



Report to Board of Directors

18 July 2019

Title: **Rent to Buy Policy**

Report of: **Keelman Homes Development and Operations Manager**

Purpose of Report

1. To seek approval from the Board of a Rent to Buy Policy.

Background

2. Keelman Homes Limited will be introducing Rent to Buy as a new tenure in the Bleach Green (sales name 'High View') new build housing development. Of the 27 properties which are being purchased by Keelman Homes, 4 of the properties will be available to customers through Rent to Buy; the remaining tenures will be split into 5 properties available for Shared Ownership and 18 properties available at Affordable Rent.
3. Rent to buy is a government scheme designed to ease the transition from renting to owning a home by providing subsidised rent at 80%, allowing the customer 5 years to save their deposit (typically 10% of the property value).
4. To maximise opportunities and use of the policy The Rent to Buy Scheme must be marketed and advertised; it is proposed that the scheme is made available to existing Keelman Homes tenants and to the open market.

Rent to Buy Policy

5. A new Rent to Buy Policy is attached as the Appendix to this report.
6. The policy provides the framework Keelman Homes will follow to deliver the successful implementation of a new tenure through rent to buy.
7. The policy includes steps for Keelman Homes officers to follow to assist applicants through the process.
8. The policy will be monitored and reviewed, as appropriate, when strategic, procedural or legislative changes occur, or any significant changes are made by the government to the Rent to Buy schemes.

Impact on tenants

9. Tenants have the opportunity to own their home after renting it for five years.

10. An affordability assessment will be conducted to ensure the rent and approximate purchase price will be affordable for tenants.
11. Until a rent to buy property has been purchased, Keelman Homes will be responsible for the repairs and maintenance of the property.

Risk Management Implications

12. Potential risks identified include: -
 - Tenants not purchasing the property at the end of the five years.
 - Customers becoming homeless due to Keelman Homes serving them notice to leave and not offering a new home.
13. To mitigate these risks, KHL will conduct annual visits as part of the renewal of the one-year fixed term tenancy. Checks will be completed to monitor changes in circumstance which may impact on the tenant's ability to purchase and we will provide them with appropriate advice where necessary.

Financial Implications

14. If the customer did not purchase the property at the end of the five-year tenure, Keelman Homes would suffer the loss of a capital sales receipt but would continue to benefit from the rental income during this period.
15. Keelman Homes will be required to pay for credit checks and a safe deposit scheme under the new scheme. However, these costs are minimal and can be met from existing budgets.

Equality and Diversity Implications.

16. Applications made by KHL, TGHC or Gateshead Council staff will not be prioritised above other applicants. The trustees will be notified of any applications of this nature that meet the criteria to ensure transparency.

Value for Money implications

17. There are no value for money implications arising from this report.

Health Implications

18. There are no health implications arising from this report.

Environmental implications

19. There are no environmental implications arising from this report.

Consultation carried out

20. Consultation has been carried out with TGHC service improvement group. Generally positive feedback was received. The group felt that rent to buy will particularly help younger people to purchase a home as the rent they pay is 20% cheaper than market rent.

21. Keelman Homes Rent to Buy branding and marketing was drafted and circulated for comment; based on the feedback received a new draft is being produced.

Recommendation

22. It is recommended that the Board approve the Rent to Buy Policy.



Rent to Buy Policy
July 2019

Policy Title	Keelman Homes Rent to Buy Policy
Author	Yasmin Ellis Development Support Assistant Janice Adams Leasehold Manager
Signed Off By	Anne-Marie Pearce Development and Operations Manager
Date of Board Approval	
Policy Scope	Applies to all new units that are delivered as Rent to Buy
Date of Review	July 2020

1. Introduction

- 1.1 Keelman Homes Limited (KHL) is a charitable company limited by guarantee, which was created in 2009 to develop and build a range of good quality affordable homes.
- 1.2 KHL is governed by seven trustees who are the members of the company. These are made up of two Council representatives, one Gateshead Housing Company (TGHC) representative and four independent trustees.
- 1.3 The way the company carries out its business is governed largely by the provisions of the Companies Act 2005 and its Memorandum and Articles of Association.
- 1.4 KHL supports the development of rent to buy as one element of promoting mixed and sustainable communities through Help to Buy.
- 1.5 KHL procures its day to day housing management services from TGHC in respect of the properties owned by Keelman Homes Limited under a Management Agreement.
- 1.6 The term of the Management Agreement is for the period 1 January 2019 until 31 December 2020.

