

SHARED OWNERSHIP POLICY

Lead Directorate and service:	Planning and Economic Regeneration Forward Planning and Housing Strategy
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1. Background

Shared ownership is a low cost home ownership scheme that enables a prospective purchaser to buy a share of a property and rent the remainder from a Registered Provider (RP). The scheme aims to help low income households who would be otherwise unable to purchase a home. Initial shares are typically purchased at around 50% of the property but can be as low as 25%, with a rent normally paid on the remaining share. Buyers are able to purchase further equity shares through a process known as ‘stair-casing’.

In order to be eligible for a shared ownership property, prospective purchasers must have a household income of less than £80,000 and be approved by the local Help to Buy Agent. The application process also includes an assessment of affordability using a calculator provided by the Homes and Communities Agency (HCA) to ensure that buyers are able to afford and sustain their share.

The Strategic Housing Market Assessment (SHMA) 2016 for East Riding has taken into account the need to provide low cost home ownership options, also known as intermediate housing. The SHMA identifies a need for an additional 596 affordable properties per year over the next five years. Of these, 18% or 107 per year are recommended to be intermediate properties (which may include shared ownership).

In its role as a RP, the Council has developed this Policy so it can provide shared ownership opportunities, both on council-led developments and properties acquired through Section 106 Agreements.

2. Definitions for the Purposes of this Policy

Defect Period	The 12 month period commencing at handover of the property to the shared owner during which the builder is responsible for carrying out certain repairs.
Equity Stake	The percentage of the property owned by the shared owner.
Help to Buy North East Yorkshire & the Humber (NEYH)	A provider appointed by the Homes and Communities Agency to assess applicant’s eligibility for shared ownership. Prospective purchasers must be approved by the Help to Buy Agent before they can reserve a property.

Homes and Communities Agency (HCA)	The non-departmental public body that provides grant funding for new affordable housing in England. Grant-funded shared ownership schemes must be managed in line with the HCA's guidelines which are set out in the Capital Funding Guide ¹ . The HCA will be rebranded as Homes England later this year. All reference to the HCA in this policy will also apply to Homes England.
Housing Register	The system used by the Council to prioritise applicants for social housing based on housing need.
Housing Revenue Account (HRA)	A record of all revenue expenditure and income relating to the provision of council housing and related services.
Lease	The legal agreement that sets out the rights and responsibilities of both the shared owner and the Registered Provider. The lease is granted for a fixed term; however, it is possible for the shared owner to extend this.
Leaseholder	A person with an interest in a property granted by a lease which gives them the right to occupy the property for a fixed period of time. Shared owners are leaseholders until such time that they have acquired 100% of shares in their property (and may remain leaseholders even after acquiring full ownership in some circumstances).
Lender / Mortgagee	The Bank or Building Society who provide the loan to the shared owner to purchase their share of the property.
Local Sales Policy	A requirement to carry out an initial marketing period during which targeted marketing to local people and those in housing need will take place. On some schemes a local sales policy may include a requirement for applicants to have a local connection.
Market Value	The price that the leasehold interest in the property would achieve if sold on the open market by a willing seller on the terms and conditions of the shared ownership lease assuming that the leaseholder would acquire a 100% interest in the lease.
Registered Provider (RP)	A housing association, local authority or other body registered under the provisions of the Housing and Regeneration Act 2008 or any company or other body approved by the Homes and Communities Agency for receipt of social housing grant.
Rent	A monthly amount charged by the Registered Provider that is based on the unsold share of the property. The shared owner is required to pay the rent to the Registered Provider under the terms of the lease.
Retail Price Index (RPI)	A measure of inflation published monthly by the Office for National Statistics that represents the change in the cost of a representative sample of retail goods and services.
Section 106 Agreement	An agreement between a developer and the local planning authority about measures that the developer must take to reduce their impact on the community. A S106 Agreement is designed to enable a development to come forward that would otherwise not be possible by obtaining concessions and contributions from the developer.
Service Charge	A monthly amount charged by the Registered Provider to recover the cost of providing services, such as maintaining communal parts of a scheme, providing buildings insurance and administration costs. The shared owner is required to pay the service charge to the Registered Provider under the terms of the lease.
Service Level Agreement	An agreement between two parties that sets out a common understanding of expected responsibilities and services.
Shared Owner	The occupier of a property who owns part of the property and pays rent on the remaining share.
Shared Ownership	A low cost home ownership scheme which enables a buyer to purchase a share of their home (initially between 25% and 75%) and pay rent on the remainder to a Registered Provider.

