

Item No. 16.	Classification: Open	Date: 12 December 2017	Meeting name: Cabinet
Report title:		Southwark Council's Buy-Back Offer for Ledbury Towers Leaseholders	
Ward(s) or groups affected:		Livesey Ward	
From:		Councillor Stephanie Cryan, Deputy Leader and Cabinet Member for Housing	

FOREWORD BY COUNCILLOR STEPHANIE CRYAN, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING

Following the tragedy of the Grenfell Tower fire, Southwark took action to check that its tower blocks were fully compliant with current fire regulations. That included the four tower blocks on the Ledbury Estate; Bromyard House, Peterschurch House, Skenfrith House and Sarnsfield House.

Residents of those tower blocks told us about concerns with some cracks appearing in their homes. Arup, a structural engineering company, were engaged to inspect the cracks and advise on what that meant for the buildings and the safety of residents. Their interim report concluded that the cracks could compromise the compartmentalisation of the buildings and have an impact on fire safety. It also concluded that the buildings could be affected by a catastrophic event, such as a gas explosion.

Following receipt of that interim report the council took the decision to turn off the gas supply to the buildings. Since then efforts have been made to restore heating and hot water facilities to the blocks and put measures in place to mitigate the fire risks. A temporary district heating system has been installed for each of the four tower blocks. Heating and hot water was restored to all of the flats by 16th October. There are fire wardens stationed in each of the four blocks and the stay put policy in the event of fire has been suspended and there is an immediate evacuation policy in place.

This is a unique situation and the council ensured to reassure residents of the steps being taken to manage their concerns, but quite understandably, some residents did not feel safe and wanted to move. Some residents took up offers of temporary accommodation while the work to install the heating and hot water solution was carrying on. Others were, and are, seeking a longer term move away from the towers.

This report provides a buy-back offer for the 33 leaseholders who may feel that their future no longer lies in the towers. The offer to buy back leaseholder's properties will remain open while the future of the towers is being considered. Arup have produced a second and fuller report which provides additional information on the state of the blocks. The council and residents will need to consider that report carefully and draw conclusions on the viability of the blocks and how best to proceed. In the meantime, this report recommends a mechanism for handling properties which leaseholders would prefer sell back to council.

RECOMMENDATIONS

1. That cabinet notes the proposed policy to allow the buy-back of leaseholder properties in Ledbury Towers (Bromyard House, Peterschurch House, Skenfrith House and Sarnsfield House), which are currently the subject of structural investigations.
2. That a detailed financial assessment of the Ledbury buy-back offer is undertaken, funding is identified and delegated authority for individual buy backs be given to the Director of Regeneration.

BACKGROUND INFORMATION

3. The current situation relating to the four tower blocks on the Ledbury Estate appears to be unprecedented. Following the tragedy of Grenfell Tower, the council carried out extensive fire risk assessments on all high rise blocks (those over 7 stories). At the four high rise blocks on the Ledbury estate it was identified that due to the construction/design and age of the blocks, the compartmentalisation of the flats could be compromised in the event of fire, so compromising the safety of residents.
4. Structural engineering experts Arup have been employed to carry out investigations into the block and a full report has recently been received (20th November 2017). Following an interim report in August however it was reported that should a gas explosion occur in one of the towers, it might lead to significant damage and compromise the structural integrity of the building. The safety of residents is paramount and the decision was made to switch off the mains gas supply to the building immediately. The council provided temporary hot water with the installation of an immersion heater and a longer term heating and hot water solution has now been installed. Until the content of the most recent Arup report has been considered, there is presently no indication of what other works, if any, the blocks might require. It is however anticipated that further extensive major works will be required leading to longer term disruption for all residents of the four blocks. The conclusions of the report will also be the subject of detailed consultation with residents.
5. The council recognises the potential short, medium and long term disruption to all residents of the blocks. It is proposed that for those leaseholders who would wish to leave the Ledbury Towers, a buy-back offer should be put in place. This would help alleviate the situation for those residents and provide void properties for Arup to continue their investigations and enable remedial works to be carried out where that is necessary. It would also deliver additional properties for the council's tenanted stock once any necessary major works have been completed. This would be an offer entered into voluntarily by both the council and the leaseholders and should be viewed as an offer being made under exceptional circumstances. It should also be noted that should the estate be subject to regeneration, this offer will be revised in accordance with the buy-back offer made on other council regeneration sites.

