

Y Grŵp Addysg a Gwasanaethau Cyhoeddus
Education and Public Services Group



Llywodraeth Cymru
Welsh Government

Rent to Own – Wales/Shared Ownership – Wales Funding and Scheme Application Guidance

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1. Strategic Context

The Programme for Government Taking Wales Forward 2016-2021 includes the commitment to introduce a scheme to provide an affordable route to home ownership for people who are not able to raise a sufficient deposit at the outset.

2. Aims and Objectives of the Programme

The Rent to Own and Shared Ownership scheme has been designed to support those who aspire to buy their own home but cannot currently do so.

Who is it designed to help?

Rent to Own and Shared Ownership will deliver a commitment of 1,000 homes in the current Government term to 2021. It is designed to help working people into home ownership who are able to meet monthly mortgage payments, but might be currently unable to access home ownership as they have insufficient deposit or cannot afford to fully purchase a home that is suitable for their needs.

How will the schemes work?

RSLs will be provided with grant funding of up to 30% of the total scheme costs for Rent to Own – Wales to enable them to develop/acquire homes which will be offered for Rent to Own- Wales. For Shared Ownership – Wales grant funding of up to 25% of the total scheme costs will be offered

Key scheme documents for Rent to Own-Wales and Shared Ownership-Wales, including model shared ownership lease for Wales, Option agreement and buyers' guide are all available to assist RSLs in the delivery of the schemes. These will ensure that the scheme is delivered consistently across Wales despite multiple RSLs delivering the schemes. These are available from the Rent to Own team.

Rent to Own – Wales

The following is a summary of the Key principles of Rent to Own which is fully explained in the Rent to Own – Wales Scheme Guidance.

Participants can rent a new (or existing) home from a Registered Social Landlord (RSL) for 5 years and the tenant will pay a market rent for the property. Tenants will have the option to purchase their home from the end of year 2 until end of Year 5. An option to apply for a 2 year extension is available, dependent on circumstances, if this will help tenant to purchase.

Upon exercising the option to purchase the tenant will receive from their RSL landlord 25% of the rent paid back and 50% of the uplift in market value of the property, if any. Market Value is determined by a RICS Valuer appointed by the RSL).

Should the property value decrease, then the tenant will only receive 25% of the rent paid back to use as a lump sum towards the deposit.

The RSLs equity contribution will be transferred to the Conveyancer/Solicitor to enable the purchase of the property. Tenants will need to ensure they have access to other savings to cover costs of stamp duty and conveyancing at the point of completion.

Deposit assistance in the form of the RSLs equity contribution can only be used towards purchase of the property that is being rented.

Participants will be able to purchase the home outright (100%) or through shared ownership.

Shared Ownership – Wales

The following is a summary of the Key principles of Rent to Own which is fully explained in the Shared Ownership – Wales Scheme Guidance.

The scheme replicates, as far as possible, the standard shared ownership approach used throughout the UK, including the model shared ownership leases with fundamental clauses including the Mortgagee Protection Claim (MPC) which mortgage lenders insist upon

Under Shared Ownership - Wales participants will be able to part-buy and part-rent a new home. Aspiring buyers can purchase an initial share of between 25% to 75% of the value of the home, based on their sustainability assessment. A sustainability assessment calculator and guidance is available to assist. A monthly rent is then applicable on the share not purchased.

Rent on the un-owned share will initially be set at 2.75% of value of the un-owned share. Maximum annual rent increase allowable is CPI plus 1%.

RSL should also refer to the Welsh Governments guidance documents: Rent to Own – Wales Scheme guidance and/or Shared Ownership – Wales Scheme Guidance for further details on how the scheme is to be delivered / managed.

3. Budget and Allocation

The current allocation of £70m for Rent to Own - Wales and Shared Ownership - Wales is phased over 4 years as shown below:

2017/18	2018/19	2019/20	2020/21
£10.5m	£14.0m	£21.5m	£24.0m

An indicative allocation has been made to each local authority using the SHG allocation formulae. The indicative allocations are shown in Annex A.

