



Employment Policy Statement

Policy Title: ASSISTED HOUSE PURCHASE SCHEME

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INTRODUCTION

The following information describes in broad terms the benefits of the Assisted House Purchase Scheme. This scheme is open only to selected candidates/appointees and is applied entirely at the Council's discretion.

If having studied the scheme you require further information then please feel free to contact the HR Section who will be pleased to assist you.

1. NEW STAFF WHO WOULD QUALIFY FOR ASSISTANCE

- 1.1 In view of the potential costs to the Council of providing the financial assistance, the scheme will be applied to selected posts only, for example, where there has been difficulty in filling a particular post and it is important to fill the vacancy with the minimum delay.
- 1.2 The Scheme will apply to certain key staff who commence their employment with the District Council on or after 1st March 2003 and whose posts attract a salary of spinal point 27 or above or equivalent salary.
- 1.3 The post/employee must also be considered appropriate for assistance under the scheme by the Director of Corporate Services. The scheme may apply in exceptional circumstances to other posts/employees as determined by the Director of Corporate Services in consultation with the Cabinet Member for Finance, Corporate Services & Revenues & Benefits.

- 1.4 The general terms of assistance are described in this report but the detailed terms may vary from post to post as determined by the Director of Corporate Services.
- 1.5 Property should normally be purchased by the new employee within six months of the commencement of his/her employment with the District Council. Assistance will be limited to one employee per household and the employee will be required to enter a legal agreement with the Council relating to the type of financial assistance he/she obtains.
- 1.6 The assessment of the difference in house prices between the employee's old area and the District Council's area will be based initially on the regional house prices survey published by the Nationwide Building Society. However, the financial assistance offered by the Council will take account of the actual market values of the 'existing' and 'local' properties of the employee as agreed by the Director of Corporate Services.
- 1.7 Assistance under this scheme is intended to enable a new employee with a property to sell, to purchase a property. If you presently live more than 25 miles away from the office where this vacancy is based the Council will consider offering a relocation package to assist you in moving to the area. To obtain support under the scheme you would normally need to move to a location within a 15 mile radius or half hour travelling distance of your new office base.
- 1.8 An employee would be free to purchase a property of any price but the level of assistance provided by the Council will relate to the value of a property which is of a comparable standard to the employee's old property and is not a significant improvement on it. For example, an employee may own a three bedroom house in Yorkshire but purchase a four bedroom house in Chichester. The Council's financial assistance would be related to the local price of a broadly comparable three bedroom house.
- 1.9 The various types of assistance available to an employee to choose from are described below and consist of:
 1. Employer Mortgage
 2. Mortgage Subsidy
 3. Bridging loan/relocation agency
 4. Removal and disturbance allowances

2. **EMPLOYER MORTGAGE**

- 2.1 The Council would provide a mortgage towards the purchase of the employee's 'local' property. The employee would not pay any interest on the mortgage and the principal would be recouped when the employee later sold or leased the property or his employment ceased for whatever reason. At that time the Council would also share in the increased market value of the property. However, if house prices fall then the Council would share the

burden of the decrease in proportion to its share, thus sharing the risk with the employee.

- 2.2 The employee would therefore own the freehold of the 'local' property and the Council would have a second charge on the property. The respective rights and obligations would be set out in the mortgage deed.
- 2.3 The employee must normally contribute all of the net proceeds of sale of his/her 'existing' property towards the purchase of his/her 'local' property. He/she must also obtain a mortgage from a bank, building society or other financial institution at least equivalent to his/her old mortgage.
- 2.4 The maximum sum advanced by the Council to an employee will not exceed:
 1. £100,000 or
 2. 50% of the market value of the 'local' property, whichever is the lower
- 2.5 At least 10% of the purchase price of the 'local' home must be provided by the employee from his/her own funds, for example from the net proceeds from the sale of his/her 'existing' property. (This should reduce the loss of the Council in the unlikely event of a reduction in value of the 'local' property). The employee may pay off some or all of the principal at a later date at its market value at that time.
- 2.6 An employer mortgage is also available to non home-owners up to a maximum of 50% of purchase price.

