

TITLE OF REPORT: Introduction of a Shared Ownership Policy

REPORT OF: Colin Huntington, Strategic Director, Housing, Environment and Healthy Communities

Purpose of the Report

1. To seek approval for the introduction of a Shared Ownership Policy in accordance with Homes England's Shared Ownership & Affordable Homes Programme to underpin the delivery of new affordable Homes in the Borough.

Background

2. Whitley Court is an ex-brownfield site which previously housed garages and a number of other Council buildings. As part of the Strategic Housing Land Availability Assessment (SHLAA) the site was identified as suitable and deliverable to provide mixed tenure new build accommodation.
3. The site was allocated by the Council to Gateshead Regeneration Partnership (GRP) exclusively for the provision of housing. GRP presented a business case and site layout to the Council demonstrating their ability to provide 44 units for affordable and supported housing on site.
4. It was agreed by Cabinet in July 2020 that the Council would purchase all 44 units from GRP, as this would fulfil identified accommodation needs for residents included supported accommodation, and those unable to access market sale housing.
5. Eight houses at Whitley Court have been allocated for shared ownership aimed at helping people in housing need who are unable to afford to purchase a suitable property for their needs on the open market. Applicants are subject to various eligibility and affordability requirements.
6. Shared Ownership allows the Council to sell a proportion of the equity to the interested party, depending on their financial situation. The Council will retain the remaining portion with the resident required to pay an affordable weekly rent equivalent to the percentage retained by the Council. In the following years the Council will offer the purchaser the opportunity to 'staircase' up in increments up until outright 100% ownership
7. On 7 July 2021 Homes England (HE) presented the Council with a grant offer of the £2,007,766 relating to the housing delivery at Whitley Court. Homes England noted that the scheme satisfies a number of their strategic drivers, including the provision of a mixed tenure development.
8. One of the grant requirements within the Homes England contract relates to the introduction of a Shared Ownership Policy in accordance with HE's Shared Ownership and Affordable Homes Programme 2021-26.

9. The Council does not have an existing policy, therefore, a policy has been developed in consultation with relevant services across the Council and in accordance with Homes England requirements. This policy is attached at Appendix 2.
10. It is proposed that the policy supports the new houses being developed at Whitley Court, as well as any future homes which the Council wishes to make available for Shared Ownership.

Proposal

11. To introduce as Shared Ownership Policy in accordance with Homes England's Shared Ownership and Affordable Homes Programme 2021-26.

Recommendations

12. It is recommended that Cabinet recommends the Council to approve the Shared Ownership Policy as set out in appendix 2.

For the following reason:

To support the new houses being developed at Whitley Court, as well as any future homes which the Council wishes to make available for Shared Ownership

Contact: Luke Wrigley

Ext: 2930

APPENDIX 2

Policy Context

1. The proposals support the overall vision for Gateshead as set out in Making Gateshead a Place Where Everyone Thrives and directly relate to the following pledges:
 - Put people and families at the heart of everything we do
 - Tackle inequality so people have a fair chance
 - Support our communities to help themselves and each other
 - Work together and fight for a better future for Gateshead
2. The Housing Strategy 2019-2030 identifies a vision for housing in Gateshead, centred on three strategic themes - supply, standards, and support. The introduction of a Shared Ownership Policy would directly promote the supply theme within the Housing Strategy as it would:
 - Ensure that the supply of new housing and use of existing stock, best meet current and future needs and aspirations, and create thriving, mixed communities.
 - utilise land efficiently and sustainably
 - Secures a range of homes that ensure all residents are able to access a home that meets their needs and improves housing choice.

Background

3. On 8 September 2021 the Government announced a new Affordable Homes Programme which introduces a new model of Shared Ownership delivered over a five year period until 2026.
4. It was agreed by Cabinet in July 2020 that the Council would purchase all 44 units from GRP, as this would fulfil identified accommodation needs for residents included supported accommodation, and those unable to access market sale housing.
5. Eight houses at Whitley Court have been allocated for shared ownership aimed at helping people in housing need who are unable to afford to purchase a suitable property for their needs on the open market. Applicants are subject to various eligibility and affordability requirements.
6. Shared Ownership allows the Council to sell a proportion of the equity to the interested party, depending on their financial situation. The Council will retain the remaining portion with the resident required to pay an affordable weekly rent equivalent to the percentage retained by the Council. In the following years the Council will offer the purchaser the opportunity to 'staircase' up in increments up until outright 100% ownership
7. On 7 July 2021 Homes England (HE) presented the Council with a grant offer of the £2,007,766 relating to the housing delivery at Whitley Court. Homes England noted that the scheme satisfies a number of their strategic drivers, including the provision of a mixed tenure development.

