

VOLUNTARY RIGHT TO BUY **POLICY**

VOLUNTARY RIGHT TO BUY POLICY		Version: 1	Ref: Tbc
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1. POLICY AIM

The policy sets out how we manage the sale of social rented homes to existing tenants through the Voluntary Right to Buy Scheme (VRTB).

2. INTRODUCTION

In 2015, the government made a commitment in their manifesto to extend the Right to Buy to Housing Associations tenants.

The National Housing Federation on behalf of the Housing Association sector made an offer to the government to extend Right to Buy level discounts to eligible tenants through a voluntary rather than statutory approach - the Voluntary Right to Buy.

The offer was accepted by the government in October 2015. As a result of the agreement the Housing and Planning Act 2016 was drafted to enact only what was necessary to enable the Secretary of State to underpin the agreement including powers to compensate Registered Providers for the cost of the discount.

An initial pilot ran during 2016-17 with five housing associations across England. A larger regional two year pilot was confirmed in the government's 2017 Autumn Statement with housing associations operating within the Midlands. This pilot aims to test specific aspects of the policy not tested in the initial pilot including one for one replacement of homes sold and portability of discounts for tenants who are unable to buy the property they currently live in.

The guidance for the pilot scheme has been developed by the Ministry for Housing Communities and Local Government (MHCLG) in consultation with key stakeholders including housing associations.

3. ASSOCIATED DOCUMENTS

- Voluntary Right to Buy Procedure
- MHCLG Voluntary Right to Buy Guidance
- Homes England Capital Funding Guide
- Homes England IMS Guide
- MHCLG VRTB Application Form
- The Pioneer Group's Housing Growth Strategy
- The Pioneer Group's 30 Year Financial Projections.

4. LEGAL & REGULATORY COMPLIANCE

Although this is a voluntary scheme, the following applies:

- Part V of the Housing Act 1985 as amended by the Housing Act 2005
- Housing and Planning Act 2016
- Charities Act 2011
- General Data Protection Regulation 2016
- Regulator for Social Housing (RSH) Regulatory Framework

5. POLICY PRINCIPLES

The following policy principles apply:

- The Pioneer Group has committed to taking part in the Voluntary Right to Buy Scheme as members of the National Housing Federation.
- VRTB discounts will reflect the statutory Right to Buy level discounts for eligible housing association tenants. Eligibility for the scheme is determined by the MHCLG.
- Housing association Boards control which homes can be sold but there will be a general assumption of sale of homes to tenants. If The Pioneer Group excludes a home from the scheme - the reason why must be clearly published and a minimum of one reasonable alternative home must be offered to the tenant. This is called Portability.

- Housing associations will be compensated for the loss of the home through the sale receipt from the tenant, grant funding to cover the cost of the discount and an administration fee per home sold.
- It is expected that Registered Providers replace the home sold on a 1:1 basis across the VRTB scheme as a whole. For every home sold under the scheme, a new affordable home will be built to increase overall housing supply (of any tenure) within England.

6. APPLICATION STAGES

Further operational details of each step are contained in the Voluntary Right to Buy Procedure.

Step 1: Discount availability check and allocation of Unique Reference Numbers

The government will issue successful tenants a Unique Reference Number (URN) from the online Government Gateway portal managed by the MHCLG and Homes England.

The scheme is demand led but the government will have a limited amount of funding available to compensate housing associations, therefore the Government Gateway will open and close in line with the government's need to control the funding allocated to operate the scheme.

The government will fully manage how the URN's are allocated to tenants.

For tenants where access to online services or capability to operate online services is limited and no support is available from family or friends; tenants may ask The Pioneer Group to arrange access to the relevant equipment and provide support to navigate the government's portal.

Step 2: Tenant eligibility check

Once tenants are allocated a Unique Reference Number (URN) from the government, tenants are required to complete an application form and submit the form to The Pioneer Group.

On receipt of a completed application form, eligibility must be checked.

