

Luton Council’s shared ownership policy

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1. Overview

Shared Ownership is an affordable way to purchase a home. It's a flexible way to buy a home as it offers you the chance to buy an initial share of a home worth between 10% and 75% of its market value and pay rent on the rest.

The amount of rent you pay will be based on the size of the share of the home you have not bought. You can buy more shares in your home in the future, as and when you can afford to do so. This is known as 'staircasing'. If you buy more shares, you will pay less rent.

This policy will outline the council's approach to the development, sales and management of shared-ownership homes and offering existing tenants the opportunity to buy their home on a shared-ownership basis, subject to consultation with tenants in order to demonstrate demand.

In April 2021, the government launched a new model of Shared Ownership. As part of the new model, they have:

- reduced the size of the minimum share required for purchase from 25% of a property's market value to 10%. You will still be required to purchase the maximum share size you can afford
- introduced a 10-year period during which your housing provider will be required to support you with the cost of essential maintenance and repairs to your home
- lowered the size of the minimum share you can purchase through staircasing from 10% of a property's market value to 5%

- introduced a new form of staircasing that allows you to purchase an extra 1% of your home every year in the first 15 years
- provided more control over when the house is sold

The new Shared Ownership model applies to all Shared Ownership homes delivered through Homes England's AHP 2021 to 2026, including Home Ownership for people with long-term disabilities (HOLD), Older Persons Shared Ownership (OPSO), homes in rural protected areas and homes purchased through the Right to Shared Ownership.

The new model also applies to new Shared Ownership homes funded from 1 April 2021.

2. Outcomes

Key outcomes of the policy will be:

- a credible and affordable housing offer for low and medium income households in Luton including Key Workers
- the ability to cross-subsidise additional rented homes
- delivery of shared-ownership homes in line with Homes England grant conditions
- timely sales of shared-ownership homes with a focus on local marketing
- a well-managed shared-ownership service with robust income collection
- a transparent approach to accounting for all charges relating to shared-ownership properties

3. Financial implications

Shared-ownership homes continue to be owned by the HRA until a tenant has acquired a 100% share of the property. The council will remain the freeholder on any leasehold flats, even if the owner staircases to 100%. Shared-ownership homes cost a similar amount to develop as rented homes but return an initial capital return, and on-going rental on the unsold equity to the HRA.

Management and maintenance costs are lower for the landlord and shared-ownership homes can help to cross-subsidise rented homes in mixed tenure developments.

For existing tenants purchasing their home through shared ownership, a principle benefit to the council is that no Right to Buy discount applies – the council receives full market value for the property. Modelling shows that net rental income is not reduced until the shared owner purchases between 50-60% of the equity, after which point the rental stream reduces but significant capital receipts have been received which can be recycled into new homes, generating additional income.

4. Evaluation

This shared ownership policy will be reviewed every five years, or sooner if there is a change in legislation, by the Housing Strategy & Development Team.

5. Eligibility

You can buy a home through shared ownership if both of the following are true:

- your household income is £80,000 a year or less
- you cannot afford all of the deposit and mortgage payments for a home that meets your needs

One of the following must also be true:

- you're a first-time buyer

- you used to own a home but cannot afford to buy one now
- you're forming a new household - for example, after a relationship breakdown
- you're an existing shared owner, and you want to move
- you own a home and want to move but cannot afford a new home that meets your needs

Tenants applying to buy their current home as a shared owner must have been tenants for a minimum of three years. An applicant who is an existing tenant must not be in rent arrears or in breach of their current tenancy agreement.

The opportunity for tenants to purchase their existing home through shared ownership is not a right but at the discretion of the council. Certain properties may not be available for purchase through shared ownership where retention is part of an asset management strategy.

5.1. Age

All applicants must be 18 or over

5.2. Existing homeowners

Under some circumstances, existing homeowners could be considered eligible for shared ownership homes. This includes cases of existing homeowners whose property no longer meets their housing needs and cannot afford to buy on the open market, or where a relationship breakdown has resulted in the household splitting. Existing homeowners wishing to apply for a shared ownership home must;

- have their name removed from the previous mortgage; or be in the process of selling their existing home and be able to demonstrate it is no longer suitable for their needs (e.g. overcrowded)

5.3. Citizenship

Residents must be a British or EU/EEA citizen with a Settled Status or have indefinite leave to remain in the UK.

