

<b>Item No.</b> <b>6</b>	<b>Classification:</b> Open	<b>Date:</b> June 14 2007	<b>MEETING NAME:</b> Major Projects Board
<b>Report title:</b>		Aylesbury Estate Regeneration - Rehousing Policy Update	
<b>Ward(s) or groups affected:</b>		Faraday Ward, residents of major estate regeneration schemes	
<b>From:</b>		Strategic Director of Major Projects	

### Recommendations

1. That the Major Projects Board agrees that the extra bedroom entitlement for Aylesbury tenants being rehoused in regeneration schemes be extended to qualifying underoccupiers of 2 bedroom properties.
2. That the Major Projects Board notes that the effect of the decision is to align the rehousing policy with that for the Heygate Estate.
3. That the effect of the policy is monitored through the lettings process and reported back to the Major Projects Board at regular intervals.

### Background

4. The Executive agreed the draft policy for rehousing tenants and homeowners on regeneration schemes as the basis for consultation on 26<sup>th</sup> September 2006 and noted:

- (a) That consultation be carried out on this proposed policy and findings be reported back.

Subsequently, consultation has been undertaken with Area Forums, Tenant Council and Leaseholder Council thus far. Formal consultation should also be undertaken with the Aylesbury Steering Group and the Heygate TRA Project Team.

- (b) That a detailed financial assessment of the proposals be conducted in the light of the analysis of the supply and demand.

Subsequently, analysis of housing supply and demand is currently being concluded by the Regeneration and Neighbourhoods Department.

5. The Executive on 26<sup>th</sup> September 2006 also noted the implications of the proposed policy for the Aylesbury scheme and agreed the following:
  - The proposed review of the under occupation initiative qualifying criteria to take place by 31<sup>st</sup> March 2007
  - proposals for early home loss payment consideration coming into force at the earliest permissible date

- The proposed changes to the allocation appeals process
  - The proposals for letting surplus units
6. Executive agreed the decant policy for the Heygate Estate on 18<sup>th</sup> May 2004, and in so doing moved policy away from the basis established in December 2002, of the regeneration schemes providing the necessary replacement housing as part of the scheme and reverted to the previous decant policy agreed by Housing Committee in 1998. This was based on offering a choice between a new home built as part of the development or a relet council home.
  7. The Heygate policy is summarised as follows:
    - Tenants to be able to choose between two options i) new RSL home built as part of the scheme or ii) relet Council property elsewhere in the borough. Decision to be binding. NB ii) overtaken by Homesearch now.
    - Extra bed policy for underoccupying tenants moving into new RSL homes on a pilot basis subject to qualifying criteria for the current extra bedroom policy.
  8. The policy agreed for Heygate policy formed the basis of consideration of the wider policy for rehousing in regeneration schemes in general and the Aylesbury in particular. A considerable amount of work has been undertaken with the Aylesbury Steering Group and in particular the rehousing sub-group. One major topic area was the relationship between the development of a rehousing policy for Aylesbury and the need for a new general policy for rehousing in regeneration schemes. The Council's adopted approach was to produce a new rehousing policy to be effective across all housing regeneration schemes in the borough. This is an important issue because of the Council's responsibility to act fairly and consistently in the treatment of households both within regeneration scheme areas and outside of them. The rehousing policy forms part of the wider lettings policy, and as such has to have regard to the implications of rehousing schemes on the Council's obligations and the housing opportunities of all people in housing need.
  9. Although the rehousing policy covers the general approach, it is recognised that there are factors that are pertinent to particular schemes and that need to be taken into account in delivering the individual schemes. Also, given the magnitude and complexity of the rehousing issues for Aylesbury, the work of the sub-group has informed the development of the borough wide policy. As the rehousing in regeneration schemes moves into an active phase, the whole of the policy will be monitored and reviewed to ensure compliance with emerging guidance, legislation or case law.

### **Key issues for consideration**

10. As stated, there are several issues requiring report back from the September 2006 Aylesbury report; by far the most important biggest single issue for the Aylesbury rehousing sub-group residents has been the policy to be applied to extra bedroom allocations for underoccupying tenants.

