



EQUITY ASSISTANCE SCHEME POLICY

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Executive Summary:
<p>This policy outlines RBH’s approach to the rehousing of tenants affected by regeneration and redevelopment schemes including the demolition and major refurbishment of RBH homes. It applies where a tenant needs to permanently move from their home due to a safety or property condition problem. This policy includes details of the support a tenant can expect to receive, options for rehousing and any financial support or home loss payment that may be payable. This policy has been developed to ensure RBH takes a consistent and fair approach when dealing with tenants who need to permanently move home due to these reasons.</p>

Policy Grouping/Directorate(s)	Growth	
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Notes:		

1 Introduction

- 1.1 This policy outlines Rochdale Boroughwide Housings approach to offering support to owner occupier Leaseholders whose home is affected by the Central Rochdale Regeneration proposals, either demolition or major refurbishment, to remain in owner occupation in a home which meets their needs, if they wish to purchase an alternative home but cannot afford to buy outright on the open market.
- 1.2 This policy is one form of support available to Leaseholders and sits alongside the Demolition Rehousing Policy, our commitment to Residents set out in the Residents' Deal and our financial offer to leaseholders to buyback their home.
- 1.3 The policy is aimed at supporting residents in Central Rochdale, however it may be applied in other situations where RBH is buying back a home from an owner occupier where deemed appropriate.

2 Context

- 2.1 This policy has been developed to enable RBH to better support owner occupier Leaseholders whose home RBH wishes to purchase for demolition or major refurbishment, where they are unable to afford to buy a replacement home outright.
- 2.2 We know from feedback from Leaseholders that in some instances, the value of their existing home plus the uplift and financial compensation package RBH offers to all owner occupier Leaseholders does not provide enough capital to purchase a new home which meets their needs and requirements.
- 2.3 Not all Leaseholders have savings available to contribute towards the purchase and some are unable to access a mortgage for the shortfall because of age, employment status or credit history.
- 2.4 There is also a case for reasonableness, so that even if someone did have personal savings available to support a purchase or could access a mortgage, best practice and guidance set out in relation to Compulsory Purchase Order is that owners must not be disadvantaged or put under financial pressure of hardship.

3 Aims & Objectives

- 3.1 We know that each Leaseholders circumstances are unique and that the solution which works best for one, may not be the same as for another. This policy is intended as one route to supporting leaseholders and it is the intention for its application to be flexible to best meet individual needs.
- 3.2 The policy fits with the mutual values of RBH:
Responsibility - We take responsibility, where possible, for offering beneficial rehousing alternatives and support needs to leaseholders whose homes sits in a RBH neighbourhood affected by development schemes inc. demolition.
Equity - This policy will help ensure a fair and consistent process to those who may be affected.

Democracy – This policy has been updated and applied to reflect the principles RBH will follow when working with leaseholders whose home sit in a RBH neighbourhood affected by development schemes inc. demolition.

Pioneering – This policy supports a forward-thinking approach to working closely with private homeowners who are directly affected and placing the emphasis on their needs, choice, and aspirations, while ensuring they are not financial worse off.

Collaboration – We have worked, and will continue to work with, the people directly affected to find a beneficial rehousing option where there privately owned home is affected by development schemes inc. demolition.

- 3.3 Feedback from residents has shown that they appreciate an alternative home ownership option, suited to their needs & circumstances, at no cost to what they have committed to buying a property in a predominantly RBH owned neighbourhood. RBH will carry out personal one to one meetings with affected households and continue that on-going conversation and support with individual households, however they need supporting.
- 3.4 Communication methods could include: face to face, drop-in sessions, workshops, telephone, video conferencing and email, social media, project websites, letters and newsletters. English language limitations will always be identified, and translation or support services offered if needed.

4 Policy Statement

4.1 What is the Equity Assistance scheme.

4.1.1 Equity Assistance is where RBH supports someone to purchase a property by holding equity in it, when a purchaser does not have the funds to buy the home outright. The purchaser does not pay any rent on the equity owned by RBH. The purchaser is fully responsible for the home, including all repairs and maintenance liability. It is a common scheme used in regeneration areas where the value of homes needed to be purchased for demolition is lower than the value of a replacement home within the locality. It supports people to be able to stay in the local area in a home which meets their needs.

4.1.2 **Appendix 1** shows worked through examples based on average 1 and 2 bedroom homes at College Bank currently and average costs of a good quality replacement home of the same size, within the locality for sale on the open market. These examples are indicative but are intended to represent the level of equity which may be needed to support leaseholders. The actual equity needed will be specific to the leaseholder's individual circumstances.

