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**Report of:** Executive Director Mick Crofts  
**Report to:** *Cabinet*  
**Date of Decision:** *17<sup>th</sup> March 2021*  
**Subject:** *Shared Ownership Product*

Is this a Key Decision? If Yes, reason Key Decision:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
- Expenditure and/or savings over £500,000	<input type="checkbox"/>	
- Affects 2 or more Wards	<input checked="" type="checkbox"/>	

Which Cabinet Member Portfolio does this relate to? Neighbourhoods and Community Safety

Which Scrutiny and Policy Development Committee does this relate to? Safer and Stronger Communities

Has an Equality Impact Assessment (EIA) been undertaken? Yes  No

If YES, what EIA reference number has it been given? (809)

Does the report contain confidential or exempt information? Yes  No

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:

*“The (**report/appendix**) is not for publication because it contains exempt information under Paragraph (**insert relevant paragraph number**) of Schedule 12A of the Local Government Act 1972 (as amended).”*

**Purpose of Report:**

To seek Cabinet Approval for the Shared Ownership Policy 2021 detailed in the report and set out in appendix A.

This policy provides for the shared ownership model that the Council will implement and the associated model lease that the Council is required to use for Shared Ownership properties owned by the Council. Once approved it will guide how the council will manage Shared Ownership properties delivered as part of the Councils Stock Increase Programme.

**Recommendations:**

1. That Cabinet approve and resolve that the Council shall become a Provider of Shared Ownership Homes in the City of Sheffield on or after 1 April 2021
2. That in pursuance of establishing the Council's Shared Ownership Homes provision the Cabinet authorise and direct that:
  - I. The Council shall apply for Homes England funding under the Shared Ownership Affordable Homes Programme 2021-26 ("SO AHP 2021-26")
  - II. Upon acceptance of the Council's application for funding the Council shall thereafter enter a grant funding contract with Homes England in accordance with SO AHP 2021-26
  - III. The Council shall adopt and adhere to the Government's Capital Funding Guide and Homes England Model for the Shared Ownership Homes under SO AHP 2021-26
  - IV. The Shared Ownership Policy attached hereto at Appendix A is approved and shall be adopted and implemented by the Council from 18th March 2021
  - V. The Shared Ownership Policy may be amended to reflect any changes in legislation or guidance from the Government. Any material amendments to the Policy shall be undertaken in consultation with, and following the approval of, a Cabinet Review Group that shall be convened for this purpose.
  - VI. The Cabinet now delegates all authority and powers necessary for the execution of its decisions and directions set out in 1 and 2 above to the Director of Housing & Neighbourhood Services in consultation with the Cabinet Member for Neighbourhoods and Community Safety subject only to the authority of the Cabinet Review Group insofar as approval for Policy change is required pursuant to paragraph 2.v. above.

**Background Papers:**

**Appendix 1 – Shared Ownership Policy 2021**

**Appendix 2 – Case Studies and Examples**

**Appendix 3 – Core Cities Shared Ownership Table**

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Karen Jones / Jayne Clarke
		Legal: Stephen Tonge
		Equalities: Louise Nunn
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	<b>EMT member who approved submission:</b>	Mick Crofts
3	<b>Cabinet Member consulted:</b>	Cllr Paul Wood
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	<b>Lead Officer Name:</b> Fiona Wain	<b>Job Title:</b> Assistant Manager – Housing Strategy
	<b>Date:</b> 09/03/2021	

## **1. PROPOSAL**

1.1 The proposal is for Sheffield City Council (SCC) to become a provider of Shared Ownership Homes. Appended to this report is the Shared Ownership Policy. The Policy sets out how SCC will manage Shared Ownership homes which are built or acquired as part of the Council's approved Stock Increase Programme.

### **1.2 What is Shared Ownership**

Shared ownership allows first time buyers and those that do not currently own a home to buy a defined equity share of a property whilst paying a subsidised rent on the remaining share owned by the landlord.

Shared Owners have the option to buy further shares in the property later.

Shared ownership properties are part leasehold and part tenancy properties. The lease applies to the equity share the buyer owns and restricts the way in which the property can be used and resold. Running concurrently with the lease the buyer is also party to a non-secure contractual tenancy with the landlord in relation to the equity share the landlord retains.

### **1.3 How Shared Ownership works**

Eligible applicants buy a defined share of a flat or house from the Council and pay subsidised rent on the remaining share which is retained by the Council.

Applicants can buy a newly built home on a shared ownership basis or can buy an existing home through a resale programme.

Applicants will initially purchase between 10% and 75% of the home. The size of the share is determined by the purchaser's ability to afford and sustain the purchase. The Shared Owner can keep buying shares until they own the property outright. This process is known as staircasing.

The leaseholder will be able to buy a further 1% stake each year for the first 15 years.

The Shared Owner can choose to buy a larger stake from 5% upwards at any time.

The Shared Owner will buy a long lease from the Council at a premium fee. As part of the lease, they will be required to enter the concurrent tenancy with the Council and pay rent to the Council. This is calculated as a proportion of the equity retained by the Council

Buyers must be able to raise a sufficient deposit (usually between 5% and 10%) and secure a mortgage to buy a share of the property. Some major lenders, including but not limited to Santander, Nationwide and Halifax offer Shared

Ownership mortgages. However, there are less mortgage products available for Shared Ownership than for purchases on the open market.

The Shared Ownership model provides a 10-year period during which the costs of any maintenance or repairs will be met by the Council. Only after 10 years will the shared owner take on full responsibility for any repairs and maintenance costs. This 10-year period is in addition to any repairs or maintenance covered by the Builders warranty and so it will cover any works required that the Builders warranty does not cover.

If the Shared Owner (does not own 100% of the property), wishes to sell the property, they must give the Council four weeks to find a buyer. If no buyer is found the Shared Owner can sell the property on the open market.

#### 1.4 **Why is Shared Ownership Needed**

The Council assesses the need for Affordable Housing every 5 years. The last Strategic Housing Market Assessment (SHMA) was undertaken in 2019 and found that Sheffield had an affordable housing shortfall of 902 each year for the next 5 years.

The Council has an ambitious Stock Increase Programme. In October 2019 a report was presented to the Cabinet Member for Neighbourhoods and Community Safety providing an update on the progress of the programme and the approved broad principles for increasing delivery to 3100 homes.

The report recommended that proposals for Shared Ownership homes be developed as part of this to improve housing choice in some areas.

Furthermore, promoting Shared Ownership can help relieve housing register pressures. Shared Ownership provides a way for households to contribute towards meeting their housing needs and reduce competition for social rented homes.