Tenants **are** eligible if:

- they can prove they have been a tenant of social or affordable housing for at least 3 years (this need not have been with the same landlord, or continuous); and
- they currently hold an un-demoted secure tenancy, an assured tenancy, or a Localism Act fixed term tenancy; and
- they can demonstrate that the property is their main home and they have resided in it for at least the last 12 months; and
- they are applying jointly with up to 3 family members, these applicants can also demonstrate that it is their main home and it has been their residence for at least the last 12 months. No joint applicant can be added to or removed from the application during the

process without voiding the application, requiring a reapplication by the tenant(s). Joint applications where any applicant is ineligible will be voided; and

- they, and any joint applicants, have the right to reside in the UK, and can demonstrate that they meet the immigration status checks.
- The onus is on the applicant to demonstrate that they qualify for the whole eligibility period being claimed. In exceptional circumstances, tenants can make a statutory declaration, but this would need to be supported by some indirect evidence (e.g. that the public sector landlord owned the relevant property for the period in question).

Tenants **are not** eligible if:

- they have Preserved Right to Buy
- at the time of application, they hold an assured short hold tenancy (other than a Localism Act fixed term tenancy), a contractual (non-assured, non-secure) tenancy or are a licensee
- they have a fixed term tenancy of less than 2 years, or if they have a periodic assured shorthold tenancy (including a starter tenancy which has not converted)
- they live in a home specifically allocated to older persons or those receiving support which are excluded from the Midlands VRTB Pilot (see Local Sales and Portability Policy at Appendix 1)
- they do not have the right to reside in the UK, and cannot demonstrate that they meet the immigration status checks
- they have any rent arrears at any stage of the application to the point of sale
- they or any joint applicants are subject to bankruptcy proceedings or unfulfilled credit arrangements
- they have committed anti-social behaviour as defined in the Paragraph 11 of Schedule 11 to the Anti-Social Behaviour, Crime and Policing Act 2014 and the housing association has initiated legal proceedings as a result of this. Tenants would become eligible if such legal proceedings were withdrawn or discontinued
- they are currently subject to legal proceedings, e.g. injunction proceedings have been issued or a notice of seeking possession (NOSP) has been served
- they are subject to legal proceedings at any point between application and completion. Tenants would become eligible if such legal proceedings were withdrawn or discontinued
- they already own a property at the point of application; and will not end their ownership on or before the completion of the Voluntary Right to Buy
- they are currently subject to the mortgage rescue scheme. They will become eligible if they move to a new property or are granted a new tenancy
- they are a shared ownership tenant.

Step 3: Checking property restrictions on sales

Once an application has been received from an eligible tenant we will check whether the property they are currently living in is available for sale under the terms of The Pioneer Group's Local Sales and Portability Policy (see Appendix 1).

In the event that we exercise our discretion not to sell the tenant the property in which they live based on our policy, we will clearly inform the tenant and offer to work with them to use their discount to purchase another home, either from stock owned and managed by The Pioneer Group or an alternative housing association.

Please see The Pioneer Group's Local Sales and Portability Policy at Appendix 1 for more information.

Step 4: Charging a fee

Under the terms of the scheme, a fee will be charged which the tenant must pay to proceed with the application. The government set the fee levels which have been agreed at £250 per application. If the fee is not received within 4 weeks of receipt of the application, the application will be cancelled.

If the tenant is unable to proceed because they fail the eligibility test, or if the property is subject to The Pioneer Group's discretion not to sell and the tenant does not accept the alternative offer to port their discount to, the fee is refundable. The fee is also refundable on successful completion of the sale.

If the tenant chooses not to proceed or is unable to proceed with the application, the fee is non-refundable.

Step 5: Valuing the property

An important step in preparing the offer to sell is to establish the value of the property. A valuation of the property must be conducted by a RICS qualified surveyor commissioned by and paid for by **THE PIONEER GROUP**.

The Pioneer Group will compile a short list of a minimum of 3 local professional RICS certified surveyors from which the tenant can choose.

Step 6: Calculating the discount

Discount levels will be set by the government and must be calculated in accordance with government guidelines.

Step 7: Making the formal offer to sell

Before a formal offer to sell the home is made to the tenant, the following steps must be completed:

- Approval must be sought from either the Chief Executive or Finance Director or Company Secretary to dispose of the property
- The Pioneer Group must obtain permission to proceed with the sale through the Homes England IMS (further details are contained in the Capital Funding Guide).