8. One of the grant requirements within the Homes England contract relates to the introduction of a Shared Ownership Policy in accordance with HE's Shared Ownership and Affordable Homes Programme 2021-26.

Consultation

9. The Cabinet Members for Housing have been consulted and support the introduction of the policy.

Alternative Options

10. The Council could withdraw from the Homes England grant agreement and instead deliver the homes under a general needs affordable tenure.

Implications of Recommended Option

11. Resources:

- a) **Financial Implications** – The Strategic Director, Resources and Digital confirms that the financial implications are as detailed in the report
- b) **Human Resources Implications** – None
- c) **Property Implications** - The addition of an initial 8 properties for Shared Ownership being added to the Councils housing stock

12. Risk Management Implication - None

13. Equality and Diversity Implications - An increase in affordable accommodation in a Ward deficient in affordable accommodation.

14. Crime and Disorder Implications – None

15. Health Implications – Positive impact on the mental health and wellbeing of residents potentially moving from private rented accommodation or overcrowded accommodation into their own property. Therefore, potential to increase their housing standards.

16. Climate Emergency and Sustainability Implications - The delivery of 8 new build energy efficient homes.

17. Human Rights Implications - None

18. Ward Implications - The delivery of an initial 8 homes in Wreckenton will see the increase of affordable provision and home ownership in the Ward area.



THE BOROUGH COUNCIL OF GATESHEAD
SHARED OWNERSHIP POLICY
April 2022-April 2026

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1. DEFINITIONS

- 1.1. Shared Ownership affordability: Homes England (HE) considers a 45% household debt to net income ratio as maximising shared owners' contribution towards home ownership. The Council will assess all applications in line with HE guidance.
- 1.2. Flexible Tenure is the voluntary repurchase by the Landlord of some or all of a shared owner's interest in their home.
- 1.3. The Borough Council of Gateshead: 'the Council'.
- 1.4. Homes England (HE) is an executive non-departmental public body, sponsored by the Department for Levelling Up, Housing and Communities.
- 1.5. Landlord: the landlord is Gateshead Council.
- 1.6. Market value: The value of the property undertaken by a Royal Institution of Chartered Surveyors (RICS) accredited surveyor.
- 1.7. Protected area: A clearly defined geographical space, recognised, dedicated and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values
- 1.8. Registered Providers- Organisations that run independently from a Local Authority. Their remit includes the provision of social housing and independent management of properties.
- 1.9. Section 106 Agreement: Local planning obligation for affordable housing which may apply to a development.
- 1.10. Shared Ownership: This is a generic term for an affordable home ownership scheme which allows the occupier to buy a proportion of the equity of the property and pay rent on the remainder.
- 1.11. Shared Ownership Leaseholder: A shared ownership lease where the leaseholder can purchase a share of a property (house or flat) and pay rent on that part of the property retained by the landlord.
- 1.12. Staircasing: The Purchaser may buy additional shares in their home as and when they can afford to do so. The new model lease introduced by Homes England allows tenants to staircase in tranches of 1% limited to the first fifteen years of the lease or the remainder of the 15-year period if the lease is assigned.

2. SCOPE OF POLICY

- 2.1. This policy sets out the Council's approach to offering affordable units under a shared ownership tenure. This Policy relates solely to housing provided by the Council directly for the purposes of shared ownership.
- 2.2. This policy is intended to:
 - Ensure that Gateshead Council's Shared Ownership products are offered for sale and sold consistent with the Homes England requirements.
 - Set eligibility criteria for applicants.
 - Detail how applications are made.
 - Encourage sustainable home ownership.
 - Offer shared ownership products that are compatible with mortgage lender requirements.
 - Meet the conditions set through any grant, funding or Section 106 agreements.
 - Operate a fair and transparent selling process.

- 2.3. This policy should be read in conjunction with the requirements of the Homes England Capital Funding Guide. Where there is any doubt, for schemes constructed with an element of Homes England funding, the Capital Funding Guide will take precedence over this policy.
- 2.4. This policy sets out how Gateshead Council will manage the sales process for shared ownership schemes delivered by the Council.
- 2.5. Gateshead Council's Commitment to Shared Ownership Leaseholders). The Council has agreed with Shared Ownership Leaseholders that we will:
 - Meet the responsibilities under the terms of their lease.
 - Ensure that value for money is achieved in the provision of buildings insurance and the management fee.
 - Provide a Welcome Pack summarising rights, responsibilities, and the services available to them.
 - Endeavour to keep blocks and estates in the standard agreed with residents.
 - Collect all monies due under the terms of the leases and offer support, advice, and information to anyone having difficulty in making payment.
 - Repay, in a timely manner, all monies and refunds due.
 - Ensure access to our services and the needs of all our customers are addressed.
 - Make details of the management fee available.
 - Ensure covenants in the leases are upheld, particularly with regard to harassment, neighbour nuisance and other actions taken by them that are likely to affect other residents.
 - Ensure access to a range of tenancy management services that are, as far as possible, aligned to those services available to tenants.

