

Low Cost Home Ownership options for Carmarthenshire.

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1. Purpose

The purpose of this report is to:

- confirm the range of low cost home ownership (LCHO) options available in Wales;
- offer a real alternative to the rental market for individuals and families who would like to own their own home but can't afford to purchase a home at open market values; and
- recommend a way forward for the Council which ensures that we continue to offer a range of flexible affordable housing options that will help increase supply at pace.

2. Context

The demand for affordable housing has been increasing rapidly over recent years. This effect has been felt across the whole of Wales and has been caused by several factors affecting the housing market and the economy.

The Housing Regeneration and Development – Five Year Delivery Plan 2022-2027 sets our direction for increasing the supply of affordable homes over the next five years. It aims to support the delivery of more homes through a range of delivery solutions, providing more homes for rent and sale including LCHO.

LCHO is a key product that helps households that can afford a mortgage and the associated costs of buying a home but cannot afford to buy a home that suits their needs at full open market value. There are various LCHO and shared equity loan products available in Wales, but currently the Council only offers one product which is linked to developer contributions, set by the planning system and controlled via Section 106 agreements.

The new 2024 local housing market assessment for Carmarthenshire demonstrates that there is a clear need for LCHO in the county. Providing more LCHO for new and existing homes would provide a real choice for some households wishing to exit the rental market and own their own home.

3. Housing Need and the case for Low Cost Home Ownership.

Every ward in the county has a need for affordable housing, this includes homes for social rent, intermediate rent and LCHO. This demand increases every year but due to the current housing crisis and landlords exiting the private rented sector, this demand has increased rapidly in recent years.

Since the pandemic the number of homeless applications has increased dramatically. The changes imposed by the Renting Homes Act, and increasing mortgage rates has resulted in less homes being available for private rent. This has caused the private rented sector to become unaffordable for many households, increasing the demand for social homes.

Increasing the supply of affordable homes is now more important than ever. Providing more homes for social rent will always be a key priority for the Council, however developing products for LCHO could help reduce the demand for social rented accommodation. LCHO could help individuals and families get on the property ladder who would otherwise be unable to do so at open market prices without some form of subsidy. This is particularly true for our rural towns and villages where it can be difficult to develop new build sites and where existing home prices tend to be higher. LCHO will help ensure that eligible local people are able to afford quality homes and remain in their communities.

Households eligible for LCHO are primarily those who can afford a mortgage and the associated costs of buying a home but cannot afford to buy a home that suits their needs at full open market value.

The local housing market assessment (LHMA) identifies the households that are likely to be eligible for LCHO by income levels. The LHMA 2024 sets an upper and lower household income threshold for each of the four Affordable Housing Action Areas, which are set out in the table below.

Action Area	Minimum Income	Maximum Income
Ammanford and the Amman Valley	£23,356	£28,456
Carmarthen and the West	£24,411	£31,106
Llanelli and District	£23,363	£24,899
Rural and Market Towns	£25,333	£36,755

The minimum income level identifies household earnings that are unlikely to be able to afford a mortgage and the associated costs of buying a home, whilst the upper income level indicates a point where the household could afford to buy a home on the open market at open market values. The households that would be eligible for LCHO are those who's income levels fall between the minimum and maximum income levels determined in the LHMA. The LHMA is produced every 5 years, however, the income levels specified above will be reviewed annually to ensure that they reflect circumstances at the time.

The 2024 LHMA has identified over 300 households that could afford and be eligible for LCHO. The table below highlights the need in each of our Affordable Housing Action Areas for the next five years.

Affordable Housing Action Area	2022/23 – 2026/27 LCHO Need
Ammanford and the Amman Valley	70
Carmarthen and the West	76
Llanelli and District	154
Rural Carmarthenshire & Market Towns	32
Total for Carmarthenshire	332

4. Low Cost Home Ownership

There are currently a number of LCHO and shared equity loan products already available in Wales that we could offer ourselves or offer in partnership with our Housing Association partners.

