



Title of policy:	Right to Share Ownership Procedure
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By:	Head of Development

1. Purpose

- 1.1 The Right to Shared Ownership (RTSO) is an additional right that some tenants of North Star have, which can enable them to move from a rented tenure to shared ownership, if they choose.
- 1.2 The Government has introduced the Right to Shared Ownership for people renting social housing who live in a new build home delivered through the Affordable Homes Programme 2021-2026, ie with Homes England grant support.

Certain homes are exempt from the Right to Shared Ownership, including:

- specialist homes for older, disabled or vulnerable people
- homes built in remote rural areas

In certain circumstances where a sale under the Right to Shared Ownership scheme would cause practical problems, the property may qualify for an exceptional exemption. For example:

- if there are legal impediments to a sale (e.g. where the provider is leasing the property and does not have enough legal interest to grant an adequately long sub-lease)
- if the sale would interfere with regeneration plans for the property
- if the property requires substantial repairs or remediation, distorting the value of the property.

For those eligible, they will be able to buy a share in their home (between 10% and 75%), helping them to get on the property ladder.

- 1.3 This procedure guide will cover who has the Right to Shared Ownership and the process that needs to be followed if a tenant applies to buy a share in their home. It should be read in conjunction with the Government's guides on Right to Shared Ownership on: <https://www.gov.uk/government/publications/right-to-shared-ownership-initial-guidance-for-registered-providers>.
<https://www.gov.uk/government/publications/right-to-shared-ownership-a-guide->



[for-tenants](https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared-ownership)

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2 Which properties qualify under the Right to Shared Ownership

- 2.1 The Right to Shared Ownership only applies to tenants of new build homes that were delivered through the Affordable Homes Programme 2021-2026.
- 2.2 A list of properties delivered under this programme will be kept by the Development Team and will be flagged on property details on the new housing management system.

3 Process

3.1 Customer enquiry and property eligibility check

On receipt of an enquiry from a tenant from any point of contact eg. Customer Services Team, Housing Officer, etc. regarding the Right to Shared Ownership, send request via email to Development Team with tenant's details.

Development Team hold a log of Right to Shared Ownership enquiries. Development Assistant to record enquiry on the log.

Development Co-ordinator to check the funding arrangements for the property

If the grant funding for the scheme was pre 2021-26 Affordable Homes Programme, the customer does not have a right to shared ownership. The property could also be exempt under the reasons set out in the government guidance as per section 1.2 above. Send out a letter explaining why the property is exempt and whether North Star has any other options for home ownership at that point in time. The tenant must also be informed of their right to dispute the exemption through the Complaints Procedure.

If the scheme was built using 2021-26 Affordable Homes funding Finance Team check the property does not breach the Cost Floor rule (see section 4.4) then send initial Right to Shared Ownership letter with application pack and continue with the procedure.

Customer must be notified either way within 4 weeks of initial enquiry.

3.2 Processing an application – Eligibility checks

Once a completed application form has been received, North Star has eight weeks to complete eligibility checks and inform the tenant of the outcome.

Finance Team to complete

Check that the tenant(s) are eligible for the Right to Shared Ownership and meet all the following criteria:

- are over 18 years old
- live in a home where the Right to Shared Ownership applies
- hold an un-demoted secure tenancy or an assured tenancy (including an assured shorthold tenancy)
- have been living in their current home for at least 12 months.



- have been a tenant of a home for Social Rent or Affordable Rent for at least three years (this need not have been with the same landlord, or for three years in a row)
- are not in rent arrears
- are not subject to legal proceedings (e.g. a notice of seeking possession has been served)
- are not subject to a court order for possession of their home.
- are not subject to legal proceedings on the grounds of anti-social behaviour
- are not subject to bankruptcy proceedings or unfulfilled credit arrangements.
- meet the Shared Ownership eligibility requirements, including the income requirement (currently an annual gross household income of £80,000 or less outside of London, or £90,000 or less in London), and do not already own a property.
- are unable otherwise to purchase a home suitable to meet their housing needs on the open market.
- satisfy immigration requirements.
- In case of joint applications, all applicants must either be tenants or family members who have lived in the property for the 12 months prior to purchase. All applicants who joined the application must be party to the purchase at completion.

3.3 Home Ownership meeting with tenant

If the tenant(s) pass the eligibility criteria, then the next stage is to arrange a meeting with the tenant(s) to discuss how the shared ownership works. This can be completed in person, by phone or Teams. Items to cover are:

- Overview of what Shared Ownership is.
- The process and need for legal representation.
- Long term financial responsibilities including rent and service charge on part not owned, Stamp Duty Land Tax
- Initial Repairs Period for essential repairs to the property until it is ten years old – see details below.
- Percentage of shared equity to be purchased and staircasing options after initial purchase to buy more equity shares over time.
- An estimate on how much the property is worth.

