

## Overview and Scrutiny Committee

**Date:** 9 May 2016

### **Investing in Better Neighbourhoods and Building the Homes we Need to House the People of Lambeth - Cressingham Gardens Estate: Response to call in**

**Wards:** Tulse Hill

**Report Authorised by:** Sue Foster - Strategic Director, Neighbourhoods and Growth

**Portfolio:** Councillor Mathew Bennett - Cabinet Member for Housing

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### **Report summary**

On 21 March 2016 Cabinet approved proposals set out in the report 'Investing in better neighbourhoods and building the homes we need to house the people of Lambeth – Cressingham Gardens Estate'. The report sought approval for the redevelopment of the entire Cressingham Gardens estate. Recommendations 1 – 4 as set out in the Cabinet report were agreed.

Lambeth Council has been consulting since autumn 2012 about the future of the Cressingham Gardens estate. A previous decision to redevelop the entire estate was taken by Cabinet in March 2015. A Cressingham Gardens resident took the Council to court over its decision to demolish existing homes and reprovide them with new ones. The Judge, Mrs Elisabeth Laing, found that the Council's decision to stop consulting on refurbishment options in March 2015 was unlawful. In taking this more recent decision, the Council addressed the issues highlighted by Mrs Justice Laing and has given residents the opportunity to express their views on options for the future of the Cressingham Gardens estate. The council also sought external legal advice during the resumed consultation in 2016 to ensure compliance with the process issues highlighted by the High Court.

This decision by Cabinet will provide residents living on Cressingham Gardens with greater certainty as to the future of their estate. The Council believes there is a significant proportion of residents living on the estate who want a decision to be taken so that they can plan what is best for them and their families.

The decision to redevelop Cressingham Gardens highlights the Council's desire to ensure that every resident in Lambeth has the opportunity to live in a good quality and affordable home. The challenge we have here in Lambeth is considerable but we are determined to do something about it. We currently have 22,000 people on our waiting list for a council home, the number of homeless families in temporary accommodation has risen sharply to over 1,800, the vast majority of which are families with children; and 1,300 families are living in severely overcrowded homes.

We know that there are not enough homes to meet the needs of people in Lambeth, particularly ones that families can afford. We are not going to watch as the housing crisis becomes worse. That is why we are investing in our neighbourhoods and building new homes. This will improve the quality of housing for our existing residents and offer the chance of a home to the thousands of local families who desperately need a place to call home.

On 4 April 2016 a call-in of that decision was received from Cllr Scott Ainslie. Councillor Ainslie's reasons for calling in the decision are detailed in the call-in report and referenced in this report.

Officers have reviewed the points raised by Councillor Ainslie and believe that the recommendation made by officers and consequent decision by the Cabinet remain appropriate.

### **Finance summary**

The financial implications of the original decision are set out in the Cabinet report.

### **Recommendations**

That, having considered the call-in by Councillor Ainslie, the committee agrees one of the following options:

EITHER:

1. To resolve not to refer the decision back to Cabinet;

OR:

2. To resolve not to refer the decision back to Cabinet but nevertheless to make such recommendations to Cabinet as it sees fit;

OR:

3. To resolve to refer the decision to Cabinet for reconsideration with a written explanation setting out the nature of the committee's concerns.

OR:

4. To resolve to refer the matter to Full Council if it is felt the decision is contrary to the council's Budget and Policy Framework.

### **Context**

1.1 In accordance with the constitutional provisions relating to call-in (Part 3 – Procedure Rules – Section 6 – para 27) this report presents a call-in relating to a Cabinet decision for the redevelopment of Cressingham Gardens estate.

1.2 On 21 March 2016 Cabinet approved the recommendations of the report 'Investing in better neighbourhoods and building the homes we need to house the people of Lambeth – Cressingham Gardens Estate'. The report sought approval for the redevelopment of the

entire Cressingham Gardens estate. The full decision as agreed at the meeting on 21 March 2016 is set out below.

**RESOLVED:**

- 1) To authorise the redevelopment of the entire Cressingham Gardens estate, in accordance with the approach set out in Section 2 of this report and to procure a development management team to progress the redevelopment of the estate.
  - 2) To implement the Key Guarantees as included in Appendix K (pending any improvement to the Key Guarantees through further consultation with residents) and to negotiate purchase of leaseholder properties under the shadow of a compulsory purchase order (CPO), as set out in paragraphs 2.6 and 2.7.
  - 3) To authorise inclusion of additional land holdings within the masterplan for Cressingham Gardens estate, where such land lies on the boundary of the Estate, and where such inclusions can be shown through the masterplanning process to improve the place-making outcomes and/or deliver a net increase in the number of homes (see paragraph 2.6).
  - 4) To require officers and the procured development management team to work closely with residents in the procurement and formulation of the masterplan, including a phasing strategy and a local lettings policy for the Estate.
- 1.3 Lambeth, like all London boroughs, is facing a major housing crisis. Over 22,000 people are on our waiting list for a council home; the number of homeless families in temporary accommodation has risen sharply to over 1,800, the vast majority of which are families with children; and 1,300 families are living in severely overcrowded homes. Families living in the private rented sector have little security, with short tenancies. The Council also has several council estates built to a low density where many tenants are living in dilapidated conditions that the Council can't afford to refurbish with many more living in overcrowded homes. That's why Lambeth is pursuing a major estate rebuilding programme which Cressingham Gardens is part of.
- 1.4 Every year between 3,000 and 4,000 people apply to be on the Council's housing waiting list. This equates to 60 to 80 households per week.
- 1.5 Across the borough 40% of new homes are classed as 'Affordable' against a London average of just 27%. Planning policy requires 40% of homes built on new developments without grant to be affordable; although it is unusual for this to be met on private developments, there are a number of housing association schemes with 100% affordable housing which brings up the overall percentage. Neighbouring Wandsworth has achieved just 26% and directly across the river from the Southbank only 13% of new homes in Westminster are affordable.
- 1.6 However, the number of new social rented units being built in the borough has fallen dramatically due to cuts in the grant for building new social homes. In 2010-11, 700 new social homes were built in Lambeth in one year; by 2013-14 this had fallen to 120; the

forecast for 2015-16 from housing associations is that just 40 homes for social rent will be built.

