Item No. 16.	Classification: Open	Date: 18 March 2014	Meeting Name: Cabinet
Report title:		Shared Equity – An Additional Rehousing Assistance Route for Homeowners Affected by Regeneration	
Ward(s) or groups affected:		Homeowners affected by regeneration (currently those residing on the Aylesbury Estate and parts of the Elmington Estate)	
Cabinet Member:		Councillor Ian Wingfield, Deputy Leader and Housing Management Councillor Fiona Colley, Regeneration and Corporate Strategy	

FOREWORD - COUNCILLOR IAN WINGFIELD, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING MANAGEMENT AND COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR REGENERATION AND CORPORATE STRATEGY

The regeneration of the Aylesbury and Elmington estates is well underway with residents enjoying the new homes and community facilities which are progressively replacing their old, less attractive and expensive to maintain predecessors. There is no doubt that the economic and environmental benefits to these areas and their environs have already brought a positive and necessary change and that work must continue to complete these projects and extend the benefits as quickly as possible. However, it should not be forgotten that this cannot occur without the cooperation of resident homeowners who will necessarily be displaced as a result.

The council has offered a generous rehousing assistance package since 2007 for those resident homeowners who would be unable to otherwise afford to secure themselves suitable alternative accommodation after the repurchase. However, the rehousing routes available have not been viewed positively by some households and the council now wishes to introduce a new shared equity rehousing route which it is believed will give a more attractive rehousing solution to some homeowners, enable repurchases to be made more rapidly and so allow the regeneration to progress faster.

The introduction of a shared equity rehousing route will enable a greater number of households to enjoy a much more affordable type of home ownership. By doing so, it will also help to reduce the council's financial and fiduciary exposure brought about by the significant changes to the discount associated with the right to buy.

RECOMMENDATIONS

That the Cabinet

1. Approves the provision of a shared equity rehousing route for qualifying homeowners affected by regeneration.

2. Allows Directors' discretion to vary the recommended rehousing route in exceptional circumstances in accordance with paragraph 29.

3. Excludes from the council's boroughwide hardship repurchase scheme any

homeowners affected by regeneration who become council tenants and then subsequently exercise their RTB, falling into financial hardship as a direct result in accordance with paragraph 34.

4. Approves with immediate effect, the redrafting of precedent leases for sales of any property on shared ownership terms at 50% or lower to prohibit staircasing for a period of two years and that the precedent leases for sales of properties on shared equity terms at 50% are drafted to reflect the same in accordance with paragraph 48.

BACKGROUND INFORMATION

5. In recognition of the difficulties that resident homeowners affected by regeneration have in finding suitable alternative homes and the detrimental effect that this has on timescales for vacant possession of affected properties, the council offers a rehousing assistance package to qualifying homeowners. This does not preclude those homeowners from simultaneously exploring other rehousing routes available on the open market and those offered by Registered Providers (RPs).

6. In 2005, the council first introduced measures which were intended to assist certain homeowners who would be affected by the regeneration of the Heygate Estate. The policy was amended in 2007 for a number of reasons. In summary, not all of the rehousing routes devised would have been available for affected homeowners and the methodology for evaluating qualification was outdated, unsatisfactory and overly time consuming with the council dictating which property the household would move into. The council had also introduced Social HomeBuy in 2006 in support of affordable and sustainable home ownership and used the methodology of this scheme in the development of a new policy for affected Heygate homeowners. The new policy was adopted to allow more homeowners affected by regeneration to continue benefitting from affordable and sustainable home ownership in a suitable property of their choice. However, it would still assist those homeowners for whom ongoing home ownership was no longer appropriate by offering the safety net of council tenancy.

7. Subsequent policies adopted in 2010 and 2011 have made the same rehousing assistance package available to qualifying homeowners affected by regeneration on the Aylesbury and Elmington Estates.

8. The council has so far provided rehousing assistance to a total of 28 households affected by regeneration by providing rehousing from its own stock. This is out of a total of 46 households from the three estates who have applied for rehousing assistance and where their rehousing route has been determined.

