

Item No. 16.	Classification: Open	Date: 8 December 2015	Meeting Name: Cabinet
Report title:		Financial Appraisal Process for Home Owners Affected by Regeneration Schemes	
Ward(s) or groups affected:		All wards and council home owners affected by regeneration schemes in the borough	
Cabinet Member:		Councillor Richard Livingstone, Housing Councillor Mark Williams, Regeneration and New Homes	

FOREWORD - COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR HOUSING

Following a public question asked at the last cabinet meeting, we agreed to look again at the savings cap applied in the financial appraisal process for resident homeowners affected by regeneration schemes, such as the Aylesbury Estate programme.

This report revises that financial appraisal process.

We believe that it is important that we do not penalise resident homeowners who have been able to save money for their future needs. As a consequence, rather than just increase the savings level at which the cap is applied, this report proposes that resident homeowners are no longer required to apply their own savings at all if they qualify for council-assisted re-housing. Of course, if home-owners wish to apply their savings to purchase a greater equity in a shared-ownership property, they will still be free to do so.

If this policy is agreed, the council will work with our partners in housing associations to ensure that the policy can be applied where the resident chooses to move to a home provided by a housing association.

RECOMMENDATIONS

1. To note the revised process of financial appraisal to determine the appropriate re-housing support options for individual leaseholders affected by regeneration schemes.
2. To confirm that individual applicants should determine the application of their own savings towards their rehousing options.
3. To ensure that this approach is reflected in the delivery arrangements with development partners for new regeneration schemes, and to make representations to existing development partners to seek their agreement to adopt the approach for current regeneration schemes.

BACKGROUND INFORMATION

4. Eligibility for council-assisted re-housing options for resident homeowners

affected by the council's regeneration schemes is determined through a process of affordability testing. This has been the case since 2005, when the council adopted a policy in relation to the re-housing of home owners on the Heygate Estate. The Heygate model was broadly adopted for the Aylesbury Estate the following year and for the Elmington Estate in 2011. Homeowners who do not wish to be considered for any sort of council-assisted re-housing would not need to undergo an affordability assessment.

5. The affordability assessment (financial assessment) is undertaken to determine the best option for individual resident homeowners. These options are on a continuum and range from a council tenancy where resident homeowners would be unable to afford new home ownership, through shared ownership, shared equity and outright purchase with no assistance from the council. The financial appraisal also enables resident homeowners themselves to consider the best possible option for their individual circumstances including whether they wish to own a larger percentage of a lower value property or a lower percentage of a higher value property.
6. A general overview of the evolution of the council's re-housing assistance policies for the Aylesbury can be found appended to this report (Appendix A). The general approach has been that resident homeowners, having exercised either a statutory right to buy their council homes or purchased a former council home on the open market should be helped to remain in affordable, sustainable home ownership. This is particularly important given the rise in land and house prices in the Borough, which impacts directly on the ability to find comparable properties at an appropriate price. These resident homeowners are subject to compulsory purchase orders in furtherance of our regeneration objectives therefore it is important to make the process as fair and equitable as possible, and allowing the exercise of individual choice wherever possible. The council has ensured that dedicated financial and staff resources have been made available for this process since 2008.
7. Officers within the Sales and Acquisitions (SAA) team undertake a financial assessment to appraise whether a homeowner can afford the ongoing cost of ownership. This determines the eligibility of each case for re-housing assistance. This work sits immediately alongside other areas of work undertaken by the team, namely operation of the Social Homebuy and Cash Incentive Schemes, both of which also involve assessing the financial circumstances of people who want to buy their own home. It is increasingly important to ensure that prospective purchasers are made aware of the entire cost of purchase and likely future liabilities before they commit to home ownership.
8. Under the regeneration re-housing assistance scheme, the ability of people to purchase an alternative home is benchmarked against valuations of council properties undertaken by valuers in the council's Property Services Division. The possible outcomes are that resident homeowners;
 - does not qualify for council housing assistance as it is believed they are able to purchase on the open market without financial assistance from the council.
 - qualifies to purchase a property either outright, on shared equity terms or on shared ownership terms

- on-going ownership is unaffordable for that particular person, in which case they can become a council tenant.
9. At the time of the 2005 Heygate report, the council remarked that re-housing was a "sufficient domestic priority to warrant a shift in investment from other sources" and it was therefore proposed that savings above a certain level would be included in home owner affordability assessments. In practice, this means that individual resident homeowners are expected to put all of their savings into their new home, regardless of their personal circumstances or their own prudent financial planning for their futures – which may not have included any knowledge of the potential regeneration or redevelopment of their estates.
 10. As this decision was taken a decade ago, it is now appropriate to ensure that it is still relevant and does not adversely affect any one or any particular group of homeowners. Concern over this policy was raised by the Aylesbury Leaseholder Group as part of the public inquiry into the compulsory purchase of properties comprising the Aylesbury First Development site. Concern has also been expressed about the applicability of this cap and its disincentive to those who have acted responsibly and saved money for their future needs.

