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| Report for: ACTION |
| Item Number: 7vi |



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|-----------------------------------------------------------|----------------------------------------------------------------------------------------------|
| <i>Contains Confidential or Exempt Information</i> | NO - Part I |
| <i>Title</i> | Transforming Housing Options for Residents |
| <i>Responsible Officer(s)</i> | Christabel Shawcross – Strategic Director of Adult and Community Services |
| <i>Contact officer, job title and phone number</i> | Nick Davies, Head of Strategic Commissioning for Adult Social Care and Housing, 01628 683614 |
| <i>Member reporting</i> | Councillor David Coppinger – Lead Member Adult Services, Health and Sustainability. |
| <i>For Consideration By</i> | Council |
| <i>Date to be Considered</i> | 30 October 2014 |
| <i>Implementation Date if Not Called In</i> | 1 January 2015 |
| <i>Affected Wards</i> | All |
| <i>Keywords/Index</i> | Shared Ownership, Affordable Home Ownership, Rent to Buy, Rent to Save, Assisted Mortgages. |

Report Summary

1. This report notes the success of the Do It Yourself Shared Ownership (DIYSO) scheme in meeting the Manifesto commitment to support Shared Ownership. It also outlines how the affordable home ownership supply in RBWM will be enhanced to meet the need for this in the borough.
2. This report deals with recommendations to amend current shared ownership arrangements specifically the DIYSO scheme to relax the income and eligibility criteria.
3. It recommends the a shared ownership strategy in partnership with local Registered Providers with the aim of maximising the opportunities for local residents to access home ownership options, along with stair-casing opportunities such as rent to buy and rent to save.
4. It requests delegated authority be given to the Lead Member for Adult Social Care, Health and Sustainability and the Strategic Director of Adult and Community Services to enter into negotiations with the local Registered Providers to develop an investment programme for 2015/16 using available Section 106 commuted payments and the Payton House funding for affordable housing.

5. These recommendations are being made because this will widen the availability of low cost home ownership options as a step on the ladder to ownership as in the administration's manifesto. It will meet affordable housing requirements in RBWM through enabling those in work and those with housing needs to find alternatives to the restricted supply of rented properties.
6. £1.9m is currently available from commuted Section 106 sums to invest in affordable housing within the Royal Borough.

If recommendations are adopted, how will residents benefit?

| Benefits to residents and reasons why they will benefit | Dates by which they can expect to notice a difference |
|------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| 1. Those in work seeking affordable housing will have a wider choice and an increased opportunity to enter home ownership through this scheme. | From January 2015 |
| 2. Housing capacity to meet housing needs will be increased by this scheme | From January 2015 |

1. Details of Recommendations

RECOMMENDATION: Cabinet agree:

- i. **To amend the shared ownership arrangements including those in the current Do It Yourself Shared Ownership scheme to have no pre-qualification for percentage share or a prequalification for income levels.**
- ii. **To work with all Registered Providers with the aim of increasing the opportunities for local residents to access home ownership options including buying their existing house.**
- iii. **To develop an investment programme using £1.9m of available Section 106 commuted payments for affordable housing in shared ownership, rent to buy and rent to save schemes.**
- iv. **To bring a report back to Cabinet in January 2015 to approve the investment programme.**

2. Reason for Decision and Options Considered

2.1 The policy in RBWM is to ensure that all tenants in the Royal Borough can have staircase ownership options with their property tenancies, regardless of current tenure. There has been good progress but there is more to be done to ensure that this is a reality.

2.2 Since 2007, 252 shared ownership/equity units have been enabled and delivered the breakdown of these is as follows: 124 new build units delivered via the Housing associations ; 67 units of MyChoice Homebuy; 24 First buy units; 22 Help to Buy units and 15 Do it yourself shared ownership units (DIYSO). The DIYSO scheme is detailed below in 2.3.

2.3 RBWM have an innovative and successful Do It Yourself Shared Ownership scheme in partnership with Housing Solutions Ltd. 15 units have proceeded to

completion with 4 more currently in the pipeline and £1,234,000 of the RBWM grant allocated has been spent or committed out of a total of £1,836,000. (It should be noted that in addition to this Housing Solutions Ltd. provide matched funding.) The current minimum stake in the property is 35% and the maximum is 75%; and the current income range is £25,000 to £60,000. This is not affordable for a number of households who would otherwise be able to purchase a share. Therefore it is proposed to reduce the minimum stake in the property to 25% allowing more residents to benefit, to have a more flexible and lower income criteria, and consider an additional investment into the scheme from S106 funding of £500k in 15-16 should demand continue at current levels. It should be noted that as households move to full home ownership over the course of 5-15 years the investment returns into the DIYSO pot to benefit other households.

