



CABINET – 14TH DECEMBER 2022

SUBJECT: LOW COST HOME OWNERSHIP POLICY

REPORT BY: CORPORATE DIRECTOR OF SOCIAL SERVICES AND HOUSING

1. PURPOSE OF REPORT

- 1.1 To seek Cabinet approval to formally adopt and subsequently launch the new LCHO policy.

2. SUMMARY

- 2.1 This report introduces the new LCHO policy, which is attached at Appendix 1.
- 2.2 A report was presented to members of the Housing & Regeneration Scrutiny Committee on 29th November 2022.
- 2.3 Data from the Office of National Statistics shows that the cost of owning a homing is becoming increasingly more expensive, with house price inflation outstripping growth in income.
- 2.4 This policy will help people who are unable to afford to purchase 100% of a property on the open market and help to reduce the numbers of people currently on the common housing register.
- 2.5 Welsh Government supports the provision of homes built for LCHO through grant funding both to local authorities and housing associations.
- 2.6 This policy will assist the Council in its ambitions to create balanced and sustainable communities, as outlined in the recently approved Local Housing Strategy 2022-2027.
- 2.7 The LCHO policy is an essential aspect of Caerphilly Homes development ambitions.

3. RECOMMENDATIONS

- 3.1 That Cabinet approves the introduction and publication of the new LCHO policy.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To help realise the Council's ambitions of creating cohesive and sustainable communities,

as set out in the 2022-2027 Local Housing Strategy, by providing support to people who aspire to homeownership but are unable to afford the full market value for a home.

- 4.2 The introduction of a LCHO policy will complement the Council's own new build, affordable housing aspirations through the creation of mixed tenure developments, which look to address a range of housing requirements.
- 4.3 To help reduce the number of people on the Council's common housing register, by providing opportunities for people to meet their own needs through affordable home ownership.

5. THE REPORT

Local Context

- 5.1 To realise the Council's ambitions of creating cohesive and sustainable communities, as set out in the 2022-2027 Local Housing Strategy, it is important that housing providers are able to build a range of different homes including for sale and for rent. The introduction of a LCHO policy by the Council will help assist with meeting this ambition and its own new build aspirations.
- 5.2 Members will be aware from reports published in the media of the increasing affordability issue preventing people from owning their own home. The affordability of owning a home is typically measured using a ratio of the median price paid for a residential property against median workplace-based gross annual earnings for full-time workers, using data published by the Office of National Statistics. Latest data (March 2022) shows a ratio of 5.2 in 2021, compared to 4.9 in 2020.
- 5.3 With over 6,000 applications on Caerphilly's common housing register, helping people into affordable homeownership can help to reduce the pressures on the existing social housing stock, thereby ensuring that the stock is let to those in greatest need who do not have the means necessary to satisfy their own needs. Our data shows that many of these people aspire to owning their own home.
- 5.4 Our housing association partners have a proven track record of building affordable homes for sale in the borough. Providing affordable homes for sale is also a key element of Caerphilly Homes' future development ambitions and members will note from another H&RSC report (10th February 2022) that the Council plans to provide LCHO opportunities on the redevelopment of the former Oakdale comprehensive school. In addition, the Council will shortly acquire LCHO properties via a s106 Agreement on the former Aberbargoed Comprehensive school.
- 5.5 21% (100 out of 481) of the homes funded by Caerphilly's 2022/23 Programme Development Plan, due to be built over the next 5 years, either by the Council or housing association partners, will be shared ownership.

National Context

- 5.6 LCHO products are not a new invention and have been provided throughout Wales for many years. They have been designed to provide support to people who aspire to homeownership but are unable to afford the full market value for a home. The sale of LCHO products is typically governed by a LCHO policy. The purpose of a LCHO policy is to set out the qualifying criteria that households must meet to be eligible for support and any local priorities that need to be taken into consideration.