An estimated 5,253 households<sup>1</sup> registered for a Council or Housing Association rented home in Sheffield have the financial ability to purchase a 25% stake in a 3-bedroom shared ownership property.

Social housing is a tenure of choice for many households, but households are registered for housing on average 8 years before being granted a tenancy.

Shared Ownership as a housing tenure has existed for over 40 years. Despite this, there are very few Shared Ownership properties available in Sheffield compared to most other core cities.

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<sup>1</sup> Based on modelled net income information provided by new Council tenants at sign up

### 1.5 **Why would households consider choosing this tenure?**

- I. Can help households to purchase a particular type of home, or a home in a particular area that they cannot afford to buy in full.
- II. Can increase household choices particularly in neighbourhoods that have a limited supply of homes for sale.
- III. Allows households on limited incomes to purchase a larger or specialist type of home to meet their needs.
- IV. Deposits and mortgage costs can be much lower than when buying a home in full therefore making it a more affordable way into home ownership.
- v. The purchaser benefits from any capital uplift of the purchased share.

### 1.6 **Why would the Council consider providing this tenure?**

- I. This tenure is considered as counting towards the city's affordable housing shortfall.
- II. It helps to increase choice for households and support mixed communities.
- III. Shared Ownership properties require less investment than social rented homes.
- IV. In the longer term it requires less management and maintenance than social rented tenure

### 1.7 **Eligibility**

Initial eligibility will be assessed by the Help to Buy North Agent. The criteria for who's eligible for the shared ownership scheme is:

- First-time buyers or those who used to own a home but can't afford one now
- People whose combined household income is less than £80,000
- Households will move into the home and use it as their primary residence

### 1.8 **Affordability Checks**

Whilst many Shared Owners aspire to staircase to full ownership, some households may never be able to purchase 100% of the equity in their property, but nevertheless value shared ownership for the increased security it provides (compared to private renting) and as an opportunity to build up some capital assets.

It is important that the Council only enables applicants to buy a Shared Ownership home, where applicants can demonstrate that they cannot afford a to buy a home outright in the open market.

Equally as important, the Council wants to make sure that Shared Ownership is the right tenure for applicants. Applicants must also demonstrate to us that they can afford to sustain their home on a shared ownership basis.

The initial cost of purchasing an apartment may seem low regarding the deposit and monthly mortgage and rent payments. However, the potential Shared Owner must take into consideration service charges for administration and maintenance. Also, and more notably, they must consider the sinking fund which applies to apartments and which can be a significant cost to the potential purchase.

In addition to verifying a potential buyer's eligibility, the Council will carry out a rigorous financial assessment to assess the affordability of the purchase, considering savings, access to capital or any other assets, and outgoings. This will involve a discussion with applicants about financial obligations. Discussions will include such topics as:

- moving costs
- mortgage, rent
- service charges (where applicable),
- property maintenance costs and repairs (not covered by the 10-year new build warranty or following the Council's 10-year repair responsibility period).

In addition to the Council's affordability checks, the applicants will undergo strict affordability checks by the lender when applying for a mortgage. This will include assessing that they can pay for the share they are purchasing, mortgage fees, stamp duty, and buildings insurance.

Applicants for Shared Ownership will therefore need to:

- I. Find out how much they can borrow using an affordability calculator (found on the help to buy agent website)
- II. Find out if they can get a mortgage
- III. Undergo strict affordability checks by the lender.
- IV. Provide a deposit on the share they will be purchasing

## **1.9 Delivery of Sheffield City Council Shared Ownership Product**

To deliver Shared Ownership properties, the Council will adopt the Homes England delivery model. The Council will be using this model so it can maximise Shared Ownership and Affordable Homes Programme grant funding to support the Stock Increase Programme. By using this model, the Council must follow the Government guidelines; these are detailed in the Policy document (appendix A).

The Council will amend the Policy as necessary in line with the delegations granted in this report to ensure the Policy remains in line with the Capital Funding Guide.

### **1.10 Summary of the Council's Proposed Shared Ownership Model**

#### **1.11 The Lease**

Shared Ownership properties will be on a leasehold basis. Shared Owner will be



able to request an extension to their lease, this will be at the discretion of the Council.

#### **1.12 Marketing**

Shared Ownership properties will be marketed directly with the developer wherever possible. This will be done on a site-by-site basis. For Section 106 properties we recommend that we incorporate an additional requirement into the contract of acquisition with the developer that it shall also market these properties. They will deal with all aspects of marketing and enquiries for Shared Ownership properties on their sites.

For resales we propose that the properties are marketed via the Help to Buy Agent. They will hold a register of people interested in Shared Ownership who will be contacted when a property becomes available. They will deal with all enquiries relating such properties.

#### **1.13 Valuations**

All Shared Ownership properties will be initially valued by an independent member of the Royal Institution of Chartered Surveyors (RICS). This method will also be used for any following staircasing of 5% or above.

For gradual staircasing of 1% an estimated valuation will be used linked to the original purchase price, adjusted in line with House Price Inflation. The Shared Owner will not need a RICS surveyor and will therefore have less costs.

#### **1.14 Joint Applicants**

Joint applications will be accepted.

#### **1.15 Owner Occupiers**

Owner occupiers can apply for a Shared Ownership property where they meet the eligibility criteria. They must sell their property as part of the shared ownership process. In exceptional circumstance the Council may support an application to Homes England for this to be waived.

#### **1.16 Existing Council and Housing Association Tenants**

Applicants who are existing Council or Social Housing tenants who are in breach of their tenancy agreements will not be eligible for Shared Ownership. This includes but is not limited to arrears. References will be requested for private rented tenants to ensure they do not have a history of rent arrears.

#### **1.17 Property Reservation and Prioritisation**

To reserve the property the Shared Owner applicant must be approved by the

Council and must pay a property reservation fee of £250. From this point the applicant will have 6 weeks (target) to exchange contracts.

The Council will prioritise applicants on a first come first served basis.

The only exceptions to this are:

- I. Military personal applicants will be prioritised above everyone else, as per the guidance from Homes England.
- II. Where the property was built subject to a specific Planning requirement to prioritise applicants or
- III. Where the property was built or acquired with funding for specific groups.

#### **1.18 Rent and Service Charge**

Shared Owners will pay rent and service charges to the Council.

#### **1.19 Rent**

Rent will initially be set at a maximum of 3% of the capital value of the unsold equity. Rent will be reviewed on an annual basis and will be limited to Retail Price Index.