9. While the numbers of households applying for rehousing assistance are not high in comparison to the total number of properties to be repurchased, the lack of a suitable, affordable and desirable rehousing solution for a single household will affect vacant possession timetables[*].

10. Additionally, the rehousing assistance package in its current incarnation coupled with the recent considerable and ongoing increases in the maximum right to buy

[*] It should be recognised that this is rarely the sole reason why affected homeowners delay repurchase and there are typically a multitude of factors involved, including the agreement of the repurchase valuation.

discount poses a further financial and fiduciary risk to the council which must be recognised and ameliorated.

Review of the current rehousing assistance package

11. Currently, homeowners applying for rehousing assistance from the council do not have a choice of which rehousing route they can take. All applicants undergo a rigorous financial assessment, the outcome of which dictates which rehousing route they qualify for. Those who can easily afford the full capital and ongoing costs of purchasing a suitable home do not qualify for rehousing assistance from the council. Those who are able to afford the capital and ongoing costs of purchasing at least a 25% share of a suitable home qualify to purchase a council owned property on shared ownership terms. The remainder, who are unable to afford the capital and/or the ongoing costs of purchasing a 25% share in a suitable home qualify for council tenancy.

12. Applicants who qualify for a council assisted rehousing route choose a suitable property (in terms of housing need) to buy or rent from the council's choice based lettings system (Homesearch). Those qualifying for shared ownership are permitted to choose at what level of ownership they would like to buy. While an applicant cannot choose to buy a greater share than they can afford, they may decide to purchase a lesser one to have more disposable income or because they wish to retain more capital.

13. While shared ownership has many benefits, it has not been considered to be an attractive rehousing route to homeowners affected by regeneration and most households who are recommended for it are resistant to it. Negative reactions ranging from apathy to outrage are not uncommon. Of particular distaste is the notion of having to pay the shared ownership rent even when overall home ownership costs may be similar or less than those they are currently liable for. While council officers have worked hard to promote the benefits of shared ownership and to change negative opinions, this is very time consuming and is not always successful.

14. Of the 19 households recommended for shared ownership, only eight households have so far purchased on these terms. Two households recommended for this route were able to find properties they could afford to buy outright and did so. Another eight households did not take up the council's offer and ultimately found rehousing solutions that were not within council stock. The remaining household has been recommended for a shared ownership rehousing route but is seeking a suitable and affordable property to purchase on Homesearch. The average time it has taken from activation date to successful conclusion (i.e. vacant possession of an affected property) is 27 months – 24 months for those households who did eventually take up the council's offer and 29 months for those who did not.

15. Only three of the 22 households recommended for council tenancy did not take up the council's offer. It is known that two of these households were able to remain in home ownership by taking advantage of specific shared equity routes offered by RPs as brokered by the council. Four households have been recommended for council tenancy but are still seeking a suitable property to move into on Homesearch. For the 15 remaining households, the average time it has taken from activation date to successful conclusion (i.e. vacant possession of an affected property) is 19 months.

16. There are another 14 live rehousing assistance applications where the rehousing route has not yet been determined. Two of these households are in an active regeneration phase and the rest have applied in relation to the current early repurchase offer for Aylesbury homeowners agreed in May 2013.

Effect of legislative changes to the Right to Buy (RTB) Scheme

17. Due to recent and dramatic increases in the RTB discount in London, the council is exposed to financial and reputational risks where homeowners who have applied for rehousing assistance are assessed as being unable to afford ongoing home ownership at the lowest 25% level and become council tenants but then subsequently re-exercise their RTB to advantage from the further discount now available.

18. The discount for tenants exercising RTB in Southwark had been at a historic low of £16,000 between March 2003 and April 2012 following reductions from the original maximum of £50,000 which was then reduced to £38,000 in February 1999. This was taken into consideration when the policies were formulated and agreed for regenerating the Heygate, Aylesbury and Elmington Estates and for providing rehousing assistance to homeowners residing on those estates and affected by the regeneration.