2. Definitions

- 2.1 Keelman Homes Ltd (KHL): the landlord. Where Keelman Homes is mentioned throughout the policy may indicate reference to its current managing agent.
- 2.2 Rent to Buy: a government scheme designed to ease the transition from renting to buying a home by providing subsidised rent at 80%, allowing the customer to save their deposit, usually over a five-year term.
- 2.3 Homes England: an executive non-departmental public body, sponsored by the Ministry of Housing, Communities and Local Government. In January 2018, Homes England replaced the Homes and Communities Agency (HCA). Homes England brings together land, money, expertise and planning and compulsory powers, with a clear remit to facilitate delivery of sufficient new homes, where they are most needed, to deliver a sustained improvement in affordability.
- 2.4 Market Value: The purchase of the property will be at the open market value of the property at the time of purchase.
- 2.5 Help to Buy: Is the umbrella name for the Homes England home-ownership schemes. These include Shared Ownership, Rent to Buy and the Help to Buy Equity loan scheme.
- 2.6 Service Charges: Charges payable for services provided by the landlord.

3. Key Objectives

3.1 The main objectives of this policy are to:

- ♥ Set clear eligibility criteria for Rent to Buy Homes using the most up to date guidance established by Homes England
- ♥ Set out procedures to be followed when marketing Rent to Buy properties
- ♥ Set out procedures to be followed when managing Rent to Buy properties
- ♥ Ensure a consistent approach to administering the programme

4. Aim of Policy

4.1 KHL's intention is to let newly built homes to people with a genuine prospect and ambition to purchase their home, in the near future.

4.2 KHL aims to ensure that properties are allocated to customers in a fair and consistent manner, in accordance with government rent to buy guidelines.

5. Eligibility Criteria

5.1 KHL have taken eligibility criteria directly from Homes England.

- First time buyers or returning to the market after a relationship breakdown. Applicants cannot be a current home owner (or named on the deeds of another property)
- The household earns £80,000 a year or less.
- At least one applicant must be working. Zero hours contracts may be considered at the discretion of KHL.
- Unable to purchase a home suitable for needs without assistance.
- Must be looking to buy in the future and can provide evidence of savings towards a deposit. Evidence would include a savings account or Help to Buy ISA.
- Must have a good credit history and without any outstanding credit issues (i.e unsatisfied defaults or county court judgments)
- Must be UK citizens or have the right to remain in the UK.
- Applicants on long term disability or pensions will not be eligible.

6. Marketing

6.1 KHL will assess the demand for different tenures and agree affordable units to be built in partnership with housebuilders. Planning permission granted.

6.2 Schemes will typically be mixed tenure (including units for Affordable Rent, Shared Ownership and Rent to Buy) so a joined-up approach involving Development and Operations Manager, the Development Support Assistant and the Leasehold Manager will be required when agreeing the marketing plan, the intermediate rent and any relevant service charges.

6.3 Marketing will be via different sources and may include KHL website, TGHC website, Rightmove, Help to Buy, Tyne and Wear Homes, in partnership with

builders and local estate agents, combined with a bespoke marketing plan to include viewing days, information packs, social media, site development signs etc.