#### **1.20 Service Charges and Sinking Funds**

The Council will charge service charges on all its shared ownership properties. As a minimum this will cover buildings Insurance costs.

Service charges will be calculated on an annual basis. Shared Owners will be charged this monthly at the same time as their rent. The Council will charge an administration fee for the time spent on tasks relating to service charges. A summary of costs will be provided to Shared Owners.

Shared ownership is subject to the payment of a service charge in the same way as owner occupied apartments. Service Charges are used for maintenance, repair, management, and insurance among other things. However, the maintenance of houses will be minimal as they usually don't have the shared spaces associated with apartments.

A sinking fund will be set up for any Shared Ownership properties which are apartments. A sinking fund is a special purpose account to hold funds earmarked for future spending on major repairs and maintenance. The fund will not be used in the first 10 years during the major repair free period. If the Shared Owner sells the apartment the value of the sinking fund remains with the property in place for the next owner.

The Council will aim to resolve any disputes regarding service charges with the Shared Owner directly. If this does not resolve the issue the Shared Owner can apply to the First Tier Tribunal.

The management of the apartment blocks will be in accordance with the Royal

Institution of Chartered Surveyors Code: Service charge residential management Code and additional advice to landlords, leaseholders, and agents. Adoption of the Code will ensure not only that legal obligations are met but that the Council implements best practice to provide compliant, transparent and value for money services to leaseholders.

The Code covers the following areas in detail:

- Budgeting and estimating service charges including the establishment of a sinking fund based on lifecycle costing to deal with major works, cyclical works, or expensive items of plant.
- Provision of information including a useful list of information leaseholders can expect to receive during their ownership of the apartment.
- Health and safety risk management.
- Complaints and disputes including referral to alternative dispute resolution or independent expert.
- Accounting for leaseholder's money.
- Residents association and the right to manage.

In terms of practical implementation, the landlord estimates the service charge for the year ahead and provides details of this to the leaseholder. Payment is collected from the leaseholder via monthly direct debit and at the end of year the service charge estimate is reconciled against actual expenditure. The leaseholder is provided with an explanatory account of the reconciliation. Whilst the annual service charge is variable, the sinking fund element helps avoid large fluctuations as major items of capital expenditure are converted to an annual sum over a longer period.

The Council will look at introducing apartments for Shared Ownership once it is confident that it has developed sufficient expertise in providing the Shared Ownership tenure. Providing houses in the early phase of the programme will allow the Council to gather information about demand for apartments from potential purchasers and be satisfied that there is sufficient demand for Shared Owners to be able to sell these apartments on.

#### **1.21 Rent/Mortgage Arrears**

The Council will help and support Shared Owners who are experiencing financial difficulty which affects their ability to pay rent or service charges.

The Council will refer Shared Owners to relevant specialist advice and support with permission of the Shared Owner.

The Council will contact Shared Owners who fail to pay rent or service charge payments to discuss the circumstances and make a repayment agreement to clear the debt to the satisfaction of the Council.

The Council will use a variety of methods of communication to ensure the Shared Owner is fully aware of their circumstances during any period they have rent or service charge arrears.

If arrears continue the use of legal proceedings will be assessed, before these take place the Council will assess other options, such as the buyback scheme or approaching the mortgage lender. The Council will provide the Shared Owner's mortgage lender with 28 days' notice of its intention to commence possession proceedings.

Should the mortgage lender choose to repossess the property the Council will share all necessary information regarding the property and arrears payments.

#### **1.22 Equity Stake**

If the Council must repossess a shared ownership property, a proportion of the equity stake will be returned to the outgoing Shared Owner minus costs as outlined in the Policy.

#### **1.23 Repairs and Maintenance**

##### **1.24 Repairs**

In circumstances where the homes are new builds less than 10 years old, new build guarantees which the developer is responsible for will apply. Where external fabric repairs are not covered by such guarantees the Council will be responsible.

In addition, on new build properties Shared Owners will also be able to apply to claim back £500 each year from the Council, for some essential internal repairs.

After ten years full responsibility will transfer to the Shared Owner. If the Shared Owner staircases out, purchasing enough shares to own 100% equity, before the ten period has ended the responsibility will also transfer to them.

##### **1.25 Maintenance**

Shared owners are responsible for the general maintenance of the property that fall outside the Council's obligations in the first 10 years. They are also responsible for the annual testing of all gas installations of the property.

##### **1.26 Alterations and Improvements**

Where Shared Owners wish to make alterations to the property, they will first need to seek written approval from the Council. Where appropriate certificates for this work will need to be supplied. The Council reserves the right to inspect alterations.

##### **1.27 Breach of Lease Implications**

The Council will take appropriate action whenever it becomes aware that a Shared Owner is in breach of their lease terms. Wherever possible the Council will work with the Shared Owner and other services to resolve issues. However, if the shared owner fails to adhere to their obligations under the lease, then the Council may be entitled to terminate the lease and evict the Shared Owner

(subject to obtaining any necessary court order).

Subletting will be prohibited.

### **1.28 After Sales**

The Council will be responsible for dealing with all after-sales transactions, including stair-casing and re-sales. Shared Owners will be responsible for paying fees associated with Land Registry registration, the payment of stamp duty land tax and legal fees.

### **1.29 Stair-casing**

Shared Owners will be able to apply to increase their share at any time. They can do this in two ways:

- Gradual Staircasing- for the first fifteen years the Shared Owner can apply to purchase a 1% share per annum. The price of this will be an estimated value based on the original market value and HPI. There will be no requirement for a RICS valuation and Shared Owners will therefore have reduced fees.
- In addition to the above the Shared Owner can also purchase shares of 5% or more at any time. This will require a RICS valuation

### **1.30 Downwards stair-casing**

In exceptional cases the Council may consider repurchasing some of the equity from the Shared Owner.

### **1.31 Re-sales**

Should the Shared Owner wish to sell their property they must notify the Council. The Council will then have 14 days to value the property and a further 4 weeks to nominate an eligible purchaser. If the Council fails to nominate a purchaser or if they fail to complete within 12 weeks the Shared Owner can choose to sell on the open market.

### **1.32 Leasehold Repurchase**

Shared Owners can request that the Council purchases their entire share of the property. Such requests will be considered in exceptional circumstances where the Shared Owner is able to demonstrate a genuine need (financial hardship) 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.

### 1.33 **Mortgaging and Additional Borrowing**

Shared Owners can increase the borrowing from their mortgage lender against their share of the property only with Council consent.

Consent will only be given for essential repairs and maintenance.

