

# Policy

Title: **Property Buy Back & Acquisition**

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## Introduction

The Trust wishes to manage all of its estates efficiently and effectively and to ensure that the supply of sustainable housing is maximised.

Right to Buy (RTB) and Right to Acquire (RTA) buy backs are defined as ex-tenanted properties which the Trust may want to purchase to ensure the sustainability of estates, to help those in financial difficulties or to increase the supply of sustainable housing.

The Trust also supports the local Mortgage Rescue Scheme (MRS). This is designed to help people in financial difficulties who may well be facing significant problems meeting their mortgage payments. In looking to assist in that part of the MRS known as Government Mortgage to Rent (GMtR), the Trust may acquire additional properties to its housing stock via this route as well.

There may be other occasions when the Trust wishes to buy properties, e.g. acquisition of properties as business opportunities outside either of the above two options.

This document sets out the Trust's policy in dealing with properties that it acquires under any of these circumstances, and the methods used to implement the policy.

An associated procedure guide has been produced to supplement this policy.

## Aims / Objectives

The aims of this policy are to:

- Ensure that all estates are managed efficiently and effectively.
- To maximise the supply of sustainable housing.
- Define the criteria under which properties may be purchased from previous customers of the Trust or the Council.
- Ensure that all enquiries/applications for Buy-Back are dealt with promptly and efficiently.
- Co-operate with the local MRS and ensure that any accepted applications received under this scheme are also dealt with promptly and efficiently.
- Ensure that all business opportunities relating to the possible acquisition of non RTB/RTA properties are dealt with as quickly and efficiently as possible; and that any acquisition will meet the Trust's overall objective of managing all of its estates effectively and ensuring that the supply of sustainable housing is maximised.

## Scope

This Policy mainly affects employees working in the Housing Services, Regeneration and Investment and Finance sections in;

- identifying potential Buy Backs.
- dealing with requests for Buy Backs and acquisitions under the MRS..
- making sure that the right process is followed in dealing with the various types of buy back and any MRS or other type of acquisition.
- setting the correct rent levels for any property acquired under this policy
- ensuring all properties acquired are brought up to the Trust's Decent Homes Standard

The policy will be implemented on a borough-wide basis. Any property type which has been previously sold under the RTB or RTA schemes by either Halton Borough Council (prior to stock transfer) or by the Trust (since stock transfer) can be considered. In addition, any property that meets the qualifying criteria of the MRS or any other non RTB/RTA property can also be considered.

## **Policy Statement**

### ***Property Buy Back***

The Trust will implement a process to ensure that all enquiries/applications for Buy Back are dealt with promptly and efficiently to ensure the sustainability of estates.

The Trust will consider buying back a RTB/RTA property if the owner approaches the Trust and is:

- in financial difficulty;
  - facing the threat of homelessness;
  - unable to secure a mortgage on the property;
  - unable to properly maintain the property;
  - no longer able to live comfortably in the property due to age, ill health or disability;
  - living in residential care or has moved out due to health reasons;
  - unable to pay current or forthcoming service charges/ major works debt;
- or:
- the property presents a health and safety risk;
  - there are overriding housing management issues;
  - the property will be a beneficial addition to the stock portfolio in the locality.

Repurchasing properties will increase the Trust's stock portfolio and provide neighbourhood management efficiencies in areas where the Trust is the majority landlord.

Each application must be assessed individually. If the applicant meets one or more of the above criteria then the application will be assessed financially.

In the event that the applicant wishes to remain in the property and become a tenant then providing it can be demonstrated that the applicant would qualify for that property under the Trust's normal allocations policy then the purchase can proceed. If this cannot be demonstrated then the purchase should not go ahead.

The repurchase will be assessed using a 30 year financial viability model that takes into account:

- the cost of purchase less any discount that is to be repaid;
- the cost of legal and professional fees, surveys and any other disbursements;
- the cost of any repairs/major works required to the property to bring it back to the Trust's Decency Standard;
- the rental income based on either target rent or affordable rent for the property type;
- any tenancy management issues that may incur cost.

