

Property Purchase Policy

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1 Policy Information

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2 Policy Statement

South Liverpool Homes (SLH) has the legal power to purchase properties on the open market if this helps SLH meet our corporate plan and strategic objectives, this may include properties that are tenanted or void, including:

- Repurchasing properties from previous tenants who have purchased their home under Right to Buy (RTB) or Right to Acquire (RTA)
- Purchasing a home from a struggling home owner, enabling them to remain in the property as a tenant (Previously referred to as Mortgage Rescue)
- Buying a void (empty property) on the open market, including at auction or via an agent, or direct negotiation
- Purchasing a new build property “off the shelf”
- Purchasing equity in an SLH shared ownership home
- Purchasing part of the equity or mortgage debt in a home owner’s property
- Purchasing a home(s) from another housing association

There may be different reasons we consider for purchasing properties within the various contexts listed above. This could include supporting growth and development strategies, replacing homes lost through RTB, taking a proactive approach to neighbourhood management (for instance by purchasing a problem property), helping SLH shared owners and residents in our neighbourhoods avoid repossession, in line with the objectives of SLH’s People, Place, Planet and Pound.

Whilst we will consider purchasing properties in the situations listed above, we will never be obligated to buy a property if we do not consider this within our best interests.

3 Policy Aims

The aims of this policy are to:

- Ensure that purchasing properties is strategically aligned with our business objectives and achieves value for money
- Explain the circumstances when we will consider purchasing properties
- Explain the considerations made to inform the decision about whether to purchase or not
- Help to minimise risk when purchasing properties, but balance this with being able to pursue advantageous opportunities
- Describe relevant checks and controls that will be followed to ensure purchases are likely to achieve intended outcomes and be an appropriate use of our resources
- Highlight how purchasing of properties will integrate with different areas of our business, including financial, assets, tenancy and management considerations

4 Property Purchase Policy

4.1.1 Overview and Key Principles

There are different categories that broadly define the situations we would consider purchasing properties would fall within. These are summarised above in Section 2, the Policy Statement, and expanded on below in more detail.

Due to the different contexts when a property purchase may be considered, there will be different risks and considerations related to these categories, which are also detailed below.

Each purchase would be considered against this policy and as against the Capital Funding Guide for Shared Ownership (where applicable) as published by Homes England. However, decisions will take into account the external market and internal operating conditions at the point in time the property purchase is considered. This means each property purchase opportunity will be considered individually and when a property is purchased this does not constitute setting a precedent for future decisions.

The following key principles will be adhered to regardless of the category or context:

- We have the financial capacity to purchase the property
- Purchasing the property will not use up resources that prevent us from achieving a higher strategic priority
- The purchase helps us achieve a business plan / strategic objective
- The purchase is within the financial and strategic approval parameters of an approved programme of acquisitions
- The cost of purchasing the property is equal to or less than the market value, which is supported by an independent Royal Institution of Chartered Surveyors (RICS) valuation
- There is a financial appraisal that includes all costs of purchasing the property (including any one off fees and additional works costs, along with ongoing management and maintenance costs) and projected income (rent or sale income). This appraisal should demonstrate a positive Net Present Value and Internal Rate of Return of 4.39% plus the appropriate risk uplift
- On occasion this may be superseded by a much larger strategic aim or value for money consideration that has Board approval
- The condition of the property is understood and accommodated in the financial appraisal, including gas and electrical safety checks
- Satisfactory legal checks have been undertaken into the property and title
- That the property will be purchased with an unencumbered title
- We understand and are satisfied with any obligations placed on the property through the lease or title deeds
- The property benefits from a Freehold Title or is a good Leasehold (longer than 75 years) or if not (such as a short lease for temporary use) we have thoroughly considered the financial and legal consequences of this
- We understand and are satisfied with any service charge or third

party management (e.g. a Property Managing Agent) obligations that are related to the property.