- 1.7 Faced with 20 times as many people on our housing waiting list as we have homes available each year, and with 1,800 homeless families in temporary accommodation, the Council has a moral and political imperative to build homes ourselves.
- 1.8 This means not only using brownfield sites like Somerleyton Road and small sites like Akerman Road, but significant rebuilding of low density estates, originally built to respond to the needs of the city in the 1960s and 1970s when our population was low and falling, to a higher density – rehousing all existing residents and providing the hope and security of a home of their own to thousands of Lambeth families who are currently homeless, overcrowded or stuck in insecure private rented homes.
- 1.9 Between 20 January 2016 and 4 March 2016 Lambeth Council sought feedback from Cressingham Garden residents on five options for the regeneration of their estate. The Council has been talking to residents about the future of their estate since autumn of 2012.
- 1.10 As a part of this consultation the Council:
- Held three separate exhibition
  - Two workshops on the 'Green Retrofitting', including discussing the 'People's Plan'
  - Two workshops on the financial viability of each of the options
  - A workshop with tenants considering the impact on them
  - A comprehensive programme of letters, newsletters and updates to residents
  - A hub website which provided information about options for regeneration and upcoming events
  - Door knocking to help raise awareness of the consultation
  - A rolling question and answer document
- 1.11 Following this consultation, in March the Council Cabinet endorsed the recommendation to rebuild the whole estate. No one underestimates the potential distress that regenerating an estate could cause for residents, but the Council has to take tough decisions to deal with the housing crisis.
- 1.12 This call-in, which does not bring forward any new substantive issues that were not discussed by cabinet in March, at which Cllr Ainslie did not request to make a representation, is unfortunately delaying the Council working with residents to appoint a development management team for the estate and implementing the Key Guarantees.
- 1.13 On 4 April 2016 a call-in of that decision was received from Cllr Scott Ainslie.

## **2. Proposal and Reasons**

2.1 The reason for the call-in is set out in a series of questions detailed below in bold and italics. Answers are provided to each question below.

**2.2 *Q1. Will Lambeth officers provide their analysis on the People's Plan and allow the respective experts to discuss it?***

- 2.3 To inform the Cabinet Decision, the Council ran a full consultation process and gave plenty of opportunity to discuss the future of the Cressingham Gardens with residents. The consultation timeline was made clear to residents at the outset, together with the proposal to report to Cabinet in March 2016. On the last day of the consultation process, The People's Plan was submitted to the Council.
- 2.4 Despite the submission of the People's Plan on the last day of the consultation, the viability of the People's Plan has been analysed in the same way as the other regeneration options considered within the Cabinet report; having received earlier information about the key components of the People's Plan (see response in paragraphs 2.8 to 2.10), some background work had already been done to identify costs and risks associated with, for example, placing new homes in the undercroft car parking. The report to Cabinet in March 2016 contained within the appendices detailed technical and financial analysis of the People's Plan; namely:
- Appendix B – Cressingham Gardens – Options Analysis
  - Appendix E – Part 1 – People's Plan Refurbishment Appraisal
  - Appendix E – Part 2 – People's Plan Development Appraisal
- 2.5 Appendix B sets out in detail the Council's assessment of the People's Plan from section 1.23 of the report onwards. This includes reference to the financial assumptions underpinning the assessment and a narrative as to why the Council did not agree with some of the financial assumptions used within the People's Plan. Appendices E Part 1 and Part 2 contain development appraisals for both refurbishment and new build elements of the People's Plan using the same methodology as the appraisals for the other 5 options. These documents form the basis of the Council's assessment of the People's Plan.
- 2.6 In terms of allowing respective experts to discuss the People's Plan, the Council set out a clear timetable for the consultation process on Cressingham Gardens, running from the 20 January 2016 to the 4 March 2016. The Council asked for all feedback which required a response to be submitted by the 19 February 2016. The residents involved in the People's Plan chose to submit the final version of the plan on the final day of the consultation, the 4 March, thereby not allowing any time within the formal consultation period for these discussions to take place. The Council honoured the process by analysing the People's Plan as it had agreed to.

**2.7 Q2. Can a response be given to each of the following points?**

**A.1 Only one day to consider TPP**

***The audit trail of the cabinet report states that cabinet report was sent to Cllr Matthew Bennett and Sue Foster for review on Monday 7th March 2016. A full paper copy of TPP was first provided to the council shortly after 5pm on Friday 4th March 2016. Consequently, it appears that Lambeth officers spent less than 1 working day reviewing TPP, a 326 page document, before rejecting it. No clarifying questions were asked of residents after its submission. 250 pages of appendices and a cover letter from TPP were excluded from the cabinet report. These included detailed financial cash flows and the final Judicial Review judgment. (The full 17mb report can be downloaded from: [www.cressinghampeoplesplan.org.uk](http://www.cressinghampeoplesplan.org.uk) )***

2.8 Set out below is a chronology of the information received by the Council on the People's Plan:

- From January 2016 posters were displayed in the Rotunda setting out the key components and principles of the People's Plan;
- At the Green Retrofit Workshop on 26 January 2016, key elements of the People's Plan were presented to Council officers and discussed;
- On 19 February 2016 an Executive Summary of the People's Plan was submitted to the Council; and

The combination of these pieces of information provided sufficient detail for the Council to begin analysing the fundamental principles behind the People's Plan, namely:

- Green refurbishment using Enerphit and Energiesprong
- Insertion of new homes into undercroft Car Parking areas – technical and financial considerations
- Availability of Green Funding
- New build housing on the site of Crosby Walk

2.9 When the Council received the full People's Plan report on the 4 March 2016, it responded quickly including refining the financial analysis over the weekend. No clarifying questions were asked as the residents involved in the People's Plan chose to submit the plan on the final day of the consultation, thereby not allowing any time within the formal consultation period for any further discussions to take place. The Council is not responsible for the decision to submit the full People's Plan on the last day of the consultation.

2.10 The Council chose not to include all the appendices of The People's Plan in the Cabinet Report because of their length. The People's Plan main report contained the essential points, giving Cabinet Members the opportunity to ask for the appendices, if they wished to reference them.