The primary purpose of the indicative allocation is to enable all Local Authority areas to participate if there is a need and demand for increased financial support for homeownership schemes in their areas.

It is acknowledged that Rent to Own – Wales and Shared Ownership - Wales may not be suitable in all areas due to cost/value relationship or demographics of the area and as such Welsh Government will therefore seek to work with the Local Authorities in a collaborative manner to understand if and how these challenges can be overcome. Welsh Government will look at redistributing the funding to ensure that full spend of the budget allocation is achieved.

4. Programme Development Plans (PDPs)

RSLs and Local Authorities (LAs) should work in a collaborative manner to determine which schemes should be submitted to Welsh Government for funding.

From 2018/19 onwards this process will be carried out through the PDP where the programme will be monitored separately to the SHG/HFG Programme and will have its own specific page.

In planning RTO/SO programmes, Local Authorities and RSLs will need to consider which schemes are suitable for RTO/SO i.e. those developed by RSLs (i.e. land and works) and schemes which can be purchased Off the Shelf i.e. completed dwellings purchased from the private sector which have not been occupied. Some schemes could also be combined RTO/SO and Social Housing Grant (SHG) schemes funded from both the RTO/SO and SHG programmes.

To ensure full spend of allocations, you can consider programming funding over financial years and if you have more schemes than your allocation, Local Authorities are asked to contact Welsh Government as a matter of urgency so we consider whether allocations can be increased or funding managed over years.

5. Scheme Application and Approval Process

Once Local Authorities have agreed which schemes are a priority for funding, RSLs are able to submit them for consideration and approval.

The key principles of the application and approval process are:

- All schemes must feature in the Local Authority's Programme Development Plan (PDP)
- The grant intervention rate is 30% based on total scheme cost for Rent to Own – Wales and 25% for Shared Ownership - Wales ;
- RSLs who intend to offer homes on a tenure neutral basis – between Rent to Own – Wales and Shared Ownership - Wales schemes should apply for grant at the 30% rate to ensure that is no shortfall in the grant amount due to them. An annual return will need to be made to Welsh Government, once the scheme is complete and fully allocated. This may result in recyclable grant if some homes are sold under Shared Ownership – Wales. Any grant which is not recycled within 3 years will need to be repaid to Welsh Government.
- Schemes need to be well designed but do not have a requirement to meet Development Quality Requirements (DQR). RSLs as responsible developers should consider whether the homes commissioned or intended for purchase are suitable for grant funding. If schemes or individual homes are not considered suitable by Welsh Government or Local Authority partners, Welsh Government reserves the right to withhold approval.
- The cost of the scheme must not normally exceed the value; an estimate of market value can be used to claim grant for land and works schemes and works schemes. An independent RICS valuation will be needed at point of sale/letting under Rent to Own – Wales and Shared Ownership Wales.

- If for strategic reasons an RSL wish to deliver a scheme where the cost is marginally greater than the value they should engage with the Rent to Own team prior to inclusion within the PDP and any scheme application submission.
- All schemes require the appropriate statutory approvals e.g. Planning and Building Regulations.
- Freehold – RSLs should, if possible, ensure that they own the freehold of all houses that will be delivered for Rent to Own – Wales and Shared Ownership- Wales. If this is not the case then RSLs should ensure that the leasehold agreements meet the criteria defined for Leasehold.
- Leasehold – The following criteria must be met in relation to any leasehold properties for Rent to Own – Wales and Shared Ownership – Wales.
 - (a) a lease of a flat or apartment must be for a term of 125 years or more;
 - (b) a lease of a house must be for a term of 250 years or more;
 - (c) the maximum acceptable ground rent must be limited to 0.1% of the value of the property;
 - (d) ground rent reviews will be linked to the United Kingdom General Index of Retail Prices ("RPI") or other equivalent published verified index and must be reasonable (as determined by the Lender).