5.4. Bedroom eligibility

To ensure households are not overcrowded, they will be assessed against the Government's Allocation of Accommodation Guidance 2012 defined 'bedroom standard', which requires a separate bedroom for the following:

- married or cohabiting couple
- adults aged 21 years or more
- two children aged 0-20 years of the same sex
- two children aged under 10 years regardless of sex

6. Priority

6.1 Priority requirements

- priority will be given to both serving and former military personnel.
- this priority applies if:
- the applicant has completed their basic training (phase one) as:
 - regular service personnel (Navy, Army and Air Force)
 - clinical staff
 - ministry of Defence Police Officers
 - uniformed staff in the Defence Fire Service

- they are ex-regular service personnel who have served in the Armed Forces for a minimum of six years, and can produce a Discharge Certificate (or similar documentation) as proof, where they apply within two years the date of discharge from service
- they are defined as a surviving partner under the Homes England Capital Funding Guide of regular service personnel who have died in service, where they apply within two years of the date of being bereaved

Whilst the government has removed any requirement to prioritise any other group, the Council has adopted local criteria meaning applications will be prioritised in the following order:

- existing Council or housing association tenants
- households on the Housing Register
- key workers
- first-time buyers
- all other Luton residents
- residents living outside of Luton

6.2 Households with the same eligibility

If two or more residents have the same level of priority, the property will be offered to the applicant with the earliest registration date

7. Purchasing process

All prospective purchasers must make an application to a local approved agent for the area in order for their eligibility for the scheme to be assessed. Buyers must be approved by a local agent before a reservation can be made for a property.

Once an applicant has been approved by the agent, the council's appointed sales agent will conduct a further assessment to verify the details in their application and confirm the applicant's immigration status. Applicants will be required to provide:

- proof of identification
- proof of income (usually by way of latest three payslips or last three years accounts for self-employed applicants)
- proof of savings; and
- a Mortgage in Principle or credit reference (where applicable)

Additional evidence may be required on request. If more than six months passes between application and exchange of contracts the applicant will be required to provide additional evidence that their circumstances haven't changed.

It is the applicant's responsibility to notify the council of any changes to their circumstances after their application has been approved.

7.1 Joint applicants

Joint applicants must both be eligible to become joint owners of the property. Anyone joining in the application who already owns or part owns a home must sell it at the time of jointly buying through shared-ownership. An existing council tenant qualifying for shared ownership of a different property may have a partner who does not wish to join in the application. The application can proceed in the sole name of the qualifying applicant. Any remaining occupant may be eligible for housing, but the council retains the discretion to make an alternative offer of accommodation

should their current home no longer be appropriate.

7.2 Existing owners

Existing owner-occupiers may be eligible where they meet the general eligibility criteria (i.e. their household income is less than £80,000 and they are unable to purchase without assistance) and are assessed as being in housing need. This will be particularly the case where they are unable to afford the payments and are at risk of homelessness. The council will carry out this assessment. The existing property must be sold as part of the shared-ownership purchase.

8. Sales

8.1 Valuation

Prior to sale or stair-casing, each shared ownership home will receive an independent valuation from a Royal Institute of Chartered Surveyors qualified surveyor. Initial sales will be based on the full market value of the property.

The council will cover the cost of the initial valuation. This will be reviewed every three months until the point of sale to ensure the sale price is reflective of the open market. Properties cannot be advertised below their open market value without permission from central government. Once purchased, any revaluations required for stair-casing or resale will be at the owner's expense.

We expect all surveyors carrying out a valuation to ensure it is a true reflection of the property's value. If the property is down valued by the mortgage lender's surveyor, the council will investigate the reasons supplied by the lender against the original valuation.

This will include reviewing other similar properties for sale in the local area.

