

	MAYOR AND CABINET		Item no.13
Report Titles	Decent Homes through stock transfer:Lewisham Park: Terms of Transfer		
Key Decision	Yes		
Ward	Lewisham Central		
Contributors	Executive Director, Regeneration Executive Director, Resources Executive Director, Customer Services Head of Law		
Class	Open	Date	14 March 2007

1. Summary

- 1.1 This report seeks Mayor's approval of the proposed terms for the transfer for Lewisham Park as outlined in paragraph 9.1 of this report.
- 1.2 The report also seeks to gain consent from Mayor to delegate authority to the Head of Customer Services and the Head of Legal Services for outstanding issues that need to be agreed after this report.

2. Purpose

- 2.1 Following an intensive two month consultation and a positive ballot in October 2006 the Council and London and Quadrant (L&Q) are in the position to move to the next stage in the transfer process.
- 2.2 This report sets out the proposed terms for the transfer for Lewisham Park which includes three tower blocks, Malling, Kemsley, Bredgar, together with the ancillary garages, buildings, and space directly associated with the buildings. There are no open spaces to be transferred.
- 2.3 The report also seeks to gain consent from Mayor and Cabinet to delegate authority to the Head of Customer Services and the Head of Legal Services for any outstanding issues that need to be agreed after this report.
- 2.4 The Lewisham Park Estate Transfer Contract follows the "industry norm" for the transfer of the estate transfers.
- 2.5 The contract follows the format used for the transfer of a business and therefore, as well as dealing with the land transfer, it deals with all the other aspects of the business of letting social housing.
- 2.6 On the 21st February 2007 Mayor and Cabinet agreed that an application should be made to the Secretary of State under section under Section 32 of the Housing Act 1985 to transfer Lewisham Park to London and Quadrant (L&Q). This report is due to go to Full Council on the 1st March 2007.
- 2.7 At the Lewisham Park Project Team meeting on the 15th February 2007 the details of the terms of transfer were examined by Council officers and L&Q. Although both parties broadly agreed on the terms, it was felt that further negotiation regarding the detail of the document was needed before it could be finalised .. Therefore, another meeting has been arranged for the first week in March 2007.

3. Policy Context

- 3.1 The Government's Decent Homes strategy required all local authorities to carry out a stock options appraisal by July 2005 to determine how Decent Homes will be achieved for all Council housing stock by 2010.
- 3.2 Lewisham completed its stock options appraisal in June 2005, and a comprehensive Decent Homes Strategy was developed that was endorsed by Mayor and Cabinet on 8 June 2005.
- 3.3 Lewisham's Decent Homes Strategy was submitted to GOL in June 2005 setting out an investment plan for the entire housing stock to meet Decent Homes by 2010. The Strategy was approved by Government in August 2005. The Strategy outlines Lewisham's mixed investment approach including five stock transfers, two Private Finance Initiatives (PFIs) and a borough wide ALMO. (Copies of the Decent Homes Strategy are available in the members room for background information).
- 3.4 The investment proposals were developed in response to meet the needs, expectations and aspirations of residents on a local housing area basis. Residents across the borough have engaged in determining which investment vehicle is best suited to meeting their local needs, expectations and aspirations.
- 3.5 Over the past year Mayor and Cabinet have been informed of the key stages of the Lewisham Park stock transfer and asked to consider the key issues that will impact on Lewisham Park tenants, these reports include:
- Selecting London and Quadrant Housing Trust as the preferred RSL partner - March 2006
 - Endorsing Lewisham Park's stage one offer document - June 2006
 - Giving consent for London and Quadrant to go to ballot - October 2006
 - Seeking Secretary of State approval for the disposal of Lewisham Park properties to London and Quadrant Housing Trust - February 2007

4. Recommendations

- 4.1 To agree the proposed terms of transfer as they are set out in paragraph 9.1 of this report.
- 4.2 To authorise delegated authority to the Head of Customer Services and the Head of Legal Services for outstanding issues that need to be agreed after this report.

