

Mayor and Cabinet			
Title	Response to Housing Select Committee on Low Cost Home Ownership Review		
Wards	All Wards	Item No:	
Contributors	Executive Director for Customer Services		
Class	Part 1	Date:	10 July 2013

1. Purpose

- 1.1. The purpose of the report is to provide an initial response to the recommendations made by the Housing Select Committee following the in-depth review into Low Cost Home Ownership in the borough and to provide a timetable for the delivery of each recommendation.

2. Recommendation

- 2.1. The Mayor is requested to agree that the information contained in this report be approved and reported as a response to THE Housing Select Committee recommendations.

3. Background

- 3.1. The scope of the Low Cost Home Ownership (LCHO) Review was agreed in October 2012 and two evidence gathering sessions were held in February and March 2013. The February session was written and the March session verbal. The Committee finalised the report and agreed the recommendations in April 2013.
- 3.2. There is arguably a high need for low cost home ownership schemes in Lewisham. Over the past 15 years, high levels of demand and constraints on land availability have driven an above-average growth in house prices across London, including in Lewisham, and this has limited affordability for residents. In 1997 the average house price in Lewisham was £73,789 and the median salary was £16,120, a price to income ratio of nearly 5:1. By 2010, and despite the downturn in the broader economy, the average house price in the borough had increased to £255,351 and the median income had increased to £23,592, resulting in a doubling of the price to income ratio to almost 11:1.
- 3.3. House prices have since stabilised, but mortgage finance is increasingly rationed and deposit requirements have increased. To be able to purchase a property in the lowest 25 per cent of prices in Lewisham in 2010, a single resident would need to be earning at least at the level of the highest 25 per cent of earners (£40k p.a. or more),

qualify for a 75 per cent loan-to-value mortgage, and have saved £1 in every £5 that they had earned for 7 years or have other access to the £45k deposit. With personal debt levels still high - £1,700 for every adult in the UK aged 18 or older, compared to £1,000 in 1997 – this rate of saving is unlikely, and first time buyers are increasingly reliant on family support to access home ownership.

3.4. Figures provided in the 2011 Census show that of 116,091 households in Lewisham 43.6% are either owned outright, owned with a mortgage or part of a shared ownership arrangement - a decrease from 50.1% in 2001.

3.5. The final report and recommendations arising from the Housing Select Committee's Low Cost Home Ownership Review were presented to Mayor and Cabinet on the 1st May 2013 resulting in the following decision:

Decision:

Having considered an officer report, the Mayor agreed that the Executive Director for Customer Services be asked to prepare a response on the Committee's recommendations.

Minutes:

Having considered an officer report, the Mayor agreed that the Executive Director for Customer Services be asked to prepare a response on the Committee's recommendations.

3.6. The key lines of enquiry agreed for the review relate to each of the four areas of the review. These are outlined below:

3.7. Right to Buy/preserved Right to Buy/Right to Acquire:

- What are the advantages and disadvantages of RTB (a) for tenants and (b) the council and the wider Lewisham population?
- How has this affected the retained stock of council owned homes in Lewisham and stock transferred to RSLs?
- Has there been any abuse of RTB in Lewisham (e.g. by companies seeking to induce tenants to buy their properties and then sell them under rent back schemes)?
- How many applications for RTB has Lewisham Homes received since the government increased the discount and what are the future projections?
- Have RSLs that have received transferred stock seen an increase in applications?
- Do the Council and its RSL partners actively promote RTB and RTA?

3.8. Shared Ownership/Shared Equity

- How many different shared ownership/shared equity schemes exist?
- What are the advantages / disadvantages of shared ownership/shared equity?
- What number and proportion of home owners have been helped with shared ownership/shared equity?
- How many shared ownership/shared equity homes have been built by Registered Social Landlords in Lewisham over the past ten years?
- How many shared ownership/shared equity homes have been provided in Lewisham as a result of s106 planning requirements?
- What factors have affected take up of shared ownership/shared equity homes schemes?
- What factors, if any, have restrained supply of shared ownership/shared equity homes?