3. BACKGROUND

- 3.1. The Council has a strategic ambition to deliver a range of tenure models to improve and diversify the supply of affordable housing in the borough as noted in Gateshead Council's Housing Strategy 2019-2030.
- 3.2. For residents who would like to own their own home but are unable to afford to purchase a property outright, there are a range of affordable options available for them.
- 3.3. This policy supports the Council's ambition to offer a range of affordable tenure options and is in line with the Government's Help to buy- Shared Ownership Scheme as well as other low-cost home ownership schemes as defined by the National Planning Policy Framework
- 3.4. Contributions for affordable housing are required on developments of 15 or more dwellings in accordance with the Core Strategy and Urban Core Plan. Policy CS11 sets out that 15% of the units delivered should be allocated as affordable.
- 3.5. The provision of shared ownership housing will be considered on all council delivered sites however, the Council is not bound to provide this form of tenure.

4. WHAT IS A 'SHARED OWNERSHIP' LEASEHOLDER?

- 4.1. The lease is the contract between the landlord and the shared ownership leaseholder. It sets out the respective rights and responsibilities of each party. The lease is a legally binding contract and enforceable by law.
- 4.2. A shared ownership leaseholder is someone who is able to buy a share of the property and pay rent on the remaining share for a fixed number of years. Although the term is fixed at the start, it decreases every year until it expires, and the ownership of the property returns to the Council ('the landlord').
- 4.3. A shared ownership leaseholder can buy further shares in the property at the market value of those shares at the time of purchase. Buying further shares is referred to as 'staircasing'. Normally, when the Leaseholder owns 100%, he or she can acquire the freehold in the property for no charge, unless there are restrictions on the property preventing this, such as the properties are in a protected area. The shared ownership leaseholder will initially have a 99-year lease on the property.

- 4.4. At the time of initial purchase, proposed purchasers must have insufficient income or available resources to be able to afford the outright purchase of satisfactory housing at current market prices but must have sufficient savings or income to meet the associated cost of purchasing the initial share in the property and to pay the rental element without financial hardship.

5. THE POLICY

- 5.1. How will the policy be delivered?

- The delivery of this policy and associated procedures is the responsibility of the Strategic Housing and Residential Growth service within Gateshead Council.

6. LEASE

- 6.1. Gateshead Council is bound by the terms of the lease. All leases will include information about:

- The parties to the lease.
- The market value of the whole property and the equity purchased.
- The rent to be paid, how it is determined, when payment is due and how it will be reviewed.
- The arrangements for collecting contributions towards additional costs such as:
 - The procedures to purchase additional shares in the property ('staircasing') over 5% of the market value.
 - The process to assign or transfer the lease.
 - The restrictions on 'sub-letting' the property.
 - The responsibilities in respect of repair, decoration, servicing, and alterations to the property.
 - Details of the responsibilities of both the Shared Ownership Leaseholder and Gateshead Council ('the landlord').

- 6.2. Rental Element

6.2.1. The Shared Ownership Leaseholders will pay rent to the Council on the remaining share they do not own. The Council will ensure that any rent payable will be calculated to be affordable in-line with the Homes England rent setting guidance.

6.2.2. The rent will be reviewed every year in accordance with the lease covenants. The reviewed rent will be increased in line with any proportionate increases in the Retail Price Index each September (RPI)+0.5%.

6.2.3. Shared Ownership Leaseholders will be advised of the outcome of the rent review by written notice within 28 days, as detailed within the lease.

- 6.3. Services

6.3.1. 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 accounts.

- 6.4. Accounts

6.4.1. Individual computerised accounts will be created for each leasehold property. Each account will be credited with the rental income and debited with rent, buildings insurance, service charges (if applicable), estate rent charges and management fee charges. Account statements will be provided annually, with future access via on-line facilities.

6.4.2. In line with legislation, when a demand for payment is issued a notice explaining Leaseholders Rights & Obligations (Service Charges) will be served.

- 6.5. Rent Arrears

6.5.1. Any Shared Ownership leaseholder who falls behind with 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 (see Appendix 3).

6.5.2. The procedure considers the best practice published by the Council of Mortgage Lenders (CML).

6.5.3. Gateshead Council will be responsible in their actions to make sure anyone experiencing difficulties in making rent or mortgage payments is made aware of sources of advice available including welfare benefits and debt counselling, always offering prompt and practical advice.

