

Shared Ownership Sales Policy

1. Introduction

Our overall aim is to create homes and neighbourhoods which we can all be proud of whilst delivering an efficient and well-run business.

It is widely recognised that there is a significant shortage of affordable housing nationally, regionally and across Bolton. Demand for affordable rented housing is obviously high and also there is huge demand from customers who wish to be able to get a step on the property-owning ladder. Shared Ownership is a form of housing tenure which assists customers to secure a stake in a property in an affordable and sustainable way.

Under the 2016-2021 Shared Ownership Affordable Homes Programme, Bolton at Home successfully bid for grant funding to deliver properties for sale via Shared Ownership.

In addition, other Shared Ownership opportunities through Section 106 Planning Obligations have presented themselves for BH to take up and offer this form of tenure to customers.

Therefore, it was necessary to introduce and embed a Sales Policy for this tenure offer from Bolton at Home.

In the SOAHP 2016-21 prospectus, the product known as Help to Buy: Shared Ownership was largely the same as other shared ownership products. In all of these products the dwellings are part-rent/part buy (i.e. the property title and equity are split between the leaseholder (the shared ownership purchaser) and the landlord (the shared ownership provider) and are provided using the standard Homes England model shared ownership lease.

Purchasers of help to Buy: Shared Ownership leases are allowed to buy an initial share of not less than 25% and not more than 75% based on a percentage of the full market value of the property.

The shared owner raises the funds to purchase their share in the normal manner e.g. some savings, possibly some family assistance, but primarily by taking out a mortgage from a bank or building society.

The provider then grants a leasehold interest to the shared owner. The shared owner occupies the entire dwelling and pays a rent to the provider for the share of the property still owned by the provider.

The rent level is set by the provider, but the annual rent at initial sale must be no more than 3% of the value of the property in the ownership of the provider. Purchasers can subsequently acquire additional shares through a process called staircasing or can choose to dispose of their share.

The new 2021-2026 AHP programme introduces a new Shared Ownership model and a new Right to Shared Ownership.

The new Shared Ownership model will reduce the initial share from 25% to 10%, introduce staircasing in 1% tranches at reduced fees and introduce a 10-year period during which the shared owner will receive support from their landlord to pay for essential repairs.

The new Right to Shared Ownership will apply to all new rented property delivered through the AHP 2021-2026 programme and will give tenants access to the new Shared Ownership model, subject to eligibility and affordability.

Given our first developments under this programme will not be complete until late 2022, with qualifying criteria being 12 months occupation, policy changes to reflect this new tenure are not required at this stage but will be required by late 2023.

2. Purpose

The purpose of the policy is to provide principles and procedures to ensure that Shared Ownership properties are disposed of in a timely and equitable process **and, where grant funding is provided, adheres to all the requirements of the Homes England Capital Funding Guide.**

3. Scope

All prospective purchasers including members of staff.

4. Policy

4.1 Main Features of the Scheme

Purchasers are encouraged to buy the maximum share they can afford and sustain from the outset.

Help to Buy agents will undertake an initial headline eligibility assessment at application stage to ascertain the maximum share that an applicant could afford and whether they could sustain homeownership in the long term. Bolton at Home must then ensure that a further rigorous financial assessment is carried out taking into account savings, access to capital or any other assets, and outgoings, to assess the affordability of the purchase.

4.2 Funding Principles

We must obtain sales valuations from a Royal Institute of Chartered Surveyors (RICS) qualified independent valuer at the initial sales stage and on staircasing. Initial sales must be based on the full market value of the property which shall be assessed as the price the leasehold interest in the property would fetch if sold on the open market by a willing seller upon the terms and conditions contained in the shared ownership lease on the assumption that the leaseholder would acquire a 100% interest in the lease. Staircasing guidance is available in the HCA Capital Funding Guide.

We are required to provide rents and service charge information for shared ownership properties and must keep details of rents, including service charges, on file for Compliance Audit purposes.

We are expected to propose levels of rents that are considered affordable to potential purchasers.

Our proposed rent as a percentage of unsold equity is set as part of the initial allocation. We are then required to maintain the same percentage through to completion.

4.3 Eligibility and Priority

Regarding eligibility, Help to Buy: Shared Ownership is for people that are in housing need and are unable to purchase a property on the open market.

In order to be eligible to purchase a shared ownership property under Help to Buy: Shared Ownership, applicants must have a household income of less than £80,000 (or any other amount stipulated by Homes England) and be otherwise unable to purchase a property suitable to meet their housing needs on the open market.

Applicants are primarily expected to be first time buyers, though some applicants who own or have previously owned a home may be eligible.

We must direct all households that are interested in accessing Help to Buy: Shared Ownership to the current Help to Buy agent who will undertake an initial eligibility assessment. Then conduct our own assessment of individual applicants to ensure that they meet all eligibility criteria and charitable objectives.

In terms of priority, the government has removed all priority groups for assistance, where there is under supply. The exception is when Armed Forces personnel apply and in circumstances of under supply priority must continue to go to Serving military personnel and former members of the British Armed Forces discharged in the last two years. Further guidance on this area is available in the Homes England Capital Funding Guide.

All other applicants, including members of staff if interested, will be dealt with equal priority, with properties sold on a first-come, first-served basis once sales are released.

For high demand properties, we will experience a flurry of applications. Bolton at Home will prioritise applications in date order of the Help to Buy Application Form with First Time Buyers taking precedence over existing owners. However, any local connection criteria will take overall precedence. A reasonable timescale of 1 week will be given to applicants for additional supporting information, before we process the next application, unless under exceptional circumstances and by approval of the Development Manager. This process worked successfully for both our Park Rd and Guild St developments.

