

Improving the Key Guarantees

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The council is in the process of setting up Homes for Lambeth, a wholly council owned group of companies, to build the more and better homes that are needed. Homes for Lambeth will grant tenancies and leases for these homes. Homes for Lambeth will adhere to the commitments made to residents by the council. Where reference in this document is made to 'the council', such commitment may be delivered by Homes for Lambeth.

Why is the council consulting on the Key Guarantees?

No one at the council underestimates the potential distress that regenerating an estate could cause residents. To reduce this as much as possible, we are committed to keeping uncertainty to a minimum by giving residents the information and support they need. As a part of this we published the Key Guarantees in July 2015.

The council has always been open to suggestions about how these Key Guarantees could be improved. That is why the council asked TPAS, a well-respected tenant engagement organisation, to review the Key Guarantees and suggest improvements. Following the review by TPAS and feedback from tenants and homeowners across the six estates in the regeneration programme, the council has improved and updated the Key Guarantees, which are set out in this booklet.

The council is now holding one final consultation to get residents' feedback to see whether there is anything more we can do. These amended Key Guarantees will then be adopted by the council and implemented on all estates which are to be rebuilt.

For those estates where a decision has been made to redevelop the estate, please note the current Key Guarantees (adopted in July 2015) are in place and will remain so until the updated guarantees are adopted. It is intended that these improved and updated Key Guarantees, pending any further amendments arising from this consultation process, will be adopted as soon as possible after this consultation.

You can find more information about the existing Key Guarantees at:
http://estateregeneration.lambeth.gov.uk/key_guarantees

What updates and improvements have been made to the Key Guarantees?

- Key Guarantee (no. 5) from the commitments adopted in July 2015 has been amended from *Shared Equity to Shared Ownership*. This does not change the financial nature of the offer to resident homeowners, but does represent a different form of legal ownership structure. The Shared Ownership lease structure is more common and better known than Shared Equity lease structures; mortgage providers are more familiar with Shared Ownership leases.
- Key Guarantee (no. 6) from the commitments adopted in July 2015 has been amended such that the council will charge rent of up to 2.75% per annum (as opposed to fixed at 2.75% per annum) of the value of the share owned by the council.
- Confirmation is provided that valuations of properties will be based on the assumption that the fabric and structure of the property is in good condition.
- The Key Guarantees now confirm that residents moving twice will qualify for disturbance payments for both moves, but will only receive one home loss payment (paid on the first move).
- Confirmation that valuations will take account of whether a home is owned freehold or leasehold.
- A commitment is now included that the home loss payment will be automatically updated according to Government guidelines.
- Confirmation is provided that residents will have the opportunity to be involved in the design of the new homes.
- Confirmation is provided that adaptations work for households with disabilities will be carried out, wherever possible, prior to moving into a new home.
- There is a commitment to assessing the suitability of alternative homes prior to offers being made to vulnerable residents.
- There is a commitment that Independent Advisers will be retained by the council and available for residents throughout the life of each regeneration project.
- The Key Guarantees have been restructured to make them easier to understand.

For items in italics, see Further Relevant Information at back

The improved Key Guarantees for homeowners

These Key Guarantees are made to all homeowners who will either have to move home or sell their property as a consequence of the rebuilding of an estate.

These Key Guarantees apply to both freeholders and leaseholders.

Guarantee 1

If you, as a resident homeowner, wish to continue to live on your new estate, you will be given the opportunity to do so. You will be offered a range of options depending on your personal financial circumstances. If none of these options are adequate to enable you to continue living on your estate, the council will explore alternatives with you. (This Guarantee does not apply to non-resident homeowners.)

You have the following options.

- A** Leasehold – buying a new home outright.
- B** Zero Rent Shared Ownership - buying a shared ownership new home – where your existing mortgage can continue or a new mortgage can be obtained.
- C** With Rent Shared Ownership - buying a shared ownership new home – where your existing mortgage cannot continue nor can a sufficient new mortgage be obtained.
- D** Alternatives - where home ownership is no longer a feasible option the council will explore other options with you, including a rented home on the rebuilt estate.

A Leasehold – buying a new home outright.

You would be able to swap the value of your existing home together with your home loss payment into a newly built home and then make an additional lump sum payment so that you can own the new home outright (100%).

Criteria:

- You would have to put the full value of your existing property together with your home loss payment into the new property.
- You would have to make up the difference to the value of the new property with a lump sum contribution.
- You would have to renew or port or take up a new mortgage of the minimum of the same size as your current remaining mortgage.
- You would be offered a 125 year lease on the new property.
- You would be required to notify the council if you put your home on the market for an intended sale, assignment, sublet or underlet.
- You would not be allowed to let your home without the council's permission, not to be unreasonably refused.
- If you wish to downsize to a smaller home and the value of your existing home plus home loss payment turns out to be of higher value than your new home, then the council will pay you the difference in value.