6.5.4. If action is needed for non-payment of rent or breach of another obligation in the lease, Gateshead Council is obliged to make the Shared Ownership leaseholders mortgage lender aware of this. The mortgage lender may take their own action as they feel is appropriate. Gateshead Council will take steps to reduce rent debt via the lender if there is no reasonable alternatives.

6.5.5. Where Gateshead Council is satisfied that appropriate courses of recovery action have been taken, and rent and charges remain unpaid, then legal proceedings will be considered. A number of legal measures would be considered for persistent failure to pay rent including forfeiture (possession) in accordance with the lease.

6.5.6. Gateshead Council will act reasonably and will only take possession action where there is no other reasonable alternative and other avenues to maintain the shared owner in their home have been exhausted.

6.6. Disputed Charges

6.6.1. Gateshead Council will take a proactive approach to the resolution of disputes by ensuring that complaints are dealt with as quickly as possible, to minimise customer dissatisfaction.

6.6.2. To ensure we provide the same standards of customer care as we offer tenants and Right to Buy Leaseholders, the Council's complaints procedure (as noted on Gateshead Council's website) will be followed if a customer is not happy with the level of service.

6.7. Overpayments

6.7.1. All overpayments of rental charges by leaseholders (i.e. shared owners) will be automatically transferred to the next financial year. Any request for the repayment of overpaid charges will be considered on an individual basis.

6.7.2. If Shared Ownership leaseholders (sell their home during the year, then an apportioned refund of the balance will be provided.

6.8. Flexible Tenure (reverse staircasing)

6.8.1. Any Shared Ownership leaseholder who falls behind with mortgage payments or rent payments and could potentially lose their home may be considered for Flexible Tenure. Please refer to Gateshead Council's Flexible Tenure Policy.

6.8.2. Flexible Tenure is designed to enable a shared owner to remain in their home either by selling some or all their shares back to the Council to reduce their mortgage to a more affordable and sustainable level. If the transaction is to 0% ownership, then the Shared Owner will become an assured tenant of the Council, but they will not have the Right to Acquire.

6.8.3. Any repurchase will be considered as a last resort. HE permits the use of Recycled Capital Grant Fund (RCGF) only in cases where other options for avoiding repossession have been exhausted.

- 6.8.4. There is no 'right' to Flexible Tenure and any offer will be made purely at Gateshead Council's discretion subject to HE eligibility criteria. The flexible tenure policy and procedures will be referred to in all cases.
- 6.9. Alterations or Improvements
- 6.9.1. The leaseholder must obtain written permission from the Council before carrying out any alterations, additions or adaptations to the building. The leaseholder may also need planning permission and building regulations approval. Generally, the Council will not give permission for any external or internal alterations/additions to the structure, walls, timbers, elevations (faces and sides of the building) or the removal of any main walls, timbers, floors or ceilings or anything which may invalidate the NHBC/LABC warranty.
- 6.9.2. If the Shared Owner leaseholder damages the structure of the building or carries out works without Council permission, the Council has the right to make it good and charge the leaseholder for doing so.
- 6.10. Sale of Share – Assignment or Transfer
- 6.10.1. A shared ownership leaseholder can sell their share at any time and Gateshead Council has a responsibility to assist them in doing this through the nomination period and in addition will be responsible for approving any eventual buyer.
- 6.10.2. Any buyer must meet the minimum criteria for shared ownership in respect of affordability and their personal circumstances. Purchasers will be encouraged to maximise the equity that they initially purchase.
- 6.10.3. Gateshead Council 'Sales and Resales' procedure will be followed in all cases (see Appendix 1)
- 6.11. Purchase of additional shares
- 6.11.1. During any time, the shared ownership leaseholder has the ability to serve notice in writing to the Council requesting the percentage share that they propose to acquire.
- 6.11.2. If the request is validated and is greater than a 5% share, then the Council will arrange for a valuation to be carried out by a RICS accredited valuer. The Council will then charge the cost of the valuation to the shared ownership leaseholder making the request.
- 6.11.3. If the proposed share is between 1% and 5% then no additional valuation is required, and the original market value will be used to determine the purchase price adjusted in line with the House Price Index (HPI)
- 6.11.4. If the Shared Ownership Leaseholders wishes to acquire more than a 1% share it can staircase at any time in increments of 5% share following the original sale. When making further purchases of shares each additional share acquired must be not less than 1% increments for the first 15 years and not more than 25% of the market value of the property adjusted in line with the House Price Index at the time the application to purchase additional shares is made.
- 6.11.5. As leaseholders (i.e., shared owners) buy further shares the rent will be reduced proportionately to reflect the fact that Gateshead Council interest in the property has reduced. The purchase of additional shares will follow the Gateshead Council 'Staircasing' procedures (see Appendix 4).
- 6.12. Additional borrowing and change in lender
- 6.12.1. The lease does not prevent a shared ownership leaseholder from obtaining additional borrowing however, any further borrowing is subject to Gateshead Council approval

and the terms of the Mortgagee Protection Clause (MPC) which protects the mortgage company and is a fundamental clause in the shared ownership lease.