Some properties may not be self financing on a Net Present Value (NPV) basis if let on target rent unless grant is received to subsidise the purchase.

An independent valuation and survey will be undertaken before any purchase..

### ***Mortgage Rescue***

The Trust is happy to support the local Mortgage Rescue Scheme, in particular the Government Mortgage to Rent (GMtR) element.

The beneficiaries of the Mortgage to Rent product will be eligible applicants who own the title of their property and

- have a mortgage of no more than 120% and no less than 75% of the value of their property (i.e. a maximum loan to value of 120%); and
- are at immediate risk of losing their home.

Under this part of the scheme the Trust would buy the property from the homeowner who would then use the proceeds of the sale to pay off their mortgage loan. If the homeowner is in negative equity then the lender is expected to write off the balance owed. The homeowner remains in the property and will be offered an appropriate Assured Shorthold tenancy with the Trust which meets the requirements of the Capital Funding Guidance issued by the Homes and Communities Agency (HCA). The homeowner will then pay an intermediate rent which is no more than 80% of the market rent.

Another registered provider – Riverside - is the appointed MRS agent for Cheshire. The Trust has entered into a Service Level Agreement (SLA) with Riverside, agreeing to be a syndicate partner in the scheme. This agreement sets out what Riverside will do and what the Trust is expected to do.

In effect, Riverside performs all the 'leg work' including claiming the grant from the HCA on behalf of the Trust. Riverside then receives an administration fee for their work for each property accepted under the scheme by the HCA, and uses this fee to cover their own administrative costs, pay the vendors' solicitors fees and also to pay for a RICS house buyer survey on the property.

The Trust will then pay for the property following the successful completion of an Asset Management survey of the property. This will determine the repair works required to bring each individual property up to Decent Homes Standard and will include the completion of an Energy Performance Certificate.

The Trust may refuse to proceed with the acquisition of a property under this scheme only if, after completing the Asset Management survey, it determines that the required repair works to bring the property up to DHS are at such a high cost or the property has such severe structural issues that it would not be economically viable to proceed under the MRS. If such a situation arises, the Trust will discuss its concerns initially with Riverside and if by mutual agreement it is agreed not to proceed, the Trust will write to Riverside to confirm the decision. Riverside will consequently halt the acquisition process, and write to inform the applicant and the HCA of the Trust's decision.

The Trust is required by both Riverside and the HCA to indicate its level of commitment to the MRS. The Trust has indicated to the HCA that it would be interested in any properties in Widnes and Runcorn with the exception of the Castlefields area of Runcorn where we have no existing stock.

### ***Acquisition as a Business Opportunity***

The Trust may look to acquire additional properties outside of the two options mentioned above; e.g. from private housing developers who may be experiencing difficulties in selling all of their properties on the open market, or from homeowners whose homes are not former RTB/RTA properties.

This will only be done where a proper business case can be made to justify the acquisition, and the Trust is convinced that it will contribute to its overall objective of managing all of its estates efficiently and effectively and ensuring that the supply of sustainable housing is maximised.

In considering such acquisitions the Trust will take account of:

- the location of the property or properties;
- the standards to which the property has been built to initially;
- the extent and cost of any works that may be required to bring the property up to Trust standards;
- potential ongoing maintenance and repair costs;
- the rental income that may be realised following acquisition.

## **Responsibility**

The Director of Housing Services is responsible for the effective implementation of this policy.

Responsibility for the day to day implementation of the Policy will rest with the relevant Housing Manager.

## **Service Standards**

### ***Buy Backs***

Service standards have been set that relate to different forms of buy back

*Proactive Buy Backs:*

- Once identified, the relevant Area Housing Manager will complete, in liaison with the Income Manager, and then submit a Buy Back Request Form to the Director of Housing Services within 10 working days.

