

# **Amber Valley Borough Council**

## **Acquisition of Shared Ownership Properties Policy**

### **1. Policy Statement**

1.1 Shared ownership is a way to provide a first step in to home ownership for those who cannot afford to purchase a home at the full market value. The scheme allows for a share to be purchased in a property, which is then part-owned by the shared owners and part-leased from Amber Valley Borough Council ('the council').

1.2. The council intends to acquire properties within its district to offer shared ownership on them, thereby providing a broader housing offer to people wishing to reside in the borough.

1.3. The shared ownership offer shall be in line with the Homes England standard offer.

1.4. The council shall establish and maintain a process that is non-discriminatory and responsive to demand, while contributing to the need to be inclusive and to ensure sustainable communities.

1.5. The council shall establish and maintain an efficient, transparent, fair and effectively controlled basis for offering available properties to prospective purchasers.

1.6. The council shall introduce and maintain a system for ensuring that homes are purchased by people who are eligible and for whom shared ownership is an appropriate solution.

### **2. Scope**

2.1. Shared ownership shall be predominantly limited to new build units on development sites.

2.2. For proposed new developments a financial appraisal shall be carried out on a scheme by scheme basis to assess the implications of the council offering shared ownership. Factors such as available funding, the local tenure mix and affordability shall be taken into account when considering if shared ownership should be offered.

2.3 Sales in rural shared ownership schemes may be restricted to purchasers with a local connection under planning obligations. There may also be a restriction on shared owners staircasing (see 3.3 below) to 100% or the sale of the property to the council. This will be where there is an intention to retain affordable housing in that area.

### **3. Overall Approach**

3.1. The council's offer will mirror the standard model shared ownership lease produced by Homes England (formerly the Homes and Communities Agency) in conjunction with the Ministry for Housing Communities and Local Government, UK Finance (formerly the Council of Mortgage Lenders), the National Housing Federation, solicitors and key lenders. It will also mirror the regulator's approach to service charges and rent setting.

3.2. Households can initially buy a share of between 25% - 75% of the property, and then shall pay rent on the remaining share held by the council. The initial share cannot be less than 25% of the equity in the property.

3.3. The shared owner is able to purchase further shares in the property until they own it outright (subject to any restrictions – see 2.3 above). This is commonly known as 'staircasing'. In compliance with the staircasing schedule, this can be done after 12 months of occupancy by purchasing shares of at least 10% or multiples thereof (the last percentage

to accomplish final staircasing will be at least 10%), which can lead to full ownership if desired (subject to any restrictions – see 2.4 above). However, there is no obligation on a shared owner to purchase further shares. Further shares to be bought shall be at the market value at the time of the further shares' purchase, up to 100%.

3.4 In exceptional circumstances at the discretion of the council (as a result of mortgage difficulties and where other alternatives to repossession have been explored) shared owners may staircase down, thereby reducing the share they own. A shared owner cannot staircase down to less than 25% share of the property.

3.5. Rent shall be set at 2.75% of the retained share of the property value and shall be increased annually on 1 April at RPI + 0.5%. These figures could be revised in future.

3.6 If rent is in arrears by more than two calendar months the council has the right to inform the leaseholder's mortgage lender. The council will only seek to recover rent arrears from the lender as a last resort and will always inform the leaseholder before any action is taken.

3.7. Shared owners shall be fully responsible for 100% of internal repairs, service charges and major works. Shared ownership properties shall not be sublet until 100% ownership is reached.

3.8. The level of ownership for each customer shall be determined using the Homes England Sustainability Calculator which requires housing costs to be a minimum of 35% of net income and a maximum of 45% of net income. The shared owner shall be responsible for 100% of any service charge regardless of their level of ownership.

3.9. Shared owners shall be issued with a shared ownership lease which sets out rights and responsibilities relating to the property (see 3.1 above).