- 6.12.2. There is no specific procedure in the case of additional borrowing or change of lender, only principals that should be adhered to as each case will be different.
- 6.12.3. Gateshead Council will approve in writing, all requests to change a lender as long as the shared ownership leaseholder's legal representative confirms that the sum being borrowed has not increased from the sum owed to the previous lender (i.e., no additional lending) and that the terms of the mortgage are, in the opinion of Gateshead Council reasonable given current market conditions and that the original shared owners are still named on the new mortgage.
- 6.12.4. Under the terms of the MPC only certain advances are protected so it is unlikely that a lender will loan a shared ownership leaseholder additional funds for anything other than:
- the premium lent to purchase the initial share.
 - further borrowing to enable the purchase of additional shares (staircasing)
 - further borrowing to comply with the leaseholder's covenants in the shared ownership lease, such as essential repairs; and
 - further borrowing to allow one leaseholder to buy out another leaseholder's interest (in the same property) providing that the premium (the initial share value) and any further borrowing does not exceed the market value of the leaseholder's share in the property.
- 6.12.5. All additional borrowing associated with the home should be for repairs to the home only e.g., replacement boiler or roof, not improvements e.g., conservatory.
- 6.12.6. Gateshead Council will not approve additional borrowing for the consolidation of additional debt, the purchase of a car or holiday etc.
- 6.12.7. All requests for additional borrowing for repairs or replacement will be investigated by Gateshead Council with a home visit and technical advice or reports sought where required.

6.13. Subletting and lodging

- 6.13.1. Gateshead Council will not allow the leaseholder to assign, underlet, charge, mortgage or part with possession of part only of the Premises.
- 6.13.2. The leaseholder is prohibited from underletting or parting with possession of the whole of the Premises without the prior written consent of Gateshead Council (such consent not to be unreasonably withheld or delayed and for the avoidance of doubt it shall be reasonable for the Council to withhold consent where underletting does not comply with guidance).

6.14. Landlords Rights to First Refusal

- 6.14.1. With a view to ensuring that shared ownership properties within **Protected Areas** remain in the ownership of people in need of shared ownership units, there are restrictions on the transfer assignment and subletting of the property after the shared owner staircases to more than 80% ownership.
- 6.14.2. If, at any time after the shared owner staircases to more than 80% ownership of the property, and the shared owner gives Gateshead Council notices that he or she wishes to sell the Lease, Gateshead Council can require the Shared owner either to transfer the Lease back to Gateshead Council or to a person nominated by Gateshead Council. In both cases the price will be no more than the market value adjusted in line with House Price Index of the Lease with vacant possession.

6.14.3. Transfer of the lease back to Gateshead Council or nomination of a person to purchase the property is only applicable where properties have been built within an area designated by Homes England as a Protected Area.

6.14.4. Gateshead Council's right of first refusal does not apply if the Lease is transferred or assigned as a result of the divorce or death of the Leaseholder.

6.15. Breaches of lease

6.15.1. Gateshead Council will take appropriate action whenever it becomes aware that a shared ownership leaseholder is acting in breach of the terms of their lease, which may include:

- Non-payment of rent and or any other additional charges (administration charges, insurance, service charge, management charge and estate rent charge payments)
- Unapproved works to the home or building
- Improper use of the home or building
- Failure to maintain or damage to the premises
- Refusal of access to Gateshead Council staff and/or their agents
- Anti-social behaviour including harassment or neighbour nuisance

6.15.2. In all such cases Gateshead Council will work with the leaseholder to resolve the issue. However, if the breach continues legal action could be taken which may include seeking an injunction, or action for the forfeiture of their lease.

6.16. Leaseholder Involvement

6.16.1. Gateshead Council will provide shared ownership leaseholders (i.e. shared owners) with opportunities for participation and involvement on a similar basis to those offered to tenants and Right to Buy Leaseholders including:

- Influencing decisions that affect the housing service
- Making the neighbourhood a better place to live
- Giving views on the services they receive
- Being part of an interest, improvement or review group
- Helping us better understand the needs of people from diverse groups
- Helping us to provide better quality, customer focused services
- Developing their own skills

6.17. Pets

6.17.1. Written landlords' consent will be required to house any pets within the shared ownership products. Gateshead Council will not unreasonably prohibit consent.

