

Item No. 22	Classification: Open	Date: October 16 2007	Meeting Name: Executive
Report title:		Elephant & Castle - Financial Implications Report	
Wards or groups affected:		Cathedrals, Chaucer, East Walworth and Newington	
From:		Finance Director	

RECOMMENDATIONS

1. The Executive approve remaining leasehold acquisition capital costs of up to £23.5m for the Heygate Estate. This is to be included in the capital programme and financed as part of a receipt arising from the final contract to be agreed with the preferred development partner and expected to be received upon the transfer of vacant possession and the completion of the demolitions on the estate.
2. The Executive approve that interim funding gap for the buybacks be funded through the re-profiling of the existing Housing Investment Programme.
3. The Executive note that the demolition of the Heygate Estate will be managed and funded by the preferred development partner, subject to contract.
4. The Executive approve the provision of a dedicated Major Projects rehousing team for the provision of coordinated project delivery of estate and case management under the control of the interim Strategic Director for Major Projects to be funded through the existing departmental budgets for 2007/08.
5. The Executive note that work will be completed on assessing the new cost of the Major Projects rehousing team and that any new commitment be included within the 2008/09 Policy and Resources Strategy to be presented to Council assembly in February 2008.
6. The Executive to approve that the Strategic Director for Environment & Housing (Home Ownership Unit) to financially test all leaseholders affected by regeneration schemes and applying for rehousing assistance from the council by using the systems most appropriate to the financial market at the time, as outlined in paragraphs 19 to 21.

BACKGROUND INFORMATION

7. The Executive requested, on 19th June 2007, a full report on the financial implications for the Heygate Action Plan implementation and future implications for the Aylesbury estate regeneration.
8. The details in this report are reserved for the implications on the Heygate Estate and do not cover related implications for the Aylesbury programme. These will be subject to future reports to the Executive once there is a clearer view of both timing and phasing of the project.

39. It is envisaged that some existing leaseholders will not be in a position to continue to afford outright ownership and will be assisted with an offer of more affordable intermediate tenure (shared ownership). Lending institutions current practice in this scenario is to ensure affordability of the share purchased by full means testing examining income and expenditure in detail to determine a surplus amount available to fund a mortgage, rather than a simple multiplier.
40. The policy recognises that there will inevitably be an increase in the number of secure tenants because there will be a proportion of existing leaseholders that will not be able to fund any type of intermediate ownership. Until the means testing is underway the numbers cannot be ascertained.

Strategic Director for Legal and Democratic Services

41. The recommendation proposed sets out the proposed changes to the financial parameters within which the Elephant & Castle Major Project operates. If the Executive approves this report, the Major Projects Board will, under the authorisation given to it under the Council's Constitution (section 3E), have the ability to make decisions in this area of spend.

Comments of the Deputy Chief Executive

42. The Rehousing Programme for Heygate Tenants and Leaseholders will have an impact on the distribution of stock allocations through Homesearch. Currently some 15% of all allocations are to the Band One category, and it is expected that the proportion of lets to Band One Tenants (including Heygate Tenants) will increase. Nevertheless, the number of lets overall will remain high relative to most London boroughs, a fact augmented by projected high numbers of new Housing Association units coming on-stream over the next two years. We therefore expect that all urgent housing needs will continue to be met in reasonable timescales whilst rehousing is in progress.
43. The Community Housing Service currently manages some 400 Heygate Estate properties, which are used to meet the Council's strict statutory duty to accommodate homeless families. We expect that the number of voids available for use as Temporary Accommodation (TA) will diminish as each phase completes. CHS expects that the additional demand created by the Heygate rehousing process will be met through commissioning of additional TA units through Private Sector Leasing agreements (PSL).
44. The cost of PSL agreements fall to the General Fund, so this process involves a transfer of financial risk from the HRA to the General Fund, at a time when the DWP has stated that Benefit Subsidy levels will reduce until 2010. This risk will be mitigated by the more favourable contracting arrangements currently under discussion. At present, we believe that new commissioning will deliver an additional £120k to supplement Homeless Prevention in the General Fund in 2008/2009, on the basis of a 5% reduction in Benefit Subsidy. A wider procurement exercise is planned following the lapse of two further PSL management agreements in the next financial year, which will further mitigate any medium term risk to the General Fund caused by the demolition of the Heygate Estate.