- 5.7 No guidance has been produced by Welsh Government on producing LCHO policies. It is, therefore, up to the Council to decide what is included in its own policy.
- 5.8 LCHO policies typically provide opportunities for people to buy affordable homes through one of the following main routes:
- Shared ownership – the prospective homebuyer(s) buys a share in a property (between 25-75% of the open market value) and pays rent on the remaining share.
 - Shared equity – the prospective homebuyer(s) buys an equity stake in a property (typically 70%) and does not pay rent on the remaining stake.
- 5.9 The use of LCHO policies is consistent with Welsh Government's national housing policy. Welsh Government provides grant funding to local authorities and housing associations in Wales to build shared ownership properties. They also provide LCHO opportunities at a national level, e.g. Help to Buy Wales. Newly built shared ownership homes count towards Welsh Government ambitions to build 20,000 low carbon homes for rent in Wales because of the rental aspect.

Development Process

- 5.10 A working group within Caerphilly Homes was established in 2020 to look at the development of an LCHO policy. As part of this process officers undertook some research to identify examples of good practice throughout the UK. Detailed discussions were also held with two partner housing associations and a neighbouring local authority.
- 5.11 An early version of the Council's draft LCHO policy was reviewed by national law firm Blake Morgan LLP. The draft was revised in light of comments received and prepared for public consultation.
- 5.12 The policy was based on a shared equity approach only, which at the time of development met Welsh Government's criteria for accessing Social Housing Grant. However, changes to Welsh Government funding criteria means that shared equity is no longer eligible for grant funding, which would mean that the Council would be required to pay for the construction / purchase of an LCHO property, provided on a shared equity basis, solely using its own funding, which potentially could make development of some sites financially unviable.
- 5.13 In December 2021 the Council undertook a 6 week public consultation exercise on the introduction of the new LCHO policy. The Council received 64 on-line responses during the consultation period and direct feedback via email from housing association partners. This information was analysed and the policy updated accordingly. The majority of changes were minor in nature, with the more significant changes being made to the eligibility criteria to include stated maximum incomes for people/households eligible under the policy.
- 5.14 Following a review of the consultation responses and recognising that shared ownership still attracts Welsh Government grant funding, a decision was taken by the new Head of Housing to expand the range of products in the LCHO policy to include shared ownership. The policy was subsequently updated and a second public consultation exercise on the new amendments was undertaken over a 4 week period between August and September 2022.

- 5.15 The policy applies only to those properties acquired by the Council through the planning system or properties built via its own development programme. It does not provide for prospective home buyers to purchase properties on the open market and excludes those properties provided by housing association partners throughout the county borough. The policy does not apply to the Council's housing association partners, who maintain their own policies.

The LCHO Policy

- 5.16 To be regarded as eligible under the new policy all prospective home buyers will need to satisfy the following criteria:
- be 18 years old or over;
 - be a British citizen or have been granted settled status in the UK;
 - be a first-time buyer or:
 - be a newly forming household; for example, starting again after a relationship break-up; or
 - be relocating for work purposes to an area where property prices do not allow you to buy a home suitable for your family size;
 - is over 55 years old and requires later living accommodation; or
 - is a disabled person (or is living with a disabled person) who has been assessed by the Council as requiring accessible housing.
 - be living or working in the county borough, having done so continuously for the previous 3-year period¹;
 - have a gross household income of no more than £29,260 a year for single person with no children or £58,021 a year for all other household compositions; and
 - be unable to buy a property on the open market that suits their needs.

¹Except 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.

