



# Guidance Document for Discounted Sale Properties (Part of the Low Cost Home Ownership Criteria)

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### Revision History

<b>Date</b>	<b>Version</b>	<b>Summary of Changes</b> Keep VERY brief	<b>Section(s) Changed</b>
June 2018	0.2	Changes to affordability calculation and introduction of registration process	

**Equalities Impact Assessment** This must be done each time a criteria/strategy is fundamentally revised

<b>Assessment date</b>	July 2018
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## 1. INTRODUCTION

### 1.1 Background to the Scheme

Low Cost Home Ownership (LCHO) describes a form of intermediate housing, which bridges the gap between social rent and open market properties. LCHO has many forms including shared ownership and shared equity, however, in Allerdale LCHO is predominantly provided by Discounted Sale properties. These are properties which can be sold to eligible households for a percentage of their open market value.

Under Discounted Sale, households purchase their home outright; no other party retains a share of equity in the property. However, the initial sale and all subsequent re-sales are subject to the same percentage discounts.

Discounted Sale properties help households who have been priced out of the housing market by the rise in house prices and static household incomes.

If you currently own the property you live in, you are not excluded from the discounted sale scheme. However, a discounted sale property must be your sole property.

If you own a residential property you must show evidence to the Council that it has been sold subject to contract before completing the purchase of a discounted sale property. However, you may still apply for certification of eligibility to purchase and reserve a discounted sale property.

If you own more than one property you will not be eligible to purchase a discounted sale property. Allerdale Borough Council may make an exception, but this will depend on your circumstances, which you must make the council aware of when you submit an application.

The provision of Discounted Sale properties and the restrictions on their sales are secured through Section 106 planning obligations. A section 106 planning obligation is a legal document used, among other things, to set out the procedures which must be followed during the sale of a discounted sale property. If anyone buys a discounted sale property in breach of the 106 planning obligation the Council can enforce the terms of the agreement by way of an injunction.

This document explains how Allerdale Borough Council will apply the clauses in the Section 106 planning obligation to applications to purchase a discounted sale property.

### 1.2 Policy Context

#### National Policy

The ability for the Council to use planning obligations comes from Section 106 of the Town & Country Planning Act 1990, as amended by Section 12 of the 1991 Planning and Compensation Act and the Localism Act 2011. These set out the legislative background against which planning obligations may be sought. Further legislation and guidance is sent out in the National Planning

Policy Framework (NPPF), the Community Infrastructure Levy (CIL) Regulations 2010 (as amended) and the Planning Policy Guidance (PPG).

### Local Policy

Policy S8 of the Allerdale Local Plan (Part 1) dictates the provision of affordable housing on new developments, and specifies the tenure of this provision.

#### 1.3 Setting Affordable Values

This policy seeks to ensure that Discounted Sale properties remain within reach of households on local incomes.

Discounts are calculated using local house price and local income information provided annually by Cumbria Observatory (Cumbria County Council) as per the methodology set out in Appendix 1. A list of the current discounts is available from the Allerdale Borough Council website.

## **2.0 PURPOSE**

- 2.1 The purpose of this document is to provide guidance on how Allerdale Borough Council evaluates applications for certification to purchase discounted sale properties, and provide information on surrounding issues.

## **3.0 SCOPE**

The process for assessment continues to be applied for all discounted sale properties in Allerdale.

- 3.1 This guidance document will provide the Council with a framework in which to assess applications for discounted sale properties within Allerdale, excluding those areas covered by the Lake District National Park in its role as a planning authority.
- 3.2 The guidance in this document applies to the first sale and all subsequent re-sales.

## **4.0 CRITERIA**

- 4.1 Eligibility Criteria

### 4.1.1 Affordable Need

If the applying household has total available funds that would allow it to purchase the discounted sale property at the open market value, then the household will not be certified as eligible to purchase the discounted sale property.

Total available funds = Mortgage in principle + savings + equity

The mortgage in principle offer should be on headed paper from a mortgage advisor or lender regulated by the Financial Conduct Authority (FCA).

Savings will be evidenced by statements from all accounts held by those applying for certification. Current account statements must show all transactions for three months.

For those with a property to sell, equity will be calculated by taking away any outstanding mortgage from the current value of the property. This will be evidenced by an outstanding mortgage statement and a property valuation from an estate agent which has been prepared in accordance with the RICS Valuation – Professional Standards 2017.

A discounted sale property must be your sole property. If you own a residential property you must show evidence to the Council that it has been sold subject to contract before completing the purchase of a discounted sale property.

