

Home Ownership Subsidy Scheme for Government Employees in Regional Western Australia



Government of **Western Australia**
Department of **Housing**

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HOME OWNERSHIP SUBSIDY SCHEME FOR GOVERNMENT EMPLOYEES IN REGIONAL WESTERN AUSTRALIA

GOVERNMENT GUIDELINES

1. INTRODUCTION

The provision of adequate and suitable housing in regional areas of Western Australia has a fundamental impact on local economies. The Government recognises the high cost of living in many regional communities, the shortage of suitable housing stock in some localities and the impact of high staff turnovers and transfers.

Government departments currently assist some employees in regional localities by providing subsidised rental accommodation provided by the Government Regional Officers' Housing Authority (GROH).

The Government Employees Home Ownership Subsidy Scheme ("the Scheme") has been developed to provide State Government departments *and agencies* ("Departments") with an alternative incentive subsidy option to attract and retain staff in regional localities. The Scheme provides Home Loan subsidies as an alternative to rental subsidies. Unlike GROH rental subsidies however the Home Loan subsidies will be limited for a maximum of five years.

The Scheme is not an employment entitlement, but is available at the discretion of the Department. Access to the Scheme does not in any way negate allowances and entitlements under the Award, Work Place Agreement or Enterprise Bargaining Agreement.

The Scheme will enhance choice for Departments and employees and should encourage more employees to commit long term to regional communities, thus stabilising staff movements.

2. PURPOSE OF THE GUIDELINES

To provide Departments with guidelines to enable them to establish and administer a Home Ownership Subsidy Scheme for government employees in regional Western Australia.

3. SCHEME GUIDELINES

Access & Eligibility

- 3.1 Access to the Scheme by employees is at the discretion of the Department. The Scheme is not an employment entitlement or right. The Department may offer access to the Scheme as a recruitment, transfer or staff retention incentive.

- 3.2 Persons may be deemed to be eligible for the Scheme by Departments if they are permanent full and part time employees of the Department :
- Who do not own, or part own, a property within reasonable commuter¹ proximity of the employees place of work (the regional community) ;
 - Whose spouse or de facto partner does not own, or part own, a property within reasonable commuter proximity of the employees place of work (the regional community) ;

Employees who have been recruited locally may be eligible, subject to the two conditions above.

- 3.3 Contract employees may be eligible for the Scheme at the discretion of the contracting Department, subject to the conditions described in 3.2. The Department shall take into account the length and conditions of the employment contract in making its decision. If the contract employee would qualify for GROH rental assistance then they should be deemed to be eligible for the Scheme.

- 3.4 The Scheme is NOT normally available to employees residing²:
- In the Perth metropolitan area ;
 - Within 100kms, by the shortest practicable surface route, of the Perth central post office ;
 - In Albany, Geraldton, Bunbury, Rockingham and Mandurah ;
 - Within 40kms, by the shortest practicable surface route, from the centre point of Albany, Geraldton, Bunbury, Rockingham and Mandurah.

except where Department's have been granted exemption from Fringe Benefit Tax under the Fringe Benefit Tax Assessment Act 1986 in relation to remote area housing benefits (eg. due to their status as a Public Hospital that is a public benevolent institution or part of a Police service), OR

except where the Department deems it to be in it's best interest to offer the Scheme. In such cases the Department must provide written justification on a relevant records file for the decision.

- 3.5 Employees working in eligible locations who have already purchased (or are purchasing) their own home within reasonable commuter proximity of that location cannot apply retrospectively for the Home Loan subsidy.
- 3.6 In the event that an employee has a spouse or partner that is also employed by the Department or another State Government agency, only one Home Loan subsidy will be available. The employee applying for the Scheme will have to satisfy the

¹ Commuter proximity to the work place refers to a reasonable daily travelling distance from the residence to the work place. This may vary depending upon the locality, however " within a ninety minute drive to the work place" should be used as a guide.

² These areas do not receive any Fringe Benefits Tax discounts (Remote Area Housing Benefit) that apply to all other locations in WA under the Fringe Benefit Tax Assessment Act, 1986.