There are four different application stages depending on the type of scheme, each stage is explained below:

Stage 1 – Land Acquisition only	This is a RSLs application to purchase land. The application will provide an indication of the type and number of homes and the total scheme costs anticipated at tender stage. It seeks approval of acquisition costs and requests grant based on the purchase price. For acquisition only schemes, no more than 90% of the total scheme grant can be advanced at Stage 1 (to ensure there are no overpayments).
Stage 3 – Works Only	Where the works contract has been procured by a RSL. The application confirms the type and number of homes which will be provided, the total cost and the grant requested. Works only applications occur where a Stage 1 approval has already been provided or where the land is already in the ownership of a LSVT and was part of the Stock Transfer
Stage 1 & 3	This is a RSLs combined application to purchase land and build new homes. The application confirms the type and number of homes that will be provided, the total scheme cost (acquisition, works & on-cost) and the grant requested.
Off the Shelf	Completed dwellings purchased from the private sector which have not been occupied. Grant can be claimed once an exchange of contracts has taken place.

RSLs are able to claim on-costs based on the Procurement route for the scheme as outlined in the table below.

Conventional Newbuild	16.5%
Design & Build	8.5%
Package Deal	9.0%
Collaborative Design & Build	10.5%
Collaborative Package Deal	11.0%
Off the Shelf	4.0%

On-cost percentages are a guide and RSLs can opt to take a lower percentage if appropriate. RSLs can also claim for costs related to sales and marketing which will be reviewed as the programme develops. All costs are subject to audit.

For combined RTO/SO and SHG schemes, RSLs are asked to submit both applications simultaneously where possible and both schemes should feature in the Local Authority PDP.

Following consideration of the application Welsh Government will issue an Approval letter confirming the amount of grant attributable to the scheme and the amount of funding which can be claimed at each stage.

The application form is at Annex D, the guidance on completing the form is at Annex B and the list of supporting documentation is included at Section 7 below – Payment of Grant.

6. Grant award letter

Welsh Government will issue formal grant award letters with terms and conditions to each participating RSLs. The grant offer letters will cover the estimated number of schemes that the RSL envisages delivering.

RSLs should confirm their acceptance of the terms and conditions of the funding by signing and returning the signatory page attached to the award letter. No grant funding can be paid until receipt of the signed offer letter.

Amount attributable to individual schemes will be confirmed in our Approval letter to you following an Application.

7. Payment of Grant

Grant funding can be claimed once an Approval letter has been issued by Welsh Government and a signed grant offer letter has been submitted to Welsh Government.

Grant will be paid in line with the amounts indicated in the Approval letter. The RTO/SO claim form (Annex E) should be used to claim the grant. Guidance on completing the form is at Annex C.

The following supporting documentation will be required:

Acquisition	Solicitors Certification of Title. (Land only) Valuation Report
Works	Articles of Agreement Contract sum analysis

Welsh Government does not require a charge to be placed on any properties funded for Rent to Own – Wales or Shared Ownership – Wales as these are due to be part sold imminently.

If a change of use of the property occurs then you must notify Welsh Government immediately and repay funding when requested by Welsh Government:

- The sale of land or property,
- Change of use of the housing where the 'use' is not eligible for grant funding,
- Demolition of the property

If only a partial share in a home is sold then partial recycling of the grant will also need to take place when at least a 70% share in the property is sold.

The table below shows the max allowable grant at partial ownership. Any grant above the allowable amounts will need to be recycled. A form is available to assist with calculation of any recyclable grant.

Share sold	Max grant allowable
70%	15% of scheme costs
80%	10% of scheme costs
90%	5% of scheme costs
100%	Nil

8. Monitoring and Evaluation

Monitoring and Evaluation criteria will follow under separate cover.

