

Item No. 10.	Classification: Open	Date: 17 July 2012	Meeting Name: Cabinet
Report title:		Four Squares Estate – Major Works update	
Ward(s) or groups affected:		Riverside Ward; Residents of Four Squares Estate	
Cabinet Member:		Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management	

FOREWORD – COUNCILLOR IAN WINGFIELD, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING MANAGEMENT

I am very pleased with the tremendous progress that has occurred on the delivery of the major works programme for the Four Squares estate. This has in no small part been due to the dedication of the residents in the Resident Steering Group who have assisted in a large way in calming residents concerns over the works proposals. Delivering both the security works for Marden and Layard and the overall refurbishment works for the estate as a whole at the same time and as soon as possible remains our mutual goal. In recognition of the large proportion of leaseholders on the estate and the costs involved, I am very pleased to propose the recommendation that a pilot scheme is run for leaseholders to have their interest free period extended by a further 24 months to 72 months in total. I firmly believe that by agreeing the recommendations before us today the cabinet is signalling its total commitment to long-term viability of the estate.

I am therefore asking the cabinet, after consideration of the officers' report set out from paragraph 4 onwards to approve the recommendations below.

RECOMMENDATIONS

That the cabinet:

1. Notes the progress made in delivering the security and enhanced refurbishment works.
2. Agrees strategy of appointing specialist advisors for disposals as outlined in paragraph 33.
3. Agrees that a pilot is run on the Four Squares Estate whereby the interest free period for leaseholder major works charges is extended to 72 months for charges over £15,000, as outlined in paragraph 27.

BACKGROUND INFORMATION

4. On the 20 March 2012 cabinet considered the Four Squares Options Appraisal report and agreed the following:
 - I. That the findings of the Four Squares options appraisal be noted.
 - II. That approval is given for work to continue to implement a scheme

of enhanced refurbishment to all blocks described as Option 3 in the report, to run concurrently with the security work already committed for Marden Square and Layard Square.

- III. That officers be instructed to programme future resources from the resources identified in paragraphs 79-82 of the report.
 - IV. That the substantial financial resources required for the refurbishment be noted and it also be noted that the option appraisal identified that no meaningful contribution would be forthcoming from infill development on the estate.
 - V. That officers be instructed to initiate disposals of void properties on the estate in accordance with the strategy outlined in paragraph 69 of the report to contribute to the cost of the refurbishment works and that it be noted that all disposal decisions in relation to the strategy to be made by the head of property. Such decisions will include consideration of targeted disposals to individuals and housing providers to contribute positively to the future management of the estate.
 - VI. That officers report to cabinet on the progress of delivery of this option in July 2012.
5. Since the Cabinet decision, steps have been taken to progress the two packages of works proposed for the estate, which will be delivered by Housing Services, Major Works Team.

Security works – Marden Square and Layard Square

- 6. The residents of Marden Square and Layard Square have met with officers from the Housing Major Works Team to discuss the proposals for the security works and the steps to be taken to drive this forward. Regular blocks meetings with residents will continue to take place throughout the duration of the works. The requirements of the residents of the Marden Square sheltered block will receive specific attention.
- 7. The relevant planning permissions are currently being sought for these works.
- 8. The current provisional timetable for the commencement of the security works at Marden Square and for lift works at Layard Square is Autumn 2012. The Layard Square security works will follow on from the lift works in early summer 2013.
- 9. It is intended that the enhanced refurbishment works are rolled out to each block thereafter.

Enhanced refurbishment works

- 10. The refurbishment works will be phased square by square, it is anticipated that the first phase will begin in summer 2013 and should be completed within 30 months.
- 11. Due to the size of the estate and extent of the works proposed, a Project Team will be appointed to manage the Four Squares programme of works. This will

enable the Major works team to manage staff resources in this area more efficiently, as the Abbeyfield Estate, Four Squares and Hawkstone Estate for which future major works are planned, are located in same geographical area.

12. An estate wide public meeting to discuss the security and refurbishment work programmes was held in early May and attended by the Major Works Team. Seventeen residents were present at the meeting.
13. It is envisaged that both packages of works will be undertaken by one of the major works partnering contractors, subject to consultation with residents. This allows for an integrated approach to achieve efficiency and cost effectiveness and manage disruption for residents.
14. The existing partnering contracts have a Key Performance Indicator (KPI) of one apprentice year per £1m worth of work. Thus for a contract of £15m, the partnering contractor is expected to provide, for example, five apprenticeships for three years.
15. The approach taken in relation to site set up and the location of the compound is addressed below.

