

Affordable Housing Allocations Scheme
(02.11.06)

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1. Introduction

- 1.1 This document explains Wigan Council's policy for the allocation of Affordable housing for sale. It has been developed by the Council and Wigan and Leigh Housing and other stakeholders to support the aims of the Affordable Housing Strategy and the Supplementary Planning Document Affordable Housing, introduced earlier in 2006, by setting out how the homes generated will be allocated.
- 1.2 The Affordable Housing Strategy aims to provide a range of different affordable housing types, this allocations scheme will apply only to shared equity and discounted sale housing, where value is retained to provide sale at below the market value and where control of the equity discount is retained as long as it is needed.
- 1.3 The allocations scheme will apply to new build properties, re-sales of affordable housing and affordable housing bought on the open market with a subsidy or equity loan.
- 1.4 The Council's rented properties will continue to be allocated according to the Council policy for the Allocation of Council Housing.
- 1.5 For further information contact Wigan Council's Housing Policy Officer on 01942 486641

2. Aims of the policy

- 2.1 The Affordable Housing Allocations Policy supports Wigan's Affordable Housing Strategy's aim of

“An affordable home for all within a desirable community”

Key aims of the policy are to

- Ensure fair access into affordable housing
- Offer choice
- Respond to local needs
- Assist the Council in making best use of its rented stock
- Promote sustainable communities
- Reflect national legislation, guidance and codes of practice
- Reflect the views of users, providers and other stakeholders

3. Advice and Information

- 3.1 We want customers to be fully informed of the range of affordable housing in the borough, who qualifies and how to apply.
- 3.2 The purchase of a home is a long term commitment and we want to ensure that all applicants receive the correct advice in order to make an informed choice as to whether home ownership is the right option for them, given their circumstances.
- 3.3 Advice and information on all affordable housing options will be available on the Council's and Property Shops web sites. Information and application forms may be made available in other locations such as libraries and area offices.
- 3.4 Information will be provided in a variety of formats, for example on audio tape, in large print, in Talking Pages and in the six community languages; Arabic,

Cantonese, Farsi, French, Gujarati and Urdu. An interpretation service is available for people who don't have English as their first language. Customers can access this service at all Council and Wigan and Leigh Housing offices.

- 3.5 Personal advice on affordable housing options and help with applying for the scheme will be available in person and by telephone from the Property Shops. We will ensure that specialist staff are employed and trained to deal with affordable home ownership.
- 3.6 Initial advice obtained via the property shops will be free of charge. However it will be necessary to recoup the Council's administration costs associated with the completion of a sale of an affordable home. We are considering ways in which to do this. Options are
- Charge purchasers of an affordable home an administration fee of 1% of the affordable sale value of the property upon completion. (Typical example on a £70,000 property - fee would be £700.)
 - Charge the fee over a period of time once resident.
 - Only charge a fee on resale of an affordable home.
 - Developer meets the Council's administration costs.
 - Take cut of the independent financial advisers fee, they will be paid commission from mortgage companies.

We will compare the merits of these options further before committing to an option.

- 3.7 It will be a condition of the scheme that any applicant reserving an affordable home obtains independent financial advice, from an adviser registered with the Financial Services Authority before they commit to the purchase. A full financial assessment of income and expenditure, including all financial commitments will be undertaken before approval to proceed with a sale is given, this will ensure that
- They are in a financial position to obtain a mortgage
 - That they need assistance to buy
 - That they are given advice on the range of mortgage products available
 - That they understand the financial commitment required in terms of repayments, insurance, fees etc
- 3.8 The detail of how the financial assessment work will be undertaken, including the possible role of Property Shop staff, independent financial advisers or other advice agencies has yet to be established.
- 3.9 The Independent Financial Adviser will charge for their services and will be registered with the Financial Services Authority.
- 3.10 Applicants will also need to arrange their own legal advice in relation to the purchase.
- 3.11 Applicants will be advised of other costs, such as reservation fees and conveyancing.
- 3.12 We will establish a panel of independent financial advisers and mortgage lenders who are familiar with our scheme. However, applicants will be under no obligation to use these and will be free to choose their own companies, provided that they adhere to the provisions of the scheme.

