

Appendix A

WEST LANCASHIRE BOROUGH COUNCIL

RENT TO BUY



DRAFT

December 2022

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1.0 POLICY OVERVIEW

Introduction

- 1.1 West Lancashire Borough Council is committed to providing a range of affordable housing options that meet the housing needs and aspirations of the Boroughs' existing residents and those households who may wish to relocate to the Borough.
- 1.2 It is widely recognised that there is a shortage of affordable housing nationally and locally.
- 1.3 In West Lancashire, our housing needs study indicates a requirement for affordable rented housing as well as a need from newly forming and existing households who wish to be able to get a step on the property-owning ladder by accessing affordable home ownership products.
- 1.4 This policy aims to set out the broad framework to enable the Council to deliver a home ownership product called Rent to Buy. It should be read in conjunction with the requirements of the Homes England Capital Funding Guide - <https://www.gov.uk/guidance/capital-funding-guide/2-rent-to-buy>

Policy Aims

- 1.5 The aims of this policy are to:
- support residents to meet their housing needs and aspirations
 - ensure the Council's Rent to Buy homes are purchased fairly and transparently
 - rent to households who at the point of letting are assessed as likely to be able to save for a deposit
 - ensure that households who purchase a Rent to Buy property can afford it at point of purchase
 - offer purchase terms that are compatible with mortgage lender requirements
 - ensure that the rental period, subsequent purchase or change in tenure approach is compliant with the regulatory requirements of Homes England
 - set out how the Council will manage its Rent to Buy properties

Links to the Council's Corporate Priority

- 1.6 This policy supports the Council Priority of:
- ***A clean, safe environment with affordable homes to buy or rent for everyone in West Lancashire***

Equalities

- 1.7 We are committed to ensuring that this Rent to Buy policy does not impact disproportionately on different equality groups.

2.0 RENT TO BUY

What is Rent to Buy?

- 2.1 Rent to Buy is an affordable home ownership product aimed at helping people who want to buy a home but are unable to save a deposit. It allows eligible working households to rent a home at an Intermediate Rent providing them the opportunity to save for a deposit which may enable them to purchase their rented home in the future.
- 2.2 An Intermediate Rent is a rent which is at a value above social rent but below market rent levels. It must not exceed 80% of the current market rent (inclusive of service charges).

Main Features of Rent to Buy

- 2.3 Rent to Buy homes will be let at an Intermediate Rent for a minimum of five years during which it is expected tenants will save the deposit to purchase their rented home.
- 2.4 After the initial five-year letting period the Council may:
- continue offering the property as Rent to Buy
 - sell the home on an outright basis with the tenant being given the right of first refusal or
 - retain and convert the home to rented housing, on either an affordable or market rent basis
 - allow the tenant to purchase the property on shared ownership terms
- 2.5 While the initial letting period is set at a minimum of five years a tenant may request to purchase their property before the end of that period. Any decision to allow the purchase will be at the discretion of the Corporate Director of Transformation, Housing and Resources.

Development of Rent to Buy

- 2.6 Development of Rent to Buy home ownership properties by the Council will be dependent on securing grant from Homes England, the Governments Housing Accelerator - <https://www.gov.uk/government/organisations/homes-england>
- 2.7 Schemes developed using grant fund must comply with specific requirements as set out in Homes England Capital Funding Guide.

Rent to Buy Marketing

2.8 Those interested in Rent to Buy need to establish if there are any schemes available in their area.

2.9 In the case of new Rent to Buy schemes developed by the Council, various approaches may be used to advertise the availability of a scheme such as:

- the Council's website
- West Lancs Homefinder
- estate agents
- property lettings companies
- Help to Buy Agent 1 - <https://www.helptobuyagent1.org.uk/>

2.10 Site signage will also be erected, which is a requirement of Homes England. This will provide details of the new development including information about registering interest in a Rent to Buy home.

2.11 The extent of any marketing will depend on the level of expected demand; however, the Council will always seek to make information available as soon as is practicable ensuring that marketing takes place in advance of a new development's completion.

External Agent / Company

2.12 The Council may enter into an agreement with an external agent/company, to manage the marketing of Council built Rent to Buy homes.

2.13 The appointed marketing company will be required by the Council to ensure it acts in accordance with the Consumer Protection and Unfair Trading Regulations (2008) and any other relevant regulatory guidance when marketing the Council's Rent to Buy homes.