7. AFFORDABILITY & ELIGIBILITY

7.1. Consistent with Homes England 2021-26 Affordable Homes Programme anyone wishing to buy a Gateshead Council Shared Ownership home must:

- Have registered with the Help to Buy agent and been assessed as eligible to purchase a Shared Ownership property.
- Have an annual household income of less than £80,000.
- Must be unable to purchase a home suitable for their needs without assistance.
- Can be a current homeowner provided their existing property is sold either prior to or simultaneous to the purchase of the shared ownership property
- Must not have any outstanding credit issues (i.e., unsatisfied defaults or county court judgments).

7.2. Gateshead Council will also require the following criteria to be met:

- Current or former Gateshead Council tenants should have a clear rent account and have no substantial breaches of tenancy conditions.

- Applicants must have sufficient funds to meet the initial costs of buying a home and can provide evidence of funds or mortgage availability for the purchase of the property.
- Be able to demonstrate they can afford to purchase a share equal or greater than 10% of the property value but they are unable to afford a 100% purchase less than the maximum where applicable.
- Demonstrate the ability to afford the regular payments and costs involved in buying a home. Where circumstances require it, there may be additional scheme specific criteria such as a local connection with the Gateshead area.

One of the following must also be true:

- you're a first-time buyer
- you used to own a home, but cannot afford to buy one now
- you own a home and want to move but cannot afford a new home suitable for your needs and the sale of that property is completed prior or simultaneously with the purchase of the shared ownership
- you're forming a new household - for example, after a relationship breakdown
- you're an existing shared owner and want to move

7.3. Those who already own their own home will only be permitted to purchase a shared ownership home in exceptional circumstances. Examples of exceptional circumstances include but are not limited to:

- Homeowners who need to move because their own home has been condemned or is to be demolished.
- Those needing to move due to age or disability and who cannot afford or find accommodation on the local open market that reasonably meets their needs
- Those going through relationship/marriage breakdown who are transferring their interest in their home to their former partner and will have insufficient capital remaining to purchase a home on the open market.

7.4. In addition to the eligibility criteria set out above applicants for specialist older person shared ownership products should:

- Be aged 55 or over
- Submit applications via the Help-to-Buy Agent who will in addition to the usual affordability assessment take into account any equity released from a current home sale and savings. Have insufficient equity to be able to purchase on the open market.
- Gateshead Council may exercise discretion in this matter if applicants are able to demonstrate that through the open market, they cannot secure accommodation that reasonably meets their mobility, care and or support needs and inclusion in the shared ownership scheme would meet these.

7.5. All applicants must be assessed for eligibility by the Help to Buy Agent, including joint applicants. A sole qualifying applicant wishing to purchase jointly may only proceed on the condition that they are to be a joint legal owner of the property. A deed of trust providing rights of occupation is unacceptable as an alternative to becoming a joint legal owner.

7.6. If a tenant of a housing association or local authority is applying and their partner does not want to join the application, the application can proceed for the sole name of the qualifying buyer, but the partner may still need to give vacant possession of their current property, without an obligation for the landlord to re-house the partner.

7.7. Gateshead Council will conduct further checks and will seek the authorisation of a senior manager where the applicant is a member of staff or is related to a member of staff or Councillor.

- 7.8. Prospective buyers will be encouraged to purchase the maximum affordable and sustainable share of the property. Affordability will be assessed through the Homes England Sustainability Calculator and will be facilitated the Councils nominated financial agent.
- 7.9. Shared owners within Gateshead Council schemes will be responsible for 100% of the service charge, estate rent charge and management fee regardless of their level of ownership.
- 7.10. The affordability assessment will consider available deposit, mortgage repayments and shared ownership rent payments (if applicable). Gateshead Council will not provide mortgage advice to applicants, although it may signpost applicants to mortgage advisors with experience of shared ownership products.
- 7.11. Gateshead Council understand that sometimes people may have a capital sum to put towards their purchase but still need to have access to shared ownership schemes. Applicants in these cases will be subject to the general affordability and sustainability assessments. Gateshead Council will require information and evidence on the source of cash payments and may conduct additional checks in accordance with our Anti-Fraud, Corruption and Money Laundering Policy.
- 7.12. Gateshead Council accepts that older people may need to use funds for service charges, living costs, and care. The Council will use its discretion on a case-by-case basis to determine what is reasonable, but the expectation is that the majority of any applicant's capital will be used to purchase a share. For the purposes of this Policy, capital will include proceeds from property sale, savings, shares, stocks and bonds etc.
- 7.13. Allocation and prioritisation
- 7.13.1. Applications must be made to the Help to Buy Agent who will complete the initial application verification.
- 7.13.2. Applications can be made prior to the reservation of a property.
- 7.13.3. Unless there is a scheme specific restriction on allocation and priority, all applicants will be offered units on a first come, first served basis, in order of reservation application approval date.

