

AGENDA ITEM: 6b

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Meeting	Resources Cabinet Committee
Date	16 June 2005
Subject	Housing estates regeneration schemes – advanced purchase of properties in cases of personal hardship
Report of	Cabinet Member for Community Services Cabinet Member for Regeneration and Development Cabinet Member for Resources Cabinet Member for Policy and Performance
Summary	To approve a scheme to acquire properties on the regeneration housing estates at Stonegrove and Grahame Park where the owner/occupiers wish to sell and are suffering personal hardship as a direct consequence of the scheme proposals and, on Stonegrove, where properties are required in connection with the first phase of the regeneration.
Officer Contributors	Dave Stephens, Chief Valuer and Development Manager Roger Arkell, Grahame Park Project Director Andrew Westcott, Stonegrove Project Director.
Status (public or exempt)	Public – with a separate exempt section
Wards affected	Colindale and Edgware
Enclosures	Appendix A – Temporary Letting Arrangements
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Residents on these estates who are experiencing hardship have been assured that the Council will be considering their difficulties with a view to providing a possible solution. Additionally, external advice is that this is an issue which needs to be addressed urgently.

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1. RECOMMENDATIONS

1 RECOMMENDATIONS

1.1 That subject to the following:

- i. Confirmation that the London Housing Board funding for Stonegrove can be used for this purposes; and/or**
- ii. Funding can be secured through prudential borrowing; and**
- iii. That, where appropriate, the acquired properties can be used as temporary accommodation for the homeless on the basis set out in the report or for purposes ancillary to the regeneration of the estates;**
- iv. To the prior approval of the Office of the Deputy Prime Minister; and**
- v. That no additional commitments leading to increased prudential borrowing can be entered into until the Borough Treasurer has confirmed that this borrowing would be in accordance with prudential indicators approved by Council**

1.2 The appropriate Chief Officers be authorised to enter into negotiations with owner/occupiers upon the basis set out in paragraphs 8.7 and 8.8 of the report subject to:

- a. spending not exceeding the sums referred to in the exempt report;**
- b. the number of properties to be acquired to be capped at 45, after which further Cabinet approval will be required;**
- c. that the estimates of expenditure and income be reviewed on a regular basis on the basis that further acquisitions are halted if at any time the actual costs and income prove to be significantly different from the estimates; and**
- d. to officers providing six monthly progress reports to this committee.**

1.3 That the funding for the redevelopment of Stonegrove and Spur Road Estate included in the Housing Association Capital Programme 2005/6-2008/9 be used by the council to acquire leasehold properties within the area upon the basis set out in paragraph 8.7.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Cabinet 10 December 2001 - Agreed that Family Housing Association be approved as the Council's preferred development partner for the regeneration of the Stonegrove and Spur Road estates and the appropriate Chief Officers be instructed to work with Family Housing Association to progress the regeneration proposals, reporting to future meetings of Cabinet on property acquisition and land transfer issues as appropriate**
- 2.2 18th March 2002, Cabinet approved selection of Genesis and Notting Hill HT partnership (Choices for Grahame Park) as the preferred development partner for Grahame Park Estate Regeneration.**
- 2.3 2nd December 2002, Cabinet resolved “.to promote a Compulsory Purchase Order in support of the project (Grahame Park Housing Estate Regeneration) and instructs the appropriate Chief Officers to take all necessary action to secure confirmation of such an order.”**
- 2.4 Planning and Environment Committee – 22 September 2004 – approved, subject to conditions and reserved matters, the grant of an outline planning application for the Stonegrove/Spur Road Regeneration Scheme.**
- 2.5 Council - 3 March 2005 – Budget - approved the Capital Programme 2005/6 – 2008/9.**
- 2.6 Cabinet Resources Committee – 29 March 2005 – approved the conditional disposal of ‘Site C’ at Stonegrove and Spur Road Estates to Family Housing Association and arrangements for the disposal of Sites A & B, subject to vacant possession being secured.**

3 CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The proposed regeneration schemes will help towards meeting the Council's obligations to achieve the decent homes standards by 2010 in respect of the Council owned properties on the estates.
- 3.2 The proposals support the corporate policy of "Putting the Community First" and directly relates to the key priorities for our Community in the Corporate Plan, including:

Supporting the Vulnerable in our Community: Regeneration of priority estates is one of the keys for helping the diverse members of the community to participate in shaping their future and accessing wider opportunities.

- 3.3 Corporate Plan 2004/05-2007/08 – priority objective 'Supporting the Vulnerable in our Community' with a target to ensure that no families are in B&B accommodation after April 2004 (on-going target) – this now has statutory force pursuant to provisions in the Homelessness Act 2002.

