Item No.	Classification: Open	Date: 16 March 2017	Meeting Name: Deputy Leader and Cabinet Member for Housing
Report title:		Tustin tower blocks – options for leaseholders	
Ward(s) or groups affected:		Livesey	
From:		Director of Asset Management, Housing and Modernisation	

RECOMMENDATIONS

That the Deputy Leader and Cabinet Member for Housing:

1. Approves the extension of the usual three-four year to six years interest free payment period for resident leaseholders on the three tower blocks on Tustin Estate.

2. Approves the options be offered to resident leaseholders of shared ownership with the council, shared equity with the council or a new tenancy.

3. Approves the option be given to non resident leaseholders to buy back their properties.

BACKGROUND INFORMATION

4. There are initial plans being led by Regeneration for the overall development of Tustin Estate which could involve large scale demolition of the majority of the estate. This would be replaced by higher density housing and a new school but with no loss of Council stock.

5. The three tower blocks would however not be demolished as they can be refurbished for a much more effective end result and without the needs for decants.

6. The works would be very extensive to the blocks including new windows, roofs, external works, new kitchens and bathrooms and rewiring. In addition the existing podium would be removed with a new tenant and resident association (TRA) hall being built in the base of one of the refurbished blocks. These works would be carried out by Keepmoat under the current partnering arrangements. This would give a thirty year life to the homes before major works would be required again. These works could still cost in the region of £100-150,000 per dwelling and lead to large leaseholder bills and it is clear these are exceptionally sized bills and therefore could be regarded as exceptional in terms of extending the Four Squares pilot.

7. There has been extensive consultation on the scheme, following the ‘Putting Residents First’ consultation process and this will continue with the specific consultation for leaseholders at Section 20 stage and a session for all residents just prior to the contract being let.

8. There are currently 22 leaseholders in the three blocks of which only 5 are residents.

KEY ISSUES FOR CONSIDERATION

9. The standard repayment options would of course apply. The normal three year interest free option for resident leaseholders with invoices over £3,000 has been operating since 1997 and was then changed to all invoices no matter the amounts in 2002. A four year interest free period for resident leaseholders with invoices over £7,200 has been given to them since late 2011 and featured widely in leaflets to leaseholders. The six year period for Four Squares was agreed as a pilot at cabinet in July 2012 as bills were estimated at up to £60,000.

10. The intention is that when the estimated costs for the individual leaseholders are calculated that the five resident leaseholders could be offered a six year interest free period as were the residents at Four Squares Estate as a pilot.

11. The 72 month interest free period would not be offered to current right to buy applicants, who will be advised of their contribution towards future work within their offer notice for payment on completion of their purchase.

Policy implications

12. This would only apply to the resident leaseholders who have lived there for a full twelve months. Depending on their financial circumstances the leaseholders could apply for rehousing assistance as follows:

    a. Shared ownership with the Council
    b. Shared equity with the Council. The main difference between this and shared ownership is that no rent is paid.
    c. A new tenancy with the Council.

13. These options will be complicated with new tenancies to be fixed term for 5 years, and the 'Pay to Stay' proposals but the resident leaseholders will still wish to have options. The recent and proposed welfare reforms will have an effect on any options.

14. The Regeneration section intend to examine these options in more detail with the individual leaseholders once the detailed estimates for the works to their homes have been calculated. This will be reported back to Cabinet by Regeneration after discussions with leaseholders and a summary of options each leaseholder is considering.

15. For non resident leaseholders the option is there to buy the properties back and these would help the Council achieve its target of 1500 new Council homes. This would be funded from the appropriate element of the resources targeted at the delivery of the 1500 new Council homes.

16. Group meetings and drop in sessions will be held, and leaseholders will be offered individual meetings to discuss the options available to them on receipt of their invoices.

Community impact statement

17. Southwark is a borough with high levels of deprivation, low income levels and high levels of housing need. Southwark's Housing Strategy 2009-16 identified a shortage of affordable housing in the borough, particularly larger homes. Households from black and ethnic minority communities tend to be those living in overcrowded, poor quality housing.

18. Cabinet agreed in March 2016 a new vision for the future housing strategy including a principle to use every tool at our disposal to increase the supply of all kinds of homes across Southwark.

19. The proposal to increase the supply of affordable, good quality homes will benefit households in need from all Southwark communities, and will increase the Housing options available for older people and people with disabilities.

20. This scheme was identified as an Estate that requires significantly high investment needs. The proposed works, which are for refurbishment of council housing, will not adversely affect any one particular group.

21. Keepmoat will be encouraged to utilise local labour markets to deliver the works and one of their KPI's will be to employ local apprentices.

Resource implications

22. There are no specific resource implications at this stage.

Legal implications

23. These are covered in the concurrent from the Director of Law and Democracy.

Financial implications

24. Extension of the usual four year interest free period to six years gives rise to a worsened cash balance position for the Council during the extended period. There would therefore be an interest loss or opportunity cost if the balances would have been gainfully spent. The interest loss will be influenced by bank rate at the time but at say 1% would give rise to a loss of £1,000 p.a. per leaseholder taking this option on a £100,000 bill. This cost would fall on the wider housing revenue account (HRA), i.e. rent payers' funds.

