

Shared Ownership Buy-Back Policy

Policy Implementation Checklist	
Policy Guardian	Director of Housing and Community Empowerment
Policy Author	Housing Manager
Policy Title:	Shared Ownership Buy-Back Policy – Vers 3 181017
Approved by Chief Executive on:	
Approved by Linthouse Management Committee on:	February 2018
Effective from:	February 2018
Due for Review on	February 2021
<u>Scottish Social Housing Charter</u> Outcome No.1 Outcome Nos. 7,8 & 9 <u>Access to housing and support</u>	<u>Equalities:</u> 'Every tenant and other customer has their individual needs recognised, is treated fairly and with respect, and receives fair access to housing and housing services'. <u>Housing options:</u> Social landlords work together to ensure that: 7. people looking for housing get information that helps them make informed choices and decisions about the range of housing options available to them 8. tenants and people on housing lists can review their housing options Social landlords ensure that: 9. people at risk of losing their homes get advice on preventing homelessness.
Policy Linkages:	<ul style="list-style-type: none"> • LHA Allocations Policy • LHA General Policy on Shared Ownership
Training Completed on:	
Posted on Website on:	
Staff Sign off as Read and Training Completed	
Management Committee Sign off as Read and Training Completed	



SHARED OWNERSHIP
BUY BACK POLICY
(February 2018)

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**Linthouse Housing Association
Shared Ownership Buy Back Policy**

1. Introduction/Policy Context:

- 1.1 Shared ownership was introduced in the early 1980s to help people who were in housing need and could not afford to buy a home outright. Priority would normally be given to existing local authority or HA tenants, those on local authority or HA waiting lists and first time buyers.

Potential sharing owners were able to purchase a share in a property whilst paying an occupancy charge to a housing association for the remaining portion until they could afford to purchase the whole property. They would also have exclusive occupancy of the property. Through a shared ownership scheme, they could buy a 25 per cent, 50 per cent or 75 per cent share in a house or flat.

Sharing Owners like other home owners are normally responsible for all internal and external repairs for their property, and any ongoing maintenance costs. In addition, if you live in a tenement, you are liable for the maintenance and repair of the property's common parts like the roof, the entrance or stairs, and the back green including major works.

- 1.2 In January 2011, following the publication of the Low Cost Initiative for First Time Buyers (LIFT) Evaluation, the Scottish Government took the decision to discontinue funding for shared ownership, and to allocate any future funding to the Open Market and New Supply Shared Equity Schemes.
- 1.3 Linthouse Housing Association (LHA) developed a number of shared ownership properties within its new build programme during the period from 1988 to 1992 when properties were developed in Holmfauld Road/Govan Road and then in 1996 with the development of Barnwell Terrace. Shared ownership was seen as a way of assisting people on low to moderate incomes who wanted to buy a new home but were unable to meet the full purchase price.
- 1.4 The Association currently owns 48 shared ownership properties (as at 29 November 2017) with sharing owners holding a range of ownership tranches from 35%; 50%; 75% tranches of ownership. Originally, the sharing owner purchased their tranche with the help of a mortgage; the remaining tranche is managed and controlled through an occupancy agreement with the sharing owner taking on the responsibility to pay a monthly occupancy charge to the Association. Of the 48 shared ownership properties which LHA has a part ownership, 34 of these have an occupancy agreement where they are responsible for 35% of repairs and maintenance and the remaining 14 properties have an occupancy agreement whereby they are responsible for 100%. The latter have all the responsibilities of an owner with none of the benefits associated with a tenancy (i.e. they are responsible for all of the repairs and maintenance relating to their home including payment of any factoring fees.)

2. Background:

- 2.1 This Shared Ownership Buy Back policy has been devised in conjunction with Scottish Government Housing Investment Guidance Note (HIGN 2009/07) issued in May 2009. This Guidance Note details a change to section 3.12 of the original operational procedures for shared ownership set out in SHGN 2000/15.
- 2.1 Revised Scottish Government Guidance Note (HIGN 2009/07) amends section 3.12 to the effect that, if a registered social landlord wishes to buy back a shared ownership property, the following options are available depending on whether a property is to be purchased with vacant possession or with a sitting tenant:
 - A registered social landlord can purchase a shared ownership property with vacant possession and make it available for rent, so long as:

- (i) the Local Housing Strategy demonstrates to the satisfaction of the current grant provider, a clear shortage of rented housing relative to the need for shared ownership, and
 - (ii) no additional grant is required; or
- A registered social landlord can if it wishes, purchase a shared ownership property and offer the tenancy to the former sharing owner, so long as:
 - (i) the registered social landlord confirms that it has a policy which sets out how it will assess and prioritise such cases, and
 - (ii) no additional grant is required.

This procedural change has been agreed with the Scottish Housing Regulator.

3. Policy Aims:

- 3.1 The overall aim of this policy is to set out how the Association will assess and prioritise those cases where sharing owners have approached the Association about the buy-back of their home.
- 3.2 The policy also aims to comply with the Scottish Government Guidance (HIGN 2009/07) requiring social landlords to have a policy in place which sets out how it will do this.
- 3.3 To adhere to good practice and to the Scottish Government Social Housing Charter Outcome No 1 which states that: social landlords perform all aspects of their housing services so that:

'Every tenant and other customer has their individual needs recognised, is treated fairly and with respect, and receives fair access to housing and housing services.'