8.2 Lease purchase

These relate to stair-casing, mortgagee protection, rent setting, and repurchase. Should the need arise to vary any of the fundamental clauses in a scheme funded by Homes England, the council will seek approval from Homes England before agreeing to any amendment.

The lease terms have been extended to 990 years as per new Homes England rules.

9. Marketing and allocations

9.1 Marketing

A local agent will be appointed to market and sell new build shared ownership properties on behalf of the council. As shared ownership is a specialist housing product, agents will have knowledge and experience of dealing with low-cost home ownership products. The agent will provide all prospective purchasers with a copy of Homes England's Key Information for Shared Owners.

All shared ownership properties will be marketed on the council's Choice Based Lettings website with high quality images and detailed descriptions of the properties. Adverts will clearly state the price of the share being marketed, the rent to be charged on the un-owned share and any anticipated service charge.

The council will carry out targeted marketing for its schemes so that local people in housing need will have early knowledge of opportunities to buy shared-ownership homes. However, Homes England rules mean we cannot exclude people from purchasing using local criteria on homes which are funded by Homes England.

Targeted marketing will include as a minimum:

- existing HRA tenants
- contacting all local applicants registered on the Choice Based Lettings database with details of the scheme
- sending information to Key Workers who work for Luton Council or local public sector partners
- contacting all local applicants on the council's Housing Register that have indicated a preference for low-cost home ownership
- this may take the form of an advert in local press, a For Sale board or Coming Soon advertising hoarding in front of the property or development
- additional marketing targeted to local residents, for example a drop-in session at the show house or alternative local venue or marketing initiatives using social media, may also be used where appropriate

The council will consider offering incentives to buyers at its discretion.

The council will consult with tenants regarding shared ownership purchase of existing homes and, if positive, will consider offering shared ownership to existing tenants, making them aware of this option

9.2 Reservation

At the point of reservation, residents will be required to supply:

- proof of identification
- proof of income
- proof of address
- evidence of deposit (bank statement, council bond)
- evidence of eligibility
- evidence of affordability (e.g. bank statements, bills)

Once verified the successful applicant (now the buyer) may be required to pay a reservation fee of £500 to reserve a property and start the sales process. When paying the reservation fee, the buyer will be required to complete and sign the reservation fee form agreeing to the terms and conditions under which the fee is paid.

This fee will then be refunded once the purchase has been completed. Should the buyer not proceed with the purchase for any reason, the fee will not be refunded. Exceptions may be made in certain circumstances; e.g., where not receiving the refund would cause financial hardship. This will be at the discretion of the appointed sales and marketing company.

9.3 Mortgage offer approval

Prior to the purchase, the appointed sales and marketing company will require a copy of the buyer's mortgage offer, including the amount of borrowing and the terms.

9.4 Service charges

This charter requires the council to meet the following principles:

- transparency - addressing the management of information
- relating to service charges and when and how this is
- communicated to leaseholders
- affordability - ensure service charges are sustainable for
- leaseholders in the long term
- intelligent design – adopt strategies before the homes are built

- to minimise service charges in the future

9.5 Prioritisation of applications

Applicants will be prioritised on a first come, first served basis. In order to secure their interest in a property, the applicant must have successfully completed their eligibility and affordability checks and have paid a reservation fee of £500 which will be deducted from purchase price on completion.

Once an applicant has reserved a property, they have secured their interest in the property until the six week target exchange date expires, or sooner should they withdraw in writing from the purchase. It is at the discretion of the council whether to hold the reservation beyond the target exchange date. This will be informed by the cause of the delays (i.e. whether the delay is caused by the buyer or by issues beyond their control).

Should two reservations be made simultaneously by applicants who have met the eligibility and affordability requirements and where there are insufficient homes on the site available to satisfy demand, applicants will be prioritised in accordance with Homes England guidance or planning requirements, if applicable.