- 6.4 An appointed sales agent acting on behalf of Keelman Homes will be expected to assist with the preparation and display Rent to Buy brochures. Rent to Buy properties will be marketed in all forms of media including newspapers, on-line and within local estate agents'/sales office windows. In some cases, artists' impressions will be used if a photograph is not appropriate.
- 6.5 KHL may install fixtures and fittings that exceed the normal lettable standard in Rent to Buy properties to help marketability. This could include carpets, white goods and garden sheds.
- 6.6 Where we are unable to let a property on a Rent to Buy basis after a reasonable period of marketing (minimum three and maximum six months from handover), the Development and Operations Manager will liaise with the board of trustees over viability of conversion to an alternative tenure, such as affordable rent or shared ownership. Where Homes England grant has been allocated, we will seek approval to convert from Home England.

7. Applications

- 7.1 Applications will be managed, and homes granted to customers in a fair and consistent manner, in accordance with government rent to buy guidelines. It should be remembered that Rent to Buy is a homeownership product and applications should not be treated as an alternative rented home.
- 7.2 Applications made by KHL, TGHC or Gateshead Council staff will not be prioritised above other applicants. Applications of this nature that meet the set criteria will be declared to the board of trustees to ensure transparency.
- 7.3 All initial applications for the schemes must be made through Keelman Homes.
- 7.4 KHL will undertake checks to support qualification for the scheme by obtaining the necessary paperwork from the applicant. This will include proof of employment, such as a letter from the employer or recent payslips. As applicants must not have previously been homeowners (unless applying because of relationship breakdown), this should be confirmed by a signed statement at application. Where the application is because of relationship breakdown, the applicant should be advised to provide evidence of this (such as, proof of relinquishment of tenancy, a solicitor's letter, etc.)
- 7.5 A credit check will also be undertaken, which will be paid for by KHL. This information will be held on KHL managing agent's Northgate system. It will be disposed of when it is no longer needed, in accordance with General Data Protection Regulations (**GDPR**).
- 7.6 It will be the responsibility of KHL to ensure that applicants fully understand how the Rent to Buy scheme works, and especially that KHL has a reasonable expectation that the applicant intends to buy within five years. The applicant

also needs to be aware that the purchase price will be based on the market value at the time of purchase and that additional charges may be payable once a property is purchased (e.g. service charges).

- 7.7 During the initial 5 years KHL will expect tenants to save for a deposit.

8. Affordability Assessments

- 8.1 Affordability assessments will take place alongside credit checks completed by KHL and relevant documents collected. Service charges will be clearly defined.

- 8.2 A deposit equating to one month's rent plus £200 will be required from the tenant at sign up stage. This deposit will be collected and held by KHL in an approved deposit protection scheme like 'My Deposit' <https://www.mydeposits.co.uk>. Deposits will be returned upon the purchase of the property or termination of the tenancy.

9. Allocations Policy

- 9.1 Allocation of Rent to Buy properties will be made in line with the Keelman Homes Policy (see appendix 1).

- 9.2 If there are only enough interested applicants or there is less interest than there are properties then no requirement to attach any further criteria will be necessary. If, however, there is more demand than supply then the Keelman Homes Policy will be applied in order to rank those applicants.

- 9.3 Properties will be let at an intermediate rent for a minimum period of five years in accordance with Homes England, Capital Funding Guide. During this time, it is anticipated that tenants will save for a deposit.

- 9.4 Properties will be let on assured short-hold tenancies at an Intermediate Rent on a one-year fixed term tenancy.

10. Annual Tenant Visits

- 10.1 KHL will conduct annual visits as part of the renewal of the one-year fixed term tenancy.

- 10.2 Checks will be completed to monitor changes in circumstance which may impact on the tenant's ability to purchase. Advice around savings and signposting to Help to Buy ISA's will be provided.

- 10.3 As a result of the visit, if the KHL representative finds evidence of a tenancy breach, this may lead to enforcement action or early termination of tenancy.

11. Rent

- 11.1 Intermediate Rents will be offered at a value above social rent but below market levels.

