

THE CHURCH OF ENGLAND PENSIONS BOARD



Retirement Housing

SHARED OWNERSHIP BOOKLET

Information Booklet
for
Scheme Applicants

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Registered Charity No 236627

1. Who runs the Shared Ownership Scheme?

The Church of England Pensions Board (the Board), which is a registered charity that uses financial assistance from various sources, including its own charitable funds, to provide retirement housing.

2. What is the objective of the Shared Ownership Scheme?

To enable qualifying beneficiaries, who are unable to finance a retirement property outright from their own resources, to gain a share in the ownership of their retirement property, in proportion to what they can reasonably afford.

The aim is to enable all Clergy, Deaconesses, licensed Lay and Church Workers, and Church Army Officers previously in occupation of a “tied house” who are retiring from the stipendiary ministry, to obtain a suitable retirement property of modest proportions – if they have limited financial resources and wish to acquire a share in their retirement property, but are not eligible for the Rental Scheme.

The Scheme is not intended to assist those who have substantial personal resources sufficient to purchase a retirement property outright, either to acquire a larger property outside the remit of the scheme or to free their capital for wider financial planning purposes.

The application of the Scheme will be limited by the resources available to the Board. We will assess eligibility for the Scheme according to each applicant’s personal circumstances.

3. Who is eligible to participate the Shared Ownership Scheme?

A beneficiary who has completed at least five years qualifying pensionable service under the Clergy Pensions Measures.

4. Who is classified as a Beneficiary?

Any of the following:

- All Clergy; Deaconesses; licensed Lay and Church Workers; and Church Army Officers who have retired from the stipendiary ministry and are in receipt of Church pensions;
- Spouses and civil partners – who are parties to the housing arrangements;
- Widows and widowers of Clergy, licensed Lay and Church Workers, Church Army Officers, and Deaconesses; and
- Surviving civil partners of pensioners who are eligible to participate in the scheme.

5. How does the Shared Ownership Scheme work in practice?

The Board buys the property and you purchase a share in that property from your own personal financial resources which is secured by way of a Lease. You also pay rent to us in relation to the proportion of your retirement property that you do not own.

We ask applicants for Shared Ownership to review their available capital on the basis of:

- The need to provide approximately £3,000 to pay for the costs of essential ingoing checks and works that may arise from a survey, if required;
- An additional £2,000, as a rough estimate, needs to be set aside to pay for the applicants own professional fees in respect to the purchase;
- How much capital they wish to retain as a reserve for their retirement. This will impact on the amount the Board will need to contribute to the purchase, and thus will affect the rent figure payable each month; and
- The amount of capital that is left will need to be sufficient to meet the applicants' minimum capital contribution, equivalent to 25% of the cost of the property.

6. How does the Board assess whether or not I am eligible to meet the criteria for the Shared Ownership Scheme?

When you first make enquiries about the Retirement Housing options available through the Board, we will supply you with our 'Guide to Retirement Housing' and an Initial Information Form that will ask for financial information. This will be used to determine whether or not you would be eligible for Shared Ownership and we shall assess:

- The amount of capital you propose to contribute to acquire your share of the property;
- The amount of income you have to pay the rent; and
- The approximate price of suitable property in the area of your choice.

We will supply applicants with key information with which they can make a decision as to whether the scheme is affordable for them.

7. What is the minimum equity share of my retirement property that I can purchase?

25% of the purchase price of your retirement property. It is expected that prior to completion of the purchase, your capital contribution towards the purchase of the property will be released through your Solicitor to the Board's Solicitor to enable completion and issuing of the Fully Repairing Lease.

8. Can I purchase additional shares in my retirement property in the future?

Yes - this is subject to the property being in good repair and condition and you obtaining two valuations to determine the current market value of the property. One must be from a RICS qualified surveyor and the other from an NAEA Agent. This process is known as *staircasing*.

When increasing your equity share in the property the costs of the valuations are borne by you personally.

9. What is the minimum additional stake that I can purchase?

10% of the market value of your retirement property at the time you choose to purchase an additional share. When you increase your share in the property, the rent that you pay will decrease in line with the proportion of the equity that you purchase.

10. Is there a limit to the proportion that I can own?

No – you can purchase a share in the equity of your retirement property at different times until you own the property outright.

In practice, the amount of capital at your disposal and your desire to purchase an additional equity stake will determine the proportion of your retirement property that you own. This will need to be balanced against any other financial commitments that you may have and your ability to meet your daily living expenses – both now and in the future.