4. Factors to be considered prior to decision to purchase:

- 4.1 A business case will be prepared to inform a decision to purchase a shared ownership property with or without vacant possession. The business case will include consideration and comment on the following:
 - 4.1.1 The Association has sufficient funds to support the buy-back.
 - 4.1.2 Doing this will not infringe upon any loan covenants for loan agreements.
 - 4.1.3 The property is within an area where there is established demand for social housing and where the Association is managing other housing.
 - 4.1.4 In retaining the option to buy back, the Association is required to manage its exposure to any financial risk.
 - 4.1.5 Allocation of the property, either to the former sharing owner or to a new tenant will make a contribution to the Association's commitment to meeting housing need, assist with tenancy sustainment and community stability.
 - 4.1.6 All monies outstanding to the Association e.g. occupancy charges, repairs costs, factor's accounts, will be deducted from the purchase price at settlement.
 - 4.1.7 Each party to bear the cost of their own legal and valuation fees (valuation fee to be paid with application or deducted from sales proceeds where necessary).

- 4.1.8 The property must be brought up to the Association's lettable standard prior to purchase, and the cost of repairs to be borne by the sharing owner. This will be agreed with the sharing owner through consultation and negotiation.
- 4.1.9 The sharing owner must demonstrate that the loan (if applicable) in respect of the percentage share owned has been fully repaid and discharge of security obtained for delivery to the Association.
- 4.1.10 On completion of the sale the Association will assume responsibility for the ongoing management and maintenance of the property. Costs of future planned and cyclical maintenance of the property should be identified.
- 4.1.11 A new rent should be set for the property which reflects the cost of repairs and maintenance and the amenity of the property as per our current rent setting structure.
- 4.1.12 A condition survey of the property should be carried out and included in the 30 year replacement programme to ensure that it complies with SHQS (Scottish Housing Quality Standards) and the EESH (Energy Efficiency Standards for Social Housing) within the required timeframe.
- 4.1.13 A cash flow projection should be produced that includes the acquisition cost of the property, cost of insuring, cyclical and reactive maintenance costs (including insurance costs) , landlord services, the cost of bringing the property up to SHQS and EESH and future planned maintenance costs as per the stock condition survey information.
- 4.1.14 Where the Association is not in a position to purchase the property it will assist the sharing owners by offering general advice on how to sell their property on the open market.
- 4.1.15 That all potential transactions are subject to Net Present Value calculations; and to proceed must show a positive value from this calculation
- 4.1.16 If the Association is only able to buy-back a limited number of properties in any given financial year, this will be done through advertising this opportunity to sharing owners. We will then prioritise those applicants with the longest sharing owner date, provided that they meet all of the other criteria under '**Factors to be considered prior to decision to purchase**'.
- 4.2 Delegated authority to purchase shares in shared ownership properties will be delegated to the Chief Executive and Director of Finance and Business Services Director provided all the criteria in 4.1.1 to 4.1.16 are satisfied, and budget provision is available in terms of provisions set for this purpose by Management Committee in budgets.

5. Buy Back with Vacant Possession:

- 5.1 Consideration will be given to buying back the remaining tranche/s from a sharing owner who wishes to sell their property with vacant possession. On completion of the sale, the Association will assume responsibility for the management and maintenance of the property and allocate it in accordance with its Allocations Policy. Rent levels will be charged in accordance with the Rent and Service Charge Policy.
- 5.2 An independent valuation of the property will be instructed (as per SHGN: 200/15). However, if the sharing owner has instructed and paid for a detailed Home Report within three months of applying to the Association to buy back, this will be accepted. The Association reserves the right to adjust the offer to reflect any repairs required to bring the property up to the Association's lettable standard.

6. Buy Back with Sitting Tenant:

- 6.1 Consideration will also be given to buying back a shared ownership property and allowing the occupant to remain as a tenant of the Association.

The following criteria will require to be met:

- The property has been maintained to a good standard.
- The occupant does not have a history of anti-social behavior, which if they were a tenant, would result or have resulted in the service of a Notice of Proceedings for Recovery of Possession.
- Applications to purchase with a sitting tenant will be considered on a first come first served basis.
- The sharing owner will be required to sign a standard LHA Scottish Secure Tenancy Agreement prior to completion of the transaction.

7. Sales Process

7.1 In order to minimise administration requirements and to employ established precedent, it is suggested that the principles and processes of the former Right to Buy scheme might be followed wherever possible in processing LHA's purchase proposals. In this case however the proposed purchaser of shares is LHA and the proposed seller is the existing sharing owner

7.2 Specifically it is proposed that where a shared owner expresses an interest in selling their share to LHA, the following key criteria should apply:

- LHA's proposed terms of purchase of the sale should be made within two months of the expression of interest and receipt of written notice from the sharing owner;
- The sharing owner should respond to this offer within two months. The inference here is that the sharing owner would have to secure his or her legal and other professional advice, arrangements and consents required to be able to make this response within the timescale suggested. Effectively the end point of this part of the process would be the sharing owner making a clean commitment to sell their share to LHA, allowing a missive to be prepared and concluded thereafter. LHA would have to be satisfied of the robustness of this process before going on to progress to conclude the purchase of the share

- After the expiry of the two-month period following LHA's offer, LHA would reserve the right to withdraw from the proposed transaction – even if the applicant was informed that they could renew their expression of interest at a later date. In exercising this policy-based, permissive power, this would allow judgements to be made by LHA on the sharing owner's intent, and to end the process and commitment of staffing commitment where it was judged the sharing owner's interest was speculative rather than serious.
- At all stages in the process, LHA would ensure it takes legal advice to protect LHA's interests.

7. Policy Review:

This policy will be reviewed as necessary every 3 years in line with the relevant legislation and best practice.