

Shared Ownership Eligibility and Affordability Policy

1.0 SCOPE

Purpose

1.1 This document sets out whg's policy towards the allocation and eligibility of shared ownership purchasers. The Shared Ownership Policy has been revised following the Government announcements in November 2015 and changes to the Homes England (HE) Capital Funding Guide (CFG) and sets out the criteria for eligibility and allocation on any future Shared Ownership homes which are sold as part of our Development Growth programme.

Legal and regulatory framework

1.2 The aim of the Policy is to ensure compliance with the CFG and relevant legislation set out by Homes England and that whg assess all applications fairly and that any risks associated with providing intermediate home ownership are managed appropriately. It takes account of the following legislation: The Estate Agents Act 1979, Consumer Protection from Unfair Trading Regulations (CPR's) 2008 and Business Protection from Misleading Marketing Regulations Act (BPR's) 2008.

The Policy aims to meet the following objectives:

- Prioritise households who are in housing need and could benefit from Shared Ownership products.
- Set minimum eligibility criteria to identify potential applicants who are able to benefit from a Shared Ownership purchase and provide a system for prioritising applicants.
- Maximize share receipts to meet the financial objectives of whg.
- Ensure sustainability for Shared Ownership in accordance with statutory and charitable status.
- To demonstrate the whg offers fair and equal access to its Shared Ownership homes.

2.0 POLICY STATEMENT

2.1 Sales approach

2.1.1 Our aim is to maximise the equity share percentages sold on all initial tranches for homes sold via the Shared Ownership initiative.

2.1.2 An average sales target to be applied across the Shared Ownership programme will be agreed annually by the Board, with the flexibility of offering initial tranches ranging from 25% to 75% which will be aligned to the outcome of the affordability test.

2.1.3 The first tranche sales target for individual schemes will be agreed by Capital Development Appraisal Panel (CDAP)/Board at the scheme approval stage.

2.1.4 All initial sales or purchases of additional tranches via staircasing will be subject to an open market value of the property, which will be determined by an independent member of the Royal Institute of Chartered Surveyors (RICS).

2.1.5 The annual programme sales target(s) will be set in advance of the financial year and aligned to financial benchmarks review and budget. This will be based on the anticipated Shared Ownership homes due for handover in the forthcoming financial year and will be subject to Board approval.

Geographical coverage and demand requirements

2.1.6 All future Shared Ownership homes to be developed or acquired will be situated within the priority geographical locations outlined within the Development Growth Strategy.

2.1.7 All new Shared Ownership development scheme proposals comprising 15 or more Shared Ownership homes will be supported by an independent sale and marketing report which will substantiate demand for the low cost home ownership within a specified location and considered at CDAP.

Rent charges

2.1.8 Our Shared Ownership rent levels will range from 2.50% to 3% of the unsold equity and will be subject to an affordability test.

2.1.9 As an example, individual schemes which are located in higher value areas which exceed the affordability benchmark level and/or where local authority rent restrictions apply we will consider setting the rent levels lower.

2.2.0 Annual rent increases will not exceed the provisions stated in the lease and will be in line with the annual rent review which is Retail Price Index (RPI) plus 0.5% annually.

Legal requirements

2.2.1 The term of the lease will be 125 years and charges will be set and administered in accordance with current legislation, including the production of annual accounts.

2.2.2 Where sinking funds are collected for maintenance and major repair provisions, these will also be included in the terms of the lease and annual fund statements will be issued to the leaseholder.

2.2.3 The leaseholder is responsible for repairs and have the same responsibilities of an owner-occupier once the defect period has expired. If the defect period has expired at the point of sale for a new build home and the property has not been previously occupied, the Group will consider providing a three month repairing obligation for defects from the date of sales completion.

2.2.4 Staircasing provisions are included within the lease and the Group will sell the purchaser additional shares at the open market value determined by an independent RICS valuation and based on CFG guidance and affordability.