Southwark Heat Network

16. The proposed Southwark Heat Network will provide low carbon energy for heating and hot water from the South East London Combined Heat and Power plant (SELCHP) to a number of estates including the Four Squares Estate. Negotiations are continuing between the council and Veolia Environmental Services Southwark (VESS) but assuming a satisfactory agreement can be reached and the Leasehold Valuation Tribunal approve the proposal, the contract aims to ensure that heat and hot water is provided at a lower cost than the current provision by gas fired boilers, and that there are significant carbon savings. The responsibility for the maintenance of boiler plants, which will be retained for back up, will pass to VESS. There will be no capital cost to the council; the council's commitment is to purchase the heat supplied under the new contract. The existing boiler house will be retained.
17. The refurbishment scheme will be project managed to ensure integration with the Southwark Heat Network works on the estate, so as to minimise disruption and ensure complementary working.

KEY ISSUES FOR CONSIDERATION

18. The option appraisal exercise ran from July 2011 to April 2012 and was an intensive piece of work that residents contributed greatly to. Now that this process has been concluded with the decision to complete enhanced refurbishment works on the estate, the Four Squares Resident Steering Group (RSG) has been disbanded and met for the last time in mid April. At the final meeting, a number of issues were identified that needed to be carried forward for further consideration and which will be addressed in this report.

These are as follows:

- Site set up/parking
- Extension of interest free repayment period for leaseholder major works bills

- Consecutive payments for each area of works i.e. security and refurbishment works
 - Identification of void properties for disposal
 - Ongoing repairs and maintenance
19. Resident involvement throughout the contract period will be via a newly established Resident Project Group as outlined above.

Site set up/parking

20. The 687 households on the estate are served by approximately 499 garages located at the base of the four blocks. Of these 240 at Lockwood Square and New Place Square were recently refurbished and are available for letting. The remainder at Layard Square and Marden Square are not in widespread use due to their current state of repair and are due to be refurbished as part of the security work to these blocks and will therefore be brought back into use in the early stages of the overall programme. Additional parking is also available in a limited number of bays spread across the estate. These spaces are free for resident use and are regulated through an estate parking permit scheme.
21. The need to set up a site compound on the Four Squares Estate for use by work operatives for the duration of the security and refurbishment works programme, has raised concerns amongst residents that the use of estate parking bays will be restricted if these areas are used for this purpose, particularly as the estate is based in a controlled parking zone (CPZ).
22. There are a significant number of hard stand areas on the estate which do not provide parking and these will be looked at more favourably by both the residents and council when considering a suitable location. The use of these alternative sites will result in the continued availability of the estate parking bays throughout the security and refurbishment work programmes and therefore alleviate any concerns that residents may have. The location of the site compound, storage containers etc will be a matter for agreement with the residents project team, the council and the contractor.
23. It should also be noted that 259 garages will become available for use by residents on completion of the security work which is due for completion before the start of the refurbishment works.
24. Estate parking permits are not valid for use in on-street parking zones. However, if residents would like to utilise on street parking within the CPZ during the security or refurbishment works period and do not require a 12 month permit, shorter term on street parking permits are available for one, three or a six month period.

Extension of interest free repayment period for leaseholder major works bills

25. Under the terms of their lease agreement leaseholders will be liable for major works charges arising from the security and refurbishment works. Based on the current estimated costs produced during the option appraisal, estimated major work charges were produced for each block depending on the extent of the work to be carried out. For Marden Square and Layard Square leaseholders, the estimated major work costs based on both packages of work, ranged from £25,000 to £50,000 depending on the size of the property. Whereas at

Lockwood Square, New Place Square and Jamaica Road, where security works have already been completed the estimated major costs range from £14,000 to £43,000, again dependent on the size of the property. During the consultation period leaseholders raised whether the interest free period for resident leaseholders could be extended from 48 months to 72 months, in line with another local authority.