### 1.34 **Background: previous decisions**

The November 2018 report to Cabinet on the New Homes Delivery Plan stated that “A report will be presented to Cabinet in 2019, setting out the options and implications for the Council delivering Shared Ownership properties.” The Cabinet decision included delegated authority to the Chief Property Officer, in consultation with the Director of Housing and Neighbourhood Services and the Director of Legal & Governance, to negotiate and agree terms for the acquisition of properties for the purpose of Shared Ownership as described in the report.

A report on the Housing Revenue Account (HRA) Business Plan and HRA budget for 2019/2020 was presented to Cabinet on 16<sup>th</sup> January 2019. This outlined the opportunity to introduce new Shared Ownership homes to meet a gap in affordable housing provision in the city. This report detailed that a further report would be presented to the Cabinet setting out the options and implications for the Council delivering Shared Ownership properties.

A report on the Housing Revenue Account (HRA) Business Plan and HRA budget for 2020/2021 was presented to Cabinet on 20<sup>th</sup> January 2021. This report outlined that the Council have looked further into developing a small programme of Shared Ownership homes as an affordable housing option in Sheffield.

The report detailed that it is intended that these homes will be delivered as part of the HRA Stock Increase Programme. The government has announced a new shared ownership model to be used from April 2021 and has recently consulted on its implementation. Following the outcome of the consultation Homes England will issue new guidance.

It also stated that a report setting out how the Sheffield City Council Shared Ownership properties will be managed will be produced for consideration by Cabinet in within the next few months, when this detail is clearer.

## 2. **HOW DOES THIS DECISION CONTRIBUTE TO THE CORPORATE PLAN?**

2.1 This proposal contributes towards the corporate plan:

2.2 **An in-touch organisation:** Evidence from the last SHMA confirmed that people on low to median incomes could afford to buy a stake in a Shared Ownership property but currently there is very limited Shared Ownership options in Sheffield to enable this. The Shared Ownership product will meet the needs of the residents and potential customer by responding to what people told us in the SHMA.

- 2.3 **Thriving neighbourhoods and communities:** As the Council develops the programme for Shared Ownership it will increase choice for residents and promote mixed communities. Our intention is that it will enable citizens to have more housing choice locally. This will enable households, as their needs change, to remain in neighbourhoods where they have local connections and where they want to continue to participate in the life of their own communities.
- 2.4 **Better health and wellbeing:** Purchasing a property in an area of your own choosing and building equity in a home is an aspiration that much of the UK population values highly. Shared Ownership is a tenure that facilitates the pursuit of this aspiration amongst people who do not have the financial means to purchase a home outright or with a traditional mortgage and can empower people to access good quality and stable housing. Access to good quality and stable housing is widely considered to be a key driver of positive health and wellbeing outcomes for citizens.
- 2.5 **Tackling inequalities:** Empowering people who are able to do so to purchase a share in their own home rather than having to rely on relatively insecure assured shorthold tenancies in the private sector or lengthy wait for social housing provided by the Council or Registered Social Landlords will help to address some of the inequalities that exist within the city.

### **3. HAS THERE BEEN ANY CONSULTATION?**

- 3.1 The SHMA is a significant piece of primary research. Through the SHMA, the Council has consulted the residents of Sheffield about their current and future housing needs and the Shared Ownership Policy reflects and responds to the latest SHMA.
- 3.2 Government has consulted widely on the HE standard Shared Ownership model, including mortgage lenders, Registered Providers, and the public.
- 3.3 The Council will provide appropriate opportunities for Shared Owners to influence the quality, the cost, and the efficiency of the services they receive. This will include consultation on policies and procedures that affect the shared ownership service offered. 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.

### **4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

#### **4.1 Equality of Opportunity Implications**

- 4.1.1 By targeting suitable housing development in areas of the city which have the greatest shortfalls in affordable housing, it will be possible to address some of the inequalities that exist within the city. It will also help to ensure that all customers

will be able to access suitable housing.

## 4.2 Financial and Commercial Implications

- 4.2.1 The Council's Shared Ownership product will use a blend of grant funding and HRA borrowing. The Council will apply for grant funding from the Homes England Shared Ownership and Affordable Housing Programme 2021-2026. The Council Housing Capital Programme including the stock increase programme will require the HRA to support further borrowing as allowed under the current Government guidelines. The debt strategy for the HRA will continue to be reviewed and developed in accordance with the Council's treasury management policy.
- 4.2.2 This report sets out the principles for the Council's Shared Ownership product. Specific proposals for Shared Ownership properties under the programme will be presented through individual business cases and be subject to the Council's normal Capital Approval Processes.

## 4.3 Legal Implications

- 4.3.1 Subject to the Council and its officers adhering to the decision, authority and directions of the Cabinet as recommended by this Report (in particular adherence to the Governments Capital Funding Guide and Homes England Model for the Shared Ownership Homes under SO AHP 2021-26) then the objective to establish the Council as a Provider of Shared Ownership pursuant to the same is lawful and presents no abnormal legal risks insofar as leasehold and tenancy management is concerned.
- 4.3.2 However, that said, the arrangements are new to the Council and relatively complex therefore this programme may require a slightly higher risk rating and monitoring than orthodox leasehold management until such time as the Council and its officers become experienced and proficient with processes and procedures.

## 4.4 Other Implications

- 4.4.1 As this is a new product, the Council are going to have to make changes to manage the Shared Ownership product and homes. These changes will be made in consultation with HR and protocol followed.
- 4.4.2 Other Risks

There are other products on the market such as the help to buy equity loan which may target similar customers however these are different products and we don't think it will reduce demand for Shared Ownership. Shared Ownership offers an additional route to home ownership and makes it an option for those who can not



access home ownership through other routes. Other Local Authorities in our region have indicated that demand is high for Shared Ownership even with other products for affordable home ownership. We will start with a small number of properties until we have a better evidence base for demand.

## **5. ALTERNATIVE OPTIONS CONSIDERED**

**5.1 Do Nothing** - One alternative is not to develop a Shared Ownership product and rely on other Council programmes to provide affordable housing in the City. Although this is an option to consider, Shared Ownership is a product that provides a route towards home ownership which meets the aspirations of Sheffield and is at the forefront of future government funding for affordable housing. By not offering this option in Sheffield, our citizens have fewer options than in similar cities

**5.2 Develop a Sheffield Model for Shared Ownership** – Although the Council could use HRA budget to deliver a Sheffield Model the ambition is to deliver 3000+ affordable homes which will only be possible with the HE Grant funded contribution which requires us to use the HE standard model. There is also the point to consider that the more caveats or rules the Council have with a Sheffield own model the more restrictive and less inclusive the product could be. Mortgage lenders, insurers etc are familiar with the standard model. A step away from the standard model might mean mortgage and insurance options are reduced for potential purchases, which could lead to more restrictions and the product being able to reach less people.