Department that their spouse or defacto partner is not currently benefiting, or will not benefit, from a similar scheme administered through another State Government department or agency. Failure by the employee to disclose this information may result in legal action by the Department to reclaim any subsidy payments made.

Maximum Subsidy Level

3.7 The Department will make payment towards the employees regular home loan repayments. The amount of the subsidy is to be determined by the Department but cannot exceed, during the term of the Home Loan Subsidy Agreement, an amount equivalent to

- seventy five percent (75%) of the weekly GROH rental subsidy³ applicable at the commencement of the Agreement, times (x) the number of weeks that make up the term of the Agreement. Note – the Department shall calculate the applicable weekly GROH rental subsidy on the basis of the GROH property entitlement of the Applicant (regardless of what actual property they have been allocated or intend to buy), and shall also assume the medium GROH property amenity level when working out the applicants “rent.” (see Appendix 1 for Worksheet example). OR
- \$175.00 per week

whichever is the lesser of these amounts.

Furthermore, actual fortnightly (or monthly) subsidy payments cannot exceed the amount of the Minimum Loan Repayments per fortnight (or month) payable on the Loan.

The responsible Director has discretion to approve different subsidy amounts subject to the above conditions and those outlined in clause 3.31.

3.8 At any time during the term of the Home Loan Subsidy Agreement the Department may review the subsidy amount, subject to the parameters of clause 3.7.

3.9 The Home Loan subsidy shall be payable for a maximum period of 5 years, but will cease earlier in the event that the person ceases to be employed by the Department or transfers to another position with the Department where the property is no longer the principle place of residence. Continuation of payment of the Home Loan subsidy is also subject to the provisions of clauses 3.17 to 3.24 inclusive.

3.10 The Department shall take no equitable interest in the property that is subject to the Home Loan subsidy payments.

³ The rental subsidy is the difference between the market rent payable by the Department on the property to GROH and the maximum rent payable by the tenant to the Department based on the GROH rent setting framework.

3.11 The Government will review the maximum subsidy level payable from time to time.

Purchases Eligible For A Subsidy

3.12 Where an employee is interested in purchasing the GROH property that they occupy, and GROH agrees to sell, then the employee may apply for a Home Loan subsidy.

3.13 Pursuant to clause 3.12 employees are advised that they will need to apply in writing to purchase the property to the Director, GROH on a prescribed application form and that :

- GROH reserves the right not to sell a property to a tenant in occupation ;
- All sales to tenants are subject to approval by the GROH Board and the Minister for Housing ;
- Only GROH houses with freehold title will be considered for sale ;
- An application fee of \$250 is payable by the tenant in occupation upon application. If the sale is declined GROH will refund this fee ;
- Sale price will be based on current market valuations obtained by GROH ;
- The approved sale price is not negotiable ;
- Approval is required from the employee's Department for the sale to proceed.

3.14 Employees may apply for the Home Loan subsidy with respect to purchasing an alternative privately owned property or constructing a new home instead of buying their GROH rental.

3.15 Pursuant to clause 3.14, in the event that the Department incurs a financial cost as a result of a GROH rental or lease property being returned to GROH, the Department may defer the loan subsidy payment or reduce the payment to offset the cost or some portion thereof. Departments need to be aware that they may incur financial costs if they return leased properties to GROH prior to the expiration of the term of the lease.

3.16 Staff transferring to eligible locations who would be eligible for GROH accommodation can apply for a Home Loan subsidy as an alternative to moving into a GROH rental. The Department is not obligated to meet any private rental costs incurred by the employee whilst they are searching for a suitable property or awaiting settlement.

Transferability and Continuation of the Subsidy

3.17 Employees who are beneficiaries of the Scheme who transfer to another WA Government Department but will continue to be employed in the same regional locality may apply to their new employer for a continuation of the Home Loan subsidy arrangement. If the new Department approves the application it may only do so up to the expiration of the five year term of the original subsidy agreement.