9. Procurement

The procurement of both specialist design services and appropriate delivery agents should be undertaken in line with your organisation's standard procurement policies and procedures. Contracts over the OJEU thresholds need to comply with European Procurement Directives. Procurement should also be aligned with the Wales Procurement Policy Statement.

The use of existing framework agreements is acceptable provided they were awarded appropriately and are OJEU compliant.

10. State Aid

Provision of funding for Social Rent, Intermediate Rent and Low Cost Home Ownership is covered by the Service of General Economic Interest (SGEI) block exemption.

Rent to Own - Wales and Shared Ownership - Wales are both considered to fall under the Low Cost Home Ownership category.

You will be provided with grant funding of up to 30%/25% of the total eligible costs, depending on whether the homes are for Rent to Own- Wales. Shared Ownership- Wales . However, should you be able to develop the scheme with less funding (overcompensation check), you must notify us immediately in order to prevent over compensation.

Any over compensation must be repaid to Welsh Government in the financial year in which it is recognised.

Detail of how the overcompensation check will be performed will follow in due course.

11. Communications

You must acknowledge Welsh Government support on all publicity, press releases and marketing material produced in relation to the scheme, as well as on site during development. Such acknowledgement must be in a form approved by us and must comply with the Welsh Government's branding guidelines.

Scheme branding guidelines for Rent to Own - Wales and Shared Ownership – Wales must also be adhered to and used on all publicity, press releases and marketing material produced in relation to the scheme, as well as on site during development.

12. Further information

If you want further advice or information about this scheme please email Renttoown@gov.wales

Annex A

Rent to Own/Shared Ownership Allocations by Local Authority

	Formula	2018/19
Blaenau Gwent	2.4	£335,974
Bridgend	4.4	£612,724
Caerphilly	5.5	£771,699
Cardiff	12.1	£1,690,986
Carmarthenshire	5.7	£793,664
Ceredigion	2.5	£351,371
Conwy	3.7	£523,202
Denbighshire	3.1	£433,790
Flintshire	4.5	£623,100
Gwynedd	4.1	£574,214
Isle of Anglesey	2.7	£373,969
Merthyr Tydfil	1.9	£267,031
Monmouthshire	3.3	£457,904
Neath Port Talbot	4.3	£598,260
Newport	5.4	£760,690
Pembrokeshire	4.4	£613,982
Powys	4.6	£638,227
Rhondda Cynon Taf	6.7	£932,177
Swansea	7.9	£1,108,119
Torfaen	4.0	£556,597
Vale of Glamorgan	3.2	£442,254
Wrexham	3.9	£540,065
Total	100	£14,000,000

Annex B: Guidance on completing Application form

The following guidance will help you complete the scheme application form. If you have any queries – please contact Rent to Own team

Naheed Hussain – Naheed.hussain@gov.wales 0300 025 7493 or 07581 621782

PART 1 – SCHEME TYPE

Application Boxes	Information Required
Stage	
Stage 1 – Land Acquisition only	Tick this box if your application is for land acquisition only (see page 6 for definition).
Stage 1 & 3 - Land Acquisition and Works	Tick this box if your application is for land and works (see page 6 for definition).
Stage 3 – Works only	Tick this box if your application is works only (see page 6 for definition).
Off the Shelf	Tick this box if your application is for an off the shelf scheme purchased from a private developer (see page 6 for definition).
Funding package	
Rent to Own/Shared Ownership Only	Tick this box if you application is for Rent to Own/Shared Ownership Only
Rent to Own/Shared Ownership and SHG scheme	Tick this box if you application is combined with a Social Housing Grant (SHG) or Housing Finance Grant (HFG) Programme funded scheme.
PDP	
Is the scheme in the Local Authority PDP?	Use the drop down box to confirm Yes or No.

