

CLYDEBANK HOUSING ASSOCIATION LIMITED

FROM: HEAD OF FINANCE AND CORPORATE SERVICE

DATE: 22.10.20

TO: MANAGEMENT COMMITTEE (27 October 2020)

REF: /LL

SUBJECT: PROPOSED SHARED OWNERSHIP BUY-BACK
[REDACTED], CLYDEBANK



Purpose of Report

The purpose of the report is to provide information and a recommendation in relation to a proposed shared ownership property purchase.

Risk

There is no risk, financial or otherwise associated with any of the recommendations/ updates contained within this report in relation to property purchase expenditure that cannot be facilitated within the short , medium or long term business plan. The property purchase should not be confirmed until the Management Committee have considered the highlighted budget considerations.

Relevant CHA Objectives

- To provide quality, affordable housing that meets the changing needs of our customers and to ensure fair access to housing within our area.
- To manage the houses provided, in a professional and cost effective manner, for the benefit of our local community and the environment.
- To ensure that our resources are adequate to deliver our objectives by investing in our people, demonstrating value for money and through robust procurement practices.
- To promote social inclusion by applying principles of equality and diversity to everything we do.

Relevant SHR Regulatory Standards of Governance and Financial Management

- The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users (Standard 1).
- The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay (Standard 3).

Equalities

No protected group is adversely affected by the proposals, recommendations or updates within this report. Our commitment to equal opportunities and fairness applies irrespective of factors such as race, sex, disability, age, gender reassignment, marriage & civil partnership, pregnancy & maternity, religion or belief and sexual orientation.

A formal written request has been received from a sharing owner who is facing financial difficulties due to a loss of employment and subsequent reduction in income. The property, whereby the Association currently owns the other 50%, is a two bedroom mid-terrace house .

Our Shared Ownership Buy Back Policy allows for such a request to be considered and per the Policy, I can confirm the following: -

1. A District Valuation Report was instructed in October 2020 and the property has been valued as follows:

50% share of valuation - [REDACTED]  – Oct 2020)

CHA offer - [REDACTED] due to inspection from our Maintenance Officer and c. [REDACTED] of repairs were identified.

2. The valuation is reasonable in that the estimated additional rental income resulting from the purchase covers the capital outlay within a 30-year period as well as estimated future maintenance costs per the LCC. The attached spread-sheet demonstrates that the property will begin to contribute to the income stream after year 27.
3. Buy-back of 2 bedroom property will be with a sitting tenant. The sharing owner(s) will be required to sign a standard Scottish Secure Tenancy Agreement prior to completion of the transaction. Financial hardship exists due to reduction of income due to employment changes.
4. The property has been inspected and any offer would be subject to the property being up to our lettable standard prior to purchase. The sharing owner would cover the cost of these repairs and they would be deducted from the purchase price.
5. There are currently no arrears for rent, however any housing arrears outstanding at time of purchase will be deducted from the purchase price.
6. Housing Management and landlord responsibilities/implications have been considered and no future adverse management issues are envisaged.
7. Factoring and Maintenance issues have been considered. This development is not factored and therefore CHA do not carry out any open space maintenance. A consideration may be the unadopted roads in the area; however, we already have own similar properties at [REDACTED] that were bought back in 2010 and 2014.
8. The Association's budget for capital purchases for 2020/21 has been approved as a maximum spend of [REDACTED]. This includes property additions such as Mortgage to Rent/shared ownership buy-backs and open market purchases. A summary of the spend to date is as follows:



[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

The sharing owner will be made aware of the following: -

1. Any offer to purchase will include heritable property only. Owners' fixtures and contents will not be included in the purchase. I.e. Carpets, curtains, owners' improvements, etc.
2. Each party to bear the cost of their own legal and valuation fees.
3. Any monies outstanding to the Association e.g. rent, factoring arrears, repair costs and valuation fees will be deducted from the purchase price at settlement.
4. The sharing owner(s) must demonstrate that the mortgage loan (if applicable) has been fully repaid and discharge of security obtained for delivery to the Association.

I would recommend that the Management Committee considers approving the purchase of the property at [REDACTED] as the request meets the conditions laid down in our Shared Ownership Buy Back Policy.