- 3.18 Where an employee in receipt of a Home Loan subsidy sells the property and buys or builds another property in the same regional locality as their principal place of residence, they may apply to have the subsidy arrangement transferred to the new loan for the duration of the original five year period. The Department will approve the change subject to the employee still being employed within the relevant regional locality.
- 3.19 The Home Loan subsidy shall be discontinued if the employee no longer resides in the property as their principal place of residence.
- 3.20 The Home Loan subsidy shall be discontinued if the employee pays out the loan prior to the expiration of the Home Loan Subsidy Agreement.
- 3.21 The Home Loan subsidy shall be discontinued if the employee or their spouse or de facto partner purchases (or part purchases) another property within commuter proximity to the work place. This rule is consistent with the rules that apply to tenants in GROH rentals – if they purchase a property in the regional community they are no longer eligible to remain in their GROH rental.
- 3.22 Transfer or continuation of the Home Loan subsidy to a new principal place of residence within the same locality will not be allowed in circumstances where the employee is not selling the original property as this could be perceived as subsidising a private investment arrangement.
- 3.23 If an employee in receipt of a Home Loan subsidy transfers permanently to another regional locality the Home Loan subsidy shall cease. However, if the employee wishes to purchase a property in the new locality as an alternative to taking up a GROH rental option, they may re-apply. If approved the Home Loan subsidy shall be available for the balance of the term of the original subsidy only ie. *the total subsidies available to any single employee shall not exceed five years.*
- 3.24 In the event that the employee is required to transfer by the Department and the transfer is intended to be temporary in nature, the Department shall continue to pay the Home Loan subsidy into the loan account of the employee.

Approval Process

- 3.25 All applications for a Home Loan subsidy must be made in writing.
- 3.26 Where staff are transferring or re-locating it is preferable that they apply prior to moving so that the Department does not commit to a GROH rental option.
- 3.27 In assessing applications for the Scheme Departments should
- Verify eligibility of employee for the Scheme ;
 - Verify that the location is an eligible location in terms of the Scheme;

- Assess the financial cost of the home loan subsidy (& FBT) to the Department as against the net GROH rental cost to the Department ;
- Verify GROH willingness to sell the property (where applicable) ;
- Identify any additional costs or issues that the Department will incur as a result of handing back the GROH property or GROH lease property (where applicable) ;
- Verify that the employee (or his/ her spouse or de facto partner) does not own or is buying another property within reasonable commuter proximity to the employees place of work;
- Verify that the employees spouse or de facto partner is not currently or will not benefit from a similar Home Loan Subsidy Scheme being administered by another State Government Department.

3.28 Pursuant to clause 3.27 the employee shall be responsible for any costs that the Department incurs to establish that the employee (or his/ her spouse or defacto partner) does not own another property within reasonable commuter proximity to the employees place of work.

3.29 Pursuant to clause 3.27, where there are no concerns the Department will, if the property is owned by GROH, obtain written approval from the Director GROH for the sale to proceed, along with the proposed sale price. GROH will advise the applicant whether the property is available for sale and provide details of the sale price to the applicant .

3.30 The Department may delegate authority to approve individual applications to an appropriate senior level officer, subject to a designated Director being responsible for the overall Scheme. The preference however is for decisions to be at Director level, with one Director being responsible to ensure consistency in decision making across the Department.

3.31 The Director has the right to decline any application or to offer a Home Loan subsidy level below the maximum subsidy rate available under the Scheme. For example, where the projected cost of the Home Loan subsidy together with the associated Fringe Benefit Tax cost exceeds the net rental cost of the alternative GROH option, the Director has the right to offer a reduced Home Loan subsidy amount as an alternative to a full subsidy, or to decline the application outright.

3.32 The decision of the responsible Director within the Department shall be final.

Administration of The Loan Subsidy

3.33 Approved applicants will be required provide written confirmation from a reputable lending institution regarding the Loan and Loan Repayment details, after which they will be required to sign a formal Home Loan Subsidy Agreement with the Department which will detail each parties responsibilities in relation to the Home Loan subsidy payment. (Example at Attached A).