2.14 All prospective Rent to Buy tenants / purchasers will be provided with clear and accurate information, which will have been approved by the Council in respect of the relevant Rent to Buy development.

3.0 FINANCIAL ELIGIBILITY & QUALIFICATION

Financial Eligibility

3.1 Rent to Buy is aimed at helping people in housing need who are unable to buy a property on the open market.

3.2 A household can be considered eligible for Rent to Buy if they satisfy all the following:

- first time buyers having not previously owned their own home

- *An exception to this is where an applicant is looking to return to home ownership following a relationship breakdown*
- they are working with the intention of buying their own home in the future (at the time of letting) who have income sufficient to be able to make the required rental payments and save for a deposit (see Affordability Assessment) for outright purchase
- taking account of their income, savings, and any other assets it is demonstrated that the household does not have financial capacity to be able to afford a mortgage deposit for a home suitable for the households needs, on the open market or be able to purchase outright at the point of their Rent to Buy application

Qualification

3.3 Interested applicants will need to complete a Rent to Buy application form so that the Council or its agent can undertake an affordability assessment and verify financial and household eligibility details.

Affordability Assessment

3.4 The affordability assessment will seek to confirm if the applicant can afford to sustain rent payments and other household costs, whilst having capacity to save towards a deposit at the point of their Rent to Buy application.

3.5 The applicant will not be able to proceed if it is anticipated that 40% or above of their net income will be spent on rent payments. Generally the Council would expect the ratio to be closer to 30%.

3.6 The percentages mentioned in paragraph 3.5 may be subject to change to reflect the housing market and broader cost of living factors at the time a rent to buy home is made available.

3.7 In considering the issue of affordability the Council or its agent will need to fully understand the applicants income and expenditure in order to reach a decision on the application. The Council may require further information from the applicant in order to make that decision

3.8 Credit checks may also be undertaken to ensure that there is no adverse credit history, at point of application, which may jeopardise obtaining a mortgage in the future.

4.0 HOUSEHOLD ELIGIBILITY

Age

4.1 All applicants must be 18 or over.

Joint Applicants

- 4.2 Joint applicants for a Rent to Buy home can only proceed on the condition that both applicants become the joint legal owners of the home should they progress to purchase. Income, capital, and any other assets owned by each of the joint applicants will be considered when assessing the application.

Citizenship

- 4.3 In most cases residents must be a British or EU/EEA citizen with a Settled Status or have indefinite leave to remain in the UK.
- 4.4 Where an applicant is not a British or EU/EEA citizen with a Settled Status or have indefinite leave to remain in the UK, the Council or its agent will undertake checks to establish if the applicants status means they are ineligible for the Rent to Buy product because they are unable to fulfil its requirements, by renting for five years and then progressing to obtaining a UK mortgage.

Elected members, staff and their relatives

- 4.5 Elected members, staff and their relatives are eligible to apply for Council Rent to Buy properties. All applications will be assessed in line with the process set out in this policy. The Head of Housing will give a final approval for any allocations to elected members and their relatives. The Head of Housing will give a final approval to any allocations to staff and their relatives.

Bedroom Eligibility

- 4.6 In addition to the eligibility criteria mentioned above, the Council will also need to consider the household composition in order that the property is suitable for the size of the household.
- 4.7 To ensure households are not overcrowded, they will be assessed against the Government's Allocation of Accommodation Guidance 2012 defined 'bedroom standard', which requires a separate bedroom for the following:
- Married or cohabiting couple
 - Adults aged 21 years or more
 - Two children aged 0-20 years of the same sex
 - Two children aged under 10 years regardless of sex
- 4.8 Under-occupation in Rent to Buy properties will be allowed where there are no other interested households that more closely match the property size.

Household Eligibility Exclusions

- 4.9 Applicants will not be considered for Rent to Buy if any of the following apply.
- Unacceptable Behaviour
 - Rent Arrears & Other Housing Related debt

- Anti-social Behaviour
- Damage / Neglect of Council Property
- Rechargeable Repair Debt

4.10 When considering the above exclusion matters, Rent to Buy applicants will be considered in the same way as those applicants who wish to apply for the Councils rented housing. For full information about how the above matters are defined and investigated please refer to the Councils Allocations Policy which is available from www.westlancshomefinder.co.uk

Existing Social Housing Tenants

4.11 An applicant who is an existing Council or Social Housing tenant will not be eligible for Rent to Buy if they are not complying with the terms of their tenancy agreement at the time of application. This includes but is not limited to rent arrears.