4. Application Process

- 4.1 Applications for affordable home ownership can be made through two routes
- Wigan and Leigh Housing's Property Shops
 - Plumlife HomeBuy Agent
- 4.2 Property Shops - We aim to develop the role of the Property Shops so that they offer access into a range of housing in the borough, including social housing tenancies, private tenancies and affordable home ownership. We are proposing that specialist staff will be recruited to administer the affordable home allocation process.
- 4.3 HomeBuy Agent - From April 2006, the Government has established regional HomeBuy Agents, who act as a central administrator for all affordable home ownership sales funded via the Housing Corporation. The Greater Manchester and Lancashire HomeBuy Agent is currently operated by Plumlife, part of the Great Places Group.
- 4.4 Applicants are able to register for a range of HomeBuy schemes throughout Greater Manchester and Lancashire through a single application. Plumlife have worked with local authorities to establish criteria for the scheme and have developed their own assessment process, overseen by the Housing Corporation.
- 4.5 Whilst the main route into our affordable home ownership will be via the Property Shops, it is possible that applicants for our affordable home ownership may come via Plumlife.
- 4.6 More details on the role of Plumlife and applying for HomeBuy are available on their website www.plumlife.co.uk

5. Eligibility Criteria

Applicants will be required to meet all of the criteria set out below in order to qualify for assistance.

5.1. Financial criteria

- 5.1.1 Qualifying person(s) must be otherwise unable to buy a suitable home, in the locality, outright. This will be assessed as 3.5x household income. Any savings will be taken into account, with an allowance of £3,000 disregarded. The ratio of 3.5x household income may be reduced where, following a full financial assessment, this would not be affordable due to other financial commitments.
- 5.1.2 Qualifying person(s) must be able to fully fund the discounted/ equity share value of the home, via a conventional mortgage, other loan, such as Islamic mortgage, and/or savings. This will be established by undertaking a full financial assessment. Where there is a service charge payable for the affordable home, this will be taken into account when considering affordability.
- 5.1.3 Qualifying person(s) must have sufficient savings to pay other associated costs, such as conveyancing.
- 5.1.4 Qualifying person(s) must obtain a mortgage certificate from a suitable lender, where a mortgage is required, and be in a position to exchange contracts within the agreed period.

- 5.1.5 Any qualifying person(s) who currently owns another property will be required to place it on the market at the time they reserve an affordable home, any equity released from the sale will be taken into account.
- 5.1.6 Qualifying person(s) must have obtained independent financial advice in relation to purchasing a property through the scheme and a full financial assessment must have been completed based on their current financial circumstances, this will include an assessment of outstanding rent or mortgage arrears or other debts.

5.2. Qualifying circumstances

- 5.2.1 Qualifying person(s) must be registered with the Council's Affordable Housing Scheme (via the Property Shop).
- 5.2.2 Qualifying person(s) must live, work or have a long standing family connection to the borough of Wigan, specifically, one of the below must apply (criteria are not prioritised)
 - A) They are currently resident in the borough and have been for the previous six months.
 - B) They have been permanently employed in the borough for at least six months. This relates specifically to the usual place of work not the head office of the employer.
 - C) They do not currently live in the borough but have close family in the borough and need to move in order to give/ receive support. Close family will normally be defined as parents, adult children or brothers or sisters who have lived in the borough for a period of at least five years. Only in exceptional circumstances will the residence of other relatives be accepted.
 - D) They do not currently live in the borough but have lived in the borough for a period of at least six months in the last year or three years during the last five years.
 - E) They do not currently live in the borough but are taking up an offer of permanent employment in the borough. This relates specifically to the usual place of work not the head office of the employer

5.3. Occupancy criteria

- 5.3.1 Qualifying person(s) must use the affordable home as their only or principal home for the duration of their ownership

5.4. Joint applicants

- 5.4.1 All joint applicants will be expected to become joint owners and the financial criteria (section 5.1) will be applied to the joint income of applicants. A deed of trust providing occupation rights will not be accepted as an alternative to becoming joint owners.
- 5.4.2 Only one applicant needs to qualify through their personal circumstances (section 5.2)
- 5.4.3 The occupancy criteria will apply to all applicants.
- 5.4.4 Legally up to 4 people can apply as joint owners.

5.5. Additional priority cases

- 5.5.1 Additional priority will be given to the following for first reservations to certain selected properties (criteria are not prioritised).

