

Shared Ownership by a Charitable Organisation (*ref 23*)

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Introduction

Shared Ownership has been around now for quite a few years. On the whole this has been offered by housing organisations, principally Registered Social Landlords (RSLs). There are now a variety of different ways this can be done to suit the individual's needs. You will find other factsheets will give you information on these. Here we will look at how other charities can also offer this shared ownership solution to people with learning disabilities.

Basic Principles of How it Works

- The charity purchases the property and sells a percentage of it to the shared owner by way of a long term lease.
- The percentage sold to the shared owner (SO) can vary to accommodate the circumstances and any specific needs of the person. The charity retains the freehold.
- The charity charges rent to the person to cover the cost of their investment in the rented portion along with the costs of building insurance, management and maintenance services. Crucially, the charity takes responsibility for repairing and maintaining the building.
- The SO usually claims Housing Benefit (HB) to cover the rent.
- The SO can purchase their share with available capital or by using a mortgage. If it is by mortgage and the person is claiming or eligible for Income Support (IS) then the interest payable on this loan can be paid by Income Support Mortgage Interest (ISMI).

Five Good Reasons Why a Charity Should Do This

- to respond to the needs of the people they support, particularly when other housing options are limited or non-existent
- to increase the availability of housing provision which is in short supply.
- to expand its own portfolio of services to better meet the needs of stakeholders
- to invest its capital 'within the service' rather than in stock and shares or long term deposits
- as an 'ethical investment'

Essentials for the Charity

For the Shared Owner to be eligible for HB, the charity has to have the provision of a housing service as part of the charity's work and be included within its Memorandum and Articles of Association. (From 1/10/2007, the rental element of any shared ownership lease will be eligible for HB).

Before work is carried out on a specific case, it would be prudent to have agreement at the highest level within the organisation on the reasons, objectives and ethos of providing this service. For example - is the driving force a desire to provide a needed service or capital investment and an increase in the charity's funds? What is the level of risk it is prepared to undertake?

The charity must also have the capacity to manage the property following purchase and be able to deliver housing management separately. It is helpful if there is a contractual relationship between the charity and the Shared Owner to confirm this separation.

Brief Timeline of Process

1. Check and amend Memorandum and Articles if necessary.
2. Everyone, including the Board, is agreed on the principles and commits to the investment required.
3. Produce a draft lease.
4. Identify potential individual/s and their needs
5. Profile the individual's current and future benefits status
6. Discuss individual's case with Housing Benefit department and DWP
7. Agree Lease with legal representative of SO
8. Identify a Lender for the SO if required.
9. Agree Lease with Lender and obtain 'in principle agreement to mortgage'
10. Property search led by Shared Owner and agreed by charity.
11. Confirm all costs and benefits with all agencies
12. Purchase, upgrade as required and move in.
13. Submit all claims for benefits and check when received.

Case Study

Two pilot cases were identified and successfully completed by a national learning disability charity. One was in the North of England and the other in the South. Both of their circumstances were quite different although the common factor was that both people needed to move, had limited housing options and were interested in pursuing a solution that gave them long term security.

North

Noel lived in a house which he rented with two other people. He had been in this property some time and was ready to live on his own but was unable to secure new housing that met his needs through traditional routes. He had been able to build up some modest savings which helped him pay for the valuation, legal and other costs and was in receipt of benefits including Income Support and Housing Benefit. As he was already in a rented property he was able to take his own furniture, he bought some from his own funds and also received some help from the charity for other items. He was supported to secure a mortgage with a lender willing to provide an interest only mortgage to a person on benefits.

South

William was living in registered care accommodation that did not suit his needs and had lived in 28 locations in the two years prior to his move, including shared rented housing, none of which had proved successful. He expressed a clear desire to live alone and was supported by the local authority to secure shared ownership with an RSL. Unfortunately, this didn't work out for William at which point the charity offered to purchase a further property. Although William had limited income from benefits, very little other disposable income and no savings, a parent was able to assist with his mortgage, conveyance and other capital costs. William also received help from a Community Care Grant towards some of his essential furniture items. In addition some of the kitchen appliances were negotiated as part of the property purchase price. An interest only mortgage was sourced by 'My Safe Home', a specialist mortgage broker for disabled people.

Shares Purchased

Most types of Shared Ownership schemes prescribe how much of a share the person can buy and these are usually in large portions. However, because the charity is not restricted in this matter, it can offer more flexibility in determining what share each party will buy. This takes into account a number of factors such as the persons financial circumstances, the amount of rent/HB that will be charged, the level of benefit that will be required from IS, etc. This is illustrated below in the different amounts according to each individual's circumstances.

	North	South
Property type	2 Bed mid-terraced	2 Bed modern terraced
Purchase price	£74,000	£168,000
% Shared – Charity/ SO	50/50	41/59
Rent and Housing Benefit	£117 per week	£140 per week
Type of Mortgage	A mix of interest only and repayment	Interest only
Deposit	Nil	Nil
Mortgage Amount	£37,000	£99,120
Income Support Mortgage Interest	£188 per month	£454 per month

Issues with Housing Benefit and Income Support

This type of scheme is not generally known to the public or the officers dealing with the benefits directly. It is therefore necessary to 'educate' people as to how the process works and provide the appropriate information to help them process the claim for benefits. Once this has been done within a Local Authority, then it should prove to be simpler the second time.

This again was proved with the two cases above. Both the HB and IS officers in the northern Authority had experience in this type of scheme and the claim for ISMI was processed smoothly and paid in full fairly quickly. However, despite this, the HB department had issues with the rent level and the charity was required to provide further evidence of its status, what the rent consisted of and the arrangement for housing and support before HB at the required rate was paid. This took approximately six months. In the south, there were difficulties in relation to both HB and ISMI. It took approximately nine months and a formal appeal for the HB to be paid and over twelve months for the DWP to pay the full amount of ISMI needed to cover William's liability.

The issue for the charity and the lender in these cases is to accept that there will always be, to a lesser or greater degree, a delay in the repayment of the rent and mortgage payments until the person's benefits start to be paid.

Support Arrangements

In both cases here, full dialogue had taken place and agreements had been made very early on with Social Services and Supporting People as to the suitability of this type of arrangement for the individuals in their current circumstances and the availability of funding to meet their ongoing support needs.

In the North, funding was agreed for the existing support provider to continue to support the person, at their request, so that continuity was maintained. In the South, William secured a direct payment from the local authority and employs a group of PA's to meet his needs.

Results

In the case study given, it took a little over twelve months from initial discussions within the charity to the people moving in. However, now that everyone is familiar with the model and has documentation in place, any future schemes will take considerably less time.

This example also gives evidence that:

- It can be done successfully by a charitable organisation that is not a Registered Housing Association
- The individuals concerned have a much better quality of life and very secure housing tenure.
- The person becomes more empowered and progress in their independence is also enhanced.
- The investment of the charity is sound and growing and its revenue costs are being met
- The charity has gained knowledge and learned new skills
- Although the individuals in this case did not invest any capital, they now have some capital assets which continue to grow.

If you require further information or have other queries contact Housing Options.

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