¹ <https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared-ownership>

Stair-casing	The process of acquiring additional shares in a shared ownership home.
The Council	The East Riding of Yorkshire Council (the Landlord)

3. Policy Statement

This Policy outlines how the Council will develop and acquire shared ownership properties to meet housing need in the area. Where a local sales policy is in place, marketing of shared ownership properties will be targeted at local residents and those in housing need. Shared ownership properties will be managed in line with HCA guidelines and best practice.

4. Corporate Requirements

- Reducing Inequalities – better life chances and choices for all
- Supporting Vulnerable People – protecting from harm, promoting independence

5. Policy Development including Consultation

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6. Links with other Policies

The policy links to the East Riding Local Plan 2012-2029 and will support the delivery of Policy H2: Providing affordable housing. Provision of affordable housing is a key theme in the Council's Housing Strategy (2017) and is an identified priority in the Council's Business Plan and Financial Strategy (2016-21). The East Riding Community Plan (2016-21) also recognises the need for more affordable housing to be an ongoing challenge. This policy also supports the targets set out within the Housing Revenue Account (HRA) Business Plan to deliver new affordable homes.

7. Outcomes and impacts

Key outcomes of the policy will be:

- Delivery of shared ownership properties in line with HCA grant conditions;
- Operation in accordance with the Help to Buy Agent Service Level Agreement;
- Timely sales of shared ownership properties to eligible purchasers;
- A well managed shared ownership service with robust income collection;
- A transparent approach to accounting for all charges relating to shared ownership properties.

8. Policy Implementation

The policy will be implemented following approval by The Cabinet.

9. Financial Implications

The Council has been allocated grant funding under the HCA's Shared Ownership and Affordable Homes Programme 2016-2021. The Housing Revenue Account will match fund and bear all other costs associated with the application of the policy.

The Mortgagee Protection clause is a fundamental clause within the shared ownership lease and requires the Council to underwrite some of the lenders loss if the shared owner subsequently defaults on the mortgage repayments. Under this clause, the lender is able to claim any loss from monies that would otherwise be paid to the Council as the price for final stair-casing. This amount is capped at a maximum of the total of:

- An amount equivalent to 18 months interest on the loan;
- The outstanding loan amount;
- Any amounts advanced by the lender and applied in discharging any rent arrears or other sums payable under the lease;
- Any costs and fees incurred in enforcing the lenders security for the loan (capped at 3% of market value at the time of enforcement).

The Council will require a copy of the purchaser's mortgage offer. Where the terms of the mortgage offer are acceptable to the Council, written consent to the mortgage terms shall be given to the buyer's conveyancer within 28 days.

10. Evaluation

The Shared Ownership Policy will be reviewed biannually, or sooner should there be a significant change in legislation, by the Housing Strategy and Development team. Shared owners will be consulted as part of the policy review.

11. References

Homes and Communities Agency *Capital Funding Guide* (updated 22 June 2017)
Homes and Communities Agency *Shared Ownership: Joint Guidance for England* (October 2016)
Homes and Communities Agency *Procedures for varying grant-funded shared ownership leases – Background information* (November 2016)

SHARED OWNERSHIP POLICY STATEMENT

1. The Lease

1.1 The rights and obligations of the landlord (i.e. RP) and the leaseholder (i.e. the shared owner) are set out in the shared ownership lease. The Homes and Communities Agency (HCA) have provided model shared ownership leases for houses, flats, designated protected areas and specialist schemes for older people. The Council will adopt the appropriate HCA model lease for all shared ownership properties.

1.2 It is a condition of grant that the HCA's fundamental clauses are included within the lease. These relate to stair-casing, mortgagee protection, rent setting, and repurchase. Should the need arise to vary any of the fundamental clauses, the Council will seek approval from the HCA before agreeing to any amendment.

1.3 The Council will normally grant an initial term of 125 years as standard within the lease. Shared owners may request an extension of their lease. Shared owners will be required to submit evidence of the reason for their request. There is no requirement to obtain HCA consent for a lease extension (providing that such an extension does not affect any of the fundamental clauses). Lease extension requests will be dealt with on a case by case basis and will be subject to an additional administration fee. The decision whether to grant such a request will have regard to the HCA's consent to dispose regime and appropriate consent will be sought where required.