19. There was very little risk that homeowners recommended for council tenancy would be able to quickly re-exercise their RTB as the financial assessment would have proven this was unaffordable and no further discount would have been available, making it unattractive as well as unviable. Contrary to popular belief, a tenant may exercise their RTB more than once although this is not common. For example, a tenant may exercise their RTB and then fall into financial hardship and be repossessed. A local authority will have a duty to rehouse the tenant under certain circumstances. The tenant will then be able to claim their right to buy again. However, the discount they receive on the second purchase (and any subsequent purchases) must be reduced such that the total discount received does not exceed the maximum discount available at the time. As discounts had fallen over time and former homeowners affected by regeneration and exercising their right to buy for a second time would not qualify for further discount.

20. The rises in maximum right to buy discount in April 2012 and March 2013 to £75,000 and £100,000 respectively, the buoyancy of the housing market in the last year and the additional measures to increase RTB sales announced on the 27th December 2013 have meant that the likelihood and impact of this risk have now been raised and it has become a significant financial and fiduciary issue. In May 2014, maximum RTB discount levels will rise with increases in CPI and the maximum discount percentage for tenants of houses will be increased.

21. Based on the data taken from actual rehousing assistance applications, a third of homeowners coming back as council tenants would now very quickly be able to re-exercise their right to buy as they will have the capital monies to do so with little or no requirement for additional borrowing made achievable by the further discount available. They only need to wait a year until their introductory tenancy comes to an end. The further discount available would be a minimum of £50,000 and, for many homeowners coming back as tenants, be far in excess of the discount they were originally granted and therefore a significant incentive.

22. In recommending council tenancy for these homeowners based on an assessed inability to sustain a minimum 25% level of shared ownership, the council is sending out a confused message by dictating that home ownership is not affordable while at the same time facilitating a significantly discounted purchase through the right to buy. Where such sales may occur, the council would lose the amount of capital associated with the further discount which would otherwise be recycled back into regeneration or directed towards the provision of newly built council housing.

KEY ISSUES FOR CONSIDERATION

23. There have been 336 properties requiring repurchase to date on former and currently live regeneration schemes/phases where the council has offered rehousing assistance in its current incarnation[*]. Another 355 properties on the Aylesbury estate which are in currently inactive phases will require repurchase. As these figures are so close, projections for future rehousing assistance applications and outcomes can be made by assuming that they will be similar to those already experienced. In doing so the range of applicants' ages, affordability levels and household needs that will be encountered can also be assumed to be analogous, these factors being critical to outcomes.

Introducing a shared equity rehousing route

24. Shared equity differs from shared ownership in that no shared ownership rent is payable and it is therefore more affordable for lower income households. However, due to the loss of this significant and regular revenue stream (which itself is charged to limit the loss of opportunity associated with receiving only a portion of the full market value at the outset), it is normally much more restrictive as vendors of such properties seek to balance or at least mitigate their losses. There are many variations of shared equity offers. The proposed details and restrictions that would be adopted by the council as well as the rationale behind each one are laid out in Table 1 below.

[*] Heygate – 179; Aylesbury phase 1a – 34; Aylesbury site 7 – 18; Aylesbury phase 1b/c – 74; Elmington - 31

