

NEW BUILD HOMEBUY/SHARED OWNERSHIP

1 POLICY STATEMENT

- 1.1 Key Strategic priorities for Erimus Housing (Erimus) and Tees Valley Housing (TVH) are the provision of affordable quality homes in communities where people want to live, and the growth and development of our asset base to provide opportunity and choice for current and future residents.
- 1.2 Erimus and TVH supports the development of shared ownership as one element of promoting mixed and sustainable communities, and our policy for shared ownership allocations represents the current guidance relating to this issue from the Homes and Communities Agency (HCA).
- 1.3 The policy and scoring system ensure that homes are offered to customers in a fair and consistent manner in accordance with national policy and best practice, and incorporate any necessary local variations in policy.
- 1.4 Erimus and TVH will provide applicants for shared ownership with full information on estimated costs, rights, responsibilities and the obligations of being a shared owner, and all applicants will be advised to seek independent financial advice regarding their financial circumstances.
- 1.5 The policy will be monitored and reviewed, as appropriate, when strategic, procedural or legislative changes occur or any significant changes are made by the HCA to New Build HomeBuy.

2 REFERENCE MATERIAL

- 2.1 The following reference material has been considered when compiling this policy:
 - National Audit Office, (2006) A Foot on the Ladder LCHO Assistance;
 - HCA – New Build HomeBuy;
 - Chartered Institute of Housing – Whose House is it Anyway.

Websites:

- Audit Commission – www.audit-commission.gov.uk;
- HCA – www.homesandcommunities.co.uk;
- National Housing Federation – www.housing.or.uk;
- Department for Communities and Local Government – www.communities.gov.uk;

3 DEFINITIONS

- 3.1 New Build HomeBuy: This is a Government initiative which allows the buyer to purchase a proportionate share of a new property, built with public sector

subsidy. The minimum share purchased will be determined on a scheme by scheme basis.

- 3.2 **Affordability:** We have referred to the HCA's guidance that housing costs for shared ownership schemes should have a net income cap, which is recommended at a range of 45 - 50% of net income, depending upon individual circumstances.
- 3.3 **Rental element:** Erimus and TVH will charge rent at up to 3% on the remaining equity held in the property. This will be calculated on a scheme specific basis.
- 3.4 **Staircasing:** Purchasers may buy additional shares in their home as and when they can afford to do so. The minimum additional share is 10% of the remaining unsold value of the property.
- 3.5 **Market Value:** The purchase of further shares will be at the open market value of the property at the time of purchase.
- 3.6 **Shared Ownership:** This is used in this policy as a generic term for Low Cost Home Ownership (LCHO) such as traditional shared ownership schemes, New Build HomeBuy, Leasehold Scheme for the Elderly (LSE), Shared Ownership for the Elderly, Shared Equity Schemes and Discount for Sale (DFS).
- 3.7 **Section 106 Agreement:** Local planning obligation for affordable housing.

4 POLICY CONTENT

4.1 Objectives

- 4.1.1 Shared ownership properties will be developed by Erimus and TVH to help people living in housing need to purchase a home of their own.
- 4.1.2 Purchasers must have insufficient income or available resources to be able to afford the outright purchase of satisfactory housing at current market prices, and must have sufficient savings or income to meet the associated cost of purchasing the initial share in the property and pay the rental element without financial hardship.
- 4.1.3 We recognise that for many customers, home ownership is an aspiration not a need as they could sustain rented accommodation in their current circumstances. It should also be acknowledged that for many people even purchasing a property through a low cost home ownership scheme is not affordable.
- 4.1.4 The aim of the scheme is to meet defined housing needs identified by the Local Housing Authority or the Regional Housing Board, and develop a mixed tenure sustainable community through the inclusion of people who may otherwise be unable to afford to purchase a suitable property in the required location.