1.4 Designated Protected Areas

1.4.1 The majority of parishes in East Riding are Designated Protected Areas. This means that there are regulations in place to ensure that rural affordable housing, specifically shared ownership properties, remains subject to eligibility checks. In these areas providers are required to offer grant-funded shared ownership properties with a lease that contains provisions either:

- to restrict stair-casing to no more than 80%; or
- permit the shared owner to acquire more than 80% (i.e. up to full ownership), provided that there is an obligation on the landlord (or a designated alternative landlord) specified in the lease that commits them to repurchase the property when the leaseholder wishes to sell.

1.4.2 In line with the Council's Designated Protected Area Policy, the Housing Strategy and Development team will assess the need to enforce the restriction and will support an application to the HCA to waive the restriction where appropriate. Where designated protected area regulations are enforced, the Council will use the appropriate HCA model lease.

2. Marketing and Allocations

2.1 Marketing

- 2.1.1 A local agent will be appointed to market and sell shared ownership properties on behalf of the Council. As shared ownership is a specialist housing product, agents will have knowledge and experience of dealing with low cost home ownership products. The agent will provide all prospective purchasers with a copy of the HCA's *Key Information for Shared Owners*.
- 2.1.2 The market value of each property will be determined by a valuation carried out by an independent member of the Royal Institution of Chartered Surveyors (RICS) both on initial sale and on stair-casing. Initial sales will be based on the full market value of the property. This is assessed as the price that the leasehold interest in the property would achieve if sold on the open market by a willing seller on the terms and conditions of the shared ownership lease assuming that the leaseholder would acquire a 100% interest in the lease.
- 2.1.3 All shared ownership properties will be marketed on the local Help to Buy Agent's website (www.helptobuyneyh.co.uk) with high quality images and detailed descriptions of the properties. Adverts will clearly state the price of the share being marketed, the rent to be charged on the un-owned share and any anticipated service charge.
- 2.1.4 The Council will consider implementing a local sales policy where appropriate. This is most likely to apply on schemes in rural areas. Where a local sales policy has been agreed, the Council will undertake an initial marketing period of 8 weeks during which targeted marketing to local people in housing need will take place. As a minimum this will include;
- Contacting all local applicants registered on the Help to Buy database with details of the scheme;
 - Contacting all local applicants on the Council's Housing Register that have indicated a preference for low cost home ownership;
 - Local advertising carried out in the settlement in conjunction with the Parish Council. This may take the form of an advert in the parish newsletter or article in the local free newspaper. A For Sale board or Coming Soon advertising hoarding will also be positioned in front of the property or development;
 - Additional marketing targeted to local residents, for example a drop-in session at the show house or alternative local venue or marketing initiatives using social media, may also be used where appropriate.

A list of sites which are subject to a local sales policy is included as Appendix I.

- 2.1.5 The Council will consider offering incentives to buyers at its discretion.

2.2 Assessing Eligibility

- 2.2.1 Shared ownership aims to help people who are in housing need but unable to purchase a home on the open market. All prospective purchasers must make an application to the local Help to Buy agent for the area, currently Help to Buy North East, Yorkshire and the Humber (Help to Buy NEYH), in order for their eligibility for the scheme to be assessed. Buyers must be approved by the Help to Buy agent before a reservation can be made for a property.
- 2.2.2 Eligibility criteria are set by the HCA and may change from time to time. At present, in order to be eligible for the scheme buyers must:
- have a household income of less than £80,000 and be unable to purchase without assistance;
 - be a first-time buyer or may have previously owned a property but are not currently a homeowner. Existing shared owners are also able to apply for assistance.

2.2.3 An applicant who is an existing tenant must not be in rent arrears or in breach of their current tenancy agreement.

2.2.4 On some schemes a local connection may be required. This is usually as a result of a planning condition on a rural exception site. Where a local connection is required, the applicant must be able to demonstrate that:

- They are normally resident within the area of the East Riding or a particular parish within East Riding; or
- They have a local connection with the area, or a particular parish in the area, by virtue of family association or secure employment.

As outlined in the Council's current Allocations Policy, normally resident means living within the East Riding as their sole or main home for at least 6 out of the last 12 months, or 3 out of the last 5 years. Family association means having parents, grandparents, adult children, a brother or sister currently living within the East Riding and having done so for at least 5 years. Secure employment means being employed or self-employed within the East Riding for at least 1 year for a minimum of 20 hours per week. Where the contract is less than 1 year, confirmation of it being permanent employment must be obtained from the employer.