- A) Existing social housing tenants who will be vacating their tenancy to move into the affordable home.
 - B) Applicants registered as homeless in the borough with Housing Aid.
 - C) Applicants who live within the township where the affordable housing is available.
 - D) Applicants living in confirmed clearance areas or subject to a Compulsory Purchase Order, including those where a CPO could be made but the owner agrees to sell the property to the Council by agreement.
 - E) Medical needs – to be defined and matched to suitable properties available.
- 5.6 The Council may waive one or more of the financial criteria or qualifying circumstances where the Assistant Director Urban Renewal (or equivalent) agrees that the exceptional circumstances of a case make it reasonable to do so.

6. Assessment Process

- 6.1 This process applies to applications received via the Property Shops. Applications for affordable homes for sale made via Plumlife HomeBuy Agent will be assessed through their process.
- 6.2 There is a two stage application process. The first stage being an initial registration for affordable home ownership. The second stage qualification assessment will only be made at the stage where the applicant has selected a home to buy.
- 6.3 Application forms will be available from the Property Shops or can be completed on-line.
- 6.4 An application form must be fully completed in order for an assessment to be made. If the application form is incomplete then the officer will write to the applicant requesting the missing information. If the information is not supplied within 5 working days, the application will be cancelled.
- 6.5 All applications will be given a reference number and entered onto the computer system within 3 days of receipt.

6.6 Stage 1 - Registration

See flow chart in Appendix A

- 6.6.1 An initial assessment against the qualifying criteria will be made upon receipt of a fully completed form within 5 working days. This will give a decision in principle whether the applicant is eligible for the scheme, subject to certain conditions and checks.
- 6.6.2 A letter will be sent to the applicant informing them of the decision and advising of the next steps.
- 6.6.3 If the application has been accepted the applicant will be advised that it is their responsibility to select a suitable home available through the scheme. The officer is not responsible for matching applicants to properties and applicants may select any type of home, subject to availability.
- 6.6.4 Where a property has been reserved for cases with additional priority and more than one applicant has expressed an interest in the property prior to it being released for sale, the officer will prioritise the applicant who makes best use of the property in terms of additional priority criteria.

- 6.6.5 A list of affordable housing schemes available will be circulated to all registered applicants periodically, but it remains the applicants responsibility to check availability and select a property via the developers.
- 6.6.6 All registered applicants will be required to advise the officer of any change in their circumstances.
- 6.6.7 All registered applicants will be contacted annually to check that they wish to remain registered for the affordable housing scheme.
- 6.6.8 Owners of existing affordable homes can apply to buy a new home through the scheme and will be subject to the same qualifying criteria.

6.7 Stage 2 – Qualification

See flow chart in Appendix A

- 6.7.1 Only when an applicant has selected and reserved property will a full assessment of their application will be made. This is due to the fact that their current financial circumstances will need to be assessed against the value of the property they have selected.
- 6.7.2 In all cases, the applicant must obtain advice from a qualified Independent Financial Adviser, who will be required to supply information to the Council in relation to the assessment of the financial criteria.
- 6.7.3 The officer will check the applicants against each of the qualifying criteria, requesting the necessary documentary evidence to support their application. Original documents must be provided and copies made for the case file. All documents will be returned to the applicants.
- 6.7.4 Administration and case recording procedures relating to the assessment will be developed with the Property Shops.

7. Advertising and Marketing of Properties

- 7.1 The Developer will give the Council no less than 28 days notice of the date of release for sale of the affordable homes. At this time they will supply the Council (or their agent) with appropriate marketing materials. These will be agreed with the Council not less than 10 working days before the advised date of release.
- 7.2 List prices for the affordable homes must be provided and these will be checked against the values given in the Section 106 agreement. Any discrepancies must be resolved prior to the affordable homes being released for sale. Any additional discounts offered by the developer at the time of release must be passed on to the purchasers of the affordable homes.
- 7.3 At the date of release, the affordable homes will be advertised according to the Council's current policy. This will be typically in the Property Shops, web pages, area housing offices, and other Council offices. Developers may also advertise the affordable homes at their own cost.

8. Reservation and Sales Process

See flow chart in Appendix A

- 8.1 There will be a reservation period of 6 months from the date of release. If after this time no reservation has been made on a particular property then the property can be sold according to the provisions set out in 8.4.

