



Title: Draft Sales Policy

Report of: TGHC Director of Customers and Communities

Purpose of Report

1. The purpose of this report is to provide the Board with a formal policy relating to properties that Keelman Homes will be selling, either through market sales, help to buy, or any low cost home ownership initiatives.

Background

2. Keelman Homes has successfully sold properties in the past, under the Shared Ownership scheme at Kibblesworth. Whilst shared ownership is not currently being considered for properties in development, there are properties being marketed for outright sale at the Lonnen site and it is anticipated that there may be a need to consider further sales approaches on future sites going forward.
3. To support the approach and increase options for prospective buyers, part of the strategy at the Lonnen site has been to make the sales properties available through the Help to Buy scheme.
4. The activity in relation to sales properties to date and the potential to include further sales units on future schemes has identified the need to have in place a formal sales policy, to provide clear guidance for officers, board members and potential customers in relation to sales.

Policy

5. In order to ensure that Keelman Homes is complying with regulatory requirements from both the HCA and the Charities Commission, and remaining true to Keelman Homes development principles and charitable objectives, a draft policy has been produced to provide a framework for any sales activity. The draft policy is included as an appendix to this report.

Risk Management Implications

6. This policy will assist in managing the risk of incurring additional financial costs where properties remain unsold. It will also assist in managing reputational risk for Keelman Homes by having properties standing empty for long periods.

Financial Implications

7. Where income projections based on sales have been factored into site appraisals and the overall Keelman Homes business model, this policy will assist in ensuring that appropriate sales values are achieved in a timely manner with minimum impact on the forecast cash flow.

Health and Environmental Implications

8. Whilst affordable rented homes remain the primary focus of Keelman Homes development plans, it is recognised that a mixed tenure approach may be required not only from a financial perspective but to support longer term sustainability on larger sites.

9.

Equality and Diversity Implications

10. There are no equality and diversity implications arising from this report. The policy will increase options for all customers to access home ownership.

Value for Money implications

11. With regard to the construction of any sales properties, these will be included in the procurement of a developer to ensure prices remain competitive and value for money is achieved.
12. Similarly, when agents or surveyors are appointed to support sales activity, existing procurement policies will be followed.

Consultation carried out

13. The following officers have been consulted with regard to this policy:
 - Managing Director TGHC
 - Director of Customers and Communities TGHC
 - Head of Corporate Services
 - Finance Manager
 - Head of Neighbourhood Services
 - Head of Customer Services.
14. All Ward Councillors have been updated on the Lonnen site and the inclusion of sales properties. Any future sites where sales are considered will also include briefings on the site proposals for Ward Councillors.

Recommendation

15. The Board is asked to note approve sales policy.



Sales Policy May 2015

1. Introduction

Keelman Homes (the Company) aims to provide new housing in Gateshead and to provide housing management services for tenants and other registered providers in this area. In order to support this aim the Company may choose to sell properties on the open market.

This policy covers the process for the sale of properties specifically built for sale on the open market.

Properties for sale under shared ownership are covered in a separate Shared Ownership Policy.

The Company is committed to completing property sales in a fair and transparent manner.

Keelman Homes is required to follow guidance from the Homes and Communities Agency (HCA) and the Charities Commission. This policy has been written to reflect these requirements.

Keelman Homes should comply with the covenants of any grants received and any loans taken. It may be necessary to seek the permission of other parties before selling properties. Clarification should be sought on any specific agreements before proceeding with sales.

Where the Managing Director, Director of Customer and Communities or other employees are referred to, these include the employees of Keelman Homes and the employees of The Gateshead Housing Company (TGHC) who have been given authority to act on behalf of Keelman Homes.

2. Property Valuation

In order to determine the value of a property for sale, Keelman Homes should obtain a written valuation report from a qualified surveyor. This must be a person who is professionally qualified; for example, a Member or Fellow of the Royal Institution of

Chartered Surveyors (RICS). The surveyor must be experienced in valuing properties of this particular kind, in this geographical area.

The surveyor's valuation report should comply with the Charities (Qualified Surveyors' Reports) Regulations 1992.

This should be completed at an acceptable cost to Keelman Homes.

The valuation report should be considered by the Board at the next appropriate meeting.

If the time scales result in potential loss of opportunity (i.e. the delay in the Board reviewing the report would result in loss of sales), the Board delegates authority for the report to be reviewed by the Managing Director, the Director of Customers and Communities and the Head of Corporate Services. These parties should then report back to the Board at the next appropriate meeting.

In reviewing the surveyor's valuation report, the Board should decide that they are satisfied that the terms on which the sale is proposed to be made are the best that can reasonably be obtained for the Company.

If the surveyor's report suggests that an alternative course of action (other than sale) would result in the best outcome for the Company, then further actions should be reviewed and determined by the Board.

3. Advertising the Property

If the sale is to proceed, the property must be advertised for such period and in such manner as is advised in the surveyor's valuation report (unless it advises that it would not be in the best interests of the Company to advertise the proposed sale).

Keelman Homes should advertise the property at the price determined by the surveyor's valuation report.