Buying a new home outright



B Zero Rent Shared Ownership. Buying a shared ownership new home – where your existing mortgage can continue or a new mortgage can be obtained

You would be able to swap the value of your existing home, together with your home loss payment, into a newly built home with the same number of bedrooms or less. You would obtain an equivalent value share of the new home and be able to live in it without making any additional lump sum payment. The remaining share of the property would be retained by the council; you would not have to pay any rent for the share owned by the council.

Criteria:

- You would have to put the full value of your existing property together with your home loss payment into the new property.
- You would have a shared ownership lease with zero rent.
- You would have to renew or port or take up a new mortgage of the same size as your current remaining mortgage.
- You would have to pay 100% of future service charges.
- We would expect that the share of the property that you retain would probably be more than 60%.
- You would be offered a 125 year lease on the new property.
- You would have the ability to “staircase” – to buy additional percentage shares of your new home up to 100%.
- You would be required to notify the council if you put your home on the market for an intended sale, assignment, sublet or underlet.
- You would be permitted to transfer your leasehold interest to a spouse, civil partner or family member nominated by you and who has been living with you for more than a year.
- You would not be allowed to let your home without the council’s permission, not to be unreasonably refused.

Buying a shared ownership new home where a existing mortgage can continue or a new mortgage be obtained





With Rent Shared Ownership. Buying a shared ownership new home – where your existing mortgage cannot continue nor can a sufficient new mortgage be obtained

You would be able to swap the value of your existing home (minus your current remaining mortgage) together with your home loss payment, into a newly built home with the same number of bedrooms or less. You would obtain an equivalent value share of the new home and be able to live in it without making any additional lump sum payment. The remaining share of the property would be retained by the council; you would have to pay rent for the share owned by the council to cover the cost to the council of acting as a lender of last resort.

Criteria:

- You would have to put the full value of your existing property minus your current remaining mortgage together with your home loss payment into the new property.
- You would have a shared ownership lease.
- You would have to pay a rent for the share retained by the council, where that rent would be determined on the basis of the cost to the council for repaying your current existing mortgage and acting as lender of last resort; the rent would be up to 2.75% per annum of the value of the share of the property owned by the council; this would be calculated on the basis of the interest only cost to the council.
- We would expect that the share of the property that you retain would probably be more than 25%.
- You would be offered a 125 year lease on the new property.
- You would have the ability to “staircase” – to buy additional percentage shares of your new home up to 100%.
- You would be required to notify the council if you put your home on the market for an intended sale, assignment, sublet or underlet.
- You would be permitted to transfer your leasehold interest to a spouse, civil partner or family member nominated by you and who has been living with you for more than a year.
- You would not be allowed to let your home without the council’s permission, not to be unreasonably refused
- You would have to pay 100% of future service charges.

Process:

- You would need to notify the Housing Regeneration team that you are unlikely to be able to obtain a new mortgage.
- You would be put in touch with an independent financial adviser, who specialises in the affordable housing market, who would explore your options to identify whether there are any other mortgage providers who may be able to assist.
- If no mortgages are available, then the Council could step in and pay off your existing mortgage. The Council would advise you what rent would be chargeable that would cover the cost to the Council of acting as a lender of last resort. The Council would need to be confident that you would be able to pay this rent.

Buying a shared ownership new home – where existing mortgage cannot continue nor sufficient new mortgage be obtained



D Alternatives – where home ownership is no longer a feasible option the council will explore other options with you, including a rented home on the rebuilt estate.

Where none of the other options (A to C) are feasible, then the council will explore with you the best option available to enable you to move into a new built home on your estate. The following process will be applied:

Process:

- You would need to notify the Housing Regeneration team that you are unlikely to be able to obtain a new mortgage.
- You would be put in touch with an independent financial adviser, who specialises in the affordable housing market, who would explore your options to identify whether there are any other mortgage providers who may be able to assist.
- If no mortgages are available and you are unable to pay the rent proposed by the Council, then the Council will work with you to identify what choices you could afford with a view to enabling you to remain living on your estate; this could include renting a new home.

Where home ownership is no longer a feasible option the council will explore other options with you



Guarantee 2

If you, as a homeowner, do not wish to live in a home on the newly built estate, you will have to sell your home at the market value to the council after an independent valuation and make your own new housing arrangements. (This Guarantee is the only option available to non-resident homeowners.)

