3.3 Uplift – unregistered bodies

3.3.3 Uplift calculation

For avoidance of doubt, in situations where there has been a fall in house prices, this will not lead to a reduction in the historical grant to be recovered, other than in the limited circumstances set out in the Capital Funding Guide.

The amount of uplift that is recoverable or recyclable is based on the proportion of the original cost of the unit that was covered by the grant. Please see section 4 of the Unregistered Bodies Recovery chapter.

Worked example A – Shared Ownership staircasing disposal

An unregistered body has a shared ownership scheme and in their grant allocation predicted an initial share purchase of 35% of the property.

At the time of initial purchase the shared owner purchased a 40% share in the property. The shared owner then makes a further purchase (known as staircasing) of another 10%.

The initial tranche sale of a shared ownership property is not a relevant event for recovery. For later staircasing purchases, recovery is triggered when the share purchased exceeds the predicted initial purchase percentage share. In this example, the actual first tranche sale exceeded the predicted purchase by 5% (40% - 35% = 5%).

As there is no recovery on the first tranche sale, the recovery of grant and uplift related to the 5% is held until the next relevant event.

The unit has £15,000[1] grant attributed to it and £75,000 of the total scheme costs. The Net Value of the unit at the time of staircasing is £197,000.[2]

Step 1

To comply with the Agency's requirements the unregistered body must first calculate the Increase in Value Proportion, which is calculated net of the forecast first tranche sale percentage and is expressed by the formula:

IVP = (100% - PEP) x (NV – AFSC)

Where:
IVP = Increase in Value Proportion
NV = Net Value
AFSC = Attributable Final Scheme Costs
PEP = Predicted Equity Proportion

Worked example

[1] For this example we have included £15,000 of grant for the property affected. Unregistered bodies are asked to note that in order to calculate the grant for the individual property affected that they will need to apply the following formula AG = SOG x (IFS / TIFS) x AP where AG = Attributable Grant; SOG = Shared Ownership Grant; IFS = Internal Floor Space; TIFS = Total Internal Floor Space; AP = Additional Proportion.

[2] NB that were the Total Equity Purchased TEP is less than or equal to the Predicted Equity Purchased then the Attributable Grant is zero.

Net Value = £197,000
Attributable Final Scheme Costs = £75,000
Predicted Equity Proportion = 35%

Increase in Value Proportion = (100% - 35%) x (£197,000 – £75,000)
= 65% x £122,000
= £79,300

Step 2

The second step is to take the Increase in Value Proportion and calculate the Agency's share. If the total equity purchased is less than or equal to the Predicted Equity Purchased then the Agency's Proportion is 0, which reflects that the first tranche sale is not a relevant event for recovery.

Where the total equity purchased is greater than the Predicted Equity Purchase, the Agency's Proportion is expressed by the formula:

APU = (AG / ((100% – PEP) x AFSC)) x (IVP x AP) – (PR x AP)

Where: APU = Agency's Proportion
AG = Attributable Grant
PEP = Predicted Equity Purchased
AFSC = Attributable Final Scheme Costs
IVP = Increase in Value Proportion
AP = Additional Proportion
PR = Previous Recovery

To aid understanding in this example we have broken the workings of this example into three stages

Worked example:
Attributable Grant = £15,000
Predicted Equity Purchased = 35%
Attributable Final Scheme Costs = £75,000
Increase in Value Proportion (as calculated above) = £79,300
Additional Proportion = 15% (the 10% of the staircasing and the additional 5% on the initial purchase)
Previous Recovery = £0

Agency's Proportion stage 1 = (AG / ((100% - PEP) x AFSC))
= (£15,000 / ((100% - 35%) x £75,000))
= 31%

Agency's Proportion stage 2 = 31% x (IVP x AP)
= 31% x (£79,300 x 15%)
= £3,687.45