8. FINANCIAL ASSESSMENT

- 8.1. Once the applicant(s) have been deemed as eligible, a financial assessment will be required to ascertain what share of the property the applicant(s) can afford and to ensure they qualify for a mortgage. This will be facilitated by the Councils nominated financial agent and finalised by the mortgage provider.
- 8.2. A financial assessment will assess the applicant(s) income and outgoings. The decision will be based on the applicant(s) personal circumstances.
- 8.3. The financial assessment will inform the applicant(s) of the deposit required, monthly rent payable, and service charge.
- 8.4. Upon sign off by the Independent Financial Advisor (IFA) the applicant(s) can pay the reservation fee and the property will be removed from the market.
- 8.5. Gateshead Council will not provide any financial advice to the applicant(s) and will advise the applicant(s) to seek independent financial advice from an Independent Financial Advisor (IFA). Help to Buy agents can provide a list of recommended financial advisors.
- 8.6. The Council may outsource the function to complete affordability assessments to an external provider.

9. MARKET VALUE

- 9.1. Property sale price will be based on independent valuations of market value at the initial sales stage and on any subsequent 'staircasing'. Where a property remains unsold, the valuer will review the valuation every three months to ensure that the property is still marketed at the correct price. Properties cannot be offered for sale below their open market valuation, without Homes England approval.
- 9.2. All valuations must be carried out by a Royal Institution of Chartered Surveyors (RICS) Registered Valuer.

10. MARKETING

- 10.1. Beacon Living is the brand name of the Council's commercial housing activity and will be used for the purposes of sales and marketing shared ownership units.
- 10.2. Gateshead Council recognise the need for early marketing of schemes. Gateshead Council will market in a number of ways, which may include Tyne & Wear Homes, Help to Buy Agent and other marketing websites. Other sales and marketing material may consist of brochures, hoarding and relevant adverts. The Help to Buy Agent for the area will also market on their website and where applicable a qualified local estate agent will be appointed.
- 10.3. Gateshead Council may install fixtures and fittings that exceed the normal lettable standard in shared ownership properties to help marketability. This could include carpets or white goods for example.

11. SALES

- 11.1. A reservation fee of £500 will be charged to secure the purchase of the property subject to qualification. Once Solicitors are in position to exchange contracts a deposit of 10% (subject to lender criteria) of the value of the shared purchase will be required. The reservation fee and deposit will be deducted from the initial sale price when the property completes. If the purchaser withdraws from the sale then the reservation fee is repayable, however the Council will deduct any expenses incurred.
- 11.2. A timescale no longer than 6 weeks should be allowed for between exchange of contracts and legal completion of the sale. A longer period of time would be granted at Gateshead Council's discretion. On the day of legal completion of the sale the full purchased share will be transferred into Gateshead Council's bank account.
- 11.3. The minimum share rent payable and shared ownership arrangements will be determined and presented by Gateshead Council in accordance with the sales and marketing material.

12. COMPLETION OF SALE

- 12.1. Gateshead Council will arrange an appointment with the purchaser on completion of the sale. This appointment will include the handover of the full key schedule to the leaseholder and a demonstration of how to use the home.
- 12.2. Gateshead Council will issue the Leaseholder (i.e. shared owner) with a welcome pack, containing a Leaseholders Guide, guarantees, maintenance information and all product information for their home (see Appendix 2).
- 12.3. Leaseholders (i.e. shared owners) will be provided with copies of the relevant buildings insurance policy confirming the sum for which the property is insured, the name of the insurer, and the risks covered in the policy during the home demonstration.

13. NOMINATION PERIOD

- 13.1. The nomination period refers to the first four weeks of sale whereby the Council will try to sell the property for the leaseholder.

- 13.2. The Council has the right to waive the nomination period, however the qualification criteria stated within the Shared Ownership Policy still applies
- 13.3. During the nomination period, the leaseholder is unable to sell their home privately or through an estate agent. If the Council are unable to find a buyer by the end of this period, the leaseholder will be able to sell their home privately or through an estate agent. If the leaseholder chooses to sell on the open market through an estate agent, the price must not be less than that set by the valuer. The leaseholder is responsible for appointing a valuer and all costs incurred. The Council will still approve the buyer.
- 13.4. The leaseholder will be required to pay an 'assignment fee' to the Council. This will cover the cost of the work the Council will undertake in connection with the sale. Details of this fee are usually contained within the lease. If the lease does not contain these details, the Council will still charge the leaseholder a reasonable amount to cover the cost of this work.
- 13.5. If the leaseholder decides to withdraw their property once marketing has commenced, the leaseholder will be expected to pay 50% of the assignment fee, for marketing costs incurred. When the leaseholder agrees to their home being marketed by the Council at this price, the nomination period (described above) will commence.
- 13.6. The buyer nominated by the Council and to whom the leaseholder agrees to sell, then has 12 weeks to complete the purchase. If the sale cannot be agreed with the buyer chosen by the Council, within the nomination period, or if they fail to complete within 12 weeks, the leaseholder is then able to sell their share on the open market.