People occupying holiday or other temporary accommodation (for example hospital or student accommodation) are not regarded as normally resident unless they can demonstrate that this has been their sole or main home for a period of at least 5 years.

Normally resident does not include people detained in prison or resident in a bail hostel.

2.2.5 Once an applicant has been approved by the Help to Buy agent, the Council's appointed sales agent will conduct a further assessment to verify the details in their application and confirm the applicant's immigration status. Applicants will be required to provide:

- Proof of identification;
- Proof of income (usually by way of latest three pay-slips or last three years accounts for self employed applicants);
- Proof of savings; and
- A Mortgage in Principle or credit reference (where applicable).

2.2.6 Additional evidence may be required on request. If more than six months passes between application and exchange of contracts the applicant will be required to provide additional evidence that their circumstances haven't changed.

2.2.7 It is the applicant's responsibility to notify the Council and Help to Buy NEYH of any changes to their circumstances after their application has been approved.

2.2.8 *Joint applicants*

Joint applicants must be eligible to become joint owners of the property. Anyone joining in the application who already owns or part owns a home must sell it at the time of jointly buying through shared ownership.

An existing tenant qualifying for shared ownership may have a partner who does not wish to join in the application. The application can proceed in the sole name of the qualifying applicant provided the current provider gains vacant possession of their current property and there is no obligation to re-house the partner.

2.2.9 *Existing owners*

Existing owner-occupiers may be eligible where they meet the general eligibility criteria (i.e. their household income is less than £80,000 and they are unable to purchase without assistance) and are assessed as being in housing need. The Council's Housing Services team will carry out this assessment.

The existing property must be sold as part of the shared ownership purchase. In truly exceptional cases the Council will consider supporting an application to the HCA for this requirement to be waived. For example, where an applicant is prevented from returning to the country where their home is located and is therefore unable to sell the property.

2.3 Prioritisation of applications

2.3.1 Applicants will be prioritised on a **first come, first served** basis unless a local sales policy has been agreed, or there is a specific funding or planning requirement to prioritise particular applicants. In order to secure their interest in a property, the applicant must have successfully completed their eligibility and affordability checks and have paid a reservation fee.

2.3.2 Once an applicant has reserved a property, they have secured their interest in the property until the 6 week target exchange date expires, or sooner should they withdraw in writing from the purchase. It is at the discretion of the Council whether to hold the reservation beyond the target exchange date. This will be informed by the cause of the delays (i.e. whether the delay is caused by the buyer or by issues beyond their control).

2.3.3 Should two reservations be made simultaneously by applicants who have met the eligibility and affordability requirements and where there are insufficient homes on the site available to satisfy demand, applicants will be prioritised in accordance with HCA guidance or planning requirements if applicable.

2.3.4 Listed below are the issues that the Council will consider in these circumstances. In line with HCA guidance, the first bullet point will be prioritised over all other categories:

- Serving military personnel, those discharged in the last 2 years and surviving partners of military personnel who have died in service within the last 2 years. Applicants must meet the HCA's criteria for military personnel in order to be given priority;
- If the applicant has a local connection to the area where the development is situated, with applicants from the parish and from neighbouring parishes prioritised;
- The initial share to be purchased, with those looking to purchase less than 50% given priority;
- If the applicant is assessed as being in housing need;
- If the applicant is currently a council or housing association tenant and thereby freeing up an affordable rented property;
- If the applicant is on the Council's Housing Register;
- The closest match of family size to number of bedrooms.

2.3.5 In applying any prioritisation, the Council will not discriminate in respect of an applicant's protected characteristics. The Council's decision on who will be prioritised for a particular property will be final.

2.4 Affordability

2.4.1 Shared ownership buyers are able to purchase an initial share of not less than 25% and not more than 75% based on a percentage of the full market value of the property. Applicants will be encouraged to buy the maximum share that they can afford and sustain. The HCA's shared ownership affordability calculator will be completed for every potential purchaser using mortgage finance to ensure that they are able to afford their purchase and sustain their housing costs. The calculator will determine the share to be purchased within the HCA's affordability guidelines, namely that:

- The monthly housing costs are a minimum of 25% of an applicant's net wage and the mortgage income multiple is 2.5x their gross income; and
- The monthly housing costs are a maximum of 45% of an applicant's net wage and 4.5x their gross income should be used towards a mortgage.