2.2.5 Management of Shared Ownership will be in accordance with the Leasehold Management Policy.

Eligibility

2.2.6 The CFG indicates the following requirements for applicants where HE grant funding is in place:-

- They must be registered with the Help to Buy agent for the region
- An applicant who is an existing tenant must not be in rent arrears or in breach of their current tenancy agreement at the time of the application.
- An existing Shared Owner can move to a new build Shared Ownership home, subject to affordability and disposal of their existing home prior to the purchase of the Shared Ownership property except with the prior written agreement of HE.
- They must not have sufficient income or savings to buy a suitable property on the open market but have sufficient funds to meet the one off costs of buying a home, with evidence of funds or mortgage availability in line with HE's CFG.
- Be able to purchase a share equal or greater than 25% of the property value and less than the maximum where applicable
- They must have a gross income of less than £80,000 per household
- Owner occupiers can have access to Shared Ownership subject to written support from the relevant local authority that they are in housing need.

2.2.7 The following eligibility criteria for applicants have been added for the purpose of the whg Policy when not grant funded:-

- Applicants must be able to prove that any previous bankruptcy has been discharged and any previous court judgments have been satisfied

- All applicants must be over the age of 18 and living in UK. Applicants with time-limited leave to remain in UK will be considered on a case by case basis by the Director of Housing.
- Applicants must meet any additional eligibility requirements linked to funding arrangements or planning conditions
- If applicants are currently not working, the initial tranche is to be purchased through cash funds and the rental element to be assessed for payment through housing benefit or private funding arrangements.
- Applicants must provide a declaration of any relationship with whg or any of its subsidiaries and/or whg Board Members or colleagues.

Older Persons' Eligibility

2.2.8 The eligibility for older persons' is as above in 2.5.1 with the following additional requirements:

- Must be aged 55 or over
- Any existing property must be sold before or simultaneous to shared ownership sale
- Applicants may need to retain a higher level of savings than other applicants to provide income to cover ongoing living and care costs. Judgement will be made on a case by case basis according to the individual circumstances of the applicant

Assessment

2.2.9 In accordance with the CFG requirements, Shared Ownership purchasers will be required to:

- Provide a copy of a current credit report produced by a company regulated by the Financial Conduct Authority
- Provide evidence of funds or mortgage availability
- Attend an interview with a member of the Sales and Marketing Team

2.3.0 Any lump sums paid to eligible members of the armed forces as a result of illness or injury are to be disregarded when assessing eligibility and sustainability in accordance with the CFG

Affordability

2.3.1 The scheme financial feasibility appraisal will include a first stage affordability assessment sensitivity test.

2.3.2 The HE affordability calculator will be used to undertake an assessment of each prospective purchaser and this will be completed by either an Independent Financial Advisor (IFA) or Sales & Marketing Assistant.

2.3.3 In order to complete an in-depth financial assessment and guard against fraudulent applications, each applicant will be required to provide the following information:

- Proof of earnings (last 3 months wage slips)
- Proof of savings (bank account statement)
- Details of any outstanding loans and debts (e.g. credit cards)
- Proof of current residency (e.g. utility bill)
- Proof of identity (e.g. passport, driving licence)
- Proof of landlord (e.g. rent book, letter of confirmation)
- The credit history of applicants may be checked with a credit reference agency and Land Registry searches may be carried out to ensure the applicant does not own another property at the point of purchase.

2.3.4 Purchasers will be encouraged to buy the maximum share they can afford and sustain. A guide of 40% of net income for housing costs will be the basis of eligibility, which is in accordance with HE guidance.

2.3.5 Equity shares will be sold flexibly in accordance with purchaser's specific circumstances and CFG requirements. First sale tranches will range from a minimum of 25% to a maximum of 75%.

2.3.6 Thereafter, Shared Owners will be able to buy additional shares by staircasing and will be required to purchase a minimum 10% tranche up to the full open market value of the property.

Allocation

- CFG outlines 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.
- In order to maximise income and to achieve targets, applicants who can purchase higher tranches will be given priority in order to achieve the aims of whg.
- The tenant must not be in arrears or in breach of their current tenancy agreement in line with the Allocations Policy.
- Applicants are not restricted to purchasing property that only fulfil their current household levels (i.e. a couple can purchase a three bedroom home).

- When a purchaser has access to public funds for the rental element, the allocation of a property will be based on their occupancy levels.

Equality and Diversity

2.3.7 whg is committed to fairness and equality for all, operating with professionalism, integrity and openness.

2.3.8 whg colleagues are eligible to apply for shared ownership and will be treated on the same basis as any other applicant in line with the Probity Policy.

3.0 PERFORMANCE MEASURES

3.1 A monthly sales and marketing report including KPI/performance outcomes will be presented by the Sales and Marketing Manager to CDAP/Board.