Listed below are the issues that the council will consider in these circumstances. In line with Homes England guidance, the first bullet point will be prioritised over all other categories:

- serving military personnel, those discharged in the last 2 years and surviving partners of military personnel who have died in service within the last 2 years. Applicants must meet Homes England's criteria for military personnel in order to be given priority
- the initial share to be purchased, with those looking to purchase less than 50% given priority
- if the applicant is assessed as being in housing need
- if the applicant is currently a council or housing association tenant and thereby freeing up an affordable rented property
- if the applicant is on the council's Housing Register
- if the applicant has a local connection to the area where the development is situated
- the closest match of family size to number of bedrooms

In applying any prioritisation, the council will not discriminate in respect of an applicant's protected characteristics. The council's decision on who will be prioritised for a particular property will be final.

Allocation will be on a first come first served basis following the targeted marketing campaign described in paragraph 9.1.

9.6 Affordability

Purchasers of Help to Buy: Shared Ownership leases provided through the Homes England 2016 to 2021 are allowed to buy an initial share of not less than 25% and not more than 75% based on a percentage of the full market value of the property.

For Shared Ownership homes provided through the AHP 2021 to 2026 the minimum share that purchasers can purchase has been reduced to 10%. Note that it is at the discretion of the council as to whether we will choose to offer the new Shared Ownership product introduced for the AHP 2021 to 2026 on homes provided through the Homes England 2016 to 2021 and which will complete and be sold after 1 April 2021. If we choose to do this then we will offer all of the provisions of the new Shared Ownership model.

Applicants will be encouraged to buy the maximum share that they can afford and sustain. Homes England's shared-ownership affordability calculator will be completed for every potential purchaser using mortgage finance to ensure that they are able to afford their purchase and sustain their housing costs. The calculator will determine the share to be purchased within Homes England's affordability guidelines, namely that:

- the monthly housing costs are a minimum of 25% of an applicant's net wage and the mortgage income multiple is 2.5x their gross income; and
- the monthly housing costs are a maximum of 45% of an applicant's net wage and 4.5x their gross income should be used towards a mortgage

9.7 Example:

The open market value of a 3 bedroom property is £350,000. A 30% share of the property is £105,000.

A prospective purchaser has a deposit of £5000 and requires a mortgage of £100,000. Their gross household income is £31,000. The income multiple required is therefore 3.3 x their gross household income.

It is anticipated that their monthly mortgage payment would be £390 and their monthly rent would be £449. Their total monthly housing costs would therefore be £839.

Based on a mortgage term of 25 years, the ratio of monthly payments to net household income is 41%. This is within the affordability guidelines set by the HCA; the application can therefore proceed subject to a successful mortgage application.

The council will require applicants who are able to purchase their share without mortgage finance to provide evidence that there is a legitimate barrier to obtaining mortgage finance (e.g. poor credit rating). As part of their application, the council's sales agent will ensure that the rent, service charge (if applicable) and any other relevant costs do not breach the 45% of net income cap.

The council will not provide financial advice to applicants and any guidance given will be limited to factual information only. Applicants will be encouraged to seek independent financial advice from an advisor with an understanding of the shared-ownership product and associated lender requirements.

Applicants will be advised to utilise the budgeting tool provided at www.moneyhelper.org.uk to help them make the most of their money and realise the financial commitment of owning a property.

10. Completion and handover

The council will issue shared owners of new build properties with a welcome pack containing a Shared Owner's Guide, Guarantees, Maintenance Information, a copy of the Buildings Insurance Certificate and all product information for their home.

A minimum 12 month defect period will be offered on new shared-ownership homes. During this period the council will arrange for reported defects to be rectified by the contractor or developer who built the units. This is in addition to any further guarantees such as a NHBC warranty or similar cover.

The council will meet its initial contractual and statutory obligations towards new build shared-ownership properties. Once the defect period has expired, the leaseholder has full repairing

responsibility and becomes liable for all maintenance costs on the property regardless of the share amount they have purchased.

Once the property has been handed over, the council will log the sale on the (Continuous Recording) CORE database.

10.1 Building insurance

The landlord will arrange suitable buildings insurance for the property. Shared owners will be provided with a copy of the relevant building insurance certificate confirming the sum for which the property is insured, the name of the insurer, and the risks covered in the policy. The cost of obtaining the building insurance will be recharged to the shared owner on a monthly basis in the form of a service charge, at the same time as the rent for the un-owned share.