Example:

The open market value of a 3 bedroom property is £180,000. A 50% share of the property is £90,000.

A prospective purchaser has a deposit of £5,000 and requires a mortgage of £85,000. Their gross household income is £25,000. The income multiple required is therefore 3.4x their gross household income.

It is anticipated that their monthly mortgage payment would be £283 and their monthly rent would be £206. The property is subject to a monthly service charge of £17. Their total monthly housing costs would therefore be £506.

Based on a mortgage term of 25 years, the ratio of monthly payments to net household income is 30%

This is within the affordability guidelines set by the HCA; the application can therefore proceed subject to a successful mortgage application.

2.4.2 The Council will require applicants who are able to purchase their share without mortgage finance to provide evidence that there is a legitimate barrier to obtaining mortgage finance (e.g. poor credit rating). As part of their application, the Council's sales agent will ensure that the rent, service charge (if applicable) and any other relevant costs do not breach the 45% of net income cap.

2.4.3 The Council will not provide financial advice to applicants and any guidance given will be limited to factual information only. Applicants will be encouraged to seek independent financial advice from an advisor with an understanding of the shared ownership product and associated lender requirements. The agent appointed to market the properties will be required to signpost applicants to the Help to Buy agent's list of recommended financial advisors.

2.4.4 Applicants will be advised to utilise the budgeting tool provided at www.moneyadviceservice.org.uk to help them make the most of their money and realise the financial commitment of owning a property.

3 Completion and Handover

3.1 The Council will issue new shared owners with a Welcome Pack containing a Shared Owner's Guide, Guarantees, Maintenance Information, a copy of the Buildings Insurance Certificate and all product information for their home.

- 3.2 A minimum 12 month defect period will be offered on new shared ownership homes. During this period the Council will arrange for reported defects to be rectified by the Contractor or Developer who built the units. This is in addition to any further guarantees such as a NHBC warranty or similar cover.
- 3.3 The Council will meet its initial contractual and statutory obligations towards shared ownership properties. Once the defect period has expired, the leaseholder has full repairing responsibility and becomes liable for all maintenance costs on the property regardless of the share amount they have purchased.
- 3.4 Once the property has been handed over, the Council will log the sale on the HCA's CORE database.

3.5 Building Insurance

- 3.5.1 The Council will arrange suitable buildings insurance for the property. Shared owners will be provided with a copy of the relevant building insurance certificate confirming the sum for which the property is insured, the name of the insurer, and the risks covered in the policy. The cost of obtaining the building insurance will be recharged to the shared owner on a monthly basis in the form of a service charge, at the same time as the rent for the un-owned share.
- 3.5.2 It is the shared owner's sole responsibility to obtain and secure contents insurance for the property. The Council may request a copy of the contents insurance policy documents or any other insurances relating to the property by giving 28 days notice in writing.

4 Income Management

- 4.1 The Council will endeavour to ensure that all charges relating to shared ownership properties are reasonable. These will consist of the rent and service charge including administration fees relating to a property.

4.1 Rents

- 4.1.1 The minimum share permitted and rent payable will be determined on a scheme by scheme basis. In line with HCA guidance, the initial annual rent will not exceed 3% of the capital value of the unsold equity at the point of the initial sale. The Council will take local market conditions into account when setting the rent and may consider charging a lower rent where affordability is considered to be an issue.
- 4.1.2 The rent will be reviewed by Finance on an annual basis at the end of each financial year. The rent will be increased in line with the Retail Price Index (RPI) and will be reviewed on an 'upward only basis'. This means that the level of the rent will not go down when it is reviewed. In line with the HCA's *Capital Funding Guide*, rent increases are capped at RPI+0.5%, therefore, if RPI is zero or negative the maximum rent increase is 0.5%.
- 4.1.3 Shared owners will be advised of the new rent in writing, as detailed in the lease.

4.2 Service charges

- 4.2.1 Where services are provided to the shared ownership properties, these will be detailed in the lease and charges will be set and administered in accordance with current legislation, including the production of annual accounts. Service charges will be billed to shared owners on a monthly basis at the same time as the rent is due.

4.2.2 The Council will charge a small administration fee for officer's time spent preparing service charge accounts and carrying out other administration tasks relating to the property. In line with the Council's current policy, this will be set at 10% of the service charge.