4.2 Eligibility Criteria for the scheme

The following criteria will be applied for the scheme:

- The scheme will be open to all owner occupier resident Leaseholders whose home RBH wishes to purchase for regeneration including, demolition or major refurbishment
- It will not be available to Leaseholders who are not owner occupiers – i.e. those that rent out their property privately

- The Leaseholder must be the purchaser and legal owner of the new property which will be their principal home
- The Leaseholder must not own another property
- The scheme is intended to support Leaseholders who cannot afford to purchase a replacement home outright, either because the capital they will receive for their current home is not enough to purchase a new one which meets their needs or they would face financial hardship to do so
- The Leaseholder must commit 100% of the value of their current home plus uplift towards the purchase of their new home. They do not have to commit any compensation or other discretionary payment made by RBH
- The property which the Leaseholder wishes to purchase must meet their needs and be deemed by RBH as a suitable or like for like replacement home. This will not be restricted to number of bedrooms or type. A property which is substantially larger or significantly higher in value is not expected to be seen as a suitable replacement, but each request will be assessed on a case by case basis with any final decision resting with RBH
- It is expected that homes purchased under the scheme will be in the Rochdale Borough, however, should a Leaseholder wish to purchase a home in a different location this will be reviewed on a case by case basis
- At this time the property purchased is expected to be one for sale on the open market, however RBH could choose to offer the scheme on a newly constructed or fully refurbished home as part of the regeneration, if available
- The maximum equity share RBH will hold will not exceed 75% of the value of the property. The actual level of equity support will be assessed on a case by case basis
- The value and condition of the property purchased must be confirmed as acceptable to RBH by way of a valuation and survey
- If the property purchased has a Service or Estate Charge, the purchaser is fully responsible for the cost and payment of this to the Management Company. RBH reserves the right to consider if these charges are reasonable
- If the property purchased is not Freehold, the length of the lease must be an acceptable period of time, This will be assessed on a case by case basis
- Any property purchased through the scheme will be added to RBH's building insurance policy to safeguard RBH's equity in the property. There will be no cost to the leaseholder for this.

4.3 **Legal Considerations**

- 4.3.1 The legal mechanism to implement this scheme is a form of shared ownership lease, rather than a charge on the property as this has significant implications due to the requirements on the Mortgage Credit Directive.
- 4.3.2 The lease would be drafted to permit the Leaseholder to purchase the % share they can afford to buy and the lease would provide that for the duration of the Leaseholder's legal ownership of the property there will be no rent payable on the unacquired percentage i.e. the equity held by RBH.
- 4.3.3 The initial Leaseholder would not be required to pay a rent on the equity held by RBH. This is part of supporting Leaseholders to continue in owner occupation and for that to be affordable to them. However, the lease will provide for a rent to be imposed on any future purchasers or assignees (for example if the owner died and left the property to a family member or sold it). This would then convert the lease into a standard shared ownership lease. It is the intention that this will be

implemented on all homes purchased under the scheme. This requirement will be made clear to all Leaseholders who want to take part in the scheme, so that they are aware that this financial cost will apply to all future purchasers or assignees. If a future purchaser or assignee staircased to own the property outright the rent charge would no longer apply. The original purchaser would also be able to staircase to 100% if they wanted and became able to.

- 4.3.4 The form of lease used will follow the Homes England model lease, save that the lease would specify that the initial Leaseholder would not be required to pay the Specified Rent during the period of their ownership. This provision could be entirely personal to the original Leaseholder to ensure that any assignment or transfer of the lease into new ownership (including via the leaseholder's will) would trigger the obligation to start paying the Specified Rent, as described above.

4.4 Financial Considerations

- 4.4.1 It will be necessary to review the budget position on each individual home which the Equity Assistance Scheme is sought, to ensure that there are financial resources available to offer the scheme to the Leaseholder.

- 4.4.2 The capital expenditure committed to each purchase as equity will essentially stay with the property until at a point in time it is sold and the purchaser staircases to own 100% of the equity. We do not know if and when this will happen and no assumptions around future income have been made.

- 4.4.3 It is important to note that as is the case with shared ownership homes, property values can decrease as well as increase and the value of RBH's and the Leaseholders equity will be determined by way of an independent RICS accredited valuation at the point of a future sale.

4.5 Compliance Considerations

- 4.5.1 The value and condition of the property purchased will need to be confirmed as acceptable to RBH, by instructing an independent valuation of the property, just as a mortgage lender would do. This will ensure that the risk to our investment is minimised. The cost of this valuation will be covered by RBH, as part of our package of financial support to Leaseholders.