It is the shared owner's sole responsibility to obtain and secure contents insurance for the property. The landlord may request a copy of the contents insurance policy documents or any other insurances relating to the property by giving 28 days' notice in writing.

11. Income management

The council will endeavour to ensure that all charges relating to shared-ownership properties are reasonable. These will consist of the rent and service charge including administration fees relating to a property.

11.1 Rents

The minimum share permitted and rent payable will be determined on a scheme by scheme basis. In line with Homes England guidance, the initial annual rent usually be set at 2.75% of the capital value of the unsold equity and will not exceed 3% of the capital value of the unsold equity at the point of the initial sale. The council will take local market conditions into account when setting the rent and may consider charging a lower rent where affordability is considered to be an issue.

The rent will be reviewed by the council on an annual basis at the end of each financial year. The rent will be increased in line with the Retail Price Index (RPI) and will be reviewed on an 'upward only basis'. This means that the level of the rent will not go down when it is reviewed. In line with Homes England's Capital Funding Guide, rent increases are capped at RPI+0.5%, therefore, if RPI is zero or negative the maximum rent increase is 0.5%.

Shared owners will be advised of the new rent in writing, as detailed in the lease.

11.2 Service charges

Where services are provided to the shared-ownership properties, these will be outlined in the lease and charges will be set and administered in accordance with current legislation, including the production of annual accounts. Service charges will be billed to shared owners on a monthly basis at the same time as the rent is due.

The council will charge a small administration fee for officer's time spent preparing service charge accounts and carrying out other administration tasks relating to the property. In line with the council's current policy, this will be set at an appropriate amount which will not exceed 10% of the service charge.

On some schemes, the council may apply a sinking fund charge within the service charge to cover the cost of anticipated major works relating to the scheme. This is usually only implemented for properties that have communal parts such as a block of flats or a group of homes with shared

responsibility for maintaining an un-adopted road for example. The need for a sinking fund will be assessed on a scheme by scheme basis depending on the type of property, its surroundings and the requirements of the lease.

11.3 Service charge disputes

The council will take a proactive approach to the resolution of disputes by ensuring that complaints are dealt with as quickly as possible in order to minimise customer dissatisfaction. To ensure a consistent standard of customer care, the council's Complaints Policy and Procedure will be followed.

In the first instance, should a shared owner disagree with the amount charged, they will need to request a review in writing from the council. Officers will review the proposed service charge and provide a full response within 28 days from receipt of the review request. Should the shared owner be dissatisfied with the response received they can then make a formal complaint through the council's Complaints Procedure.

If the council's Complaints Policy has been exhausted and the shared owner is still not happy with the response, they can refer the matter to the First-tier Tribunal (Property Chamber). The First-tier Tribunal (Property Chamber) has legal powers to determine the reasonableness of the service charge and, if necessary, may appoint a manager if properties have been badly managed. The shared owner will have to pay a charge for this service.

11.4 Collection

Rent and service charges must be paid by the shared owner by equal monthly payments in advance before the first day of each month. Payments should be made by direct debit.

11.5 Rent arrears

The council will manage rent arrears in line with the shared ownership: Joint Guidance for England guidance published by the HCA, Council of Mortgage Lenders (CML) and the National Housing Federation. Early intervention is the key when trying to resolve financial matters. The council will therefore seek to enter into a Service Level Agreement with each mortgage lender in order to establish a good working relationship.

The council will support and work with shared owners who are experiencing financial difficulties to try to prevent them losing their home. Any shared owner who falls behind with rent and/or service charge payments will be contacted promptly by the council and appropriate action for arrears recovery will be taken in accordance with the shared-ownership Income Recovery procedures.

Where the council is satisfied that staff have taken appropriate recovery action and the rent/service charges still remains unpaid, legal proceedings will be considered. Legal action will only be taken where there is no other reasonable alternative and other avenues to maintain the shared owner in their home have been exhausted.

As set out in the lease, the council will provide the shared owner's mortgage lender with 28 days' notice of any intentions to commence possession proceedings. This will include details of the level of arrears.

