



## Shared Ownership Staircasing Policy

## Contents

<b>1</b>	<b>Introduction .....</b>	<b>3</b>
<b>2</b>	<b>Equality and Diversity .....</b>	<b>3</b>
<b>3</b>	<b>Restriction on Staircasing .....</b>	<b>4</b>
<b>4</b>	<b>Valuation.....</b>	<b>4</b>
<b>5</b>	<b>Value of improvements .....</b>	<b>5</b>
<b>6</b>	<b>Anti Money Laundering Checks .....</b>	<b>5</b>
<b>7</b>	<b>Timescales .....</b>	<b>5</b>
<b>8</b>	<b>Simultaneous Staircasing and Sale .....</b>	<b>6</b>
<b>9</b>	<b>Staircasing Costs .....</b>	<b>6</b>
<b>10</b>	<b>Affordable Homes Programme 2021 to 2026 .....</b>	<b>6</b>
<b>11</b>	<b>Funding.....</b>	<b>7</b>
<b>12</b>	<b>General .....</b>	<b>7</b>

## **1 Introduction**

Cheltenham Borough Council are committed to increasing the supply of housing and investing to build resilient communities. A key priority is to increase the supply of affordable homes across the borough across a variety of tenures including homes for rent and shared ownership. This policy statement sets out our approach to dealing with staircasing requests from shared ownership customers and needs to be read in conjunction with the Shared Ownership Sales Policy.

The Ministry of Housing, Communities and Local Government (MHCLG) definition of shared ownership (sometimes known as 'part buy, part rent') enables people to buy a share of a property (usually between 25% and 75%) and pay a subsidised rent on the remaining share. Purchasing a share in a property requires a smaller deposit and mortgage, thereby making it a more affordable route to home ownership. Shared ownership properties are always leasehold and include the ability to buy further shares in a property over time (a process known as 'staircasing') until eventually attaining full ownership (usually freehold). The shared owner takes full responsibility for repairs and maintenance of the property.

Cheltenham Borough Homes (CBH) on behalf of Cheltenham Borough Council (CBC) will deliver, administer and manage shared ownership homes to help those who aspire to be homeowners but who cannot afford to purchase on the open market. The Policy will contribute to the delivery of CBC's Housing and Homelessness Strategy which seeks to achieve four principal outcomes:

- Increasing the provision of affordable housing
- Making best use of existing housing and improving our neighbourhoods
- Tackling homelessness
- Improving the health and wellbeing of our communities

Furthermore, the Policy will also serve CBH should it be a shared ownership landlord in its own right via its function as a Registered Provider.

The tranches in which additional shares may be purchased and any restrictions on staircasing are determined by the individual lease.

The policy relates to the purchase of extra equity shares and landlord obligations.

Downward or reverse Staircasing to reduce the shares owned is only permitted in exceptional circumstances.

This policy is consistent with the Homes England guidance on shared ownership.

## **2 Equality and Diversity**

CBH and CBC will ensure all its policies and practices are non-discriminatory and will promote equal opportunity by preventing and eliminating discrimination on the grounds of race, disability, gender, sexual orientation, religion and belief and age. The policy will be accessible, responsive and sensitive to the diverse needs of individuals.

### **3 Restriction on Staircasing**

A shared owner may staircase at any time after purchasing the initial property share (if the lease allows). There is no compulsory requirement during the term of the lease to purchase additional shares.

A shared owner may staircase up to 100% ownership on any shared ownership property *unless* restricted by the terms of the lease. The freehold or the full leasehold interest will be transferred to the owner once 100% of the shares have been purchased and the property is owned outright.

As noted in the CBC shared ownership sales policy, Government has recently announced some proposed changes to the shared ownership model lease. For homes funded by the Affordable Homes Programme 2021 to 2026, a policy of gradual staircasing is to be introduced which will allow people to buy additional shares in their home in 1% instalments with heavily reduced fees. Currently, and prior to the implementation of the AHP 2021-2026 requirements, shared owners wanting to 'staircase' and progress to full ownership can only do so by buying at least 10% at a time. Under the new model, in addition to being able to staircase in larger amounts, shared owners will have the option to buy 1% each year with heavily reduced fees, with this gradual staircasing offer to be made available for a minimum of 15 years. Shared owners will not be able to roll over or accumulate the gradual staircasing offer to purchase in future years – it is limited to max of 1% each year.

Shared owners wishing to buy larger shares will still be able to do so at any time through the existing staircasing process but the minimum incremental increase in the share they can look to buy will be reduced from 10% tranches down to 5% tranches.

For those staircasing using the normal process, i.e. using a RICS valuation, Government has lowered the minimal additional share from 10% to 5%. Fees will remain the responsibility of the shared owner. A shared ownership lease issued using funding from the AHP 2021-2026 permits staircasing to 100%.

### **4 Valuation**

The price paid for additional shares will be based on the full open market value of the property. The valuation may only be completed by a suitably qualified independent RICS (Royal Institute of Chartered Surveyors) Valuer. The valuation will be valid for a 3 or 6-month period subject to current market prices and the Valuer will determine the length of time their valuation is valid for.

CBH will instruct the valuer at the shared owner's expense. However the shared owner may instruct their own independent valuer provided they meet the qualifying criteria and the lease does not specify that CBH must instruct the valuer.

Estate Agency valuations will not be accepted, unless provided by a qualified RICS registered valuer.

Any RICS valuation must be based on the following assumptions:

- that the sale is for the freehold interest, or where the CBC interest is leasehold, a 99 year lease or such lesser term of years as CBC holds;
- that the sale is an open market sale;
- that a shared ownership lease has not been granted;

- that the sale is to be with vacant possession.