- We understand and are satisfied with any implications arising from the ownership or occupants of neighbouring properties
- Satisfaction that the vendor is not likely to be using the funds they receive for money laundering or criminal activity
- We will declare any conflict of interests involving the purchase of a property with either our colleagues, Board members or key stakeholders and raise this with Board for approval
- We will maintain an audit file of key documents for each purchase
- We will always update our records immediately to ensure all relevant teams are aware of the purchase including Gas Servicing Register (in alignment with our Compliance Policy and Procedure), Housing Management System (Orchard), Asset Management System (Pimss)
- We will always explain to the customer/vendor, our decision making process and what we have based our offer price on or why we decided not to purchase
- If the person selling the property is to remain as our tenant, we will explain in advance the extent of works we will undertake/won't undertake when we buy
- If purchasing equity in a person's property (offering an Equity Loan), we have the relevant Financial Conduct Authority and Consumer Credit accreditation

4.1.2 Promotion of Service

Purchasing properties at times will be a proactive activity we drive and in other instances will be responsive to the needs of residents.

Our capacity and appetite to purchase homes may change and the extent to which the service is promoted will be shaped by our general strategic response to the wider operating environment, risks and opportunities at the time.

We will provide information to our RTB purchasers, shared owners and leaseholders on who to contact regarding potential buy-back or flexible tenure, with care to not distort expectations and clarity that we are under no obligation to buy their home.

We will always be sensitive in how we promote our property purchase approach, and look to avoid unduly raising expectations.

We will also work closely with other agencies – such as the Local Authority and the Citizens Advice Bureau, to make them aware of our approach and areas where we may be able to help.

4.2 Repurchasing Homes SLH have Sold via Right to Buy / Right to Acquire.

We have an option to repurchase properties sold through RTB and RTA. We have a right of first refusal within ten years of a RTB home being sold to repurchase the property at the full market value. This right of first refusal will be binding on the initial purchaser and their successor in title. We may also be approached from the home owner due to hardship or other reasons.

The reasons SLH may consider repurchasing homes sold through the RTB and RTA, may include:

- Wishing to grow stock numbers, replace or replenish stock

- Wanting to avoid a former social rented home in an SLH neighbourhood from being repossessed and potential neighbourhood management implications
- Supporting vulnerable home owners who may be in financial difficulty or unable to manage their home. This may incorporate issues such as the owner; being in financial difficulty, being unable to maintain their home, unable to live comfortably in the property due age, ill health or disability, has had to move to residential care, has died and their estate is being handled by a relative or friend.

A purchase may be part of a strategic acquisition, such as growing stock, assembling a wider site or buying to help resolve long term management or anti-social behaviour issues in an area SLH is a stakeholder.

SLH are under no obligation to repurchase homes previously sold and will only consider any purchase if there is a viable business case .

If repurchasing a home sold through the RTA or RTB the discount will need to be repaid by the owner depending on the number of years since we sold the property:

No. of years since initially being sold	% of RTB discount to be repaid.
1	100%
2	80%
3	60%
4	40%
5	20%
5+	0%

If the vendor is to become a tenant, they would need to be able to afford and sustain rent payments and satisfy our Allocation & Tenure Policy.

Rents would be set at Affordable or Social Rent whichever is the higher in line with our Rent Policy and in accordance with the current regulatory position. A Starter Tenancy Agreement would be used. The former homeowner, now tenant, would only become an assured non shorthold tenant (or be granted a five year fixed term assured shorthold tenancy) following the successful completion of the 12 month starter period (or 18 months, if the starter period has been extended).

If the RTB or RTA home owner is a leaseholder paying a service charge, any service charge arrears would need to be repaid as part of the property sale transaction from completion monies, except where the Executive Management Team accept this as being an exceptional hardship case.

Irrespective of whether the owner intends to rent the property following sale, we will always consider whether there is likely long-term demand for the property except where the intention is to buy to demolish or convert.

4.3 Purchasing Equity (either in part or full) in a SLH Shared Ownership Home

4.3.1 Flexible Tenure / Downward Staircasing (Part Re-purchase)

In some cases a shared owner may not be able to sustain mortgage payments and one option may be for SLH to consider repurchasing part or all of their equity, but allowing the person(s) to remain in the property as either a shared owner with a lower percentage ownership or as a tenant paying rent, but with no ownership.

This process would include many of the considerations detailed above in 4.2, but would not include the repayment of any discounts as this is not applicable to shared ownership.

In repurchasing the equity, the open market value at that point would be defined by a RICS valuation.

To aid the financial viability of repurchasing the equity, we may also wish to use recycled grant towards the repurchase, which is deemed an eligible use by the Homes England.

As with all property purchase considerations, we are under no obligation to facilitate flexible tenure/downward staircasing irrespective of the circumstances.

