



The purpose of this policy is to outline the approach Longhurst Group will adopt when assessing the affordability of prospective purchasers seeking to purchase a shared ownership home.

Minimum Surplus Income Policy

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Part 1

About this policy

Document management

Directorate	Growth, Development and Assets
Policy sponsor	Executive Director of Growth, Development & Assets
Policy owner	Director of Growth, Development & Sales
Policy author	Head of Sales & Aftercare
Summary	The purpose of this policy is to outline the approach Longhurst Group will adopt when assessing the affordability of prospective purchasers seeking to purchase a shared ownership home.
Target audience	New Build Sales Team, Asset Sales Team, Prospective Purchasers

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Part 2

Overview

Intent

This policy applies to every affordability assessment carried out with a prospective purchaser(s) when seeking to apply for one of the Group's shared ownership homes.

We will ensure all prospective customers and mortgage advisors are aware of our policy approach when offering them a shared ownership home and will make a copy of this policy available on our website.

We will ensure all prospective customers are aware of the process prior to expending any cost themselves.

Policy statement

This policy supports the Group's values and is a commitment to improving lives and supporting colleagues by providing a clear, consistent and customer focussed service provision, that ensures that all prospective purchasers are assessed in respect of both their eligibility and their affordability, to ensure that they can sustain home ownership.

All shared ownership applications received by the Group will be considered in an impartial, equitable and consistent manner which will be in accordance with Home's England guidance.

This policy will ensure that no prospective purchaser is disadvantaged by the Group's interpretation and application of the guidance.

The financial assessments required to be undertaken in order to determine eligibility and affordability will be undertaken free of charge by a suitably qualified and experienced mortgage advisor.

This policy will detail the principles that will be followed in order to calculate the minimum amount of surplus income - which will be expressed in percentage terms - that a prospective purchaser should have available per month after accounting for all of their expenditure.

As per the Homes England guidance, when working to this policy, the Group will not adopt a maximum surplus income policy.

This policy will apply to the sale of all new build shared ownership homes and also those offered for sale on a resale basis (also known as Assignments).

Scope

The terms 'Longhurst Group' and 'the Group' incorporate all member companies and subsidiaries.

This policy applies to New Homes Officers, Asset Sales Officers, New Homes Sales Managers and Asset Sales Managers

The policy does not form part of any colleague's contract of employment and the policy may be amended at any time.

Part 3

Policy details

Minimum Surplus Income

Prospective Purchasers will be required to have a minimum of 10% surplus income at the end of each month following the assessment of all elements of their income and expenditure – this will be established through the completion of a comprehensive budget planner, completed by the mortgage advisor.

A maximum amount of surplus income will not be set as individual purchasers' circumstances need to be able to be accounted for.

The assessment will be carried out by a suitably qualified experienced mortgage advisor as defined within this policy.

All prospective purchasers will be required to partake in the affordability assessment, this includes purchasers who are not looking to secure mortgage borrowing.

Mortgage Amount

In addition to meeting the minimum surplus income as detailed within this policy, Mortgage Advisors must ensure that the mortgage a prospective purchaser is able to secure represents no more than 30% of a purchaser's net income after accounting for what are considered firm expenditure commitments and the rent and service charges (if applicable).

Suitably Qualified Experienced Advisors

Whether a prospective purchaser is able to obtain a mortgage, the amount that they can suitably afford must be assessed by a qualified and experienced advisor who is regulated to give mortgage advice.

Due to the specialist nature of Shared Ownership mortgages, the advisor should be experienced in, and knowledgeable of, this area and have access to a range of Shared Ownership mortgage lenders.

For the initial advice, all prospective purchasers must be assessed from an affordability perspective by the in-house or preferred mortgage advisor attached to our appointed selling agents.

The Group will undertake checks on the advisors they use to carry out these affordability assessments and retain evidence of their suitability.

The check will cover that the advisor satisfies the following criteria:

- is regulated and qualified to give mortgage advice.
- has a good working knowledge of Shared Ownership
- has access to a suitable range of Shared Ownership mortgage lenders in order to give an accurate assessment of mortgage availability.

- has read and understood section 3 and 6B of Homes England's Capital Funding Guide on 'Applicant eligibility' and 'Affordability guidance'.
- has read and understands the Minimum Surplus Income policy and the approach to be adopted when undertaking the assessment of an applicant's eligibility and affordability.