The following additional conditions apply to staircasing valuations:

- customers' improvements and disrepair due to neglect are disregarded
- any service charges or improvement contributions payable will not be less than the estimates contained in the landlord's offer (if such an offer was made)
- the landlord is selling a freehold interest with vacant possession (freehold property)
- the landlord is selling with vacant possession for the appropriate term, i.e. not less than 125 years (where applicable) or a term expiring 5 days before the term of the landlord's lease is to expire (leasehold property)

The shared ownership lease covers how valuation or selected valuer disputes can be resolved. If the shared owner disputes the value they can have a further valuation carried out at their own expense.

## **5 Value of improvements**

When CBH (on behalf of CBC) calculates the value of its own share any increase in the value of the property due to improvements will be disregarded.

Improvements will only be taken into consideration where CBH, on behalf of CBC, expressly grant written consent to the improvements before any works are undertaken. Retrospective permission for improvements will not be granted.

## **6 Anti Money Laundering Checks**

Money laundering may be defined as the process whereby the origin of dishonest and or illegally obtained money is concealed so that it appears to come from a legitimate source.

Company and property transactions undertaken by Legal Services are "relevant" business under the legislation governing money laundering and proceeds of crime. CBH will do all it can to prevent, wherever possible, CBC, CBH and their respective employees being exposed to money laundering and will comply with all legal and regulatory requirements – especially with regard to the reporting of actual or suspected activity.

The officer nominated to receive reports of suspicious money laundering activity is CBH Executive Director Finance and Reporting who will discuss and report to CBC Executive Director for Finance and Assets.

In line with regulations from time to time in force and best practice, on behalf of CBC, CBH will undertake a number of verification checks and due diligence to ascertain the source of funds. These checks include obtaining satisfactory proof of identity from all parties associated with the purchase and evidence of the monetary source(s).

Records will be kept for at least 5 years and reports will be issued to the National Crime Agency where there is a concern of suspicious activity.

## **7 Timescales**

It is a lease condition that the staircasing transaction must complete within 3 months of CBH receiving the valuation. CBH may exercise discretion to extend the 3 month period to 6 months where there has been a delay which is outside the leaseholder's control e.g. if documents were lost in the post. Documentary evidence explaining the reasons for waiving the 3-month validity period must be kept.

An up to date valuation is required at the time of completion. A revaluation must be obtained if the staircasing process extends beyond the valid period of the original valuation.

On behalf of CBC, CBH will instruct One Legal (or such other regulated conveyancer as may be nominated by CBC) to act on behalf of CBC in relation to HRA shared ownership sales.

Before completion the shared owner must have a clear rent and service charge account or their solicitor has confirmed to us that outstanding monies will be paid to CBC via CBH, with the staircasing funds.

## **8 Simultaneous Staircasing and Sale**

On resale the lease typically permits staircasing 3 months after assignment. In practice, where the lease is assigned, CBH will permit staircasing within this period.

In line with best practice guidance, on behalf of CBC, CBH will actively promote staircasing and will not restrict simultaneous staircasing and sale unless the property is less than 12 months old.

The property may be sold for more than its open market value when simultaneously staircasing and selling and CBC will receive the relevant % share of the sale price which may be over and above the market value. The customer will benefit from the value of any improvements where prior consent to the improvements has been obtained.

If the property is sold for less than the market value, CBC and CBH will continue to require the designated % share of the market value of the property and will not accept less than the share to which it is entitled through the terms of the lease.

## **9 Staircasing Costs**

The lease sets out that a shared owner is responsible for:

- the initial valuation
- the revaluation if the staircasing does not complete within the required 3 month period and the initial valuation has expired
- their own legal costs.

CBC will be responsible for its own legal costs.

## **10 Shared Ownership homes delivered through the Affordable Homes Programme 2021 to 2026**

CBH will use the original RICS valuation (i.e. the original purchase price of the home) as the baseline valuation. Each year, the landlord is to use the latest available House Price Index (HPI) data for the appropriate local authority and property type to adjust

the valuation upwards or downwards and produce an up to date valuation for shared owners who wish to purchase an additional 1% of their home via gradual staircasing.

CBH must provide shared owners with an updated valuation (for the purposes of 1% gradual staircasing only) at least once per year, and at any other point the shared owner requests to purchase an additional 1%. CBH must demonstrate how the estimated valuation has been calculated.

HPI valuations will be valid for a maximum of 3 months. This is in line with the current valuations process.

There will be no right to appeal an estimated valuation. If the shared owner is not satisfied they can opt to use a RICS valuation which will be at the cost of the shared owner.

Where a RICS valuation is used, or at any point a shared owner staircases in larger amounts (5% or more with a RICS valuation) this new valuation will become the base valuation, adjusted upwards or downwards using local HPI data for the remaining years. CBH/CBC will be prohibited from charging a fee for producing an HPI estimated valuation.

CBH/CBC will be prohibited from charging any other administrative fees on the gradual staircasing model.

The model is designed for cash purchases, avoiding further mortgage fees. The Mortgagee's charge shall be secured over the additional 1% purchased and the buyer will be required to notify the Mortgagee in the event of completion of gradual staircasing.

Shared owners will remain responsible for legal fees.

CBC will be expected to offer a full 15-year term of 1% gradual staircasing on the resale of Shared Ownership homes funded by the Affordable Homes Programme 2021 to 2026.

## **11 Funding**

On behalf of CBC, CBH finance will review any relevant Grant Agreements relating to the property and establish whether a Grant repayment to Homes England is required

## **12 General**

Rent on the unsold equity will be recalculated following each equity tranche purchased to take into account the acquired percentage. Rents will be calculated at 2.75% of the value of the unsold share and will be subject to annual indexation, as detailed within Homes England's Capital Funding Guide.

Shared owners will remain responsible for informing Land Registry of changes to the ownership structure following a staircasing transaction, where required.