11. Are there any Tax implications to consider?

Stamp Duty Land Tax (SDLT) may apply to the Capital Premium which applicants contribute to the purchase of a Shared Ownership property and the Core Rent element of the Lease over the period of the Lease. You can find the current SDLT rates via the following link: <http://www.hmrc.gov.uk/sdl/intro/rates-thresholds.htm#1>

Applicants are advised to seek legal advice in respect of any potential SDLT liability.

12. What are my financial commitments in relation to the proportion of my retirement property that I do not own?

The Board owns the Freehold or Leasehold of the property and grants you a 125 year Fully Repairing Lease to secure your investment in the property. In return, you pay a rent on the proportion of the property that you have not bought and for buildings insurance.

13. What are my obligations under the terms of my lease?

When purchasing a property through Shared Ownership, you enter into a lease agreement. The lease is a witnessed legal document that entitles you

the buyer (called the “lessee”) to live in the property. The terms of the lease fix the rights and obligations of both you and the Board. Briefly the lease will require you to:

- (a) Pay the rent on a monthly basis on the first day of each month.
- (b) Pay a buildings insurance premium.
- (c) Not to let (i.e. rent out) the property or part of the property.
- (d) Not to assign the lease to anyone else.
- (e) Occupy the property for your own use, as a private residence, and for no other purpose.
- (f) Be responsible for the repairs and maintenance for the property

Please note: If the Board purchases a flat on a leasehold agreement, the property is likely to already have a management agreement, which will require payment of a service charge to a third party, namely the freeholders or their managing agents.

Full details of the rights and responsibilities of all parties are contained in the lease, which will be issued to you, and should be explained to you by your solicitor.

14. Are there any other outgoings that I need to consider?

You will need to commit financial resources to pay for your:

- Repairs and Maintenance;
- Utility bills – water, gas and electricity;
- Council Tax;
- Home Contents insurance; and
- Daily living expenses.

15. How is the Rent calculated?

Rent is paid on the proportion of the purchase price of your retirement property that is owned by the Board. That rent will reflect the cost to us of borrowing the funds necessary to finance our share of the purchase. We will advise you of the base interest rate when you submit your application. The rent review will be carried out annually and will take effect from the 1st April.

Please note: If the purchase is completed on or after 1st March in any year, no increase in charges will be effective until the 1st April of the following year.

16. How is the Rent collected?

By Direct Debit from your bank or building society account.

17. What are the Board’s obligations under the terms of the Lease?

- To ensure that repairs and maintenance are carried out; and
- To insure the structure of the property.

18. How do I go about finding a property?

Please note the following procedure:

- Once you have identified a property that you would like to live in, you should notify the Board, providing the Estate Agents property details. It is we who will begin negotiations for the purchase and instruct surveyors. The cost of the surveyors' report will be met by the Board;
- The property is purchased with vacant possession and for your domestic use only;
- The maximum funding that the Board will contribute towards the purchase of any property under Shared Ownership is £150,000;
- The Bishop's or Archdeacon's permission needs to be granted should a member of the clergy wish to reside within or near a former parish.

19. Properties considered unsuitable for the Shared Ownership Scheme?

- Properties on or significantly close to a contaminated site;
- Properties known to have flooded in the past five years;
- Sheltered (Retirement) properties;
- Properties considered to be at a high risk of subsidence or movement;
- Properties entirely built of timber;
- Properties with roofs of thatch or timber shingle;
- Properties above commercial units;
- Properties with concrete panel construction or precast reinforced concrete;
- Park homes, temporary structures or houseboats;
- Grade I or II listed buildings;
- Timber frame built before 1960;
- Studio flats; and
- Flats with less than 90 years unexpired on the lease.

20. Property features considered suitable for the Shared Ownership Scheme?

Freehold Houses, bungalows and maisonettes as follows:

- That are well built and well maintained;
- Do not exceed a total floor area of approximately 900 sq. ft. – once the measurements in the Estate Agent's particulars are totalled and 20% is added to the result;
- Have no more than two reception rooms and two to three bedrooms;
- Are **not** in need of major repairs, major renovation, conversion or modernisation;
- Have a garden that can be easily maintained in retirement; and
- Are easily accessible or within walking distance of shops, church, GP surgery and public transport.

Leasehold flats that as well as the above features:

- Have at least 90 years unexpired on the lease; and
- Are located no higher than the ground or first floors unless the building has a lift.

21. Who pays the legal and surveyors' fees?

Legal fees in respect to acquiring the property will be the responsibility of each respective party, who will appoint their own solicitor.