4 RISK MANAGEMENT ISSUES

- 4.1 Because of the delays in bringing both of these regeneration schemes to a position where there is a degree of certainty of implementation, the Council is exposed to criticism from several quarters because of the adverse effect on private home owners/occupiers who may be facing financial and other distress because of an inability to sell their home. Further issues are set out in the exempt report.
- 4.2 As indicated in Sections 5 and 8 below, part of the annual charges on the costs of acquisitions could be covered by the receipt of rents if the properties are used for short-term temporary housing purposes. Eventually the properties will be sold on to the Council's development partners if the regeneration schemes proceed or, in the case of Stonegrove, will be demolished and sold as cleared sites as part of the continued regeneration using the staged approach approved by Cabinet resources Committee on 29th march 2005. If they do not proceed then the properties can be sold on the open market and the initial cost of acquisition recovered subject to any fluctuations in the housing market.
- 4.3 As indicated in paragraph 5.3, this proposal involves incurring unbudgeted prudential borrowing to purchase properties, but that this would only be done if the cost of borrowing can be appropriately funded. The proposals are not risk free, but officers are seeking to minimise the risk in two ways:-
 - by setting a cap on the number of properties acquired, after which further Cabinet approval is required;
 - by requiring the estimates of expenditure and income to be reviewed on a regular basis, such that further acquisitions are halted if at any time the actual costs and income prove to be significantly different from the estimates.
- 4.4 The estimated number of properties, which the Council may eventually acquire, is set out in the exempt report.
- 4.5 Failure to act could result in the loss of the grant from the London Housing Board
- 4.6 Failure to secure leasehold properties will jeopardise the future regeneration of these estates, and could lead to the Council being unable to meet development conditions included in contractual arrangements concluded with regeneration partners.

5 FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 5.1 There are no staffing or ICT issues.
- 5.2 Set out in the exempt report is the sum of money which has been made available by the London Housing Board to be used for advanced acquisition of properties required for the housing regeneration schemes. Subject to the approval of the London Housing Board it is proposed that this money be used to fund some of the possible acquisitions.
- 5.3 In addition to the London Housing Board money, it is proposed that acquisitions at Stonegrove and Spur Road Estates will be funded through the use of part of the £8 million in the Housing Association Capital Programme 2005/6-2008/9 for the regeneration of these estates. At Grahame Park acquisitions could be funded through prudential borrowing. As set out in the exempt report, the Council can only consider this course if the annual cost of borrowing can be appropriately funded. As referred to in paragraph 5.4 below, it is considered that a variation of the Private Sector Leasing Scheme could be used to provide temporary housing and a revenue stream to go towards covering prudential borrowing costs.
- 5.4 The Housing Performance Management Plan, approved by Cabinet Resources Committee on 21/02/05 and Council on 01/03/05, included a proposal to develop a Private Sector Leasing scheme. Under this scheme the Council is taking short-term leases of privately owned residential furnished properties to use as temporary housing for the homeless. Letting the properties on a non-secure council tenancies enables the council to maximise subsidy paid on any Housing Benefit claimed by the tenants. Where appropriate and the properties acquired have a suitable life, it is considered that this scheme can be adapted to provide for the acquired properties to be used as temporary accommodation upon a similar basis. It would be necessary for the properties to be put into reasonable repair first (and the condition of the properties will be reflected in the initial purchase price) and furnished. The estimated example costs are set out in appendix A to this report. As demonstrated in Appendix A, if the properties acquired on Grahame Park are used for temporary accommodation purposes then the majority of the prudential borrowing costs can be covered by the rental income. The same practice can apply to the Stonegrove properties but in that case it is not intended that the acquisition costs will require prudential borrowing.
- 5.5 On Stonegrove and Spur Road Estates the Council will be using capital funds already in the Capital programme for the purpose of advance acquisitions in the current financial year
- 5.6 The Council's costs on each acquisition will include Stamp Duty Land Tax at 1% on purchases between £120,001 and £250,000 (the rate is 3% for purchases between £ 250,001 and £500,000) and also Land Registration fees of about £50 to £220 per transaction, depending on value.
- 5.7 Any applicable right to buy discount repayment will operate on a sliding scale for any property re-purchased where the RTB was exercised within the three years prior to re-purchase. If applicable, leaseholders will have to repay the discount to the Council. Repayment would also apply if an option to sell was also entered into within the three-year period.

6. LEGAL ISSUES

- 6.1 Section 9 of the Housing Act 1985 is the principal section conferring the powers to provide housing accommodation. Section 17 of the Act is the principal power to purchase land and housing in order to provide housing under Section 9. If Housing Revenue Account money is used for these purchases (as is proposed at Stonegrove) then the property should be held as an HRA asset. If, as is proposed in this report, the properties are to be held in the General Fund but using HRA money to purchase then it is considered that this will require the consent of the ODPM.

- 6.2 If General Fund money (and this would include prudential borrowing) is used to acquire properties then upon re-sale the money returns to the General Fund. Using General Fund to acquire the properties and upon re-sale returning the money to the General Fund would be permitted pursuant to section 2 of the Local Government Act 2000. This section confers power on local authority to do anything that is likely to achieve the promotion or improvement of the economic, social or environmental wellbeing of an area. However, the power under the section does not enable a local authority to raise money (whether by precepts, borrowing or otherwise).
- 6.3 There are likely to be a variety of legal issues arising with each of the acquisitions or the securing of an option to purchase. These will be addressed in respect of each individual purchase or option as they arise.