Review of Decision

4.12 Where a Rent to Buy tenant disagrees with a decision taken by the Council to bring a tenancy to an end or an applicant has been deemed ineligible for the rent to buy product, they may submit a request for a Review. The request must be in writing and received by the Council within 21 days of the Councils original decision informing them of the course of action. The Review Process is set out below:

4.13 *The Original Decision*

- Normally within 3 working days of making a decision on a Rent to Buy application, the officer dealing with the case will notify the applicant in writing of that decision. The decision letter will state:-
 - The reasons for the decision
 - The right to request a review of that decision
 - The time allowed to make a request for a review (normally 21 days from the date the date of the decision)
 - The name of the officer to whom the request for review should be made

4.14 *Review Procedure*

- Where the applicant requests a review, the Review Procedure should be followed:
 - Written request for a review has been received within the timescale allowed (normally 21 days).
 - Within 2 working days of the written request being received, a Review Officer will be appointed (this will be a senior officer who has not taken part in the original decision).

- Within 10 working days of their appointment, the Review Officer will:
 - Write to the applicant stating that the review request has been received
 - Advise the applicant of the identity of the Reviewing Officer
 - Inform the applicant that they or someone acting on their behalf can make representations in writing in connection with the review
 - Further details of the review procedure
 - The timescale within which the review will be completed (8 weeks from the day on which the review is made)

4.15 There is no further right of appeal if the applicant is not satisfied with the decision on review.

4.16 Any further challenge would have to be through the courts by way of Judicial Review.

4.17 The review process set out in this section is identical to the process used in the Councils Allocation Policy.

5.0 PROPERTY ALLOCATIONS

Allocation Approach

5.1 Properties are allocated on a first come, first served basis subject to meeting eligibility requirements.

6.0 TENANCY SIGN UP

Information Provided to Customer Pre-Tenancy

6.1 In order for an approved Rent to Buy applicant to be able to make an informed decision about proceeding under the Rent to Buy scheme, the Council, before they sign the tenancy agreement, will confirm to the tenant in writing:

- the target purchase date
- the minimum sale price (this will be the total development cost of the home, below which the Council may choose not to sell),
- annual savings expectations and
- how this will be monitored

6.2 At this point the approved applicant can decide if they wish to proceed.

Tenancy Deposit and Advance Rent Payments

6.3 If an applicant is approved and wishes to take up a tenancy on Rent to Buy terms, then the applicant will be 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).

- 6.4 The Council is registered with the Government backed Tenancy Deposit Scheme (TDS) which ensures the tenant's deposit is held securely and independently for the duration of the tenancy. The Council will register the deposit with the TDS and provide the tenant with the prescribed information within 30 days of receipt - www.tenancydepositscheme.com
- 6.5 On termination of the tenancy, the deposit is repayable to the outgoing tenant, less any costs owed to the Council in respect of:
- Rent owed (inclusive of service charges)
 - Damages to the property or other rechargeable items
 - Costs of any enforcement actions by the Council e.g. court applications

Length and Type of Tenancy

- 6.6 The Councils Rent to Buy homes will be offered on a short term tenancy basis with a period of no less than six months up to 2 years with the most common tenancy period expected to be a fixed term of 12 months.
- 6.7 As the Rent to Buy product has been designed with home ownership in mind, the use of short-term tenancies is in line with expectations of an intermediate product that is a steppingstone into home ownership within a relatively short timescale.

Tenancy Agreement Renewal

- 6.8 During the initial five-year period the tenancy will be reviewed and renewed after each tenancy term, provided there have been no tenancy breaches or other reasons why a renewal would not be considered.

Inventory

- 6.9 At sign up the tenant will be provided with an inventory which will be used as evidence to dispute any damage caused to the home if the tenant moves out.
- 6.10 The Councils Void Surveyors will visit the home at the end of the notice period to take photographic evidence and determine the value of any repair work in order for it to be deducted from the tenant's deposit (if required) before it is released back to the tenant.

7.0 TENANCY OCCUPATION PERIOD

Savings and Monitoring

- 7.1 During the initial five-year renting period, Rent to Buy tenants will be expected to save in preparation to purchase in year 5.