However, we will consider this as a proactive way of managing or preventing shared owner affordability problems. Our decision will also be informed by:

- Being satisfied there is a legitimate affordability problem that could not otherwise be managed by the shared owner
- Being satisfied that the shared owner can't sell on the open market either due to market conditions or circumstances that are in SLH's interests and the shared owner's interests that they remain in the property
- Being satisfied that this is a more appropriate solution to the issue than permitting the shared owner to sub-let the property
- Being satisfied that the shared owner does not have an appropriate alternative option, such as taking in a lodger or lifestyle changes (i.e. reducing expenditure)

We will seek evidence to demonstrate the points listed above.

4.3.2 Shared Ownership Leasehold Repurchase

The key difference between this option and the flexible tenure option discussed above is that the flexible tenure option is based on the shared owner remaining in the property as a shared owner or tenant. The leasehold repurchase option is based around a full repurchase of the equity and the shared owner/leaseholder moving out.

This may occur where the following conditions are satisfied:

- The property was grant funded
- The Shared Ownership lease was issued after April 2006 and contains a clause giving the landlord an option to indicate whether it will consider buying back the property
- Where the owner is still a shared owner and has not fully staircased but is required to move – for example the property is no longer suitable for the leaseholder's needs, or the leaseholder's employment requires a change in location

Where SLH considers repurchasing under the above conditions, we can use our own resources or the recycled capital grant fund if resources are available. The usual recycled capital grant fund rules will apply to subsequent sales receipts.

If there has been grant funding in the property, the repurchase and subsequent use of the property will be in accordance with any grant requirements.

Upon repurchasing the property, SLH may seek to rent the property to a new tenant or sell the property on a shared ownership basis.

The reasons for this property purchase intervention may vary, but would be considered as a strategic acquisition, for management, owner affordability or vulnerability issues (such as ill health or over-crowding).

In considering the purchase we will seek evidence that the outcomes we desire will not be resolved by the shared owner selling their share on the open market, or remaining in the property as per the flexible tenure option described in 4.3.1. and satisfied of all the key considerations listed in 4.1.1.

In such a scenario any shared ownership rent and service charge arrears would be retrieved as part of the condition of purchase.

4.4 Purchasing a Private Property on the Open Market.

SLH may choose to purchase an existing property on the open market such as by negotiation directly with the owner, or via an estate agent or auction. The reasons for this may be varied, such as site assembly, neighbourhood intervention, and growth. Home loss payments may also be payable to leaseholders in certain circumstances. In addition to the principles listed in 4.1.1 we will also:

- Have surveyed the property and considered the cost of bringing it up to SLH standards in the financial appraisal undertaken
- Present a clear financial appraisal of the investment opportunity
- Obtain a valuation undertaken by an independent RICS surveyor and will not purchase at a price above market value
- Require vacant possession or if there is a sitting tenant we intend to let to, ensure the tenant satisfies our Allocations & Tenure Policy and appears likely to be able to afford the future rent and if not consider alternative option for the tenant and agree these prior to purchase. This will also be subject to checks on arrears and the tenant signing up to our standard Starter Assured Shorthold Tenancy agreement
- Obtain title searches and legal advice
- Request copies of planning permission and Building Regulations for any significant works that had been undertaken to the property, such as extensions, or if not possible we may consider taking out appropriate indemnity insurances, if supported by legal advice
- If our intention is to mothball the property or demolish, we will have arrangements for the securing of the property and turning off services ready to commence immediately on sale completion
- If our intention is to re-let or sell the property then we should be confident that there is demand for the property

4.5 Purchasing a New Build Property

Sometimes we will have the option to buy a property that is brand new. The reasons for this may vary, but are most likely to be driven by growth and development objectives.

In addition to the principles outlined in 4.1.1 we would also:

- Obtain copies of Planning Permission and Building Regulations certificates
- Obtain evidence that Planning Conditions had been satisfied and signed off
- Obtain a building warranty such as National House Building Council (NHBC), Premier Guarantee or Local Authority Building Control (LABC) or a satisfactory equivalent
- Obtain clarity on any estate management / service charges, Management Company and Managing Agent Arrangements, and be satisfied with these
- Obtain satisfactory confirmation of any Section Agreements (for instance for roads and sewers)
- Be assigned any collateral warranties from the structural surveyor and architects (and/or as appropriate)
- Understand clearly and be satisfied with any snagging, defects arrangements in place with the builder/ developer, or factor this into the purchase price negotiation
- Assess the wider site and consider the developer's intentions for other properties and undeveloped land
- Obtain any insurances recommended by our solicitors
- If grant funding is being used to purchase the property, that the specification of the property satisfies any standards that are a condition of the grant

4.6 Purchasing a Home(s) from Another Housing Association

In some cases we may have the opportunity to buy a home from another housing association. In the context of this policy this is considered in reference to single or small scale acquisitions, not large scale stock transfer.

