

Report to Cabinet

Report reference: C-002-2022/23

Date of meeting: 6 June 2022



Portfolio: Housing & Community (Cllr Holly Whitbread)

Subject: Repurchase of Leasehold Properties on Limes Estate

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Recommendations/Decisions Required

That the Cabinet agree to the proposed repurchase of up to 5 flats on the Limes and Copperfield estate (Non- trad construction) taking priority, using Capital from the Housing Revenue Account (HRA) and Right to Buy Receipts (RTB).

Executive Summary:

Following a review of our capital programme, A decision was made to take an approach to improvements which would drive efficiency and drive up impact for customers. It is well understood that properties have a finite life cycle. To maximise the life span of our blocks, we must carry out regular improvement works. The process of improving properties is worked out using life cycles, there is an industry average for all components for buildings.

Our residential assets are reaching the point where major investment is required. Choosing not to invest could lead to a situation where the asset could become dangerous and losses in income through voids increased. Furthermore, it will lead to a disintegration of the quality of life for our residents.

Officers are keen to support Leaseholders regarding the affordability of their contribution to capital works. Therefore, this paper seeks to get approval for the second of our support schemes, which is to buy back up to 5 non-traditional construction flats.

Report:

1. The regeneration of the Limes and Copperfield estates is the first of several plans to create great places where people want to live.
2. Within the estate, we have a mix of tenures including both social housing tenants and leaseholders. As such the cost of major works is included in the rent of those tenants who live in social or affordable rented stock. For leaseholders, the cost is divided therefore ensuring a fair and equitable contribution.

3. When a flat or maisonette is sold under the Right to Buy scheme it becomes a leasehold property and at the time of completion, the applicant would have their own legal representative who acts for them.

4. As part of the Right to Buy Sale, the Council would provide a five-year forecast of charges for any Major Works and associated costs. This allows the applicant to give full consideration to the purchase and the responsibility they are taking on in becoming a leaseholder.

5. If in the first five years of ownership major works are carried out and the cost is higher than first anticipated, the costs will be capped in line with the estimate provided at the point of sale.

6. If a leasehold property is sold on the open market, then the leaseholder would be provided with a Pre-sales information pack by the Home Ownership Team. This will give them information on any planned works **known at the time of sale/purchase**.

7. However, as we cannot always foresee the future, we also advise of the following:

It should be noted that necessary works and improvements may be identified at any time during the management of the property. The Council reserves the right to undertake such works, subject to the statutory consultation requirements as and when the need arises. Future leaseholders should be made aware that other items, which incur expenditure, may arise at any time in the future and those identified in this response are not conclusive.

8. As a socially aware business, we are minded of the challenges which leaseholders encounter in having to fund their proportion of the works. As such we have 2 initiatives which offer support to leaseholders. The payment options report has already been presented to this Cabinet and agreed upon, this allows leaseholders to pay the costs over a period of years.

Buyback Scheme

9. During our consultation with leaseholders, several residents were concerned about how they were going to meet the cost of the work. Therefore, they had enquired about remortgaging. In all cases, the mortgage companies refused because the build type is non-traditional construction. Although there is nothing wrong with this type of building method, lenders in most cases have decided that this product is not something they wish to lend on.

10. To support leaseholders' officers are proposing that a capital sum of up to £1m be allocated, from the HRA to purchase up to 5 flats from affected leaseholders who are in a leasehold flat/maisonette on the Limes estates which is non-traditional construction,

Funding and ROI

11. The capital sum will be a mix of the right to buy receipts and capital from the HRA. Historically, when buying back properties or purchasing street properties it is prudent to carry out a financial appraisal to make sure that the Council is not subject to the financial detriment when making such purchases. As such, officers will run each proposed purchase through our ProVal tool which will provide us with the return throughout the business plan.

Future Right to Buy

12. Any buybacks are subject to a cost floor, this means that the council is afforded a level of protection when buying the properties as any subsequent resale via the RTB, cannot be below the construction or acquisition cost of the dwelling.

Reason for decision:

There is a need to offer support to leaseholders to assist those that find themselves in financial difficulty when subject to capital costs.

Options considered and rejected:

The option was considered not to offer support, however, this was rejected.

Consultation undertaken:

The Finance Team have been consulted.

Resource implications:

Capital funding is required for this project which will be taken from the HRA and part-funded from the RTB receipts.

Legal and Governance Implications:

This proposal meets all requirements

Safer, Cleaner, Greener Implications:**Background Papers:**

A similar project was undertaken in 2006 (C/073/2006-07)

Impact Assessments:

Attached

Risk Management:

The risks of this project are financial, and mitigation is in place via feasibility assessments.