

Item No. 5.	Classification: Open	Date: October 29 2008	MEETING NAME Major Projects Board
Report title:		Aylesbury Regeneration – Early Purchase of Owner-occupied Properties for Hardship Reasons	
Wards affected:		Faraday Ward	
From:		Strategic Director of Major Projects	

RECOMMENDATIONS

1. That the major projects board authorises the early purchase of owner-occupied properties on the Aylesbury estate subject to:
 - (1) The Aylesbury project director being satisfied the application concerned meets hardship criteria
 - (2). There being adequate budgetary provision to meet the full cost of any acquisition
 - (3) The council's head of property approving the terms of individual purchases

BACKGROUND INFORMATION

2. The regeneration of the Aylesbury estate is a council priority and a number of reports progressing this policy have been considered by both the major projects board and the council's executive.
3. The regeneration is a massive undertaking and is to be delivered in a phased approach. The latest phasing plan envisages completing the re-housing of existing residents by 2023 fifteen years hence.
4. Residents comprise secure tenants and homeowners [mostly leaseholders but a few freeholders of houses]. Clearly over such a long period of time some flexibility needs to be provided to deal with cases of hardship where for financial or health reasons it is desirable that residents in later phases be re-housed ahead of their scheduled time.
5. In the case of secure tenants this can be dealt with through the normal council housing transfer mechanism where their circumstances are evaluated as being a priority.
6. In the case of homeowners there will be circumstances where it is appropriate to purchase their homes ahead of the time allocated in the phasing plan on hardship grounds.
7. The early purchase of some properties on hardship grounds has always been envisaged but in order to affect such purchases this policy needs the approval of the major projects board.

Sale Options for Owner Occupiers

8. If an application is made to the council and accepted for an early purchase the applicant will receive:
 - (1) The market value of the property
 - (2) A home loss payment of 10% of market value provided the property is his/her principal or only home [if not 7½% of market value is payable; it is not anticipated many non residential owners will qualify for assistance]

- (3) A disturbance payment to cover reasonable sale costs
9. The payments set out in paragraph 12 are those that are payable under the compensation code and would be made if the property was acquired at the time set out in the phasing programme.
10. Owners may sell their properties on the open market without participating in the council's hardship scheme. It is not however easy to find buyers because of the credit crunch and the fact the property to be sold will ultimately be required for regeneration. However there is some attraction for investors because in the short term the properties provide an income earning opportunity and thereafter a guaranteed purchaser [the council]
11. The big attraction for the owners selling to the council rather than on the open market is they will receive a home loss payment and not to have to pay a selling agent's fee and the council will meet the vendor's reasonable legal fees too.

KEY ISSUES FOR CONSIDERATION

12. An early initiative was set up to assist leaseholders who were experiencing hardship due to financial or medical difficulty at the time of announcing the regeneration timetable. Demand for an on-going programme of pre-phase assistance is anticipated and subject to the availability of resources it is envisaged this initiative will continue in future years. If properties are acquired ahead of their programmed dates this will impinge on the funding profile for the regeneration. A capital allocation of £2,287,000 for hardship acquisitions has been approved. Once this allocation is used up it will be necessary to secure further capital funding if the scheme is to be continued otherwise it will terminate.
13. Since resources are limited for early repurchases there is a robust system for assessment of need. A rigorous and objective financial appraisal is carried out in respect of applicants seeking assistance on financial grounds by the council's home ownership unit (HOU) and the results notified to the Aylesbury project director. Likewise in the case of assistance on medical grounds objective reports are prepared by the council's medical assessment team and forwarded to the project director. It is anticipated that demand for assistance will exceed resources available so the project director will only be able to make assistance to the applicants in greatest need,

Resource Implications

14. The current capital programme contains £9.98m for acquiring leasehold interests on phase 1A of the Aylesbury estate. Of this allocation, £2.287m is budgeted for hardship cases from across the whole of the estate, whose qualification criteria is described in this report.

Policy Implications

15. As previously discussed the regeneration of the Aylesbury estate is an approved council policy and has been the subject of a number of past reports.

Sustainability Implications

16. Regeneration will result in buildings using the latest sustainable techniques with lower carbon emissions. The new buildings will also be to modern design standards.

Community Impact Statement

17. As part of the regeneration of the larger site, an equality and diversity impact analysis will be carried out and where potential adverse implications are identified action will be taken to overcome/mitigate them.