8.2 Reservations Process

- 8.2.1 Registered applicants who wish to reserve an affordable home must do so through the Developer. Developers must only take reservations from registered applicants, on production of the acceptance letter. Where a person approaches the Developer directly, they must be given an application form and advised to return it to the Property Shop and be accepted as eligible before paying a reservation fee.
- 8.2.2 Upon a registered applicant making a reservation of an affordable home (by payment of a refundable reservation fee, as agreed) the property will be secured for that applicant until such time that they withdraw from the sale. Only one reservation may be made at any one time. The Developer will advise the Council (or their agent) that the reservation has been made in writing, stating the plot number, house type and price.
- 8.2.3 The Council (or their agent) will carry out a full assessment of the application against all of the qualifying criteria set out above in relation to the particular property reserved.
- 8.2.4 Where a number of affordable homes have been selected for additional priority cases, the first reservation made for each property must also satisfy the additional criteria. Any subsequent reservations made to these properties do not need to meet the additional criteria.
- 8.2.5 The applicant will be required to obtain independent financial advice and provide the Council with all necessary documentary evidence requested in support of their application.
- 8.2.6 The Council will notify the applicant and the developer in writing whether the sale can proceed within 5 working days of the applicant providing all documentary evidence requested.
- 8.2.7 If the applicant fails to provide information to either the Council or the Independent Financial Adviser a reminder letter will be sent giving 10 working days to provide information, failure to provide within this timescale will result in the application being suspended and the reservation fee returned.
- 8.2.8 Upon issuing a notification letter stating the application has not been approved the reservation fee will be returned to the applicant by the Developer.

8.3 Sales Process

- 8.3.1 Upon receipt of the letter confirming the sale can proceed. The Developer will contact the Qualifying Person and begin the sales process. The developer will supply such relevant information as is requested by the Council, from time to time, in relation to the sale and will use its best endeavour to exchange contracts with the Qualifying Person within an agreed period.
- 8.3.2 The developer is obliged to advise the Council of all exchanges and completions of sales of the affordable housing units within 5 working days.
- 8.3.3 In the event that the Qualifying Person or the Developer withdraws from the sale the Developer will advise the Council of this in writing within 5 working days.
- 8.3.4 The property will then be made available for further reservations by applicants who have expressed an interest.

8.4 Failure to reserve an affordable home

- 8.4.1 If an affordable home has been advertised and publicised as being available for more than 6 months without any Qualifying Person applying for the

property, the Developer may sell the affordable home on the open market subject to the Developer making a payment to the Council equal to the discount off the open market value of the affordable home at the time of completion.

- 8.4.2 Any sum received by the Council will be used for the alternative provision of affordable housing within the borough according to the priorities set in the current Affordable Housing Strategy.

9. Obligations of Occupiers

9.1 The occupier of an affordable home must covenant that they will use the affordable home as their only or principal home throughout their ownership. Only or principal home means the home occupied for at least 6 months of any year.

9.2 The occupier must not let the affordable home.

9.3 The occupier is obliged to inform the Council in writing where any of the following occur

- They intend to re-mortgage the affordable home.
- They intend to secure additional borrowing against the affordable home.
- They intend to substantially alter/ improve the affordable home.
- They intend to purchase additional equity/ staircase the affordable home.
- They intend to sell the affordable home.

9.4 Re-mortgaging – additional secured borrowing

9.4.1 Where an occupier of an affordable home intends to re-mortgage or take out a secured loan consent must be obtained from the Council.

9.4.2 Such a request will be approved provided that the proposed lender is an approved lender and the total amount borrowed does not exceed the amount set out below.

9.4.3 If the occupier is re-mortgaging but not increasing their borrowing above the amount of the existing mortgage, then approval will be given.

9.4.4 Where the occupier is proposing to increase their borrowing, perhaps taking advantage of the increase in the value of their home, this will be approved subject to

- The additional borrowing being for repairs or improvement of the affordable home.
- The new level of borrowing being no more than the equivalent affordable value of the property ie the percentage of the current open market value.

9.4.5 The Council should satisfy itself that the new lender is aware that the property is an affordable home and subject to certain obligations.

9.5 Improvements and alterations

9.5.1 The Council must give prior consent to any substantial improvement or alteration to an affordable home. The occupier, however, will remain responsible for obtaining any necessary statutory consents, such as planning permission.

9.5.2 The Council must inform the occupier of the resale procedure in relation to alterations and improvements, see section 10.3. Most importantly, the

occupier must be made aware that they may not recoup all the costs associated in carrying out improvements to the affordable home, as they will only receive a percentage of any additional value attributed to the improvements.