3.10. On the death of an owner, their percentage interest in the property would pass to the beneficiary of their estate.

#### **4. Eligibility**

4.1. Anyone wishing to buy a shared ownership home must meet the following criteria:

- Must be at least 18 years old.
- Annual household income must be less than £80,000.
- Should generally be a first-time buyer, i.e. do not already own a home. If already own, must be in the process of selling.
- Should not be able to afford to buy a home suitable for housing needs on the open market
- Should be able to purchase a home suitable for their needs without additional financial assistance except for a mortgage/loan.
- Must not be in mortgage or rent arrears.
- Must be able to demonstrate a good credit history (the council will use information from one of the leading credit reference agencies) and an ability to afford the regular payments and costs involved in buying a home.

- Should have savings or be able to easily access at least £4,000 to cover the costs of buying a home. This is a guideline figure, the actual amount needed will vary from scheme to scheme.
- In most cases applicants shall also need to have enough savings or be able to access a minimum 5-10% of the equity share they are buying as a deposit.
- Must be within one of the following categories

Serving British Armed Forces personnel, former members of the British Armed Forces honourably discharged in the last two years or those who are surviving partners of regular service personnel who have died in service and have applied within two years of the bereavement.
Live or work in borough
Family connections in borough
Live / work neighbouring borough

## 5. Marketing

5.1. As part of any marketing campaign, all of the councils shared ownership properties must be advertised on [name] website.

5.2. Any prospective purchaser wishing to part purchase shared ownership properties acquired by the council must apply via the council's marketing agent.

5.3. The council's marketing agent will carry out an initial eligibility check in accordance with all appropriate eligibility criteria as outlined in section 4 above. They will also carry out an initial affordability check based on the Homes England affordability calculator which will assess whether the prospective purchaser(s) can afford the required minimum level of equity purchase.

5.4. Eligible prospective purchasers will be offered available properties on a 'first come, first served' basis.

5.5. The prospective purchaser will attend an interview with an Independent Financial Assessor. The IFA will check all relevant information to ensure they are eligible and that the scheme is affordable and confirm the minimum level of share the purchaser is required to purchase.

5.6. The council reserves the right to withdraw from any transaction at any time up to the point before contracts are exchanged.

## 6. Management

6.1. The shared ownership units will be managed through [section].

6.2. The council's [section] will oversee service charge payments as well as rental and the administration of staircasing.

6.3 The Executive Director (Resources) is authorised to accept applications to purchase a shared ownership home which satisfy the eligibility criteria and the selling price.

6.4 If an application is received from a current employee or a relative of that employee, it must be approved by the Executive Director (Resources), in consultation with the Monitoring Officer. Relative includes spouse, partner, parent, parent-in-law, son, daughter, step-son, step-daughter, child of a partner, brother, sister, grandparent, grandchild, uncle, aunt,

nephew, niece, or the spouse or partner of any of the preceding persons and “partner” means a couple who live together.

6.5 A mortgage for the purchase of a shared ownership property will usually include a requirement for the provider to provide mortgagee in possession protection to the purchaser’s lender. The Executive Director (Resources), is authorised to provide an undertaking to the purchaser’s lender where mortgagee in possession protection is provided for in the lease.

## **7. Sale of Shared Ownership Units**

7.1. If a shared owner wishes to sell their share of their home, they shall give the council first refusal to find another prospective purchaser to purchase their share. The price for which their share will be sold shall be determined by an independent valuation by a Royal Institute of Chartered Surveyors (RICS) qualified valuer. If the council is unable to find a suitable purchaser, the shared owner may sell the property freehold on the open market.

7.2. In order for the council to maintain the shared ownership option on the property and give the opportunity to other prospective purchasers, it will have eight weeks to find a buyer for the property; if this is not possible the shared owner will be able to sell the property privately or through an estate agent.

7.3. In the event of the shared owner selling the property on the private market for outright purchase the council would receive a capital receipt for the percentage held by the council. If this occurred the property would revert to standard leaseholder terms.

## **8. Monitoring and Continuous Improvement**

8.1. Non-material amendments to this policy may be made from time to time by the Executive Director (Operations) in consultation with Executive Director (Resources).

8.2. This policy will be reviewed every three years, unless legislation, business or sector developments require otherwise, ensuring that it continues to meet organisational objectives and take account of good practice developments

## **9. Each case on its merits**

9.1. As with any policy, the council will treat each case on its merits and for good reason may disregard any part of the policy in order to do so.