5. Background

- 5.1 Lewisham Park small scale voluntary transfer proposal relates to a partial transfer of three tower blocks based in the central Lewisham area, 1-68 Malling, Kemsley and Bredgar. All three blocks were built in the 1960's and consist of 204 tenanted and leasehold flats. There are 164 tenanted properties and 40 leasehold properties. The properties are 100% non decent and have a high investment need in comparison to the rest of the Council's stock.
- 5.2 The unique design and technical requirements of these properties means that the cost of future maintenance exceeds available Council resources. The specific nature of the construction of tower blocks and their structural requirements means that work is not only to the interior of the properties but also to the fabric of the buildings, which goes beyond the basic requirements of the Decent Homes standard.

5.3 Mayor and Cabinet considered four reports which are specific to Lewisham Park i.e. the selection of a preferred landlord (L&Q), the first stage consultation document (Lewisham Park Offer Document), the second stage consultation, the ballot result for transfer, and a report recommending that the Council make an application to the Secretary of State under section under Section 32 of the Housing Act 1985, in order to proceed with the transfer.

6. Consultation and ballot

6.1 Lewisham Park offer document was developed following extensive consultation with residents at Lewisham Park through the Resident Steering Group, sub-groups, consultation events, newsletters, questionnaires and a test of opinion.

6.2 The ballot started on the 19 September 2006 and ran concurrently with the stage two consultation and lasted 21 days, ending noon, 9 October 2006. The results of the ballot were tabled at the Cabinet meeting 18 October 2006 and are as follows:

6.3 126 residents were eligible to vote, out of this number 92 voted in the ballot. The final result showed that 77% (83.7% of the valid vote) were in favour of the transfer to London and Quadrant Housing Trust and only 15% (16.3% of the valid vote) were not in favour.

7. Post ballot

7.1 The timetable below was discussed with the Lewisham Park Resident Steering Group following discussion with DCLG, the Council's legal (Bircham Dyson and Bell) and financial advisers (Price Waterhouse Coopers).

Task	Timescale
Stock Options Appraisal	2003 – 2005
Landlord selection process	September – October 2006
Recommendation on landlord selection	March 2006
Develop Offer Document (stage 1 notice) with RSL & residents	March – June 2006
Formal consultation period – Offer Document to all residents	August – September 2006
Issue stage 2 notice – letter to all tenants & Ballot period	September – October 2006
Mayor and Cabinet note result	18 October 2006

<ul style="list-style-type: none"> ▪ Mayor and Cabinet consider to proceed to transfer and agree officers commence negotiations delegation of authority to negotiate terms of disposal 	18 October 2006
<ul style="list-style-type: none"> ▪ Negotiate key terms of transfer and disposal 	October 2006-February 2007
<ul style="list-style-type: none"> ▪ Further report key terms of the transfer 	March 2007
<ul style="list-style-type: none"> ▪ Full Council asked to consider and agree terms of disposal 	March 2007
<ul style="list-style-type: none"> ▪ Seek Secretary of State approval for the disposal of Lewisham Park properties to London and Quadrant Housing Trust. 	

8. An Outline of the Land for Disposal

8.1 Lewisham Park estate comprises of a partial transfer of three tower blocks in the central Lewisham area built in the 1960s. The blocks consist of 204 tenanted and leasehold flats. There are 164 tenanted properties and 40 leasehold properties.

8.2 The land to be disposed comprises of:

- Tenanted, empty and leasehold homes. These are listed in the attached appendices (appendix 1)
- Garages, parking spaces, sheds and other ancillary buildings
- Premises currently being used as community facilities

8.3 Plans indicating all of the land to be transferred are appended to this report (appendix 2).

8.4 In line with all transfers, the valuation of the estate has been established, taking into account the income (mainly rental income at social housing levels) and the expenditure necessary to bring the properties up to and maintained at modern day standards over a 30 year period.