- 5.17 For joint applications, only one of the prospective home buyers needs to satisfy the working or residency criteria.
- 5.18 To promote sustainable homeownership, prior to being offered the opportunity to purchase a property the prospective home buyer would need to provide the Council with the following information:
- 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.
- 5.19 Applications to buy a home would be prioritised by the Council in the following order:
- a. 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;
 - b. A disabled or older person who has been assessed by the Council's occupational therapist to be living in housing not suited to their needs. An older person is defined as someone at least 55 years old who requires housing designated by the Council for later living;

- c. A key worker (as defined in the policy) living or working in the county borough;
 - d. 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;
 - e. All other groups of eligible people.
- 5.20 The policy also contains advice on repair and maintenance responsibilities and the process of selling a LCHO home.
- 5.21 In an attempt to secure the potential reuse of a LCHO property as an affordable home in the long-term the policy contains criteria governing the resale of a property. Homebuyers will be required to initially offer the property to the Council before placing it on the open market. The Council will have either 28 days or 12 weeks, depending on whether the homebuyer has achieved full ownership or not, to identify a suitable homebuyer or exercise its right to purchase.

Consultation Responses

- 5.22 14 online responses were received during the second consultation exercise. Below is a summary of the responses received:
- The respondents were asked which language they wanted to use to complete the survey – 100% English, 0% Welsh.
 - The respondents were asked did they agree with the 6 elements which make up the qualifying criteria. 11 said yes, 2 said no and 1 said don't know.
 - The respondents were asked did they agree that households with a gross household income of over the specified limits should not be eligible for assistance. 10 said yes, 2 said no and 2 said don't know.
 - The respondents were asked did they agree with the list of key workers? 9 said yes, 4 said no and 1 said don't know.
 - The respondents were asked about the proposed 3 year time period that would need to elapse, from the date of purchase, before people could buy further shares/stakes in their property. 5 said the time period is right, 2 said the time period is too short, 2 said the time period is too long, 4 said there should not be a time period and 1 said they don't know.
 - The respondents were asked would the introduction of the LCHO policy impact negatively on them because of a protected characteristic. 2 said yes, 6 said no and 6 said don't know.
 - The respondents were asked did they think that the introduction of the LCHO policy will help to reduce levels of socio-economic disadvantage in the county borough. 7 said yes, 2 said no and 5 said don't know.
 - The respondents were asked would the priorities set out in the Low Cost Home Ownership Policy have a positive impact on future generations living in the county borough. 13 said yes, 1 said no and 0 said don't know.
 - The respondents were asked if they think that the measures put in place alongside the introduction of the LCHO Policy will ensure that the Welsh Language is treated no

less favourably than the English language. 7 said yes, 2 said no and 5 said don't know.

5.23 After each question, respondents were asked to explain the reasons for their response. This was not a mandatory requirement and consequently not everyone provided a response. All responses were duly considered. Several of the responses were deemed irrelevant to the consultation process and have, therefore, been discounted. Many of the comments have proved helpful in reaffirming inclusion of important criteria around eligibility, priority and the timeframe for buying additional stakes/shares in the home.

5.24 The respondents were asked to provide any other comments on the Low Cost Homeownership Policy not included in their responses to earlier questions. Not everyone responded. Comments include:

- *People would take more care if they owned the home.*
- *This has been a well thought through policy...*
- *Funding for this will divert the money from other areas we have seen schemes before that take out of the system and other areas suffer it will not effect the areas around Caerphilly, Blackwood or Risca it will be other areas where the poverty is greater so a lot of people in these outer areas have a very negative view of the council and feel let down.*
- *Will there be a deposit required, this could mean a no for many. A no deposit will be the attraction.*
- *This sounds like a very positive move.*

5.25 All of the responses to the consultation questions have been carefully considered. All bar one of the responses required no further action / change to the policy. One minor amendment was made to the policy at paragraph 6.1 (v) – to clarify that all other groups included people meant people not included in group i-iv.

