



To: Executive Councillor for Housing (and Deputy Leader): Councillor Catherine Smart  
Report by: Director of Customer & Community Services  
Relevant scrutiny committee: Community Services Scrutiny Committee 16/1/2014  
Wards affected: All Wards

## **SHARED OWNERSHIP REVIEW**

### **Key Decision**

#### **1. Executive summary**

A review has been carried out of the Council's shared ownership service. This was to assess whether shared ownership should continue to be part of the Council's core business within the context of Housing Revenue Account (HRA) self-financing, and if so whether it should also be offered on the Council's new developments.

It is recommended that the service be continued, with some improvements, and that shared ownership be offered on new affordable housing developments to cross-subsidise the building of rented units and to help create balanced communities.

The findings of the review are shown at Appendix 1. An action plan is at Appendix 2.

#### **2. Recommendations**

The Executive Councillor is recommended:

2.1 That the Council continues to provide a shared ownership scheme.

2.2 That officers are granted delegated authority to develop a business case for each property which comes up for resale, and to assess – according to a set of agreed criteria - whether to:

2.2.1 Buy back and sell a share to another applicant, or

2.2.2 Buy back to use as rented stock, or

2.2.3 Buy back and sell the whole property on the open market, or

2.2.4 Advise the seller to sell their share on the open market.

2.3 That the criteria to take into account in the decision on what to do with an individual property under paragraph 2.2 above should be as follows:

2.3.1 The costs to the Council of each of the options, the funding available, and the potential impact on the Business Plan;

2.3.2 Whether there is an identified alternative need for that property to be used for rent which should take priority over re-selling as shared ownership. Eg: a property which is disabled adapted or particularly suitable to be adapted to meet the needs of an identified housing applicant; one which would suit the needs of a leaseholder needing to move as part of the Council's Affordable Housing development programme; etc.

2.3.3 Rental and shared ownership demand for that particular type or size of property;

2.3.4 The condition of the property;

2.3.5 Whether the property is in a specific location that could free up land or access to land, or otherwise facilitate affordable housing development;

2.3.6 The anticipated capital receipt (subject to pooling requirements);

2.3.7 Housing market conditions at the time, including mortgage availability;

2.3.8 Any planning restrictions which may apply (eg s106 restrictions around disposal on the open market);

2.3.9 Any other factors which need to be taken into account to ensure that the best use is made of the property, and where value for money can be clearly demonstrated.

2.4 That shared ownership homes are provided on the Council's new developments where appropriate – eg at Clay Farm and on other new Affordable Housing Development Programme sites - to cross-subsidise rental build and help create balanced communities, in line with the

requirements of the Council's Local Plan and Affordable Housing Supplementary Planning Document.

- 2.5 That the current policy which seeks to ensure that housing is made available at a price which could be afforded by a household with '1 average earner (for 1 bedroom accommodation) or 1.5 average earners for larger properties, using standard income multiples be removed.
- 2.6 That the policy at paragraph 2.5 above be replaced with one which states that the Council seeks to ensure that an alternative form of housing is available as an option to those who would not normally be eligible for social housing, but who are unable to afford to purchase on the open market.
- 2.7 That new eligibility criteria are introduced for applying for shared ownership housing as follows:
  - 2.7.1 Applicants must have a gross household income of up to £60,000 (subject to any future change in the national income requirement for intermediate tenure housing);
  - 2.7.2 Applicants must be first time buyers, other than in exceptional circumstances. Exceptional circumstances may include: in relationship breakdown where children are involved; where an owner-occupier needs significant disabled adaptations which cannot be provided in their own home and they cannot afford to purchase a more suitable home; or existing shared owners who have medical needs which require them to move to a more suitable property.
- 2.8 That new criteria be introduced to decide the priority between more than one applicant for a particular property. Criteria should be ranked in the following order:
  - 2.8.1 Applicants who have the resources to go ahead with a purchase;
  - 2.8.2 Applicants who live or work within the City;
  - 2.8.3 Level of need, assessed in line with the Council's Lettings policy in place at the time;
  - 2.8.4 Date of registration on the Help to Buy register.

- 2.9 That applicants should not be able to purchase if they owe any housing-related debt to the Council where reasonable steps have not been taken to repay it.
- 2.10 That applicants should not be able to purchase if they have a history of unacceptable behaviour which would make them ineligible to be accepted onto the Home-Link register.
- 2.11 That staircasing be promoted where it makes business sense to do so (subject to pooling requirements).
- 2.12 That if buying a property back to sell it on, consideration is given to restarting the lease at 99/125 years if not doing so may make it difficult for the purchaser to re-mortgage at a later date.
- 2.13 To agree the option of using individual HRA rented properties for shared ownership in appropriate circumstances.
- 2.14 That if a rented property is converted to shared ownership, an appropriate alternative shared ownership property is converted to rent as soon as is reasonably practicable, to ensure that the number of rented properties is not reduced as a result.
- 2.15 That leases are reviewed for new leaseholders in conjunction with drafting of leases for newly developed shared ownership properties.
- 2.16 That the marketing of shared ownership properties be improved.
- 2.17 That information provided to leaseholders about their and the Council's rights and responsibilities be improved.
- 2.18 That equity share is not pursued at this stage, as an alternative option to shared ownership (as capital outlay is high, and returns are much longer term and rely on values continuing to rise), other than for leaseholders on redevelopment sites.
- 2.19 That the revised scheme be reviewed in around three years' time to establish the impact of changes, and assess whether further changes are required in light of any further development in national thinking.