14. REPAIRS/DEFECTS

14.1. Initial Repair Period

14.1.1. There is a 10 year 'initial repair period' period starting from the lease start date which applies while the leaseholder owns less than a 100% share in the home. Gateshead Council will provide its initial contractual warranty period and further statutory obligations related to providing shared ownership properties. Once the defect period has expired, the leaseholder has full responsibility and becomes liable for all repair costs on the property, even if they only have the minimum 10% equity share.

14.1.2. Any work that is covered by a warranty or guarantee must be claimed through the policy by the policyholder. Repairs which are the landlord's responsibility during the initial repair period will not be recharged through the service charge.

14.1.3. In the initial repair period, the landlord is responsible for the cost of essential repairs to:

- the external fabric of the building,
- structural repairs to walls, floors, ceiling and stairs inside the home.

14.1.4. These are limited to repairs not covered by the building warranty or any other guarantee. The leaseholder must notify the landlord that the repair is required.

14.1.5. If repair works are necessary to the external fabric of the building or structure but are not covered by the new build guarantee and are outside the 'initial repair period, then works will be undertaken by the Council and recharged if appropriate.

14.2. Internal Repairs

14.2.1. The Council ('landlord') will support shared owners with the cost of unexpected essential repairs up to the value of £500 per year for the first 10 years, from the point of sale. However, if the shared owner does not claim the maximum of £500

in one year, it will be rolled over into the following year. Please note that the £500 is not accumulated every year after it reaches the maximum cap of £1,000. Further details of the allowance can be found under the (appendix x shared ownership guidance).

14.2.2. This allowance from the landlord is for essential repairs or replacement (if faulty) of:

- Installations in the home for the supply of water, gas and electricity (including basins, sinks, baths and sanitary devices but no other fixtures, fittings and appliances for making use of the supply of water, gas or electricity such as ovens or washing machines), pipes and drainage,
- Installations in the home for space heating and water heating.

14.2.3. Shared owners will be required to use a Trustmark approved tradesperson, and evidence repair work and costs in order to be eligible to reclaim costs.

14.3. Property eligibility

14.3.1. The repair cover applies to new build homes for the first 10 years of the property's life or until the Shared Ownership reaches 100% ownership, whichever happens sooner.

14.3.2. If the property is resold through the Shared Ownership scheme within the 10-year period, the remaining years will be transferred over to the new Shared Owner.

14.3.3. Any request for repairs will be inspected by the Council.

14.3.4. Any repair work caused by the leaseholder's occupation of the property will be the responsibility of that of the leaseholder, even within the initial repairs period.

15. MANAGEMENT OF SHARED OWNERSHIP PROPERTIES

15.1. Where services are provided to shared ownership properties, these will be referenced in the lease and an appropriate service charge schedule will be administered. The service charge will be consistent with current legislation.

16. BUILDING INSURANCE

16.1. Leaseholders (i.e., shared owners) will be provided with copies of the relevant buildings insurance policy confirming the sum for which the property is insured, the name of the insurer, and the risks covered in the policy.

17. ASSOCIATED DOCUMENTS, POLICIES AND PROCEDURES

The following procedures need to be followed to implement the policy:

- Sales and Resales Procedure
- Leaseholders Guide
- Shared Ownership Income Recovery Procedure
- Flexible Tenure Policy
- Right of First Refusal Policy
- Repairs and Maintenance Protocol

18. MONITOR AND REVIEW

18.1. The Shared Ownership Policy will be reviewed when strategic procedural or legislative changes occur.

19. AUDITING

19.1. Gateshead Council will maintain accurate and complete records of sale transactions both for reporting and audit purposes, by Homes England.

20. EQUALITY AND DIVERSITY/EQUAL OPPORTUNITIES

- 20.1. Access to shared ownership housing will be available to all qualifying purchasers as set out in 7.1 and will be assessed against Gateshead Council's equality and diversity policy to ensure the equitable provision of affordable housing.
- 20.2. Gateshead Council will ensure that this policy is applied fairly to all our customers. The Council will not directly or indirectly discriminate against any person or group of people because of their race, religion or belief, age gender, disability, pregnancy or maternity, marital status or civil partnership, sexual orientation and social or economic deprivation or other grounds set out in the Equality and Inclusion Scheme.