- You will be able to choose your own professional valuer to agree a market valuation with the council's appointed valuer.
- The purchase of the property will be at market value with home loss compensation.
- You will be compensated to cover reasonable conveyancing costs, agreed in advance with the council.

Guarantee 3

The valuation of your property will be independent and based on market values and you will be compensated for having to move home.

Valuation process:

- The valuation will be carried out by a RICS professional valuer.
- All valuations on behalf of the council will be done as if no regeneration is taking place so that the value is not made lower or higher by the regeneration proposals.
- The valuation will be based on historic and current sales and purchases in the surrounding area.
- The valuation will take account of whether the property is leasehold or freehold.
- Valuations will be done on the premise that the structure and fabric of the property is in a good condition.
- You will be able to get your own independent professional valuation advice and the council will pay the reasonable cost of this.
- As with any normal property transaction, you will also be able to employ your own solicitor for the transaction and these reasonable costs will also be paid.

For more information about indicative property values, see Further Relevant Information at the back of this booklet.

Compensation:

There are two types of compensation: home loss / basic loss and disturbance. These are explained in more detail at the end of this booklet. For resident homeowners who choose to stay on their current estate, where you opt or are required to move twice, then you will receive disturbance payments for both moves; you will only receive one home loss payment, paid on the first move.

Guarantee 4

The council will provide you with help to enable your move, with additional support offered to you if you have special needs or a disability.

Subject to individual circumstances this additional support will include:

- assistance will be given with the property transaction and moving home if required, including for example how to find alternative properties, dealing with estate agents, etc.;
- the council will provide reasonable advice, information and support to homeowners seeking rehousing within the UK;
- additional support will be offered to residents with special needs or disabilities during the move, including packing and unpacking services at the time of the move and liaising with other agencies such as social services; and
- special support will be provided to those deemed to be vulnerable persons.

Guarantee 5

The council will provide you with advice and information to help you make informed decisions about your future housing.

This will include:

- an Independent Adviser will be available through the life of the regeneration project;
- maintaining communication with you throughout the life of the regeneration project on matters such as the regeneration process and how it will affect you;
- information on indicative values for existing properties and new build properties;
- a market valuation and advice on where to find independent valuation advice; and
- contact details will be provided for specialist financial advisers who have experience in the affordable housing mortgage market.

Guarantee 6

If you choose to stay on your current estate, you will be able to get involved in the design of the new homes and the estate as a whole and influence decisions around the phasing of building new homes and the construction works.

The council will:

- give you the opportunity to get involved in the design process and make it clear to you the way in which you can and cannot influence the design of the new homes and the estate;
- provide choices to you on fixtures and fittings to be included in your new home; and
- involve you in considering how to minimise disruption.

Guarantee 7

If you choose to stay living on your estate and if you require adaptations due to a disability or that of a family member, you will be able to have these adaptations made to your new home.

- Where possible, the council will ensure that any aids and adaptations that you may require will be carried out before you move into your new home. Any necessary adaptations will be carried out in consultation with you and relevant professionals.
- The costs of such adaptations would be deducted from your home loss payments.

Definition of resident

Are you are “resident” or “non-resident”?

You are understood by the council to be a resident if, at the point in time when you wish to or have to move home,

- you have already been living in your home on your estate for more than a year and can prove that your home on your estate is your primary place of residence; and
- you are living in your home on your estate as your primary place of residence at the time that the council either makes a compulsory purchase order for your estate or submits a planning application for a masterplan for your estate (whichever is earlier) and you remain living on the estate until you have to move home.

Local lettings policies will be developed in collaboration with residents on each estate. These policies will define the criteria by which new homes will be allocated and made available to different categories of residents on the estate. Current non-resident homeowners need to be aware that it is probable that length of residency on the estate is likely to be a criterion that will inform the prioritisation process for allocation of new homes.

Compensating you for moving

As the council is seeking to acquire your home through negotiation in the shadow of a compulsory acquisition, you are entitled to compensation over-and-above the market value of your property.

The level of compensation varies according to whether you are a resident homeowner or a non-resident homeowner – see definition above.

Resident Homeowners will qualify for: market value of property, home loss, legal and surveyors fees, disturbance payments and an option to remain living on your estate (as set out earlier in this booklet).

Non resident Homeowners will qualify for: market value of property, basic loss, legal and surveyors fees and limited disturbance.

Where, at the time of the purchase or value swap, you are still within the Right To Buy 5-year discount period, you will not have to pay back the discount.

Home loss payment for Resident Homeowners

A home loss payment is additional compensation that you are entitled to if you are moving because your home will be demolished in a regeneration scheme. This payment is in addition to the payment of the value for your

home. To claim home loss, you must have lived in your property as your only or main home for at least one year. The amount of home loss payment is 10% of the market value of your home, with a maximum payment of £58,000 (as at October 2016). Central Government tends to revise this sum annually and the council will match any future amendments.