There are also a number of Local Authorities in Wales that offer Low Cost home Ownership products of their own. For example, Caerphilly offer Shared Equity and Shared Ownership schemes. The Vale of Glamorgan offer “Rent First” and Shared Equity Schemes, and Gwynedd also offer schemes via s106 of the Town & County Planning Act 1990, Shared Equity and Shared Ownership. Pembrokeshire are currently considering options for developing their own Low Cost Home Ownership products.

Welsh Government also offer the Help to Buy Wales scheme which provides a shared equity loan to buyers of homes on new build developments built by private developers and local builders.

The current position is summarised in the table below

Product	Overview
Provided in Carmarthenshire	
Section 106 Town and Country Planning Act 1990	<p>Private sector residential development schemes within Carmarthenshire require a contribution to the development of affordable homes within the County. This is either by providing a proportion of homes on site for affordable housing (at 10, 20 or 30% of the total number of homes built depending on the area within the county in which the development takes place), or via a financial contribution where the development comprises less than 5 homes.</p> <p>When a developer is required to provide affordable homes on site, the affordable home price is set by the Council based on median income levels for that area. The purchaser owns the property outright, however, the price is restricted by a land charge which ensures that the property is affordable in perpetuity.</p>
Grant funded Shared Ownership through the Social Housing Grant (SHG) programme	<p>This scheme allows individuals to buy between 25% and 75% share in a newbuild home on a long term lease, with rent being paid on the remaining amount to the Registered Social Landlord. A mortgage will be required for the initial share, and there are opportunities to increase the percentage of the home that is owned up to 100%. This is known as staircasing and allows individuals to work towards owning 100% of their home, over time. There are no time restrictions in which to do this.</p> <p>This scheme is only available to Registered Social Landlords and is currently offered by Pobl on their mixed tenure developments including</p>

	Pen y Porth, Burry Port (formerly the Goodig site), Maes y Gwenyn, Cross Hands and Dol y Dderwen, Llangain.
Help to Buy Wales	<p>The WG Help to Buy scheme works on the same principles as Homebuy Wales but applies to new build only. In this scheme WG provides a shared equity loan scheme for homes up to £300,000, for first-time buyers and home movers who have a 5% deposit.</p> <p>An equity loan of up to 20% of the open market price is provided. The mortgage amount is therefore 80% of purchase price inclusive of 5% deposit. The equity loan is interest free for the first 5 years. The loan can be repaid at anytime but must be repaid within 25 years or when the property is sold.</p> <p>The scheme is only available to private developers registered by WG. It has been offered in Carmarthenshire on various private developments including developments by Persimmon, Enzo Homes and Dandara.</p>
Not provided in Carmarthenshire	
Homebuy Wales	<p>This is a Welsh Government scheme funded through the use of Recycled Capital Grant linked to the Social Housing Grant programme. Homebuy schemes can only be offered by Registered Social Landlords in accordance with the Local Authority's strategic housing priorities.</p> <p>This scheme operates on the basis of an equity loan, where the homeowner would secure a mortgage on a percentage of the open market value, usually 70% with the loan covering the remaining 30%. There is scope to increase the percentage equity up to 50% at the time of purchase, for example in rural areas. The eligible person applying to purchase the home will need to be able to secure a mortgage and afford the repayments. They will also need to be able to fund the deposit and all fees associated with buying a home (valuations, legal fees, conveyancing etc).</p> <p>This product is available for existing and new build homes. We do not currently offer this product as our priority has been to increase the supply of social rented homes through the social housing grant programme.</p>
Rent to Own	<p>This is a product where the householder rents a home they would like to eventually purchase. Whereas most LCHO products require the individual or household to be able to afford a deposit and acquisition costs, this option aims to help those who do not have those means.</p> <p>Rent is paid on a monthly basis, and 25% of the rent is accrued to go towards a deposit for the home. So, for example, if the rent is £400 p/m, £100 of that is put aside towards a deposit for purchasing the home. In 2 years that will result in £2,400 towards a deposit.</p>

	<p>In addition to this, 50% of any increase in the value of the property from the time rental begins is also put towards the deposit. So, if in the two years of renting the value of the home increases by £5,000, together with the rental accrued, the individual would have £4,900 to go towards a deposit. This scheme was offered by RSL's in Wales but is no longer funded by WG.</p>
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More detail can be found on all these LCHO products in appendix 1.