As the Board purchases the property, and grants a long lease for beneficiaries to occupy the property, we undertake a valuation and survey to ensure the property is suitable for the Shared Ownership Scheme. However, you may wish to undertake your own survey to ensure the property meets your long term requirements and the cost of this would have to be met from your own funds.

The costs of surveyors' fees incurred when you wish to increase your share in the property or purchase the remainder of the total shares will be borne by you. This will also apply when you wish to sell the property.

22. Buildings Insurance

We are obliged to insure your home, i.e. the bricks and mortar, as part of our obligations under the lease. This insurance does not cover your home contents. **You are strongly advised to arrange your own contents insurance cover for personal belongings.**

The buildings insurance policy covers damage that may occur to the property due to storm or accidental damage. It will also cover the cost of rebuilding or reinstating the building if there was a major fire or catastrophe.

23. What happens if I want to sell the property?

The Board's share in the property, based on two open market valuations paid for by you to determine the sale price, **will become repayable**. Any monies remaining in the Legal and Surveyor Fees Reserve Fund can be used to offset this cost.

Notes on the procedure for selling a property will be supplied to you on request and must be followed. The proceeds from the sale will be distributed according to the proportion of the shares owned by you and the Board respectively.

In the event that the open market valuation of your retirement property depreciates to the extent that it represents a loss, the Board and you will have to bear the loss in proportion to the respective shares in the equity of the retirement property.

24. What happens in the event of my death?

If you are the sole occupant of the property, it will be your executors' responsibility to arrange for the sale of the property at the agreed open market value, and the proceeds relating to your share in the property will form part of your estate, to be distributed according to the terms of your will, or according to the laws of intestacy if you do not have a will.

Should you leave a surviving widow(er) or a civil partner, they can continue to pay the rent and insurance charge and remain in the property unless or until they decide otherwise. Your surviving spouse/civil partner should be encouraged to talk to staff at the Board in for support and advice in the event of hardship or other issues that may arise at this time.

25. Can I make improvements to the property?

Should you wish to carry out improvements to the property, for example the addition of a conservatory, extension, or loft conversion, **you can only do so on the condition that:**

- You seek the agreement from us in advance;
- You provide drawings, specifications and obtain/have in force throughout the works, any required planning permission or building control regulations.

Please note:

- No improvements should be carried out without our prior approval;
- The costs of improvements will not necessarily be reflected in the change of value of the property;
- Prior to the works being undertaken, we will discuss with you before the improvements are carried out, how these are to be funded; and
- We will provide you with a separate set of Guidance Notes on this issue.

You should be aware that if you sell your home at a later date and have carried out improvements such as the examples listed above, you are not guaranteed to recover the full costs of the works you have done.

Should you wish to install internal fittings to your home, for example fitted wardrobes, you are free to do so unless it affects the structure of the property; in which case we must be contacted in advance of any work.

26. What happens if my financial circumstances change?

Given that the overriding objectives of the Shared Ownership Scheme are to enable qualifying beneficiaries to gain access to affordable housing, and to own a share in their retirement property, you should contact the Board as soon as possible.

27. Can I use my share to raise additional income or capital in retirement?

No - you should not enter into any financial arrangement with a third party that affects your share, or commit the share of your retirement property owned by the Board in any way. This includes Equity Release or Home Reversion Plans.

Instead, you are encouraged to contact the Board as soon as possible should personal circumstances have an adverse effect on your finances. This will enable the Board to investigate ways of assisting you.

28. What other retirement housing assistance is available?

Besides the Shared Ownership Scheme detailed in this booklet, the Board offers the following alternative housing assistance:

- Rental properties for occupation under an Assured Tenancy (AT) and
- Supported Housing Schemes.

Full details can be found in the 'Guide to Retirement Housing' available on our website pages:

www.churchofengland.org/about-us/structure/cepb/housing

How to contact us

Telephone: 0207 898 1824

E-mail: housingservices@churchofengland.org

Postal address: Housing Department

Church of England Pensions Board,

PO Box 2026, PERSHORE, WR10 9BW

APPENDIX A

Shared Ownership Costs

1. Introduction

It should be noted that **Shared Ownership is not about shared costs**. Whilst the lessee and the Board share in the ownership of the property, payment of the various associated costs is the sole responsibility of the lessee.

A lessee will own a minimum of 25% of the equity share of the property from outset, based on the amount of personal capital contributed towards the purchase price. The equity share owned by us will be determined by the capital balance contributed towards the purchase of the property.

We will grant a Fully Repairing Lease to enable the lessee to occupy that part of the property which they own. In return the lessee pays a Core Rent.

