

Fareham Borough Council Shared Ownership Policy and Processes

1. Introduction

Providing Housing Choices is one of the six corporate priorities for Fareham Borough Council. By working with key partners the Council seeks to support a diverse housing market and help households find good quality, affordable homes.

This policy sets out the Council's approach to the shared ownership properties provided by Fareham Borough Council. Other developers and shared ownership providers will have their own policies and procedures separate to this document.

Detailed below are the criteria and procedures around household eligibility. Also outlined are the processes for marketing, selling, and management of the Council's shared ownership homes.

2. Definition

Shared ownership is an affordable housing product. It is designed to help those who wish to get on the property ladder but are unable to afford a home on the open market. The applicant purchases a percentage of the accommodation and pays rent on the remaining share.

3. The Legal Context

This policy pays regard to the Council's Housing Allocations Policy 2019 and the relevant statutory requirements, which include the following legislation:

- Leasehold Reform Act 1967
- Housing and Regeneration Act 2008
- The Housing (Shared Ownership Leases) (Exclusion from Leasehold Reform Act 1967) (England) Regulations 2009
- The Housing (Right to Enfranchise) (Designated Protected Areas) England Order 2009
- Housing Act 1985
- Equality Act 2021
- Human Rights Act 1998
- Localism Act 2011

The Council has also aligned its shared ownership scheme to the Homes England Capital Funding Guide for Shared Ownership and the Fareham Borough Council Social Housing Rents Policy.

4. Eligibility

Shared ownership is designed to help those who are in housing need and who would otherwise be unable to afford a property on the open market.

In order to be eligible, applicants need to meet the following criteria:

Criteria	Description
Age	Over 18 years of age and resident of the UK.
Income	Gross household income of less than £80,000

Criteria	Description
Income (continued)	<p>Applicants must be able to afford their purchase and sustain housing costs.</p> <p>Applicants are able to demonstrate that they have a sufficient deposit.</p> <p>Applicants must be able to demonstrate that they are unable to purchase a home on the open market.</p>
Existing homeowners	<p>The existing property must have already been sold or will be sold at the same time as buying through shared ownership.</p> <p>The other general eligibility criteria for the scheme has been met. In particular the annual household income is no more than £80,000 and the household are otherwise unable to afford to purchase a suitable home to meet their needs without assistance.</p>
Arrears	<p>If applicable, applicants must be able to demonstrate that they are not in rent arrears or in breach of their tenancy agreement at the time of application.</p>

5. The Application Process

Registering an interest in Shared Ownership

Households can first state an interest in accessing shared ownership property through the Council's Affordable Home Ownership Register. This is not an essential requirement to access shared properties. It does however assist the Council in understanding the housing need and will enable applicants to be kept up to date with properties in their preferred area. This form can be completed on the Council's website or by contacting the Housing Department. The Register will be managed by the Housing Delivery Team and will be used for the purposes of shared ownership marketing and for the Council to have a better understanding of the extent and type of affordable housing need in the Borough.

The Affordable Home Ownership Register will also be for applicants to register an interest for First Homes. This is separate to Shared Ownership and is only for the purposes of understanding need for First Homes. Full details will be outlined in the emerging First Homes Policy.

Applying for a Shared ownership Property

To apply for a shared ownership property, applicants must register with Help to Buy South¹. Help to Buy is a government scheme which provides a range of options designed to make it more affordable to buy a home. Help to Buy South is one of three agents appointed by the government to assist in providing affordable housing schemes across England. The Council will advertise and accept applications only through Help to Buy South.

¹ <https://www.helptobuyagent3.org.uk/>

By applying to Help to Buy South applicants will be able to confirm their initial eligibility for a shared ownership property and details of the property they wish to purchase. Once the application has been received the Council will review it and confirm in writing:

- Whether the application meets the Council's eligibility requirements
- Whether any further information or supporting evidence is required

The Council will appoint an independent financial assessor to undertake an affordability check of applicants prior to any sale. The applicant will need to consent for a copy of the assessment to be referred to the Council for review. Subject to the eligibility and affordability checks the Council will confirm that the purchase can proceed.

Applicants will be expected to proceed with the contract exchange within 3 months from the date of agreement to purchase.