5.26 In addition to the equalities question we asked a series of questions on who was responding. People said that they were aged:

Under 18 - 0
18-25 - 0
26-39 - 7
40-49 - 3
50-64 - 1
65-74 - 2
75 and over - 1
Prefer not to say – 0

5.27 When asked about their current home people said that they:

Own with a mortgage or loan - 3
Own outright - 0
Rent from the Council - 6
Rent from private landlord or letting agency - 2
Rent from a Housing Association - 1
Living with a relative or friend - 1
Shared ownership (owned in partnership with a Housing Association) - 0

Low Cost Home Ownership - 1
Tied or linked to a job - 0
Other – 0

5.28 A number of questions were included within the consultation questionnaire to help officers update the Integrated Impact Assessment. Respondents told the Council that the LCHO policy would:

- have a positive impact on future generations by providing opportunities for people on low incomes to get onto the property ladder;
- have no direct negative impact on people with a protected characteristic;
- help to reduce on socio-economic disadvantage by providing opportunities for people on low incomes to get onto the property ladder; and
- have no effect on the Welsh language, as services and information would be provided bilingually.

5.29 The IIA has been updated accordingly. No significant changes have been made to the IIA as a result of responses received during the public consultation exercise.

6. ASSUMPTIONS

6.1 The introduction of the LCHO policy helps people wanting to access home ownership but cannot afford to purchase 100% of the open market value of the property. Helping people into home ownership will help to reduce the number of in people in housing need currently on the common housing register.

6.2 The introduction of the LCHO policy will help the Council to realise its strategic housing priorities of creating balanced and sustainable communities and complements the ambitions of the new build, affordable housing programme.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

7.1 The Integrated Impact Assessment (IIA) suggests that the introduction of the LCHO policy will have a positive impact upon the residents of the county borough that subsequently go on to purchase a home under this policy.

7.2 By providing opportunities for people on low to medium incomes to access affordable home ownership the IIA shows that the policy will have a positive impact on equality, diversity and inclusion, on tackling social disadvantage and on promoting the wellbeing of existing and future generations. Helping people achieve affordable home ownership also contributes to several of the Council's wellbeing objectives. No adverse impact on the promotion of the Welsh language was identified.

[Link to Integrated Impact Assessment .](#)

8. FINANCIAL IMPLICATIONS

8.1 The provision of LCHO homes will be financed through accessing a mix of Welsh Government grant funding and the Housing Revenue Account. Grant rates are currently

set at 25% for shared ownership properties. Grant funding applications submitted by the Council will need to be approved by Welsh Government.

- 8.2 Homebuyers purchasing their home via shared ownership will pay rent to the Council on the share of their home they don't currently own. Homebuyers can purchase additional shares in their home, typically up to 100%. In such instances the Council will receive a capital receipt but the rental income will reduce or cease.
- 8.3 Homebuyers are permitted to sell their property, which could result in the Council receiving a capital receipt. Any Welsh Government grant funding would be held by the Council as Recycled Capital Grant for future use on affordable housing provision.
- 8.4 Being a new function provided by Caerphilly Homes, governance arrangements around the management of finance, ringfencing capital receipts/rental income for future LCHO investment will need to be established. A budget will be set by the Head of Housing and Principal Group Accountant (Housing) based on the projected number of homes to be delivered.

9. PERSONNEL IMPLICATIONS

- 9.1 The Head of Housing has agreed with the Housing Solutions Manager that day to day operation of the LCHO policy will be administered by the Housing Solutions team.

10. CONSULTATIONS

- 10.1 Consultation has been carried out at various stages of development of the LCHO policy, as outlined in section 5 above.
- 10.2 A report was presented to the Housing and Regeneration Scrutiny Committee on 29th November 2022. Cllr Cook and Nick Taylor-Williams answered questions asked by four members of the committee. Topics covered included the difference between shared ownership and shared equity, why older people accessing shared ownership are not required to pay rent if they purchase over 75% of their property, the effect of providing homes to people on the common housing register irrespective of tenure, property resale criteria when staircasing to full ownership and how the equity share is calculated at point of sale. Members of the committee noted that they were satisfied with the responses provided.

11. STATUTORY POWER

- 11.1 Local Government Acts 1972 and 2000, and the Local Government and Elections Act 2021.

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Appendices:

Appendix 1 Draft Low Cost Home Ownership Policy