- 3.34 Under no circumstances will the Department act as a guarantor for any loan entered into by an employee.
- 3.35 Payment of the Home Loan subsidy is to be made directly into the home loan account of the applicant as detailed in the Home Loan Subsidy Agreement, wherever this is allowable by the lending institution. In the event that this is not allowable the Home Loan subsidy shall be paid into the account into which the employees salary or wages is usually paid, and the employee shall set up a direct debit to the Loan account to ensure that the Home Loan subsidy amount is redirected into the Loan account. The employee shall be responsible for any fees associated with the direct debit arrangement, and shall on demand by the Department provide records to the Department to verify that the Home Loan subsidy payments are still being directed into the Home Loan account.
- 3.36 Departments shall ensure that proper records of all applications and loan arrangements are maintained, and that proper systems for terminating the subsidy payment are in place at the expiration of the term of the Agreement.
- 3.37 Departments shall be responsible for budgeting for and payment of any Fringe Benefit Tax liabilities due to the Australian Taxation Office.
- 3.38 Applicants are to be advised that the amount of the Home Loan subsidy will appear on their Taxation Group Certificate as a Fringe Benefit paid by the Department, and that they should seek advice from the Australian Taxation Office or a recognised Financial Advisor regarding any implications.

END ...

APPENDIX 1 : HOME LOAN SUBSIDY PAYMENT : SAMPLE WORKSHEET

EXAMPLE

Applicant is entitled to a 3 bedroom GROH property in Karratha based on her family size, but is currently residing in an older style 4 bedroom GROH house. She intends to purchase a 4 bedroom new home on the open market. The Department has approved her application for a Home Loan Subsidy.

For the purposes of calculating the maximum possible Home Loan Subsidy the following is relevant :

- GROH property entitlement = 3 bedrooms
- Rental charge is based on Medium standard property.
- Maximum subsidy ceiling is \$175 per week.

To calculate entitlement :

Market Rent charged by GROH (for 3 bedroom property) = **\$320 per week** (this information can be obtained from GROH)

Rent Charged to Applicant (if they were residing in GROH x 3 br x medium standard property) = **\$76 per week** (see Table 1 – available from GROH or www.housing.wa.gov.au)

Table 1	
Perth Median Rent for 3 Bedroom	\$157.00
Initial Discount that applies (20%)	31.40
Further 20% Discount for Medium Amenity level	<u>25.12</u>
	\$100.48
Location Discounts	
Distance from Perth	20%
Distance from coast	0%
Distance from Regional centre	0%
Assessed amenity level of town	4%
TOTAL	24%
Applicant hypothetical Rent = \$76 / week (rounded to nearest dollar)	

GROH Rental Subsidy = Market Rent (\$320) – Rent Charged (\$76) = \$244 / wk

Maximum Home Loan Subsidy =

- **75% x \$244 = \$183 per week OR**
- **\$175 per week OR**
- **minimum loan repayments OR**
- **some other amount determined by the relevant Director, whichever is the lessor of these amounts.**

Therefore Maximum Home Loan Subsidy in this case is \$175 per week.

ATTACHMENT A

**HOME OWNERSHIP SUBSIDY SCHEME FOR GOVERNMENT
EMPLOYEES**

SAMPLE : LOAN SUBSIDY AGREEMENT

THIS AGREEMENT is made the day of 200_

BETWEEN :

[DEPARTMENT NAME] of [address] in the State of Western Australia; and

The party or parties whose details are set out in the Schedule hereto (“the Employee”).

WHEREAS :

- A. The Employee has agreed to purchase from the Government Employees Housing Authority that property or any other property as agreed by [the DEPARTMENT], details of which are set out in the Schedule (“the Property”)
- B. The Employee currently leases, or would be entitled to lease as part of their employment, a property provided by the Government Employees Housing Authority, in respect of which lease [the DEPARTMENT] pays (or would pay) a rental subsidy on behalf of the Employee in the amount set out in the Schedule (“the Rental Subsidy”)
- C. The Employee has been granted finance for the purchase of the Property from the institution, in the amount and subject to the minimum weekly repayments set out in the Schedule (respectively “the lender”, “the Loan Amount” and “the Minimum Loan Repayments.”)
- D. The Employee is currently employed by [the DEPARTMENT].
- E. [The DEPARTMENT] has agreed to subsidise the repayment of the Loan amount by the Employee subject to and upon the terms and conditions of this AGREEMENT and the “Guidelines”.
- F. Nothing in this Agreement constitutes a guarantee for the Loan entered into between the Employer and the Lender. The DEPARTMENT has no equitable interest in the Property. Under no circumstances will the DEPARTMENT act as a guarantor for any loan entered into by the Employee.