2.4. Additional focus on the development of an intermediary market between social and private renting and owner-occupation (including shared ownership) constitutes a possible method of increasing access to the property market for first-time buyers. An enhanced shared ownership model would also potentially increase the overall supply of housing, and may offer an optimal alternative to those currently excluded from private ownership.

2.5 This proposal is fully aligned with the Council's manifesto commitment to "Only support shared equity and stair-cased home ownership options for affordable housing delivery", and may also assist in providing people with an asset to manage longer-term costs (such as social care expenditure) which may otherwise be funded by the state. Given the high level of demand for housing, and the fact that shared ownership properties only account for 0.8% all households in England, the sector represents a potential space for expansion (Shelter, P4, 2013).

2.5 In this context there are several alterations the Council will make to its shared ownership offer in partnership with Residents which would address the accessibility and mobility deficits and increase the prospects of residents seeking to access the shared ownership market in the Borough.

2.6 The first is instituting rent to buy (where residents save to buy their existing rented property) and the second is rent to save (where residents save to buy another property in the market) would allow residents the option of purchasing a share in a property after a certain pre-defined period of time, whilst in the meantime renting at social rented or affordable rented levels. The scheme could be instituted with a structure similar to the national programme, with a savings plan designed to allow the tenants to generate a sufficient level of savings within a given period to be able to purchase a share at market level, and it could be open and flexible regarding the percentage stake of the property in question and the income levels of the prospective tenants, as well as the period of time after which the purchasing option could come into effect.

2.7 The scheme has the benefit of introducing more flexibility into the shared ownership offer, and including a broader range of groups to access stakes in their housing by structuring the scheme around longer-term income and saving growth expectations rather than short-term, present income.

2.8 A potential drawback of the scheme is its dependency on adherence to savings plans which may or may not materialise, and the lack of a compelling incentive or structural design which would increase the probability of eventual home ownership without jeopardizing the flexibility of the scheme. For example, the scheme could select for characteristics which ensure income progression and high savings

generation, such as professional occupation or educational attainment, but in doing so would exclude a potentially large number of potential shared owner-occupiers, and would not in and of itself guarantee the successful transition to ownership from the targeted groups.

2.9. Shared ownership schemes are complex legal and financial products and any new or amended schemes will need to be negotiated and agreed in detail with the appropriate local Registered Providers including Radian and Housing Solutions and the wider group of Registered Providers in RBWM. All housing associations who have properties in RBWM will be asked for their support in further developing this shared ownership model.

2.10. As part of the strategy there will also be the potential of S106 investment in existing properties, and office space to provide accommodation them at an affordable rent, to meet the demand created by an increasingly unaffordable private rented market, which will eventually cause a rise in Temporary accommodation. RBWM needs to plan for the future demands on housing. This would be appropriate to note the possibility of delivering affordable rented property as a first step on the staircase to home ownership, but with the provision that any tenancy would provide a clear path to move on from rented accommodation into homeownership.

| Option | Comments |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. To agree to amend current shared ownership arrangements in negotiation with RPS and develop a range of stair casing options. This will require S106 investment. Recommended Option | This would widen the availability of low cost home ownership options for local people to meet their affordable housing requirements in RBWM. |
| 2. Not to agree to amend current shared ownership arrangements and develop a range of staircasing options. Not to invest S106 sums. | This would not widen the availability of low cost home ownership to meet affordable housing requirements in RBWM. Available S106 receipts would not be spent and maybe reclaimed. |

3. Key Implications

4.

| Defined Outcomes | Unmet | Met | Exceeded | Significantly Exceeded | Date they should be deliver by |
|--------------------------------------------------------------------------------------|----------|-------|----------|------------------------|--------------------------------|
| Additional households able to access affordable home ownership above the 36 per year | Below 10 | 10-15 | 16-20 | Above 20 | April 2016 |

| | | | | | |
|-------------------------------|--|--|--|--|--|
| delivered to October 2014. | | | | | |
|-------------------------------|--|--|--|--|--|

4. Financial Details

a) Financial impact on the budget

Capital

| | Year1 (2014/15) | Year2 (2015/16) | Year3 (2016/17) |
|------------------|------------------------|-----------------------------------------------|------------------------|
| | *Capital £000 | Capital £000 | Capital £000 |
| Addition | 0 | Potential Match funding of £1.9m by RPs | 0 |
| Reduction | 0 | 0 | 0 |

Funding will be from commuted Section 106 sums for affordable housing.

Revenue

| | Year1 (2014/15) | Year2 (2015/16) | Year3 (2016/17) |
|------------------|------------------------|------------------------|------------------------|
| | * Revenue £000 | Revenue £000 | Revenue £000 |
| Addition | 0 | 0 | 0 |
| Reduction | 0 | 0 | 0 |

b) Financial Background:

£1,937,000 is currently available from commuted Section 106 sums for affordable housing. These have been received in relation to various developments in lieu of affordable housing being provided on site and their expenditure is governed by the relevant Section 106 Agreements or Unilateral Undertakings. The key general point is that they require the contribution to be spent on the provision of affordable housing to meet local housing need within the Royal Borough.