Step 8: The sales process

Once a formal offer has been made to the tenant, the tenant has 4 weeks to respond to the offer with an acceptance or refusal of the offer.

If the tenant wishes to dispute the valuation of the property made by the RICS qualified surveyor, they must notify The Pioneer Group by email or in writing within 4 weeks of the offer date.

The tenant may choose one alternative surveyor from The Pioneer Group's list of RICS accredited surveyors and the tenant must pay for the second valuation.

If the tenant refuses the offer and does not wish to proceed with the sale, the application will be cancelled.

Step 9: Post sale rights and responsibilities

Within the first **5 years** following sale:

If a former tenant wish is to sell their home within the first 5 years, the tenant is required to pay back some or all of the discount.

They have to pay back all of the discount if they sell within the first year. After that, the total amount they pay back reduces to:

- 80% of the discount in the second year
- 60% of the discount in the third year
- 40% of the discount in the fourth year
- 20% of the discount in the fifth year.

The Pioneer Group has discretion not to require the discount to be repaid if for example ownership of the property is transferring to a sole owner if joint owners divorce.

Repayment of the discount also applies if the former tenant sub-lets the property within the first 5 years.

Within the first **10 years** following sale:

If a tenant decides to sell their home within 10 years, the tenant must contact The Pioneer Group as The Pioneer Group have the right of first refusal to buy back the property.

The property should be sold at the full market price agreed between The Pioneer Group and the former tenant. The Pioneer Group will inform the tenant whether or not we will buy the property within 8 weeks of notification by the former tenant.

As this is a voluntary scheme without underpinning legislation, the right of first refusal and repayment of discount will be built into the sales contract and will be listed as a charge on the property.

7. FRAUD & EXPLOITATION

If at any time during the application process The Pioneer Group suspects fraud or money laundering, The Pioneer Group may suspend the application to carry out investigations without penalty. The Pioneer Group should aim to expedite investigations as quickly as possible and complete enquiries within a reasonable time. It is reasonable for the tenant to expect such investigations to take no longer than 6 months.

8. REPLACING HOMES SOLD

For each home sold, The Pioneer Group has committed to replacing the homes on a one to one basis where possible. The VRTB scheme requires one for one replacement across the scheme as a whole. Homes do not need to be replaced on a 'like for like' basis.

Replacement homes must be 'affordable' and must not be built with certain types of grant funding as defined within the MHCLG VRTB Guidance and Capital Funding Guide.

The guidance permits replacements nationally, however The Pioneer Group is committed to our core operation area of Castle Vale and surrounding communities within Birmingham in accordance with The Pioneer Group's Housing Growth Strategy.

In compliance with MHCLG guidance, homes should ideally be replaced within 2 years of sale. The Pioneer Group's 30 year financial projections contains further details of when replacements should be made.

Further details are contained within the MHCLG VRTB Guidance and Capital Funding Guide.

Replacement homes will be agreed and monitored by Partnerships and Development Committee and The Pioneer Group Board in line with the Group's Housing Growth Strategy and 30 year financial projections.

9. WITHDRAWAL OF THE VOLUNTARY RIGHT TO BUY SCHEME

The Pioneer Group reserves the right to withdraw from the Voluntary Right to Buy scheme at any point if The Pioneer Group Board makes a judgement that remaining in the scheme would significantly impact the financial viability of The Pioneer Group in line with the 30 year financial projections.

10. COMPLAINTS

Any complaints from tenants regarding The Pioneer Group's operation of the scheme will aim to be resolved quickly and informally. Where this does not satisfy the tenant, a formal complaint may be raised in accordance with The Pioneer Group's Complaints Policy and Procedure.

Complaints regarding the government's gateway and allocation of Unique Reference Numbers to tenants should be directed to the government's MHCLG.

11. MONITORING & REVIEW

The following arrangements have been put into place:

- This policy will be monitored and reviewed every 3 years.
- Progress with implementation of the pilot will be monitored by the Executive Leadership Team.
- Sales, portability and replacements will be monitored by Partnerships and Development Committee as part of the Housing Development quarterly report.