- 4.5.2 The capital value of the existing home which RBH purchases from the Leaseholder will be determined by an independent RICS accredited valuation, as is the current case for all Leaseholder buybacks. Where a Leaseholder disputes the valuation, they have the right to a second valuation (which RBH cover all reasonable costs of). If there is a difference in value and the valuers cannot agree upon a valuation or the Leaseholder is not satisfied the District Valuer can be instructed, whose view will be final. The cost of the first and subsequent valuations will be covered by RBH, as part of our package of financial support to Leaseholders.

- 4.5.3 In-line with RBH's Scheme of Delegation and the anticipated value of equity held within each property, the approval for purchases made under this scheme are expected to be able to be agreed by the Director of Growth.

4.6 Operational Considerations

- 4.6.1 The delivery of this policy sits within the Development and Regeneration Team. They will be responsible for ensuring it is reviewed and updated where necessary.

Dedicated Regeneration Project Managers will communicate the policy with Leaseholders and the wider community and be responsible for ensuring that a due process has been carried out to confirm that the criteria for the scheme has been met. Each case where the scheme is offered will need to be reviewed by the Head of Development and Regeneration and approved by the Director of Growth.

- 4.6.2 Once a Leaseholder purchases a home under the scheme, they will essentially continue to be a Leaseholder (albeit under a different route) and their day to day contact for queries will be the Home Ownership Team. It is recognised that as the scheme is new, there may need to be some training or external support in place across the business to ensure that we are able to offer a great service to these Leaseholders and respond promptly to any questions that they may have in the future.

5 Monitoring

- 5.1 Purchases under the scheme will be reported to Board as part of the reporting on the Central Rochdale Regeneration project.

- 5.2 An Equality Impact Assessment has been completed for this policy.

The Equity Assistance Scheme will be open to all Leaseholders, but the criteria set out in section 4.2 of this policy will be applied. Where this criteria is not met, the scheme will not be able to be offered. Each request will be assessed on a case-by-case basis.

6 Review

- 6.1 All RBH strategies, policies, service standards and procedures are reviewed on a regular basis to ensure that they are 'fit for purpose' and comply with all relevant legislation and statutory regulations.

- 6.2 This policy will go through the full policy approval process every 3 years and will undergo a desktop review annually. This is to ensure that it is fit for purpose and complies with all relevant and statutory regulations.

7 Links with Other RBH Documents

- 7.1 This policy links to the following policies and strategies:

- Demolition Policy- Rehousing of Residents
- Growth Strategy
- Together Corporate Strategy
- Shared Ownership Sales Policy

Appendix 1 - Equity Assistance Scheme – Example Scenarios

Scenario 1

Leaseholder of a 2 bedroom flat who wishes to purchase a typical 2 bedroom flat within Central Rochdale

Average 2 bed flat at College Bank value + 10% uplift	£55,825
Full compensation and disturbance entitlement	£7,250
Total offer from RBH	£63,075
Average price of 2 bed flat within Central Rochdale	£91,940
Fees payable by Leaseholder to purchase	£1210 (All covered by RBH)
Potential total equity Leaseholder could use to fund purchase	£63,075 (69%)
RBH equity under equity assistance scheme	£28,865 (31%)

Scenario 2

Leaseholder of a 2 bedroom flat who wishes to purchase a typical 2 bedroom house within Central Rochdale

Average 2 bed flat at College Bank value + 10% uplift	£55,825
Full compensation and disturbance entitlement	£7,250
Total offer from RBH	£63,075
Average price of 2 bed house within Central Rochdale	£116,310
Fees payable by Leaseholder to purchase	£1110 (All covered by RBH)
Potential total equity Leaseholder could use to fund purchase	£63,075 (54%)
RBH equity under equity assistance scheme	£53,235 (46%)

Notes

- Prices for flats – This is based on flats sold or on the market/under offer in the last 12 months within 1 mile of College Bank. Prices varied between £60,000 - £120,000.
- Prices for houses – This is based on houses sold or on the market/under offer in the last 12 months within half a mile of College Bank. Prices varied between £60,000 - £136,950. The average 2 bed terrace home in good condition is circa £85,000.
- Under the scheme criteria a Leaseholder is expected to commit all of the capital value they would receive from RBH for their home to a new purchase, but not the total package of compensation. These worked examples have included the compensation being committed but if a Leaseholder choose not to then the equity assistance needed would be greater.