

# HOME OWNERSHIP POLICY

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## 1 INTRODUCTION

1.1 Stockport Homes Group (SHG) manages properties across a variety of tenures. In all instances, the aim is to provide a customer focused service which is compliant with any relevant legislation and looks to demonstrate best practice. The purpose of this policy is to set out SHG's approach to shared ownership and leasehold properties managed by Stockport Homes.

1.2 For the purposes of this policy, the terms homeowner or owner refers to leaseholders and shared owners. In some cases, the term will refer to freeholders who live on a development managed by Stockport Homes.

1.3 The lease pertaining to any individual property will always be the defining document and should cover all relevant clauses applicable to that property in that instance. In managing all shared owner and leaseholder enquiries, the lease must always be referred to for guidance and specific terms or clauses. The role of the Home Ownership Team is to manage properties occupied by shared owners and leaseholders and to respond to any enquiries that customer group may have. Whilst service charges are not set by the Home Ownership Team, the team will respond to any service charge enquiry raised by a shared owner or leaseholder including liaising with the relevant Budget lead for that service charge in the case of disputes.

1.4 Stockport Homes' approach is consistent with relevant legislation, any lease or freehold agreements, regulation and best practice.

## 2 STRATEGIC LINKS

2.1 SHG does not operate in isolation and this policy has been written taking in to account any relevant legislation, regulation, local corporate priorities and strategies including but not restricted to: -

- Law of Property Act 1925
- Landlord and Tenant Acts 1985 & 1987
- Leasehold Reform, Housing and Urban Development Act 1993
- Housing Acts 1980, 1985 & 1996
- Leasehold Reform (Ground Rent) Act 2022
- Commonhold and Leasehold Reform Act 2002
- Building Safety Act 2022

2.2 Regulation

- Homes England, Capital Funding Guide
- Homes England Affordable Homes Programme 2021-26

2.3 Corporate Priorities

- SHG's strategy is not only to provide high quality housing and build new homes in Stockport, but to help transform the lives of its customers.
- Development Strategy 2020-25

#### 2.4 Links to other Stockport Homes Policies and Procedures

- Sub-Letting Policy for Homeowners
- Resales Procedure
- Staircasing (further purchase) Procedure

### **3 SERVICE CHARGES**

3.1 A service charge is a charge made by a landlord to a leaseholder or tenant to contribute towards the communal services to the building they live in. These can also include buildings insurance and management fees.

3.2 The apportionment of charges that customers pay, as well as more details on the charges they are liable for, is detailed in each lease. Each lease will be specific to the property it is pertaining to.

3.3 SHG will calculate and apportion service charges in line with the terms of the lease as well as current legislation, regulation and good practice.

3.4 SHG will provide services that reflect the needs of the building, the community and preferences of customers overall, so long as the leases allow for this.

### **4 RESERVE OR SINKING FUND (LONG TERM MAINTENANCE FUND)**

4.1 Stockport Homes is committed to managing and maintaining the stock that it owns and manages in line with the Asset Management Strategy.

4.2 SHG will recharge leaseholders a fair and proportionate cost of major works and capital improvements to the building or block in which they live. Where applicable this will be through the serving of a S20 notice getting customer engagement at the earliest opportunity. This is to ensure the terms of the lease are met, all properties managed by SHG are well maintained and safe and public monies are not subsidising private home ownership.

4.3 In some SHG managed buildings leaseholders will pay regular contributions towards a reserve or sinking fund. This may be referred to as a Long-Term Maintenance Fund).

4.4 Reserve or Sinking Funds are held by Stockport Homes for a scheme or block to contribute towards future major works such as the replacement and renewal of major components of the building, as well as cyclical works such as external and communal redecoration.

4.5 SHG, in most leases, collect fund contributions through annual service charges, however some leases may allow for different arrangements such as a contribution when owners sell the property, based on how long the owner lived there. The preferred model of collection is through annual service charges and leases specify any different charging arrangements.