VOLUNTARY RIGHT TO BUY

APPENDIX 1

LOCAL SALES AND PORTABILITY POLICY

1. PROPERTY EXCLUSIONS

The Voluntary Right to Buy Scheme Pilot in the Midlands is for General Needs homes only which has been set by the government. The Pioneer Group is responsible for agreeing which general needs homes to exclude from the scheme. All general needs homes excluded by The Pioneer Group will trigger the requirement for Portability where the tenant can 'port' their discount to another eligible property.

This document will set out which homes are excluded from the pilot, which homes The Pioneer Group has excluded and the policy for porting tenants to an alternative home if required.

The Pioneer Group Board has agreed to exclude the homes below from the VRTB scheme for the following reasons:

Home /Tenure type	Reason	Does Portability apply?
Homes allocated for Older Persons or people with support needs (Phoenix Court, Whittle Croft and Chivenor House)	The government has excluded these homes from the VRTB Midlands pilot.	<p style="text-align: center;">No</p> The government has excluded these homes from the Midland Pilot.
4 and 5 bedroom homes	There is a high demand and limited supply of these homes.	<p style="text-align: center;">Yes</p> Portability applies.

Bungalows	These homes are designed specifically for older or vulnerable tenants requiring level access to facilities.	<p style="text-align: center;">Yes</p> Portability applies.
General Needs High Rise Tower Blocks (Topcliffe House)	The tragic events at Grenfell Tower in 2017 has led the sector to question the appropriateness of VRTB in 'higher risk' buildings, in particularly around sub-letting. On balance, it seems appropriate to exclude Topcliffe House for reasons of tenant/fire safety. These types of homes may be subject to significant Asset Management investment by 2020 which will have a significant financial impact on future leaseholders.	<p style="text-align: center;">Yes</p> Portability applies.
Homes where a Section 106 Agreement applies (7 Affordable Rent homes at Tangmere Drive)	These homes were developed with restrictions which require the home to be let at an affordable rent and not be used for homeownership.	<p style="text-align: center;">Yes</p> Portability applies.
Market Rent, Shared Ownership, Mortgage Rescue Scheme, Rent to Buy and Shared Living homes	These homes are excluded from the VRTB scheme.	<p style="text-align: center;">No</p> These homes are excluded from the scheme.

2. OPERATING A PORTABLE DISCOUNT

Where The Pioneer Group operates discretion not to sell a property, The Pioneer Group must work with the tenant to offer them the opportunity to use their discount to purchase an alternative property.

Sources of alternative properties

Alternative properties can be sourced from the following:

- The Pioneer Group's development pipeline (as long as the property has been developed without grant funding as detailed within the Homes England Capital Funding Guide)
- The Pioneer Group's social rent voids
- Another association's development pipeline
- Another association's voids or homes they wish to dispose of.

The Pioneer Group will develop arrangements with local providers where possible to ensure that a reasonable alternative home can be offered to the tenant if The Pioneer Group is unable to offer a suitable alternative from within our own housing stock.

Suitable alternative properties

The Pioneer Group will determine a suitable offer based on household need including the property type, size and locality and will make **one** reasonable offer of suitable alternative accommodation to the tenant within 12 weeks of the application being received. The alternative property being offered does not require to match property type which the tenant currently occupies.

After 12 weeks, the tenant will lose their grant funding entitlement and will need to start the process again by accessing on the Government Gateway portal.

The minimum size of home required will be determined using The Pioneer Group's Allocation Policy definitions.

The tenant has the discretion to accept or decline the offer to port their Right to Buy discount to an alternative property.

Porting to a void property

If a void has been identified and accepted by the tenant to port their discount, the tenant will be required to give notice on their existing property and transfer to the alternative property within 4 weeks of acceptance (or in the case of another association's property within the alternative association's porting policy requirements).

The Pioneer Group will not be responsible for decoration or moving costs association with moving to an alternative property.

Porting to an alternative property will be at the tenants' own risk. If the VRTB sale of the home does not complete for any reason, the tenant will be required to remain in the home ported to as a social rented tenant.

Discount entitlement

The discount percentage which the tenant is eligible for will be applied to the value of the property which the tenant ports in to.

VRTB policy requirements

Tenants porting to an alternative policy will be subject to the steps within the Voluntary Right to Buy Policy and Procedure.