- 7.2 The Council will conduct regular savings reviews throughout the tenancy to check on savings progress.
- 7.3 Rent to Buy tenants will be expected to provide evidence of savings towards mortgage deposits when requested.
- 7.4 If during the savings monitoring process it becomes evident that the tenant is refusing to engage with the process or is not likely to achieve the savings goals that would be sufficient at the end of the initial five-year letting period to enable them to buy or no longer wishes to buy, then the Council will discuss with them, their housing options. This will include moving home or switching to alternative tenures such as affordable rent or market rent. Any housing options advice will need to be informed by an options appraisal.

Intermediate Rent Increases

- 7.5 Rent will be set inclusive of service charges with an annual increase applied on the 1st April. The rent increase will be no more than that of the Consumer Price Index taken from September of the previous year plus 1%.
- 7.6 A breakdown of rent and service charge will be provided on the tenancy agreement.

Tenancy Management

- 7.7 Tenants of Rent to Buy properties can expect the same excellent level of housing management services as is provided to the Councils social / affordable rented tenants, including:
- full repairs and maintenance service
 - housing management support including arrears management, investigation of complaints, responding to reports of anti-social behaviour etc.
- 7.8 These services will be available up until the point where tenants give notice of intention to purchase in which case all Council repairs and maintenance responsibilities will be suspended, and all housing management functions would cease when the sale is completed.

Contents Insurance

- 7.9 Tenants are advised to arrange their own contents insurance or take advantage of the specialist tenants contents insurance policy available through the Council.

Preserved Right to Buy or Right to Acquire

- 7.10 Tenants that access Rent to Buy will not be entitled to exercise Preserved Right to Buy or Right to Acquire even where these rights may have existed from previous social housing tenancies.

Mutual Exchange

7.11 Mutual exchange does not apply to Rent to Buy homes.

Tenant Responsibilities

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

Purchase Within First 5 Years

7.13 The Council may, at its discretion, grant approval following receipt of an application from the tenant before the end of the initial five-year rental period to purchase the property either outright or on shared ownership terms.

7.14 At all times in considering such application the Council will need to consider its own financial and Homes England Grant agreement obligations, ensuring that any final decision takes account of those contractual obligations.

Options Appraisal

7.15 Six months before the end of the initial five-year letting period, provided there has been no breach of tenancy condition requiring enforcement action or a purchase has not been authorised, the Council will conduct an 'options appraisal' as to the future ownership / management of the property in line with:

- The need to make best use of resources and prevailing market conditions
- Asset management issues (anticipated major capital expenditure)
- The best financial option available to the Council to maintain financial viability of the development
- The individual circumstances of the Rent to Buy tenants
- The grant funding conditions of Homes England (under the Shared Ownership and Affordable Housing Programme) including grant recycling implications
- Any other relevant matters

7.16 Each case in the options appraisal will be reviewed on its merits, however, for consistency in decision making the following factors will be taken into consideration:

- The conduct of the tenancy (with any tenancy breaches e.g. rent arrears, damage to property or anti-social behaviour, likely to influence a decision to bring the tenancy to an end)
- The financial circumstances of the Rent to Buy tenants including such factors as:

- Sufficient progress in saving towards a deposit – with extensions of rent to buy arrangements granted where progress has been made but tenants fall short of levels required to secure a mortgage
- Having adequate financial capacity to obtain a deposit / mortgage finance / or outright purchasing power but not wishing to purchase the rent to buy property (which is likely to lead to the Council bringing the tenancy to an end and re-letting to new applicants that meet the eligibility criteria in operation at that time)
- Individual circumstances that may mean a move of property would cause the household undue difficulties, non-exhaustive examples including the tenant:
 - having dependent children that attend a school or college that is within reasonable travelling distance from the home and there is a perceived impact on their education by virtue of a move
 - being close to a support network e.g. specialist medical facilities or child care arrangements
 - accessibility to employment or training opportunities within reasonable travelling distance of the home
 - or a member of their household having a vulnerability that should be considered

Options Appraisal Outcome Scenarios

- 7.17 In most circumstances it will be expected that the Rent to Buy tenant will be able to obtain mortgage finance to purchase the property outright at this stage.
- 7.18 If for any reason this is not possible the 'options appraisal' will decide on a case-by-case basis the best option for continued management of the property and could include:
- A decision to bring the tenancy to an end (discussing with the tenants housing options and assisting them to find alternative accommodation, which could include application for Council owned or other landlord owned, social rented housing)
 - A continuation of the rent to buy arrangement with the current tenant extending the tenancy for an additional 6 months and subject to future review
 - A continuation of the rent to buy arrangement but by ending the current tenancy and letting to a new tenant
 - Ending of the short term tenancy and conversion to Affordable Rent enabling the current tenant to continue in occupation but on different tenancy terms. This would be at a similar rent to that charged on the rent to buy option (i.e. 80% of market rent) but would not include the requirement to save towards a deposit.