- 4.1.5 Erimus and TVH will maintain an effective database of qualifying shared ownership customers, and will monitor and review schemes to ensure that future shared ownership developments meet the needs of the communities in the areas in which we operate.
- 4.2 Policy Principles
- 4.2.1 New Build Shared Ownership will be developed in accordance with Erimus and TVH Growth and Development Strategy, and we will bid for National Affordable Housing Programme (NAHP) and other funding initiatives for shared ownership as appropriate.
- 4.2.2 New Low Cost Home Ownership (LCHO) developments will be subject to the Chief Executive and the Board being satisfied about the long-term viability of the scheme and that total scheme cost is in-line with the Business Plan.
- 4.2.3 Homes are sold as leasehold properties on shared ownership terms, these can be houses, apartments or bungalows, and property sale prices will be based on independent valuations of market value at the initial sales stage and on any subsequent 'staircasing'. Where a property remains unsold 6 months after the initial valuation, the valuer will be asked for an update to ensure that the property is still being marketed at the correct price. Properties cannot be offered for sale below their open market valuation.
- 4.2.4 Erimus and TVH may install fixtures and fittings that exceed the normal lettable standard or the HCA's Design and Quality Standards in shared ownership properties to help marketability.
- 4.2.5 Purchasers must purchase the maximum share they can afford and sustain. The initial share sold to the leaseholder must be a minimum of 25% and a maximum of 75% purchased at the market value of the property. Owners will pay rent to Erimus and TVH on the remaining share they do not own (except in the case of shared equity, LSE and DFS schemes where no rent is charged on the unsold equity retained by Erimus and TVH). We will ensure that any rent payable will be calculated to be affordable in-line with the HCA's rent setting guidance.
- 4.2.6 The minimum share, rent payable and equity share arrangements will be determined on a scheme by scheme basis.
- 4.2.7 Where rent is charged on the unsold share of the property, it will not exceed 3% for any individual scheme, and annual rent increases will not exceed the provisions as stated in the lease.
- 4.2.8 Where services are provided to shared ownership properties, these will be referenced in the lease and charges will be set and administered in accordance with current legislation, including the production of annual audited accounts. Where sinking funds are collected for maintenance and major repairs provisions, these will also be included in the terms of the lease and

administered in accordance with current legislation and audited annual fund statements issued.

- 4.2.9 Erimus and TVH will issue leaseholders with all relevant information (i.e. provision of a Home Information Pack if required, property guarantee details, and terms and conditions of the lease). All leaseholders will be issued with a copy of the Leaseholders Handbook.
- 4.2.10 Erimus and TVH will meet its initial contractual and statutory repairing obligations toward shared ownership properties. Once the usual defect period has expired, the shared owners have full repairing responsibility and becomes liable for all maintenance costs on the property, even if they only have the minimum 25% equity share. In the case of flats, Erimus and TVH will remain responsible for repairs and maintenance to the exterior of the building and to any communal facilities.
- 4.2.11 Erimus and TVH will sell the purchaser additional shares at the appropriate market value, to enable them to 'staircase' up to outright ownership of the property. The exception to this will be shared ownership schemes for the elderly and Rural Restricted Stair Casing schemes which will be limited to a maximum % ownership for designated elderly person's properties and for rural/section 106 schemes, to ensure the property remains affordable for future applicants needing low cost home ownership.

4.3 Applications

- 4.3.1 All initial applications for schemes funded through the NAHP must be through Time"Buy, the Homebuy Zone Agent for Tees Valley and County Durham. The Zone Agent will compile details of eligible applicants based on the Zone Agent application criteria as specified by the Housing Corporation or Department of Communities and Local Government (CLG).
- 4.3.2 Eligible applicants will then be forwarded to Erimus and TVH for assessment in accordance with the following eligibility policy principles and the criteria contained at Appendices 1, 2 and 3.

4.4 Eligibility

- 4.4.1 When assessing the viability of shared ownership sites, affordability will be a key issue. Affordability will be calculated using household income as a main driver.
- 4.4.2 Applicants are eligible for shared ownership if they meet three tests of suitability. These tests are:
- Unable to afford satisfactory housing at current market prices;
 - Able to afford a shared ownership property without hardship;
 - A suitable occupancy level.