Furthermore, the Group will undertake due diligence and have appropriate written agreements in place regarding data sharing and a form of Service Level Agreement. The Group will undertake regular reviews as to their suitability and this will form part of the process undertaken when looking to procure Estate Agent services ahead of each development being marketed.

Prospective purchasers will not be obligated to use our appointed selling agents preferred Mortgage Advisor for their mortgage but will as part of the shared ownership application process, partake in the affordability assessment with the Group's appointed selling agents preferred mortgage advisor.

Representatives of the Group will follow the advice provided by the mortgage advisor in respect of all mortgage matters and will not undertake any activities which they are not regulated (e.g., giving financial advice).

Alternative Mortgage Advice

Whilst all purchasers will be expected to undertake the required affordability assessment with the Group's preferred mortgage advisor, in exceptional circumstances, the Group will allow the prospective purchaser to seek advice from an alternative advisor.

However, this will be conditional on evidence being provided which assures the Group of the advisors' suitability to provide such advice and this will be by evidencing that they satisfy the criteria as detailed within the Suitably qualified experienced advisor section of this policy.

Where prospective purchaser's circumstances and reasoning is deemed by the Group to be exceptional, then prospective purchasers will need to understand that this may cause delays in the progression of their application to purchase whilst the necessary due diligence checks are undertaken.

Additionally, the mortgage advisor will be required to complete all paperwork required, including the assessment screening checks and budget planner.

Financial Incentives – Mortgage Referrals

The group will not require a prospective purchaser to take out a mortgage with a particular mortgage advisor, irrespective of whether they undertook the financial assessment to ascertain a suitable mortgage level or product.

The Group will not receive financial (or other) incentives from advisors in return for inclusion on their panel.

Mortgage Lenders

Mortgage lenders should be authorised and regulated by the Financial Conduct Authority and, where required, regulated by the Prudential Regulation Authority.

Anti Money Laundering

All necessary anti-money laundering checks will be undertaken by the mortgage advisor, the prospective purchasers' solicitors and our appointed selling agents.

Proof of ID for all prospective purchasers will be provided to the Group and will be retained on file.

Initial Share to be Purchased

The Group will ensure that the share level being purchased is suitable of the prospective purchaser's affordability, needs and circumstances as presented by the mortgage advisor and evidence will be retained on the prospective purchaser's file.

If a prospective purchaser wishes to purchase a different share than that determined by the mortgage advisor's assessment, these requests will be rejected.

This assessment will take into consideration any known or foreseeable changes in the future.

No prospective purchaser will be made or encouraged to overcommit themselves financially.

Income

For all Shared Ownership homes, £80,000 is the maximum gross household income threshold. This assessment should be based on the income of all members of the household whether they have joined the application or not.

An exception would be the income of children under 18 and any other household members whose residence in the home is unlikely to be permanent.

Cash Buyers

Where prospective purchasers are unable to obtain a mortgage, or there is no appropriate mortgage product available, but they have sufficient savings, the Group will allow a prospective purchaser to purchase a suitable share in cash.

As with all other prospective purchasers, they will be referred to an advisor to confirm that they are either unable to obtain a mortgage or that a suitable mortgage is not available.

Savings

Prospective purchasers will be expected to use any savings, assets and investments in their purchase. However, this does not mean that they are not permitted to retain a level of savings. This should take into account the requirements of any mortgage that is able to be arranged and the minimum surplus income required as outlined within this policy.

Resales (Assignments)

In respect of applications for resale (assignment) shared ownership homes, we will look to adopt the same principles of the guidance to be followed for new build sales. The Group reserve the right to operate with more flexibility in their consideration of purchasers to ensure that existing shared owners are not restricted in terms of potential purchasers. However, in all instances the Group's First Come First Served Policy will be followed.

Prospective purchasers are able to consider purchasing additional shares at the same time as purchasing the share from the current shared owner, however this is an option for resale purchaser's rather than a requirement.

The Group will therefore not push a purchaser into doing this but may suggest this to the prospective purchaser if their affordability assessment and circumstances mean this is a possibility.

Suitable Share

The Group will not override or unduly influence any of the views put forward by the mortgage advisor as to the suitable mortgage for an applicant which is then used to derive the share purchase.

Examples of this would include the Group requesting that a particular mortgage term or lower mortgage rate is chosen to increase the share a prospective purchaser can purchase, or to advise a prospective purchaser to restructure their debts or suggesting changes to their pension.

