

SHARED OWNERSHIP AFFORDABILITY POLICY

Shared Ownership Affordability Policy

Responsible Officer	Head of Sales, Lettings and Customer Care
This policy is applicable to	Karbon Group
Policy version	2
Date this version implemented	1 August 2024
Date of next review	July 2029

Policy Statement

This Shared Ownership Affordability Policy explains how Karbon Homes Group (the Group) ensures that shared ownership homes are allocated in a fair, consistent, and sustainable way. The policy follows Homes England's Capital Funding Guide and requires all applicants to undergo a five year affordability "stress test" to make sure they can comfortably meet both rent and mortgage payments now and in the future. This includes assessing expected annual rent increases and confirming that mortgage payments do not exceed 30% of a household's net mortgageable income, with at least 10% of income remaining after all housing costs. These safeguards are designed to protect customers from financial strain and ensure longterm affordability.

To ensure purchases are responsible and sustainable, both the Group and an independent financial advisor must independently confirm that an applicant meets the affordability requirements before an offer is made. All income used must be considered sustainable and align with mainstream lending standards. The policy also ensures customers in vulnerable circumstances are supported and treated fairly, following Karbon's inclusion, equality, and data protection commitments. It is reviewed every three years, or sooner if regulations or best practice change, ensuring the policy remains current and continues to meet customer needs.

Risk the policy is designed to control

6 – Governance and Compliance: Failure to comply with statutory and regulatory requirements and failure in the arrangements for managing the organisation at the highest level.

Key performance measures

Key performance measures for Shared Ownership sales are as follows. All are reported on monthly, at Asset Management & Development (AMD) Panel, and quarterly at Group Development Committee (GDC).

- Time to sell, which is 12 weeks
- Having a minimum level of stock
- Having a minimum level of void loss

In addition, the team are responsible for auditing every file to ensure we are adhering to Capital Funding Guide requirements. For example, showing Independent Financial Advisor sign off.

Definitions

Shared Ownership – is a scheme to help people become home owners who cannot afford to buy a home on the open market. Through Shared Ownership people can buy a share in the property and pay rent on the remaining share.

Independent Financial Advisor – professionals who offer independent advice on financial matters to customers and recommend suitable financial products, such as mortgages from the whole of the market.

Abbreviations

CPI – Consumer Price Index

RPI – Retail Price Index

Policy Detail

1.0 Purpose of policy

1.1 We have adopted this policy so that all customers purchasing a shared ownership home meet Homes England affordability guidance as detailed in the Capital Funding Guide. In this way we will act proportionately to ensure that all such purchases are affordable and sustainable to applicants.

2.0 Objectives

2.1 To ensure the Group;

- Allocates new build shared ownership homes in a fair and consistent manner
- Ensures purchases are affordable and sustainable for customers

3.0 Policy detail

3.1 Applications will be stress tested over an initial period of five years, to ensure that buyers can afford not only to meet the rent and other payments due to the Group at the point of purchase, but also over the forthcoming years as annual rent increases under the shared ownership lease (which will be based upon either CPI or RPI increases) are expected to impact.

3.2 Applying this stress testing to their applications, we must be convinced that applicants have a minimum of 10% of their net mortgageable income remaining after all deductions throughout this five-year period.

3.3 In addition to this, the mortgage payments should not exceed 30% of the net mortgageable income of the household.

3.4 The reason for including the 10% tolerance is that it provides a degree of protection for the customer against possible increased costs or unforeseen circumstances that have not been budgeted for in the application.

- 3.5 Successful assessments must fall within these parameters, and both the Group and the Independent Financial Advisor must separately give their confirmation to this being their belief prior to the offer to proceed to reservation. Applications that do not fall within these parameters will not be accepted, as we would not deem the purchase to be affordable or sustainable for them.
- 3.6 This policy will apply whether applicants use a Group Panel Independent Financial Advisor or choose to use their own separately appointed Independent Financial Advisor. Karbon Homes would always reserve the right to apply the standard affordability calculator to any application received via an Independent Financial Adviser who is not on their panel, if they are not convinced that it has been properly applied in the application.
- 3.7 All income used for the assessments must be considered sustainable. The Independent Financial Advisor will use a list of acceptable income that is regarded as being sustainable, which is based on similar principles to those applied by mainstream mortgage lenders and will form the budget planner. If it falls outside of these categories, and would not be considered acceptable by mainstream lenders, the Independent Financial Advisor may exclude the income from the assessment.