#### 4.1.2 Occupancy Level

Households who will fully occupy the discounted sale property will be given priority during the application process. As a house is a substantial capital investment, one extra bedroom will be allowed. This will take account of a variety of circumstances such as growing families or changing care needs.

Applications will be considered in accordance with the below:

Single person / couple	one or two bed home
Family +1 child	two or three bed home
Family +2 same sex children	two or three bed home
Family +2 opp. sex children	three or four bed home
Family +3 children	three or four bed home
Family +4 children	four or five bed home
Family +5 or more children	five or six bed home

Households which meet all the other criteria but which will not fully occupy the property will not be certified as eligible to purchase the discounted sale property for the first 12 weeks it is available.

### 4.1.3 Local Connection Criteria<sup>1</sup>

A local connection to a parish can take four forms:

- Resident in the locality for at least five years or
- Previously resident in the locality for at least three of the last five years or
- Family association with an existing resident of at least five years residence in the locality. Family association is defined as spouse, civil partner, parent, children and siblings. We will also allow family associations through marriage e.g. step parents, children and siblings or
- Permanent employment in the locality or acceptance of the offer of employment

Residency, previous residency and family association will be evidenced using Council Tax records, although other evidence may be considered or requested

Employment will be proven by production of a wage slip or P60 showing the employers address. We will also accept a letter from the employer confirming the business address. In all cases we will require confirmation from the employer that the employment is permanent.

Locality is defined in the Section 106 Planning Obligation as the parish where the development or property is situated. Over time the definition expands to include adjoining parishes and, eventually, the borough of Allerdale.

4.1.3.1 Under the Allocation of Housing (Qualification Criteria for Armed Forces) (England) Regulations 2012, the following would not be required to show they have a local connection:

- persons who are serving in the regular forces or have done so in the five years preceding their application for an allocation of housing accommodation;
- bereaved spouses or civil partners of those serving in the regular forces where their spouse or partner's death is attributable (wholly or partly) to their service and the bereaved spouse or civil partner's entitlement to reside in Ministry of Defence accommodation then ceases;
- seriously injured, ill or disabled reservists (or former reservists) whose injury, illness or disability is attributable wholly or partly to their service.

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<sup>1</sup> In the event that the Section 106 Planning Obligation contains different criteria, the criteria in the Planning Obligation will be applied, in instances where this guidance broadens the application criteria an applicant will be entitled to request their circumstances are considered in line with this guidance.

#### 4.2.4 Housing Need

Households purchasing a discounted sale property should be able to demonstrate they are in need of housing.

The definition of housing need has been taken from the Government Guidance on Housing and Economic Development Needs Assessment (Paragraph: 023 Reference ID: 2a-023-20140306, Revision date: 06 03 2014) and the Cumbria Choice Allocations Policy (Reasonable Preference). Additional points have been included to cover other eventualities that Allerdale Borough Council considers to result housing need<sup>2</sup>:

- homeless households or insecure tenure (within the meaning of Part 7 of the Housing Act 1996)
- households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ
- households that lack basic facilities (e.g. a bathroom or kitchen) and those subject to major disrepair or that are unfit for habitation;
- households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move.
- people occupying unsanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions
- people who need to move on medical or welfare grounds relating to a disability
- people who need to move to a particular locality within the local authority's district, where failure to meet that need would cause hardship to themselves or others
- people needing to be re-housed as a result of leaving tied accommodation
- persons leaving their current accommodation to become a separate household (as defined in section 113 of the Housing Act 1985)
- people who live in rented accommodation and want a more secure tenure.

## 5.0 SALES

### 5.1 New Properties

When releasing a property for discounted sale, developers will advise the Council and submit a valuation of the property in accordance with the terms of the Section 106 Planning Obligation.

- 5.2 The valuation must be from an estate agent or similarly qualified professional and prepared in accordance with the RICS Valuation – Professional Standards 2017 and must contain information about comparable sales in the area.

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<sup>2</sup> In the event that the appropriate Section 106 Planning Obligation contains a different definition of housing need, the definition in the Planning Obligation will be applied, in instances where this guidance broadens the application criteria an applicant will be entitled to request their circumstances are considered in line with this guidance.

### 5.3 Re-Sales

When selling a discounted sale property the vendor will be required in the first instance to inform the Council of their intention to sell, and confirm the date that the property will be on the market. The vendor will also submit a full open-market valuation of the property to the Council; this will be used as the basis for its discounted sale calculation, with the relevant discount applied by the Council in accordance with the Section 106 Planning Obligation.

