

**Barking and Dagenham – Shared Ownership Policy (Draft)****1. PURPOSE**

- 1.1 Barking and Dagenham recognizes the importance of ensuring that there are housing opportunities available to local people on a range of incomes who have difficulty in meeting their needs in the open housing market. Ensuring that there is a supply of housing at a range of price points is integral to this vision. Barking and Dagenham therefore has a housing development programme which is designed to deliver a housing supply of good quality homes that will meet the needs of households on the range of incomes that local people can afford. This will include housing built in a range of tenures and at a range of prices. Low cost home ownership provides an opportunity for households on median incomes to access home ownership at a lower level of income, than is required to buy on the open market.
- 1.2 Although Shared Ownership and other equity products only form 1% of the housing stock in Barking and Dagenham at the last Census, there are plans which will see an increase in the numbers of low-cost home ownership products of various kinds in the building programmes led by Be First, the Council's Regeneration and Development company. It is important that local residents and workers of Barking & Dagenham benefit from the opportunities that these developments present; and this policy sets out how we expect these homes to be marketed and allocated.

**2 What is Low Cost Home Ownership?**

- 2.2 The main Low-Cost Ownership products covered by this Policy are:
  - Shared Ownership: Applicants purchase a property on a leasehold basis from the local authority or a housing association, paying between 25 and 75% of the property value, and pay the Housing Association or Local authority a rent on the remaining unsold property value. The applicant is responsible for 100% of the maintenance and is liable to pay service charges if the property is a flat. Purchasers can buy additional shares in a way known as "staircasing", if their financial circumstances enable them to do so.
  - Shared Equity/Loan: Applicants purchase the property outright with a conventional mortgage but with the assistance of a further loan, typically 20% from a government body, which is also secured against the title of the property. Interest is not typically charged on the loan for an initial period. There are no regular capital payments required on the loan, but the amount repaid is based on the property value at the time of redemption, reflecting any increase or decrease in the value of the property.
- 2.3 Shared ownership leases are regulated by Homes England. It provides guidance on the appropriate lease clauses. Shared ownership leases are not regulated under the Leasehold Reform Act 1967, and therefore do not provide the right to acquire the freehold on expiry of the lease. Shared Ownership owners are legally tenants under the Housing Act 1988, and therefore subject to possession action if they fail to pay the rent element of their housing costs.

### 3. ACCESS TO SHARED OWNERSHIP

3.1 Access to Shared Ownership owned by Housing Associations in the Borough is currently through waiting lists held by individual Housing Associations. The Greater London Authority (GLA) has headline eligibility criteria and individual boroughs are able to define eligibility more tightly through their planning agreements. The GLA also sets a headline priority order for Intermediate Housing and individual boroughs are able to set their own local priorities. It is proposed that Barking and Dagenham adopt the same eligibility criteria as the GLA. Applicants for Shared Ownership in Barking and Dagenham must comply with these criteria.

3.2 The headline eligibility criteria are that applicants must:

- have a gross income of no more than £90,000 per annum when eligible to purchase Shared Ownership
- Be unable to purchase a suitable home to meet the housing needs on the open market
- Not already own a home or that current home will have been sold before purchasing a shared ownership product
- Buy the largest possible share that they are assessed as being able to afford.
- Provide a minimum 5% deposit.

3.3 The headline priority order set by the GLA is as follows:

- 1 Housing Associations and council tenants, and armed forces personnel
- 2 Local priorities (which may vary from development to development)
- 3 Other eligible buyers.

The GLA priorities therefore do not conflict with local priorities. There is explicit recognition in the GLA criteria that local authorities will want to include their own priorities in any arrangement for allocating shared ownership purchases.

3.4 The affordability requirement for low cost home ownership is that the three cost elements (mortgage costs on the percentage share purchased, rent charged on the unsold equity and service charges) should not exceed 45% of the net income received by a household. To achieve this, providers will need to consider offering the lowest percentage share (normally 25%); the lowest possible percentage on the unsold equity and keeping service charges low by the design and management of any scheme. Households on incomes around £30,000 will only be able to afford smaller shares, with households on incomes over £40,000 may be able to purchase larger shares. Priority should be given to households on the lowest possible incomes able to afford shared ownership. All shared ownership providers in the borough will be expected to market their units in accordance with the priorities set out in this document.

3.5 These additional criteria must be met:

- Applications can be from single or joint applicants. The financial eligibility of joint applicants will only take into account the applicant's income who are taking out the mortgage. If there is a joint application where only one applicant is taking out the mortgage this will be considered only on that person's financial situation.
- The applicant must be a British or EU/EEA citizen or have indefinite leave to remain in the UK.

- Applicants should be unable to purchase outright a home of a suitable size and location for their household needs on the open market
- The applicant(a) are able to satisfy the status requirements of a mortgage lender authorities under the Financial Services and Markets Act 2000
- The applicant(s) must obtain a mortgage to purchase the maximum available share.
- The applicant must have adequate financial resources to afford the initial costs of purchase through savings or access to funds
- The applicant(s) must be at least 18 years of age and have a bank or building society account
- The applicant must be a first-time buyer, with some exceptions. Exceptions will be considered on a case by case basis.
- All applicants will be required to vacate their existing property at the point of sale and tenants may be required to show evidence of this from their landlord.

3.6 Accommodation size: Homes will be offered that are suitable for the applicant's household's needs. Depending upon demand, properties will be offered with a maximum of one bedroom in excess of current household need as shown in the table below:

Household size	Property type
Single person	One- or two-bedroom property
Childless couple	One- or two-bedroom property
Single/couple with children	Two- or three-bedroom property
Single/couple with two or more children	Two- or three-bedroom property or larger

3.7 The Council has developed a priority matrix in order to ensure that local residents are prioritised over non-Barking & Dagenham residents; and non-residents working in the borough are prioritised over those working elsewhere in recognition of the contribution that workers make to the borough. These are set out in more detail in the table below.

1 <sup>st</sup>	Barking and Dagenham social housing tenants (including tenants in temporary accommodation who have been accepted by Barking and Dagenham and military personnel who have served within the last five years.	If there are two applicants or more with the same priority, then the order will be the earliest date that the applicant registered for that priority.
2 <sup>nd</sup>	Barking and Dagenham resident affected by a regeneration scheme – either a tenant or a leaseholder.	If there are two applicants or more with the same priority, then the order will be the earliest date that the applicant registered for that priority.
3 <sup>rd</sup>	Barking & Dagenham resident	If there are two applicants or more with the same priority, then the order will be the earliest date that the applicant registered for that priority.
4 <sup>th</sup>	Any other person working in Barking & Dagenham	If there are two applicants or more with the same priority, then the order will be the earliest date that the applicant registered for that priority.

5 <sup>th</sup>	Resident in any other London Borough	If there are two applicants or more with the same priority, then the order will be the earliest date that the applicant registered for that priority.
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Affordability is defined as the household spending no more than 45% of their net income on housing costs.

If properties have been marketed for six months, and not all units have been set aside for applicants in this priority order, then the homes can be marketed on the open market for any willing purchaser.