9. The Proposed terms of the Transfer

9.1 The proposed terms of transfer include:

- The price being paid for the transfer of the estate is nil. This price is calculated on the net present value of the rental income after deduction of costs for management and maintenance of the buildings. The repair obligations for Lewisham Park, in the Council's estimate, exceeds the net present value of the rents and the price of nil is in excess of the Council's valuation
- The whole of the Council's estate, subject to the existing tenancies and leases, will be transferred. If the property ceases to be used for affordable housing any surplus value will be shared with the Council

- The Council retains a right to nominate tenants to 75% of the flats as they fall vacant; but while L & Q and the Council have a joint choice based letting (Housing Choice) programme this right will not arise
- The Council is joining in a VAT savings scheme, but all the receipts from this are held by L & Q to meet the repair obligation.
- The Council covenants that it is not transferring any staff as part of the arrangements.
- The Council is warranting that rents and service charge arrears are collectible; L & Q is paying a price for the arrears based on the value which they hold in the Council's accounts.
- The Council warrants that the land in its present condition, for its present use, is not in breach of any environmental laws.
- The Council is disclosing that the buildings contain asbestos and it is for L & Q to deal with asbestos in the buildings.
- L & Q covenant to carry out all the promises they made in the consultation document, to the Council and to the tenants.

9.2 There are two outstanding point still to be agreed with L&Q, this will be subject to delegated authority as in paragraph 1.2.

- Profits that arise on the sale of flats under the right to buy are to be held by L & Q to be applied to projects for the benefit of Lewisham Park and surrounding area as approved by the Council.
- Confirmation that the wardens' flat and store room will be retained for use by Lewisham Warden Service whilst the service is in operation.

10 Commercial and Community Premises

10.1 There are two community facilities located within the boundaries of the Lewisham Park estate to be transferred; these include the warden's office in Kemsley and the community room in Malling. Both of these community facilities will undergo extensive internal works as part of the L&Q improvement programme.

11. Financial Implications

11.1 Effect on HRA budget

The HRA budget report for 2007/08, which was considered by Mayor & Cabinet on 31 January 2007, allowed for a net cost to the HRA of £0.2m arising from the Lewisham Park transfer. The proposals within the report allow the Council to achieve a balanced HRA in 2007/08 taking into account the effect of the Lewisham Park transfer and other decent homes options occurring during the year.

11.2 Funding of the transfer

The costs of the transfer are estimated as follows:

	General fund	HRA	Total
	£	£	£
2005/06	97,000	0	97,000
2006/07	45,000	118,000	163,000
Total	142,000	118,000	260,000

This cost is less than previously reported. Costs in 2006/07 have been lower than predicted.

London & Quadrant is not contributing to the Council's costs. There is provision in the HRA and general fund to meet the set-up costs. The Council would be able to offset the Lewisham Park set-up costs against capital receipts from the Grove Park or New Cross transfers if these should be successful.

11.3 VAT shelter

As part of negotiations, the Council and London & Quadrant have agreed to set up a VAT shelter. The proceeds of the VAT shelter are estimated to be about £1m. Officers are proposing that London & Quadrant should retain the proceeds of the VAT shelter. This is necessary in order for London & Quadrant to afford the refurbishment commitments in the offer document. The final terms and conditions of the transfer including proposals on the VAT shelter will be brought to Mayor & Cabinet for approval in March.

11.4 Rents

The properties will be subject to the Council rent increase agreed by Mayor & Cabinet on 31 January 2007 and to be decided by Council on 1 March. The proposed increase is an average of 1.9% for Lewisham Park properties.

12. **Legal Implications**

12.1 **Consultation**

12.2 Where a stock transfer is proposed, Section 106A of and Schedule 3A to the Housing Act 1985 impose additional consultation requirements on the Council, and these apply in place of the general duty to consult on matters of housing management under section 105 of the Housing Act 1985 and 137 of the Housing Act 1996. The Secretary of State cannot give his consent to the transfer if it appears to him that the majority of tenants do not wish to proceed with the proposed transfer.

13. **Disposal consent/disposal programme**

13.1 Under section 32 of the Housing Act 1985 local housing authorities cannot dispose of land held for housing purposes without the consent of the Secretary of State. In considering whether to grant consent, the Secretary of State will be mindful of the tenants' ballot discussed above. The formal application for Ministerial Disposal consent under section 32 of the Housing Act 1985 would need to be authorised by full Council.