NOW IT IS AGREED as follows:-

1. The Employee is eligible for a “Loan Subsidy” under the terms and conditions of the Government’s Home Ownership Subsidy Scheme for Government Employees, the Guidelines of which form Attachment A to this Agreement.
2. The Employee and [the DEPARTMENT] are bound by the terms and conditions of the Guidelines and the provisions of this Agreement.
3. Following settlement of the Employee’s purchase of the Property [the DEPARTMENT] shall, subject to the following conditions, pay on behalf of the Employee a subsidy (“the Loan Subsidy”) equal to the lesser of :
 - 3.1 75% of the Rental subsidy per week ;
 - 3.2 \$175.00 per week ;
 - 3.3 the Minimum Loan repayments per week ; OR
 - 3.4 some other amount approved by [the DEPARTMENT DIRECTOR]

The approved amount of the Home Loan subsidy is \$ _____ per week.

4. The Loan Subsidy shall be paid by [the DEPARTMENT] direct to the Lender at the times required by the terms of the loan agreement between the Employee and the Lender. The Employee shall notify [the DEPARTMENT] in writing of any alteration to the repayment schedule of the loan agreement required or agreed to by the Lender. [The DEPARTMENT] shall be under no obligation to alter the payment schedule of the Loan Subsidy unless and until it has received such notification.
5. The Loan Subsidy shall be paid by [the DEPARTMENT] for a period expiring upon the occurrence of the earliest of the following:
 - 5.1 The fifth anniversary of the date of settlement of the Employee’s purchase of the Property.
 - 5.2 The Employee ceasing to be an employee of [the Department].
 - 5.3 The Employee ceasing to occupy the Property as the Employee’s principal place of residence.
 - 5.4 The Employee (or their spouse or de fact partner) purchasing or taking a share in another property within commuter proximity to the work place of the employee.
 - 5.5 The repayment of the Loan amount.
 - 5.6 The Employee failing to remedy any notice of default issued to the Employee by the Lender within the time required by that notice (such that the Lender becomes immediately entitled to demand repayment of the total Loan amount and to exercise the powers upon default conferred upon the Lender by the loan agreement between the Employee and the lender.

- 5.7 The Employee breaches any of the terms and conditions of this Agreement or the Guidelines.
6. The Employee shall immediately advise [the DEPARTMENT] in writing of the occurrence of any of the events referred to in clause 5.
7. The Employee shall reimburse to [the DEPARTMENT] any Loan Subsidy payments made by [the DEPARTMENT] to the Lender after the occurrence of any of the events referred to in clause 3 and such payments shall constitute a debt due and payable without demand by the Employee to [the DEPARTMENT].
8. At any time during the term of this Agreement [the DEPARTMENT] may review and adjust the Loan Subsidy amount within the parameters of clause 3. In the event that the DEPARTMENT is to adjust the amount of the Loan Subsidy, it shall provide a minimum 30 days written Notice to the employee, except where the adjustment is a result of the Lender reducing the Minimum Loan Repayments below the current subsidy level, in which case the Loan Subsidy reduction will be effective from the date of the Lender's adjustment.
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SCHEDULE

The Employee : _____

The Property : _____

The Rental Subsidy : \$_____per week.

The Lender : _____

The Loan Amount : \$_____.

The Minimum Loan Repayments : \$_____per week.

Amount Of Loan Subsidy : \$_____per week.

The Common Seal of)
[the DEPARTMENT])
was hereunto affixed in the presence of)

[the DEPARTMENT HEAD]

[Relevant MANAGER]

Signed by [the Party or Parties to the Agreement]) _____

in the presence of [NAME OF WITNESS]