KEY ISSUES FOR CONSIDERATION

11. More than 100 re-housing applications have been received since 2008. It is clear that there is no typical financial profile of resident homeowners living on estates affected by regeneration schemes. Homeowners have a wide range of differing financial circumstances and financial capacity.
12. It is also the case that the circumstances of resident homeowners can and do change greatly over the course of their tenure. It is for this reason that it is not possible to operate a "one size fits all" type of re-housing policy and one of the reasons why, since the inception of the Heygate policy in 2005, the council has made a number of responsive changes - the most recent one being the introduction of a new form of ownership – 'Shared Equity', in March 2014.
13. The council in the application of its policies does not wish to penalise those resident homeowners who have been able to save sums of money – particularly where they may have been planning for their own future needs, e.g. retirement or ill health.
14. It is proposed to make an amendment to the existing policy to the effect that resident homeowners will no longer be required to apply their own savings if they qualify for council-assisted re-housing, unless they wish to do so.
15. It should be noted that the Aylesbury Leaseholder Group has recently written to the council with a number of suggested policy changes. Whilst this proposal might satisfy one or more of those requests, it does not deal with all of them. This report does not attempt to deal with those suggestions at this time. They will be examined more carefully and a full response will be provided in due course.

Policy implications

16. In arriving at this new approach, the council has considered the potential effect on all home owners. Analysis of data, taken from a sample of recent home owner

financial assessments shows that it is only in very few cases that resident homeowners have savings above the current capped level, which is currently set at £16,000.

17. Officers examined affordability assessments that had already been undertaken and completed for applicants from both phase 1 and phase 2 of the Aylesbury regeneration scheme to see to what extent a re-housing outcome might change by virtue of the proposed policy change. This exercise showed that there would be no change to the re-housing option to which individual leaseholders would be entitled, as illustrated in Appendix B.
18. There is no reason to believe that these outcomes would not yield similar results in the next active phases (3 and 4) of the regeneration scheme and there is not one example where an outcome changed from a form of ongoing ownership to tenancy. This again clearly demonstrates that there is no 'typical' situation.
19. Both the London Boroughs of Hackney and Lambeth have estate regeneration schemes in progress. The recommended approach to savings proposed in this scheme mirrors that of both boroughs in that it is for the displaced resident homeowners to decide whether they wish to use savings they have in the purchase of their future home. Southwark will therefore be taking a common approach in adopting this policy change.

Community impact statement

20. This policy change is being proposed in direct response to concerns particularly from members of the Aylesbury Leaseholder Group over the fairness of resident homeowners not being able to exercise their own choices in terms of their savings as a result of the council's Regeneration plans.
21. There is nothing to suggest that the council's re-housing policies for homeowners affect any one protected group more than another. The policies are predicated on housing and financial need and this can differ greatly from household to household as it would do across the borough and indeed across London.
22. As has already been demonstrated, this minor change is not expected to have an impact on the re-housing outcomes that would otherwise have been arrived at.

Resource implications

23. No additional staffing resources will be required as a result of this decision.
24. It is believed that the proposed policy change will not have an effect either on the number of applicants, or the number of those applicants likely to be offered council re-housing. It is however prudent for the council to continue to periodically review its policies and make relevant recommendations as it has done over the past decade

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

25. The Equality Act 2010 imposes a general equality duty on public authorities (PSED), in the exercise of their functions, to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct that is prohibited by or under the Act.
 - Advance equality of opportunity between people who share a relevant protected characteristic and people who do not share it.
 - Foster good relations between people who share a relevant protected characteristic and those who do not share it.
26. For the purpose of the PSED the following are 'protected characteristic' considerations:
- Age
 - Civil partnership
 - Disability
 - Gender reassignment
 - Pregnancy and maternity
 - Race
 - Religion or belief
 - Sex and sexual orientation.
27. When making decisions, section 149 Equality Act 2010 requires that cabinet must have due regard to the need to eliminate discrimination and other prohibited conduct, and advance equality of opportunity and foster good relations between people who share a relevant protected characteristic and those who do not.
28. At paragraph 21 of the report there is confirmation that there is nothing to suggest that the council's re-housing policies for resident homeowners, including the change to those policies put forward by this report, affect any one protected group more than another.
29. As set out in the report, it is not thought that the policy change will adversely affect other leaseholders on regeneration schemes.
30. It is appropriate that the change in policy is brought before cabinet and it will be noted that the previous policies and changes in policy set out in Appendix A were the subject of cabinet (or executive) decisions.

Strategic Director of Finance and Governance

31. The strategic director of finance and governance notes the proposed removal of the savings allowance criteria for resident homeowners being displaced as a result of regeneration programmes. This policy condition dates back to 2005 and is no longer deemed to be relevant in current circumstances. Based on analysis of recent cases, there are no perceivable adverse financial implications arising from the policy change and no requirement for any additional resources.

Housing Solutions Manager

32. The proposed changes will have no implications for the existing Housing Allocations scheme and very limited implications on the re-housing of customers into available affordable accommodation going forward. The Housing Solutions service therefore, fully supports the contents of this report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Elephant and Castle Leaseholder Policy 2005	Sales and Acquisitions, 160 Tooley Street	Mark Maginn 020 7525 7431
Link: http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=5142&Ver=4		

APPENDICES

No.	Title
Appendix A	Evolution of re-housing policy summary document
Appendix B	Re-housing outcomes tables

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Housing; Councillor Mark Williams, Regeneration and New Homes	
Lead Officer	Gerri Scott, Strategic Director of Housing and Modernisation	
Report Author	Richard Selley, Head of Customer Experience	
Version	Final	
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CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Housing Solutions Manager	Yes	Yes
Cabinet Member	Yes	Yes
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