Consultation

18. Extensive consultation with residents has been carried out and described in the statement of community involvement which was submitted with the detailed planning application for phase 1A regeneration and for the submissions to planning committee for the area action plan at preferred options stage. Further full consultation with residents will take place as the regeneration progresses. In addition the 'hardship fund' proposal was developed in close consultation with the Aylesbury leaseholder group and responded to concerns expressed directly by Aylesbury leaseholders themselves.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Finance Director

19. The finance director confirms that the current capital programme contains £9.98m for leasehold acquisitions relating to phase 1A of the Aylesbury estate. The capital bid submitted allocated £2.287m of this for hardship cases, therefore the number of cases must be limited to this figure.

Strategic Director of Legal & Democratic Services

20. As Executive has already authorised the compulsory purchase of a number of properties on the Aylesbury estate and having regard to the council's aspirations for the estate the most appropriate power appears to be contained in Section 227 of the Town and Country Planning Act 1990. This enables the council to acquire land by agreement if it thinks it will facilitate the carrying out of development redevelopment or improvement on or in relation to the land if this is likely to contribute to the achievement of the promotion or improvement of the economic social or environmental well-being of their area, or if it is required for a purpose which is necessary to achieve in the interests of the proper planning of an area in which the land is situated.
21. Section 120 of the Local Government Act 1972 also contains wide powers for local authorities to acquire land by agreement for any of their statutory functions or for the benefit improvement or development of their area. This would enable the council to acquire the properties and if deemed appropriate let them until such time as they are required for redevelopment.
22. Accordingly if the major projects board is satisfied that the conditions specified in paragraph 21 and sub-paragraphs 1.1 - 1.3 above are met it may proceed with the approval of the recommendation.

Head of Property

23. Early purchases also offer tactical advantages in reducing the number of properties needing to be acquired in subsequent phases of regeneration. They will help to set a tone of values which will assist with future negotiations or compulsory purchase. Properties acquired in this manner may be suitable for use as temporary accommodation. Funding is clearly the principal restraint but properties will need to be acquired eventually in order for development to take place. Subject to funding and to valuations being duly approved, the Head of Property is happy to endorse this report.

Head of Home Ownership

24. HOU is aware that the regeneration of the Aylesbury estate will take place over an approximate 15 year period and that the repurchase of properties according to the indicative phasing will simply be too late for those homeowners currently experiencing severe financial hardship whose situation is exacerbated by the announcement of the regeneration plans.
25. HOU agrees with the recommendations laid out in this paper to repurchase a limited number of properties from those homeowners in the most severe and proven financial hardship who are unable to liquidise the equity in their property because of the regeneration plans. It is

recommended that any scheme put into operation is viewed and presented as separate to that provided through HOU's normal buy back scheme to prevent the limited assistance available for this scheme being given to resident homeowners who would otherwise have been in the same financial position if the regeneration of the estate had not been announced. In addition, any scheme that is put into operation sets appropriate and stringent qualification and scoring criteria and in line with the current government thinking on mortgage rescue proposals is not offered to those who have recklessly put themselves into financial hardship.

- 26. HOU will assist the Aylesbury project director to devise appropriate qualification criteria in carrying out financial assessments in respect of individual cases; and will assist setting up appropriate procedures to administer the assessment scheme using its experience in operating similar schemes.
- 27. HOU recommends that this early buy back scheme is viewed as a pilot for a wider scheme adjunct to other leaseholder re-housing options to assist homeowners who need to be bought back ahead of phase in view of the length of the indicative phasing plan and the financial and personal issues that this will elicit.
- 28. HOU understands that this early buy back scheme for hardship cases is based on the premise that there will be no need to offer subsequent accommodation; therefore no considerations need to be had over the council's need to obtain Secretary of State's approval to sell vacant properties on a shared equity basis consistent with existing schemes; or the need to ensure that subsequent secure tenancies are "fit for human habitation" at the commencement of the tenancy; or the need to ensure that subsequent disposal receipts can be ring fenced to the regeneration scheme.

BACKGROUND PAPERS

Background Papers	Held At	Contact
Project file	63-67 Newington Causeway London, SE1 6BD	Patrick McGreal 0207 525 5626
Committee Report - Buying Back Ex Council Flats and Houses	Home Ownership Unit, 113 Lorrimore Road, London SE17 3NA	Samantha Cheng 020 7525 4338

APPENDICES

No.	Title
	Not applicable

AUDIT TRAIL

Lead Officer	Martin Smith Aylesbury Project Director		
Report Author	Patrick McGreal		
Version	Final		
Dated	October 20 2008		
Key Decision?	Yes	If yes, date appeared on forward plan	October 2008
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER			
Officer Title	Comments Sought	Comments included	
Strategic Director of Legal and Democratic Services	Yes	Yes	
Finance Director	Yes	Yes	
Director Regeneration [Neighbourhoods]	No	No	
Head of Property	Yes	Yes	
Executive Member for Regeneration	Yes	No	
Date final report sent to Constitutional Team			October 21 2008