Table 1: Existing Shared Ownership vs Proposed Shared Equity

	Shared Ownership	**Shared Equity**	**Rationale**
Minimum purchase level	25%	50% (but in exceptional cases can be lowered with Director's discretion).	A minimum 50% ownership level for shared equity is deemed appropriate to reduce the loss of opportunity not mitigated by the receipt of shared ownership rent.
Maximum purchase level	75%	90%	
Available ownership levels	25%, 50% and 75%	50%, 60%, 70%, 80% and 90%	Discrete ownership levels assist in the ongoing administration after the purchase has been made.
Staircasing allowed?	Yes, up to full ownership in multiples of 25% increments based on agreed market value at the time with all legal and administrative costs payable by the leaseholder.	Yes, up to full ownership in multiples of 10% increments based on agreed market value at the time with all legal and administrative costs payable by the leaseholder.	
Allowable retention	Up to £16,000		All purchasers are able to retain a maximum of £16,000 of capital. This amount is not considered in the financial assessment of their affordability. However, should the purchaser wish to use some or all of this amount in the purchase, they are permitted to do so.
Choice of ownership level?	Yes, as long as the purchase is affordable.	No, the purchaser must purchase up to the nearest affordable 10% tranche. The allowable £16,000 retention monies are disregarded.	Shared equity arrangement forces maximum affordable purchase to be made to minimise the loss of opportunity not mitigated by the receipt of shared ownership rent.
Ground rent	£50 per annum	£200.00 per annum for the first 25 years, rising by £100.00 every 25 years.	The rising ground rent for shared equity purchase is in accordance with other voluntary disposals made by the council on the open market and ensures that after the initial purchasers have sold on or passed away that the council receives a commensurate revenue stream.

Table 1 (continued): Existing Shared Ownership vs Proposed Shared Equity

	Shared Ownership	Shared Equity	Rationale
Service charge liability (major works)	Apportioned to owned share.		Apportioning service charge liabilities with respect to major works reduces the complexity of valuing for staircasing purposes.
Service charge liability (other)	Full payment for buildings insurance, ground rent and communal heating/hot water (if provided), payment for all other services apportioned to owned share.	Full payment for all services.	Full payment for other service charge liabilties under shared equity assist with reducing the council's loss of revenue and is commensurate with purchases previously made under the Rent to Mortgage shared equity variation of the RTB (now defunct).
Right of first refusal	Yes, as long as ownership is less than 100% and for a maximum of 21 years from the completion date.		This is the maximum period that the council may retain a right of first refusal. Currently, the council does not have a policy (or budget) to exercise this right. However, this may change over time.
Sale of share	No, open market sale at 100%		The shared equity arrangement cannot be passed on or shared after the initial purchase. The council accepts the loss of ongoing revenue solely to assist those qualifying homeowners affected by regeneration.
Able to add owners after initial purchase?	Yes	Not while ownership is less than 100%	
Inheritance	Share can be inherited.	Inheritors must staircase up to full ownership within the first anniversary of the death of the last remaining owner.	
Subletting	Prohibited while ownership is less than 100%.		Subletting allows shared owners paying reduced home ownership costs to benefit from market rents.
Term	125 years (or remainder of term less 5 days where the council is not the freeholder).		Allows affordability assessments to be based on comparable valuations taken from other disposal schemes and strategies where the initial term is 125 years.

25. Introducing a shared equity rehousing route as envisaged would allow an alternative and a more desirable choice to some applicants who would only have qualified to purchase on shared ownership terms. All of the 19 households recommended for shared ownership would have qualified for and could have chosen a shared equity route if it had been available at the time and they had wished to do so.

26. Likewise, more of those applicants who would otherwise have become council tenants would remain in affordable home ownership with shared equity. Seven of the 22 households already assessed as requiring council tenancy would have been determined a shared equity route if it had been available at the time. The examples given in Appendix 3 illustrate how applicants may be affected.

27. In terms of revenue charges imposed by the council on the household, shared equity would be considerably cheaper in comparison to full ownership, all levels of shared ownership and council tenancy (see Appendix 1 and 2) with only costs in respect of leasehold service charges being payable plus the ground rent of £200 per annum. Evidently, the actual amount payable would be dependent on the services the actual property purchased receives and is likely to vary from those figures stated. In addition, the property may be subject to service charges payable in respect to major works which would increase the liability. However, applicants would be making an informed decision as estimates of these costs would be clearly provided in the offer made and adjustments made to their financial assessment to ensure they can meet such liabilities into the foreseeable future. Officers would also undertake (as they currently do) to meet with applicants to discuss the offer in detail giving the applicant the opportunity to raise any other queries they may have. In any event, the various payment options available to all Southwark leaseholders would be available to any shared equity owner struggling to meet service charge liabilities in the future beyond the scope of the financial assessment.