4.2.3 On some schemes, the Council may apply a sinking fund charge within the service charge to cover the cost of anticipated major works relating to the scheme. This is usually only implemented for properties that have communal parts such as a block of flats or a group of homes with shared responsibility for maintaining an un-adopted road for example. The need for a sinking fund will be assessed on a scheme by scheme basis depending on the type of property, its surroundings and the requirements of the lease.

4.2.4 *Service charge disputes*

The Council will take a proactive approach to the resolution of disputes by ensuring that complaints are dealt with as quickly as possible in order to minimise customer dissatisfaction. To ensure a consistent standard of customer care, the Council's Complaints Policy and Procedure will be followed.

In the first instance, should a shared owner disagree with the amount charged, they will need to request a review in writing from the Council. Officers will review the proposed service charge and provide a full response within 28 days from receipt of the review request. Should the shared owner be dissatisfied with the response received they can then make a formal complaint through the Council's Complaints Procedure.

If the Council's Complaints Policy has been exhausted and the shared owner is still not happy with the response, they can refer the matter to the First-tier Tribunal (Property Chamber). The First-tier Tribunal (Property Chamber) has legal powers to determine the reasonableness of the service charge and, if necessary, may appoint a manager if properties have been badly managed. The shared owner will have to pay a charge for this service.

4.3 Collection

4.3.1 Rent and service charges must be paid by the shared owner by equal monthly payments in advance before the first day of each month. Payments should be made by direct debit.

4.4 Rent Arrears

4.4.1 The Council will manage rent arrears in line with the *Shared Ownership: Joint Guidance for England* guidance published by the HCA, Council of Mortgage Lenders (CML) and the National Housing Federation. Early intervention is the key when trying to resolve financial matters. The Council will therefore seek to enter into a Service Level Agreement with each mortgage lender in order to establish a good working relationship.

4.4.2 The Council will support and work with shared owners who are experiencing financial difficulties to try to prevent them losing their home (see section 7.3.1 below). Any shared owner who falls behind with rent and/or service charge payments will be contacted promptly by the Council and appropriate action for arrears recovery will be taken in accordance with the Shared Ownership Income Recovery procedures.

4.4.3 Where the Council is satisfied that staff have taken appropriate recovery action and the rent/service charges still remains unpaid, legal proceedings will be considered. Legal action will only be taken where there is no other reasonable alternative and other avenues to maintain the shared owner in their home have been exhausted.

- 4.4.4 As set out in the lease, the Council will provide the shared owner's mortgage lender with 28 days notice of any intentions to commence possession proceedings. This will include details of the level of arrears.
- 4.4.5 On a case by case basis, the Council may discuss potential payment arrangements from the lender to cover the shared owner's arrears but also reserves the right to refuse such an offer. If the Council agrees to recover the arrears from the lender, the shared owner will be notified in advance and made aware of the consequences, for example, compounded interest being charged on their arrears by the lender.

4.4.6 *Paying back equity stake*

Where the Council has repossessed a shared ownership property, a proportion of the equity stake will be returned to the outgoing shared owner minus the following costs:-

- The outstanding mortgage balance and any others costs due to the lender;
- Any rent arrears/service charges outstanding;
- Any legal costs incurred as a result of taking possession action;
- Any costs incurred by the Council to carry out repairs or make good any damage to the property that are not due to fair wear and tear;
- Any costs associated with the sale of the property including any legal costs;
- Any other costs not listed above incurred as a direct result of taking repossession action;
- Any other sums due to the Council.

If there is still an outstanding debt to the Council after all of the above costs have been deducted, the previous shared owner will receive nothing. The Council will consider taking separate recovery action to recover any monies outstanding from the shared owner.

In cases where a shared owner moves into residential care, the Council may seek to recover any care costs from their equity stake by placing a charge on the property.

4.5 Production of accounts

- 4.5.1 Each property will have a property record on the Housing Management database and the Billing and Collection Team will manage the rental income. Each account will be credited with the rental income and debited with rent and service charges. An annual account statement will be produced for each account and sent to the shared owner.

5 Repairs

- 5.1 The shared owner is solely responsible for the maintenance of the property. This includes the maintenance of driveways, gardens, trees, and any fences, walls or hedges.
- 5.2 In addition to the repairs, the shared owner is also responsible for arranging for all gas installations within the property to be tested annually and a copy of the gas service certificate must be provided to the Council within 28 days of the service being due. Failure to provide the certificate or have the safety check carried out will result in the Council taking legal action in order to gain entry to the property to carry out the required test. The cost of the service, and any legal costs incurred, will be recharged to the shared owner.

