the earliest opportunity.

Shared Ownership leaseholders must ensure that their rent, mortgage, and other charges are paid on time. We will ensure financial viability is maintained at all times and will take a fair but firm approach to pursue non-payment of rent, service charges or other debts owed to Housing Services.

Shared Ownership leaseholders are responsible for the internal repairs of the property, but we will be expected to take care of the external property.

Advertising of Shared Ownership Properties

We will advertise Shared Ownership properties in a number of ways such as (not exhaustive):

- Direct forms of marketing on development sites (via billboards and in sales offices).
- Through our website.
- Through external internet-based property lettings companies.
- Local estate agents.
- Help to Buy agents websites.

Additional information

Further details on our low-cost home ownership schemes can be found at:

www.darlington.gov.uk/housing/your-home/your-tenancy/

Further details on the Shared Ownership Scheme can be found at: www.gov.uk/shared-ownership-scheme

Further details on Right to Buy can be found at:
www.gov.uk/government/publications/your-right-to-buy-your-home-a-guide--2

Further details on Rent to Buy can be found at:
www.gov.uk/rent-to-buy

Further details on all government help to own your own home schemes can be found at:
www.ownyourhome.gov.uk/

Implementation of the Policy

All Housing Services staff are aware of the Low-Cost Home Ownership Policy and are able to direct any customer queries that may arise.

DARLINGTON
Borough Council

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