4.6 SHG will set up sinking funds for all new build developments at the outset of the scheme. This means that all service charges will include fund contributions from day one.

4.7 SHG will not allow any funds to go into deficit, if there is a shortfall in the fund customers will be invoiced for their share of the shortfall via their service charges or would be invoiced directly for the work required and completed.

4.8 SHG will provide customers with an annual statement showing the fund balance.

## **5 FEES AND CHARGES**

5.1 SHG charge a management fee to cover costs of providing a management service. This will include managing contracts for works and services, the cost of surveyor visits where applicable, calculation and invoicing of service charges, staffing costs and overheads.

5.2 The management fee is included in the annual service charges.

5.3 Administration Fees are charged for additional services provided outside of the regular management fee where a customer is seeking additional services from Stockport Homes, for example, support in reselling a property. Additional fees and the payment terms will be clearly communicated to the customer before any additional service is provided.

5.4 SHG will regularly review administration fees to ensure that they cover the cost of providing the service and publish the latest schedule of fees.

5.5 The management and administration fees can be found on the SHG website or customers can request a copy at any time.

5.6 SHG will invoice customers for charges at the time the administration service is provided, the exception being for major works when the administration fee will be charged at the time the works are invoiced.

## **6 BUILDINGS INSURANCE**

6.1 Under the terms of the lease, Stockport Homes is required to provide buildings insurance to leaseholders. SHG will procure the best value buildings insurance policy on an annual or a longer-term contract and will ensure that each building managed and all communal areas are adequately insured.

6.2 Procuring adequate home contents insurance is the responsibility of the leasehold or owner. As with all tenanted properties managed by SHG, contents insurance responsibility remains with the tenant, owner or leaseholder at all times. Stockport Homes advises all leaseholders and tenants to always have this insurance cover in place. Claims for contents will not be considered under the Buildings Insurance (or other) Policy.

6.3 SHG will recharge customer for their share of the insurance premium via annual service charges.

6.4 SHG will publicise the contact details for the Building Insurance provider on its website within the Home Ownership pages including details on how to make a claim or to request a copy of the Buildings Insurance Schedule.

6.5 Any new build property that contains white goods will have the white goods warranties handed over to the new occupier at the point of sale. Any repairs to these white goods must be managed directly by the homeowner. New build properties will have a defects period. For any property or structural related defect, if the defect is a latent defect identified during the defect period, for example rain coming in through windows or door, this should be reported to the One Number Team as a repair to see if assistance can be provided. Any issues reported outside of the defect period, or in cases where it is not a defect, the homeowner / shared owner will be responsible. Communal areas will remain the responsibility of Stockport Homes.

6.6 SHG will make a claim if there is a defect problem that needs to be rectified in a communal area and it is covered by the new build warranty.

## **7 ALTERATIONS AND IMPROVEMENTS**

7.1 Home ownership customers can complete minor works within their property, such as redecoration and general day to day maintenance or renewal works. They should consult their lease to ensure any planned minor works are permissible within their individual property and if permission is required. Structural alterations or additions to the exterior are generally not permitted.

7.2 Homeowners in new build properties must not carry out any alterations including redecoration and minor works during the initial defects period as this could void the guarantees offered by the developer during the defects period. This will be stipulated as part of the sale of the property.

7.3 Shared owners must obtain permission before any alterations or improvements are carried out. This is to ensure the value of the property, in which SHG have an interest, is maintained and to protect their financial interest (see Section 17 Staircasing).

7.4 SHG will consider each application carefully and will seek to allow alterations wherever reasonable, including where leaseholders make requests for adaptations to make a property suitable for disabled residents. It is essential

any works are not to the detriment of the building and other residents. Approval must be sought from Stockport Homes at the outset.

7.5 Owners should make their own enquiries as to any planning, building regulations or other statutory consents that may be required, and are responsible for obtaining these.

7.6 A fee will be charged for the legal and administrative work associated with considering the application, granting / denying permission and reviewing the alterations.