The shared ownership offer could possibly be improved through instituting increased flexibility of income levels, specifically broadening the minimum and maximum income levels required for accessing the scheme. Currently, for the RBWM/HSL DIYSO scheme, the minimum (household) income level is £25,000, with the maximum level being £60,000.

Though this range is designed to ensure that the household has the financial capacity to meet their mortgage repayments, rent and service charges, it has the potentially negative consequence of deterring those households who may be capable of buying a smaller stake, or whose incomes are due to increase over time, in addition to those who are capable of spreading their mortgage payments over a longer period of time (i.e. younger people).

The high maximum threshold also excludes those who may have the financial capacity to successfully manage repayments on a shared ownership scheme, but could not do so in the private market. This is particularly the case in Windsor and

Maidenhead, where the average property price is £370,833, nearly seven times the maximum income threshold.

5. Legal

5.1. There are no direct legal implications arising from this report. The detail of any schemes that are scoped will be checked by legal services.

6. Value for Money

6.1 The schemes represent VFM.

7. Sustainability Impact Appraisal

Not applicable

8. Risk Management

Identify any potential risks associated with the options and the proposed course of action. If none, say so.

| Risks | Uncontrolled Risk | Controls | Controlled Risk |
|-------------------------------------------------------------------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------|-----------------|
| The new housing products are unaffordable to local people. | Medium | The scheme will enable the Council to nominate local people and the Registered Provider to market the scheme to local people | Low |
| The take up may be lower than predicted. The schemes are not fully delivered. | Medium | A carefully negotiated partnership with local Registered Providers to deliver schemes. | Low |

10. Links to Strategic Objectives

Our Strategic Objectives are:

Residents First

- Encourage Healthy People and Lifestyles
- Work for safer and stronger communities

Value for Money

- Invest in the future

Delivering Together

- Strengthen Partnerships

11. Equalities, Human Rights and Community Cohesion

12. Staffing/Workforce and Accommodation implications:

None

13. Property and Assets

None

14. Any other implications:

None

15. Consultation

The Adult Services and Health Overview and Scrutiny Panel's views will be sought.

16. Timetable for Implementation

| Activity | Date |
|--------------------------------------------------------------|----------------------|
| Negotiations with Housing Associations to develop new models | October 14- March 15 |
| New Shared Ownership Model in place for RBWM | March 2015 |
| Additional home ownership options in place | March 2015 |

17. Appendices

Appendix 1 – Strategic Housing Market assessment - Data and Definitions

Appendix 2 - Analysis of RBWM Shared Ownership options.

18. Background Information

19. Consultation

| Name of consultee | Post held and Department | Date sent | Date received | See comments in paragraph: |
|-----------------------------------|------------------------------------------|-----------|---------------|----------------------------|
| Internal | | | | |
| Cllr Burbage | Leader of the Council | | | |
| Cllr Coppinger | Lead Member Adult and Community Services | 20/9/14 | 30/9/14 | |
| Christabel Shawcross | Directorate management Team | 20/9/14 | | |
| Maria Lucas/Shared Legal Services | Head of Legal Services | | | |
| Alan Abrahamson | Finance partner | 20/9/14 | | |

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|-----------------------|-------------------------------------|---------|--|--|
| | | | | |
| External | | | | |
| Housing Solutions Ltd | Group Business Development Director | 15/9/14 | | |
| Radian Housing Group | Group Head of Development | 15/9/14 | | |

Report History

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|-----------------------|----------------------|
| Decision type: | Urgency item? |
| Key decision | No |

| | | |
|----------------------------|---------------------------------------------------------------------------|------------------|
| Full name of report author | Job title | Full contact no: |
| Nick Davies | Head of Head of Strategic Commissioning for Adult Social Care and Housing | 01628 683614 |

Appendix 1 – Strategic Housing Market assessment - Data and Definitions

Under the Localism Act 2011 the Government introduced a new model of ‘non-market rent’ or ‘Affordable Rent’. Under this model housing associations can offer tenancies at rents of up to 80% of market rent levels within the local area. The additional finance raised through higher rents is available for reinvestment in the development of new social housing.

- Affordable Rent can be set at up to 80% of the gross market rent, including service charges. Tenants in Affordable Rent properties are eligible for housing benefit, rather than Local Housing Allowance.
- Providers retain the option to offer lifetime tenancies under Affordable Rent, should they wish to do so.
- At the end of an Affordable Rent tenancy, the provider and the tenant may choose to convert it to shared ownership.
- It is for providers to decide what proportion of their re-lets they propose to convert to Affordable Rent to fund new supply.
- Providers using Affordable Rent are encouraged to reinvest in new supply within the same wider housing market area. However, funding is not ring-fenced to particular areas.