PART 2 – SCHEME DETAILS

Applicant	Use the drop down box to insert Applicant name
Local Authority Area	Use the drop down box to indicate which Local Authority area the scheme is located in.
Community Council	Use the drop down box to indicate which community council the site is located in.
Site Area	Insert the Site Area in hectares. Please <u>do not</u> use acres.
Scheme Name & Address	Insert the name of the scheme and its address.

	Please be consistent – i.e. use the same name as the name indicated in the LA Programme Development Plan (PDP).
Easting and Northing	The terms easting and northing are geographic Cartesian coordinates for a point. Easting refers to the eastward-measured distance (or the x-coordinate), while northing refers to the northward-measured distance (or the y-coordinate). Websites such as: https://www.gridreferencefinder.com/ provides a service to find a specific grid reference by simply clicking on the map.
Do you own the land? If no, please insert the date when you anticipate completing the acquisition.	Confirm whether you own the land where your scheme is being developed by using the drop down box – Yes/No. If no, insert the date you anticipate completing the land acquisition.
Current Land Owner	Use the drop down box to confirm who owns the land.
Will you own the freehold or leasehold title of the land/property?	Confirm whether you will own the land leasehold or freehold
If leasehold, please confirm the rationale for leasehold and term remaining.	Confirm why leasehold is appropriate – ensuring the leasehold conditions contained in Section 5 for leasehold are met.

PART 3 – PLANNING

Outline	
Does your scheme have outline planning?	Confirm whether your scheme has outline planning by using the drop down box – Yes/No
If no, when do you anticipate receiving outline planning?	Confirm when you expect to receive outline planning?
Detailed	
Does your scheme have detailed planning?	Confirm whether your scheme has detailed planning by using the drop down box – Yes/No
If no, have had a pre-application discussion?	Confirm if you have had a pre-application discussion by using the drop down box – Yes/No.
Have you submitted a detailed	Confirm if you have submitted a detailed planning

planning application?	application by using the drop down box – Yes/No.
If no, when do you anticipate submitting it?	Confirm the date when you anticipate submitting your detailed planning application.
When do you anticipate receiving detailed planning?	Confirm the date when you anticipate receiving detailed planning approval.

PART 4 – PROCUREMENT ROUTE

Procurement Route	Select the applicable procurement route from the drop down box and the on-cost% will be populated. A definition of each procurement route is provided below:
Package deal	Where the site/property and the works are provided as a “package” by the developing contractor who also is given the total responsibility for the scheme design and specification
Collaborative Package Deal	Where site/property and works are provided as a package by the developing contractor but where consultants are engaged to provide an outline design up to and including Stage D of the RIBA plan of work, the detailed design and specification being the responsibility of the contractor.
Design & Build	Where the total responsibility for the scheme design and specification is given to the tendering contractor and the site/property is acquired separately
Collaborative Design & Build	Where a site/property is acquired and consultants are engaged to provide a scheme design up to and including Stage D of the RIBA plan of work, the detailed design and specification being the responsibility of the tendering contractor.
Conventional Newbuild	Where a site/property is acquired and responsibility for the design and specification is primarily that of consultants engaged by the applicant
Off the Shelf (OTS)	Completed dwellings purchased from the private sector which have not been occupied.

PART 5 – CONTRACT DETAILS

Contractor Name	This information will only be available once you have tendered or negotiated your scheme and are
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	proceeding to sign the build contract.
Last Date for Tender Acceptance	Please insert the relevant date.
Date of Start on Site	Confirm the month and year you anticipate work starting on site
Length of contract	Confirm the length of the contract
Estimated Completion Date	Confirm the month and year that scheme will be ready for occupation.

