

---

|                          |  |
|--------------------------|--|
| <b>Subject:</b>          | <b>SHARED OWNERSHIP POLICY</b>   |
| <b>Meeting and Date:</b> | <b>Cabinet – 5 February 2024</b>   |
| <b>Report of:</b>        | <b>Rachel Collins, Head of Housing</b>   |
| <b>Portfolio Holder:</b> | <b>Councillor Pam Brivio, Portfolio Holder for Housing, Skills and Education</b> |
| <b>Decision Type:</b>    | <b>Key Decision</b>  |
| <b>Classification:</b>   | <b>Unrestricted</b>  |

---

**Purpose of the report:** To provide detail in relation to the proposed amendments to the Shared Ownership Policy (“the Policy”) and seek approval to implement the new and updated version.

---

**Recommendation:** That Cabinet:

- i. Approves the retraction of the ‘Shared Ownership Marketing, Sales and Management Policy’.
- ii. Notes and approves the content of the new proposed ‘Shared Ownership Policy’.
- iii. Approves delegation to the Strategic Director (Housing and Finance), in consultation with the Portfolio Holder for Housing, Skills and Education, authority to make future minor amendments to the policy as required.

---

## **1. Summary**

- 1.1 The Council currently owns and manages 34 Shared Ownership properties (see 2.6) and this number will increase as part of the Council’s commitment to developing a range of affordable housing options. Therefore, it is important for the Council to have an established policy in place to ensure that it adheres to its duties in accordance with the Capital Funding Guide, PSED, data protection, and other applicable legislation and internal operations.
- 1.2 The current ‘Shared Ownership Marketing, Sales and Management Policy’ was approved via delegated authority on 11 March 2022. However, there have been several changes to the regulations that now require this policy to be updated. In carrying out these changes we have also reviewed the content of the 2022 version and made amendments (please see Section 3) where appropriate to ensure the document is comprehensive and transparent.
- 1.3 The key changes between the current and new versions of the Policy relate to:
  - (a) Homes England changes to the Help to Buy agent service
  - (b) Introduction of the new model of shared ownership; and
  - (c) The Secretary of State letter (19 Dec 2023) setting out changes to the Capital Funding Guide
- 1.4 For the purposes of this report, the proposed new version of the policy will be referred to as the “2024 version”, and the current version as the “2022 version”.

## **2. Introduction and Background**

### About Shared Ownership

- 2.1 Shared Ownership gives eligible buyers the opportunity to purchase a share in a property. The purchaser pays a mortgage on the share they own and pays rent on the unowned share (usually calculated at 2.75%), a service charge and ground rent (if applicable) to the Council (Freeholder).
- 2.2 Applicants for Shared Ownership must meet eligibility and affordability criteria to purchase a property under the scheme.
- 2.3 Purchasers also have the option to increase their share value, known as 'staircasing', and in most cases they can staircase up to 100% ownership. This enables individuals to get onto the housing ladder with a smaller mortgage and deposit.
- 2.4 Where a Shared Ownership property is in a Designated Protected Area (areas designated by the Secretary of State, which are predominantly rural where social housing needs to be retained) and the lease permits the leaseholder to acquire more than 80% (i.e., full ownership) of the property, then there is an obligation on the landlord that commits them to repurchase the property when the leaseholder wishes to sell, for fair market value.
- 2.5 In 2021, Homes England made changes to the Shared Ownership model in line with the commencement of the 'Affordable Homes Programme 2021-2026' (AHP 21-26) which replaced the 'Shared Ownership and Affordable Homes Programme 2016-2021' (SOAHP 16-21), introducing a new model of Shared Ownership which aimed to make it fairer and more affordable to own a property. These changes include:
  - (a) A reduced size of the minimum share required to purchase from 25% to 10%.
  - (b) A reduce size of the minimum share a leaseholder can purchase through staircasing from 10-25% to 5%, and the introduction to purchase 1% shares over a 15-year period from the initial sale.
  - (c) Introduction of a 10-year 'initial repair period' whereby the freeholder is required to support the leaseholder with costs of essential maintenance and repairs to the property.
  - (d) A reduced nominations period from 8-12 weeks to 4 weeks, giving leaseholders more control over when they can sell their home on the open market.
- 2.6 The changes mentioned in 2.5 only apply to 'new model' Shared Ownership. Currently, the Council does not have any properties under this model, however this is likely to change going forward.