RBWM adopted a Tenancy Strategy in 2013 that set out the Borough’s approach to Affordable Rent.

The Private Rented Sector has been a significant growth area.

Buy to Let mortgages, have fuelled a growth in the purchase of properties as investment. This has brought to the market in the South East large numbers of inexperienced landlords who have purchased properties at a high cost and where the percentage return to make the purchase viable pushes rent limits to levels which are unsupportable for lower waged homeseekers . Buy to Let mortgages exclude lettings to persons dependent on Housing Benefit.

Tightening of lending criteria has seen regular mortgages for home purchases becoming difficult to obtain with larger deposits being required to meet these requirements. This has driven what would have been the traditional first time buyer into the private rented sector.

The economic downturn and the recent rise in house prices (20% growth) has led to significant numbers of people selling homes to avoid repossession or repay high levels of personal debt to rent privately.

These circumstances drive up the cost of renting in the private sector. Whilst there are more properties available for rent the proportion which is affordable to lower waged or welfare benefit dependent homeseekers is extremely low. An exercise looking at affordability in the Maidenhead Advertiser as a snapshot of 80 properties only one came within the Local Housing Allowance.

The Local Housing Allowance is the Government assessed housing benefit capping on eligible maximum rent levels. The local housing allowance is set for a region. RBWM sits within the East Thames Valley BRMA. The housing allowance for this area is not significantly different to that for other neighbouring areas where rents are up to 20% cheaper.

There is an opportunity now for LA's to look at funding mortgage and loan arrangements to assist people into home ownership. Shortages in the private rented sector can be addressed by the LA's creating rental opportunities available to the low waged and benefit cases, but also including average waged families. In many cases this can be seen as not innovative but reflecting the philanthropic establishment of homes for the poor, such as Guinness Trust and Octavia Hill. The fact is that we now face a situation where averagely waged families in the area are the new housing poor.

House prices and rental prices have risen to levels which are unaffordable to most average income families.

If the Authority can fund a stock of reasonably priced, good quality homes for rent either with partners or as a business initiative this can seek to mitigate cost to the Authority in many areas. Assistance to help people to move into homeownership from these tenancies, can be achieved by working with lenders to set up arrangements whereby the tenancy can be managed as a reference and savings vehicle setting up a relationship with potential lenders at a much earlier stage.

The Council are fortunate in that our two local stock transfer Registered Providers are both experienced in the provision of shared ownership products. Both have delivered a significant number of new-build shared ownership properties in RBWM over the years. As noted above, we already partner with Housing Solutions Ltd. on the Borough-wide Do It Yourself Shared Ownership scheme. In addition Radian Housing Group have recently been chosen to act as regional Homebuy agents running the regional Help To Buy South scheme. They have also worked with the government on developing the national rent to buy offer, and are thus well- placed to advise on developing a local scheme.

Dwelling Tenure – 2011 Census

| | Owner Occupied % | Social Rented % | Private Rented % | Living Rent Free % |
|------------------|------------------------|-----------------------|------------------------|--------------------------|
| England | 64.1 | 17.7 | 16.8 | 1.3 |
| South East | 68.7 | 13.7 | 16.3 | 1.3 |
| HMA | 68.9 | 13.5 | 16.3 | 1.3 |
| RBWM | 68.6 | 13.3 | 16.2 | 1.9 |
| BFBC | 69.6 | 16.7 | 12.5 | 1.1 |
| Reading | 56.6 | 16.3 | 26.1 | 1.0 |
| Runnymede | 70.5 | 12.9 | 15.2 | 1.4 |
| Slough | 54.1 | 20.6 | 24.3 | 1.0 |
| South Bucks | 74.9 | 12.3 | 11.4 | 1.4 |
| Spelthorne | 73.9 | 12.4 | 12.7 | 1.0 |
| Surrey Heath | 77.6 | 9.2 | 12.1 | 1.0 |
| Wokingham | 80.9 | 7.0 | 11.2 | 0.9 |
| Wycombe | 70.7 | 12.7 | 15.2 | 1.4 |
| Local HMA | | | | |

| | | | | |
|-----------------------------|------|------|------|-----|
| Ascot, S'Hill & S'dale | 69.7 | 11.8 | 15.6 | 2.9 |
| Datchet, Horton & Wraysbury | 73.9 | 10.8 | 14.1 | 1.3 |
| Windsor & Eton | 61.4 | 15.2 | 20.8 | 2.6 |
| Maidenhead Town | 70.0 | 13.8 | 15.0 | 1.2 |
| Maidenhead Rural | 76.1 | 10.4 | 11.4 | 2.1 |

The 2011 Census calculates that the private rented sector represents around 16.3% of properties across the HMA and 16.2% of properties within RBWM. This is a substantial uplift since the 2001 Census when just 14.5% of properties within RBWM were privately rented. This increase coincides with the introduction of buy-to-let mortgages, as well as high house prices, low wage growth and tighter lending requirements pushing owners into the private rental market. The private rented sector within RBWM is largely concentrated within Windsor and Eton (20.8%) LHMA. The more rural LHMA's have the smallest private rented sector, such as Maidenhead Rural (10.4%) and Ascot, Sunninghill & Sunningdale (11.8%).