**5.3 Develop a Person Led Model** – The Council has considered a person led model which allows the customer to purchase existing properties on the open market then the Council will purchase the S/O shares. This model allows the Council to access Homes England Capital Grant Funding. The changes to the HE model which place responsibility on the Council for some repairs in the first 10 years only applies to new build properties and so would not apply with this model.

There are currently only two other councils who use this model and so there is not much evidence regarding this method. We have therefore discounted this as an alternative at this stage until the Council can gather more information and until the Council are familiar with delivering the standard model.

## 6. REASONS FOR RECOMMENDATIONS

*(Explain why this is the preferred option and outline the intended outcomes.)*

- 6.1
- The Council have committed to purchase homes for Shared Ownership so a policy is required to set out how these properties will be managed.
  - Sheffield City Council has a shortfall of affordable housing. The annual shortfall in Sheffield is currently estimated at 902 units. This shortfall includes all forms of affordable housing, including Shared Ownership this information is from the SHMA July 2019.
  - Numbers of bids for housing across the city are high for most property types and waiting times are high and there is pressure on existing stock. New affordable homes in a range of affordable tenures, including Shared Ownership will increase the quality and range of housing tenure options available to people.
  - Deposit costs for Shared Ownership are much lower as they only have to get a deposit for the percentage that they are purchasing, for example, a deposit of a 25% share is much lower than the deposit for the full 100% of a property. This means the Shared Ownership route of purchasing a property is once again easier for people who cannot save or have a deposit ready.
  - This Strategy is aligned with current corporate priorities and supports the Council's ambition for providing a range affordable homes in the city.

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## **1. Policy aims and purpose**

- 1.1. This is the Shared Ownership Policy (the Policy) of Sheffield City Council (the Council). The Policy sets out how the Council will manage its Shared Ownership properties and the leasehold model which will be used.
- 1.2. The policy has been written to ensure it complies with the Homes England Model and Capital Grant Funding.
- 1.3. Shared Ownership allows people to purchase a share of a property whilst paying a subsidised rent on the remaining share. Purchasing a share in a property requires a smaller deposit and mortgage, thereby making it a more affordable route into home ownership. The Council therefore believe that Shared Ownership has a vital role to play in offering a route into homeownership to those who would otherwise struggle to buy a home.

## **2. Background to Shared Ownership**

- 2.1. Shared Ownership homes have been around for over 40 years. In the past, Housing Associations have delivered these homes, but in recent years, local authorities are now providing homes for Shared Ownership as part of their own dwelling stock.
- 2.2. Sheffield City Council has an ambitious Stock Increase Programme and it is a priority to deliver and expand our current programme. Homes for Shared Ownership will be direct build as part of the Councils New Build Programme, through on-site acquisitions including but not exclusively those provide as part of section 106 developer agreement.
- 2.3. In August 2019 the Government launched a consultation on proposals for a new national model for shared ownership with the objective of making it “fairer, more affordable, and more consumer-friendly as well as a better model for the market to deliver”. Sheffield City Council will adopt the new model and deliver Shared Ownership homes in line with the Homes England Capital Funding Guide.

## **3. The Lease**

- 3.1. All Shared Ownership properties will be leasehold. The lease for each property will detail the rights of Sheffield City Council (the landlord) and the Shared Owner (the leaseholder).
- 3.2. Homes England (HE) have provided model Shared Ownership leases for houses, flats, designated protected areas and specialist schemes for older people. The Council will adopt the appropriate HE model lease for all Shared Ownership properties. Any departures from the model lease will be in accordance with guidance on the same.
- 3.3. The Council will grant lease lengths in line with HE guidance. Shared Owners can request an extension to their lease. Requests will be granted on a case-by-case basis.

## **4. Marketing and Allocations**

### **Marketing**

- 4.1 The Council will use a variety of approaches to advertise Shared Ownership properties across the city. This will include advertising new Shared Ownership homes in advance of their completion and directly through the developer. The extent of marketing will be determined on a site-by-site basis.
- 4.2. Resale properties will be advertised through the Help to Buy website.

### **Valuations**

- 4.3. Valuations of Shared Ownership properties will be carried out by an independent member of the Royal Institution of Chartered Surveyors (RICS). This includes both the market value at initial sale and on all staircasing of 5% and above. Valuations for gradual staircasing of 1% will be based on an estimated valuation linked to the original purchase price, adjusted in line with Housing Price Inflation.

### **Eligibility and Affordability Checks**

- 4.4. Anyone interested in purchasing a SCC Shared Ownership property must register with the Help to Buy North Agent. The agent will assess the eligibility of the prospective purchaser which will include a financial assessment.
- 4.5. In order to be eligible applicants must:
- have a household income of less than £80,000;
  - be unable to purchase a property to meet their needs on the open market;
  - be able to afford to meet the housing payments and sustain home ownership in the longer term;
  - Move into the home and use it as their primary residence; and
  - Not already be a homeowner (unless they sell as part of the Shared Ownership purchase as outlined in 4.10-4.11)
- 4.6. 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).
- 4.7. Additional evidence may be required on request.
- 4.8. If more than six months pass between application and exchange of contracts the applicant will be required to provide additional evidence that their circumstances have not changed. Applicants must notify the Council and Help to Buy agent of any changes circumstances after their application has been approved.

## **Joint Applicants**

- 4.9. More than one person may apply for a Shared Ownership home. Applications from more than one person will be considered as joint applications. Joint applicants must 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.
- 4.10. An existing Council 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. In this situation other such members of the household will be treated in line with Council policy independently from the Shared Ownership application.

## **Affordability**

- 4.11. Minimum initial shares will be set at 10% however applicants will be expected to buy the maximum share they can afford and sustain.
- 4.12. The Council will undertake a rigorous affordability check using the HE affordability calculator to determine the level of suitable shares ensuring that:
- The monthly housing costs including mortgage repayments, rent and services charges are between 25%-45% of an applicant's gross wage; and
  - The mortgage amount is between 2.5x and 4.5x the applicant's gross annual income
- 4.13. The Council will require applicants who are able to purchase their share without mortgage finance to provide evidence as to why this is required. Money laundering checks will be required in these circumstances.
- 4.14. The Council will not provide financial advice to applicants and any guidance given will be limited to information only.
- 4.15. The Council expects that applicants seek independent financial advice from an advisor with an understanding of the Shared Ownership product and associate lender requirements.