10. Resale Procedure

10.1 If an occupier of an affordable home wishes to sell their property, they must notify the Council in writing and supply a current valuation of the property by an qualified independent valuer. This should be an open market valuation, assuming vacant possession.

10.2 The Council will make a decision whether it wishes to retain the affordable home in future or whether it can be sold at full open market value. When the property is to be sold at the full open market value a sum equivalent to the percentage discount will repaid to the Council for use in providing alternative affordable housing.

Example – Affordable home purchased with 30% discount on original full open market value
When valued for resale current OMV = £150,000
Payment due to Council on resale 30% of £150,000 = £45,000

10.3 When the property is to be resold as an affordable home the Council will agree the affordable resale value with the occupier. This will be the current open market value minus a sum equivalent to the percentage discount on that property.

Example – Affordable home purchased with 30% discount on original full open market value
When valued for resale current OMV = £150,000
Affordable resale value - £150,000 x 70% = £105,000

10.4 Where the occupier has carried out improvements or alterations to the property, with prior agreement, the affordable resale value will be the current open market value, taking account of the improvements, minus the sum equivalent to the percentage discount. It may be that the occupier may not recoup all the costs associated in carrying out the improvements to the affordable home, as they will only receive a percentage of any additional value attributed to the improvements.

Example – Affordable home purchased at a 30% discount on original full OMV
Permission given for addition of conservatory, when valued for resale
Current OMV with conservatory = £160,000
Affordable resale value - £160,000 x 70% = £112,000

10.5 If the open market value of the property cannot be agreed between the vendor and the Council then the value will be determined by an independent valuer appointed jointly by the vendor and the Council. Failing such joint appointment, the value will be determined by a valuer appointed by the President for the time being of the Royal Institution of Chartered Surveyors. Any such value being final and binding.

10.6 Once the value has been agreed, the affordable home will be advertised for sale. Properties will be advertised in the Property Shops, web sites etc and in

- addition, occupiers may advertise their property with estate agents at their own cost.
- 10.7 Any advert must state that the property is included in the affordable housing scheme and give full details of the qualifying criteria.
 - 10.8 Applicants for resale affordable homes must complete an application form and be assessed against the qualifying criteria.
 - 10.9 Upon the Council making a decision that an applicant satisfies the qualifying criteria the officer will write to both the Qualifying Purchaser and the vendor advising them of this.
 - 10.10 Details of the solicitors acting for both parties must be supplied and all details regarding the resale of the affordable homes sent to both solicitors.
 - 10.11 Legal services are to be advised of the full details relating to the resale, including the contact details for each parties solicitors.
 - 10.12 In the event that the Qualifying Purchaser or the vendor withdraws from the sale, they are obliged to inform the Council, via their solicitor.
 - 10.13 If a property has been advertised for resale for more than 13 weeks without any Qualifying Purchaser applying for the property, the vendor may sell the affordable home on the open market subject to making a payment to the Council equal to the proportion of the sale corresponding to the level of original discount percentage (see 10.2).
 - 10.14 Any sum received by the Council will be used for the alternative provision of affordable housing within the borough according to the priorities set in the current Affordable Housing Strategy.

11. Buy-out of affordable homes

- 11.1 Occupiers of affordable homes can apply to the Council to purchase additional equity , in up to two tranches, at any time, up to a maximum of 100% of the property. In cases where the occupier acquires 100% equity, the property will no longer be included in the scheme and will be free from all restrictions.
- 11.2 All receipts generated through the sale of equity in the affordable homes will be used by the Council to provide alternative affordable housing in accordance with the priorities of the current Affordable Housing Strategy.
- 11.3 Any occupier wishing to purchase additional equity must make a request to the Council, stating the amount of equity they wish to purchase and include a current valuation of the property by an qualified independent valuer. This should be the open market value assuming vacant possession.
- 11.4 On submission of the valuation the Council will agree the open market value of the property and the sum due.
- 11.5 If the open market value of the property cannot be agreed between the vendor and the Council then the value will be determined by an independent valuer appointed jointly by the vendor and the Council. Failing such joint appointment, the value will be determined by a valuer appointed by the President for the time being of the Royal Institution of Chartered Surveyors. Any such value being final and binding.