## **8 SUB-LETTING**

8.1 In any leases where sub-letting is allowed, the customer must keep SHG updated with both their own contact details and those of their tenant. This is in case of any repair emergencies.

8.2 Shared ownership leases do not allow sub-letting unless in exceptional circumstances and with SHG's prior permission.

## **9 PETS**

9.1 Where a homeowner has their own external front door providing sole access to their property from the street they have permission to keep one dog or one cat, or a caged animal.

9.2 For leaseholders who have access to their property through use of a communal entrance, SHG does not allow any pets without prior written consent. Exceptions may be permitted on a case-by-case basis. Guide / assistance dogs will be permitted.

9.3 Any pets must be well cared for and kept under control. If SHG receives complaints of noise or nuisance associated with pets, they may revoke that permission.

9.4 SHG does not permit the keeping of any animal classed as dangerous by legislation. This may include, but is not limited to, poisonous snakes and spiders.

## **10 RUNNING A BUSINESS FROM HOME**

10.1 Please refer to the individual property lease.

## **11 GAS AND ELECTRICAL SAFETY**

11.1 In most cases the lease determines that the customer is responsible for the repair and maintenance of any gas and electrical installations in their property. Please refer to the individual property lease.

## **12 BREACH OF LEASE**

12.1 Breaches of the lease can include, but are not limited to:

- Not paying charges due, e.g., service charges, rent and ground rent
- Not maintaining the property as required within the lease.
- Causing a nuisance or anti-social behaviour. This could be the homeowner, their family, a tenant / sub tenant (if sub-letting is permitted by the lease), or any visitors.

12.2 SHG will act quickly to work with the customer to remedy the breach. Where this is not possible SHG will take further action.

12.3 If the customer does not co-operate with this process, then SHG will look to recover the costs incurred to enforce the lease, including any legal costs. This will always be as a last resort.

## **13 FORFEITURE & REPOSSESSION**

13.1 SHG will always seek other appropriate actions before considering forfeiture or repossession.

13.2 SHG will always seek to work with customer and their mortgage lender (where appropriate) to find ways to help them retain their home.

13.3 Where SHG considers there is no alternative action available, action for forfeiture or repossession through the courts will be pursued.

13.4 In the case of forfeiture or repossession, the customer will be responsible for all SHG's costs including legal costs.

## **14 BUY BACK**

14.1 If a customer has a shared ownership lease, they must give SHG (or the Council) the opportunity to buy back the property before it is advertised for sale on the open market.

14.2 During the first ten years following the property being sold under the RTB scheme, the owner must contact Stockport Homes to allow SHG / the Council to exercise their right to purchase the property back. During the first five years following purchase under the scheme, the customer may also have to pay back a percentage of any discount received when they bought the property.

14.3 Where a lender has repossessed a shared ownership property, SHG will investigate buying it back if the option exists. This would be based on reducing the liability under the Mortgage Protection Clause and minimising rent losses.

## 15 ADDITIONAL BORROWING AND RE-MORTGAGING

15.1 If a customer is going to re-mortgage their property, or take out further secured borrowing, SHG may have to approve this in advance. Guidance will be contained within the lease / agreement.

15.2 SHG will charge an administration fee for considering and approving further advances and will not agree to postpone / demote their own legal charge in favour of any additional loan.

15.3 In line with a customer's lease, SHG must always approve the mortgage if the customer is a shared owner:

- Approval is likely to be required by the lender. This is because their loan is only protected by the "Mortgagee Protection Clause" if it is formally approved in advance.
- Any re-mortgage must not exceed the market value of the share the customer owns.
- SHG will only approve additional borrowing if it is:
  - To buy further shares in the property.
  - To buy out a partner who no longer lives at the property.
  - To finance home improvements, or maintenance works that must be done under the terms of the lease.
- SHG won't approve a loan if the total debt, then exceeds 90% of the value of the share the customer owns. This will include any sums a lender has paid to SHG in the past in respect of rent or service charge arrears.