If the Shared ownership properties are acquired through s106 Agreements without grant funding then the Section 106 may often stipulate that priority will be given to applicants that meet certain local criteria, and then provide a cascade out to the subsequent areas further afield that will be given priority. This stipulation will take precedence over the general application priority rankings.

If an applicant is a Bolton at Home tenant, then relevant checks must be made on their tenancy conduct and rent account. Further guidance on joint applications and on income and assets that applicants have are available in the Capital Funding Guide.

If a prospective purchaser is a member of staff then the approval from the Group Director of Development and Growth will be required.

Owner occupiers may also be eligible, subject to meeting the general eligibility criteria of earning less per household than £80,000 (or other approved amount) and be otherwise unable to afford to purchase unassisted. For example, if a relationship breakdown occurs and the current property is being sold with proceeds being shared, or if a family require a larger property due to overcrowding. Existing shared owners are required to have disposed of their existing shared ownership home at the point of purchase.

People accessing grant funded shared ownership properties are required to demonstrate that they can afford and sustain home ownership in the longer term. Those applicants who are subject to immigration control (i.e. who require leave to enter or remain in the United Kingdom under the Immigration Act 1971) are less likely to be able to satisfy this requirement unless they have indefinite leave to remain in the UK.

Older Persons Shared Ownership Applicants must meet the standard eligibility criteria. However, the following exceptions and additions should be followed:

- Older Persons Shared Ownership is only available for people aged 55 or over
- Older Persons Shared Ownership applicants who are currently homeowners will need to sell their existing property before buying using Older Persons Shared Ownership, though they will not require a local authority nomination in order to be approved as eligible
- We will not carry out the usual sustainability assessment, but in determining eligibility must take into account the level of equity available from the sale of any existing property along with any additional savings. Applicants with sufficient equity to be able to purchase a suitable property on the open market should not be assessed as eligible
- Older Persons Shared Ownership applicants may need to retain a higher level of savings or investments than other applicants to provide ongoing income (in which case it should be taken account of in the headline eligibility check) to cover ongoing living and care costs.

4.4 Rent and Service Charges

With regard to rent levels at initial sales, rents and service charges must be reasonable and consistent with those agreed at bidding stage. The initial rent must not exceed 3% of the capital value of the unsold equity at the point of initial sale, but it can be less. We are encouraged to set rents that average no more than 2.75% of the value of the unsold equity at the point of initial sale. In setting rents we must have regard to the affordability of the total housing expenditure of the residents' i.e.

- Mortgage costs
- Rent and
- Service charges (including the cost of management and insurance)

4.5 Leases

As per Homes England Capital Funding Guide recommendations, we will be using the model house lease for Help to Buy: Shared Ownership, which adheres to the Council of Mortgage Lenders requirements. We will retain a copy of the form of lease granted for each scheme (i.e. one example pro forma for the scheme) as well as retaining the original counterpart lease signed by each leaseholder (i.e. for each individual property) for future reference.

Shared ownership leases will also prohibit sub-letting by the leaseholder to protect public funds and ensure applicants are not entering shared ownership for commercial gain.

In line with proposed government leasehold reforms, rather than the 99-year lease term that Homes England currently recommended, where our title allows, we will extend the term of the lease on new sales now to 990 years.

For Older Persons Shared Ownership schemes the Agency does not produce a model lease. It is recommended that the model Designated Protected Area lease be used, with the restricted staircasing clauses incorporated meaning that the maximum percentage will be amended to 75% in the particulars. Providers must not consider any sale to a person younger than 55. The Housing Ombudsman Service has determined that sales to someone not meeting the age restriction must be regarded as a breach of the terms of the lease. So the lease restricts the maximum share to 75% of the open market value (either at initial sale or upon staircasing) and contains no rent provision where the maximum share of 75% has been acquired.

4.6 Sustainability and Affordability

With regard to affordability and sustainability, Homes England requires providers to use their sustainability calculator and guidance or a methodology of comparable standard to determine the share an applicant can purchase and an applicants' ability to sustain home ownership when accessing shared ownership. This can be adapted to suit individual circumstance, whilst ensuring that long term sustainable home ownership remains the primary objective. After the Help to Buy Agent has confirmed eligibility, we will capture information from applicants that will enable these calculations to be undertaken. To help provide a more in depth analysis of

an applicant's ability to sustain and afford home ownership in the long term, Bolton at Home signpost applicants to Metro Finance, a specialist Shared Ownership mortgage broker who provide us with additional information about applicant affordability free of charge. There is a Data Sharing Agreement in place with Metro Finance, in line with Bolton at Home's Information Governance Team requirements.

4.7 After Sales

For after-sales queries and issues, Home England's Capital Funding Guide will be used to guide processes regarding Staircasing, Mortgage Difficulties, Mortgage Defaults, Additional Borrowing, Lease Extensions, Resales and Landlord Repurchase.

5. Equality analysis

Internal verification process has been completed. Equality Impact Analysis completed 21 November 2021.

6. Legislation

Where grant funding has been secured from Homes England, we are required to follow the Homes England Capital Funding Guide Requirements – this policy has been based on this guidance criteria.

7. Responsibility

The Development and Homeownership team will ensure this policy is successful, with staff having individual and collective responsibility to implement the policy.

8. Consultation

To engage in the delivery of the grant funded Shared Ownership products we are obliged to follow the Capital Funding Guidance established by Homes England. This dictates the eligibility / priority of applicants, rent setting / service charges, the type of lease we can use and decisions regarding sustainability and affordability. Therefore, wider consultation outside of BH Leadership Team and Audit Committee has not been undertaken.

9. Monitoring, Review and Evaluation

Sales activity is monitored on a quarterly basis and reported to Board as part of the performance reports. An annual review and evaluation will be carried out and reported to Board as part of the wider Development and Sales Update report.

Date approved	Group Board 17 August 2021
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