#### 2.11 **A.2 Alternative funding options not evaluated**

***Five funding structures were presented in TPP section 7. These include Right To Manage and Right to Transfer options which a majority of tenants legally voted to support (20th March 2016). Legal notice was duly served on the Council. These funding structures provide credible options for financing TPP. Lambeth has a responsibility to look at the feasibility thoroughly, and in detail, before dismissing the options out of hand.***

***The cabinet report indicates that the only objections to community ownership is that (1) they don't think residents could raise the finance and (2) that it would take time for the legal formalities hence delaying refurbishment (App B, para 1.30). For reasons of confidentiality, residents offered, via page 2 of TPP, to engage a third party to confirm evidenced interest from potential funding organisations, but this offer was not taken up. Furthermore Lambeth officers are now assuming in their own models that any refurbishment would be carried out over 10 years, so the latter objection also lacks validity.***

- 2.12 It is necessary to correct an inaccuracy above. Some residents on the Cressingham Gardens estate have constituted a body called the Cressingham Gardens Resident Management Cooperative. According to the details of this body, reported to the Council, there are 184 secure tenant households on the Cressingham Gardens estate, of which 67 have become members of the above mentioned body. 23 secure tenants attended a meeting of this body on 20 March 2016. Of these, 18 voted to support a bid for Right to Manage. It is unclear how many of the 23 voted for a Right to Transfer.
- 2.13 Whilst it is indeed correct to say that a majority of the secure tenants attending the above meeting voted in favour of applications for Right to Manage and Right to Transfer, it is somewhat misleading to assert that this was a majority of the secure tenants on the estate. In actual fact, it is less than 10% that voted in favour of a Right to Manage.
- 2.14 With reference to alternative funding structures, these have been looked at and the analysis is contained within the report to Cabinet in March 2016 (paragraph 1.30).
- 2.15 The opponents of rebuilding of Cressingham Gardens repeatedly cite the Housing Revenue Account as a potential source of funding for the People's Plan. This is despite the Council clearly and consistently communicating to residents that this is not the case. The Cabinet report explains at length the limits to spending available from the Housing Revenue Account. If the Housing Revenue Account was to fund the People's Plan, then that funding would not be available to undertake refurbishment works elsewhere in the borough. On Cressingham Gardens there is a viable alternative to the People's Plan and to refurbishment which would see all existing homes rebuilt and more, new additional homes provided. It should be noted that the Right To Manage / Right To Transfer options do not in themselves provide any funding.
- 2.16 The residents involved in the People's Plan chose to submit the final version of the plan on the final day of the consultation, the 4 March 2016, thereby not allowing any time within the formal consultation period for these discussions to take place. The Council has to follow the legal process set out at the start of the consultation, without deviation, as established by the High Court. To deviate from this process would open the door to a judicial review and create unnecessary uncertainty for residents.
- 2.17 In the financial models for refurbishment, the Council made an assumption that the refurbishment process would be spread over a period of time, rather than take place instantaneously. If such refurbishment took place over a shorter period, then the outcome of these options which contain refurbishment would be even worse than currently shown.
- 2.18 **A.3 Misrepresentation of car park conversion**

***The conversion of car parks into new housing has been very successful in Islington and residents worked with professional Architects and a Quantity Surveyor to devise realistic plans and costs. Given past experience of Lambeth officers making erroneous claims and representations - apparently their claims regarding ceiling heights in Cressingham Gardens's undercroft parking, and the attribution of a £200,000 unit build cost for the proposed new homes in the car park spaces are recent additions to the canon - their work does not have the confidence of residents unless and until reports and/or data substantiating their claims are issued.***

2.19 The ability to incorporate infill homes into undercroft car parking is particular to each building type and estate; that it could take place in Islington represents an example of such solution, but not an automatic precedence.

2.20 The Council commissioned technical experts to review the potential for placing homes in the undercroft car parking at Cressingham Gardens. This raised a number of issues and difficulties, which were ignored within the People's Plan; these are summarised in Appendix B of the Cabinet Report.

**2.21 A.4 Incorrect financial details from TPP included in the cabinet report**

***The cabinet report states that TPP assumes "...80% of the combined rental income and service charge could be used to fund refurbishment" [App B, page 12, para 1.29]. This is incorrect. TPP clearly shows 45% (20% management costs plus repairs & maintenance based on historical data provided by Lambeth). Debt payments have not been included in TPP operating cash flow model, as these are finance costs. It was previously agreed in October 2014 with Neil Vokes, via the Finance subgroup (which included an independent public sector finance expert), that these costs ought not be included in ANY NPV calculation.***

***Call In Request Footnote: <sup>1</sup> Section 6.1, page 41 of TPP clearly states "Management costs of 20% of total income (council rents + service charges." The % for ongoing repairs & maintenance can be calculated from the 30 year cash flow models provided in the TPP appendices. Extra major works (5 yr, 10yr and 30 yr cyclical) were included in addition to the ongoing repairs & maintenance.***

2.22 It is unclear what the point of dispute is. The footnote, which was provided in the Call In request, seems to confirm what has been stated in the Cabinet Report. However, if, as suggested, the People's Plan uses a 45% of rent figure, then this is still significantly higher than the 33% of rent that has been demonstrated as the actual figure by the Council.

2.23 The full text of the reference in Appendix B is:

"The main difference between the "People's Plan" and the Council's assumptions are that the "People's Plan" assumes that 80% of the combined rental income and service charge could be used to fund refurbishment. In contrast to this, the Council has assumed that only about 33% of the tenants' rental income would be available. Evidence has been provided to residents to show how the Council's assumption has been reached, based on Lambeth's housing management: a presentation was given to the Tenant's Council in November 2015, which showed that, for every pound of rent collected into the HRA, some 66% covers items such as provision of services, repairs, management overheads and debt repayment. This difference in net income is the reason why the "People's Plan" appraisals show positive NPVs, whereas the Council's appraisals of refurbishment show negative NPVs."