5. The Way Forward and Recommendations

Providing homes for LCHO via the planning system through Section 106 agreements has delivered over 320 homes since the scheme was first introduced in 2008. This scheme has been very successful, helping many households access home ownership at the initial sale or at the point of re-sale of the homes provided through this route.

Due to the current shortage of affordable housing in the county we must, however, look at ways of expanding the range of LCHO products on offer. Increasing this offer would help reduce potential demand for social rented homes by:

- helping individuals and families access home ownership; and
- allowing older people downsize or purchase a property that meets their needs.

Recommendation 1
 To agree that additional Low Cost Home Ownership (LCHO) products are offered by the Council.

All LCHO products must have strict eligibility criteria to ensure that the support and assistance is provided to those in need. All products would have specific local connection clauses to ensure that priority is given to those who have strong links with the community through residency, work, family or caring requirements. Strong local connections will be defined and would include people who currently live in the area and have done so for a minimum period immediately prior to applying, or those who are returning to an area (having previously lived there for a period of time) to be near to immediate family, e.g. parents, children, siblings or grandparents. The connection would also be relevant for people who have not lived in the area but need to move there to receive care or provide it to an immediate family member. A strong local connection would also be demonstrated by people who are employed full or part-time in the area or need to move there to take up employment.

The following eligibility criteria would also apply as a minimum:

- applicants must not be currently adequately housed or are wishing to move on from the rental market or are currently living in a social rented home within Carmarthenshire and wish to move on to home ownership;
- must be in employment (including self employed);

- cannot afford to buy a home without help;
- must be able to demonstrate that they can get a mortgage and have means to cover a deposit, legal costs etc.;
- must not be in rent arrears or be subject to action for tenancy breaches;
- must not be eligible or receiving Housing Benefit; and
- must not currently own a home anywhere in the world (unless a court order forces them to remain on the deeds of a property where their children live)

Recommendation 2

To agree that all LCHO products will have strict eligibility criteria

Homebuy Wales has been available via Recycled Capital Grant linked to the SHG programme for a number of years. Homebuy Wales has not, however, been available in Carmarthenshire as our affordable housing priorities to date have been to utilise SHG to increase the supply of new build social rented homes in the county.

Introducing Homebuy Wales to our range of affordable housing solutions would enable us to deliver more homes. It would also give us greater flexibility and help more people own their own homes especially in rural areas, where there tends to be less new build developments.

Homebuy Wales through the SHG route is only available to Registered Social Landlords but could be offered immediately to assist with the purchase of both new and existing homes. The current Programme Development Plan holds £3.2m Recycled Capital Grant as shown in the table below:

Housing Association	Recycled Capital Grant (SHG)
Bro Myrddin	£214,660.00
Newydd	£15,990.00
POBL	£1,191,538.00
Wales & West	£1,839,511.00
Total	£3,261,699.00

Recommendation 3

To agree that Homebuy Wales is offered in Carmarthenshire with immediate effect, by working collaboratively with our Registered Social Landlord partners with recycled capital grant.

In addition to offering Homebuy Wales in Carmarthenshire it is also recommended that we look at funding LCHO products directly through the HRA on selected Council new build sites. This could include our larger sites or sites in rural areas. Providing additional HRA funded LCHO products could help further reduce the demand for social rented homes in the county.

The LCHO products offered would follow the principles of either the equity loan, shared ownership and rent to own products described earlier in this report. The need for LCHO in a particular area would need to be clearly justified and agreed by the Cabinet Member for Homes on a site-by-site basis before any HRA funded LCHO products made available.

Recommendation 4

To confirm that HRA LCHO products are developed to use on selected Council new build sites where there is a clear need for LCHO. Approval will be sought from the Cabinet Member for Homes on a site by site basis.

