

## ANNEX 1: FINANCIAL MODELLING

### Shared Ownership Affordable Housing Programme

1. Tables one to three below demonstrate the financial implications of three different purchase scenarios under the proposed Shared Ownership scheme.
2. The council contribution has been reduced by £1,000 to take account of the legal and property related costs in administering the purchase and back-to-back forward sales of properties. A service charge will also be levied that includes the costs to the council of buildings insurance and basic management of the homes. These costs are anticipated to be approximately £20 a month.

<b>Table One – Indicative financial modelling of Shared Ownership investment and HCA grant (initial scheme average)</b>		
Total purchase price *	<b>£168,000</b>	
Purchase Percentage	<b>50%</b>	
Buyer Contribution	<b>£84,000</b>	<b>50%</b>
HCA grant	<b>£42,500</b>	<b>25.3%</b>
CYC contribution per unit	<b>£41,500</b>	<b>24.7%</b>
Rent at 2.75% p.a. of unsold share	<b>£2,310/year £192.50/month</b>	

<b>Table Two – Indicative financial modelling of Shared Ownership investment and HCA grant (higher value property)</b>		
Total purchase price *	<b>£200,000</b>	
Purchase Percentage	<b>58%</b>	
Buyer Contribution	<b>£116,000</b>	<b>58%</b>
HCA grant	<b>£42,500</b>	<b>21.25%</b>
CYC contribution per unit	<b>£41,500</b>	<b>20.75%</b>
Rent at 2.75% p.a. of unsold share	<b>£2,310/year £192.50/month</b>	

\* The leaseholder is responsible for payment of a mortgage deposit, applicable stamp duty, their legal costs of purchase etc. Leaseholders are also responsible for 100% of the outgoings relating to the property and to keep the property in good and substantial repair and condition. The landlord is responsible for insuring the building and can set service charges to recover this cost and also for the costs of managing the property

<b>Table Three – Indicative financial modelling of Shared Ownership investment and HCA grant (lower value property)</b>		
Total purchase price*	<b>£145,000</b>	
Purchase Percentage	<b>42.1%</b>	
Buyer Contribution	<b>£61,000</b>	<b>42.1%</b>
HCA grant	<b>£42,500</b>	<b>29.3%</b>
CYC contribution per unit	<b>£41,500</b>	<b>28.6%</b>
Rent at 2.75% p.a. of unsold share	<b>£2,310/year £192.50/month</b>	

3. Tables four and five below demonstrate a capital and revenue return model for the council's position under the scheme up to 2029/30. The model is based on the following assumptions:

- Average purchase price £190,000 over the life of the scheme
- Average 1<sup>st</sup> purchase share 55.79%
- Council conveyance costs £1,000
- Average annual property value increase 2.5%

4. The numbers of customers staircasing are have been estimated based on conversations with housing association partners experience of shared ownership and is based on current market conditions.

<b>Table Four – Estimated profile of purchases and investment over programme period</b>			
	Cumulative purchases	Cumulative CYC investment	Cumulative HCA grant
Q3 17/18	10	£415,000	£425,000
Q4 17/18	15	£622,500	£637,500
Q1 18/19	25	£1,037,500	£1,062,500
Q2 18/19	35	£1,452,500	£1,487,500
Q3 18/19	45	£1,867,500	£1,912,500
Q4 18/19	55	£2,282,500	£2,337,500
Q1 19/20	65	£2,697,500	£2,762,500

\* The leaseholder is responsible for payment of a mortgage deposit, applicable stamp duty, their legal costs of purchase etc. Leaseholders are also responsible for 100% of the outgoings relating to the property and to keep the property in good and substantial repair and condition. The landlord is responsible for insuring the building and can set service charges to recover this cost and also for the costs of managing the property

Table Five – Staircasing financial modelling					
	Average price	Customers staircasing to 80%	Customers staircasing from 80% to 100%	Capital return to HRA/RCGF*	Gross rental income
2020/21	£194,750	2	0	£94,300	£147,620
2021/22	£199,500	2	2	£176,400	£143,000
2022/23	£204,250	3	2	£230,050	£137,115
2023/24	£209,000	5	3	£378,400	£127,655
2024/25	£213,750	6	3	£438,750	£116,930
2025/26	£218,500	6	5	£535,900	£104,115
2026/27	£223,250	4	4	£394,800	£94,875
2027/28	£228,000	2	4	£292,800	£88,165
2028/29	£232,750	2	3	£252,350	£82,500
2029/30	£237,500	2	2	£210,000	£77,880
		<b>34</b>	<b>28</b>	<b>£3,003,750</b>	<b>£1,119,855</b>

5. Regarding the model assumptions it may be noted that the staircasing returns are not especially sensitive to price rises over time. For example, even raising the annual increase from 2.5% to 6% only raises the total return by 2029/30 under these assumptions from £3m to £3.5m.

\* The RCGF is the Recycled Capital Grant Fund, which is capital retained by the council whose use is required to be for affordable housing investment by the Homes and Communities Agency.