**2.24 B. Missing HRA Assessment**

***Lambeth officers make the blanket claim that there is now a funding shortfall of circa £85m due to cost-overruns to deliver the gold-standard Lambeth Housing Standard (LHS) (ie Decent Homes standard plus extras). However, nowhere in the cabinet report is any actual assessment or analysis provided as to the condition of***

***the HRA business plan. As all are aware, the amount of HRA debt peaks and then gets paid off over time and hence any funding “gap” is time-specific and time-dependent. Officers have provided no timeline as to the HRA debt headroom over time. This does not allow any serious assessment of what refurbishment could be afforded, and when.***

- 2.25 The assertion that the £85m represents a cost-overrun is incorrect and is addressed in paragraph 2.31.
- 2.26 The HRA is the ring-fenced rent account that funds the Council's activity as a landlord and the Council is required by law to avoid budgeting for a deficit on the HRA. This means that the budget must not be based on total HRA revenue reserves falling below zero. In practice the Council is expected to maintain a reasonable balance of reserves; a minimum of 5% of turnover is good practice and this provides a contingency against unforeseen events and known risks.
- 2.27 The self-financing arrangements led to the development of a 30-year business plan supporting the delivery of the HRA. This makes assumptions regarding the level of income available based on the expected levels of rent and the key risks facing housing service delivery within this timeframe.
- 2.28 There are a number of issues that have arisen out of announcements in the summer 2015 budget and further detailed in the Housing and Planning Bill 2015 that have to be taken into account when setting the budget. The final position on these proposals has not yet been arrived, but we have taken account of their potential impact when arriving at the 2016/17 budget position.
- 2.29 The key elements of the HRA budget setting were principally concerned with the decrease in the total income available to the HRA and the increased costs of financing any borrowing to deliver the capital programme.
- 2.30 As a result of the rent reduction and the impact of stock losses, the overall budget for the HRA will reduce in 2016/17 and continue to do so over the coming years. The rent reduction alone will result in a £28m shortfall in rental income over the four-year period (2016-20) compared with our planning assumptions prior to its announcement. The loss of income to the HRA will be further compounded once the full impact of measures in the Housing Bill, such as the enforced sales of High Value Voids and 'Pay to Stay' are finalised and understood.
- 2.31 When the capital programme was first agreed there was always a funding gap of £56m that needed to be bridged. This has subsequently increased to at least £85m as more work has been identified that is required as the scheme has progressed. The Council has carried out more work to more homes than originally planned and already brought more homes up to the decent homes standard in the past four years than planned over the full six years of the LHS programme. When this additional cost is combined with the reduced funding available to the HRA, it becomes apparent that the debt cap is no longer the constraining factor on the funding of the programme, but the affordability of the debt.
- 2.32 The above information regarding the state of the Housing Revenue Account was clearly and repeatedly communicated to residents during the consultation process.

**2.33 Q1. Where is the 30 year HRA business model? And where is the 30-year HRA debt headroom forecast?**

2.34 The latest approved business plan is available at the below link:

[http://www.lambeth.gov.uk/elections-and-council/finance-and-payments/financial-information-guide#housing-revenue-account-\(hra\)-business-plan](http://www.lambeth.gov.uk/elections-and-council/finance-and-payments/financial-information-guide#housing-revenue-account-(hra)-business-plan)

2.35 Information on the debt headroom over time is included in the business plan. As already stated, changes being introduced by government are creating an uncertain period for the HRA with income, and consequently borrowing capacity, reducing over the medium term.

2.36 The £85m gap in the estimated costs for delivery of the remainder of the LHS Capital programme was included in the budget report to Cabinet in February 2016 and is based on detailed surveys of the works required to complete the programme and therefore Cabinet members were very aware of the situation of the HRA in taking this decision.

**2.37 Q2. Where is the clear analysis of the proposed refurbishment costs of Cressingham Gardens (now being shown in Lambeth's detail data sheets as occurring over 10 years) against the HRA 30-year business plan?**

2.38 The appraisals for refurbishment of Cressingham Gardens are theoretical and based on the stock condition and investment report which estimated an upfront cost of £9.4m (corrected for inflation) for refurbishment. This was made clear to residents during the consultation process:

***“Could the Estate pay for its own refurbishment?”***

*At the request of some residents, the Council has carried out **theoretical** viability appraisals to understand whether the Cressingham Gardens estate could pay for its own refurbishment. These appraisals show that the income generated by the Cressingham Gardens estate cannot alone fund refurbishment of the estate.*

*Reference: Theoretical Refurbishment Appraisals*

*This provides evidence that, given the scale of refurbishment required, if the estate underwent Right to Transfer or Right to Manage, it remains highly questionable whether sufficient refurbishment could be funded. “*

2.39 These appraisals are theoretical because they would need to be funded through the HRA; refurbishment would be a net cost to the Council as it does not generate any additional income; consideration of the NPV for refurbishment is therefore irrelevant; rather the key consideration is whether there is funding available within the HRA to pay for refurbishment. It has been clearly repeated to residents that such funding is not available in the HRA.

2.40 Estimates of the cost of refurbishing the estate have been shared with residents since early 2015. The theoretical appraisals of refurbishment make some broad brush assumptions about timing of these refurbishment costs; these are assumed not to take place immediately but to be spread out over a period of time. The theoretical appraisals

suggest that, if NPV were relevant, the current net income from rents on the estate could not pay for the refurbishment; if the costs were assumed to take place in one go, immediately, then the NPV would be worse.

**2.41 Q3. In November 2014, Lambeth was awarded an additional £23m in Backlog funding. To which estates was this applied and how was it spent? Why did this not reduce the overall funding gap down to £32m? (ie original funding gap of £55m minus extra Backlog funding of £23m)**

2.42 The additional £23m was part of the Decent Homes Funding and this amount contributed towards funding the qualifying expenditure across the LHS Programme but not allocated to any specific estate. The original funding gap of £55m was based on sample surveys and assumptions on the works required and costing in 2012. As work has progressed, we have identified that more work is required across a larger number of properties and this has increased the overall costs of the LHS Programme.