- Ending of the short term tenancy and conversion to full market rent (let for an initial period of 6 months and as a statutory periodic tenancy rolling from month-to-month thereafter) – this may be to the current tenant or to a new tenant.
- Conversion to a shared ownership product (whereby the current tenant purchases a percentage of the property and pays rent on the remainder with the option to purchase an increased percentage over time, with outright purchase the eventual aim). This option may be available at the Councils discretion, during the tenancy and is not restricted to the final six months of the initial five-year letting period
- Sale on shared ownership terms to a new customer

Council Refusal to Sell to the Tenant

7.19 The Council will not sell to the tenant if the tenant is in rent arrears or in breach of the tenancy agreement.

8.0 RE-LETS

Should a Rent to Buy property become vacant during the first five years from the date the property was completed, the Council may choose to offer the property for sale to a new customer on shared ownership terms or re-let on a short term tenancy under the Rent to Buy scheme. The decision will be based on an options appraisal at the time.

Where a relet on Rent to Buy terms takes place, the tenant shall have at least three years to save a deposit to purchase.

Re-Let's during the first 5 years

8.1 A Rent to Buy tenant will not be able to purchase outright until five years after the property was built.

Re-Let's after year 5

8.2 The tenant may request to purchase at any time as the five-year restriction will have passed.

9.0 RENT TO BUY PURCHASE

Valuation Approach

9.1 If the Council is satisfied that a sale of the property can proceed, and the tenant wishes to go ahead and buy the property then the home will be sold at a price equivalent to its open market value as determined by an open market valuation undertaken by a surveyor who is a member of the Royal Institute of Chartered Surveyors (RICS).

- 9.2 It is the responsibility of the tenant to cover the costs of the open market valuation.
- 9.3 Valuation reports are only valid for three months and so the tenant will be liable for the provision of updated valuation reports until the point of sale to ensure the sale price is reflective of the open market.
- 9.4 If the property is down-valued by the mortgage lender's surveyor, the Council will investigate the reasons supplied by the lender against the original valuation. This will include reviewing other similar properties for sale in the local area.

Financial Conduct Authority

- 9.5 Prior to the purchase, the Council requires a copy of the buyer's mortgage offer, including the amount of borrowing. Mortgages must be obtained from a lending institution that is regulated by the FCA.

10.0 SHARED OWNERSHIP PURCHASE

Shared Ownership Policy

- 10.1 The Council's Shared Ownership Policy will apply should the home convert from Rent to Buy with the intention of selling the home on shared ownership terms.

11.0 POST RENT TO BUY PURCHASE

Repairs & Maintenance

- 11.1 Upon sales completion the new owner will become responsible for repairs and maintenance to the property for the duration of their ownership unless otherwise specified in sales / lease conditions.

Service / Estate Management Charges

- 11.2 The owner will be liable for any service / estate management charges should they apply.

Building Insurance

- 11.3 It will be the responsibility of the owner to arrange and pay for buildings insurance unless otherwise specified in sales / lease conditions

Contents Insurance

- 11.4 It will be the responsibility of the owner to arrange and pay for contents insurance

Gas / Electrical Safety

- 11.5 It will be the responsibility of the owner to arrange and pay for any servicing and or repairs to gas and electricity appliances at intervals recommended by the manufacturer.
- 11.6 The same responsibility extends to the gas and electricity supply infrastructure to the home unless it would otherwise be maintained and repaired by a relevant utility company.

New Homes / Builder Warranties

- 11.7 The Council will advise the owner of any warranties that apply to their home along with the details of the remaining warranty periods.

12.0 POLICY REVIEW

- 12.1 This Policy will be reviewed and updated in 2025 to take account of any significant changes in legislation, guidance, or good practice.
- 12.2 Tenants/Residents will be consulted and involved if there are any significant changes.

Approved by:	
Effective date:	
Review date:	
Policy developed by:	
Associated Procedure:	