26. Presently resident and non resident homeowners have a number of payment options available to them in respect of major works charges, as outlined below.
 - Leaseholders can choose to pay in accordance with the lease, which means making four quarterly payments on the estimated costs to be incurred in each individual year.
 - Leaseholders have the option of making payments by instalments over 36 months (interest free with the option of repayment over 48 months, in exceptional circumstances); this option is available to resident leaseholders only.
 - Alternatively payment by instalments may be made over a period of 36 months and 10 years. This option will incur interest to the outstanding balance
 - Leaseholders also have the option of applying for a service charge loan which is effectively a mortgage on the property and may be repaid up to 25 years. This option will attract interest over the term and an arrangement fee.
 - Equity loans and equity shares.
27. The interest free payment option for resident leaseholders was recently extended from 36 to 48 months in exception circumstances.
28. However, given the estimated level of major works charges, as outlined above, it is proposed that a pilot is run on the Four Squares Estate whereby the interest free period is extended to 72 months for major works charges over £15,000. This will only be available to resident leaseholders. The pilot scheme has been recommended, following confirmation that the London Borough of Haringey offers such a repayment period. However, when Haringey introduced this policy it was with the knowledge that there would be a significant cost to the Housing Revenue Account. If such a scheme were to be fully introduced in Southwark the cost to the HRA would be in the region of £1m per annum. As the scheme would be applicable only for service charge bills of more than £15,000 it is also likely to be unaffordable to most leaseholders, bearing in mind that it would require a repayment of £500 per month every month for the duration of the period. The alternative options, despite bearing interest, are still likely to be far more practical for most leaseholders with the length of the loan allowing for more reasonable monthly payments. The interest free options are only applicable to resident leaseholders.
29. The Home Ownership Unit will also be meeting with leaseholders individually to discuss the most suitable repayment option based on their individual circumstance.

Consecutive payments

30. At present estimated major service charge invoices are issued to leaseholders once a year and an actual invoice issued on completion of the works, for each package of works. Thereafter leaseholders will be required to agree to one of the payment options outlined above and to commence payment according to the terms agreed.
31. As there are two separate work programmes planned for two of the blocks on the estate, leaseholders have queried whether two invoices will be issued and if so, whether these can be paid consecutively. Invoices will be issued for each programme of works, and payment would be due in accordance with the lease. It is not yet known when the invoices will be issued, but potentially they will be raised in different financial years and each will require a payment plan to be set into place. Home Ownership Services will discuss individual payment options with leaseholders. It will not be possible to pay the two invoices consecutively, but where leaseholders opt to take out a service charge loan against the first invoice the second invoice can be added to it at a later stage.

Identification of void properties for disposal

32. A number of void properties on the estate to the value of £9m are to be identified for sale. These empty properties will consist of bedsits, one and two bedroom properties as outlined in the March report to cabinet. The overriding principle is to achieve capital receipts required to support the range of works agreed, whilst minimising the number of homes that need to be sold. Properties to be disposed of will be distributed through the estate, and will be voids that have arisen naturally. Any void properties arising in Marden Square Sheltered Unit will not be considered for disposal. The Marden Square sheltered accommodation unit will also be considered under the boroughwide review of sheltered housing.
33. When the contractor's programme is known, it will be possible to establish a schedule for void disposals that enable the sales to take place at the most opportune time in terms of the value that can be realised. This will be when works are completed, or at least well advanced, on a particular block.
34. It is proposed that we seek specialist advice to assist in agreeing an appropriate internal specification of the voids for sale that optimises value and the council's investment. Following a tender process, suitably qualified agents will be appointed to market and manage the individual sales. These agents will work closely with the Head of Property who will authorise each individual disposal in accordance with the council's legal and constitutional obligations.

Ongoing repairs and maintenance

35. Minor repairs will continue to be addressed as part of the day to day repairs and maintenance contract. The completion of repairs will continue as outlined until the works is passed to the contractor and a start of site date is known, unless a significant repair in terms of scale or cost is required which can be undertaken when the major works contractor is on site.

Policy implications

36. The planned refurbishment of the Four Squares Estates is in line with

council's policy of investing in its housing stock to ensure that all homes are warm, dry, and safe.

Community impact statement

37. The direct beneficiaries of the planned security and refurbishment works will be the residents. On completion, the programme of works will result in improved internal living conditions for tenants and an overall improvement to the environment for all residents.
38. The proposal to sell voids on the estate will result in fewer properties being available for letting to households on the councils housing list. However, the properties will remain in the council's ownership as leasehold sales, which will result in a greater number of leaseholders on the estate in line with the council's policy of creating mixed communities within the borough.