On a case-by-case basis, the council may discuss potential payment arrangements from the lender to cover the shared owner's arrears but also reserves the right to refuse such an offer. If the council agrees to recover the arrears from the lender, the shared owner will be notified in advance

and made aware of the consequences, for example, compounded interest being charged on their arrears by the lender.

11.6 Paying back equity stake

Where the council has repossessed a shared-ownership property, a proportion of the equity stake will be returned to the outgoing shared owner minus the following costs:

- the outstanding mortgage balance and any others costs due to the lender
- any rent arrears/service charges outstanding
- any legal costs incurred as a result of taking possession action
- any costs incurred by the council to carry out repairs or make good any damage to the property that are not due to fair wear and tear
- any costs associated with the sale of the property including any legal costs
- any other costs not listed above incurred as a direct result of taking repossession action
- any other sums due to the council

If there is still an outstanding debt to the council after all of the above costs have been deducted, the previous shared owner will receive nothing. The council will consider taking separate recovery action to recover any monies outstanding from the shared owner.

In cases where a shared owner moves into residential care, the council may seek to recover any care costs from their equity stake by placing a charge on the property.

11.7 Production of accounts

Each property will have a property record on the Housing Management database and the Rent & Administration Team will manage the rental income. Each account will be credited with the rental income and debited with rent and service charges. An annual account statement will be produced for each account and sent to the shared owner.

12. Repairs

The shared owner is solely responsible for the maintenance of the property. This includes the maintenance of driveways, gardens, trees, and any fences, walls or hedges.

In addition to the repairs, the shared owner is also responsible for arranging for all gas installations within the property to be tested annually and a copy of the gas service certificate must be provided to the council within 28 days of the service being due. Failure to provide the certificate or have the safety check carried out will result in the council taking legal action in order to gain entry to the property to carry out the required test. The cost of the service, and any legal and admin costs incurred, will be recharged to the shared owner.

Should the property fall into disrepair, the council may seek legal action to enforce the shared owner to carry out remedial works or for the council to carry out the works and recharge the shared owner for the cost, including any legal costs and admin costs incurred.

12.1 Alterations and improvements

The shared owner is permitted by the lease to make alterations and improvements to the property subject to written permission from the council. The council will require requests to be submitted in writing including full details of the proposed work. If the works require the use of a professional tradesperson (such as an electrician or gas fitter), a certificate confirming the works have been carried out safely and meet current regulations will need to be provided to the council within 28 days of the works being completed. The council may provide a list of conditions which will need to

be met by the shared owner in order for the permission to remain valid. This may include obtaining planning permission or building regulations consent.

The council reserves the right to inspect any alterations and improvements once completed by arranging a mutually convenient appointment with the shared owner. Where unauthorised alterations or improvements have been carried out, the council may request the shared owner to reinstate the work. Should the shared owner fail to make good the works, the council may take legal action to carry out the necessary works and recharge the shared owner for the cost including any legal costs incurred as a result.

The council will not withhold consent for an improvement unreasonably. In normal circumstances, permission will only be withheld for the following reasons:

- the requested work would result in the property devaluing in price
- the requested work would cause a nuisance or annoyance to neighbouring properties or,
- the shared owner is in rent arrears, or a Court Order is in force / pending in relation to possession action

Any refusal of the proposed alteration or improvement will be accompanied with a full written explanation. There is no appeals process. The terms of the lease will be referred to on all occasions.

13. Other lease management issues

The council will take appropriate action whenever it becomes aware that a shared owner is acting in breach of the terms of the lease which may include:

- non-payment of rental income
- unapproved works to the property
- improper use of the home or building
- failure to maintain or damage to the property
- refusal of access to council staff and or its contractors or agents
- anti-social behaviour by the shared owner, their household members or visitors that causes a nuisance, alarm or distress to other residents in the vicinity of the property

The council will work with the shared owner and other relevant services or agencies (such as the council's Housing Anti-social Behaviour Team and Local Policing Team) to resolve any issues. Should the breach continue following warnings, the council will consider taking legal action which could include seeking an injunction, or action for the forfeiture (termination) of their lease.