28. The council does not currently offer a shared equity rehousing route. When the first rehousing assistance policy was being formulated, it was deemed to be too costly to the public purse to allow only a share of a property to be purchased and to forego the sale of the remaining share for an unspecified period of time while also foregoing the benefit of a shared ownership rent in lieu. However, times have changed, lessons have been learnt and the risks now relating to the right to buy have increased to such an extent that they cannot be ignored. Introducing a shared equity option to the available rehousing routes offered by the council will ameliorate (although not eliminate) this issue.

29. It is deemed wise to have some Directors' discretion in <u>exceptional circumstances to allow for</u>

a) a reduction of the minimum 50% equity level, and/or
b) an alteration in the rehousing assistance route for homeowners who have applied for rehousing assistance under the council's 2013/14 early buy back scheme (see paragraph 51).

It is proposed that a business case giving (inter alia) clear justification for the change and the financial implications to the council is presented to the Directors of Housing and Community Services, Regeneration and Finance who must all agree to the proposal.

30. As the council's chosen development partner for the Aylesbury and Elmington Estates, Notting Hill Housing Trust will be offering their own version of shared equity to homeowners affected by regeneration which will be available alongside the council's rehousing assistance routes. Effectively, this will offer some homeowners a further choice of rehousing route. However, it will also offer those homeowners who do not wish to apply for council rehousing assistance an alternative way of accessing affordable home ownership that has been specifically designed for them.

Policy implications

31. All existing policies offering rehousing assistance to homeowners affected by regeneration and the policy in relation to the boroughwide hardship repurchase scheme would be amended accordingly. However, the lettings policy will not

require any amendment.

32. So that current rehousing assistance applications can continue, it is proposed that the changes to the rehousing assistance policy become implementable only when it is practically possible to offer them so that those wishing to take advantage of their current recommended rehousing route in the meantime can carry on doing so. A number of essential matters will require attention (see paragraphs 43 and 44) and it is anticipated that it will take a few months to reach this point. However, once they are all resolved, it is proposed that the policy is retrospective to live applications at the time where a successful bid to buy or rent a council property has not yet been made so that the issues described in this report are addressed as comprehensively as possible. It is anticipated that it will take until July 2014 to reach this point.

33. In the interim period, this will mean that the current rehousing routes and qualification for them will remain. The upcoming changes will be communicated to and discussed with all stakeholders. It is likely that some households will wish to wait to take advantage of the shared equity rehousing route. However, there will be households where the rehousing route would change from council tenancy to shared equity who will want to avoid this and will seek to complete their applications and provide vacant possession before they are affected. As is ongoing practice, where valuations have been agreed and a significant amount of time has passed since this happened (usually more than three months), they will be reviewed to see whether an adjustment should be made to give a current market value.

34. The council resolved to offer a boroughwide hardship repurchase scheme in October 2013 with a very limited budget. In order that these monies are directed towards the most desperate and deserving cases, it is recommended that homeowners affected by regeneration who then subsequently exercise their RTB and fall into financial hardship <u>as a direct result</u> are excluded from the scheme.

Community impact statement

35. While there is no evidence that any other group may be affected more than another by the proposed change in policy, the data does show a bias towards a greater number of older homeowners being affected. However, caution should be exercised when interpreting this data. The proportion of applications received from older homeowners has been much greater with 49% of applications being made by households over 60 years of age with a further 19% being made by households over 50 years of age. It is logical that a greater number of older homeowners would feel the need to apply for rehousing assistance as access to finance and the potential for any positive change to income levels become less likely to enable those homeowners to suitably rehouse themselves. Any analysis will therefore be naturally skewed to affecting older homeowners. Table 2 shows the outcome of the 46 rehousing assistance applications where the rehousing route has already been determined.

Table 2: Rehousing assistance determination by age of homeowner

	Rehousing assistance determination			
Age of homeowner	**No assistance**	**Shared ownership**	**Council tenancy**	**Total**
Less than 50	2	9	4	15 (33%)
Between 50 and 60	2	2	6	10 (22%)
Over 60	1	8	12	21 (45%)
Total	**5**	**19**	**22**	**46**

36. Of the 19 households recommended for shared ownership, all would have had the choice of opting for shared equity if it had been available at the time. Such a choice can only be considered beneficial to these applicants regardless of age, there currently being no choice at all in accordance with existing policy.