12. Complaints

- 12.1 The complaints procedure is easily available and accessible to customers and ensures that:

- All customers who make a complaint will be treated fairly and objectively
- Problems will be resolved promptly
- Suitable and proper redress will be offered when a complaint is upheld

12.2 Applicants can use the complaints procedure if they feel:

- Something has been done badly or wrong
- If something has not been done that should have been done
- If the service has not been delivered in accordance with the policy and procedures
- If they have been treated in an impolite or discourteous manner

12.3 Information on the complaints procedure is available at the Property Shops.

12.4 If the applicant is still not satisfied with the decision or the way the case has been dealt with, they can write to the Local Government Ombudsman or apply for a judicial review

13. Reviews and Appeals

13.1 Applicants have the opportunity to ask for a review against a range of decisions made. These are:

- A decision regarding eligibility
- A decision to suspend an application
- A decision about eligibility for a particular property
- A decision on awarding additional priority

13.2 All requests will be dealt with in the same way. The applicant may request a review of the decision in writing or verbally giving details as to why they want the review and provision of any other information they wish to be considered.

13.3 Reviews will be carried out by an independent senior officer from Wigan and Leigh Housing, who was not involved in the original decision. They will either decide to overturn or support the original decision. The applicant will be informed in writing of the decision within ten days of receipt of the letter asking for a review. The reply will contain the decision made, the reasons for the decision and the facts taken into account when making the decision.

14. Monitoring and Customer Feedback

14.1 The aims of the scheme, as stated previously, are to

- Ensure fair access into affordable housing
- Offer choice
- Respond to local needs
- Assist the Council in making best use of its rented stock
- Promote sustainable communities
- Reflect national legislation, guidance and codes of practice
- Reflect the views of users, providers and other stakeholders

14.2 In order to ensure these aims are achieved the policy will be monitored 6 monthly and a set of indicators developed to measure the key aims.

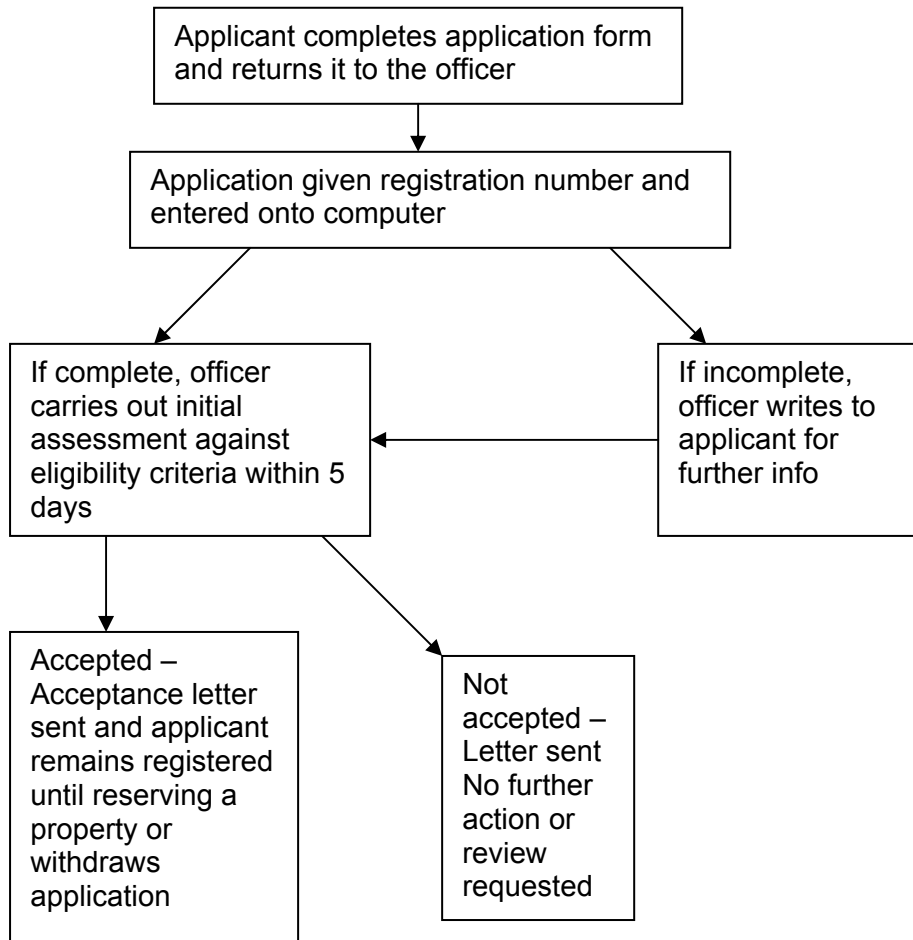
- 14.3 We will seek feedback from customers registered for affordable housing and those who have successfully purchased a home in order that we continue to offer a high quality service that meets customers needs.