The Company may appoint a sales agent to advertise the properties on its behalf. The appointment of a sales agent must be in line with the Company's procurement policy. The use of a sales agent and associated cost will be agreed by the Managing Director and / or Director Of Customers and Communities.

4. Review of Sales

Regular updates should be provided to the Board on the progress of sales.

If, after a reasonable time period (3 months), the property has not been sold at the price advertised, a sales update should be provided to the Board.

It may be necessary at this point to commission a second surveyors report. The options considered should always be those where the outcome is the best that can reasonably be obtained for the Company. Where alternate options are identified these will not be taken forward without board approval.

Negotiating Sales Value

Sales should always be made at a price that is considered to be the best that can reasonably be obtained for the Company.

The price should only be reduced if all of the requirements for advertising and time scales per the surveyor's valuation report have been complied with.

If the best outcome for the Company is deemed to be a price reduction, the Board should review the sales price and determine the appropriate price reduction.

Factors to consider in determining a price reduction may include, but are not limited to:

- Feedback from agents appointed to manage the sale
- Feedback from potential buyers
- Sales price of other properties in the same scheme that have completed sales
- Recent sales prices of other similar properties in the local area
- Overall financial position of Keelman Homes and the financial models specifically relating to the property in question
- Considering another option other than sales (e.g. shared ownership, rent)
- General market and environment conditions

If the timing is not appropriate, (i.e. the delay in the Board review would result in loss of sales), the Board delegate authority to negotiate sales price, up to a reduction of 5% of the surveyor's valuation, to the Managing Director, the Director of Customers and Communities and the Head of Corporate Services. Two of the three parties must be in agreement to reduce the price.

If the price is reduced by the delegated parties, it must be reported to the Board at the next meeting, with an explanation of the reasons for the reduction and the agreed amount.

The delegated authorities have power to reduce the sales price by 5%. Any price reductions of more than 5% of the surveyor's value must be agreed by the Board.

5. Sales Incentives

Through prior agreement with developers, sales incentives can be included within the sales properties and should be implicit in any contract signed. If properties are proving difficult to sell then Keelman Homes may consider additional fixtures and fittings that exceed what is normally expected in properties for sale, to help marketability. Typical incentives may include carpets or white goods.

Where additional incentives are considered to be necessary beyond those provided in the contract, the value of these incentives will be agreed in consultation but would not exceed 5% of the properties advertised price and should be included in any price reduction as referred to above.

6. Selling to Connected Persons

Before proceeding with a sale, Keelman Homes should determine if the potential purchaser is a connected person.

A connected person is a person or organisation closely connected to or associated with the Company, as determined by law.

For Keelman Homes, this includes, but is not limited to:

- The trustees
- A donor of land
- Employees or officers of Keelman Homes , TGHC or Gateshead Council
- TGHC Board Members
- The spouse or civil partner of any of the above
- Close relatives of any of the above
- Institutions or companies controlled by such people or in which such people have a substantial interest

If Keelman Homes wishes to sell to a connected person it is a legal requirement (under section 117(1) of the Charities Act) to obtain an order of authority, from the Charities Commission, to proceed with the sale.

This provides assurance that the Company has carried out the transaction openly and transparently and that the sale is in the best interests of the Company. In such cases, the Charities Commission needs to be sure the Company has taken the correct measures to manage any conflict of interest and to achieve the best terms for the sale.

If the potential purchaser is a connected person the permission of the Board should be sought in order to continue with the sale.

If the time scales result in potential loss of sales, the Board delegates authority for the sale to be reviewed by the Managing Director, the Director of Customers and Communities and the Head of Corporate Services. Two of the three parties must be in agreement to proceed with the sale to a connected person.

If Keelman Homes wishes to continue with the sale to a connected person, the order of authority should be obtained from the Charities Commission, through the correct legal channels.

The form can be found on the following website (correct April 2015):

<https://www.gov.uk/sell-or-lease-property-to-someone-connected-to-your-charity>

Only when the order of authority from the Charities Commission has been received can the sale proceed.

7. Sales Restrictions

Keelman Homes may not sell properties to institutions or companies whose objectives conflict with the charitable objectives of Keelman Homes.

Consideration should be given to any potential offers that would be in conflict with Keelman Homes development principles, specifically with regard to the tenure composition on the development site of the property that the offer has been received on. Where proposed offers are received that are contrary to the original proposals for tenure on a given site, these will not be taken forward without full Board approval.

8. Responsibility

The responsibility for the implementation of this policy is with:

- The Managing Director
- The Director of Customers and Communities
- The Keelman Homes Lead Officer
- The Head of Corporate Services

9. Evidence of Compliance

Compliance with this policy will be evidenced by:

- The existence and implementation of a sales policy
- Surveyor's valuation reports
- Sales documentation
- Minutes from Keelman Homes Board
- Internal audit reports

10. Communication

The Policy will be published on Keelman homes internet site and the TGHC intranet.

11. Review of Policy

This policy will be monitored and reviewed annually with the next review date being March 2016. , Additionally, when strategic, procedural or legislative changes occur or any significant changes are made by the HCA or the Charities Commission the policy will be revisited and any changes brought back to the board for implementation.

Keelman Homes Board will approve the document and any substantial changes to it.