## **Reservation**

- 4.16. A property will be reserved once affordability and eligibility checks have been approved. The Council will charge the applicant an administration fee for this of £250. Upon receipt of the reservation fee the property is held to sell to them provided they exchange contracts within 6 weeks.
- 4.17. An applicant who is an existing Council or Social Housing tenant will not be eligible for Shared Ownership if they are in breach of their tenancy agreement at the time of application. This includes but is not limited to rent arrears.
- 4.18. Applicants who owe any money to the Council before or during the purchase process will not be allowed to progress until the debts have been cleared, to the satisfaction of the department responsible for collecting the debt.

## **Existing owners**

- 4.19. The Council will allow owner-occupiers to apply for a Shared Ownership property 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 by the Council as being in housing need.
- 4.20. Owner- occupiers will be required to sell their property as part of the Shared Ownership purchase. In exceptional cases the Council will consider supporting an application to HE for this requirement to be waived.

## **Prioritisation of applications**

- 4.21. Sheffield City Council will prioritise applicants on a first come, first served basis (at the point of paid reservation fee), except for where any of the following conditions apply:
- I. if the applicant is military personal (see description for this in 12. Definitions)
  - II. where the property was built subject to a specific Planning requirement to prioritise applicants
  - III. where the property was built or acquired with funding for specific groups.

## **5. Rent and Service Charges**

- 5.1. Shared Owners will pay rent and service charge, including administration fees relating to the property, to the Council

### **Rent**

- 5.2. The initial annual rent will not exceed 3% of the capital value of the unsold equity at the point of the initial sale.
- 5.3. The Council will take local market conditions into account when setting the rent and may consider charging a rent lower than 3% where affordability is considered to be an issue.
- 5.4. The Council will review the rent on an annual basis. Annual rent increase will be limited to Retail Price Index (RPI) plus 0.5%. When RPI is nil or negative rent increases will 0.5%.
- 5.5. The Council will notify Shared Owners of the new rent in writing, as detailed in the lease.

### **Service charges**

- 5.6. The Council will charge service charges on all its Shared Ownership properties. Service charges will be calculated on an annual basis.
- 5.7. The Council will ensure that all costs relating to Shared Ownership service charges are apportioned equally.
- 5.8. The Council will consult on service charges where required. It will meet its statutory obligations under section 20 of the Landlord and Tenant Act 1985 to consult



leaseholders before carrying out certain works or entering into certain agreements that affect the dwelling or building which will result in service charges being incurred.

5.9. The service charge provisions differ for Shared Ownership houses and flats:

- For flats the Council will estimate the charges to be incurred in the following year reconciled at the end of the Account Year. An annual service charge will be set based on this. Shared Owners will be charged for this monthly at the same time as rent to spread the cost.
- For houses the Council will set charges based on a fair and proper proportion of outgoings billable as and when they arise.

5.10. The Council will provide a summary of the costs incurred.

5.11. The Council will charge an administration fee for time spent on tasks relating to service charges.

5.12. Some Shared Ownership houses may be subject to estate charges which will still be in place should the Shared Owners purchase 100% of the property (staircase out).

5.13. Where apartments are offered for Shared Ownership the Council will set up a sinking fund for their long-term upkeep. Shared Owners will pay into the fund monthly from the start of the purchase until the property is sold. The sinking fund will not be used within the first 10 years during the major repair free period. If the Shared Owner sells the apartment, the value of the sinking fund remains with the property for the next owner.

### **Building and Contents Insurance**

5.14. The Council will arrange suitable buildings insurance for the property. 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 will be provided to Shared Owners.

5.15. The Shared Owner will be recharged the cost of obtaining the building insurance on a yearly basis in the form of a service charge.

5.16. It is the Shared Owner's sole responsibility to obtain and secure contents insurance for the property. The Shared Owner is not required to obtain contents insurance but, in any repair, dispute the Council may request from the Shared Owner a copy of the contents insurance policy documents or any other insurances relating to the property by giving 28 days' notice in writing.

### **Service charge disputes**

5.17. In the first instance the Council would aim to resolve any issues with service charges directly with the Shared Owner. The Shared Owner also has a statutory right to apply to the First Tier Tribunal to determine whether a service charge has been reasonably incurred and how much is payable.

5.18. The Council will ensure that Shared Owners are made aware of their rights and the contact details for the tribunal.

## **Rent payments**

- 5.19. Shared Owners are obliged to pay rent as part of their lease agreement on the first day of every month. Shared Owners will be expected to pay on time and in full unless they have contacted the Council and an agreement is in place.
- 5.20. Rent must be paid by the Shared Owner by equal monthly payments. Payments should be made by direct debit.

## **Rent and Service Charge Arrears**

- 5.21. The Council will help and support Shared Owners who are experiencing financial difficulty which affects their ability to pay rent or service charge.
- 5.22. The Council will refer Shared Owners to relevant specialist advice and support with permission of the Shared Owner.
- 5.23. The Council will contact Shared Owners who fail to pay rent or service charge payments to discuss the circumstances and make a repayment agreement to clear the debt to the satisfaction of the Council.
- 5.24. The Council will use a variety of methods of communication to ensure the Shared Owner is fully aware of their circumstances during any period they have rent or service charge arrears.
- 5.25. Where arrears continue to accumulate the use of legal proceedings will be assessed.
- 5.26. Prior to commencement of legal proceedings, the Council will assess the financial viability of other options, including whether the property satisfies the Council's current buy back scheme, or approaching the mortgage lender to consolidate the arrears onto the outstanding mortgage.
- 5.27. As set out in the lease, the Council will provide the Shared Owner's mortgage lender with 28 days' notice of its intention to commence possession proceedings. This will include details of the level of arrears.
- 5.28. Should the mortgage lender choose to repossess the property the Council will share all necessary information regarding the property and arrears payments.

## **Paying back equity stake**

- 5.29. If the Council must repossess 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; and

- Any other sums due to the Council.

5.30. If the Shared Owners equity stake is less than the costs incurred above the Shared Owner will owe the balance of the costs outstanding to the Council.

5.31. If the Shared Owner is unable to settle this debt promptly the Council will take action to recover any monies outstanding from the Shared Owner.

### **Production of accounts**

5.32. The Council will maintain a property record for each Shared Ownership property.

5.33. An account statement will be produced for each account and sent to the Shared Owner on an annual basis, or upon request at any other time.