Resource implications

39. In agreeing the March report to cabinet, members noted resources within the housing investment programme (HIP) allocated for the estate and instructed officers to programme additional resources to meet the proposed scheme costs, to be identified as part of a planned refresh of the programme and through voids disposals on the estate. Following the 2011/12 closing process, the refresh is taking place to review revised and new resources and commitments for the HIP, and will be the subject of a separate report to members.

Consultation

40. The Four Squares Resident Steering Group (RSG) was formed following a decision by cabinet taken in May 2011 to consider the options for the estate. The purpose of the group was to enable resident participation in the development of the options to be appraised. This group has since been disbanded following the conclusion of the appraisal process and the decisions made by cabinet on 20 March 2012.
41. Consultation with residents on the programme of works will continue in the form of block meetings with residents at Marden Square and Layard Square and with the wider group of residents via the Resident Project Group. The Marden Square block meetings will take account of the needs of the residents of the sheltered housing located there.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

42. There are no specific legal implications arising from the recommendations in this report at this time.

Strategic Director of Finance and Corporate Services (NR/F&R/23/6/12)

43. This report recommends that cabinet note the progress made in delivering the security and enhanced refurbishment works for the Four Squares estate and agrees the strategy of appointing specialist advisors for disposals.

44. The Strategic Director of Finance and Corporate Services notes the resource implications contained within the report. Officer time to effect the recommendations will be contained within existing budgeted revenue resources.

Head of Home Ownership and Tenant Management Organisations

45. Much of the work proposed is service chargeable, so the council will be required to carry out statutory consultation with leaseholders under section 20 of the landlord and tenant act 1985 (as amended). Home Ownership Services have given advice on the statutory consultation requirements which will be necessary if either the partnering contract is used or a separate tender process is followed.
46. The council recognizes that some leaseholders will have difficulty in paying large major works service charge bills. A number of payment options are available to leaseholders, dependant on their particular circumstances and staff within Home Ownership Services are available to discuss these with leaseholders on an individual basis. In particular the interest free payment scheme has recently been extended from 36 months to 48 months for service charges such as those which need to be invoiced in respect of these works. The extension of the interest free period means that Southwark offers the longest period of all councils with the exception of one north London authority. Most councils offer 36 months, none have extended this period to 48 months. The vires for a 72 month period is uncertain. The introduction of the new general power of competence by the Localism Act, together with the rigors of a self financing regime for the housing revenue account will afford the opportunity to review interest free periods. With very large service charges these shorter interest free periods are still unaffordable for many leaseholders who need the longer periods of traditional mortgages or schemes to release equity. Southwark are the first authority in the country to use the powers afforded by the Housing and Regeneration Act 2008 to create policies for equity release and equity loan, again specifically aimed at helping long leaseholders to pay major works service charges.
47. The management of garages now falls within the remit of the Home Ownership and Tenant Management Initiatives Division. The garages under Marden and Layard Squares are in dire need of security and refurbishment work, similar to that carried out to the garages under Lockwood and New Place Squares. Very few garages under Marden and Layard are let (or in a lettable condition), while the majority under the other two blocks have been successfully let and are bringing in an income. The garages under Marden and Layard Squares are currently suffering from vandalism and fly-tipping, with cars being abandoned and set on fire. This means that not only is there a loss of income on the void garages (the vast majority), but there are on-going costs of security and clearance. Home Ownership Services have carried out temporary security works to close off the areas prior to the investment works being carried out.
48. Home Ownership notes the proposals concerning the disposal of void units and that the precise number and terms of said disposals has yet to be decided, although these will be at full market value.
49. It is not proposed that the Home Ownership Service is directly involved in the marketing of the void units for sale, however, it is imperative that the service is consulted in respect of the terms of the leases to be granted and the statutory consents that will be required under section 32 of the Housing Act 1985 as the service will be required to construct and collect service charges for the properties

in the future. For ease of future financial as well as building management it is crucial that the terms of the precedent leases (broadly) match those used for both Right to Buy and voluntary disposal sales.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Four Squares Estate Options Appraisal	Chief Executive's Department 160 Tooley Street London SE1 2QH	Sonia Esnard 020 7525 7743

AUDIT TRAIL

Cabinet Member	Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management.	
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Version	Final	
Dated	5 July 2012	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Head of Home Ownership and Tenant Management Organisations	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		5 July 2012