### Council-Owned Shared Ownership

- 2.7 The Council currently owns 34 Shared Ownership properties; of this total 29 are flats, 5 are houses. These properties fall under the 'old model' of Shared Ownership.
- 2.8 The management the sale of Shared Ownership properties is overseen by the New Homes Officer in the Strategic Housing team (as of February 2022). Prior to this, the sales progression was overseen by the Homeownership Officer in the Property Services team. However, the Homeownership Officer still oversees the resale, staircasing and general post-sale leasehold management of all Shared Ownership properties in cooperation with the New Homes Officer.

### Changes to Help to Buy Agents

- 2.9 Home England launched a series of consultations in 2021 about the Shared Ownership scheme, including the Help to Buy agent service. In late 2022 they announced that changes would be made to the Help to Buy agent service that would take effect from 1 April 2023. The changes implemented included:
- (a) A centralised 'Help to Buy' agent service, with a greater focus of this being primarily online.
  - (b) The introduction of an online affordability tool which prospective applicants can access freely themselves to give them an idea of what share they might be able to afford before seeking professional advice from an Independent Mortgage Advisor / Broker.
  - (c) Providers will not be required to sell their Shared Ownership properties via the new Help to Buy portal.
- 2.10 The 2022 version does not take account of these changes, and therefore provides inaccurate information to staff, applicants, and leaseholders. The 2024 version takes account of these changes.

Letter from the Secretary of State (SoS) – 19 December 2023

- 2.11 In a letter published on 19 December 2023, the SoS set out some key changes to the Shared Ownership section of the Capital Funding Guide as a direct result of the Building Safety Act 2022.
- 2.12 The key change pertaining to this Policy is the expectation that the Council will support leaseholders selling their property with their valuations if any building safety issues (as outlined in the Building Safety Act 2022) impact on the market valuation that result in making it difficult to sell the property. The 2024 version takes account of this expectation (Appendix 1, 10.19 & 11.17) using the wording suggested by the SoS letter.
- 2.13 The SoS also emphasised the importance for all policies pertaining to Shared Ownership to be readily and easily available online and accessible in different formats. Once this Policy and the Leasehold Management Policy are approved, they will be published on our 'Housing documents' webpage and paper copies can be provided on request.

### **3. Summary of Changes to the Shared Ownership Policy**

- 3.1 The main change to the Policy is the separation of aspects of leasehold management into a Leasehold Management Policy, as demonstrated below:
- (a) **Shared Ownership Policy** – incorporates marketing, allocation, sales, resales, rent setting, staircasing and downward staircasing aspects of Shared Ownership.
  - (b) **Leasehold Management Policy** – incorporates service charges setting, ground rent and post-sales aspects, including repairs and maintenance, home improvements, health & safety, subletting, engagement / consultation, lease extensions and enforcement. This Policy will combine the management of all leasehold properties (Right to Buy flats and Shared Ownership flats and houses).

This change was made in consultation with Officers involved in the development of both policies, and whom will also be involved with overseeing processes related to either policy. Appendix 3 of this report provides a summary of each statement within the policy.

#### **4. Monitoring and Implementation**

- 4.1 Formal reviews of the Policy will be conducted every 3 years or where changes to legislation and/or regulations require an immediate review. If the Policy is approved for use, the next expected review date will be in 2027.
- 4.2 Staff will be provided with guidance and processes to ensure that they can (1) adhere to the Policy's provisions and current regulations compliantly and (2) provide good customer service and care to applicants and shared owners (leaseholders).
- 4.3 As per 2.12, a copy of the Policy will be provided online via our website for residents to access.

#### **5. Equality Impact Assessment**

- 5.1 An updated equality impact assessment (Appendix 2) has been completed for the Policy and has identified some negative impacts to groups with protected characteristics. Mitigating actions have been identified to reduce the impact of those affected.

#### **6. Identification of Options**

- 6.1 Option A: Cabinet agrees to the recommendations of this report.
- 6.2 Option B: Cabinet does not agree to the recommendations of this report.

#### **7. Evaluation of Options**

- 7.1 Option A is the preferred option. It will ensure that the Council has an up-to-date and comprehensive policy in place to provide clearer guidance to applicants, leaseholders, and staff, that addresses the regulatory and operational changes made by Homes England regarding Shared Ownership scheme and the Help to Buy Agent service.
- 7.2 Option B is not the preferred option. Continued use of the 2022 version will not consider the regulatory and operational changes to the Shared Ownership scheme and the help to buy agent service, therefore Officers will continue to use and base their decisions on an out-dated document.