Buy back proposal advantages

6. The advantage of offering to buy back leaseholder properties is that it demonstrates the council's commitment to treating leaseholders fairly and

equally and is tenure neutral in its support for residents in such circumstances. It also gives leaseholders genuine choice in extraordinary circumstances.

7. The proposal would also have the advantage of providing vacant dwellings that could be used as part of any future decant programme.

Buy back proposal possible disadvantages

8. The financial implications of the buy back offer will impact the HRA. The implications have been provided elsewhere in the report. Based on the numbers of home owners who have expressed a wish to sell however, it is not anticipated that the number will be high.

Buy back offer

9. Ledbury Towers has 33 leaseholders made up of both resident and non-resident home owners.

Leaseholder composition

Block	No. of resident leaseholders	No. of non-resident leaseholders
Bromyard House	3	3
Peterschurch House	4	3
Skenfrith House	5	5
Sarnsfield House	4	6
Total	16	17

10. Southwark has existing policies in place to buy back leaseholders' homes where they are experiencing exceptional financial hardship and are living on a regeneration scheme. At present however there is no policy buy-back policy in place for any other circumstances. This report sets out the terms of the proposed offer to leaseholders in the Ledbury Towers. Carter Jonas, external valuers, have been engaged to carry out valuations on those properties where the owner has expressed an interest in selling.

Leaseholder buy back offer

11. Southwark will offer to purchase a property based on an independent open market valuation by Carter Jonas. We have given a commitment that the valuation will be based on the condition of the property and block prior to the identification of structural defects. Leaseholders will also be invited to appoint their own surveyor to act on their behalf and to agree the value of the property through negotiation with Carter Jonas. The council will pay all reasonable fees of the leaseholder's surveyor.
12. The offer will remain open throughout the 'life' of any short medium or long term solution to address the issues of the blocks and leaseholders will be notified in

advance of the scheme coming to an end.

13. The financial package available for resident and non resident leaseholders differs. In line with the Compensation Code (which applies to the buy-back of properties impacted by regeneration schemes) we will offer a 10% uplift on the agreed open market valuation for resident leaseholders and 7.5% uplift for non-resident leaseholders. The proposal to offer uplift is consistent with similar buy-back offers.
14. For resident leaseholders, we will provide additional financial assistance by compensating the costs related to their move including;
 - the fees of Carter Jonas and their own independent surveyor
 - both Southwark council's and the leaseholder's reasonable legal fees including stamp duty on the purchase of any new property
 - mortgage redemption fees where necessary and appropriate
 - removal costs.
15. For non resident leaseholders, we will provide financial assistance by paying incidental costs including;
 - the fees of Carter Jonas and their own independent surveyor
 - Southwark council's legal expenses and the leaseholder's reasonable legal fees including stamp duty to the value of the leaseholder's existing property.
16. If a leaseholder has purchased through the right to buy scheme and would ordinarily be required to pay back the discount in part or in full, they will not be required to repay the discount.

Financial Implications

17. It is difficult to estimate the likely cost of the buy back offer as this will be determined by the numbers who actually wish to sell. Of the thirty three leaseholders at Ledbury Towers, 14 have expressed an interest in having their property valued so far. It is unlikely however that all of these would convert to a sale.
18. The market value of each property will differ depending on its internal condition and the size and location of the property. The value will also be reflected in the costs, for example the amount of stamp duty paid.
19. Additional costs incurred by the council are difficult to establish until each individual valuation has been carried out. However we estimate between £35,000 - £45,000 based on existing buy back programmes.

