



SHARED OWNERSHIP POLICY AND PROCESSES

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Version 2.2

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1	Adopted	Executive 01/11/20221
2	Amended to reflect HtBS disbanding	Executive 08/04/2024
2.1	Amended to reflect [change in Govt guidelines]	Delegated RL 03/09/2024
2.2	Section 9 amended to reflect the mortgage cost	Delegated RL 01/10/2024

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 delivery of 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 a property and pays rent on the remaining share.

Shared Ownership Example: *

Total value of the home	£320,000
Your share (25% of the total)	£80,000
Remaining share (75% of the total)	£240,000
Rent for the first year (2.75% of remaining share)	£6,600
Your monthly rent	£550

*Please note this example is for illustrative purposes only (for example, to give an indication of the cost of purchase, rent etc). It does not mean that 25% is the minimum share that is available for shared ownership purchases.

3. The Legal Context

This policy has regard to the Council's Housing Allocations Policy, it's Social Housing Rents Policy 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 2010

- Human Rights Act 1998
- Localism Act 2011

The Council has also aligned its shared ownership scheme to the Homes England Capital Funding Guide (CFG) for Shared Ownership¹. The CFG contains the rules and procedures all housing providers must follow when delivering affordable housing through one of their Affordable Homes Programmes.

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 must meet the following criteria:

Criteria	Description
Age	Over 18 years of age and resident in the UK.
Income	Gross household income of less than £80,000
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 that meets their needs 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 have 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	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.

All applicants will be required to complete an initial eligibility check by using the [Governments Eligibility Checker](#)² before joining the council's Affordable Home Ownership Register.

¹ [Capital Funding Guide - 1. Shared Ownership - Guidance - GOV.UK \(www.gov.uk\)](#)

² [Where do you want to buy a home \(shared-ownership-scheme.service.gov.uk\)](#)

5. The Council's Affordable Home Ownership Register

Once initial eligibility is established, anyone wishing to apply for Shared Ownership Housing is required to join the Council's [Affordable Home Ownership Register³](#).

This will enable applicants to be kept up to date with available properties in their preferred area. The 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 the need for First Homes in the Borough. Full details will be outlined in the First Homes Policy.

6. Valuations and Sales

Purchase Price

An independent RICS valuation surveyor will prepare the shared ownership sales price. This is in line with Homes England's shared ownership regulations. When an offer is made on a property by an applicant, the valuation current at the time of the offer will be assumed valid for 3 months from the date of the offer. After this time the valuation will need to be updated.

Percentage Sales

Applicants may have the opportunity to purchase an initial share of between 10% - 75% of the shared ownership property, depending on the source of funding used to deliver the homes.

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 normally be available to purchase up to 100% of the property for general needs accommodation or up to 75% 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.

7. Marketing and Viewings

The appointed Estate Agent and the Council's Affordable Home Ownership Register will be used as 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 digital platforms.

³ [Fareham Borough Council: Online Form](#)

Opportunities for Council shared ownership properties may 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 and 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 will be determined on a site-by-site basis.

Viewings

A representative of the Council or Estate Agent will attend all property viewings. Viewings will be carried out at a mutually convenient time which will normally be expected to be during office hours.

Applying for a property

The Fareham Borough Council 'Current Shared Ownership Properties' webpage⁴ will list details of any shared ownership properties currently available and give details of how to apply.

During the marketing process, council officers will regularly review the level of interest received, and the advert may be closed once a sufficient amount of applications have been received. This could mean that popular schemes are only advertised for a very short period of time.

8. First Come First Served

The CFG requires shared ownership providers to publish a first come first served policy for the prioritisation of eligible applicants. This enables the allocation of Fareham Housing shared ownership properties, on a first come first served basis, and allows for the fair and consistent application of the processes surrounding this.

