

HOUSING INVESTMENT GUIDANCE NOTE



To: All Registered Social Landlords

Subject: Changes to the New Supply Shared Equity and Open Market Shared Equity Administrative Procedures

Issued by: Housing Supply Division

Ref No: HSGN 2012/01

Pages: 5

Issued: January 2012

This Guidance Note tells you about changes to both the New Supply Shared Equity and Open Market Shared Equity Administrative Procedures.

You will find a copy of this guidance note on the Scottish Government website at <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/investment/guidancenotes>

This Guidance note has been copied to Glasgow and Edinburgh City Councils, SFHA, and COSLA.

If you have any queries on the contents of this Guidance Note, please contact your local Scottish Government Regional Office, or in the case of Edinburgh and Glasgow the City Councils.

Background

1. In 2010, ODS consulting carried out an independent evaluation of four of the LIFT schemes on behalf of the Scottish Government.
2. In order to take forward the majority of ODS' recommendations to improve the schemes in a number of areas, we have updated the New Supply Shared Equity ('NSSE') and Open Market Shared Equity Scheme ('OMSE') Administrative Procedures. We have also updated the information brochures for buyers for both NSSE and OMSE. A separate guidance note has also been issued with changes to the Shared Ownership Procedures Guide.

Changes to Guidance and OMSE and NSSE Brochures

The Table set out in Annex A below summarises the changes being made to the NSSE and OMSE schemes. The NSSE and OMSE brochures and the Administrative Procedures have been updated to reflect these changes.

Copies of the updated brochures and Administrative Procedures can be found on the Scottish Government website at www.scotland.gov.uk/LIFT

After Sales Shared Equity Procedures

The Scottish Government has also prepared After Sales Shared Equity Procedures for use by registered social landlords to assist them with any post sale queries from shared equity owners. The document contains sample emails and correspondence to be used for situations including when a property is remortgaged, when a person wishes to purchase additional equity, and when a person wishes to add or remove a person from shared equity documentation. A copy of the ASSEP Procedures has been published on the Scottish Government website at www.scotland.gov.uk/LIFT.

Housing Supply Division
January 2012

ANNEXE A

Scottish Government (SG) action taken on recommendations made by ODS Consulting in the report 'The Evaluation of Low Cost Initiative for First Time Buyers (LIFT)'

	Recommendation	Response	SG Action
1	Consider placing greater emphasis on geographical and purchaser targeting in LIFT schemes.	Accepted	Focus is currently on funding the more targeted schemes (Open Market Shared Equity (OMSE) & New Supply Shared Equity (NSSE)). OMSE is currently only open to priority groups.
2	Require RSLs to provide a comparable level of protection to purchasers in LIFT schemes as is available to purchasers from NHBC registered developers.	Accepted	The NSSE Administrative Procedures have been updated so that registered social landlords should abide by the spirit of and principles underpinning the Code.
3	Encourage RSLs and private developers to provide prospective purchasers of new supply property with more detailed information regarding their ongoing housing costs, particularly in relation to anticipated service charges.	Accepted	The NSSE Administrative Procedures have been updated to include a provision encouraging registered social landlords to provide as much detailed information as possible regarding service charges. In addition, we have inserted a provision for registered social landlords to follow SFHA's Factoring Guidance. The Shared Ownership Procedures Guide has also been updated to refresh guidance on occupancy payments.
4	Continue to promote the contribution Open Market Shared Equity (OMSE) can make in meeting particular housing needs.	Partly Accepted	OMSE will continue to be available across Scotland, although due to financial constraints, the scheme is currently targeted only at priority groups.
5	Put in place arrangements to proactively encourage purchasers to consider their options to acquire additional equity on a periodic basis.	Accepted	New post sale duties for registered social landlords incorporated into the revised OMSE and NSSE Administrative Procedures. Shared Equity Owners to be contacted every 5, 10 and 15 years by registered social landlords to encourage them to purchase additional equity.

	Recommendation	Response	SG Action
6	Consider offering greater flexibility to the timescales and levels of additional equity NSSE and OMSEP purchasers can acquire.	Accepted	NSSE and OMSE Administrative Procedures have both been amended to provide greater flexibility for shared equity owners to purchase additional equity.
7	Allow sharing owners to privately let their properties under strict conditions in situations where lack of demand for shared ownership is preventing mobility.	Accepted	The Shared Ownership Procedures have been revised to allow sharing owners' greater flexibility to sub-let properties in certain circumstances. Please refer to Scottish Government Housing Supply Division Guidance Note 2011/07 for more information.
8	Consider introducing interest charges on its equity loan after a period of time.	Not Accepted at this stage	No extra charges will be introduced for LIFT buyers. However, this is something which may be introduced in future.
9	Review the use of the 'golden share' in consultation with local authorities, and advise existing purchasers where it does not intend to exercise its right to repurchase a property.	Partly Accepted	Following discussions with local authorities, the operation of the 'golden share' will remain available in those areas where local authorities feel there is a case for it.
10	Re-examine the golden share model to identify whether there would be value in replacing it with a right of pre-emption.	Accepted, subject to feasibility	Following consultation with Scottish Government solicitors, we have decided for the time being to retain the existing 'Golden Share' model. Alternatives such as a contractual right of pre-emption, the creation of a burden over the property, and the creation of a security with contractual arrangements were considered. We have carefully balanced the risk of all of these options against the existing 'Golden Share' provision and we feel that they do not offer any greater benefit or value.
11	Ensure that prospective purchasers are provided with more prominent information regarding the applicability of the '20 year rules' and consider how to clarify the position for existing	Accepted	The OMSE and NSSE brochures have both been revised to provide prospective purchasers with better information on what they are expected to do following the expiry of their shared equity agreement.

	Recommendation	Response	SG Action
	purchasers.		
12	Undertake further work to assess the economic impact of OMSEP.	Accepted	Internal assessment work to be carried out in 2012.
13	Encourage RSLs and private developers to draw on existing good practice examples and lessons learned elsewhere in the creation of mixed and sustainable communities.	Accepted	References to sources of good practice such as ' <i>Delivering Better Places in Scotland: A Guide to learning from broader experience</i> ' have been incorporated into the revised NSSE Administrative Procedures.
14	Review the value of retaining three new supply LIFT schemes to support households into home ownership. Consideration should be given to discontinuing GRO and shared ownership.	Accepted, except for regeneration GRO	The SG is no longer continuing to fund shared ownership or GRO in pressured areas (type 3 GRO), but it will continue to fund GRO in regeneration areas in certain circumstances.
15	Introduce guidance on the setting of occupancy charges should it decide to retain shared ownership.	Accepted	A Guidance Note will be published shortly to provide information on private letting of sharing owners properties and to also refresh guidance on occupancy payments.
16	Review and improve the way data is collected and collated in relation to LIFT schemes.	Accepted	Improvements to monitoring systems already being developed. Stricter enforcement of requirement for RSLs to ensure completion and return of shared equity monitoring forms has been incorporated into the OMSE and NSSE Administrative Procedures.

January 2012