Minimum Surplus Income Methodology

The 10% minimum surplus income as detailed within this policy will be based on the net income available for mortgage purposes will be derived from the calculation below:

- Step 1 – gross household income (A)
- Step 2 – deductions from gross income (B)
- Step 3 – known commitments (C)
- Step 4 – housing costs (excluding mortgage) (D)
- Step 5 – net income remaining for mortgage purposes ($E = A - B - C - D$)
- Step 6 – mortgage cost (F = no greater than 30% of E)
- Step 7 – other essential expenditure (G)
- Step 8 – The Group's minimum surplus income policy (E – F – G must be greater than this)

The Group will adopt a two-stage process when assessing affordability and this will be undertaken by the suitably qualified mortgage advisor. This two-stage process will be formed of:

- Stage 1 – Initial Assessment
- Stage 2 – Full Assessment

Initial Assessment

The group will require a high-level check to be undertaken to establish that a prospective purchaser is likely to be able to purchase the minimum share for new Shared Ownership homes or the share being sold on a resale (assignment) property.

This will be by completing the Initial Affordability Check sheet provided to the Group's appointed mortgage advisor.

Where a prospective purchaser is rejected at this initial stage, the advisor will provide a thorough explanation to the Group or their appointed selling agent to enable them to communicate the outcome to the applicant.

Full Assessment

For prospective purchaser who pass stage 1 of the assessment process, a full assessment will be undertaken by the mortgage advisor. This will be a more detailed assessment of a prospective purchaser's income and expenditure their circumstances and preferences including any known or likely future changes that will impact on their income and/or expenditure.

This assessment will allow mortgage advisors to arrive at a share purchase that is suitable for the prospective purchaser in terms of their affordability and sustainability. The main purpose of this process being to ensure prospective purchasers are not over committing themselves financially based on the information provided and ensures they have the minimum surplus income required as detailed within this policy.

This will be by completing the Mortgage/Cash Buyer sign off form (including the completion of a budget planner) provided to the Group's appointed selling agents preferred mortgage advisor.

Benefits

The Group will not penalise prospective purchasers who are reliant on income from benefits (in part or in whole) and it will be for the suitably qualified mortgage advisor to determine what benefits can be taken into account when considering affordability.

Self Employed/Zero Hour Contracts

Prospective purchasers who are self-employed or on a zero hours contract will not be precluded from applying for one of the Group's shared ownership homes. However, this will be considered as part of the assessment undertaken by the mortgage advisor and will be based on their knowledge of relevant lender policies.

In addition, it will be conditional to prospective purchaser's being able to satisfy the certification requirements regarding their income in line with what is accepted by lenders for mortgage purposes.

Immigration Act Status

Prospective purchasers looking to purchase one of the Group's Shared Ownership homes will need to demonstrate that they can afford and sustain home ownership in the longer term.

Prospective purchasers who are subject to immigration control (i.e., who require leave to enter or remain in the United Kingdom under the Immigration Act 1971) are less likely to be able to satisfy this requirement unless they have indefinite leave to remain in the UK.

However, there is nothing which legally prevents individuals subject to immigration control and without indefinite leave to remain from accessing Shared Ownership, provided that they fulfil the requirements as detailed within this policy.

The Group will take the view that if a qualifying lending institution is willing to provide finance for the purchase, then the individual is considered good security and therefore should be allowed access to the scheme. |

Part 4

Policy implications

Roles and responsibilities

All persons involved with the Group, whether Board Member, or employee have delegated responsibilities. The key roles and responsibilities are listed below.

Group Board

The Board is responsible for ensuring that there is an effective policy with controls in place, but delegation is the Management Team of the Group.

Executive Management Team

The Chief Executive, Executive Directors and Directors collectively are the officers responsible for ensuring the implementation of the Group's objectives in this policy.

Policy Sponsor - Executive Director of Growth, Development & Assets

This person has strategic responsibility for the policy and how it relates to business plans, key strategies and other elements of the policy framework.

Policy Owner – Director of Growth, Development & Sales

Responsible for the policy's suitability; effective implementation; and commissioning new policy development and periodic policy review.

Policy Author – Head of Sales & Aftercare

Responsible for drafting a new policy and proposing any amendments to an existing policy.

Data Protection – Data Protection Officer

Responsible for identifying, assessing and mitigating privacy risks with data-processing activities that fall within the policy.

Customer Engagement Team

Responsible for leading on policy consultation with customers and the Customer Forum.