15. Contact Details

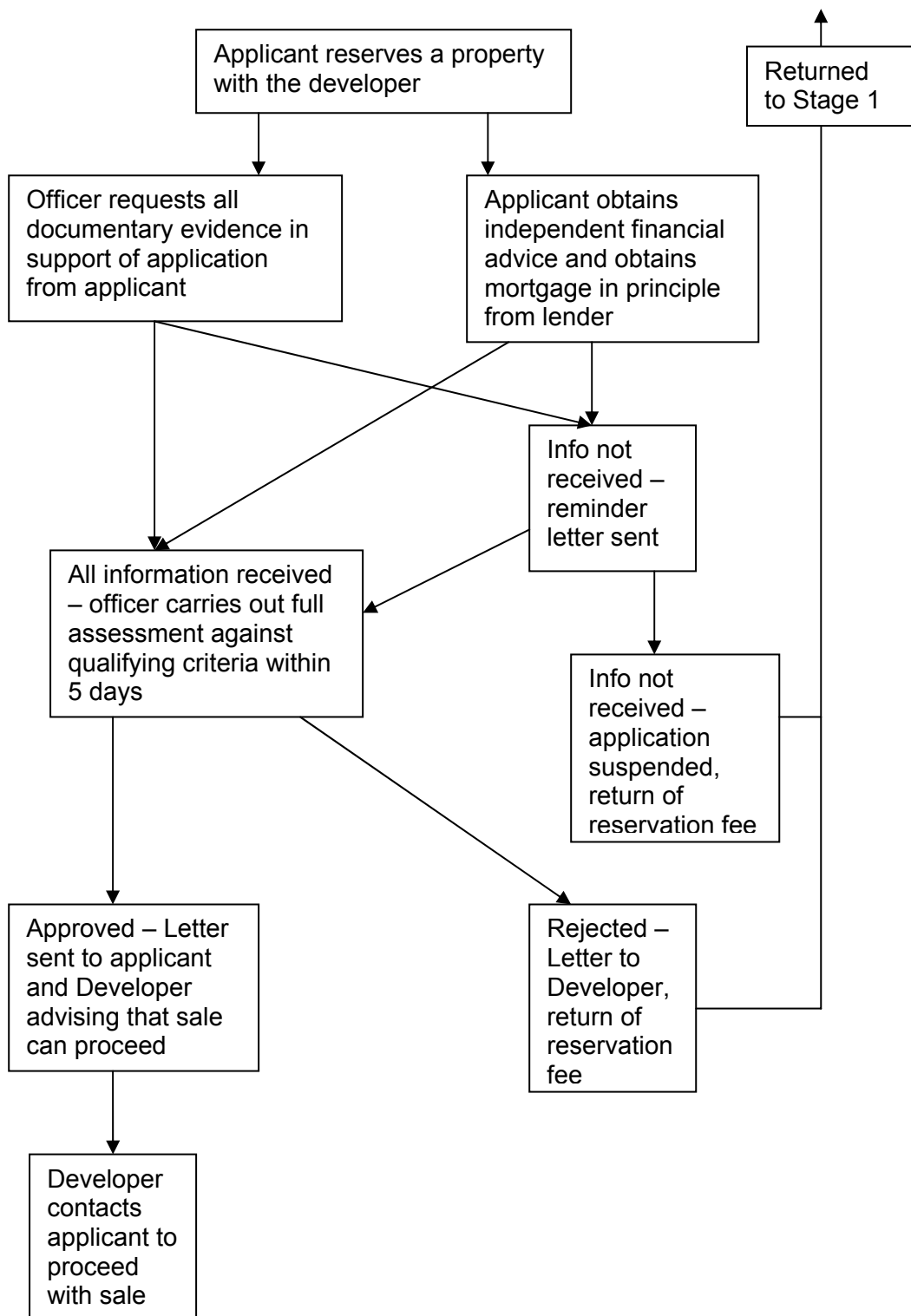
- 15.1 For further information on the Affordable Housing Allocations Scheme, contact Wigan Council's Housing Strategy Section on 01942 486641

Appendix A – Affordable Housing Allocations Procedure Flow Chart

Assessment stage 1 – Registration



Assessment Stage 2 – Qualification



Cont.