3.9. Self Build

- What are the advantages / disadvantages of self build?
- What examples are there of self build projects pursued by Lewisham Council or Lewisham Homes or RSLs in the borough historically and currently?
- What are the reasons behind the low proportion of self build properties in the borough and what impediments are there that may discourage self build schemes? How can these be removed?
- Is Lewisham doing anything to encourage bids to the London Mayor's 'Build your own home – the London way' scheme?
- What land currently owned by Lewisham Council might be suitable for self build? If the land was provided for free what would be the impact for the Council and how much would it cost, approximately, for a resident to self-build a family sized house on this land?

3.10. Community Land Trusts

- How do CLTs work?
- What are the advantages / disadvantages of CLTs?
- What examples are there of successful urban based CLTs?
- What land currently owned by Lewisham Council might be suitable for a CLT? If the land was provided to a CLT for free, what would be the impact for the Council and how much would it cost, approximately, to build a family sized house on this land?

4. Responses to the recommendations of the Housing Select Committee's review into Low Cost Home Ownership

- 4.1. R1. Lewisham Council and partner organisations need to ensure that all residents are aware of both the benefits and all the pitfalls of choosing to buy a home through the Right to Buy Scheme.**

- 4.2. Lewisham Homes administer Right to Buy for all council owned properties. The website does currently highlight both pros and cons of purchasing your own property, as highlighted below for the purposes of this report, but Council officers will work with Lewisham Homes to consider a revision potentially making the cons more prominent:

Making the right choice

Becoming a homeowner is one of the most important decisions you will make. We understand that and have a team of officers who can help you with your application and discuss the benefits, costs and obligations of becoming a homeowner.

- Our service to tenants who are thinking of buying their homes is free. We do not receive any commission from mortgage companies or others involved in the purchase of your home
- Please talk to us before signing up with any company who will charge you to help with your application. In most cases we can provide the same service free of charge. Once you have spoken with us if you want to you can still ask a company for assistance. We have known instances where companies have been very insistent and charge tenants hundreds pounds for the service.
- We will send you an information booklet and a guide to the process if you request a Right to Buy application form from us.
- **If you sell your home within five years of buying it you will need to repay some of the discount, we can explain how this is calculated.**
- There are a number of advantages in becoming a homeowner but it's not right for everyone. In particular **you should bear in mind that you will need to arrange and pay for all repairs inside your home, including repairs to your central heating.**
- If you buy a leasehold property (a flat or maisonette) **you will pay service charges to cover the cost of services and works to communal areas of the block and estate. Major works can be expensive. If you decide to buy your flat we will explain all of these charges to you.**
- Most people need to borrow money to buy their homes; this is usually a mortgage from a bank or building society. The monthly amount you pay on your mortgage includes interest on the amount you have borrowed. The interest rate is low at the moment, which is good, but as mortgages are paid back over a number of years **you should also consider how much your monthly payment may increase to if the interest rate rises.**
- **If you do not pay your mortgage your home may be repossessed.**
- Once you are a homeowner **you cannot claim housing benefit.** Department of Work and Pensions (DWP) does provide some help with mortgage payments if you run into financial difficulty, but this may not cover all of the monthly mortgage payment.