The Process

Once an advert for a shared ownership property closes, the Council prioritises applicants on a first come first served basis. To do this, the council will use the date and time that applications for the homes were received by the Council. The exception to this is for parties that meet the Armed Forces Personnel Criteria⁵. These parties will be given priority over other interested parties, and will move to the front of the shortlisting queue. However, if they are subsequently found not to meet the appropriate criteria, then they will move back down the queue as with other non-Armed Forces Personnel applicants.

⁴ [Current Shared Ownership Properties \(fareham.gov.uk\)](https://www.fareham.gov.uk/council/shared-ownership-properties)

⁵ [Capital Funding Guide - 1. Shared Ownership - Guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/capital-funding-guide-1-shared-ownership)

Once First Come First Served has been applied, the Council will prepare a final shortlist of applicants. The shortlist will be passed to the Estate Agent appointed by the Council to manage the sale of the shared ownership homes. The Estate Agent will use the final shortlist to contact each applicant in order of priority, and will instigate the Affordability Assessment Process. More information regarding this process is detailed in the Council's Minimum Monthly Surplus Income Policy below.

On a development where multiple plots are available, the shortlisted parties who have completed the affordability assessment, will work with the Estate Agent to identify their preferred plot, and proceed to formal reservation of a property. Where possible this will be dealt with in date/time order of satisfactory completion of the affordability assessment.

9. Monthly Surplus Income

The CFG requires providers to publish a minimum monthly surplus income policy, which is applied to the financial assessment process. The minimum surplus income is the amount an applicant must have available per month, after accounting for all their housing costs, other commitments and expenditure as established by their budget planner.

Affordability Assessment Process

The Estate Agent will refer applicants to a professional advisor to undertake an affordability assessment. This will be used to determine a share purchase that is suitable in terms of the applicant's affordability and sustainability (including any known future changes). The suggested share should not unduly overcommit them financially, based on the information provided at a point in time.

The Council ensures that professional advisors that it suggests directly, or those recommended by a third party acting on behalf of the Council satisfies the criteria below; Please note professional advisors will be reviewed periodically to assess their suitability and evidence will be retained.

- regulated and qualified to give mortgage advice.
- good working knowledge of Shared Ownership.
- access to a suitable range of Shared Ownership mortgage lenders in order to give an accurate assessment of mortgage availability.
- has read and understood the CFG section 3 and section 6B on 'Applicant eligibility' and 'Affordability guidance'.
- has confirmed they have read and understood the Council's Shared Ownership Policy and Processes.

If an applicant wishes to seek mortgage advice from their own appointed advisor, this will be at the Council's discretion as to whether the information supplied will be accepted. This will be dependent on the knowledge of the advisor in question, and the Council's view on the extent to which they meet the criteria above. If the Council is dissatisfied with any element of the affordability assessment, it will refer the applicant

to an alternative advisor of the Council's choice for a further assessment. The rationale for doing so will be clearly explained to the applicant and will result in no additional cost to them.

The Minimum Monthly Surplus Income calculation forms part of an applicant's affordability assessment and has been developed taking account of average household incomes and the cost of living in the Borough. This ensures applicants wishing to take a step towards home ownership can do so in a sustainable and responsible way.

In accordance with government guidance, financial assessments are undertaken by professional advisors who determines the mortgage an applicant can afford, and subsequently the share that may be purchased. The assessment process provides clarity and transparency to applicants. Professional advisors must have regard to the Council's Minimum Monthly Surplus Income calculation when making their recommendations.

The advisor will summarise the outcome of the affordability assessment in a sign-off sheet, which will be passed to the Council, along with any explanatory notes. The Council will not override the recommendations of an advisor regarding the suitability of a mortgage. Furthermore, the Council will not require an applicant to take out a mortgage through a particular advisor, irrespective of whether they undertook the financial assessment. Applicant's individual circumstances will be considered to prevent any applicant being disadvantaged.