Appendix 1 – LCHO Products

1. Section 106 Town and Country Planning Act 1990

This is a well established mechanism, the details of which are set out in Policy AH1 of Carmarthenshire's Local Development Plan [Carmarthenshire Council - Local Development Plan \(cartogold.co.uk\)](http://cartogold.co.uk). Typically, schemes which develop less than 5 homes will be expected to provide a financial contribution via a "commuted sum" which can be used to increase affordable home provision elsewhere. These contributions can be used to support the purchase of homes off the open market, which are then taken into Council stock, or could be utilised to help fund other Low Cost Home Ownership products.

Schemes providing 5 dwellings or more are expected to directly provide affordable homes as part of the development which will be sold at the affordable price "in perpetuity". Because of this clause, homes bought under the s106 mechanism cannot offer any staircasing for the homeowner to increase their share in the home. The actual number of homes is dependent on the location within the County, and will be either 10, 20 or 30% of the total number of homes being developed.

When an affordable home is sold, it must be to an eligible person(s) who will demonstrate their eligibility through the completion of an application form when registering to buy an Affordable Home on the council's website. This will be assessed to determine if the applicant meets the eligibility criteria. The eligibility criteria includes:

- The applicant can show that they can get a mortgage and have money for a deposit and legal fees.
- The total household income before tax is less than one third of the open-market value of the home.
- The applicant lives in, or works full-time in Carmarthenshire, or they have a long-standing local connection to Carmarthenshire, such as immediate family within the area.

The initial affordable price of a home is based on multiples of the median household income of the community network area in which the home is situated and is fixed. Calculating the affordable price as a percentage of the open market value of the home will set the value for future sales (e.g. 62% of open market value as determined by an independent valuer).

This process will help buyers to own their own home where they are not otherwise able to afford a home at full market value, but do not wish to rent and are able to obtain a mortgage. If the homeowner wishes to sell at any point in the future, it must be at the calculated percentage of the open market value at the time, thereby ensuring that the home remains affordable in perpetuity. The home must be sold to an eligible person as set out above. There is a sales procedure that is administered by the Council that must be followed in the event of an affordable home being sold.

This product has been offered in Carmarthenshire for many years and is directly linked to the Local Development Plan. To date, over 320 affordable homes have been delivered across the County via this process.

2. Welsh Government Homebuy Wales

Homebuy Wales is a scheme that also supports eligible individuals who can get a mortgage to own their own home, whilst not being able to afford open market value prices.

This scheme operates on the basis of an equity loan, where the homeowner would secure a mortgage on a percentage of the open market value, usually 70% with the loan covering the remaining 30%. There is scope to increase the percentage equity at the time of purchase, for example in rural areas. The eligible person applying to purchase the home will need to be able to secure a mortgage and afford the repayments. They will also need to be able to fund the deposit and all fees associated with buying a home (valuations, legal fees, conveyancing etc).

Homebuy schemes can only be offered by Registered Social Landlords (RSLs) in accordance with the LA's local housing strategic priorities. This is in agreement with the Local Authority as the Strategic Housing Authority. Funding for the scheme is provided through use of Recycled Capital Grant linked to the Social Housing Grant programme.

The home is owned entirely by the individual, who also take all responsibilities associated with home ownership such as repairs and maintenance.

Unlike Shared Ownership, there is no rent to be paid, but mortgage payments must be maintained as with any other mortgage. The home is at risk of repossession if repayments cannot be made.

The loan element does not attract any interest, however, when the home is sold on the open market the loan is repaid at the percentage of market value (e.g. 70% of the value at the time of the sale). This can increase or decrease depending on the housing market. Repayment of the loan element from the sale is then recycled to support the ongoing provision of affordable housing.

As with Section 106 homes there are eligibility criteria that must be met; these will be assessed by the Local Authority.

Eligibility criteria to qualify for Homebuy Wales include:

- The applicant is currently not adequately housed;
- They cannot afford to buy a home without help;
- They must be able to get a mortgage and have means to cover a deposit, legal costs etc
- They must not be in rent arrears or be subject to action for tenancy breaches; and
- Local residency requirements and local connections.

Homebuy does not offer the opportunity to staircase and purchase further equity in the home once purchased, but the loan may be repaid at any time with the consent of the Housing Association.