Across the HMA, 13.5% of properties are in social sector ownership compared to an average of 17.7% nationally and 13.7% regionally. Slough has the highest proportion of social rented dwellings of the local authorities, representing 20% of the housing stock, followed by Reading and Bracknell Forest where 17% of the stock (in both) is in social sector ownership. Wokingham and Surrey Heath have a below average proportion of social rented accommodation at 7% and 9% respectively. In RBWM 13.3% of properties are in social ownership, a rise from 12.4 in 2001. This is broadly reflective of the wider HMA. With regard to LHMA's within RBWM, social rent is most prevalent in the two main settlements of Windsor and Eton (15.2%) and Maidenhead Town (13.8%).

The 2011 Census showed that private ownership accounted for 68.9% of household tenures across the HMA, and 68.6% in RBWM. In the HMA, Wokingham and Surrey Heath have the highest proportion of owner occupation at 81% and 78% respectively, compared to just 54% in Slough and 56% in Reading. At the LHMA level, there is a higher proportion of owner occupied homes in the Maidenhead Rural Area. This is linked to a more settled, older population. There are high levels of owning with a mortgage in Datchet, Horton & Wraysbury but with lower levels of owning outright than the national average. The lowest levels of owner occupation are in Maidenhead Town and Windsor and Eton. Owning with a mortgage is more prevalent in the western part of Maidenhead Town.

Appendix 2.

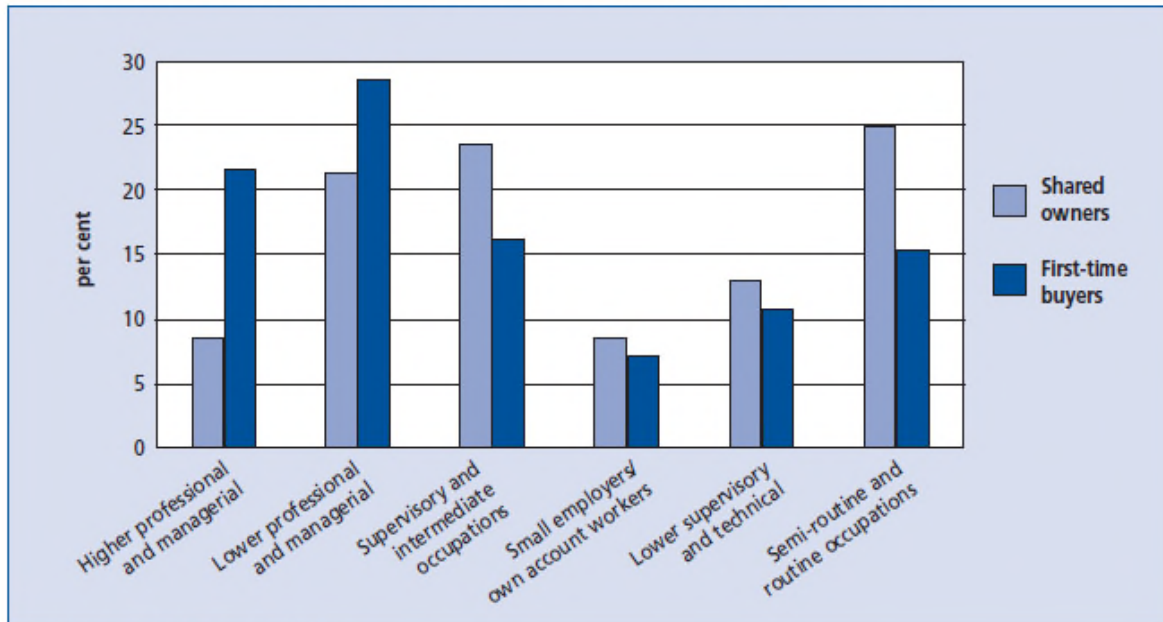
Analysis of RBWM Shared Ownership options.

Evidence suggests that the accessibility deficit has two primary causes – insufficient supply and structural rigidity in the design of shared ownership schemes. There are also a range of other factors, including (but not limited to) employment type, age and level of family support. In the broader context of affordable housing delivery, shared ownership occupies a small proportion of overall development and starts. For example, in 2013/2014 (excluding London Boroughs) there were 4,708 affordable home ownership property starts, comprising 12% of all affordable starts. This is from a total of 38,576 affordable starts, a figure which includes 28,107 affordable and social rented starts. Local authority, housing association and private developer underinvestment in shared ownership therefore constitutes a significant barrier to ‘mainstreaming’ the market and increasing the proportion of shared owner-occupiers.