Minimum Monthly Surplus Income Calculation

The CFG Affordability Guidance states that professional advisors should calculate an applicant's monthly surplus income using the following methodology:

- (A) Gross income
- (B) Less gross deductions (tax, National Insurance, student loan, etc)
- (C) Less known commitments (loans, credit cards, childcare, etc)
- (D) Less housing costs of the Shared Ownership purchase (rent and service charges. A rent stress test over a 5-year period will also be applied)
- $(A - B - C - D) = (E)$ net income available to support a mortgage. The indicative mortgage payment as determined by the advisor should not exceed 30% of the net income. NB: This may only be exceeded in cases where the advisor feels that there is a justification for doing so and is able to demonstrate this in the budget planner.
- F = no greater than 30% of E
- G = other essential expenditure
- H = Minimum Monthly Surplus Income (this is the figure remaining once F and G have been deducted from E). This figure should be at least 10% of the original figure A (gross income)

The purpose of a surplus income policy is to provide purchasers with protection from the adverse effects of housing payment increases, which may put them at financial risk.

The Council's minimum monthly surplus income is 10%. This has been determined having regard to the guidance in the CFG, and advice from a specialist shared ownership mortgage broker, who has confirmed the figure to be the industry standard. A local independent professional advisor also deems the percentage to be appropriate for the cost of living in the Borough. The Council does not specify a maximum surplus income, therefore applicants will be permitted to retain a level of savings for emergencies and for known foreseeable costs to avoid financial overcommitment.

10. Property Reservation

Applicants will be required to pay a reservation fee of £500 to secure their interest in a property. 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 applicant formally withdraws from the purchase, a proportion of the reservation fee may be retained to cover any reasonable costs incurred.

11. 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 wishes to withdraw their application, this must be submitted to the Council in writing. It is expected that the reasons for the withdrawal will be 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 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.

12. 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 999 years at first sale. If 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 of 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.

13. Rents

Properties Purchased after 1 April 2021

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

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

Rent increases will be an executive decision determined annually by Fareham Borough Council in line with The Direction on the Rent Standard issued by Government. Shared Owners will be informed in advance of any planned increase in their rent.

Properties Purchased before 1 April 2021

For shared ownership properties purchased before 1 April 2021 the rent is calculated 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 be undertaken annually, this will usually be on the 1st of April. The date will also be set out in the lease.

14. Maintenance and Charges

Flat Maintenance

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

New Build

For Shared Ownership homes being delivered through Homes England's AHP 2021 to 2026⁶, the Council will align the lease with the Government's new model leases 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 undertake repairs for any faulty installations which are not covered within a warranty or guarantee pertaining to the 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.

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.

⁶ The lease will detail if the property is included in this model and any repairs that may apply.

15. 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
Housing Delivery Team	<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	<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

16. 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 for the Director of Housing.

17. Monitoring and Review

This policy is intended to be a working document and will be reviewed and updated as and when any new legislation and / or guidance is issued. Any significant changes to the policy or the service standards as a result will require a full, formal review process and the appropriate consultation with parties impacted.

18. General Data Protection Regulations (GDPR)

All personal information relating to tenants will be dealt with confidentially and in accordance with the 2018 Data Protection Act, the EU General Data Protection Regulations and the Council's Privacy policy⁷. Tenants also sign a privacy statement when taking on a tenancy.

However, for an exchange to take place, we are required to share certain information about the applicant's tenancy history with the exchanging landlord. All information held or shared will be in accordance with the above.

19. Complaints

Fareham Borough Council's Complaints policy can be found on our website⁸. Complaints may be made online, by email, or in writing.

Complaints Administration
Fareham Borough Council
Civic Offices

⁷ See [Privacy Statement \(fareham.gov.uk\)](https://fareham.gov.uk/privacy-statement)

⁸ See [Complaints \(fareham.gov.uk\)](https://fareham.gov.uk/complaints)

Civic Way
Fareham
PO16 7AZ

complaints@fareham.gov.uk

Your complaint will be acknowledged within 5 working days of the date it is received and the Council will have 10 days thereafter to issue a response. If you are unhappy with our response, you may escalate your complaint further.