

<b>Policy title:</b>	Surplus Income Policy		
<b>Scope:</b>	Aspire Housing		
<b>Policy owner:</b>	<b>Director of Development &amp; Regeneration</b>		
<b>Approver:</b>	<b>Executive Director – Place</b>		
<b>Date:</b>	September 2024	<b>Review Due Date:</b>	September 2027

## POLICY SUMMARY

This Policy applies to customer applications when purchasing a shared ownership home. To ensure a customer can afford and sustain home ownership, affordability will be assessed based on a monthly minimum surplus income requirement.

The minimum amount of surplus income is an amount of money that a customer should have at the end of each month once housing costs, other commitments and expenditure have been accounted for.

These costs will be established as part of the affordability assessment using a budget planner carried out by an Advisor. The Advisor will consider all elements of the applicant's income and expenditure during the assessment.

### Associated Policies and Procedures:

The following documents are to be read in conjunction with this policy:

- Homes England Capital Funding Guide
- Shared Ownership Sales Policy
- Leasehold Management Policy
- First come first served Policy

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## 1. POLICY STATEMENT

### 1.1 Overview.

The purpose of this policy is to provide guidance and clarity in relation to a monthly minimum surplus income for applicants.

- This policy applies when customers are seeking flexible tenure options specifically for shared ownership homes. This relates to the minimum amount of surplus income (expressed in percentage terms) that an applicant should have available per month after accounting for all their housing costs, other commitments and expenditure as established by a budget planner.
- This policy sets out our methodology in arriving at an applicant's monthly surplus income in line with Homes England guidance for assessing the share that an applicant can afford.

Aspire Housing will not adopt a maximum surplus income in order to be able to account for the individual circumstances of applicants.

## 2. MINIMUM SURPLUS POLICY

Aspire Housing's minimum surplus income policy is based on a minimum percentage figure of net income after commitments and housing costs have been factored in. This approach creates tailored, individual shares for customers based on their real-life circumstances.

In line with the Homes England Capital Funding Guide (CFG), Aspire Housing have set the minimum surplus income amount at 10%. This provides 90% to cover mortgage payments, housing costs, known financial commitments and other essential expenditure. These costs will be identified through the assessment (budget planner) that the mortgage advisor undertakes.

This is also in line with the lender and broker market assumptions. The CFG provides further guidance regarding the calculation which is used to determine the net income that is available for mortgage purposes.

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The monthly surplus income calculations as specified by Homes England is shown below:

- A) Gross household income i.e. gross monthly pay to include the relevant amount of any overtime, commission or bonus as determined by an Advisor (A)
- B) Gross deductions i.e. Pension, National Insurance, Income tax, Pension (B)
- C) Known commitments i.e. credit commitments, childcare, loans (C)
- D) Housing costs (excluding mortgage) i.e. stress tested rental income, service charge (D)
- E) Net income remaining for mortgage purposes ( $E = A - B - C - D$ )
- F) Mortgage cost ( $F =$  no greater than 30% of E)
- G) Essential costs i.e. council tax, utilities, food, Fuel (G)
- H) Surplus income ( $E - F - G$  must be greater than this)

NB: The above may be exceeded in cases where the Advisor feels that there is a justification for doing so and where the customer is still subsequently able to satisfy the provider's budget surplus policy.

### 3. DIVERSITY AND INCLUSION CONSIDERATIONS

Aspire Housing will act fairly and consistently in the application of this Policy and will not discriminate against any person on the grounds of their age, race, ethnicity/nationality, gender, religion, sexual orientation, marital/civil partnership status, pregnancy status or disability.

This policy has been considered against our Equality and Diversity Policy. Where people have specific needs to access the policy, or progress a matter via the policy, reasonable support would be given. By way of example, this may include the provision of the policy in alternate forms e.g. braille, large print or audio versions and ensuring that the process followed was reasonably adapted to reflect the needs of the individual.

### 4. RESPONSIBILITIES OF EMPLOYEE

To ensure the Surplus Income Policy is adhered to for all homes and to ensure all prospective applicants are clear on this policy when applying for a home or registering their interest for a development. To ensure the Policy is easily accessible and visible for all prospective applicants.

### 5. RESPONSIBILITY OF ASPIRE

This Policy will be monitored and reviewed considering any significant changes implemented by the Homes England. The Policy shall be reviewed every 3 years or earlier as policy/legislation dictates.

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