13.1 Subletting

The shared-ownership lease prohibits subletting. This is to protect public funds from misuse and to ensure that applicants are not entering into shared-ownership for financial gain (apart from the creation of equity).

Requests to sublet will ordinarily be refused by the council. In exceptional circumstances the council may grant permission for a shared owner to sublet, for example, for Ministry of Defence personnel who are posted away from the property. In all cases, sub-letting or lodgers must be approved by the council in writing.

14. After-sales

The council will be responsible for dealing with all after-sales transactions, including stair-casing and re-sales but not for Land Registry registration fees, the payment of stamp duty land tax or a shared owner's legal fees.

14.1 Stair-casing

Shared owners are able to increase the share that they own at any time during the term of the shared-ownership lease. The price paid for any increased share is based on the full open market value of the property at the time of stair-casing as assessed by a RICS qualified surveyor. Where the Council receives notification of a shared owner's intention to staircase, an independent surveyor will be appointed within 14 days. The cost of this will be re-charged to the shared owner.

A valuation will be valid for three months from the date received by the council. It is expected that shared owners will complete their stair-casing purchase within that time period, however, where there have been delays outside of the control of the shared owner the council may allow this to be extended to six months.

14.2 Downward stair-casing

Downward stair-casing involves the repurchase of some or all of the equity from the existing shared owner. Following this transaction, the shared owner continues to live in the property owning a smaller share.

Downward stair-casing is at the discretion of the council as the provider and will be considered only in exceptional circumstances. This could be because the shared owner is at risk of repossession or falling into arrears and no alternative solution can be found. However, the council will require shared owners to maintain a minimum share of 10% in order that the property is preserved for shared ownership.

14.3 Re-sales

The shared owner is required to notify the council of their intention to sell the property. Where such notification is received, the council will appoint an independent RICS qualified surveyor within 14 days to ascertain the market value of the property.

In circumstances where a shared owner has not stair-cased to 100% and wishes to sell, the obligation to offer their home back to the council (either for them to put forward a nominee purchaser or take a surrender of the lease) remains in place and must be complied with before they may offer a home on the open market.

This is the pre-final staircasing right of pre-emption and is commonly referred to as the nomination period, right of first refusal or first option to buy. Note that the time period of this right has been reduced for homes delivered through the AHP 2021 to 2026 from eight weeks to four weeks.

Under the terms of the lease, the council has eight weeks from receipt of notification that the shared owner wishes to sell to nominate an eligible purchaser. Nominations will be made from the council's own Housing Register in line with the local sales policy where applicable. Where there are no eligible buyers registered, the council may carry out marketing targeted to local residents.

If the council is unable to nominate a suitable buyer within the 8-week period, or a purchaser is nominated but fails to exchange contracts within 12 weeks, the shared owner is entitled to advertise their property on the open market. However, re-sales applicants must still meet Homes England's eligibility criteria.

An affordability calculator will not be completed for re-sales (due to the rental calculation and the fixed share associated with a re-sale), however, re-sales applicants must be able to afford and

sustain the share they need to purchase. The council may encourage re-sale applicants to simultaneously stair-case at the point of sale to purchase a larger share where this is affordable.

14.4 Leasehold repurchase

Leasehold repurchase involves buying the shared owner's entire share of the property. Some leases may include the provision of a first right of refusal for the council. In addition, a shared owner may request the council purchases their share because they need to move and another household in housing need who can afford to purchase the shared owner's equity cannot be found.

In exceptional circumstances, the council may consider requests to repurchase the leasehold of a property where the shared owner is able to demonstrate a genuine need to move and all other alternatives have been exhausted.

The council will consider repurchase requests on a case-by-case basis and will provide a determination within 28 days of receipt of written notice of a shared owner's intention to sell.

14.5 Re-mortgaging and additional borrowing

The lease terms permit a shared owner to increase the borrowing secured against their share of the property subject to the council's approval. The council will consider requests from the lender to permit further borrowing only where the funds are to be used to:

- enable the purchase of further shares (stair-casing)
- enable the shared owner to comply with the terms of the lease, for example, to carry out essential repairs
- allow one shared owner to buy out another shared owner's interest in the property

Consent will be given for essential repairs and maintenance. The council reserves the right to refuse additional lending for home improvements. As an example, the replacement of a boiler or repairing the roof would be permitted; the addition of a conservatory may not be approved.

