

SOCIAL HOMEBUY

Guidance has been provided for local authorities on the voluntary Social HomeBuy scheme which enables social tenants who cannot afford outright purchase to buy a share in their rented home at a discount. A local authority may also offer the tenant a different property from the stock which they own, i.e. a void property.

What is Social HomeBuy?

Social HomeBuy was introduced in April 2006 to provide increased opportunity for tenants of local authorities and housing associations to access home ownership. The scheme is voluntary for landlords, who are encouraged to participate, and aims to help social tenants who have a statutory purchase right but cannot afford to buy outright, or (in the case of housing association tenants) who do not have a Right to Acquire (RTA) because the property does not qualify. Social HomeBuy is one of three HomeBuy products, along with HomeBuy Direct and New Build HomeBuy (funded by the Homes and Communities Agency), which are designed to help social tenants, key workers and other first time buyers who can sustain home ownership but cannot afford to buy on the open market, to get a first step on the housing ladder.

- Social HomeBuy enables tenants of participating local authorities and housing associations to buy a lease of their rented home (or in some cases another property) at a discount but pay only a proportion of the value (from 25 per cent). In such a shared ownership sale, the equitable interest in the property is shared with the landlord. The purchase may also be outright, at 100 per cent of market value.
- Social HomeBuy has been available to tenants of participating local authorities, initially as a two year pilot scheme, since April 2006. The Government announced the continuance of Social HomeBuy as a voluntary scheme in December 2007 to increase opportunities for social housing tenants to access home ownership. Details of the Government's announcement can be found at: <http://www.communities.gov.uk/statements/housing/socialaffordablehousing>

Purpose of Social HomeBuy scheme

The Social HomeBuy scheme gives local authorities the opportunity to:

- offer sustainable home ownership to secure tenants who would be entitled to buy their homes under the Right to Buy (RTB) but cannot afford outright purchase, or who want to buy a property other than the home they currently live in (i.e. void properties)
- provide replacement affordable housing by retaining and using capital receipts from sales (see the '**Use of Social HomeBuy receipts**' section)
- improve tenure mix on estates

How it works

Under Social HomeBuy, tenants of participating local authorities may buy a lease of the property for a minimum of 25 per cent of its value, through savings and/or a mortgage. Purchasers pay the relevant percentage of the market value less a discount equivalent to the same percentage of the maximum available under the RTA scheme in their area. Local authorities are required to apply an affordability test to determine whether a tenant can afford to sustain home ownership. Purchasers then pay a rental charge which is related to the share of equity retained by the local authority. Local authorities may set the level of rental charges in accordance with the previous rent, but subject to limits.

Social HomeBuy purchasers who wish to move to full ownership are able to do so over time when this is affordable for them. Purchasers may buy further shares of the equitable interest in tranches (subject to a minimum) until they have 100 per cent entitlement to the value of the lease of their homes. The minimum tranche may be set in the lease, and must not be less than 10 per cent or more than 25 per cent. Alternatively, the purchaser may buy the property outright at the outset. If they do so they will be eligible for the full level of Social HomeBuy discount available in their area.

However, it is likely that a tenant who wishes to buy outright will prefer to exercise the Right to Buy (RTB) where this is possible, as the discount is higher than under Social HomeBuy in most local authority areas. In such circumstances a local authority which is in negotiations with a tenant as to which scheme to use should ensure that the tenant suffers no detriment if a voluntary sale under Social Homebuy is chosen instead of the statutory RTB.

More information can be found at

http://www.homesandcommunities.co.uk/social_homebuy

This information is extracted from ‘Social HomeBuy Guidance for Local Authorities’ and can be viewed in full at:

http://www.homesandcommunities.co.uk/social_homebuy

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