

<b>KNOWES HOUSING ASSOCIATION LTD</b>	
<b>Policy Name</b>	Buying Properties through the mortgage to rent scheme
<b>Policy Category</b>	Finance
<b>Policy Number</b>	FP17
<b>Date to Finance Sub</b>	28 <sup>th</sup> March 2023
<b>Last Review Date</b>	April 2020
<b>Next Review Date</b>	April 2026
<b>Links to other policies</b>	Buy back policy/Buying back properties at Auction Policy
<b>Consultation</b>	Finance Sub Committee

## **1.0 Introduction and background to the Scheme**

- 1.1** The purpose of this paper is to set out the policy of Knowes Housing Association Ltd in relation to requests from the Scottish Government for Knowes to purchase owners' properties under the Mortgage to Rent Scheme.
- 1.2** This policy will be agreed by the Finance Sub Committee and will be implemented by the Association's officers until amended by the Committee.
- 1.3** The Mortgage to Rent Scheme was launched by Communities Scotland (now the Scottish Government Homeowner Support Team) in February 2003 and its aim was to help households that were in danger of being made homeless due to legal action that threatened their homes. The idea was that an owner in mortgage arrears and in danger having their property being repossessed could sell his/her house back to a local social landlord who in turn would rent out the house to that owner.
- 1.4** The scheme was funded by the Scottish Government through the Homeowner's support fund and provided a grant to social landlords, such as a housing association or local authority, to assist in buying the property and rent it to the household.
- 1.5** Previously, subsidies given to the Landlord ranged from about 20% to 50% of the property depending on the property size and market value. Grants were also allowed up to £9,000 for energy efficiency repairs requiring to be carried out to the property after purchase by the Landlord.

## **2.0 Legal Framework**

- 2.1 Knowes is legally allowed to buy properties as long as it meets the charitable purposes within its rulebook. Hence any properties bought back should be let for social housing purpose and comply with our existing rental structure.
- 2.2 The eligibility criteria for applicants (i.e. owner-occupiers) are set out in the Scottish Government's Guide "Help for Home Owners in Mortgage Difficulties" which is published on their website <https://www.mygov.scot/help-mortgage-difficulties/>. The Scottish Government's Home Owner support team administers the scheme and determines an applicant's eligibility to apply.
- 2.3 Referrals to the scheme are made by money advisors to the Scottish Government who would then contact an appropriate participating landlord.
- 2.4 Knowes can apply to be accepted as that Landlord or decline to take part in the purchase of a specific property.
- 2.5 It is not Knowes' responsibility to advise the participants to the scheme except to signpost them to appropriate money advisors.
- 2.6 Knowes has a detailed procedure on how the steps of the scheme should be dealt with, who has responsibility and what the targets are.

### **3.0 Risk Assessment/Management section**

- 3.1 The risks of participating in the scheme are as follows:-
- 3.2 The income from the subsidy does not outweigh the net costs to Knowes of purchasing the property. *To minimise this risk a financial assessment will be calculated on each property prior the purchase.*
- 3.3 The repairs outstanding have not been assessed correctly and the Association has to pay more on repairs once the property is purchased. *To minimise this risk the Association's Technical services department will inspect each property prior to offer. Separate gas and electricity checks will be carried out. Once the results of the inspection have come back the Director and/or Head of Finance will make a decision whether or not to proceed with purchase based on the condition of the property and the grant available. (Note: Knowes may still proceed with the purchase of a property in poor repair if the repairs grant and purchase subsidy are sufficient and it is feasible to complete the repairs in a reasonable time following purchase).*
- 3.4 There is a legal issue with the ownership of the property. *The Association's solicitors Harper Macleod will be asked to complete all conveyancing work on the property in question.*

### **4.0 Appeals Procedure**

- 4.1 Any tenant or owner who feels aggrieved by their treatment under this Policy can ask for a copy of the Association's Complaints Policy which is available at the Associations office.

4.2 Tenants also have a right to complain to the Public Services Ombudsman. The Complaints Policy details the way in which Tenants can complain and the timescales for responding.

4.3 Owners may complain to the First Tier Tribunal for Scotland.

## **5.0 Policy**

5.1 The Head of Finance will report on mortgage to rent purchases (and other buy backs) on a quarterly basis to the Finance subcommittee giving the number of properties purchased, the cost and the subsidy.

5.2 It is proposed that Knowes should participate in the Mortgage to Rent scheme up to an annual allowance for buying back properties as set down in the Association's budgets and approved by committee each year. Knowes will normally only consider properties within the Clydebank area.

5.3 Knowes will advertise the scheme in its newsletters and website and will signpost owners to appropriate independent advisors and the Scottish Government.

5.4 It is proposed that any two members of the senior management team, one of whom should be the Director or Head of Finance, have the delegated authority to make an offer for a property under the mortgage to rent scheme and also to refuse to make an offer if it is considered that the purchase would be detrimental to the organisation.

5.5 The budget for the scheme will be included in the general buy back budget as set during the budget process in February of each year. The amount set aside may be increased during the year. Given that the Scottish Government look for a 48 hour response to their initial offer and a two week turnaround on repairs assessments, then the Director and or the Head of Finance at Knowes has the delegated authority to make a decision to purchase a property out with the budget limits with the retrospective approval of the Finance Subcommittee at the next meeting. The reason for this is to allow the Management Team to respond within the correct time limits to requests to the Scottish Government and also to take advantage of good business opportunities to increase the housing stock of the Association. This delegated authority is for purchases of up to £100,000 over budget as approved by Committee. Any further spends will be required to be agreed by the Committee as part of the mid-year budget review process or as a specific virement request.

5.6 The Head of Finance will report on mortgage to rent purchases on a quarterly basis to the Finance subcommittee giving the number of properties purchased and the cost.

## **6.0 Equalities Statement**

6.1 Knowes Housing Association Ltd is committed to tackling discrimination on the grounds of sex or marital status, racial grounds, or grounds of disability, age,

sexual orientation, language, social origin, or of other personal attributes, including beliefs or opinions, such as religious beliefs or political opinions.

6.2 Knowes seeks to embrace diversity, promote equal opportunities for all and eliminate any unlawful discrimination in all areas of our work.