#### **8. Resource Implications**

##### Financial Implications

- 8.1 The Council will need to calculate the rent and service charges payable by leaseholders during their term in the property. Subsequently, the Council will need to provide rent and service charge summaries on an annual basis, or when requested by a leaseholder.
- 8.2 The Accounts team will need to process the payment of reservation fees and other fixed administrative fees charged during the resales and staircasing process.
- 8.3 The Council may decide to apply for Homes England grant funding through their Affordable Homes Programme (AHP) 2021-2026 to develop shared ownership properties. Therefore, the Council will need to ensure that in doing so it is financially stable enough to pay back the loans over the prescribed period.
- 8.4 The Council will need to ensure that it can financially cover the costs of repairs during the initial repair period (if applicable) on new model Shared Ownership. This period lasts for up to 10 years, where leaseholders can also claim up to £500 a year from the Council. Where the leaseholder does not claim any or all of their yearly allowance, the

unclaimed amount will be rolled over to the next year. This means that for every shared ownership property, the Council is committed to incurring an additional cost of up to £5,000 maximum (for each individual property) to implement this change.

- 8.5 It is important to note that should a Shared Ownership tenant fail to keep up with its mortgage repayments, and the lender subsequently repossess the property and makes a loss in the subsequent sale of the property, the Council remains liable for such loss incurred by the lender (provided the loss falls into certain categories). This effectively means that the Council will receive less than they would have done originally and in effect, indemnifies the lender.
- 8.6 The Council will need to ensure that it can financially cover the costs of its obligation to repurchase any Shared Ownership properties that are sited within a Designated Protected Areas (DPAs) and where the leaseholder has 'staircased' to full ownership of that property.

#### Legal Implications

- 8.7 By owning shared ownership properties, the Council will be beholden to the Capital Funding Guide, regulations, as well as both monitoring and auditing by Homes England and audit partner agencies (where applicable).
- 8.8 As the freeholder of Shared Ownership properties, the Council will act as a landlord and be expected to adhere to the relevant landlord and tenant legislation.

#### Operational Implications

- 8.9 Officers in the following teams will be involved at any point during the sales, resale, and staircasing of Shared Ownership properties:
- (a) **Strategic Housing** to oversee the initial sale of the properties and provide support with resales.
  - (b) **Asset Management** to oversee the leasehold management of the properties, particularly resales, staircasing, downward staircasing, repairs, maintenance, and enforcement.
  - (c) **Legal** to oversee the lease agreements, and all other legal aspects of the sales, resales and staircasing processes.
  - (d) **Accounts** to oversee rent and service charge setting, and the payment of reservation and other fixed administrative charges.

### **9. Climate Change and Environmental Implications**

- 9.1 No implications to climate change or the environment were identified in the development of this report and the attached appendices.

### **10. Corporate Implications**

- 10.1 Comment from the Director of Finance (linked to the MTFP): 'Accountancy have been consulted in the writing of this report and have no further comment to add (AC)'
- 10.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make. (SRD)
- 10.3 Comment from the Equalities Officer: As referenced at paragraph 5.1 the adoption of this policy will potentially have a negative impact upon three protected characteristic groups, age, disability, and race. Proposals to mitigate these impacts have been noted in the Equality Impact Assessment. The Equality Officer has no further comments to make, other than to remind Members that in discharging their responsibilities they are

required to comply with the public sector equality duty as set out in section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15/section/149>

**11. Appendices**

- 11.1 Appendix 1 – Shared Ownership Policy (2023)
- 11.2 Appendix 2 – Equality Impact Assessment
- 11.3 Appendix 3 – Summary of key policy statements

**12. Background Papers**

- 12.1 [Capital Funding Guide: 1. Shared Ownership](#)
- 12.2 [Shared Ownership: buying, improving, and selling](#)
- 12.3 [‘Own your Home’ Shared Ownership](#)
- 12.4 Secretary of State Letter (19 December 2023); [Shared ownership and building safety \(publishing.service.gov.uk\)](#)

Contact Officer: Perry DeSouza, Senior Housing Policy Officer