If buying from a housing association the considerations listed above such as relating to demand, financial viability, strategic alignment, title and legal searches all still apply.

The main differences would include:

- If the property is defined as social housing (i.e. not developed for market rent), the use of a valuation based on Existing Use Value– Social Housing (EUV-SH) will be considered. This will form part of a wider consideration of financial viability (such as achieving internal rate of return (IRR) of 4.39% plus the appropriate tenure risk premium) and also the potential maximum offer if the purchase is part of a competitive bidding process
- An understanding of what grant liability (if any) is registered against the property and if the grant liability is to be transferred then to SLH then this amount will be discounted from the purchase price
- If the property is tenanted, we would seek to obtain confirmation from the housing association selling that the tenant has been consulted with in accordance with the Tenancy Involvement and Empowerment Standard
- Post completion will need to formally notify the tenant that we are their new landlord (to comply with section 3 of the Landlord and Tenant Act 1985) and of our registered address (to comply with section 48 of the Landlord and Tenant Act 1987) and provide clarity on the new tenancy agreement and issues, such as preserved RTB, to the tenant.

- If the tenant is in arrears, we may also need to enter into a Deed of Assignment of Arrears and will need to notify the tenant under section 136 of the Law of Property Act 1925 that the debt has been assigned to us.

4.7 Buying a Commercial Property

In some scenarios SLH may consider purchasing a commercial property. This could be as part of a site assembly, with a view to demolish, with a view to convert to residential, or as an investment that can also support local business, or for SLH to utilise directly (e.g. as a community facility, neighbourhood surgery);

The context and reason for purchase will be considered each time as part of the decision making process;

SLH will only consider purchasing a commercial property if:

- There is an approved financial appraisal for the acquisition that considers realistic cost and budget implications
- The purchase fits with an agreed strategic approach
- SLH are satisfied with the legal covenants, title restrictions, and any existing lease arrangements with tenants (length of the lease, nature of business)
- SLH have considered in the financial appraisal any business rates, utility costs and security costs (if holding the property as empty)
- SLH have considered the strength of the covenant of the commercial tenant (if there is one)
- If intending to let the property SLH have considered likely demand from potential end users, who will pay for the fit out costs, local competition, permitted planning uses
- If there is a sitting commercial tenant whose lease is due to expire, that a scenario has been considered where they may wish to extend their tenancy under the Landlord and Tenant Act 1954 and the level of statutory compensation has been identified in the event SLH wanted to terminate the tenancy on statutory grounds.
- Whether SLH's lender covenants permit the acquisition

5 Customer Standards & Performance Monitoring

We are committed to delivering a high quality standard of service equally to all our customers and to continuously improve standards.

We will treat any contact regarding opportunities to purchase properties with appropriate levels of confidentiality and communicate in an open, honest and fair way with those involved.

We will ensure staff are fully trained to deal with enquiries efficiently. We will ensure staff receive regular training on equality and diversity issues to ensure that they are able to deal sensitively with the diverse needs of customers.

As well as the standard Customer Commitment, SLH will ensure the following standards during delivery of this service:

- We will acknowledge receipt of initial enquiry within five working days;
- We will advise on our decision on whether we intend to progress with the

purchase or what further information we require within 20 working days of our acknowledgement above.

It will be noted that any intention to purchase is subject to contract and we will be honest and open about the reasons when we choose not to and avoid raising expectations unnecessarily.

When the reason we are considering the property purchase is related to the owner's affordability or vulnerability issues, irrespective of whether we purchase the property or not, we will encourage / help them to contact other agencies that can be of help, whether that is money advice or support around health an care.

When we are purchasing a property from someone who intends to remain in the property, such as via a *Mortgage Rescue* or *Flexible Tenure (downward staircasing)* we will ask that they obtain independent financial advice on their decision. If SLH have to pay for this advice (due to the owner's affordability issues) then we will incorporate the cost of this into the financial appraisal and negotiation on price.