Reservation Fee

Applicants will be required to pay a reservation fee of £500 to secure their interest. The fee will be payable once the Council has formally confirmed the acceptance of the application.

The fee will be held by the Council and will be deducted from the final balance of payment on the completion of the sale. Any interest accrued at the time will also be included.

Where an application is formally withdrawn, from either party, the reservation fee will be refunded in full.

5. Withdrawing an Application

The Council accepts that there may be circumstances where an application will need to be withdrawn by either party. In this instance the following applies:

Applicant Withdrawal

Where an applicant wished to withdraw their application this must be submitted to the Council in writing. It is expected that the reasons for the withdrawal are included.

Council Withdrawal

The Council reserves the right to withdraw from the sale where the applicant fails to complete the purchase of the property within the agreed timescale. The Council will however, contact the applicant to advise of the intent to withdraw. Notice will be given to the applicant allowing them a final opportunity to complete the sale within the agreed timeframe.

6. Prioritisation

It is expected that there will be instances where more than one application will be received for a shared ownership property. Where this is the case the Council will operate on a first-come, first-served basis, with the exception of Armed Forces

Personnel, as per Government shared ownership funding requirements². Properties will be sold to the first eligible applicant who is able to proceed with the purchase.

7. Marketing and Viewings

The Help to Buy South Register and the Council's Affordable Home Ownership Register will be the primary means of marketing new shared ownership properties. The Council may also market to local communities where shared ownership is being developed, through local papers and through digital platforms.

Opportunities for Council shared ownership properties might also be highlighted to Council housing tenants who reside in Council rented properties.

The adverts will contain detailed property information. This will include:

- High quality photographs
- The size and type of property
- The value of the property
- The cost of the minimum share
- Expected rents
- Service charges

For schemes of five or more shared ownership homes a show home may be provided. This will be subject to local sales conditions and on a site by site basis.

Viewings

A representative of the Council will attend all property viewings. Viewings will be carried out at a mutually convenient time for both the Council and the applicant. This will normally be expected to be in standard office hours.

8. Valuations and Sales

Purchase Price

An independent RIC valuation surveyor will prepare the shared ownership sales price. This is in line with Homes England's shared ownership regulations. Valuations will be held for a period of three months after which the valuation will be updated if a sale is not completed.

Percentage Sales

In most cases applicants will have the opportunity to purchase an initial share no less than 10% and no more than 75% of the shared ownership property. However, on some occasions the minimum share might be set at 25%.

Should the shared owner wish to sell, they will be required to sell the specific share of the property that they have purchased or staircased up to.

Staircasing

Owners of shared ownership properties will have the opportunity to purchase additional shares in the years following the initial sale. This is known as staircasing. Shares will

² As per paragraph 3.2 of <https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared-ownership>

normally be available to purchase for up to 100% of the property for general accommodation or up to 80% for older persons' accommodation.

Discounts

No purchase discounts will apply, including ones for existing Council tenants. However, an incentive payment may be considered in line with the Council's Housing Transfer Incentive Scheme

9. The Lease

In most cases the Council will use the Homes England standard model leases for shared ownership properties. Existing leaseholders will use their existing lease until such a time a new lease applies.

Length of Lease

The initial lease term will be for at least 125 years at first sale. Should a shorter time period be proposed, the initial scheme appraisal will be reviewed. This will include whether there are any impacts on the property value and if this change would be acceptable to mortgage lenders.

Re-sales

The shared owner is required to inform the Council of their intention to sell the property. The lease will include full details on the procedure.

Additional Borrowing

The lease will include details on the circumstances allowing additional borrowing against the share of the property. The Council's written approval will be required before any further borrowing is secured.

Subletting

Subletting will not be permitted within the property. However, the shared owner will be entitled to have a lodger.

10. Rents

Properties Purchased after 1 April 2021

In accordance with the Council's Social Housing Rents Policy any new shared ownership properties or those who are staircasing will have the rent calculation based on the unsold equity. This calculation will be as follows:

$$\text{Rent per month} = \frac{(\text{Unsold equity amount} \times 2.75\%)}{12}$$

The annual increase in rent will be CPI plus 1 percentage point.