4.0 MONITOR AND REVIEW

4.1 This Policy will be monitored by the Director of Development and reviewed every three years by the whg Board or earlier should legislation be changed.

4.2 The Shared Ownership financial assumptions and benchmark included within the financial viability appraisal will be reviewed annually and approved by Board.

5.0 ASSOCIATED DOCUMENTS, POLICIES AND PROCEDURES

5.1 Documents, policies and procedures associated with this policy are:

- Affordable Housing Capital Funding Guide
- Shared Ownership – Joint Guidance for England
- Development Growth Strategy
- Consumer Protection Regulations
- Complaints and Compliments Policy
- Customer Excellence Policy
- Allocations Policy

- whg Risk Management Policy
- Probity Policy
- Sale and Resale Marketing Policy (to be prepared)
- Leasehold Management Policy (to be updated to include Staircasing and Repossessions)

APPENDIX 1

Shared Ownership Equality Assessment

Equality Analysis (EA) Form

What is being analysed?	Shared Ownership Policy
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Sources of information used in this EA

The Shared Ownership Policy was discussed between the Sales and Marketing Manager and Equality and Diversity Manager in order to give clarity on the legislation and guidelines needed to be followed/adhered to. The Shared Ownership programme is a nationwide programme and is monitored by Homes England. Homes England set the Capital Funding Guide which gives guidance and advice on all aspects of the Shared Ownership process that gives clarity on ensuring compliance and allows for a standardised Affordability and Eligibility process. As Shared Ownership has a set criteria to follow to ensure compliance many of the aspects that were highlighted to be discussed as part of this Equality Analysis were able to be satisfied with no further action required.

Protected group	Impact Positive/Neutral/Negative	Action	Comments
Age	Negative Applicants for the 55+ scheme are subject to additional eligibility tests.	N/A	Supports compliance with the Capital Funding Guide (CFG) as set out by Homes England.

Age	Positive The additional eligibility tests for the 55+ applicants will ensure tenancy sustainability.		
Disability	Negative Any lump sums paid to eligible members of the armed forces as a result of illness or injury, are to be disregarded when assessing eligibility and sustainability.	N/A	This stipulation is in accordance with the Capital Funding Guide (CFG) as set out by Homes England.
Ethnicity/Race	Positive The scheme is inclusive of applicants with time-limited leave to remain status, and will assess these on a case by case basis.		
Gender reassignment	Neutral		
Religion/Belief	Neutral		
Sex (Gender)	Neutral		
Sexual orientation	Neutral		
Poverty/ disadvantage/ location	Negative In order to maximise income and achieve	Where schemes are ahead of target, policy discretion and flexibility can be applied.	

<i>(not a protected characteristic)</i>	targets, applicants who can purchase higher traches will be given priority.		
Poverty/ disadvantage/ location <i>(not a protected characteristic)</i>	Positive Lower rent levels will be set for schemes in areas of high value or where Local Authority rent restrictions apply.		
Poverty/ disadvantage/ location <i>(not a protected characteristic)</i>	Positive All applicants will be subject an affordability test to ensure tenancy sustainability.		
All Groups or General Comments	The collection of diversity data from the Help to Buy agents will enable the monitoring of whg sales and the promotion of the scheme to any under represented groups if required.	Explore the viability of diversity data collection from the Midlands Help to Buy agent.	

Date analysis completed	24/10/18
Timescale for actions	N/A
Date for Policy sub group meeting	21/11/18
Signed off by (policy owner/author)	1/11/18

Version control

Version	1.0
Document author	Nicola Whiting – Sales and Marketing Manager
Document owner	Rebecca Bennett Casserly
Legal advice	Obtained legal advice from our panel solicitor Shakespeare Martineau who reviewed the policy and supplied comments
Consultation	Consulted with various parts of the business in line with the Mandatory Policy Review Checklist
Approved by	Policy Group November 2018 whg Board November 2018
Review Date	June 2022
Corporate Plan aim	<ul style="list-style-type: none"> • Deliver High Quality Homes And Services For Our Customers • Grow And Expand Our Services, Our Reach And Our Range
Equality analysis	31 October 2018
Key changes made	<p>Addition of CPT figure within Rent Review section to give clarity</p> <p>Section 2.2.6 – Eligibility - wording updates for clarity within section</p> <p>Section 2.3.1 – Affordability – addition of details of financial assessment evidence requirements</p>