Structural rigidity is primarily an issue of provider inelasticity in designing the specification for shared ownership schemes, resulting in a discrepancy between the schemes and the market-participants independent evaluation of their capacity to operate to utilise opportunities provided by the market. For example, it has been demonstrated that most shared owner-occupiers were offered a pre-specified initial stake to purchase, when some (in the survey) could have purchased more. Consequently, this not only carries with it the potential of inhibiting prospective buyers who may find the pre-specified stake too high and therefore unaffordable (but who could access the housing ladder with a lower percentage stake), but also those who may want higher stakes in order to staircase more efficiently at a later date.

Employment and wage levels are factors inhibiting access and mobility, particularly stair-casing, in the shared ownership market. There are a greater proportion of shared owner-occupiers falling into the employment categories of administrative, skilled, customer service and retail categories of employment than into professional or managerial occupations (Joseph Rowntree Foundation, P21). Consequently, the level of wage increase necessary for upward stair-casing is, in the short-term, unavailable. However, in the longer-term, wage increases (for a proportion of the groups typically seeking to access the shared ownership market) could be expected to occur and the possibility of some level of stair-casing will be open. This could suggest that shared ownership schemes could be more effective if they were designed to preference applicants with a greater probability of long-term stair-casing – i.e. younger people. Combined with a lower stake – either pre-specified or decided by the applicant – this would create the foundation for a longer-term approach to stair-casing, and also, in Windsor and Maidenhead in particular, allow the shared owner-occupier to stair-case upwards in surrounding lower-cost markets (because of the higher relative value of their stake).

Figure 2.1: Socio-economic classification of shared owners and first-time buyers 1999-2003



Source: Survey of English Housing, 1999-2003.

In terms of mobility, there are several barriers to transitioning from part-to-full ownership. These problems can be divided into two broad categories: endogenous and exogenous factors, relating to the specification of the scheme itself and the wider housing market conditions, respectively. As previously mentioned, the pre-specification and inflexibility of the initial share offered is a cause of impaired mobility. There are also often limited incentives for a shared owner-occupier to move with the goal of stair-casing upwards, and in some cases, it may constitute a loss in disposable income to do so (if mortgage repayment costs exceed the costs of their affordable rent).

This is particularly the case in areas where house prices have rapidly risen, and an immediate rise in overall household expenditure resulting from increased ownership has created disincentives to stair-casing. Potentially, this could be remedied through specifying the value of the stake needed to partially or fully stair-case in advance, with the provider subsidising the difference. Other barriers to intra-market mobility include structural barriers such as long nomination periods from providers, and limitations resulting from the preferencing of people on local authority waiting lists, which both limits the number of potential purchases and creates a dependence on local authority housing options services as intermediaries.

Best Practice

There are a number of local authority areas in which high performance is evidenced, as measured by the number of starts made in the local authority area in which they are situated. For those local authorities with an objective to develop their shared ownership market, the percentage of overall affordable developments which are shared ownership within the local authority area can also be defined as a marker of success. High absolute numbers are indicative of sustained high levels of sectoral

demand for alternative intermediary housing provision, and possibly also demonstrate optimal, broader conditions for success at the structural level– i.e. high demand, in addition to multiple providers, creating a competitive dynamic which causes increased levels of development, or high levels of public or private investment through S106 or other sources of funding. Though the RBWM/DIYSO scheme is not related to starts or completions, other similar schemes by local authorities and housing associations in those areas with high performance would be an important causal factor in determining the overall level of development.

| Local Authority | Affordable Ownership Starts (Percentage of overall affordable development) | Affordable Ownership Starts (absolute numbers) |
|------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------|
| Milton Keynes | 48% | 217. |
| Runnymede | 56% | 168. |
| Southampton | 52% | 140. |
| Cambridge | 38% | 126. |
| Sunderland | 21% | 111. |
| RBWM | 52% | 19 |

| Local Authority | Affordable Ownership Starts (percentage of overall affordable development) | Affordable Ownership Starts (absolute numbers) |
|------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------|
| Hertsmere | 100% | 28 |
| Isle of Wight | 100% | 8 |
| Brighton and Hove | 99% | 97 |
| Epping Forest | 67% | 35 |
| East Devon | 58% | 32 |
| RBWM | 52% | 19 |

Milton Keynes

The Borough of Milton Keynes had the highest absolute number of shared ownership starts outside of London in 2012/2013, and also (at 48%) a high percentage of shared ownership starts relative to other forms of affordable housing starts. Milton Keynes Council operates a shared ownership scheme, though several housing

associations and a number of private companies within the local authority area also operate schemes. The Council deploys a policy of maximum flexibility in delivering its shared ownership scheme. For example, it has unrestrictive eligibility criteria - no minimum income required for qualification, no restrictions on minimum deposit levels, no minimum equity stake and no special preferences for particular social groups. There are no restrictions on employment, either in type or duration. There is also no prioritisation of current residents – applications are not limited to residents of the Borough of Milton Keynes. The scheme exhibits high levels of exogenous variability, with there being little no restrictions on the characteristics of applicants to the scheme.