- 4.3. R2. Lewisham Council should explore options to limit the number of RtB leaseholders sub-letting their properties or selling them to local private landlords. This could include exploring options for charging leaseholders for renting their property in the first five years and looking at options for giving the council first refusal on the property in the event of a sale.**
- 4.4. This recommendation is unenforceable under law. Once the tenant's Right to Buy has been exercised, the leaseholder takes ownership of the property and the Local Authority has lost control over the property in its capacity as local housing authority. However, around 45% of the Councils Private Sector Leasing properties are ex-RTB and we can further encourage RTB leaseholders who are considering renting out their properties to work with us through a PSL arrangement, guaranteeing them an income and allowing us to use their property for homeless households. Officers will explore other ways to work with leaseholders, including considering, for instance, inviting them to a another leasehold landlord day to promote a relationship with the council.
- 4.5. R3. Lewisham Homes should promote the Cash Incentive Scheme alongside Right to Buy to ensure that tenants are aware of all the options available to them.**
- 4.6. The Lewisham Homes website has an existing page on the Cash Incentive Scheme. The Council is working with Lewisham Homes to link it to the Right to Buy information page to promote it as an option.
- 4.7. R4. Lewisham Council and partner organisations need to ensure that all residents are aware of both the benefits and all the pitfalls of choosing to buy a home through a Shared Ownership/Shared Equity scheme.**
- 4.8. As part of the South East London Housing Partnership (SELHP), Lewisham Council works closely with the registered providers delivering LCHO products in south east London and ensure that potential applicants are appropriately advised on the pros and cons of purchasing a low cost home ownership property. This primarily takes place through meetings held quarterly where any issues, new policies etc. relating to LCHO are discussed. As of 1st April 2013, London and Quadrant Housing Trust (L&Q) are no longer the Homebuy Agent for South London. The GLA decided, as part of its Housing Covenant, to reconsider the customer experience for aspiring homeowners. The service provided by L&Q (with Metropolitan HT for north London) included both the advertising of properties and the assessment of eligibility of applicants along with the forwarding of potential lists of applicants to RPs with schemes due for completion. Now, a website is provided with property details but the assessment of potential applicants is to be undertaken by each individual RP. SELHP are working with RPs to ensure that applicants are not negatively affected

and that schemes do not remain unsold. The Councils website has been updated with links to the GLA endorsed website, SharetoBuy <http://www.sharetoBuy.com/london> and a website provided by Metropolitan, <http://www.homematch.org.uk/> that is funded by RP subscriptions.

- 4.9. R5. The Housing Select Committee support the South East London Housing Partnership in their efforts to maintain a portal website to make it easier for residents to navigate the range of Shared Ownership/Equity options available locally.**
- 4.10. As above, the South East London councils are working closely with providers, the GLA and Metropolitan to ensure a user friendly approach. The provision of a SELHP portal website is still under investigation, any progress will be reported to Committee.
- 4.11. R6. Lewisham Council and partner organisations should consider promoting all low cost home ownership options together so residents can make an informed comparison between the various options available to them. Additionally potential homeowners should be reminded of the responsibilities that come with home ownership generally.**
- 4.12. A Property Show has been arranged for the 15th June 2013 by Homematch and marketed to residents across London (advertised on Lewisham online). This event will provide details of all available products and will provide financial advice for any potential applicants that attend. Work with SELHP is ongoing.
- 4.13. R7. Lewisham Council should measure the demand / interest in self build Locally**
- 4.14. An event directly linked to the Church Grove site will be held in September 2013 and a press release was issued during National Self Build week in May 2013. A register of all interest is maintained to allow further contact and currently has around 20 people/organisations listed.
- 4.15. R8. Lewisham Council should promote the Mayor of London's "Build your own home – the London Way" and the Community Right to Build funding pots to local residents who are interested in self build.**
- 4.16. As mentioned above the press release was issued in May and we will be continuing the promotion of initiatives such as these.
- 4.17. R9. Lewisham Council should work with local partners such as the credit union to open up new finance options for any potential Self Build/Custom Build projects in the borough.**