Implementation

The New Sales Manager(s) and the Asset Sales Manager(s) will be responsible for ensuring that the objectives of this policy are delivered, and this will be overseen by the Head of Sales.

All employees of Longhurst Group are responsible for ensuring their work is conducted in line with the policy and any related procedural guidance.

Data protection

To meet the requirements as outlined with the Homes England Capital Funding Guide (CFG), when assessing prospective purchasers for eligibility and affordability, certain personal data will be required for all those looking to form part of the purchase. This includes, Name, contact Details, Date of Birth, current housing situation, employment, financial status and amount of savings.

This information will be collected on the Shared Ownership Application Form by our appointed selling agent and shared with Longhurst Group for assessment.

The information will be retained for the purposes of the assessment period only and will be destroyed in accordance with our data retention policy in the event the application is unsuccessful.

In the event that the prospective purchaser(s) become a customer of the Group, the information required to set up a tenancy and rent account will be retained and added into Dynamics and managed through our standard processes.

Safeguarding

Any safeguarding concerns identified during the assessment and application stage will be raised in accordance with the Group's safeguarding policy.

Equality, diversity and inclusion

All of the Group's Shared Ownership homes are open to all prospective purchasers who meet the eligibility criteria as set out within Homes England's' Capital Funding Guide. Longhurst Group will not discriminate against any protected characteristic listed under the Equality Act 2010.

Complaints and feedback

Any complaints raised by the Group's prospective purchasers will be handled in accordance with the Housing Ombudsman Complaint Handling Code and the Group's complaints policy.

Risk analysis

The Risk Analysis section within the Policy Development Plan (PDP) identified the following risks and mitigating actions:

- Change in market conditions.
- Customer satisfaction.
- Failure to comply with the regulator requirements as set out within the Capital Funding guide

Evaluation, review and performance reporting

This policy will be reviewed on a Triennial basis to ensure that it remains fit for purpose. A policy review may also be required earlier, in response to internal or external changes for example changes in legislation. Prompt and effective action will be taken where improvements are identified.

The organisation will undertake regular internal reviews to ensure continuous improvement of service delivery and that the policy compliments the strategic objectives of the organisations business plan.

The Group will also be subject to an annual Homes England Audit and any recommendations arising from any audit will be considered and implemented where deemed appropriate.

To ensure we meet our business plan assumptions in relation to sales, we will monitor the performance of all parties involved in the process, this will include:

- Our New Build Sales Officers and New Build Managers
- Our Asset Sales Officers and Asset Sales Managers
- Our appointed selling agents
- Our appointed legal representatives
- Our Communications Team

Any other external agencies used, such as PR Agencies, Design agencies etc.

Summary of local variations

The section 106 (S106) and associated nomination agreement (if applicable) will be reviewed for each development and the approach will be varied accordingly to ensure we adhere to any planning conditions.

Part 5

Compliance

Legal and regulatory compliance

This policy fully complies with the Group's legal and regulatory obligations.

- Homes England Capital Funding Guide

This list is not exhaustive, and policy authors will undertake thorough research and/or seek professional advice to ensure the Group meets its obligations and complies with the current and relevant legislation and regulations.

Related policies

- Sales Policy
- First Come First Served Policy
- Code of Conduct Policy
- Anti-Fraud and Corruption Policy
- Complaints Policy
- Data Protection and Confidentiality Policy
- Safeguarding Policy

Part 6

Appendices

A. Glossary of terms

Term	Definition
Legislation	The legal requirements that must be followed.
Policy	A statement of intent describing our approach towards a particular activity or area – usually comprising a set of rules or standards that must be followed.
Policy Development Plan (PDP)	The document used to support planning policy development and review.
Procedure	An agreed way of doing things that describes how a policy will be implemented. The specific steps and/or actions that must be taken to put policy into practice and ensure a consistent service.
Regulation	The rules or standards set by a governing body such as the Housing Ombudsman, Regulator of Social Housing and Financial Conduct Authority.

B. Associated documents

The following documents are associated with this policy:

- Sales Progression procedure 2024
- Site Setup procedure 2024
- Initial affordability check sign off sheet
- Mortgage buyers sign off sheet
- Cash buyers sign off sheet
- Shared Ownership Audit Checklist
- Estate agent tender letter
- Estate Agent Agreement / instruction letter
- Qualified Advisor Agreement
- Customer guide: Shared Ownership Application process |