PART 6 – TOTAL SCHEME COSTS

Land/Property Purchase Price	For the Land/Property purchase price, please note and consider the following: Where the land/property valuation is more than the land or property price, grant will be calculated and paid on the actual price paid for the land or property. Where the land/property price exceeds the land or property valuation, grant will be calculated and paid on the valuation of the land or property.
Pre-Tender Costs	Where items such as demolition, drainage diversion, asbestos removal etc cannot be delayed until the main contract commences.
Main Contract (including sprinklers)	Either provide the estimate (Land only) or actual costs of the main contract (Land & works, or works only or OTS) which will include the cost of providing sprinklers.
VAT	Insert the VAT amount that is applicable to the scheme.
Sub-total	This is a calculated field.
On-costs	This is a calculated field.
Sales and marketing costs	Insert the sales and marketing costs that you anticipate for delivering Rent to Own –Wales and Shared Ownership Wales.
Total Scheme Cost	This is a calculated field.
Sprinkler Costs	Insert the cost for providing sprinklers this includes the cost of the sprinklers and the associated building costs. This is for data collection purposes.

PART 7 – SCHEME GRANT

Under this section is you are delivering both Rent to Own

Total Scheme Costs	This is a calculated field.
Intervention Rate	This has been set at 30%. Please over-write this with 25% if you are offering homes for Shared Ownership - Wales only.
Total Scheme Grant	This is a calculated field.

PART 8 - CERTIFICATION

Signature	Please insert wet signature
Name	Please insert name
Position	State position of Signatory at RSL
Applicant	Applying RSL
Date	Date of completion

PART 9 – DETAILS OF HOMES PROVIDED

No of bedrooms	Confirm the number of bedrooms for each home type from the drop down box
Type	Confirm whether the home is a flat, house or bungalow using the drop down box.
No of Home(s)	Confirm the number of homes of each type.
NFA per Home m2	Confirm the net floor area in square meters of each size and type of house
Is the home DQR compliant	Use the drop down box to confirm Yes or No.
Cost per Home	Confirm the cost per home.
Total Cost of Homes	This is a calculated field. The total in cell I30 should agree to the subtotal or total in Part 6.
Value per Home	Confirm the value per home
Total Value of Homes	This is a calculated field.
Is the Value of the Home estimated?	Use the drop down box to confirm if you have an independent RICS valuation for the homes?

Annex C – Guidance on completing Claim form

The following guidance will help you complete the grant claim form. If you have any queries – please contact Rent to Own team

Naheed Hussain – Naheed.hussain@gov.wales 0300 025 7493 or 07581 621782

PART A – SCHEME DETAILS

Name of Applicant	Use the drop down box to insert Applicant name
Scheme Name & Address	Insert the name of the scheme and its address. Please be consistent – i.e. use the same name as the name indicated in the LA Programme Development Plan (PDP) and Scheme Application Form.
Stage	
Stage 1 – Land Acquisition only	Tick this box if your application is for land acquisition only (see page 6 for definition).
Stage 1 & 3 - Land Acquisition and Works	Tick this box if your application is for land and works (see page 6 for definition).
Stage 3 – Works only	Tick this box if your application is works only (see page 6 for definition).
Off the Shelf	Tick this box if your application is for an off the shelf scheme purchased from a private developer (see page 6 for definition).
Funding package	
Rent to Own/Shared Ownership Only	Tick this box if you application is for Rent to Own/Shared Ownership Only
Rent to Own/Shared Ownership and SHG scheme	Tick this box if you application is combined with a Social Housing Grant (SHG) or Housing Finance Grant (HFG) Programme funded scheme.

PART B – SCHEME DETAILS

Total Scheme Grant Approved	Insert the amount of Grant Approved as per the Approval letter following submission of the scheme Application Form.
Total Value of this Claim	Insert the amount of Grant that you are claiming
Amount previously claimed (acquisition grant)	Insert the amount of any acquisition grant previously claimed
Grant Remaining:	Insert the amount of remaining, if any.

TOTAL GRANT	This is a calculated field and should be consistent with the amount in the Total Scheme Grant Approved.
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PART C – CERTIFICATIONS

Signature	Please insert wet signature
Name	Please insert name
Date	Date of completion