11. Changes to the underoccupation initiative were agreed just before the Executive considered the rehousing policy in September 2006. The main effect of the change is to extend the extra bedroom entitlement to households of one bedroom need living in three bedroom properties. This would mean for example that, someone in a 3 bedroom property would qualify for a 2 bedroom property. Previously, the initiative was aimed at households living in 4 bedroom accommodation or larger. The general qualification criteria is that tenants are occupying properties that are larger than their assessed need and that they have a clear rent account.
12. The decant sub group have sought to ensure that tenants who are under occupying qualify for an extra bedroom as proposed in the Faraday Housing Association offer in the previous Aylesbury scheme, i.e. that any household under occupying would qualify for an extra bedroom above need. There is a gap between the current policy and Faraday offer for households in 2 bedroom properties ie that a household with a one bed need but currently occupying a 2 bed property would only qualify for a 1 bed property. This is referred to as the '2 for 2' gap. The principal issues to be taken into account when considering whether to adopt the the former Faraday proposal for Aylesbury include:
  - rehousing scheme tenants having more favourable treatment than other tenants giving up rooms
  - the implications for access to 2 bed properties which are most needed overall
  - development capacity and timescale.
  - competition with other design elements
  - the financial implications of developing more larger units than are necessary

More favourable treatment.

13. The underoccupation initiative was developed largely to free up larger units for reletting, and thereby provide much-needed additional resources for large families who are overcrowded. Tenants in regeneration schemes have the choice between two housing options, a new RSL property built as part of the scheme or a relet council property elsewhere in the borough. The mix of the new RSL units would not impact on the opportunities for households on the general list because the new supply will normally be ring fenced to the scheme only. There would be a disparity between underoccupying 2 bed households within the scheme and those moving through the underoccupation initiative in the normal way. The case can be made in general policy terms that households being moved at the behest of the council should expect some latitude; in terms of extra bedrooms, if an extension was not agreed to those occupying 2 bed properties, they would be faring less well than underoccupying households in larger units. An extra bed unit for older tenants will contribute to meeting current or future support needs.

Two beds most needed.

14. Two bed properties are always the most needed in terms of housing demand. A higher proportion of two beds in the new scheme will serve the council well particularly in the longer term as relet nominations to the RSL properties start to come through. The Supply and Demand model being developed by Regeneration and Neighbourhoods will enable the management of supply of affordable housing to contribute to overall objectives in terms of capacity but also in fine tuning unit mix to most effectively meet need. It is anticipated that incorporating the 'two for two' policy into the new development mix will have a beneficial effect; the current mix on the estate has more 1 bedroom units (34.2% of total) than 2 bedroom (27%).

It will also be a more sustainable approach in the establishment of new neighbourhoods to have new housing developments partly underoccupied at the start.

15. Underoccupying households who qualify have a choice whether to opt for an extra bedroom allocation; there is no compulsion to do so. There will be an opportunity for tenants to discuss the issue with officers on the referencing visits and evaluate eg the amenity value of the use the extra bedroom against the higher rent for the property. There will be a point, particularly for those opting for new build, when the decision will need to be binding so that the mix of new build units can be matched to households.

Development capacity and timescale.

16. Incorporating extra bed units in the new development will impact on the overall development mix and capacity, and the introduction of the 'two for two' policy will increase that effect. Phase by phase, fewer units will be built in the same development envelope than would otherwise be possible if extra bed units were not being provided. It has been estimated by a modelling exercise that the extra capacity required will be 4.3% for 2 beds and 2.7% for 3 beds. This may have the effect for a small number of households that they will be rehoused later than would otherwise be possible. However, the extra bedroom entitlement has been demonstrated to be a very important component of the scheme for residents, and there is a general awareness that this will be a lengthy scheme in any event. It is not thought that the overall construction timetable will be extended by the development incorporating extra bed units.
17. The council is committed to producing a development that will create the appropriate mix of units to meet the needs of all households requesting the new build option. The current policy extra bed entitlement will be incorporated into the planning process, starting with the masterplan exercise. If the extension to 'two for two' is agreed, this will similarly be incorporated. Clearly, there will be a sequential effect of extra bed take up in a particular bed size releasing units of the next size down, but this cannot be quantified until the referencing and development process advance further. Similarly, the impact of the policy on the mix of relets will have to be absorbed through the letting process, and until the scheme fully starts, it will not be clear what the relative impact will be on the new build mix and the general stock.

Ongoing evaluation of the flow of housing supply in the context of the overall housing supply and demand model and the requirements of other regeneration schemes will be required, so that that the overall turnover of rental units and the delivery of new NAHP or S106 RSL housing is used to best effect.

Competition with other design elements.