25. Shared ownership or equity options do not give rise to direct costs and discounts are assumed not to be available to those who have already benefited as part of their initial Right to Buy.

26. Buy back of leaseholder properties is difficult to fund from the resources for provision of 1500 homes. The direct resources for these are Right to Buy receipts for new build and section 106 contributions, with the former not able to be put toward expenditure countable as buying back and the latter subject to approval of Planning Committee, likely to prioritise new build. There is a nominal buy back element of RTB receipts retained but this is unrestricted and therefore in use to fund the wider HIP programme, which would be adversely affected by the proposed use here.

Consultation

27. There has been extensive consultation with residents in the three tower blocks on the overall major works proposals and the residents are very supportive of the scheme. This has included design events, drop in sessions, public meetings and regular meetings with the TRA going back to 2014.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

28. Under the Housing (Service Charge Loans) Regulations 1992, the council may offer leaseholders interest free service charge loans with a repayment period of the council's choosing provided the charges fall due after the first 10 years of the grant of the lease.

29. In respect of service charges due within the first 10 years of the grant of a lease, rules in the regulations specify service charge loan repayment periods, which depend on the amount of the service charge loan and require the payment of interest.

30. In summary, within the first 10 years of grant of a lease, the council must follow specific rules set out in the regulations as to the grant of a loan and the repayment period. After the first 10 years of the grant of the lease the council has discretion as to whether or not to offer a service charge loan and discretion as the repayment period.

31. Where a service charge loan is made under discretionary provisions, an authority may choose whether or not to charge interest. If interest is charged, it must be at a rate specified by the regulations. Where discretion is exercised it must be done fairly and reasonably. The council's policy provides for interest free service charge loans for up to three years (36 months). The report indicates that in exceptional cases discretion has been exercised to extend repayment periods to 48 months. It is also confirmed that approval was given by cabinet in July 2012 for a pilot scheme extending the interest free period to 72 months for charges over £15,000 for leaseholder major works charges on the Four Squares Estate.

32. This report recommends that in the case of the resident leaseholders at the three tower blocks on Tustin Estate the interest free period be extended to 72 months. The cabinet member must be satisfied that there is justification for the proposed extension in the case of Tustin tower block resident leaseholders.

33. The cabinet member, when making a decision on the recommendations in this report is also required to have due regard to the public sector equality duty (PSED) in section 149 of the Equality Act 2010.

34. This duty, which is non delegable and continuing, requires the council to consider all individuals when carrying out its functions. Specifically, to have due regard to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct; advance equality of opportunity and foster good relations between people with protected characteristics and those who do not. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. The PSED also applies to marriage and civil partnership, but only in relation to the

need to eliminate discrimination, harassment, victimisation or other prohibited conduct.

Strategic Director of Finance and Governance

35. The council recognises that some leaseholders will have difficulty in paying large major works service charge bills. A number of payment options are available to leaseholders, dependent on their particular circumstances and staff within Home Ownership Services are available to discuss these with leaseholders on an individual basis. In particular the interest free payment scheme of 36 months for resident leaseholders for service charges relating to major works, which is extended to 48 months in exceptional circumstances. The extension of the interest free period means that Southwark offers the longest period of all councils with the exception of one north London authority. Most councils offer 36 months, none have extended this period to 48 months. The vires for a 72 month period is uncertain. The introduction of the new general power of competence by the Localism Act, together with the rigors of a self financing regime for the housing revenue account will afford the opportunity to review interest free periods. With very large service charges these shorter interest free periods are still unaffordable for many leaseholders who need the longer periods of traditional mortgages or schemes to release equity. Southwark are the first authority in the country to use the powers afforded by the Housing and Regeneration Act 2008 to create policies for equity release and equity loan, again specifically aimed at helping long leaseholders to pay major works service charges.

36. It is noted that the report seeks approval for extension from four to six years for the interest free optional period for leaseholder bills relating to the Tustin Estate works. Further recommendations cover the offer of shared and equity ownership options to resident leaseholders and possible buy back of non-resident leaseholders' dwellings.

37. The financial implications are set out in the relevant section above. It is noted that the first recommendation has an adverse impact on HRA revenue, which would need to be covered by offsetting savings in budget setting. Leaseholder buyback, possible under the second recommendation, has an impact on HIP capital funding, which is already fully committed and therefore may require reduced spending on other schemes.

Other officers

38. Not applicable.

BACKGROUND DOCUMENTS(none)

Background Papers	Held At	Contact
Title of document(s)	Title of department / unit Address	Name Phone number
None		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	David Markham, Director of Asset Management, Housing and Modernisation	
Report Author	Ferenc Morath, Head of Investment	
Version	Final	
Dated	15 March 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	No	No
Date final report sent to Constitutional Team		15 March 2017