3. **MORTGAGE SUBSIDY**

- 3.1 The Council would normally make monthly contributions towards the employee's mortgage on the 'local' property if the new property necessitates a higher mortgage than his/her old mortgage. The employee must also contribute all of the net proceeds from the sale of his/her 'existing' property to qualify for the subsidy.
- 3.2 Mortgage subsidy is also available to non home-owners.
- 3.3 The Council's contributions will be paid with the employee's monthly salary over a five year period at the following rates:

In year 1	-	100% of the extra monthly payments
In year 2	-	90% of the extra monthly payments
In year 3	-	75% of the extra monthly payments
In year 4	-	50% of the extra monthly payments
In year 5	-	25% of the extra monthly payments
- 3.4 Mortgage subsidy would be payable in respect of mortgage increases between £20,000 and £70,000 but not towards any excess over £70,000. An employee who participates in the employer mortgage scheme may also apply for the mortgage subsidy.

- 3.5 The employee will be liable to pay income tax and National Insurance contributions on the mortgage subsidy paid to him/her by the Council.
- 3.6 The subsidy will cease within the five year period if the employee ceases to be employed by the Council within that time for whatever reason, or the property is sold/leased or the mortgage is discharged.
- 3.7 Repayment of the whole of the subsidy will be required if the employment ceases for whatever reason within two years of the first payment of subsidy and 50% if within three years.

4. **BRIDGING LOAN/RELOCATION AGENCY**

- 4.1 An interest free bridging loan would be provided by the Council linked to the services of a relocation agency. This would avoid delays and financial difficulties for the new employee (and the Council) over the sale of his/her 'existing' property.
- 4.2 The relocation agency will co-ordinate the sale of the employee's 'existing' property and keep it insured and maintained. The employment of a relocation agency will relieve the employee of uncertainty and worry over the sale of his/her 'existing' home, and avoid financial difficulties for him/her, for example, a guaranteed sale price of his/her 'existing' home is determined by the Council after considering valuations by two qualified valuers. (The guaranteed price offered is entirely at the discretion of the Council). If the price is acceptable to the employee the Council will advance a bridging loan equivalent to the guaranteed price, to enable the employee to purchase his/her 'local' home. The agency will look after the property when he/she has vacated it until it has been sold.
- 4.3 The agency will seek to ensure that the 'existing' home is sold without delay thereby minimising the length of time that the bridging loan provided by the Council is outstanding.
- 4.4 The bridging loan/relocation agency assistance could apply to new employees who move to the Council's area. The relocation agency can also assist the employee to obtain a mortgage for his/her 'local' home if requested.
- 4.5 The employee must normally contribute all of the net proceeds of sale of his/her 'existing' home towards the purchase of his/her 'local' home.
- 4.6 If within two years of commencement of employment the employment ceased for whatever reason, or the 'local' house was sold or leased, the employee would be required to reimburse the Council for the whole of its expenditure under the relocation agency arrangement and the interest it had foregone on the bridging loan. If the employment ceased during the third year 50% reimbursement would be required.

4.7 With regard to the employment of a relocation agency to help to sell the employee's 'existing' house, it should be noted that:

1. If the house is sold for a higher price than the price guaranteed to the employee, the Council would take the entire gain.
2. If the 'existing' house is sold at less than the guaranteed price, the Council would bear the loss.

5. **REMOVAL AND DISTURBANCE ALLOWANCES**

5.1 In addition to the above assistance the Council's scheme for the payment of removal and disturbance allowances will apply. Within these allowances is an element for lodging. The Director of Corporate Services has the discretion to increase the lodging allowance up to a maximum of £750 per month based on the employee's family circumstances for a maximum of 6 months. This allowance will not be payable once the employee has sold his/her 'existing' property.