18. The masterplan / AAP process is geared to demonstrate that the appropriate mix of new build rental units achievable in terms of capacity but also that the proposals are deliverable. It is acknowledged that development mix is one of a number of issues that will need to be balanced with others eg room size, amenity space, overall number of units possible within the planning framework.

Financial implications.

19. The overall cost of the new housing development depends on the mix of units prescribed. Extra housing capacity obviously has a cost implication. Work has been undertaken to model how much 'extra' bedrooms cost within the overall cost framework, by calculating the £/m<sup>2</sup> current typical build costs against a possible proportion of qualifying households. The proportion used was 35%, based on the estimated number of households currently underoccupying in both the 2 and 3 bed sizes. It is projected that this may amount to approximately £16m at today's prices, which represents 4.3% for 2 beds and 2.7% for 3 beds of the projected development cost. In proportion terms, this corresponds with the spatial capacity calculation above.
20. Although there is the financial implication set out in the previous paragraph, it should be noted that the scheme costs are the responsibility of the organisation undertaking the development, not necessarily the Council. The financial impacts for the Council are at the secondary level, eg ensuring that sufficient units of the appropriate size are built to house all residents who wish to move to a new-build home on the Aylesbury footprint, Also, this should be regarded as the worst-case scenario based on current information; there is no reason to expect the proportion of potential extra bedroom development to be higher than anticipated. In addition, it does not take into account the sequential release effect referred to in paragraph 17. The units produced with extra bedrooms are not additional; they would simply be let to households other than those that would otherwise occupy them.

Equalities implications

21. The primary intention of extra bedroom allocations within the council's general stock is to release properties for larger families who are overcrowded. Black and minority ethnic communities are disproportionately represented among overcrowded households.
22. In the short-term the extra bedroom policy for decants for major schemes will potentially reduce re-let properties (2+) being available to let to those overcrowded within Southwark's stock.
23. However, the new development mix that will result from the extra bedroom policies will have a wider long term benefit for BME households.

24. It is considered reasonable for tenants being rehoused as part of regeneration schemes to expect an application of lettings policy that goes beyond that for general lettings because the council wishes those households to move home; they have not approached the council to request rehousing.

#### General considerations.

25. If adopted, it is likely that the 'two for two' policy will apply to rehousing in other agreed regeneration schemes, including, for clarification purposes the Heygate Estate. It would therefore be deemed that the pilot status of the policy for Heygate has passed and that the link to the current general extra bedroom policy is dropped.
26. The referencing exercise is expected to start, initially in the South West corner of Aylesbury Estate in early June. Until it is well advanced it will not be possible to quantify the effect of the choice of options by tenants between the new build and relet options.
27. For South West corner residents moving to new off site developments, the availability of the extra bed allocation will require the specific consent of the individual RSLs concerned. In some cases, it may not be possible to offer the extra bedroom until tenants return to the Aylesbury footprint.
28. South West corner residents who are rehoused to new build homes on the off estate sites will have the option to return to the Aylesbury footprint at a later date. Households who are rehoused with an extra bedroom under the policy are less likely to exercise that option.
29. Where a rehousing responsibility by the council is determined to exist for leaseholders, the rehousing policy for tenants in regeneration schemes and the lettings policy that underpins it will apply in full.
30. If adopted, it is not anticipated that the extension of the extra bedroom policy will have a discriminatory effect on any group. However, if any unforeseen effects are identified when the referencing and registration process progresses further, a report will be brought back to Executive.

#### **Conclusion**

31. The extension of the extra bedroom policy to the underoccupying tenants with a 1 bedroom need will have impact on the overall scheme delivery, as discussed above. It must be understood that the resource and capacity of the scheme will be finite and that a number of competing demands have to be balanced to arrive at the best overall solution. In preparation and delivery, the council will manage the project to incorporate the development capacity for extra bedroom requirements. It is recommended that the policy be extended as described, and that the effects are monitored through the lettings process.

#### **Community Impact**

32. The rehousing of tenants within the Aylesbury regeneration scheme has benefits for all sections of the community, as all will be rehoused in accordance with their housing needs and specific preferences. New homes will be designed to meet medical needs, relieve overcrowding and offer a better standard of housing.

33. The extension of the extra bedroom policy to one bed households will not reduce the number of homes available for letting to meet general housing targets, but may have a timing effect because of the adjusted demand by bedroom need. Monitoring will be undertaken as the scheme progresses to determine the impact on general lettings and on other regeneration schemes.