5.3 Should the property fall into disrepair, the Council may seek legal action to enforce the shared owner to carry out remedial works or for the Council to carry out the works and recharge the shared owner for the cost, including any legal costs incurred.

5.4 Alterations and improvements

5.4.1 The shared owner is permitted by the lease to make alterations and improvements to the property subject to written permission from the Council. The Council will require requests to be submitted in writing including full details of the proposed work. If the works require the use of a professional tradesperson (such as an electrician or gas fitter), a certificate confirming the works have been carried out safely and meet current regulations will need to be provided to the Council within 28 days of the works being completed. The Council may provide a list of conditions which will need to be met by the shared owner in order for the permission to remain valid. This may include obtaining planning permission or building regulations consent.

5.4.2 The Council reserves the right to inspect any alterations and improvements once completed by arranging a mutually convenient appointment with the shared owner. Where unauthorised alterations or improvements have been carried out, the Council may request the shared owner to reinstate the work. Should the shared owner fail to make good the works, the Council may take legal action to carry out the necessary works and recharge the shared owner for the cost, including any legal costs incurred as a result.

5.4.3 The Council will not withhold consent for an improvement unreasonably. In normal circumstances permission will only be withheld for the following reasons:

- The requested work would result in the property devaluing in price;
- The requested work would cause a nuisance or annoyance to neighbouring properties; or,
- The shared owner is in rent arrears or a Court Order is in force / pending in relation to possession action.

5.5.4 Any refusal of the proposed alteration or improvement will be accompanied with a full written explanation. There is no appeals process. The terms of the lease will be referred to on all occasions.

6 Other lease management issues

6.1 The Council will take appropriate action whenever it becomes aware that a shared owner is acting in breach of the terms of the lease which may include:

- Non-payment of rental income;
- Unapproved works to the property;
- Improper use of the home or building;
- Failure to maintain or damage to the property;
- Refusal of access to Council staff and or its contractors or agents;
- Anti-social behaviour by the shared owner, their household members or visitors that causes a nuisance, alarm or distress to other residents in the vicinity of the property.

6.2 The Council will work with the shared owner and other relevant services or agencies (such as the Council's Anti-social Behaviour Team and Local Policing Team) to resolve any issues. Should the breach continue following warnings, the Council will consider taking legal action which could include seeking an injunction, or action for the forfeiture (termination) of their lease.

6.3 Subletting

- 6.3.1 The shared ownership lease prohibits subletting. This is to protect public funds from misuse and to ensure that applicants are not entering into shared ownership for financial gain (apart from the creation of equity).
- 6.3.2 Requests to sublet will ordinarily be refused by the Council. In exceptional circumstances the Council may grant permission for a shared owner to sublet, for example, for Ministry of Defence personnel who are posted away from the property. In all cases, sub-letting or lodgers must be approved by the Council in writing. Further information will be detailed within the Sub-letting procedure

7 After-sales

- 7.1 The Council will be responsible for dealing with all after-sales transactions, including stair-casing and re-sales but not for Land Registry registration fees, the payment of stamp duty land tax or a shared owners legal fees.

7.2 Stair-casing

- 7.2.1 Shared owners are able to increase the share that they own at any time during the term of the shared ownership lease. The price paid for any increased share is based on the full open market value of the property at the time of stair-casing as assessed by a RICS qualified surveyor. Where the Council receives notification of a shared owner's intention to stair-case, an independent surveyor will be appointed within 14 days. The cost of this will be re-charged to the shared owner. A valuation will be valid for three months from the date received by the Council. It is expected that shared owners will complete their stair-casing purchase within that time period, however, where there have been delays outside of the control of the shared owner the Council may allow this to be extended to six months.

7.3 Downward stair-casing

- 7.3.1 Downward stair-casing involves the repurchase of some or all of the equity from the existing shared owner. Following this transaction, the shared owner continues to live in the property owning a smaller share. Downward stair-casing is at the discretion of the Council as the provider and will be considered only in exceptional circumstances. This could be because the shared owner is at risk of repossession or falling into arrears and no alternative solution can be found. However, the Council will require shared owners to maintain a minimum share of 25% in order that the property is preserved for shared ownership.