#### *Reactive Buy Backs:*

- Following receipt of a buy back request from an ex-customer, an acknowledgement letter will be sent within 10 working days
- A full response will normally be sent within 20 working days. If for some reason this is not possible, a further letter will be sent giving a revised date for the full response.

The associated procedure guide sets out in greater detail the process to be followed in each case.

#### ***Mortgage Rescue Scheme***

Service standards relating to MRS are contained within the Service Level Agreement between the Trust and Riverside in its role as the MRS agent for the area. More details on this and a copy of the SLA can be found in the procedure guide that supplements this policy.

#### ***Acquisition as a Business Opportunity***

No service standards have been developed to cover this type of acquisition, as each one will be dealt with on its merits, subject to a viable business case being made. However, the Trust will ensure that any acquisitions made in this way will be carried out as expeditiously as possible

## **Performance Measures / Monitoring**

Levels of Buy Backs and properties acquired under the MRS or any other business opportunity will be monitored by the Trust for the reasons stated in the Business Impact section below.

## **Consultation arrangements**

The appropriate employees who are directly involved in the acquisition and Buy Back of properties have been consulted on this policy.

Customers affected by the Buy Back or acquisition under the MRS of any property or land will be consulted on an individual, case by case basis as part of the decision making process of whether to dispose or not.

## Benchmark Analysis

Any review undertaken will look to ensure that the policy continues to operate in line with best practice and that service improvements are made and implemented.

## Regulatory and/or Legal Compliance

The current regulator for registered providers in England – the Tenants Services Authority (TSA) – issued various standards for compliance that came into force in April 2010. It is envisaged at present that these standards will continue to stay in force once the current regulatory functions of the TSA pass over to the Homes and Communities Agency.

There are a number of standards that are relevant to this policy:

In the Home Standard, one of the ‘required outcomes’ relates to Quality of accommodation. This states that: *‘Registered providers shall ensure that tenants’ homes meet the standard set out in section 5 of the Government’s Decent Homes Guidance by 31 December 2010 and continue to maintain their homes to at least this standard after this date.’*

In the Value for Money Standard, one of three ‘specific expectations’ states that: *‘Registered providers shall demonstrate to their tenants how expenditure has been prioritised in relation to each of the standards and in the delivery of local offers, and in meeting other needs such as investment in new social housing provision.’*

In buying back or acquiring additional properties under this policy, the Trust is contributing to the achievement of those elements of the Standards stated above.

In the Neighbourhood and Community Standard, one of the ‘required outcomes’ relates to local area co-operation. This states that: *‘Registered providers shall co-operate with relevant partners to help promote social, environmental and economic well being in the areas where they own properties.’*

The Trust’s involvement with the local MRS can be seen to be contributing to the achievement of the above Standard.

## KLOEs affected

As the Audit Commission’s housing inspection framework ceased with effect from April 2011, a full assessment against each of the KLOEs has not been undertaken. However the policy outcomes will feed into the Trust’s ongoing update of its self assessment documents as well as the input to our Service Improvement Framework.

The key areas covered by this policy include:

- Access and Customer Care
- Diversity

- Value for Money
- Housing Regeneration and Neighbourhood Renewal
- Stock Investment

## **Diversity Considerations**

An Equality Impact Assessment was carried out on this policy when it was originally developed in 2009. There were no significant issues identified at that time that affect the implementation of the policy.

It has not been felt necessary to conduct a further assessment as part of this review, as if anything the revised policy increases the opportunities for customers to be assisted under the policy.

## **Links to Strategies, Procedures and Associated Documents**

- Standing Orders and Financial Regulations
- Asset Management Strategy
- Financial Inclusion Strategy
- Property Buy Back & Acquisition Procedure Guide
- Property Buy Back Request Form
- Mortgage Rescue Scheme SLA

## **Business Impact**

Some properties may not be self financing on a Net Present Value basis (NPV) if let on target rent unless grant is received to subsidise the purchase. The Trust will consider each application on its individual merits and ensure that it has the financial resources to re-purchase or acquire properties without this having a detrimental impact on the Trust's overall financial viability.