**2.43 C. Unaffordability of Homes**

**Questions:**

**Q1. Why is Lambeth - a Labour council - supporting a redevelopment proposal that drives up housing costs across all tenures (council tenant, private tenant & homeowner), thereby worsening the housing crisis in Lambeth?**

2.44 The Council is seeking to deliver more and better homes for the community of Lambeth. The Council has an objective to deliver more homes for council rent, which would be affordable for those in housing need. A response to this question was provided during the consultation process through the Q&A documents that were issued to all residents on the estate. It stated:

**Q: "What will happen to cost of living on the estate if regeneration goes ahead?"**

*This will be dependent on a large number of factors. As the new homes would be built to higher modern insulation standards, energy bills should be lower than in existing homes. In addition, when designing the new buildings every effort would also be made to keep future maintenance needs to a minimum, which will reduce service charges. Leaseholders shouldn't expect 'Section 20' costs (for major works) for a number of year, given that they would be living in new properties.*

*Also all new homes will have water meters to comply with building regulations. This will also be accompanied by the installation of low usage taps, showers and toilets, which give residents greater control over their water bills. Residents may experience increases in Council Tax, if the new properties are of a higher value.*

*Council tenants will continue to have their rent set according to the same Government formula as they are at the moment. They will also be subject to the same increase as council tenants elsewhere in Lambeth. As this formula takes account of the value of the homes based on quality and location, the level of*

*rents of the properties on Cressingham are likely to be higher than for an equivalent home on the estate now.*

*However, a key action that arose from the Cressingham Gardens Equalities Impact Assessment<sup>1</sup> was the need to mitigate potential living cost increases associated with living in new homes on a regenerated estate. To address this the Council has agreed to phase increases in rent over a 5-year period. The Council has also had to plan for the Government's proposed 4% rent reduction over the next 4 years.*

*We expect that the increase in rents caused by the higher value of properties could range between 10% and 25% for different property sizes. With the commitment to take into consideration the 4% reduction, this would reduce to a range of 6% to 21% against current rents; it would be around 15% for a 2 bedroom house over 5 years – this would mean a 3% annual increase for 5 years from point of first moving into the new home. After the initial 5 years, any rent increases would be the same as those for all other council homes across Lambeth. Should the regeneration go ahead, we will make sure tenants know what rents to expect as soon as we are able to provide firm figures.*

*In summary, taking into account increased and decreased costs, the Council would expect that residents would experience a marginal change in the cost of living in and running their homes.*

- 2.45 Given the regulatory environment, within which the Council operates, the rents for new council homes would have to be higher than those for existing council homes. The rents would, however, still be council rents. In addition to this, the new homes would be much better quality than existing homes.
- 2.46 Whilst rents for existing tenants would increase, as well as Council Tax, it is predicted that other costs would decrease, including energy bills. Before any design work has been carried out, it is not possible to estimate accurately what the change would be; however the Council believes that taking into account those cost of living elements that would go up and those that would go down, these would average out to provide a small change which may be upwards or downwards.
- 2.47 Q2. Have the council officers considered other forms of increasing housing? Including: redevelopment of garages, infill, conversion of attics into maisonettes (as is done in Berlin), building above retail car parks. If yes, can the officers provide that analysis for review.**
- 2.48 The Council is looking at all opportunities to deliver more and better homes.
- 2.49 The Council's small sites programme saw the handover of 9 new homes at Council rent at St Oswalds in April 2016 and will see 9 new homes at Council rent completed on Akerman Road in September 2016 and 70 new homes at Council rent completed on

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<sup>1</sup> **Equalities Impact Assessment (EqIA):** This is a process designed to ensure that a policy, project or scheme does not discriminate against any disadvantaged or vulnerable people.

Lollard Street in April 2018. A second phase of the programme is in development but will see more new homes at Council rent built.

2.50 In addition to the small sites programme the Council has secured planning permission for 300 new rented homes at Somerleyton Road and 197 new homes as part of Your New Town Hall.

2.51 The Council has also negotiated the delivery of 64 new homes at Council rent on the Westbury estate and 55 new homes at Council rent on the Fenwick estate as part of s106 agreements.

### **2.52 C1. Dramatic rises in tenants rents**

***Returning council tenants will be expected to pay 10-25% more in council rent over a five year period. A majority - 70% of residents – will be expected to pay 23% more in council rent. In addition, council tax is also predicted to go up through band changes. This will push many of the residents into further reliance on housing benefit or onto housing benefit for the first time. In a time of austerity how can this fair to existing tenants?***

2.53 The Council provided a response to this issue in the Q&A document issued to all residents on the estate during the consultation process:

*We expect that the increase in rents caused by the higher value of properties could range between 10% and 25% for different property sizes. With the commitment to take into consideration the 4% reduction, this would reduce to a range of 6% to 21% against current rents; it would be around 15% for a 2 bedroom house over 5 years – this would mean a 3% annual increase for 5 years from point of first moving into the new home. After the initial 5 years, any rent increases would be the same as those for all other council homes across Lambeth. Should the regeneration go ahead, we will make sure tenants know what rents to expect as soon as we are able to provide firm figures.*

2.54 Before any design work has been carried out, it is not possible to estimate accurately what the total change to the cost of living would be; however the Council estimates that taking into account those cost of living elements that would go up and those that would go down, these would average out.

2.55 In addition to this, the Council will involve residents in the design process. This will enable residents to steer the Council towards redevelopment objectives that seek to minimise future living costs on the estate.

### **2.56 C2. Discrimination against the vulnerable**

***Under demolition, all additional 1 and 2 bedroom social homes will have rent levels set at the “Local Area Housing Allowance”, which is around double the council rent levels. Yet rents for additional 3 and 4 bedroom homes appear to be at the new higher “council rent” levels. This appears to be discrimination against some of the most vulnerable in the community (e.g. single parent families, elderly, single people with medical conditions).***

2.57 All existing council tenants, whether they needed a 1 bedroom property or a 4 bedroom property would be offered a new home at council rent levels. Additional homes have been modelled using the council's Tenancy Strategy which it uses to guide Housing Association best practice by ensuring that family sized homes of three bedrooms or more are affordable to families who depend on benefits. The policy to which the above question relates was agreed at Cabinet in June 2012 and therefore it is reasonable for the modelling to assume that additional new homes should be treated in such a way.

2.58 The Council is seeking to deliver more and better homes for the community of Lambeth. The Council has an objective to deliver more homes for council rent, which would be affordable for those in housing need. Because of the benefit cap, if families are charged Local Area Housing Allowance rents, then they might be unable to afford any home to live in. Those living in 1 and 2 bedroom social homes are generally able to afford higher rents through housing benefit. By adopting this strategy, the Council is able to build more homes.