## 16 STAIRCASING (PURCHASING FURTHER SHARES) - SHARED OWNERSHIP

16.1 Shared ownership customers may increase the percentage share of the equity owned at any time during the term of the shared ownership lease. This process is known as staircasing.

16.2 In the majority of cases, it will be possible to purchase 100% of the shares and to own all the equity in the property although not all leases allow staircasing up to 100%.

16.3 Valuations must be determined by a RICS registered qualified surveyor.

16.4 SHG will not consider any improvements made by the customer. The overall value of the property (including any improvements) will be split according to the percentage of the property owned by each party. Customers should bear this in mind when seeking alterations / improvements to the property.

16.5 SHG will reduce the amount of rent payable by the customer on completion of the staircasing. Any service charges will remain unaltered.

16.6 SHG will charge an administration fee for the work in administering the staircasing process.

## **REVERSE STAIRCASING / FLEXIBLE TENURE**

16.7 Reverse staircasing is where SHG repurchase shares to reduce a shared owner's equity in the property or could be where SHG fully repurchase the property and revert to an assured tenancy.

16.8 There is no legal right to reverse staircasing and SHG will only consider reverse staircasing in exceptional circumstances such as to prevent repossession or homelessness.

16.9 Reverse staircasing will not be allowed to restructure debts or to otherwise improve a shared owner's financial position.

16.10 Reverse staircasing is only available to shared owners. It is not available to leaseholders who have purchased 100% share of the equity in the property. Please refer to Government legislation for details on the lowest percentage a customer can own.

16.11 Legal costs and administration fees will be deducted from the final proceeds, along with the cost of any necessary repairs as determined by SHG.

16.12 If a shared ownership customer is in financial difficulties and likely to have the property reposessed at a court soon, SHG can consider buying the property back.

## **17 RESALES / ASSIGNMENTS – SHARED OWNERSHIP**

17.1 Shared ownership leases states that the customer needs to find out if SHG want to nominate a purchaser or to buy back their shares before they can sell the property on the open market.

17.2 There is usually a specific timeframe (nomination period) stated for this in the lease.

17.3 During the nomination period, if the customer does not give access for nominated viewings, SHG will freeze the nomination period and not allow any sale to progress until the full nomination period has been allowed to run.

17.4 If SHG don't find a buyer during the nomination period or notify the customer that they do not wish to take up the nomination, the customer can then sell the property on the open market.

17.5 After the end of the nomination period, the customer could sell the property as 100% ownership in one transaction; this is called back-to-back staircasing and is where the customer would purchase the remaining shares of the property and sell the whole 100% on the same day. Legal advice should be sought by the customer.

17.6 All prospective shared owners must meet the eligibility criteria for shared ownership, regardless of whether they have been nominated by SHG, or not. Advertising a property on the open market does not negate the need for this to be achieved.

17.7 Most leases allow SHG to recover reasonable costs if SHG nominate a purchaser for the property.

17.8 SHG will charge for administration and legal costs incurred in selling the share owned by the customer.

17.9 A solicitor should ensure that a deed of covenant is entered by the purchaser during the process of the sale.

## **18 LEASE EXTENSION**

18.1 Properties sold under the Right to Buy/Acquire (RTB/A) or through shared ownership sales are granted a lease for fixed period.

18.2 The time left on a lease reduces year by year and, for most mortgage lenders, once this gets below 80 years, it can become an issue for future resales or mortgages.

18.3 The legal right to an extension of the lease is outlined in the Leasehold Reform, Housing and Urban Development Act 1993 (as amended).

18.4 This legal right is not currently available to shared owners under legislation, however SHG would allow lease extensions by shared owners under a discretionary process wherever they are able to do so.

18.5 The customer is required to pay SHG's reasonable legal and administration costs incurred in extending a lease.

18.6 SHG are not able to grant lease extensions that exceeds the length of time available under any head lease to which SHG is party.