A housing association providing shared ownership properties in Milton Keynes, Grand Union Housing, structures its shared ownership provision as follows. The minimum initial share is 25% and the maximum 50%. . Minimum income is set on a property-specific basis. Maximum income levels of £60,000 before tax are in place. Priority is given to the following groups: public sector tenants, applicants employed by the MoD, those on a local authority housing register and first-time buyers. The scheme has a built-in marketised adjustment mechanism, with applicants who can afford to buy on the open market automatically excluded. A minimum deposit requirement is not in place and the level of deposit (if a deposit is needed) is dependent on the individual mortgage. All legal and associated costs must be borne by the applicant, and the applicant must prove they have sufficient savings to pay these costs. The provider retains the possibility of offering a restricted equity stake to an applicant, meaning that in these circumstances stair-casing is not possible. The Grand Union Scheme is relatively restrictive in places – specifying a maximum initial share of a 50% equity stake and prioritisation of certain groups, for example – but flexible and inclusive in others, specifically in its lower minimum initial share threshold, its unlimited opportunities for stair-casing, and its property-specific minimum income requirement.

Brighton and Hove

In 2012/2013, Brighton and Hove had a high percentage (99%) of all starts falling into the affordable ownership category, and also a relatively high number of total starts (98). Though the council itself does not operate a scheme, there are 11 housing associations operating in the local authority area, with all but one operating a shared ownership scheme. The Council has an association with Moat Housing Association, which provides a shared ownership scheme in the local authority area, and is the HomeBuy agent for the Essex, Kent and Sussex area. Its eligibility criteria, in line with the broader Homebuy criteria, are: a minimum annual income of less than £60,000 and first-time buyer status, in addition to not being able to afford to purchase a property on the open market. It has a minimum initial equity stake requirement of 25%, and a maximum initial equity stake of 75% (in comparison to RBWM/HSL's 35% -75%). The offer also includes a rent-to-buy option, where a tenant rents for a period of time at affordable rent levels (80% of market value) with an expectation of purchasing a stake in their home at a later date. Mortgages for this scheme are also limited to 25 years.

Bracknell Forest

Bracknell Forest Council local authority area has both a high percentage of overall shared ownership starts (38%, 2013/2014) and a high absolute number of starts (94, 2013/2014). The Council offers its own HomeBuy Scheme, supports several housing associations which offer shared ownership and also offers housing association tenants within its local authority area the opportunity to purchase their own home through a £60,000 grant for those who meet the eligibility criteria. The HomeBuy scheme is designed to incentivise the shared owner-occupier towards full ownership, and has the following characteristics: a leasehold purchase, with a minimum share of 50% and a maximum share of 75%. Bracknell Forest Council charges rent on the unpurchased shares, which will be a maximum of 1% of the value of the unpurchased share and rises 1% per annum to a maximum of 5% in year five. Additional shares, at a minimum of 5% per purchase, can be purchased at any given time.

Recommendations

In the context of this information, there are several alterations RBWM could make to its shared ownership scheme which would address the accessibility and mobility deficits and increase the prospects of residents seeking to access the shared ownership market in the Borough.

Rent-to-Buy

The first category would be core changes, the second supplementary. The first of the core changes would be instituting a rent-to-buy option in its shared ownership scheme. The fundamental component of the scheme would be to grant residents the option of purchasing a share in their property after a certain pre-defined period of time, whilst in the meantime renting at social rented or affordable rented levels. The scheme could be instituted with a structure similar to the national programme, with a savings plan designed to allow the tenants to generate a sufficient level of savings within a given period to be able to purchase a share at market level, and it could be open and flexible regarding the percentage stake of the property in question and the income levels of the prospective tenants, as well as the period of time after which the purchasing option could come into effect.

The scheme has the benefit of introducing more flexibility into the shared ownership offer, and including a broader range of groups to access stakes in their housing by structuring the scheme around longer-term income and saving growth expectations rather than short-term, present income. A potential drawback of the scheme is its dependency on adherence to savings plans which may or may not materialise, and the lack of a compelling incentive or structural design which would increase the probability of eventual home ownership without jeopardizing the flexibility of the scheme. For example, the scheme could select for characteristics which ensure income progression and high savings generation, such as professional occupation or educational attainment, but in doing so would exclude a potentially large number of potential shared owner-occupiers, and would not in and of itself guarantee the successful transition to ownership from the targeted groups.