5.4 For all sales it is the responsibility of the vendor to market the property and to ensure that a buyer has been certified to purchase the property. Prompt application for certification in line with the Discounted Sale procedure is encouraged to avoid delays and unnecessary complications.

## 6.0 RENTING

6.1 Owners of a Discounted Sale Unit must not allow any other person to live in their property, unless that person(s) forms part of their own household.

6.2 However, there are circumstances where the Council will allow a discounted sale property to be rented out on a temporary basis.

6.3 Council approval in writing must be received before the discounted sale property can be rented out. Approval will be given in the following circumstances:

- The rent charged must be no more than 80% of the open market rental value for the property. An estate agents valuation of the open market rent must be submitted.
- The tenant must apply for certification to the Council, and will be required to meet the eligibility criteria in section 4. However, they would not be subject to the full occupancy requirement.
- The owner of the discounted sale property must confirm that they have sought advice as to how letting the property would affect them, such as mortgage payments and insurance cover.
- The property must have been for sale with an estate agent for at least six months.

6.4 Approval given by the Council in the above circumstances would result in permission being given to let the property for a maximum two year period.

6.5 The property must be listed for sale for a further six months before applying to the Council for permission to resume letting.

6.6 Purchasing a discounted sale property solely for the purpose of renting it to another household will not be allowed.

## **7.0 RIGHTS OF SUCCESSION**

- 7.1 Those who inherit a discounted sale property will be required to inform the council.
- 7.2 Inheriting households will be entitled to live in the property without meeting the eligibility criteria.
- 7.3 In the event that an inheriting household wishes to rent out the property, part 6 of this document will apply.
- 7.4 Any subsequent disposals of the property will be subject to eligibility conditions.

## **8.0 HOW TO APPLY**

- 8.1 Households should register an interest in discounted sale housing, and will be notified of available discounted sale properties by the Council.
- 8.2 Applications for the discounted sale property will be requested and will be prioritised in accordance with the Section 106 Planning Obligation and the Procedure Document.
- 8.3 Full details of the Discounted Sale application process are in the Procedure Document which accompanies this Guidance.
- 8.4 Applications from households who are not on the Discounted Sale register will not be permitted<sup>3</sup>.

## **9.0 APPEALS**

- 9.1 If a household is placed anywhere other than in Band A when applications for a discounted sale are prioritised, they can request a review.
- 9.2 The review will be undertaken by the Policy Manager (Housing) in line with the process detailed in the Procedure Document.

## **10.0 ANNUAL REVIEW**

- 10.1 The register will be reviewed annually. This is to check people wish to remain on the register. The review will also capture information about changing circumstances which may affect how the Council assess applications, e.g. changes to households through pregnancy.

## **11.0 ENFORCEMENT**

- 11.1 Where the Council has not been notified of a sale of a discounted sale property, and become aware of a sale at a later date the Council will initiate an investigation to determine the eligibility of the purchaser. If the purchaser is found to be ineligible, the Council will take the necessary enforcement action to ensure vendors and prospective purchasers are compliant with the Planning Obligation.

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<sup>3</sup> Applications from households not on the Discounted Sale register will be permitted for a period of six months after the introduction of the register.

## **12.0 MONITORING AND REVIEW**

- 12.1 It is expected that monitoring will be on-going to determine that both the discounted sale scheme and the guidance continues to work for developers and local communities and ensures that the type of housing provided for discounted sale reflects the needs of the local households.

## **13.0 DATA PROTECTION**

- 13.1 The Council shall (and shall procure that any of its staff involved in connection with the activities under the criteria shall) comply with any requirements under the EU Data Protection Directive (Directive 95/46/EC) and the Data Protection Act 2018 or any data protection laws which are in force or enacted after the introduction of this criteria (Data Protection Laws). Any personal data submitted by you or obtained as part of an application will be handled in accordance with the Data Protection Laws, the Council's Data Protection Policy and its Privacy Policy which can be found on the Council's website.

## **14.0 FURTHER INFORMATION**

The following documents contain information relating to the discounted sale registration scheme and are available from the Allerdale Borough Council website, or by request from [housing.developmentteam@allerdale.gov.uk](mailto:housing.developmentteam@allerdale.gov.uk).

- Procedure for the Discounted Sale Registration Scheme.
- List of current discount values
- Methodology used to calculate discount values