Basic loss payment for Non-resident Homeowners

Non-resident homeowners are entitled to 7.5% of the market value up to a maximum payment of £75,000. You must have owned the property for at least a year. If you have owned your property for less than a year, you are only entitled to the minimum payment of £5,800 (as at October 2016). Central Government tends to revise these sums annually and the council will match any future amendments.

The home loss / basic loss payment is paid at the same time as the payment for the purchase of your property or, as set out in the Key Guarantees, in the case of a value swap would be used to increase the percentage share that you would own in a new built home.

Disturbance payments

Disturbance payments are further payment that resident homeowners are entitled to, which compensate you for money you have paid out because of your move. For all compensation claims, evidence and explanation must be provided for the proposed claim.

Examples of items which can be claimed are:

- removal expenses;
- legal fees arising from the acquisition of a replacement property within one year;
- stamp duty land tax arising from the acquisition of a replacement property within one year;
- surveyors fees arising from the acquisition of a replacement property within one year;
- survey fees and costs associated with the transfer of an existing mortgage or raising a new one within one year;
- altering soft furnishings and moveable fittings and fixtures to fit your new purchased home within one year;
- disconnection and reconnection of services telephone, electricity, etc, for your new purchased home within one year;
- forwarding of post (for a three month period);
- incidental costs of acquiring a replacement property within one year;
- where you renew a mortgage of the same size as your existing remaining mortgage in order to take up the value swap offer (Option B) and the cost of the new mortgage is higher, then you will be compensated for the cost difference for the first 12 months: and
- where you take up the value swap offer (Option C), then such compensation would automatically be reflected in your rent for the first year.

For the most part the right to disturbance compensation is restricted to occupiers. There is, however, a limited right for investment owners to recover their incidental charges or expenses incurred in acquiring, within a period of one year, a replacement investment property in the United Kingdom.

Further Relevant Information

Shared Equity compared to Shared Ownership

Shared equity and shared ownership represent different legal structures of property ownership. Under shared equity, a resident homeowner would have legally owned 100% of the property and the council would have a charge on the property (equivalent to a mortgage charge) of a certain percentage. Under shared ownership, a resident homeowner would legally own a percentage of the property below 100% and the council would own the remaining percentage; the council is able to charge a rent of between 0% and 2.75% per annum of the value of the share owned by the council.

The switch to offering only Shared Ownership (zero rent and with rent) options to homeowners has arisen because of the EU Mortgage Credit Directive (March 2016), which re-defined shared equity as a financial product.

What share of the value of a new home could you expect to acquire?

The council has made available to homeowners estimates of the values of existing properties (as if no regeneration is taking place) and of new built properties. This provides an indication of the potential share of the value of a new home that a resident homeowner would be able to obtain if they put the full value of their existing property plus home loss payment into a new home. This information can be accessed at:

<http://estateregeneration.lambeth.gov.uk/homeownership>

What is Homes for Lambeth?

Homes for Lambeth will be a new group of companies set up by the council and wholly owned by the council. These companies will bring in money from pension funds and other sources which the council can't itself use. They will use this money to build more and better homes in Lambeth to meet the growing demands for homes in the Borough.

Homes for Lambeth will allow the Council to build homes at council rent levels, intermediate rent and market rent, all with options for long tenancies and rent level stability. Homes for Lambeth will also be able to build market sale properties to subsidise the delivery of more affordable homes

Council-rent level properties will be let with lifetime tenancies matching, as closely as possible, existing council tenancies with rents set in the same way as for existing council properties, at about a third of market rent through

Homes for Lambeth's own Housing Association. The lifetime tenancies will not include the Right to Buy.

With the council acting as a commercial developer through Homes for Lambeth we can use the 15-20% development surplus that private developers normally make and reinvest this into our communities and build more homes for local people, putting local people before private profit.

You can find out more about Homes for Lambeth at: <http://estateregeneration.lambeth.gov.uk/hfl>

How can I have my say on the Key Guarantees?

This consultation runs until 12pm on the 21st November.

You can give your feedback by:

- Going to http://estateregeneration.lambeth.gov.uk/kg_consultation and completing the online form.
- Completing the enclosed form and send it back free of charge to:

FREEPOST RTLA-GHRX-SSXA
77a Tradescant Court
London, SW8 1XJ

After this initial consultation, the council will respond with an updated set of Key Guarantees. These will be sent out to everyone and there will be a final opportunity for comments before the Key Guarantees are finalised and approved by the council Cabinet.

Name:

Phone number:.....

Address:.....

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Email address:

Comments:

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