Comparative data

20. There are 14 three bed units, 14 two bed units and 5 one bed units owned by leaseholders. The last three sales were:

45 Sarnsfield	Value £200,000	Sold 4/3/17	2 bed
28 Sarnsfield	Value £200,000	Sold 23/2/17	2 bed
55 Skenfrith	Value £250,000	Sold 3/3/16	3 bed

Should all thirty three leaseholders choose to purchase alternative property the buy back offer could be over £10 million. This would be funded from the Housing Investment Programme in whatever year the acquisition occurs. A provisional sum of £10m has been identified in the existing programme. We will seek to identify our likely spend profile in this and next year given that there is an ever increasing resource gap which may require borrowing to fund it.

Community Impact statement

21. The buy back offer seeks to redress the imbalance of how as a landlord, we distinguish support between tenants and those who buy their homes. An Equalities Impact Assessment to support the recommendation has been provided with the report.

Effect of proposed changes

22. Whilst the buy-back offer is proposed to offer support to leaseholders it does also enable increase the number of vacant properties which would support any potential future decant programme. It should be highlighted again that the extraordinary circumstances at Ledbury Towers is the reason for the recommendation to proceed with the buy back offer.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

23. Section 120(1) of the Local Government Act 1972 (“the 1972 Act”) authorises the Council to acquire any land by agreement for the purposes of a) any of its statutory functions or b) for the benefit, improvement or development of its area. By virtue of Section 120(2) of the 1972 Act the Council may acquire by agreement any land for any purpose for which they are authorized by the 1972 Act or any other act to acquire land, notwithstanding that the land is not immediately required for the purpose; and, until it is required for that purpose, it may be used for the purpose of any of the Council’s functions.
24. There are therefore sufficient legal powers available to the council to purchase these properties.
25. The acquisition of property for a price in excess of £100,000, outside any scheme already agreed by members, is a matter reserved to Cabinet pursuant to Part 3C of the Council’s constitution. It is intended that the acquisition of properties in Ledbury Towers pursuant to this report be treated as a “Scheme” for the purposes of the Constitution, and that authority for individual purchases is delegated to the Director of Regeneration.
26. The Equality Act 2010 requires the council in the exercise of its functions to have due regard to the need to:
 - a) eliminate discrimination;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and

- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
27. Relevant protected characteristics for the purposes of the Equality Act are :
- Age
 - Civil partnership
 - Disability
 - Gender reassignment
 - Pregnancy and maternity
 - Race
 - Religion or belief
 - Sex and sexual orientation.
28. In making the offer to buy back leaseholders' properties, Southwark council must have due regard to the possible effects of such a policy on any groups sharing a protected characteristic in order to discharge its public sector equality duty. Where any disproportionate impacts are noted, the council should consider whether any steps can be taken to mitigate those impacts.
29. The report notes the Equalities Impact Assessment undertaken.

Strategic Director of Finance and Governance (H&M17/074)

30. This report sets out the council's proposed policy for buying back leasehold properties specifically in Ledbury Towers and the strategic director of finance and governance notes the exceptional reasons noted in paragraphs 3 to 5 which give rise to this need.
31. The strategic director of finance and governance also notes that the proposed buy back offer, while consistent with existing policies to buy back leasehold properties for people facing exceptional financial hardship and those affected by regeneration schemes, applies only to leaseholders in Ledbury Towers. This is due to the extraordinary situation and the complexity of the works required.
32. At this stage, the full cost of the offer is not known because the council is not certain of the number of leaseholders intending to take up the buy back offer, nor the value of the properties and additional costs, but is expected to be in the region of £10m. This amount has been provisionally set aside in the Housing Investment Programme and is expected to be financed from a combination of Right To Buy receipts and other sources of funding, including borrowing.

Consultation

33. The offer to buy back has been a direct response to concerns raised from leaseholders collectively and individually as demonstrated in the fourteen current expressions of interest. Also public meetings have been held for residents and

subsequently for leaseholders where they have urged the council to create the policy and subsequent procedures to actively start the process.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Stephanie Cryan, Deputy Leader and Cabinet Member for Housing	
Lead Officer	Gerri Scott, Strategic Director of Housing and Modernise	
Report Author	Richard Selley, Director of Customer Experience	
Version	Final	
Dated	29 November 2017	
Key Decision?	No	
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
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	1 December 2017	