- 4.4.3 If an applicant does not meet all three requirements, they should not be considered as suitable for shared ownership.
- 4.4.4 Erimus and TVH will give priority to customers who meet the key priorities of the Regional Housing Board, the Regional and Sub-Regional Housing Strategy, and the local policy and priorities of the Strategic Housing Authority.
- 4.4.5 The table at Appendix 1 sets out the priority criteria for shared ownership, the circumstances of priority applicants, along with details on the specific aims of shared ownership in terms of meeting needs and enabling applicants to obtain access into owner occupation in a new build property.
- 4.4.6 If there are more applicants eligible for a scheme than there are shared ownership properties available, applications will be scored using the Shared Ownership Scoring Sheet attached at Appendix 2. The scoring weighting and marks awarded will be determined on a scheme specific basis, to ensure that priority is awarded to applicants meeting the strategic aims and objectives of each scheme who will contribute to the sustainability and viability of the development.
- 4.5 Affordability
 - 4.5.1 Affordability criteria have taken account of the Regional Housing Strategy and guidance of the Regional Zone Agent, and are calculated using the HCA's Affordability Calculator (See Appendix 3).
 - 4.5.2 We have set the maximum percentage of total net household income which can be used for 'housing cost, at 50%, based on the cost of a 25 year mortgage. In the case of joint applicants, both applicant's income and expenditure will be considered.
 - 4.5.3 Where Erimus and TVH is providing affordable housing under a Section 106 Agreement, this may override or increase the significance of one or a number of factors considered by the association when making an offer of home ownership. Under no circumstances can Section 106 priorities be allowed to override the affordability criteria.
- 4.6 Occupancy Levels
 - 4.6.1 Erimus, TVH and Time2Buy will determine the housing needs of each applicant in terms of the property size and type, taking into account the number of people in the household, their age and gender, and other family circumstances, e.g. where the applicant has divorced or separated and children visit on a regular basis.
 - 4.6.2 We will ensure that the properties are not overcrowded and the level of occupancy is in-line with the criteria set out in Appendix 1. Minimum occupancy rates will be assessed on a scheme by scheme basis to meet local housing needs and ensure balanced sustainable communities.

- 4.6.3 We will ensure that properties are not overcrowded or under occupied and therefore, meets local housing needs or prevents further reduction in housing conditions.
- 4.6.4 'Suitability' may also include 'location factors' such as the need to be close to local support networks (family or public/social agencies). However, it is not intended to assist people simply to move to a better standard of property or a more affluent area.

5 EQUALITY AND DIVERSITY

- 5.1 Assistance will be provided to customers who need help in completing the application process both for the Zone Agent, Erimus and TVH in-line with the local eligibility criteria. This includes assistance for those applicants who have language or literacy difficulties, and those with special needs i.e. applicants with physical disability related needs, major medical needs and older/vulnerable people. Where required, a home visit will be arranged.
- 5.2 Erimus and TVH will provide a customer information guide, which will be readily available in a range of formats on request.

6 CUSTOMER INVOLVEMENT AND CONSULTATION

- 6.1 Consultation has been undertaken with board members and any comments received incorporated into the policy document.
- 6.2 The Residents' Panel have also been consulted and have had an input to this policy.

7 MONITORING REVIEW

- 7.1 Monitoring
 - 7.1.1 Erimus and TVH will review this policy, procedures and staff training needs at regular intervals in order to ensure best practice, achieve measurable results and continuous service improvement.
 - 7.1.2 This policy and procedure will be automatically reviewed following policy or legislation change, as required by the HCA or CLG.
- 7.2 Review
 - 7.2.1 Stakeholder groups will be involved and consulted in any review of this policy in-line with Erimus and TVH's policy on tenant participation and consultation.

8 RESPONSIBILITY

- 8.1 It is the responsibility of the Chief Executive through the Head of Housing Services and the Home Ownership Manager to ensure that:

- All staff are aware of Erimus and TVH policies;
 - All staff are trained on the policies;
 - Monitoring of records is maintained;
 - Customers are adequately informed of the policies;
 - Appropriate action is taken against employees whose actions are inconsistent with this policy.
- 8.2 Erimus and TVH will develop procedures which will ensure effective implementation of this policy and provide training for staff to ensure they fully understand the wider issues surrounding shared ownership, and the surrounding legislative framework and procedures.
- 8.3 The regeneration directorate will be responsible for overseeing or co-ordinating the process, and will formally communicate with other relevant internal departments and personnel to ensure those involved in delivery are aware of their responsibility.
- 8.4 The Head of Housing Services will ensure that officers involved in the implementation of this policy are suitably skilled to deliver the required procedures to any agreed timescales.