The full costs of repairs and maintenance are the sole responsibility of the lessee – because the Shared Ownership Scheme does not attract any form of subsidy. The impact of such costs is, or can be, reduced by the following:

- (a) When the property is purchased, any capital contribution that an applicant can make to generate an initial equity share over and above their 25% minimum stake, will create a corresponding reduction in the amount of Core Rent charged – because the share in the property owned by us will reduce.
- (b) Through *staircasing*, a beneficiary can purchase an additional share (minimum of 10%) of the equity in the property. This will reduce the share owned by us and, therefore, result in a corresponding reduction in the amount of Core Rent charged.

If you opt to be considered for the Shared Ownership Scheme as a means of providing for your accommodation in retirement, you will need to satisfy yourself that it is something you can reasonably afford.

You will need to assure yourself that you are able to make a contribution out of your own capital to acquire a minimum 25% equity share – as well as being able to meet the full costs of the various outgoings whilst you are in occupation of your retirement home.

2. Outgoings

Under the terms of the Lease, you will be required to make the following payments:

- (a) **Core Rent:** this represents the interest the Board is required to pay on the loan it takes to purchase their share in your property. You will be

advised on the base interest rate when you make an application; and illustrations of different rates are provided in this booklet.

- (b) **Buildings Insurance:** provides for the insurance of the physical structure of your property.
- (c) **Management fee** to cover the costs associated with the administration of the scheme.

Illustrative Example

An example is attached, showing the purchase of a property costing £200,000. A sum of £100,000 towards the purchase price is provided by the applicant and the balance of £100,000 is provided by us. These result in an equity share in the property, between the applicant and the Board of 50/50% each.

The amount of capital at the applicant's disposal after the above contribution is made to purchase the property is £45,000. We have allowed for. £3,000 being used by the applicant to pay for ingoing works and a further £2,000 is used for solicitors fees and related costs. In addition, the retirement lump sum has been deducted from the total capital, because it is not paid until actual retirement, whereas the property purchase will generally complete at an earlier date.

The applicant appoints solicitors, who are independent from the solicitors acting for the Board, to handle the legal side of purchasing their equity share. The remaining capital is retained by the applicant as an "Emergency Fund" to meet day-to-day living expenses, as well as exceptional items of expenditure / financial commitments in the medium to long-term.

The example shows the effect of the current base interest rate of 5%. In the event of any change to this rate, we will alert you when you submit your application and we confirm your final financial illustration.

3. Adjusting the Calculations to your Application

Once you have identified a property that you would like to live in, the Board will instruct a RICS registered surveyor and a NAEA Agent to undertake a survey and a valuation of the property. The full cost will be met by the Board.

Once the above reports have been undertaken, we will be able to produce an illustration of costs that is specific to the property which is to be purchased as your retirement home. A "Financial Model to Calculate Costs – With Notes on Calculation of Outgoings" will be forwarded to you for this purpose.

Much will depend on the state of external decoration and repair of the property and the ability to make provision for the cost of any remedial action that is required.

Example Only

Example of Shared Ownership Calculations

	£	
Applicant's Capital	150,000	Total capital available to the individual
less Cost of Ingoing Works	3,000	Works/searches generated from survey
less Cost of Fees	2,000	Approximate costs of professional fees to the individual for the purchase
less Total Capital Retained	45,000	Example of capital the individual retains
Applicant's Capital Input	100,000	Applicant's capital contribution towards the purchase
Board Contribution	100,000	Board's contribution towards purchase
Property	200,000	
Applicants Income	20,000	Joint or single income

Annual Outgoings on Property

Core Rent @ 5% interest	5,000	this equate to monthly payment of £416.67
Building Insurance	200	
Admin Charge (2.5% of above charge)		
Total	5,205	
Proportion share of property Occupant:	50%	
Board:	50%	

Please note that staff at The Church of England Pensions Board are unable to provide financial advice. Retiring Clergy are strongly advised to seek independent professional financial advice as to the practical options applicable to their circumstances. This can be obtained through:

Citizens Advice Bureau (CAB)

You can find your nearest CAB in the phone book, from your local library or on the website: www.citizensadvice.org.uk. Most CABs will be able to offer free advice either by phone or in person.

Independent Financial Advice

For impartial, independent financial advice you should contact IFA Promotion Ltd. on: **020 7833 3131**, which is the industry body representing Independent Financial Advisers (IFAs). Alternatively, you can use the website: www.unbiased.co.uk to locate your nearest IFA.

Please note: any references to tax treatment contained in this publication relate to the position at the time of printing. Future tax changes, introduced by the Government, may alter the position.