Properties Purchased before 1 April 2021

For shared ownership properties purchased before 1 April 2021 the rent is calculated based on based on equivalent properties within the Council's portfolio. The charge is worked out by removing a percentage based on typical repairs costs from what the monthly rent would be as a social housing property. No changes will be made to the

rent for these properties for existing shared owners, with the exception of the annual increase or where additional shares are purchased.

A rent amount using the same calculation as those properties purchased after 1 April 2021 rent will be introduced if/when a new lease applies.

The annual increase in rents is set out in the lease.

Rents Review

A review on rents will take place annually, this will usually be on the 1st April. The date will also be set out in the lease, for reference.

11. Maintenance and Charges

Flat Maintenance

The Council will repair and maintain all common arrears of blocks of flats and retain overall responsibility of the building.

New Build

For Shared Ownership homes being delivered through Homes England's AHP 2021 to 2026³ the Council will align with the Government's new model lease for shared ownership properties. This grants an initial 10-year period during which shared owners cannot be required to contribute, via service charges, for repairs to the external or structure of the building. In addition, shared owners can also apply for a £500 contribution towards internal repairs during this period.

In line with this, the Council will therefore undertake repairs for any faulty installations which are not covered within a warranty or guarantee pertaining to the particular components within the first 10 years of ownership. This will not include repairs or replacements through wear and tear or avoidable damage such as not servicing boilers with the appropriate registered body. The scope for general repairs will generally apply to:

- Installations for making use of the supply of water, gas and electricity and for sanitation (including basins, sinks, baths and sanitary conveniences, but not other fixtures, fittings and appliances for making use of the supply of water, gas or electricity), pipes and drainage.
- Installations in the flat or house for space heating and heating water.

The £500 contribution can be rolled over only to the following year, if there are any unused repairs for that year. Any costs over and above £500 will be the responsibility of the shared owner.

The Council is not responsible for general works or for carrying out any refurbishment works inside the home such as replacing kitchens and bathrooms. The Council is also not responsible for undertaking any health and safety requirements within the home, for example, boiler servicing or electrical testing.

³ Generally this applies to the Council's shared homes built prior to 2021 and the Capella Close development.

The Council will be responsible for assessing whether repairs are essential and genuine and may inspect the property, if deemed appropriate.

Alternatively the tenant has the right to appoint a Trustmark Approved contractor to complete the repairs

Should a shared owner staircase within the 10 years to 100% ownership, they will take on full responsibility for all repairs.

Cyclical Repairs

Cyclical Repairs are a contribution to the costs of recurring works which are usually planned for. They generally only apply to flats and apartments and can include works such as external decoration, re-roofing, replacement of external pipe work or sewer works. Leaseholders are asked to pay a proportion each year into a cyclical repair fund in order to contribute to the works when they are carried out.

Where applicable, cyclical repairs and service charges will be clearly identified within the shared ownership lease and reviewed on an annual basis.

12. Responsibilities

The shared ownership lease will detail the responsibilities of the Council. For the purpose of this document, this can be summarised as follows:

Service	Responsibility
Leasehold Management and Land Charges Officer	<ul style="list-style-type: none">• Management of the leasehold, including rent, service charges and cyclical fund collection• Staircasing and re-sales
Housing Delivery Team in conjunction with the Leasehold Management and Land Charges Officer	<ul style="list-style-type: none">• Marketing and initial sales• Management of the Affordable Housing Register
Housing Maintenance Team	<ul style="list-style-type: none">• Maintenance and repairs of communal areas and elements of the building where the Council has responsibility

13. Discretion

The Council reserves the right to exercise its discretion in relation to any aspect of this policy where it is deemed necessary and appropriate and in particular to ensure compliance with its statutory duties, including under the Equality Act 2010. The exercise of discretion is reserved to the Head of Housing Delivery.

14. Data Protection

In accordance with the Council's statutory obligations under the Data Protection Act 2018 and the UK General Data Protection Regulations, all applicants will be made aware of how their personal information will be processed and shared. Information recorded on the Council's system and on the applicant's file will be shared with partner

landlords and other agencies as necessary. Consent from the Applicant for information sharing will be sought in all cases. For a copy of the Council's Privacy Notice please visit: <http://www.fareham.gov.uk/privacy.aspx>.

15. Review

This policy is intended as a working document and will be reviewed as and when new legislation is introduced.

DRAFT