- 4.18. The Strategic Housing team has a long standing relationship with the Credit Union in the borough particularly Lewisham Plus. Attendance and promotion has been primarily through LEWAHG to date but information will be provided to self builders and trialled through the Church Grove project.
- 4.19. **R10. The Council should explore the viability of making sites available for Self Builders. Where appropriate, this might include sites which have been considered for infill development under the Housing Matters Programme. The Council should ensure that any housing development it supports in this way adheres to CLT principles by remaining affordable and continuing to help meet local housing needs.**
- 4.20. At present, work is focussed on the Church Grove site however lessons learnt and partnerships formed could transfer to any additional sites identified in the future. Officers continue to investigate CLTs and will discuss details with potential self builders.
- 4.21. **R11. Lewisham Council should ensure that any investment of resources, whether land, capital or officer time by the Council into a CLT, self build project, or other low cost home ownership option is justified with reference to meeting council objectives in meeting local housing needs.**
- 4.22. Agreed.
- 4.23. **R12. Where the Council has invested its resources it should ensure that it is able to nominate existing tenants from the housing register for participation in self build groups or for finished properties, where these are provided.**
- 4.24. Agreed.
- 4.25. **R13. The Council may need to establish, in partnership with CLTs and other Housing Providers, a separate register of local residents who are interested in self build or other forms of low cost home ownership.**
- 4.26. Officers will maintain a list of people expressing an interest in self build, particularly the Church Grove project.
- 4.27. The council is considering putting a number of services on line, such as Housing Options and Housing Applications, and is considering the provision of a sub regional choice based lettings system. When services do go on line, provision will be made to ensure an applicants interest in low cost home ownership can easily be recorded. The introduction of this opportunity will be included in the on line services work programme.

- 4.28. R14. Lewisham Council should explore a Community Land Trust as an option for releasing land for self build projects, low cost sale and/or social housing rent.**
- 4.29. This option is actively being explored and a full cost versus benefits analysis will be undertaken alongside other ways forward, including retention of the ownership. At least one organisation expressing an interest in Church Grove has suggested a CLT arrangement.
- 4.30. R15. Lewisham Council should work with partners such as the Credit Union or other Community Development Finance Institutions to open up new finance options for any potential CLT in the borough.**
- 4.31. Financing will form part of the investigation in CLTs and their advantages for those in housing need.
- 4.32. R16. Lewisham Council should ensure that interested residents are signposted to available information regarding CLTs including examples of best practice and existing practical and legal guidance.**
- 4.33. This information will be provided to anyone showing an interest in self build or CLT.
- 4.34. R17. Lewisham Council should ensure that any group receiving any form of assistance from the Council to set up and manage a CLT has the required level of expertise.**
- 4.35. Officers will ensure that the legal requirements are met and that groups come to us with existing experience or a programme of training to establish the expertise.
- 4.36. R18. A further report on low cost home ownership, including updated information relating to the recommendations set out in this report should be brought before the Housing Select Committee in the 2013/14 municipal year.**
- 4.37. The Housing Select Committee workplan requires further reports in:
- September 2013;
 - February 2014.

5. Legal Implications

- 5.1 There are no specific legal implications, save for noting the following.
- 5.2 The Equality Act 2010 (the Act) introduced a new public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment,

marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

5.3 In summary, the Council must, in the exercise of its functions, have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- advance equality of opportunity between people who share a protected characteristic and those who do not.
- foster good relations between people who share a protected characteristic and those who do not.

5.4 The duty continues to be a “have regard duty”, and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations.

5.5 The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-act-codes-of-practice-and-technical-guidance/>

5.6 The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:

1. The essential guide to the public sector equality duty
2. Meeting the equality duty in policy and decision-making
3. Engagement and the equality duty
4. Equality objectives and the equality duty
5. Equality information and the equality duty

5.7 The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more

detailed guidance on key areas and advice on good practice. Further information and resources are available at: <http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/guidance-on-the-equality-duty/>

6. Finance Implications

- 6.1. This response set out above is for information only and there are no direct financial implications arising from this report. The financial implications of the individual proposals mentioned will be considered as they are taken forward for action.

7. Crime and Disorder Implications

- 7.1. There are no specific crime and disorder implications.

8. Environmental Implications

- 8.1. There are no specific environmental implications.

9. Equality Implications

- 9.1. There are no direct equalities implications arising from this report.

10. Background Documents and Report Author

- 10.1 There is one background document to this report:
Report presented to M&C on 1st May 2013 - <http://councilmeetings.lewisham.gov.uk/documents/s22264/Housing%20Select%20Committee-%20Low%20cost%20home%20ownership%20review.pdf>
- 10.2 If you have any queries on this report, please contact Louise Spires, Strategy Policy and Development Manager on 020 8314 6649.