2.59 The ability to pay rent also has to be considered in the context of ability to claim benefit. 41% of tenants on Cressingham Gardens are on full housing benefit and a further 20% on partial housing benefit. A two bedroom flat at LHA rate is less than half the benefit cap over a twelve month period.

**2.60 C3. Proposed private rent levels are obscenely high**

***Private rental levels are being set by Lambeth at a level that is unaffordable on the average annual household income for the borough, which the council's own "State of the Borough" report for 2016 cites as being "...around £26k" (para 5.2):***

- ***£1.5k/mth for a 1-bed home (£18k pa).***
- ***£2.0k/mth for a 2-bed home (£24k pa).***
- ***£2.6k/mth for a 3-bed home (£31k pa).***
- ***£3.3k/mth for a 4-bed flat (£39k pa).***

2.61 The Council has sought valuation advice to estimate private market rents across the Borough. These are the expected rents that are paid in the open market for new (or relatively new) properties in Lambeth.

2.62 The Council could look to offer lower rents; but this would impact on the number of homes for council rent that could be provided. A choice has to be made.

2.63 By way of information, a table is provided below to compare the various proposed rents:

Bed Size	Market Rent	LHA Rent	% of market	Council Rent	% of market
0	N/A	£95.18	N/A	N/A	N/A
1	£354.21	£204.08	58%	£117.00	33%
2	£453.96	£265.29	58%	£135.00	30%

3	£605.62	£330.72	55%	£144.00	24%
4	£757.29	£417.02	55%	£158.00	21%
5	N/A	N/A	N/A	£166.00	N/A

2.64 Set out below are properties on Rightmove as of 21 April 2016:

1 Bed Flat, Scarlette Manor Way	£1,495 pcm excluding fees
2 Bed Flat, Claverdale Road	£1,599 pcm excluding fees
3 Bed semi-detached, Mackie Road	£2,925 pcm excluding fees

### Current asking rents in SW2

Average: **£1,782 pcm**

Property type	1 bed	2 beds	3 beds	4 beds	5 beds
Houses	<b>£1,174 pcm</b> (9)	<b>£1,764 pcm</b> (6)	<b>£2,539 pcm</b> (9)	<b>£2,946 pcm</b> (22)	<b>£3,781 pcm</b> (10)
Flats	<b>£1,300 pcm</b> (77)	<b>£1,601 pcm</b> (140)	<b>£2,303 pcm</b> (54)	<b>£2,508 pcm</b> (4)	-
All	<b>£1,286 pcm</b> (86)	<b>£1,608 pcm</b> (146)	<b>£2,337 pcm</b> (63)	<b>£2,878 pcm</b> (26)	<b>£3,781 pcm</b> (10)

4 Bed House, Archbishop Place	£2,250 pcm excluding fees
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2.65 Set out below are the current rents quoted on Zoopla for SW2 as of 21 April 2016:

This shows that the rents used by the Council in its valuations are in line with the market rates in the local area of SW2.

### 2.66 C4. Private sale prices obscenely high

***(iii) Homeowners will be expected to pay 100% of increased service charges while no longer owning 100% of their homes due to the market value gap. This market value gap based on the numbers in Lambeth's financial data sheets means that many will not qualify for Shared Equity and be forced into Shared Ownership or to downsize, causing greater overcrowding. There is also no assurance that these marginal homeowners will actually qualify for a new mortgage under the current rules. The only option offered by Lambeth for such homeowners is private rental at extortionate amounts or to leave London entirely.***

2.67 The Council has provided financial information to homeowners, showing them what equity proportion of new properties they would expect to acquire. It has been made clear that this is indicative information at this time. This is set out below:

	1 Bed, 2 person flat	2 Bed, 3 person flat	2 Bed, 4 person flat	3 Bed, 5 person flat	4 Bed, 6 person house
Existing value (estimated)	£250,000	£300,000	£325,000	£350,000	£500,000
Home loss payment (@ 10%)	£25,000	£30,000	£32,500	£35,000	£50,000
New value (estimated)	£310,000	£375,000	£425,000	£525,000	£615,000
Share of equity of new property (including home loss payment)	88%	88%	84%	73%	83%

2.68 As can be seen, for Cressingham Gardens for all property sizes resident homeowners can expect to acquire significantly more than 60% of the equity of new properties. They would be able to live in a property valued at £425,000 (for a 2b4p) at a capital cost to them of only £325,000.

2.69 The Council has also provided information on the shared ownership offer, which shows that if they were unable to secure a new mortgage, they would still be able to live on the estate and pay a rent that would be significantly below market rents (see comparison to question C3):

	1 Bed, 2 person flat	2 Bed, 3 person flat	2 Bed, 4 person flat	3 Bed, 5 person flat	4 Bed, 6 person house
Existing value (estimated)	£250,000	£300,000	£325,000	£350,000	£500,000
Home loss payment (@ 10%)	£25,000	£25,000	£32,500	£35,000	£50,000
New value (estimated)	£310,000	£375,000	£425,000	£525,000	£615,000
25% of new value	£77,500	£93,750	£106,250	£131,250	£153,750

Minimum equity required	£52,500	£63,750	£73,750	£96,250	£103,750
Maximum rent (pw)	£123	£149	£169	£208	£244
Max rent as percentage of market rent	35%	33%	33%	28%	27.5%

2.70 There is no reason why this would lead to increased overcrowding. In fact, the shared ownership offer would actually enable families that are currently overcrowded to obtain a larger home at an affordable cost.

**2.71 D. No Budget**

***Nowhere in the cabinet report does there appear to be a budget for the next phase. The cabinet appears to have signed off another blank cheque without any consideration of the officers' own arguments over lack of funds.***

***Last year, I called in the SPV cabinet decision and one of the issues then raised was the lack of budget. Residents were assured by Neil Vokes at the August 2015 scrutiny committee:***

***“SPV is a shell entity and it's very unlikely it will have any staff so costs of setting up the SPV are very insignificant. It's the cost of setting up a company which you can buy off the internet and then it will be the annual cost of accountancy and so on.”***

***(As a matter of interest, [www.gov.uk/register-a-company-online](http://www.gov.uk/register-a-company-online) lists set-up costs as £15.) However, at the cabinet meeting of 21st March 2016 it was mentioned that Savills have been instructed in connection with the SPV and according to the tender document, the cost of this contract to Lambeth is in the realm of £60k-£90k. This is not nothing, and definitely more than the few hundred pounds it costs to buy an off the shelf company on the internet. This money could have paid for up to 45 new kitchens in council tenant homes.***

**2.72 Questions:**

***Q1. What is the budget for the proposed next phase, including the development management team? Please also provide a breakdown of costs***

2.73 The Council is seeking to deliver more and better homes and this requires investment to enable delivery of the new homes.

