

NEW FOREST DISTRICT COUNCIL'S SHARED OWNERSHIP SCHEME

1. RECOMMENDATIONS

That Cabinet approve the introduction and implementation of a Shared Ownership Scheme based on the Shared Ownership Policy at Appendix 1.

2. INTRODUCTION

- 2.1 The Council's Housing Strategy 2018 sets out ambitious plans to provide at least 600 new Council homes by 2026 with social rent, affordable rent, and shared ownership tenures.
- 2.2 This report deals with shared ownership and introduces for the first time, a new Council Shared Ownership Scheme.
- 2.3 The new Shared Ownership Scheme will be of particular interest to those within the District who are renting a home in the private sector but who will not be in a position to buy a home due to the high house prices in the area. Many of these households will have little security of tenure (through assured shorthold tenancies) and are unable to afford the deposit and mortgage payments that come with purchasing a home outright in the District.
- 2.4 The Council considers it important to introduce a model, in addition to social rented housing, to help households in the District get on the property ladder.

3. BACKGROUND

- 3.1 Shared ownership is where an individual buys and owns part of their home and pays a rent on the remaining part. The initial share purchased can be between 25% and 75%. A lease is granted to cover the part that is owned and there is an option to purchase additional shares in the property in stages; this is known as staircasing. Rent is then paid to the landlord on the remaining share. The purchase of the initial share, and any additional shares bought through staircasing, are normally funded by a mortgage.
- 3.2 The Council's new Shared Ownership Scheme aims to give those people who are unable to buy a property outright due to the high property prices in the District, long term housing stability by getting them onto the property ladder when they might otherwise not be in a position to afford a home.

3.3 Shared ownership is an affordable housing option because:-

- It requires a smaller deposit and mortgage;
- If a shared-owner's financial circumstances change, additional shares can be purchased until the home is owned outright;
- It can reduce monthly outgoings as the combined costs of a mortgage and rent can be cheaper than privately renting.

	Open Market Value	Share Purchased	Deposit Required	Monthly Housing Cost				Private Rent
				Mortgage	Rent	Service	Total	Total
2 Bed Flat	£250,000	£62,500 (25%)	£6,250 (10%)	£274.37	£429.68	£50	£754.05	£750+
2 Bed House	£275,000	£68,750 (25%)	£6,875 (10%)	£301.81	£472.62	£10	£784.43	£825+
3 Bed House	£335,000	£83,750 (25%)	£8,375 (10%)	£367.66	£575.78	£10	£953.44	£1000+

Notes: Mortgage rate of 4.1% over 30 years, Rent at 2.75% of unsold equity. Lower quartile private rents based on Ringwood Right Move February 2020

4. THE COUNCIL'S PROPOSED SHARED OWNERSHIP SCHEME

- 4.1 The Council's approach to implementing its new Shared Ownership Scheme is set out in the Shared Ownership Policy ("the Policy") at Appendix 1. The Policy sets out the Council's approach to the development, sale and management of properties within its shared ownership schemes.
- 4.2 A draft Guide on the Council's Shared Ownership Scheme can be found at Appendix 2, which will give interested parties who express interest in acquiring a Council Shared Ownership property, more information on becoming a shared ownership owner.
- 4.3 The Policy's main provisions are set out below:-

(a) Aims and Objectives

- To provide locally connected households in affordable housing need with greater housing choice through the development of shared ownership properties;
- To ensure that shared ownership properties are marketable and that prospective buyers can access mortgage finance;

- To ensure that the sale of shared ownership properties will be responsive to local demand and affordability levels, whilst contributing to the creation of viable development schemes and sustainable local communities;
- To ensure that the process of purchasing, staircasing and re-selling a shared ownership home is clear, transparent and complies with legislative and regulatory requirements.

(b) Shared Ownership Scheme Administration:

- The District Council's Shared Ownership Scheme will mirror the Homes England national model (including adopting their model leases) to ensure that it is consistent with the national shared ownership tenure, which meets nationally recognised standards and is clearly recognisable to the market.
- The sale of shared ownership homes will be to eligible households, who have registered with the Help to Buy Agent for the New Forest area but also have a local connection to the New Forest District.
- The Council will seek every opportunity to market its shared ownership homes to those identified in housing need who also meet a local connection criteria.

(c) Management of the Scheme:

- It is proposed that the following Council teams will take responsibility of the management of the Shared Ownership Scheme as follows:

Housing Strategy and Development Team:

- for the marketing and initial sale of the Council's shared ownership homes;
- For staircasing (where shared owners wish to purchase further shares in their home) or re-sales (where they wish to sell their homes).

Housing Estates Management Team:

- the management of the leasehold, including rent, service charge and sinking fund collection.

Housing Maintenance Team:

- the maintenance and repair of communal areas and elements of the buildings for which the Council has retained responsibility.

5. FINANCIAL IMPLICATIONS

- 5.1 There will be some financial implications in implementing the Council's new Shared Ownership Scheme. Additional resources may be required at a future date when the Scheme becomes more established. This will be kept under review. However, from the outset, it will be necessary to have some up front marketing resources to ensure that new Council Shared Ownership homes can be appropriately marketed. These

resources will initially be found within existing budgets and once further schemes come on board, marketing costs will be factored into the overall development process and costs.

- 5.2 The costs of providing management and maintenance services to shared ownership homes will be covered by the annual service charge.

6. EQUALITIES IMPLICATIONS

- 6.1 The introduction of a new Council Shared Ownership Scheme is a key objective set out in the Council's Housing Strategy (December 2018). The Shared Ownership Scheme will have a positive impact on those with protected characteristics as it will increase the options for affordable home ownership; particularly for those who have limited income due to age, gender or disability. However, it is recognised that it may have an impact on those who do not readily meet the Council's proposed local connection provisions. The Council considers its local connection provisions strike a fair balance of promoting local priorities whilst limiting the adverse impact on such groups, as it limits the residence criteria to 2 years and those who have lived in the district in the past. Furthermore, the Council recognises employment as a criteria for local connection. However, the Council will continue to monitor the impact and effect of its policies and it will retain a discretion to ensure that where appropriate and necessary this is applied to enable compliance with its duties under the Equality Act 2010.

7. PORTFOLIO HOLDER COMMENTS

- 7.1 The Portfolio Holder supports the recommendations contained within this report.

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Background Papers:

Housing Strategy (December 2018)