### **6. Repairs**

6.1. For new build properties the ten-year New Build Guarantee will apply. This covers essential repairs to the external fabric of the building and structural repairs to walls, floors, ceilings, and stairs inside of the home. In the first instance the Shared Owner will be expected to claim against this for any required repairs.

6.2. Where the New Build Guarantee does not cover external fabric repairs the Council will undertake this work.

6.3. For new build properties Shared Owners will also be able to apply to claim back £500 each year for some essential internal repairs from the Council.

6.4. Essential internal repairs include:

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

6.5. The claim period for claiming essential internal repair costs will run April to April.

6.6. If the Shared Owner staircases to 100% within the first ten years, the responsibility for either internal or external repairs transfers from the Council to the owner.

6.7. After the ten-year repairs period, if the Shared Owner has not purchased all the equity shares (staircased out), they become responsible for all repairs and all costs associated with repairs.

6.8. If the Shared Owner allows the property to fall into disrepair, this will be considered a breach of their lease.

6.9. 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.

## **Maintenance**

- 6.10. At all times, the Shared Owner will be solely responsible for the general maintenance of the property. In line with the lease, they must keep the property in good and substantial repair and condition.
- 6.11. The Shared Owner will be responsible for arranging annual testing for all gas installations within the property. A copy of the gas service certificate must be provided to the Council within 28 days of the service being due. The Council can undertake this service upon request by the Shared Owner and the costs will be recharged to the Shared Owner.
- 6.12. The Council will take legal action to gain entry to the property to carry out the required test where the Shared Owner fails to provide the certificate or have the safety check carried out. The cost of the service, and any legal costs incurred, will be recharged to the Shared Owner.

## **Alterations and improvements**

- 6.13. Shared Owners wishing to make alterations and or improvements to the property will need prior written permission from the Council. Requests will need to be made in writing and include full details of the proposed works.
- 6.14. Where the work of professional tradespersons are required for example but not limited to; gas works or electrical works, a certificate verifying the work carried out must be provided to the Council within 28 days of the work being completed.
- 6.15. For larger pieces of work such as but not limited to; changing the fabric or structure of the building, The Council may provide a list of conditions which will need to be met by the Shared Owner for the permission to remain valid. This may include but not limited to; obtaining planning permission or building regulations consent and sign off.
- 6.16. The Council reserves the right to inspect any alterations and improvements once completed by arranging a mutually convenient appointment with the Shared Owner.
- 6.17. 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 work and recharge the Shared Owner for the cost, including any legal costs incurred as a result.
- 6.18. 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 pending or in force, in relation to possession action.

6.19. 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.

## **7. Other lease management issues**

7.1. 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, including but not limited to:
  - Intimidation of neighbours and others through threats or actual violence
  - Harassment, including racial harassment
  - Verbal abuse
  - Homophobic behaviour
  - Noise
  - Dumping rubbish
  - Animal nuisance, including dog fouling
  - Vandalism, property damage and graffiti

7.2. The Council will work with the Shared Owner and other relevant services or agencies to resolve any issues. Should the breach continue, the Council will consider taking legal action which could include seeking an injunction, or action for the forfeiture (termination) of their lease.

### **Subletting**

7.3. Subletting is prohibited.

7.4. 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 must be approved by the Council in writing.

## **8. After-sales**

8.1. The Council will be responsible for dealing with all after-sales transactions, including stair-casing and re-sales. Shared Owners will be responsible for paying fees associated with Land Registry registration, the payment of stamp duty land tax and legal fees.

### **Stair-casing**

8.2. Shared Owners can apply to increase the share that they own at any time during the term of the Shared Ownership lease. The Shared Owner will be able to buy a further 1% stake each year for 15 years, without the need for a RICS valuation; the Council will not charge an admin fee for this. At any time, the leaseholder can buy a larger stake. The stake will be 5% or more and will include a RICS qualified surveyor carrying out a valuation and will be subject to an administration fee.

### **Downward stair-casing**

8.3. Downward stair-casing involves the Council repurchasing some of the equity from the existing Shared Owner, who will remain living in the property owning a smaller share of it.

8.4. Downward stair-casing will be considered at the discretion of the Council in exceptional circumstances such as where the Shared Owner is at risk of repossession or falling into arrears and where no alternative solution can be found.

8.5. Shared Owners will be required to maintain a minimum share of 10% in order that the property is preserved for Shared Ownership.

### **Re-sales**

8.6. Shared Owners are required to notify the Council if they intend to sell the property. Sheffield City Council will then appoint an independent RICS qualified surveyor within 14 days to establish the market value of the property.

8.7. Under the terms of the lease, the Council has four weeks from notification that the Shared Owner wishes to sell to nominate a purchaser who is eligible under the Shared Ownership guidance.

8.8. If the Council is unable to nominate a buyer within the 4 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 a Shared Ownership basis on the open market.

8.9. Re-sale applicants must still meet the eligibility criteria of this Policy

8.10. Re-sale applicants will be required to purchase a share equal to or higher than that purchased by the current Shared Owner.

### **Leasehold repurchase**

8.11. Shared Owners can request that the Council purchases their entire share of the property. Such requests will be considered in exceptional circumstances where the Shared Owner is able to demonstrate a genuine need, including but not limited to financial hardship, 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.

## **Re-mortgaging and additional borrowing**

- 8.12. Shared Owner's may request to increase the borrowing secured against their share of the property subject to the Council's approval.
- 8.13. The Council will consider such requests 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; or
  - Allow one Shared Owner to buy out another Shared Owner's interest in the property.
- 8.14. 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; further borrowing for the addition of a conservatory would not be approved.

## **9. Involvement and consultation**

- 9.1. 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.
- 9.2. 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.

## **10. Definitions for the purposes of this policy**

### **Equity Stake**

The percentage of the property owned by the Shared Owner.

### **Help to Buy Agent**

A provider appointed by Homes England 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 England**

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 HE guidelines which are set out in the Capital Funding Guide. England.

### **Housing Register**

The system used by the Council to prioritise applicants for social housing based on housing need.

### **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.

### **Lender**

The Bank or Building Society who provide the loan to the Shared Owner to purchase their share of the property.

### **Market Value**

The price that the leasehold interest in the property would fetch if sold on the open market by a willing seller, upon the terms and conditions of the Shared Ownership lease and on the assumption the leaseholder would acquire a 100% interest in the lease.

### **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.

### **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.

### **Shared Owner**

The occupier of a property who owns part of the property and pays rent on the remaining share. Is the Leaseholder of the property.