37. Of the 22 households recommended for council tenancy, seven would have been recommended a shared equity rehousing route instead without having the choice of another council assisted rehousing route. Five of these households would have been over 60 years of age, one would have been between 50 and 60 years of age and one would have been under 50 years of age.

38. Whether being recommended a shared equity route would be considered beneficial or otherwise to those households is a matter of opinion rather than fact. Previously, these seven households would have had no choice but to take council tenancy. Certainly, that two of the 22 households recommended for council tenancy (both over 60 years of age) who did not take up the council's offer secured themselves an alternative home ownership route indicates that some of these households do not wish to be divested of home ownership and find the determination of council tenancy as a rehousing route unattractive.

39. However, the opposite is also true and there will be households who would otherwise have been recommended for council tenancy who would only have a shared equity route available to them. The council will continue to carry out stringent affordability tests to be assured that all households recommended for it will be able to afford the costs of this type of ownership into the foreseeable future.

40. There is no doubt that a change in policy to offer a shared equity route will impact a greater number of older households by altering the recommended rehousing route. The change cannot be said to advantaging or disadvantaging an affected household as that would depend on the homeowners' own expectations and aspirations. Certainly, in offering such rehousing assistance possibilities at all, the council is acting far beyond its statutory duty and favourably in comparison with most other authorities carrying out regeneration schemes which require the acquisition of homeowner interests.

41. As stated in paragraph 23, it is expected that future application numbers and outcomes as well as household compositions will be very similar to those already experienced. As such, the number of applicants who would experience a different outcome to that offered by current policy is not expected to exceed single figures although the majority of these would be over 60 years of age. However, a slightly greater proportion of applicants over the age of 60 would also advantage from a choice of shared ownership or shared equity rehousing

routes as would a similar number again of applicants from younger age groups.

42. On balance, it is therefore recommended that the rehousing assistance policy is changed to introduce a shared equity rehousing route to benefit all homeowners affected by regeneration.

Resource implications

43. No additional staffing resources will be required.

a) Officers within the Aylesbury Project Team and Aylesbury Area Office will coordinate the internal dissemination of information to colleagues within the council and the external delivery of information to residents and other stakeholders, setting up appropriate forums and updating procedures and literature as required. Those home ownership officers dealing with the technical implementation of the policy will contribute to these processes when required.

b) Officers currently employed within Specialist Housing Services (Home Ownership) and already involved with the financial assessment of homeowners applying for rehousing assistance will lead on the technical implementation of the policy. This will include arranging for new precedent leases to be drafted in accordance with this policy and wider legislative requirements and the updating of all systems and documentation in relation to the financial assessment process. These officers will also lead on the post sales service charge construction and recovery processes, advising and instructing colleagues appropriately.

44. There will be a cost in relation to the drafting of new precedent leases to enable the sales under the shared equity arrangement. The work can be provided under the council's contract for the provision of residential conveyancing work instructed by Specialist Housing Services. The costs will be met by Regeneration through an existing budget set up to pay for legal costs.

Legal and financial implications

45. The General Housing Consents 2013 allow the council to dispose of properties under a shared equity arrangement without the need for specific consent from the Secretary of State.

46. The proposal envisages various controls on ownership and future dealings, with a view to limiting the Council's financial exposure under the scheme. Meanwhile, the applicant is provided with an ownership option that would not otherwise be available. In valuation terms any downside created by the restrictive framework outlined in Table 1 is likely to be negated by the additional flexibility that opening up this option will create. Ultimately, if there is a subsequent sale of the property it will be at open market value. On this basis the capital value of interests created under the arrangement can be broadly equated with open market value and valued accordingly. As such, valuations for the purposes of determining a household's ability to sustain home ownership under full ownership, shared ownership or shared equity arrangements will be comparably based on an open market valuation.