2.74 A capital budget of £1,065,000 has been set aside for 2016/2017 to take forward the redevelopment of the Cressingham Gardens estate. This funding is provided from the Single Capital Pot and will be recouped through the development project.

**2.75 Q2. From where will the funds be sourced to pay for the next phase? How much will be funded from the HRA? Will this HRA money be diverted from repairs & refurbishment?**

2.76 It was clearly stated in the Cabinet Report that:

3.12 *In June 2015 AMCAP Asset Management Cabinet Advisory Panel) recommended the allocation of resources to fund the master planning work on the six estate regeneration schemes. (Westbury, Knight's Walk, South Lambeth, Fenwick, Central Hill, Cressingham). This was followed up by the Cabinet Decision on 27<sup>th</sup> July 2015 to begin the procurement process for development management teams for the estates within the estate regeneration programme.*

3.13 *A sum of £5m per annum was also approved by Cabinet in April 2014 to support the provision of affordable housing, including a budget to commence property buybacks and site assembly costs.*

2.77 In addition to the above, procurement of a development management team to progress the project would require clearance from the Procurement Board, which would involve confirmation that sufficient budget has been allocated to fund the contract.

2.78 The next stage of the project will be funded from the single capital pot as is the case with the other estate regeneration projects. This pot is part of the General Fund and will therefore have no impact on the HRA business plan.

**2.79 E. Loss of Secure Tenancies**

***Under the proposed full demolition, council tenants will need to give up their secure tenancies and accept assured tenancies. Hence the right to return is conditional on tenants giving up rights and security.***

***Questions:***

***Q1. Why is Lambeth not offering tenants a ballot as would be the case if it were a stock transfer, giving tenants a real choice as to whether they want to keep their secure tenancy or give it up for an assured tenancy?***

2.80 The Council has made a commitment through the Key Guarantees to enable tenants to remain living on their estate. However, it has been made clear that this would involve accepting an assured tenancy.

2.81 If, however, a tenant wishes to retain a secure tenancy, then under the Key Guarantees, tenants are given the opportunity to be elevated to Band A status on the Choice Based Lettings system and thereby have access to other secure tenancy properties within Lambeth. Given the timescales to prepare a masterplan and obtain planning permission for a project, they would have a minimum of 2 years (and probably longer) to look for a new property.

2.82 The Council has produced a draft assured tenancy and will consult on this with tenants in due course. It is the Council's intention to make this as similar to a secure tenancy as possible.

2.83 Given current proposals planned for secure tenancies within the Housing Bill, demonstrating that these can be changed without consulting residents, it may well prove that the Council's proposed assured tenancies would be more secure than "Secure Tenancies". Assured tenancies are a contract between parties and cannot be subsequently changed without agreement from both parties.

**2.84 Q2. Why is Lambeth not offering existing tenants an assured tenancy with protected rights as would be required in the case of a stock transfer?**

2.85 The Council is proposing to provide assured tenancies with protected rights, but not any preserved right to buy. The Council will consult with tenants on the proposed assured tenancy in due course.

**2.86 F. Factual & calculation errors**

***Council officers claim that the average cost of refurbishment is only £16k, which is calculated by dividing the full cost of the Lambeth Housing Standard (LHS) program (£499m), by 31,000 properties. This is an incorrect calculation, as it fails to consider the estates that were already refurbished prior to the LHS program and hence were not included in the LHS program. According to Lambeth's own GLA submissions, of Lambeth's total tenanted housing stock as of 1 April 2013 (24,908), only around half were non-decent (12,293). In a Lambeth FOI request response,<sup>2</sup> leaseholders are expected to contribute 16.4% of the LHS program costs. This equates to £82m of the £499m. Consequently, under the LHS program, it is calculated that Lambeth was going to spend around £416m on 12,293 properties. This equates to £35k per council tenant home on estates that were to receive LHS works. Cressingham Gardens is consequently cheaper than the average council tenant home that is receiving LHS work. Indeed, I have been made aware that Arlington Lodge leaseholders have been told they will be expected to contribute around £38k each towards LHS works, which would mean that council tenant homes are costing in the range of £50k each to refurbish. Another Lambeth leaseholder has informed a Cressingham resident that he has received a section 20 notice for £31k and that on his estate the bills have been as high as £43k.***