### **3. Background**

3.1 The Council currently has around 85 properties occupied on a shared ownership basis (mostly one and two bedroom houses, but a few flats and a handful of three bedroom houses).

3.2 One of the actions under the Housing Revenue Account Improvement Plan was to review the service to assess whether the Council should continue to provide it in the context of self-financing of the Housing Revenue Account, and if so whether shared ownership should be provided on any of the Council's new affordable housing developments.

3.3 Appendix 1 to this report gives details of the findings of the review, and the recommendations arising from it.

3.4 Appendix 2 is an action plan for implementing the proposed changes.

3.5 A report is also being presented to Housing Management Board for information within this Scrutiny cycle.

3.6 A separate report which includes proposals around provision of shared ownership on land at Clay Farm (the Quad development) is being submitted to the Executive Councillor and Community Services Scrutiny in this cycle.

## **4. Implications**

### **(a) Financial Implications**

#### **Revenue Costs**

Revenue costs of developing and assessing the business case on each property, improved marketing, improved information to leaseholders, balancing of the shared ownership portfolio etc will be delivered using existing resources.

Revenue costs for new shared ownership homes will be factored into the financial modelling.

#### **Capital Costs**

Additional capital would be required to enable properties to be bought back and retained as rental stock, and for any work required to bring them up to the Decent Homes standard.

A capital allocation of £200,000 per year has been incorporated for this purpose as part of the HRA budget setting report for 2014/15 onwards. It is proposed that this is combined with the budget for repurchasing properties under the Right of First Refusal, to allow for flexibility in expenditure. This

should allow for up to two repurchases per year over the next five years – depending on property valuation and size of share being repurchased. This will be reviewed in three years' time when the new arrangements are reviewed.

Government grant will be sought to support the cost of developing new shared ownership homes.

**(b) Staffing Implications**

There are no immediate staffing implications. However, the need to market newly developed properties may require more staff resource. This would be taken into account in assessing the viability of any new scheme.

**(c) Equal Opportunities Implications**

An Equality Impact Assessment is being carried out, and draft actions have been incorporated into the Action Plan at Appendix 2 to this report.

**(d) Environmental Implications**

Climate change rating = +L

Any property repurchased by the Council with the intention of using it as rented housing may need work to bring it up to the Decent Homes standard, which could include installation of a more energy efficient boiler.

**(e) Procurement**

Procurement of new shared ownership homes will be through the Council's Affordable Housing Development Programme procurement arrangements.

**(f) Consultation and communication**

Consultation has been carried out as follows:

- A postal and on-line survey of shared ownership leaseholders, to assess the profile of residents and ask for their views on the current scheme.
- An on-line survey of Home-Link applicants who had expressed an interest in shared ownership housing to understand whether they were still interested, and if not why not.

All respondents who included their contact details will be sent results of the survey and advised how the survey has been used to inform the outcome of the review.

Subject to the recommendations being accepted, an article will be published on the Council's website, and recommended for inclusion in Cambridge Matters, showing the outcome of the review and promoting the Council's shared ownership scheme as a housing option.

(g) **Community Safety**

There are no community safety implications.

## **5. Background papers**

These background papers were used in the preparation of this report:

- Equality Impact Assessment – Draft
- Cambridge Centre for Housing & Planning Research – Understanding the second-hand market for shared ownership properties, May 2012  
<http://www.cchpr.landecon.cam.ac.uk/Downloads/Shared%20ownership%20second%20hand%20market%20-%20proofed%20final%20for%20publication.pdf>
- National Housing Federation & Moat – The role of shared ownership in the future housing market , April 2010 [http://www.shared-owner.co.uk/\\_media/static/The\\_role\\_of\\_shared\\_ownership\\_in\\_the\\_future\\_housing\\_market\\_-\\_discussion\\_paper\\_summary.pdf](http://www.shared-owner.co.uk/_media/static/The_role_of_shared_ownership_in_the_future_housing_market_-_discussion_paper_summary.pdf)
- Shelter – Homes for forgotten families, August 2012  
[http://england.shelter.org.uk/\\_\\_data/assets/pdf\\_file/0014/702023/Shelter\\_-\\_Homes\\_for\\_forgotten\\_families.pdf](http://england.shelter.org.uk/__data/assets/pdf_file/0014/702023/Shelter_-_Homes_for_forgotten_families.pdf)
- Resolution Foundation – One Foot on the Ladder, November 2013  
[http://www.resolutionfoundation.org/media/media/downloads/One\\_foot\\_on\\_the\\_ladder.pdf](http://www.resolutionfoundation.org/media/media/downloads/One_foot_on_the_ladder.pdf)

## **6. Appendices**

Appendix 1: Shared Ownership Review 2013 – Final Report

Appendix 2: Action Plan

## **7. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact:

Report Page No: 7

Author's Name: Helen Reed  
Author's Phone Number: 01223 - 457943  
Author's Email: helen.reed@cambridge.gov.uk