15. Involvement and consultation

The council will provide appropriate opportunities for shared owners to influence the quality, cost and efficiency of the services they receive. This will include consultation on policies and procedures that affect the shared-ownership service offered.

Under Section 20 of the Landlord and Tenant Act 1985 (as amended by S151 of the Commonhold and Leasehold Reform Act 2002), leaseholders paying a variable service charge must be consulted before a landlord carries out qualifying works or enters into a long-term agreement for the provision of services.

Qualifying works are those which will cost any single shared owner more than £250 (including VAT). A long-term agreement is a contract for services for a period of more than 12 months for which any one shared owner is expected to pay more than £100 (including VAT).

Where qualifying works or a long-term agreement is required for the property, the council will consult with shared owners in line with its statutory obligations. Further information will be detailed in the Section 20 Consultation Procedure.

16. Glossary

Defective period

The 12-month period commencing at handover of the property to the shared owner during which the builder is responsible for carrying out certain repairs.

Equity stake

The percentage of the property owned by the shared owner.

Help to Buy East & South East

A provider appointed by Homes England to assess applicant's eligibility for shared ownership. Prospective purchasers must be approved by the Help to Buy Agent before they can reserve a property.

Homes England

The non-departmental public body that provides grant funding for new affordable housing in England. Grant-funded shared-ownership schemes must be managed in line with Homes England's guidelines which are set out in the Capital Funding Guide¹. Homes England was formerly known as the Homes and Communities Agency (HCA) and all reference to the HCA in this policy will also apply to Homes England and vice versa.

Housing register

The system used by the council to prioritise applicants for social housing based on housing need.

Housing Revenue Account (HRA)

A record of all revenue expenditure and income relating to the provision of council housing and related services.

Lease

The legal agreement that sets out the rights and responsibilities of both the shared owner and the Registered Provider (RP). The lease is granted for a fixed term; however, it is possible for the shared owner to extend this.

Leaseholder

A person with an interest in a property granted by a lease which gives them the right to occupy the property for a fixed period of time. Shared owners are leaseholders until such time that they have acquired 100% of shares in their property (and may remain leaseholders even after acquiring full ownership in some circumstances).

Lender / Mortgagee

The Bank or Building Society who provide the loan to the shared owner to purchase their share of the property.

Market value

The price that the leasehold interest in the property would achieve if sold on the open market by a willing seller on the terms and conditions of the shared-ownership lease assuming that the leaseholder would acquire a 100% interest in the lease.

Registered Provider (RP)

A housing association, local authority or other body registered under the provisions of the Housing and Regeneration Act 2008 or any company or other body approved by Homes England for receipt of social housing grant.

Rent

A monthly amount charged by the landlord that is based on the unsold share of the property. The shared owner is required to pay the rent to the landlord under the terms of the lease.

Retail Price Index (RPI)

A measure of inflation published monthly by the Office for National Statistics that represents the change in the cost of a representative sample of retail goods and services.

Section 106 agreement

An agreement between a developer and the local planning authority about measures that the developer must take to reduce their impact on the community. A S106 Agreement is designed to enable a development to come forward that would otherwise not be possible by obtaining concessions and contributions from the developer.

Service charge

A monthly amount charged by the landlord to recover the cost of providing services, such as maintaining communal parts of a scheme, providing buildings insurance and administration costs. The shared owner is required to pay the service charge to the landlord under the terms of the lease.

Service level agreement

An agreement between two parties that sets out a common understanding of expected responsibilities and services.

Shared owner

The occupier of a property who owns part of the property and pays rent on the remaining share.

Shared ownership

A low- cost home ownership scheme which enables a buyer to purchase a share of their home (initially between 10% and 75%), and pay rent on the remainder to an RP.

Staircasing

The process of acquiring additional shares in a shared ownership home.

Targeted marketing

Pro-active marketing targeted to local people and those in housing need, including local key workers.

The council

Luton Council