14. **Homelessness**

14.1 Where decisions are being made in respect of the future provision of housing within the borough, Members should bear in mind the Council's specific duties under the homelessness legislation and the general duties under Section 3 of the Homelessness Act 2002 requiring the Council to develop a strategy for:

- a. preventing homelessness in their district
- b. securing sufficient accommodation that will be available for people who are or may become homeless
- c. securing satisfactory provision of support for people in their district
 - I. who are or may become homeless; or
 - II. who have been homeless and need support to prevent them becoming homeless again.

15. TUPE

- 15.1 There are currently no employees working in the Lewisham Park area that are protected by TUPE. No staff will be affected as a result of the Lewisham Park transfer.

16. Equalities implications

- 16.1 A full equalities impact assessment (EIA) on the stock options appraisal process has been carried out to assess the possible negative and positive impact on all equality groups in Lewisham. This will be published and the effect of the policy will be monitored. The EIA will also be presented to shadow boards and steering groups leading the process in each area so that the findings can be taken into account.

17. Environmental Implications

- 17.1 Works carried out to bring homes up to the Decent Homes standard by London and Quadrant Housing Trust should lead to greater energy efficiency, reduced maintenance costs and lower fuel bills for residents. It will also reduce the level of harmful gases being released into the atmosphere.
- 17.2 London and Quadrant Housing Trust (L&Q) will develop minimum standards that tenants can expect from their home. A key part of that will be the affordability and sustainability of the energy usage. SAP rating information will be utilised to inform decisions on the type and targeting of enhancements to be included in the overall improvement works.
- 17.3 The improvement and exceptional extensive works programmes will include works to install double glazed windows, wall insulation, and new or upgraded heating systems. These works are all designed to improve the thermal efficiency of dwellings. London and Quadrant Housing Trust will also consider the provision of advice to tenants on energy efficiency and how they can reduce their fuel bills.
- 17.4 Detailed proposals will be developed by L&Q in full consultation with the Council, especially in the context of the Council's Local Agenda 21 action plan. Mechanisms would be established between the new landlord and the Council to monitor the action taken by the new landlord towards meeting the Council's targets under the Home Energy Conservation Act 1995. The business plan for the new landlords would make provision for all works necessary to bring the properties up to modern standards of thermal efficiency and comfort.

18. Crime and disorder considerations

- 18.1 One of the key priorities in Lewisham Park's offer document is how London and Quadrant will tackle crime and anti-social behaviour. The offer document outlines fully the crime and disorder implications. It details the physical improvements, enhanced estate management and the diversionary opportunities which L&Q will implement to reduce crime and anti-social behaviour. Offer documents will also demonstrate the Trust's commitment to tackling race and hate crime, domestic violence and improving child protection.

19. Conclusion

- 19.1 This report seeks Mayor and Cabinet approval of the proposed terms for the transfer for Lewisham Park as outlined in paragraph 9.1 of this report.

19.2 Additionally, it seeks to gain consent from Mayor and Cabinet to delegate authority to the Head of Customer Services and the Head of Legal Services for outstanding issues that need to be agreed after this report.

Background Papers

Title document	Date	Location
Lewisham Park's request to make an application under Section 32 of the Housing Act 1985	February 2007	5th Floor Laurence House
Lewisham Park's ballot result	October 2006	5th Floor Laurence House
Lewisham Park's stage one offer document	June 2006	5th Floor Laurence House
Lewisham Park's RSL selection	March 2006	5th Floor Laurence House
Decent Homes update	Mayor and Cabinet 9 November 2005	5th Floor Laurence House
Decent Homes Strategy	Full Council 29 June 2005	5th Floor Laurence House
Decent Homes Strategy	Mayor and Cabinet 8 June 2005	5th Floor Laurence House
Housing Stock Option Appraisal - Overarching strategy	Full Council 15 December 2004	5th Floor Laurence House

For more information on this report please contact Dave Baptiste: Strategic Housing Manager – on 020 8314 3795.