Proposed Shared Ownership Buy Back - Melfort Court	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Opening Balance	-	- 79,128.21	-77,604.74	- 75,998.53	-74,306.70	-72,526.24	- 70,654.09	- 68,687.07	-66,621.92	-64,455.27	-62,183.66	-59,803.51	-57,311.16	-54,702.82	-51,974.58
Income															
Rent (assumes 3% increase)	973.92	4,012.55	4,132.93	4,256.91	4,384.62	4,516.16	4,651.65	4,791.20	4,934.93	5,082.98	5,235.47	5,392.53	5,554.31	5,720.94	5,892.57
	3 months rent (say)	3% increase thereafter													
Costs															
Purchase Price - 50% of £155k valuation less repairs required	£77,000.00														
CHA Solicitor's Fee	650.00														
Loan Repayments - Actual	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Management Costs per SHR Return for Budget 2018/19	756.45	779.14	802.51	826.59	851.39	876.93	903.24	930.33	958.24	986.99	1,016.60	1,047.10	1,078.51	1,110.87	1,144.19
Maintenance (based on actual + 3%)	411.19	423.52	435.86	448.19	460.53	472.86	485.20	497.53	509.87	522.21	534.54	546.88	559.21	571.55	583.88
Major Repair Contribution per LCC	899.49	899.49	899.49	899.49	899.49	899.49	899.49	899.49	899.49	899.49	899.49	899.49	899.49	899.49	899.49
Loss of Term Deposit interest (based on avg rate 0.5%)	385.00	386.93	388.86	390.80	392.76	394.72	396.70	398.68	400.67	402.68	404.69	406.71	408.75	410.79	412.84
	£80,102.13	2,489.08	2,526.72	2,565.08	2,604.17	2,644.01	2,684.63	2,726.04	2,768.28	2,811.37	2,855.33	2,900.18	2,945.96	2,992.70	3,040.41
Balance	-79,128.21	- 77,604.74	-75,998.53	- 74,306.70	-72,526.24	-70,654.09	- 68,687.07	- 66,621.92	-64,455.27	-62,183.66	-59,803.51	-57,311.16	-54,702.82	-51,974.58	-49,122.43

Proposed Shared Ownership Buy Back - Melfort Court	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Opening Balance	-49,122.43	-46,142.23	-43,029.71	-39,780.49	-36,390.03	-32,853.69	-29,166.66	-25,324.00	-21,320.62	-17,151.27	-12,810.54	- 5,989.47	1,074.12	8,387.55	15,958.39
Income															
Rent (assumes 3% increase)	6,069.34	6,251.42	6,438.97	6,632.13	6,831.10	7,036.03	7,247.11	7,464.53	7,688.46	7,919.12	8,156.69	8,401.39	8,653.43	8,913.03	9,180.43
Costs															
Purchase Price - 50% of £155k valuation less repairs required															
CHA Solicitor's Fee															
Loan Repayments - Actual															
Management Costs per SHR Return for Budget 2018/19	1,178.52	1,213.87	1,250.29	1,287.80	1,326.43	1,366.23	1,407.21	1,449.43	1,492.91	1,537.70					
Maintenance (based on actual + 3%)	596.22	608.55	620.89	633.23	645.56	657.90	670.23	682.57	694.90	707.24					
Major Repair Contribution per LCC	899.49	899.49	899.49	899.49	899.49	899.49	899.49	899.49	899.49	899.49	899.49	899.49	899.49	899.49	899.49
Loss of Term Deposit interest (based on avg rate 0.5%)	414.91	416.98	419.07	421.16	423.27	425.38	427.51	429.65	431.80	433.96	436.13	438.31	440.50	442.70	444.91
	3,089.14	3,138.91	3,189.74	3,241.68	3,294.76	3,349.00	3,404.45	3,461.14	3,519.11	3,578.39	1,335.62	1,337.80	1,339.99	1,342.20	1,344.41
Balance	-46,142.23	-43,029.71	-39,780.49	-36,390.03	-32,853.69	-29,166.66	-25,324.00	-21,320.62	-17,151.27	-12,810.54	- 5,989.47	1,074.12	8,387.55	15,958.39	23,794.41
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