4.0 Customer Vulnerabilities

- 4.1 This policy is applied in line with our Customers in Vulnerable Circumstances Policy. We want people to be treated fairly, have equality of opportunities, freedom, respect, and access to our services.
- 4.2 We will support people in vulnerable circumstances to help us deliver this service. We will work alongside external agencies such as social services, the police and fire services and other appropriate agencies to help and support people in vulnerable circumstances and to ensure we meet our statutory and regulatory requirements as a social landlord.
- 4.3 Policies and key information are made available on our website.

5.0 Monitoring and Review

- 5.1 This policy will be reviewed every five years by Jill Jones, Head of Sales, Lettings and Customer Care. The review will be brought forward if there are significant changes to best practice, regulatory or legislative requirements.

6.0 Equality and Diversity

- 6.1 This policy is applied in line with our Inclusion and Belonging Policy. This includes the legal requirements of the Equality Act 2010, Workers Protection Act 2023 and the Public Sector Equality Duty.
- 6.2 At the Karbon Group we aim to eliminate discrimination, promote equality of opportunity, foster good relations and define the nine protected characteristics of age, disability, gender reassignment, marriage or civil partnership, pregnancy or maternity, race, religion or belief, sex, or sexual orientation.

6.3 If you would like this or any other policies in a different language or format please contact inclusion@karbonhomes.co.uk.

7.0 Data Protection and Privacy

7.1 We have a clear policy on data protection and sharing data with other partners/third parties under the requirements of the UK General Data Protection Regulation, the Data Protection Act 2018 and other associated legislation. This is clearly set out in the Data Protection Policy for the Karbon Group which, along with its associated procedures, must be followed throughout the operation of this policy.

Approved by	Executive Team
Date approved	7 August 2024
Frequency of review	Every 5 years
Last reviewed by	NA
Date of last review	NA
Key related documents (policy, procedure, customer literature)	Shared Ownership Allocation Policy
Sources of best practice or guidance used in developing this policy	Homes England – Capital Funding Guide
Author of this policy version	Sarah Whitworth - Interim Head of Sales and Marketing

Document change history		
Version	Date	Changed sections
1.1	12/08/2025	'This policy is applicable to' section updated to cover Karbon Group
2	19/03/2025	Document formatted to meet STAIRs requirements

Equality and Data Protection Impact Assessments		
Include below the dates/outcomes from most recent EIA and DPIA		
Equality Impact Assessment (EQIA)	EQIA Date: 29/07/2024	
Data Protection Impact Assessment (DPIA)	Initial/Full	DPIA Date: 29/07/2024

Consultation		
Consultation Group	Needs to be consulted when ...	Date of Consultation
Colleague Forum	Where a new policy or major policy change affects colleagues	Not Applicable
Unions	Where a new policy or major policy change affects colleagues	Not Applicable
Customers (including customers of subsidiaries)	Where a new policy or major policy change affects customers	Not Applicable
54North colleagues	To agree any wording needed in the policy to reflect differences in 54North structure and processes	Not Applicable
Inclusion and Belonging	An updated EQIA must be completed every time there is a new version of the policy	Not Applicable
Data Protection	The Data Protection team must be consulted every time there is a new version of the policy as an updated DPIA may be required.	Not Applicable

Legal	For all new policies or major policy changes to consider if there are any legal implications and check if a legal review or advice is required	Not Applicable
Corporate Health and Safety Group	For health and safety policies	Not Applicable
KMT	Approves minor changes. (Circulate to KMT major policy changes/ new policies for awareness and any feedback)	Not Applicable
Exec Team	Approves major changes to non-key policies. (Circulate to Exec major policy changes/ new policies for awareness and any feedback)	Not Applicable
Board Committees	Scrutinise new key policies or major changes to key policies in their areas. Approve specific key policies outlined in Group Delegatory Framework.	Not Applicable
Subsidiary boards	Review and agree adoption of any new policies/major key policy changes going to Group Board	Not Applicable
Group Board	Approve new key policies and major changes to key policies	Not Applicable