### **Effect of proposed changes**

34. Examined under 'key issues for consideration'.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Comments of the Director of Legal and Democratic Services**

35. This report sets out the council's proposals to extend the extra bedroom entitlement for decanting tenants within the Aylesbury regeneration scheme to qualifying under-occupiers of 2 bedroom properties.
36. The council has duties to those in housing need to whom it owes a duty and duties in relation to maintenance of a housing register and consideration of housing need in the area (Housing Acts 1985 and 1996). The council has a power to do anything likely to achieve the promotion or improvement of the environmental, social and economic wellbeing of the whole or any part of its area and all or any of its residents (Local Government Act 2000). This power is to be exercised having taken into account the council's community strategy, which its various policies are intended to implement. The report therefore draws attention to the impact of the proposals on the overall scheme, the potential for impact on other households in housing need, potential benefits and costs, and the provisions for monitoring to ensure balanced delivery, and the Major Projects Board will need to balance these issues and the council's powers and duties.
37. If the recommendations are accepted, officers will when implementing the proposals need to take account of the council's legal obligations as set out in the report of 26 September 2006. Individual occupiers will have different types of legal status. This will affect the rights of some occupiers; such as occupiers who are tolerated trespassers by virtue of suspended possession orders, or where there is a potentially over-riding legal right of a tenant to retain their current bedroom ratio, as in that of a successor spouse. In order to ensure implementation of the recommendation in a legally robust way, the Council will need to have regard to the circumstances of each individual case.

### **Comments of the Finance Director**

38. It is noted that should this policy be agreed there is a potential additional cost of providing extra rooms. This has been estimated by the Strategic Director of Regeneration at up to £16m. It is expected that this cost will be borne by the RSL/developer and would be recouped through the higher rental charges for two bedroom properties.
39. As noted in the Deputy Chief Executive's concurrent, there is a risk that the knock on effect of this policy could be additional costs to the HRA or General Fund through administering temporary accommodation needs and/or private sector leasing requirements.

40. Until the take-up of this policy is known, in conjunction with the availability of the appropriate housing stock, these potential costs cannot be quantified. Therefore, should the recommendations be agreed, it would be necessary to keep under review the effects of this policy and the resources and financial budgets available.

#### **Comments of Deputy Chief Executive**

41. The long-term benefit of the proposed higher proportion of 2-bedroom homes within the Council's stock is recognised. However, the proposal to extend the offer of an extra bedroom to tenants in 2-bedroom properties on major regeneration schemes creates an inconsistency with the Council's wider Lettings Policy. The Council's Under-Occupation Scheme is based on financial and space incentives to release larger homes to meet the needs of overcrowded households – thus recipients are treated less favourably than regeneration tenants.
42. Rehousing of regeneration tenants, and the phased closure of Heygate Estate will create pressures on permanent and temporary supply of accommodation. It is likely that these pressures will be met through the use of direct offers of accommodation to temporary residents and through commissioning of additional private sector leased properties. This will have an impact on the Council's General Fund position.

#### **Comments of the Strategic Director of Regeneration and Neighbourhoods**

43. The Demand and Supply model referred to in paragraph 14 shows that there is sufficient scope within the system to accommodate this change and that updated information on the Aylesbury programme will be incorporated. On an ongoing basis, the model will be used to co-ordinate the supply process, enabling specific adjustments to be made to respond to changing circumstances.

#### **Consultation**

44. Extensive discussions have taken place with Aylesbury Estate residents' representatives through the Rehousing Sub-Group and the Steering Group. The report seeks to address the specific concerns raised by residents and they have had the opportunity to comment and advise on the proposals outlined above. There is a clear understanding that producing a deliverable scheme will require analysis of the merits of competing factors to arrive at an agreed balance. The Steering Group and Rehousing Sub Group strongly support the proposed extension of policy and are currently preparing to continue detailed consideration of how best to incorporate it into the scheme.



<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Aylesbury project files, decant policy reports.	a) Housing Regeneration Initiatives, 9 Larcom Street, SE17 1RX, and Major Projects, Coburg House SE1 6BD b) Housing Options, Chatelaine House, 186 Walworth Road SE17,	a) Maurice Soden 020 7525 5492  b) Miny Jansen 020 7525 4089

#### **Audit Trail**

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<b>Version</b>	Final	
<b>Dated</b>	6.6.07	
<b>Key Decision?</b>	Key	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Legal and Democratic Services	Yes	Yes
Finance Director	Yes	Yes
Deputy Chief Executive	Yes	Yes
Strategic Director of Regeneration and Neighbourhoods	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		6 June 2007