### **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.

<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**

Sheffield City Council. (the Landlord)

### **Ministry of Defence Personnel**

- They have completed their basic (phase 1) training and they are one of the following:
- Regular service personnel (including Navy, Army and Air Force)
- Clinical staff (with the exception of doctors and dentists)
- Ministry of Defence Police Officers
- Uniformed staff in the Defence Fire Service



- They are ex-regular service personnel who have served in the Armed Forces for a minimum of six years, and can produce a Discharge Certificate (or similar documentation) as proof, where they apply within two years (24 months) of the date of discharge from service or
- They are the surviving partners of regular service personnel who have died in service, where they apply within two years (24 months) of the date of being bereaved. For details of how surviving partners are defined, please see the link below

## Appendix 2 Case Studies and Examples

I earn £23,253 per year, the lower quartile household income for the South East Housing Market Area. What are my housing choices if I am looking for a 2 bedroom property in the South East of the city?

**Social rent**  
**£330 PCM**  
**18% of gross household income**

**Private rent**  
**£582 pcm**  
**30% of gross household income**

**Owner occupation - second hand market avg price**  
**£128,175**  
**Max mortgage £104,639 (4.5 x income). Lower quartile**

**Shared ownership - £155,000**  
**Lower quartile income and 5% deposit would enable purchase of a 45% share**

**New build – outright ownership price around £165,000 for a house or £130,000 for an apartment.**

### Pros

- Lowest monthly cost
- No unexpected or additional costs
- Greatest security of tenure, highest standards of management

### Pros

- Offers short term options if households circumstances subject to change
- Can be easy and quick to access, moderate supply, lower financial cost of entry to this sector

### Pros

- Owner occupation provides owner with security of tenure
- Allows owners to accumulate 'equity' over time by paying off mortgage, this can benefit owner at a later date.

### Pros

- Can buy when other homeownership options are out of reach
- Can access with modest deposit levels
- Monthly repayments of £554 would be lower than the average private rent
- Has security of tenure,
- Could benefit from house price increases
- **As a new build property will benefit**

Max mortgage £104,639 (4.5 x income), lower quartile income not sufficient to access a house.  
 Some new build apartments may be

### Cons

- No stock available in some neighbourhoods
- Very long waiting time for non-priority applicants in others (7+ years in Hackenthorpe, Citywide average of 3 years, 8months in 2019/20)

### Cons

- Lack of security of tenure, landlord has mandatory grounds to require tenant to leave property
- Rent increases are not regulated
- Quality of accommodation and management can vary across private sector

### Cons

- With a 5% deposit, and a rate of 4.25%, monthly repayments would be £667.
- This would be affordable with an income of £26,627
- Costs of homeownership can be unpredictable, maintenance or repair costs
- Sustaining homeownership can be difficult on lower incomes

### Cons

- Higher monthly cost than Social rent.
- Required to save a deposit of £3,488.
- Less suitable for households who need 'short' term regular moves
- Owner responsible for full repairs.
- Unlikely to be accessible to very low income groups

Pros/cons same as for second hand resale property, though repairs and maintenance should be minimal.

The main additional benefit of full occupation is household will retain 100% equity once mortgage repaid.

I earn £33,439 per year, the average income for the South East Housing Market Area. What are my housing choices if I am looking for a 4 bedroom property in the South East of the city.

<b>Social rent</b> <b>£415 PCM</b>  <b>15% of gross household income</b>	<b>Private rent</b> <b>£800 pcm</b>  <b>29% of gross household income</b>	<b>Owner occupation - second hand market avg price</b> <b>£262,101</b> Max mortgage £150,476 (4.5 x local average income) net	<b>Shared ownership –</b> <b>£210,000</b> <b>Median income and 5% deposit would enable purchase of a 45% share</b>	<b>New build – outright ownership (Owlthorpe)</b> <b>£186,250</b> Max mortgage £150.464
<b>Pros</b> <ul style="list-style-type: none"> <li>• Lowest monthly cost</li> <li>• No unexpected or additional costs</li> <li>• Greatest security of tenure, highest standards of management</li> <li>• Opportunity to live in</li> </ul>	<b>Pros</b> <ul style="list-style-type: none"> <li>• Offers short term options for households with changing circumstances</li> <li>• Easy and simple to access with smaller deposit than</li> </ul>	<b>Pros</b> <ul style="list-style-type: none"> <li>• Owner occupation provides owner with security of tenure and owners have ability to upgrade or alter the property as they choose</li> <li>• After mortgage full paid, property is a financial asset</li> <li>• Opportunity to live in Owlthorpe, majority of homes available in neighbourhood are for owner occupation</li> </ul>	<b>Pros</b> <ul style="list-style-type: none"> <li>• Can buy when other homeownership options are out of reach</li> <li>• Can access with modest deposit levels</li> <li>• Monthly repayments of £751 would be lower than the average private rent</li> <li>• Has security of tenure</li> </ul>	<p>Pros/cons same as for second hand resale property.</p> <p>The average 4 bed new build price is lower than the resale price due to location and space standards of recent new builds.</p> <p>Average monthly cost to purchase is £969.</p> <p>The main additional benefit of full occupation is household will retain 100% equity once mortgage repaid.</p>
<b>Cons</b> <ul style="list-style-type: none"> <li>• There are very limited numbers of 4 bedroom affordable homes in the city.</li> <li>• As new lettings are almost all to households in priority need.</li> </ul>	<b>Cons</b> <ul style="list-style-type: none"> <li>• Lack of security of tenure, landlord has mandatory grounds to require tenant to leave property</li> <li>• Rent increases unregulated</li> <li>• Quality of accommodation and management can vary across private sector</li> <li>• Very limited availability of larger properties for private rent in this area</li> </ul>	<ul style="list-style-type: none"> <li>• To access a 4 bed in the South East, household needs income of £51,845 + 5% deposit</li> <li>• Limited supply of second hand resale in some neighbourhoods</li> <li>• Costs of second hand homeownership can be unpredictable and stretch budgets e.g maintenance and replacements</li> </ul>	<b>Cons</b> <ul style="list-style-type: none"> <li>• Monthly cost is higher than social rent</li> <li>• Required to save a deposit of £4,725</li> <li>• Less suitable for households who need 'short' term regular moves</li> <li>• Owner responsible for full repairs</li> <li>• Unlikely to be accessible to very low income groups.</li> </ul>	

## Appendix 3 Core Cities

English Core Cities	Low Cost Home Ownership Units (Owned by Private Registered Providers)
Birmingham	3,153
Bristol	1,239
Leeds	1,236
Liverpool	760
Manchester	1,261
Newcastle	342
Nottingham	295
<b>Sheffield</b>	<b>462</b>