Minimum and Maximum Income Levels

The scheme could also improve its offer through instituting increased flexibility of income levels, specifically broadening the minimum and maximum income levels required for accessing the scheme. Currently, for the RBWM/HSL DIYSO scheme, the minimum (household) income level is £25,000, with the maximum level being £60,000. Though this range is designed to ensure that the household has the financial capacity to meet their mortgage repayments, rent and service charges, it has the potentially negative consequence of deterring those households who may be capable of buying a smaller stake, or whose incomes are due to increase over time, in addition to those who are capable of spreading their mortgage payments over a longer period of time (i.e. younger people). The high maximum threshold also excludes those who may have the financial capacity to successfully manage repayments on a shared ownership scheme, but could not do so in the private market. This is particularly the case in Windsor and Maidenhead, where the average property price is £370,833, nearly seven times the maximum income threshold.

Potential drawbacks to increasing the flexibility of income levels would be that it could permit those to access the schemes who do not have the financial means to complete their repayments. With the range of the stakes available being maintained at the current level, the number of applicants with the potential to default – i.e. those who are incapable of completing repayments on their mortgage, rent and/or paying their service charges over the longer-term – would increase as a proportion of total applicants and/or the absolute numbers of applicants would decrease (due to more not being confident in their capacity to repay). This could exacerbate the problems currently afflicting the scheme - low take-up rates – and could lead to greater expenditure for the council in managing defaults. However, mitigating factors would be to institute the change simultaneous to introducing greater flexibility in the stake required and also adjusting the minimum required savings levels.

Flexible Ownership Stakes

The current minimum stake in the property is 35%, and the maximum stake is 75%. The minimum level is higher than many of the best performing schemes – for examples, the Milton Keynes Council scheme has no restrictions on either income or equity level, and a popular housing association scheme in the area has a minimum equity level of 25%. Instituted in conjunction with adjustments to both minimum and maximum income levels and minimum savings levels, this would introduce flexibility into the scheme, allowing prospective shared owner-occupiers to tailor their stake to their capacity for repayment and increasing the probability of higher-take up levels for the scheme. A negative – but improbable – side-effect of these changes would be a decrease in overall affordability through a greater proportion of overall payments derived from rent repayments. Though unlikely, this could occur in areas where 80% of market rent is still beyond the capacity of the applicants to afford, meaning that a greater proportion of rent relative to mortgage repayments could deter potential applicants. This could be mitigated through housing options expertise being deployed to align income and savings levels with repayment potential within the expanded parameters of a more flexible scheme. It could also be mitigated with a (possibly

temporary) subsidization of the mortgage component in addition to the rented element, decreasing the overall cost of repayment.

Incentivisation Scheme

The Royal Borough could also seek to replicate the Bracknell Forest Council incentivisation system relating to repayments on the unpurchased share. Currently, the rent on an unpurchased share of a shared ownership property is calculated at affordable rented levels, which is up to 80% of market value. Under the Bracknell model, the cost of rental repayments on unpurchased shares is 1% of the share, rising 1% per year to a maximum of 5% in five years. The rent can be reviewed regularly by the Council, based on the valuation of the unpurchased share. This affordable – yet rising – rent would provide an incentive for purchasers to increase the value of their share in order to decrease the overall cost of their housing payments. The model could be adjusted to expand or decrease the range of rent rises and/or the maximum level to which it can rise. It would also be a means of ensuring that the rented element remains at *de facto* affordable levels – at 80% of market rent, some affordable rents in expensive areas, such as the Royal Borough, can still remain unaffordable for low-income individuals or families despite being calculated in accordance with the ‘affordable’ formula. This may in itself be deterring prospective shared owners. By increasing affordability this could increase accessibility, and permit a greater number of residents to access the scheme.

Though the above would constitute core changes to the scheme, fundamentally altering it to significantly increase flexibility, there are additional supplementary changes which could also contribute towards this end. These are:

- Age-specific preferencing – adding 18-30 (for example) to the preferred groups, encouraging those with the capacity for longer-term repayment to access the scheme.
- Permit sub-letting of the property in order to increase repayment capacity.
- Subsidize/fund a discount on purchasing additional shared equity in homes. Survey evidence shows that those in shared ownership properties would welcome a scheme equivalent to the discount received by right-to-buy tenants, which is up to 35% of market value but capped at £16,000 with immediate residence, £35,000 with five years residence, and up to £50,000 with a minimum of 20 years residence.
- Remove the requirement for schemes to be tied to the local authority housing register, increasing internal flexibility and encouraging mobility.

With every shared ownership tenancy agreed, tenants should be given a ‘key facts’ leaflet with the following information – options and methods for progressing towards full ownership, relating to (A) household circumstances, i.e. optimal work/relationships; (B) how to navigate the housing market, with estimates of how much different ‘staircasing’ options may cost under different scenarios (i.e. a 1%, 5%, 10%, 15% rise in house prices). This could also apply to existing shared ownership tenants.