## **19 LEASE VARIATION**

19.1 On occasions, SHG may require an amendment to a lease to widen service provision or to rectify defective leases. SHG will always consult customers before the process to vary the terms of a lease begins.

19.2 If SHG can achieve the required change by agreement, this will be formalised by a deed of variation signed by all parties and registered at the Land Registry.

19.3 Where SHG cannot obtain the agreement of all leaseholders involved, application to the First tier (Property) Tribunal will be made for a lease variation under the Landlord and Tenant Act 1987 (as amended).

19.4 SHG will agree to leaseholder requests for lease variations where this fits with the services provided and does not disadvantage SHG or any other parties / residents in any way. However, in these cases the leaseholder(s) involved will be required to pay all the legal costs of the variation. These would be considered on a case-by-case basis.

19.5 SHG will pay their own and all affected leaseholders' costs when it is SHG that instigates a lease variation due to a defective lease.

## **20 ENFRANCHISEMENT**

20.1 Collective Enfranchisement is where leaseholders in a building together form a company to purchase the freehold of that building.

20.2 It is a right outlined in the Leasehold Reform, Housing and Urban Development Act 1993 (as amended).

20.3 Customers must notify the Home Ownership Team if they are considering enfranchisement. The residents must obtain a valuation and provide this to SHG.

20.4 SHG will review the valuation provided and can reject a valuation if it is believed to be too low. SHG will seek to reach a satisfactory agreement for all parties. SHG will, if deemed necessary, apply to or defend a case at the First-tier Tribunal where agreement cannot be reached.

20.5 Where the building is in an area where SHG are responsible for maintaining the communal grounds, SHG will recharge the new freeholder their share of the cost of the works.

20.6 Where SHG continue to own flats in the block after the freehold is sold, SHG will scrutinise any paperwork received from the new freeholder in respect of service charges and insurance. This will include checking that the service charges are reasonable in cost and comply with the leases and legislation.

20.7 SHG will charge all reasonable costs expended during enfranchisement process to all leaseholders taking part in the enfranchisement.

## **21 RIGHT TO MANAGE**

21.1 Leaseholders have the right to force the transfer of the Landlord's management function to a 'Right to Manage Company' which they have set up.

21.2 The Right to Manage is outlined in the Commonhold and Leasehold Reform Act 2002; this right is available to qualifying tenants as detailed in the Act.

21.3 SHG will discuss any application for the Right to Manage with the leaseholders involved to find out why they want to manage the block

themselves and if there is anything that can be done to keep the block within SHG's management.

21.4 SHG will seek reimbursement of all costs incurred during the process. These will be for accountancy, audit and legal fees.

21.5 If management is transferred, SHG will regularly check the building is being maintained in good condition and not subject to neglect, mismanagement or deliberate underspend.

21.6 SHG will continue to carry out management for any of the tenanted flats that remain within the block. SHG will ensure that the tenants are not disadvantaged.

21.7 SHG will be proactive in the membership of the Right to Manage Company and will use its votes with the aim of obtaining the best service for any of the tenants who live in the block.

## **22 THIRD PARTY MANAGING AGENTS**

22.1 In some cases, where SHG are not the Freeholder or Head Landlord, services are provided by a third party outside of SHG's immediate control.

22.2 SHG will ensure that the service charges passed on to customers are reasonable, correctly charged and accurately apportioned.

22.3 SHG will liaise on a regular basis with the managing agent on the scheme to discuss any issues.

## **23 EQUALITY IMPACT ASSESSMENT (EIA)**

23.1 Section seven of the Policy details SHGs approach to adaptations and alterations.

23.2 SHG will ensure all reasonable requests for alterations and adaptations to properties can be undertaken to ensure properties are suitable for disabled owners so they can live independently.

## **24 OWNERSHIP, MONITORING AND REVIEW**

24.1 This policy is owned by the Operations Directorate. It will be monitored by the Home Ownership Team and reviewed at least every three years and in line with any legislative changes.