3. Shared Ownership

Shared ownership allows individuals to buy between 25% and 75% share in a home on a long term lease, with rent being paid on the remaining amount to the landlord. This will allow individuals that would otherwise not be able to afford to own their home to work towards it whilst living there. A mortgage will be required for the initial share, and there are opportunities to increase the percentage of the home that is owned up to 100% – known as staircasing.

With shared ownership, the individual will pay a mortgage on the percentage of the house that they own, and rent will be paid on the remaining amount. This can cumulatively still be cheaper than having a mortgage for the full amount, and allows the individual to have a stake in the property.

Staircasing allows the applicant to purchase more shares in their home moving towards full home ownership should circumstances allow. As the percentage share owned increases, the rent is proportionately reduced.

Individuals can purchase additional shares based on the market value at the time (usually a minimum of 10% at a time) or buy the remaining share up to 100%.

Staircasing example:

If a property was valued at £200,000 and you owned a 50% share:

Additional Share	Cost	Your new share	You'll pay rent on
10%	£20,000.00	60%	40%
25%	£50,000.00	75%	25%
50%	£100,000.00	100%	*0%

The share amount would be subject to a market valuation at the time of purchase and would be a percentage of that value, not the value the home was originally bought for. This can be an increase or decrease.

4. Rent to Own

Rent to own is a product that was previously offered by Welsh Government via the RSL's. WG do not currently fund this scheme but landlords could continue to offer the product from their own finances.

This scheme aims to support home ownership for households who do not have sufficient means to accumulate funds for a deposit. It will enable tenants of rental properties within the scheme to build up a lump sum whilst renting. This sum can then be used as a deposit to help secure a mortgage on the home and lead to home ownership.

Rent is paid on a monthly basis, and 25% of the rent is accrued to go towards a deposit for the home. So, for example, if the rent is £400 p/m, £100 of that is put aside towards a deposit for purchasing the home. In 2 years that will result in £2,400 towards a deposit.

In addition to this, 50% of any increase in the value of the property from the time rental begins is also put towards the deposit. So if in the 2 years of renting the value of the home increases by £5,000, together with the rental accrued, the individual would have £4,900 to go towards a deposit.

It is important to note that the value of the home can decrease over time, in which case, only the funds accrued from the rent paid is accumulated towards a deposit.

The Rent to Own product agreement offered by WG lasted up to 5 years, and tenants could apply to buy their home at any time between the end of the 2nd year and the end of the agreement.

There were eligibility criteria that applied to the WG scheme, tenants must:

- be in work, including being self-employed
- not be eligible for housing benefit
- not currently own a home anywhere in the world (unless a court order forces them to remain on the deeds of a property where their children live)
- be unable to afford to buy a property suitable for their family size on the open market or through any other home ownership initiative
- be able to afford the rent of the selected property
- be British or an EU/EEA citizen, or have indefinite leave to remain
- rent an eligible home from a participating landlord

5. Help to Buy Wales

This scheme provides a shared equity loan to buyers of new-build properties, developed by a registered Help to Buy Wales builder. Properties being bought must have a minimum EPC B rating.

The scheme provides a shared equity loan of up to 20% to assist with home ownership. The buyer must have a deposit of 5% of the value of the home, and must be able to afford a mortgage for the remaining amount.

There are eligibility criteria that must be met to qualify for this scheme; tenants must:

- be buying an eligible home, with a maximum price of £300,000 (from 1 April 2023) from a builder who is registered with the scheme
- be able to fund at least 80% of the property price through a combination of a repayment mortgage and a minimum deposit of 5% of the purchase price
- take out a first charge repayment mortgage with a qualifying lender
- not sub-let any part of the house they are buying through the scheme
- not be renting their existing home and buying a 2nd home through the scheme

The shared equity loan must be repaid within 25 years but it can be paid off sooner.

This product allows staircasing. Under the terms of the loan:

- home owners can staircase at any time after completion
- following any staircasing, the remaining balance of the Help to Buy – Wales shared equity loan must be at least 5% of the market value
- home owners cannot staircase if they are in arrears with their monthly Help to Buy – Wales payments, unless those arrears and any other outstanding fees or expenses are paid off at the same time as they staircase

Permission must be sought if there is to be a change of ownership, sale of the property, or to make improvements to the property.