- 11.2 Intermediate rents must not exceed 80% of the current market rent (inclusive of services charges).
- 11.3 Local market rents will be determined with reference to either the local Rent Officers, Rent Assessment Committees or the Valuation Office Agency as well as appointed RICS Valuers. All providers must comply with the Regulator of Social Housing's Regulatory Standards.
- 11.4 In order to provide protection and certainty for tenants, the maximum annual rent increase will be the Consumer Price Index plus 1%. The Consumer Price Index will be taken as at September of the previous year. This is in line with the Homes England, Capital Funding Guide.
- 11.5 The rent will be raised and monitored on a monthly basis.

12. Rent Arrears

- 12.1 Any tenant who falls behind with payments will be contacted promptly by KHL Team and appropriate action for arrears recovery will be taken in accordance with the current rent arrears process.
- 12.2 KHL will be responsible in their actions to make sure anyone experiencing difficulties in making rent payments is made aware of sources of advice available including welfare benefits and debt counselling. Prompt and practical advice will be offered as well as signposting to support services.
- 12.3 Where KHL is satisfied that appropriate courses of recovery action have been taken by staff and rent and charges remain unpaid, legal proceedings will be considered. Several legal measures would be considered for persistent failure to pay rent including repossession in accordance with the tenancy agreement.
- 12.4 KHL will act reasonably and will only take possession action where there is no other reasonable alternative and other avenues to maintain the tenant in their home have been exhausted.

13 Home Repairs

- 13.1 KHL will be responsible for all repairs and maintenance including an annual gas service of the boiler throughout the tenancy. The cost of this service will be recovered under the monthly rent.
- 13.2 After purchase all repair obligations will be the responsibility of the home owner.

14. Alterations or Improvements

- 14.1 Tenants must not make any alterations or additions to the property without written approval from KHL.

- 14.2 Tenants wishing to carry out alterations or additions to their home must submit full details of the proposed works to KHL.
- 14.3 Each request will be looked at on its own merits and will be formally responded to by KHL following the Alterations and Improvements procedure.
- 14.4 KHL will not withhold consent for improvement unreasonably. Any refusal of the proposed alterations or improvements will be accompanied with a full written explanation.
- 14.5 There is no appeals process. The terms of the tenancy will be referred to on all occasions.

15. Termination of Tenancy

- 15.1 If the tenancy is terminated before the end of five years for any other reason than a shared ownership purchase, KHL will re-let the property as a Rent to Buy property on a one-year renewable fixed term basis for the remainder of the five-year term. This does not need to be greater than the remaining period of the five-year term.
- 15.2 KHL will be to let on the basis that the property will still be sold at the end of the initial five-year period. KHL will be flexible depending on the market conditions prevailing, the time remaining before the end of the five-year period, and the circumstances of the incoming tenant.

16. Purchase

- 16.1 KHL may agree to a tenant request to purchase the property on a shared ownership basis within the initial five years. The property may not be purchased outright (or sold by KHL on the open market) before the end of 5 years, although a shared owner may subsequently staircase to 100% within the five-year period.
- 16.2 If KHL agrees, and the tenant can demonstrate an ability to buy, the application will be progressed in line with KHL Shared Ownership Policy.
- 16.3 At least three months prior to the end of the five years, a KHL Officer will visit the tenant to discuss their options regarding the sale (outright or on a shared ownership basis). If the tenant is unable to purchase and is to vacate the property, a date will be agreed at this meeting and a pre-termination visit will be arranged for the purposes of carrying out an inspection and comparing with the inventory at the commencement of the tenancy, to determine whether the full deposit should be returned.
- 16.4 If after the initial five years of letting, the tenant is not, in a position, to purchase the property, KHL will liaise with Homes England for available options under the circumstances. These options may include:

- ♥ The tenant may be permissible to continue to rent on an affordable rent tenure.
 - ♥ KHL retain the property as rented housing (at affordable rent) for new tenants.
 - ♥ KHL market the property to new Rent to Buy tenants.
- 16.5 If KHL chooses to rent out the property, there is no obligation to continue with the existing tenant or to re-house them in an alternative property.
- 16.6 If the property is to be purchased, either outright or via shared ownership, a RICS independent valuation will be obtained to demonstrate accurate market value.
- 16.7 There is no additional affordability assessment, over that of the mortgage lender, required for Rent to Buy purchases.
- 16.8 Houses will be sold as freehold, meaning the buyer will own the land their home stands on. There will be no landlord involved. There may be service charges attached to the deed.
- 16.9 If the property is sold, then the normal grant recovery obligations will apply. The KHL team will dispose of the asset and recycle or pay the grant value as part of the sales process. For further guidance see CFG <https://www.gov.uk/guidance/capitalfunding-guide/7-grant-recovery>.

17 Complaints, Appeals & Disputes

- 17.1 TGHC will take a proactive approach to the resolution of complaints, appeals and disputes by ensuring they are dealt with as quickly as possible, to minimise customer dissatisfaction.
- 17.2 To ensure we provide the same standards of customer care as we offer KHL tenants the Complaints and Compliments Policy will be followed.
- 17.3 KHL will review complaints, appeals and disputes to establish trends and identify service improvements.

18. Equality and Diversity

- 18.1 KHL aims to make services accessible, fair and equal as outlined in the Equality and Inclusion Scheme. Our progress in achieving our aims is monitored through the Equality, Diversity and Inclusion group, made up of representative from our diverse customer base. The group looks at barriers to accessing the services we deliver and provides feedback which helps to inform improvements to customer service delivery.
- 18.2 KHL will be mindful of personal information and ensure it is held in keeping with GDPR.

19. Performance Monitoring and Reporting

19.1 TGHC will regularly monitor service provision, associated costs and performance in collecting Rent to Buy income and will report to KHL Board on a regular basis as part of performance monitoring.

20. Service Delivery and Value for Money

20.1 The delivery of this policy and associated procedures is the responsibility of the Managing Director of TGHC and KHL Development and Operations Manager

20.2 KHL will develop procedures which will ensure effective implementation of this policy and provide training for staff to ensure they fully understand the wider issues surrounding Rent to Buy, and the legislative framework.

20.3 If staff become aware that there are problems with the effective operation of the policy or the associated procedures, they should report this to the policy owner. This feedback will be incorporated into the policy/procedural review process

20.4 KHL will establish good practice through our involvement with the Housing Quality Network and National Sales Group.

20.5 KHL will encourage Rent to Buy tenants to become involved in assessing value for money through regular satisfaction surveys.

21. Auditing

21.1 Income and expenditure within the Rent to Buy designated account will be reconciled on a quarterly and annual basis.

21.2 Gateshead Council external Audit Service under a Service Level Agreement will audit every year. The audit will cover all procedures, risk assessments and accounting.

21.3 KHL will maintain accurate and complete records of sale transactions both for reporting and audit purposes, by Homes England.

22. Risks

- Poor customer satisfaction levels with the cost and standard of rent and service charges and the way they are administered.
- Rent and service charges could be applied inconsistently across the Rent to Buy housing stock.
- Failure to monitor customer savings could result in the inability of customers to purchase within 5 years
- Income may be reduced if accounts are not created and managed in line with the Rent to Buy tenancy

23. Related Procedures

- 23.1 KHL procures day to day housing management services from TGHC in respect of the properties owned by KHL under a Management Agreement.
- 23.2 Where KHL does not have its own procedures in relation to day to day management of its stock, the policies of its management agent will be used.

24. Review

- 24.1 This policy will be monitored and reviewed, as appropriate, when strategic, procedural or legislative changes occur, or any significant changes are made by the government to the Rent to Buy schemes.
- 24.2 Stakeholder groups will be involved and consulted in any review of this policy.
- 24.3 We will use customer feedback to inform reviews and recommend changes to this policy and procedural documents.
- 24.4 KHL board will approve the document and any substantial changes to it.