6 Performance Monitoring

To understand the impact of our decisions, we will monitor what happens to both property purchase requests / opportunities we agree to and those that we don't. This will be reviewed as part of a continuous improvement approach.

For properties we purchase we monitor:

- the anticipated project costs against the actual;
- an annual review of arrears, demand, tenancy management repairs and maintenance costs.

For those properties we decide not to purchase we will monitor what happens to the property and whether the outcomes (for instance repossession, sale to a private landlord etc) were as expected or whether in hindsight we would have made a different decision. Again we will use this information to inform continuous improvement and future decision making.

We will also record equality and diversity information for residents who we are in contact with over potential property purchases (as per below) in line with General Data Protection Regulations.

7 Policy Review Considerations

We are a proactive stakeholder in the local housing market and it is important we have a clear policy outlining our approach to purchasing properties under different circumstances.

The policy principles outlined in this document are designed to help us take advantage of opportunities to grow and replenish stock, make strategically aligned acquisitions or help local home owners in housing difficulty (when appropriate), whilst achieving value for money and managing risk.

SLH's policy toolkit has been used in the development of this policy.

8 Equality Analysis

We understand how valuing diversity can improve our ability to deliver better services. We aim to ensure that when we purchase properties we achieve fairness in all aspects of the policy and procedure and will monitor applications and completions by

age, disability and gender.

We aim to ensure that the Property Purchase Policy is delivered in line with statutory requirements and is fair and consistent to all residents, regardless of their age, religion, disability, gender, race, national origin, sexual orientation, appearance, responsibility for dependants, unrelated criminal activities, being HIV positive or with AIDS, or any other matter which causes a person to be treated with injustice.

We ensure equal access to SLH regarding this area by:

- All SLH offices being Disability Discrimination Act (DDA) compliant
- All publications carry alternative format flags highlighting that documents are available translated, in Braille, large print and in an audio format
- Ensuring access to an interpreter through face to face interpretation or through the use of Language Line
- Ensuring access to Type Talk

9 Policy Assessment

As we play an active role in the local housing market, it is important we have a clear policy regarding purchasing properties. The risk of operating **without** a clear policy and procedure is high, risks include:

- Damage to our reputation;
- Buying a property that has no long term demand;
- Buying a property that costs more to repair and maintain than anticipated;
- Buying a property that represents poor value for money and financial loss;
- Buying a property that has legal problems;
- Regulatory risks due to poor process, governance and record keeping;
- A poor use of resources preventing us from achieving other priorities;
- An inability to efficiently acquire a property in neighbourhoods we are a major stakeholders in, even when this is in our interests

Each recommended purchase will be approved by the Director of Investment and Assurance and Director of Finance. Ongoing staff training and supporting procedures will help to ensure individuals involved are aware of their responsibilities.

This policy reflects the systems and performance required to ensure that property purchase applications are dealt with in a timely and efficient manner in line with statutory requirements and to avoid abortive costs associated with refusals, complaints and avoidable spending on properties.

The policy itself is designed to help reduce risks. However, there will remain residual risks when and if we do buy properties. These risks are considered below as net/residual risks meaning this is after the controls and approach described in this policy and related procedures have been adopted.

10 Customer Influence

We actively promote resident involvement and aim to engage residents in meaningful consultation to influence our decision making processes and policies.

We have used feedback from customers who we have purchased properties from under the Mortgage Rescue initiative to inform the policy.

11 Statutory and Legislative Framework

There is various statutory and legislative considerations that touch on the purchasing of properties including:

- Housing Acts 1988, 1996 and 2004, 1996 Landlord & Tenant Acts 1954, 1985, 1987 Proceeds of Crime Act 2002
- Regulator for Social Housing (RSH) Value for Money Standard;
- Capital Funding Guide for Shared Ownership
- RSH Governance and Financial Viability Standard
- Homes England Capital Funding Guide
- Homes England Rent Standard
- Homes England Tenancy Standard
- Homes England Tenancy Empowerment and Involvement Standard

12 Links to Other Policies

Financial Regulations
Procurement Policy
Home Ownership Policy
Rent Policy

Customer Feedback Policy
Every Place Perfect Strategy
Allocations & Tenure Policy
Compliance Policy