7.4 Re-sales

- 7.4.1 The shared owner is required to notify the Council of their intention to sell the property. Where such notification is received, the Council will appoint an independent RICS qualified surveyor within 14 days to ascertain the market value of the property.
- 7.4.2 Under the terms of the lease, the Council has eight weeks from receipt of notification that the shared owner wishes to sell to nominate an eligible purchaser. Nominations will be made from the Council's own Housing Register and the Help to Buy database in line with the local sales policy where applicable. Where there are no eligible buyers registered with either the Council or Help to Buy, the Council may carry out marketing targeted to local residents.

7.4.3 If the Council is unable to nominate a suitable buyer within the 8 week period, or a purchaser is nominated but fails to exchange contracts within 12 weeks, the shared owner is entitled to advertise their property on the open market. However, re-sales applicants must still meet the HCA's eligibility criteria.

7.4.4 An affordability calculator will not be completed for re-sales (due to the rental calculation and the fixed share associated with a re-sale), however, re-sales applicants must be able to afford and sustain the share they need to purchase. The Council may encourage re-sale applicants to simultaneously stair-case at the point of sale to purchase a larger share where this is affordable.

7.4.5 *Leasehold repurchase*

Leasehold Repurchase involves buying the shared owner's entire share of the property. Some leases may include the provision of a first right of refusal for the Council. In addition, a shared owner may request the Council purchases their share because they need to move and another household in housing need who can afford to purchase the shared owner's equity cannot be found. In exceptional circumstances, the Council may consider requests to repurchase the leasehold of a property where the shared owner is able to demonstrate a genuine need to move and all other alternatives have been exhausted. The Council will consider repurchase requests on a case by case basis and will provide a determination within 28 days of receipt of written notice of a shared owner's intention to sell.

7.5 Remortgaging and additional borrowing

7.5.1 The lease terms permit a shared owner to increase the borrowing secured against their share of the property subject to the Council's approval. The Council will consider requests from the lender to permit further borrowing only where the funds are to be used to:

- Enable the purchase of further shares (stair-casing);
- Enable the shared owner to comply with the terms of the lease, for example, to carry out essential repairs;
- Allow one shared owner to buy out another shared owner's interest in the property.

7.5.2 Consent will only be given for essential repairs and maintenance. The Council will not permit additional lending for home improvements. As an example, the replacement of a boiler or repairing the roof would be permitted; the addition of a conservatory would not be approved.

8 Involvement and consultation

8.1 The Council will provide appropriate opportunities for shared owners to influence the quality, cost and efficiency of the services they receive. This will include consultation on policies and procedures that affect the shared ownership service offered.

8.2 Under Section 20 of the Landlord and Tenant Act 1985 (as amended by S151 of the Commonhold and Leasehold Reform Act 2002), leaseholders paying a variable service charge must be consulted before a landlord carries out qualifying works or enters into a long-term agreement for the provision of services. Qualifying works are those which will cost any single shared owner more than £250 (including VAT). A long-term agreement is a contract for services for a period of more than 12 months for which any one shared owner is expected to pay more than £100 (including VAT).

8.3 Where qualifying works or a long-term agreement is required for the property, the Council will consult with shared owners in line with its statutory obligations. Further information will be detailed in the Section 20 Consultation Procedure.

Appendix 1: Local Sales Policies

West End Farm Close, South Cave

The criteria to be used for the selection of applicants for dwellings built by East Riding of Yorkshire Council at West End Farm Close, South Cave shall be as follows:

1. Applicants must satisfy the requirements set out in the East Riding of Yorkshire Council Shared Ownership Policy (2017) and be approved the Help to Buy North East Yorkshire & Humberside.
2. Applicants should intend to occupy the dwelling as their only home.
3. Applicants will be prioritised in the following order:
 - (a) normally resident in the Parish of South Cave or have a local connection by way of employment or family connections or are former residents; or if none
 - (b) normally resident in the neighbouring parishes of North Cave, Newbald, Rowley, Ellerker, Broomfleet, Newport and Hotham or have a local connection by way of employment or family connections or are former residents of the same; or if none
 - (c) normally resident in Dale Ward or have a local connection by way of employment or family connections or are former residents; or if none
 - (d) currently living or working in the East Riding of Yorkshire;
 - (e) currently living in an area outside of the East Riding of Yorkshire.
4. Reservations for properties will be accepted in the reservation period using the above prioritisation criteria to ensure that local residents have the opportunity to obtain shared ownership housing over other households. The reservation period will be promoted in the local area during the initial marketing campaign. Once the reservation period has expired, applicants will be prioritised on a first come, first served basis, in line with the Council's Shared Ownership Policy.