47. Under current capital finance regulations receipts from sales of property under

shared ownership or shared equity arrangements where the initial share purchased exceeds 50% are subject to different treatment to those where the initial share purchased is less than 50%. For the former, the receipt is treated the same as a receipt received under the right to buy. For this council, this will mean that the receipt is directed towards the cost of building new council homes. For the latter, the receipt will be recycled back into the regeneration scheme.

48. These capital finance regulations also place a burden on local authorities selling properties on shared ownership (or share equity) arrangements to treat capital receipts received in receipt of initial sales of 50% or less as those received in receipt of initial sales of more than 50% where staircasing increases the owned share to above 50% within two years of the initial sale. Where a sales are above 50%, this will not cause any problems. However, for shared ownership sales at 50% or 25% and for shared equity sales at 50%, it could be problematic as the council would need to allow for a change in the use of the capital receipt for at least two years. It is therefore recommended the leases for shared ownership sales at 25% prohibit staircasing for a two year period from the date of completion.

49. Opening up a shared equity route would not be without cost to the council's revenue stream. For an unknown period of time, the council would forego the shared ownership rent normally charged in recognition of the loss of opportunity that the capital receipt in relation to the unowned share would have enabled if the property had been purchased outright. For this council, shared ownership rents more than adequately cover the apportioned shared ownership liability for service charges at all levels of ownership and also compare favourably with revenue collected in relation to tenancy rent (see Appendix 1).

Consultation

50. The Aylesbury Regeneration Sub Group (ARSG) was consulted on the 5th February 2014. The policy was further discussed at the Creation Trust Board Meeting which took place on the 13th February 2014.

a) The chair of the ARSG agreed that the policy should be adopted as it seemed unfair that some homeowners could benefit from a large amount of capital and still qualify to be rehoused as council tenants.

b) There were concerns from one member of the ARSG that the change in policy as envisaged would be unfair to the small group of 12 households who had applied for rehousing assistance under the current early buy back scheme in November 2013, some of whom may otherwise have been recommended council tenancy as their rehousing route. It was explained that the financial assessments for these households were not finalised and were not due to be finalised until the end of March 2014. As such no rehousing route determinations had yet been made for this group of households. However, it was likely that some households would qualify for shared ownership and some for council tenancy under current rules and if the new policy became implementable before all these households had found rehousing that it would affect them. While it was agreed that this would be advantageous to those households who would have choice of rehousing route, there was concern for those households whose rehousing route recommendation would change from council tenancy to shared equity without having any choice. To provide some balance to these concerns, the ARSG was reminded that not all households who had been recommended council tenancy were happy with this determination and had found their own routes into affordable home ownership. Withholding the policy would also adversely affect such households. Additionally, it was unlikely that all homeowners recommended a council tenancy rehousing route would experience a change in determination.

c) The feedback from the Creation Trust Board Meeting reflected that of the ARSG with shared equity considered a welcome addition to the available council assisted rehousing routes. However, there was the same concern that some homeowners who had applied for rehousing assistance under the early buy back scheme would be adversely affected by the change in policy.

51. In light of the concerns raised above, there is scope for Directors' discretion to be exercised in exceptional cases as per paragraph 29. This will allow those homeowners wishing to benefit from the shared equity rehousing route to do so while also providing a safety net to those for whom it is deemed unsuitable.

52. Naturally, should this policy be adopted, work will commence immediately to develop a communications strategy to best convey the change to all affected homeowners. This will include individually advising and discussing with all affected homeowners in live regeneration phases and those who have applied for rehousing assistance under the 2013/14 early buy back scheme what the change in policy will mean for them but will also look to how it will best be communicated to those homeowners in regeneration phases which are not yet active and are still yet to decide whether they wish to be considered for rehousing assistance.

53. A briefing paper was been sent for consideration by the Home Owner Council (HOC) on 12th February 2014 with a verbal briefing given at the 26th February 2014 HOC meeting. No comments or concerns were shared.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services (HR010 309/KR)

54. Section 1 of the Localism Act 2011 grants councils a general power of competence whereby a local authority has power to do anything that individuals generally may do. However, that power does not enable a local authority to do anything which it is unable to do by virtue of a pre-commencement limitation. Section 32 of the Housing Act 1985 is a pre-commencement statute which imposes limitations on the Council's power of disposal.