7. CONSTITUTIONAL POWERS

- 7.1 Constitution – Part 3 - Responsibility for Functions – Section 3.6 Functions delegated to the Cabinet Resources committee – All matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council.

8. BACKGROUND INFORMATION

BACKGROUND

- 8.1 There are approximately 78 resident leaseholders and 53 absent leaseholders, a total of 131 privately owned homes on Stonegrove and Spur Road Estates, and approximately 170 at Grahame Park which will eventually be required for the housing estates regeneration schemes, albeit that this may be over development periods of up to 14 years. Of these there are approximately 78 owner/occupiers on Stonegrove and approximately 150 owner/occupiers on Grahame Park. In the first phase of housing to be emptied at Stonegrove, (Collinson, Powis and Goldsmiths Courts) there are some 25 leaseholders of which 17 are resident.
- 8.2 Based upon experience to date (and the knowledge of the re-housing opportunities which are likely to arise from the regeneration scheme) it is believed that the majority of these owner/occupiers will be fairly content to remain in occupation until the Council or its development partners are ready to acquire their properties for the phased development of the estates. It is likely that these acquisitions will either be pursuant to a confirmed Compulsory Purchase Order or by negotiation but in line with compulsory purchase compensation rules – i.e. owner/occupiers will be entitled to the value of their property interests plus home loss and disturbance payments. At Stonegrove officers will be seeking to secure options to purchase with such owners.
- 8.3 It must be stressed however that at this stage neither scheme is fully ready to proceed and the Council has not made any compulsory purchase orders – thus the properties are not considered to be blighted. Nevertheless, since the resolutions to promote the regeneration schemes some owner/occupiers on these two estates who wish to move in advance of the schemes proceeding have had difficulty in selling their homes or potential purchasers have been unable to secure mortgage loans using the homes as security as the practice of mortgage lenders is not to lend on properties that are likely to be redeveloped in the foreseeable future. In some cases this has created situations of personal hardship. Residents in this situation are looking to the Council to help resolve their difficulties.

SUGGESTED ACTION

- 8.4 It needs to be borne in mind when seeking a solution to these 'hardship' cases that if the owner/occupiers had been able to sell their properties on the open market they would only have received market value. They would not have received any other sums (such as home loss and disturbance payments which would be due if compulsory purchase rules applied) and they would have had to pay their own fees and costs. Thus, if the Council is prepared to assist these individuals it should do so on the basis that it leaves them in the same position, as they would have been if they had been able to sell on the open market – the Council to buy at market value only with each party bearing its own costs.
- 8.5 As set out in paragraph 5.2 above and in the exempt report, subject to the approval of the London Housing Board, there is some capital funding available which may be available to finance these acquisitions. Alternatively, it would be possible, subject to the Private Sector Leasing Scheme being varied to make use of acquired properties, for the acquisitions to be funded through prudential borrowing.
- 8.6 At present the same problems are not presenting themselves in the West Hendon regeneration area as the selected Registered Social Landlord, Metropolitan Housing Trust, has indicated its willingness to acquire properties in advance in cases of hardship.

RECOMMENDED PROCEDURES

- 8.7 It is recommended, subject to the necessary funding being in place and any necessary approval of the Office of the Deputy Prime Minister, that in those cases where owner/occupiers within the Stonegrove and Grahame Park housing estates regeneration scheme areas who wish to sell and move away but who have been unable to do so and are now suffering hardship, the Council enters into negotiations with them to purchase their properties at market value and with each party paying their own costs.

OTHER ACQUISITIONS

- 8.8 As referred to in paragraph 5.2, there is a sum of money which has been made available by the London Housing Board to be used for advanced acquisition of properties required for the housing regeneration schemes. There are time limits within which this funding has to be spent. The decision on Site C at Stonegrove and the preliminary work by officers on Site A/B presents an opportunity to spend this money for the future benefit of the regeneration scheme.
- 8.9 It is recommended that, subject to the necessary funding continuing to be available, that on Stonegrove the Council enters into negotiations to acquire the interests of all the owners of dwellings in Collinson, Goldsmith and Powis Courts either through purchase or by securing signed options from leaseholders that they will dispose of their properties to the council.

9. LIST OF BACKGROUND PAPERS

- 9.1 None

MO:
BT:

TEMPORARY LETTING ARRANGEMENTS

Based upon an average unit purchase price of say £150,000, the annual cost to the Council if the property is used for temporary housing purposes could be as follows:

Costs per property - assumed 3 year period

Acquisition costs

	£
Purchase price	150,000
	£
Add Stamp Duty Land Tax	1,500
	£
Add fees and costs say	14,800
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	£
Total capital cost	166,300

		£
Annual cost of prudential borrowing	Year 1	3,600
		£
	Year 2	13,000
		£
	Year 3	12,460
		£
	Average	9,687

Renting costs

Initial repairs	
Furnishings	
Annual equivalent over 3 years	£
say	3,800

	£
Annual rent income	15,293

LESS

	£	
Borrowing cost as above	9,687	
	£	
Annual equivalent	3,800	
	£	
Management	3,000	
	£	£
Void	700	17,187
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Net rent received/(shortfall) **(£1,893)**