3.4 Affordability checks

Following the meeting, North Star will refer the tenants to an independent financial advisor to complete an affordability assessment. This is a mandatory requirement of the Right to Shared Ownership however the tenant is entitled to source their own financial advice if preferred.

The affordability assessment is designed to work out the size of the equity stake the tenant can afford to purchase and the calculation is based on the estimated value of the home and their financial circumstances. Homes England's shared ownership eligibility and sustainability calculator can be used for guidance.



3.5 Property valuation

Once the affordability checks have been completed, North Star will be informed of the tenants' ability to proceed. If the tenant has sourced their own financial assessment, then they must give permission for the financial advisor to notify North Star of the assessment for the application to proceed.

At this stage, if they are able to proceed, we must obtain an official valuation for the property. The valuation must be obtained from a valuer registered with the Royal Institution of Chartered Surveyors (RICS) on the current market value. The valuation must be obtained within six weeks of being notified of the affordability assessment outcome.

The valuation will be provided to the tenant and the independent financial advisor. The valuation is used to finalise the size of the equity share the tenant wishes to buy and may need to be adjusted from the initial equity share offered. The valuation is valid for three months.

The tenant has the right to dispute the valuation obtained and can commission an independent valuation at their own cost from a RICS registered valuer and the purchase must be completed within three months of the official valuation obtained by North Star. The result of any valuation the tenant commissions will be binding on both the tenant and North Star. As this valuation will be based on what it would cost to buy the home on the open market, it could be higher or lower than the official valuation obtained by the landlord.

3.6 The Offer Notice

Once the final value of the home and the size of the equity stake is confirmed, an offer notice should be issued to the tenant within four weeks of confirmation of the final valuation.

The offer notice will include information on:

- the value of the home.
- the size and value of the initial equity stake the tenant will be buying, as confirmed by the affordability assessment.
- the total rent payable on the equity stake in the home that the tenant is not acquiring.
- an estimate of the annual service charge, including any sinking fund contributions for major works.
- the length of the lease term.
- a requirement that the tenant formally respond to the offer within four weeks.

3.7 Deciding to buy

The tenant must inform North Star within four weeks of the receipt of the offer notice if they wish to proceed. If the tenant has not informed North Star that they wish to proceed with the offer within four weeks from the offer notice, then the offer can be withdrawn.



3.8 Completing the purchase

If the tenant accepts the offer, North Star needs to provide the tenant and their solicitor with a Memorandum of Sale. This will include the details to complete the sale, including the value of the home and the size of the equity stake the tenant will be buying.

North Star then needs to instruct our solicitor to make a formal offer to exchange contracts with the tenant's solicitor. The solicitor will draft the lease agreement in compliance with the new model Shared Ownership lease from Homes England for AHP 2021-26.

A final round of checks also needs completing within four weeks and prior to the official exchange of contracts:

- That since the application process began, the tenant has not developed any rent arrears or been issued with a notice of seeking possession.
- Check that the mortgage is from an approved lender or, if they are a cash buyer, that they have evidence of the necessary funds to make the purchase.

The tenant has three months from the date they accepted the offer to exchange contracts. If they do not exchange contracts within this time, we may withdraw the offer unless they can provide a good reason why they were not able to exchange contracts in time.

Once contracts have been exchanged, the purchase of the equity stake becomes legally binding. Once you have exchanged contracts, the tenant will pay their deposit. After exchanging contracts, the solicitor will agree a completion date with the tenant's solicitor. If needed, the tenant can have a month from the point they exchanged contracts to complete the purchase of the equity stake.

4. Other items

4.1 Shared Ownership Lease

RTSO properties must be sold at 10-75% initial share using the New Model Form Shared Ownership Lease. Note the lease term of 990 years can be reduced where the landlord's leasehold title is less than that.

4.2 Rent and Service Charges

Prior to the Offer Notice, Finance will calculate the rent and any service charges that the tenant will be required to pay on the share of the property that is not being purchased.

As per the standard shared ownership scheme, the annual rent should be set at the target level of 2.75% of the value of the landlord's share, with annual rises limited to a maximum of RPI + 0.5%.

4.3 The 10 years repairs and maintenance period

The Initial Repair Period covers repairs and maintenance to things like:

- the external fabric of the building and structural repairs to walls, floors, ceiling and stairs inside the home



- installations inside the home for the supply of water, gas and electricity and for sanitation, pipes and drainage.

The Initial Repair Period lasts for 10 years from the date the home was physically completed by the developers and available to live in. This means that the Initial Repair Period reduces in length as the age of the home increases until the property is ten years old. Other maintenance would be the tenant's responsibility.

4.4 Cost Floor Rule

Providers will be able to block a Right to Shared Ownership sale in cases where the cost floor is breached. A breach occurs if the current market valuation is below the total amount spent on building or acquiring the property, including the grant invested in the property.

4.5 CORE reporting

Following the sale completion, we are required to complete Continuous Recording system (CORE) sales logs in respect of all homes sold through Right to Shared Ownership.