55. The Council can dispose of properties held within its housing portfolio as long as the disposal is in accordance with the provisions of section 32 of the Housing Act 1985, for which purposes the consent of the Secretary of State for the Department of Communities and Local Government is required.

56. A number of general consents have been issued in the General Housing Consents 2013. General consent A 3.1.1 provides that a local authority may dispose of land (which includes buildings - including houses and flats) for a consideration equal to its market value. The consents include the grant of a shared ownership lease within the definition of "dispose", and the definition of "shared ownership lease" means a lease granted on payment of a premium calculated by reference to a percentage of the market value. This definition

would include both shared ownership and shared equity arrangements.

57. The General Housing Consents 2013 also permit an authority to impose conditions in a shared ownership lease, such as those that are set out in Table 1 in this report relating to restrictions on subletting and a right of first refusal (pre-emption).

58. Cabinet is therefore advised that there are adequate legal powers to permit the Council to proceed with the proposed shared equity scheme as set out in this report.

Strategic Director of Finance and Corporate Services (FC13/097)

59. This report seeks cabinet approval to the provision of a shared equity rehousing route for qualifying homeowners affected by regeneration. It also seeks approval to the immediate redrafting of precedent leases for sales of any property on shared ownership terms at 50% or lower. The financial implications are contained in the body of the report.

60. It is noted that loss of revenue rental income under the proposed shared equity arrangements is partly offset by a full service charge being receivable plus a capital receipt at upwards of 50% of valuation. The proposals would only be on offer to some homeowners affected by regeneration and would not significantly affect 2014/15 HRA revenue income budgets.

61. It is proposed to exclude from the hardship repurchase scheme those homeowners rehoused as tenants who subsequently purchase their second property under Right to Buy, i.e. those benefiting from two discounts. This controls the scope and hence expense of the scheme.

62. The prohibition of staircasing for two years of properties at shared ownership levels of 50% or lower protects the Council from a later pooling liability relating to an initially fully useable receipt.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Project Updates	Regeneration 160 Tooley Street London SE1 2QH	Stephen Platts 020 7525 5640
Link Project Updates		
Amending the Rehousing Policy for Home Owners Affected by the Regeneration of the Aylesbury Estate	Regeneration 160 Tooley Street London SE1 2QH	Jane Seymour 020 7525 4907
Link Amending the Rehousing Policy for Home Owners Affected by the Regeneration of the Aylesbury Estate		

Background Papers	Held At	Contact
Mid Elmington Regeneration Programme	Regeneration 160 Tooley Street London SE1 2QH	Maurice Soden 020 7525 1292
Link Mid Elmington Regeneration Programme		
Aylesbury Regeneration – Purchase of Non Council Owned Residential Properties	Regeneration 160 Tooley Street London SE1 2QH	Jane Seymour 020 7525 4907
Link Aylesbury Regeneration – Purchase of Non Council Owned Residential Properties		
Homeowner Improvement Plan	Specialist Housing Services 160 Tooley Street London SE1 2QH	Martin Green 020 7525 1418
Link Homeowner Improvement Plan		

APPENDICES

No.	Title
Appendix 1	Comparison of revenue streams
Appendix 2	Monthly cost comparison between Shared Equity and Shared Ownership
Appendix 3	Qualification for Rehousing Routes under the Proposed Policy

AUDIT TRAIL

Cabinet Member	Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management Councillor Fiona Colley, Cabinet Member for Regeneration and Corporate Strategy	
Lead Officer	Martin Green, Head of Specialist Housing Services	
Report Author	Samantha Cheng, Sales and Acquisitions Manager	
Version	Final	
Dated	6 March 2014	
Key Decision?	Yes	
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
Cabinet Members	Yes	Yes
Date final report sent to Constitutional Team		6 March 2014