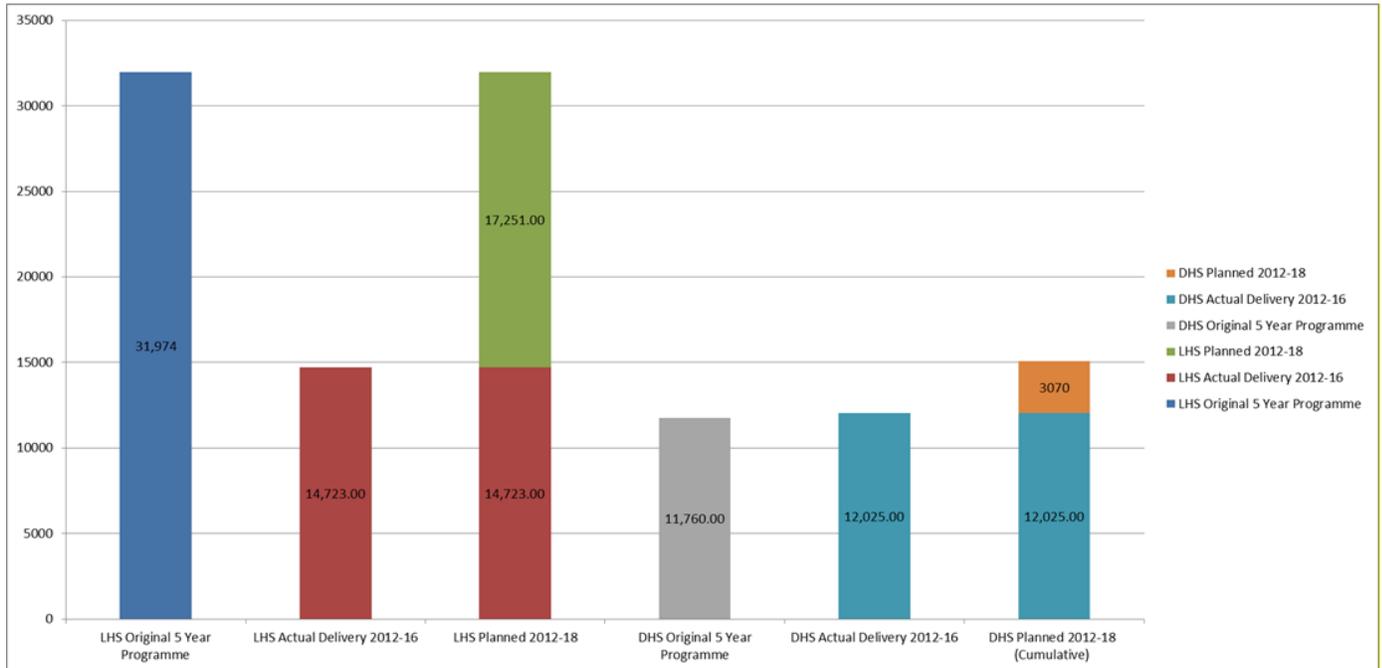
2.87 The above paragraph contains various assertions that are incorrect. When the LHS programme was first established, it included the majority of the housing stock across the Borough; only 1,026 homes were excluded on basis of being deemed decent at the commencement of the programme. Works on these 1,026 properties will be factored into the capital programme once the LHS programme has been completed. The starting estimate that the average cost per unit of refurbishing the Council's housing stock to LHS is, as stated during the consultation on Cressingham Gardens, circa £16,000.

2.88 The bar chart below provides a summary of the elements of the LHS and decent homes programmes.

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2

## LHS profile



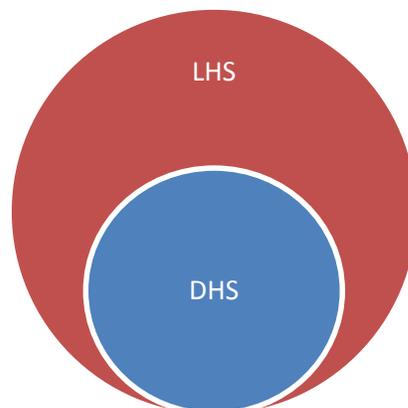
2.89 The submission to the GLA for decent homes funding focused on the tenanted stock and only considered the elements that are part of ‘decent homes’. As set out below, the LHS goes further than decent homes.

2.90 Relationship between the LHS and DHS programme:

### LHS and DHS Definitions

The LHS programme was co produced with Tenants and Leaseholders and agreed in April 2012. Tenants prioritised works within their homes.

The following depicts the relationship between LHS and DHS. This aligns with the Government’s Decent Homes programme-see table 2.



<b>DHS</b>	
1	Kitchen
2	Bathroom
3	Electrics
4	Gas
5	Front Entrance Door
6	Roofs
7	Windows

<b>LHS</b>	
1	Kitchen
2	Bathroom
3	Electrics
4	Gas
5	Front Entrance Door
6	Roofs
7	Windows

8	<b>Insulation</b>
9	Environmental Improvements
10	Aids & Adaptations
11	Fire Safety
12	Communal Boilers
13	Lifts
14	CCTV
15	Sewage & Drainage

**2.91 Questions:**

**Q1. On which other estates has the refurbishment cost per unit been above £16k per property?**

2.92 This question has been recently answered through an FOI request, as set out below:

*FOI response to Gerlinde Gniewocz 3<sup>rd</sup> March 2016:*

*Over the past three years, how many leaseholders have received major works / Lambeth Housing Standard / Decent Homes bills that have exceeded £20k? Please provide the data broken down by year and by estate/street property category.*

*2. Also, can you provide any detail as to distribution and/or largest bills? e.g. what were the 10 largest bills sent to leaseholders?"*

<b>AREA-OFFICE</b>			
	<b>2014/15 FINALS</b>	<b>2015/16 FINALS</b>	<b>2015/16 FINALS PENDING AUTH</b>
<b>CENTRAL AREA</b>		<b>16</b>	
£20,676.22		1	
£20,965.40		2	
£21,254.58		1	
£21,543.76		1	
£21,832.94		4	
£22,122.12		2	
£23,857.18		1	
£23,868.19		4	
<b>NORTH AREA</b>	<b>10</b>	<b>33</b>	<b>1</b>
£20,111.60	9		
£20,314.37		5	
£20,809.99		7	
£20,907.49		5	

£20,982.28		4	
£21,064.84	1		
£21,500.61		9	1
£22,207.53		3	

**2.93 Q2. Why are there estates costing more £16k per property to refurbish (often 2x or 3x that cost), that are not being earmarked for regeneration?**

2.94 The reasons for including the Cressingham Gardens estate within the regeneration programme are not purely based on financial considerations. The reasons have been set out clearly to residents at the outset of the consultation process:

*Along with plans to improve its housing stock through the LHS programme, the Council is committed to building more homes in the borough. It has looked at its housing estates to see where refurbishment works would not be sufficient or would not be good value for money and where there are opportunities to build more homes.*

*This led to the Council's estate regeneration programme. Estates have been included in this programme based upon the following criteria:*

- *The costs of delivering the Lambeth Housing Standard would be too expensive and would not be good value for money*
- *Lambeth Housing Standard works would, in themselves, not address the fundamental condition of the homes nor address many of the wider social and economic problems faced by residents*
- *The wider benefits from regeneration would justify the investment. This includes locations where the existing estate is relatively low-density and where there is an opportunity to create additional much needed new homes*

*The following six estates were selected for consideration for regeneration: • Cressingham Gardens • Knights Walk • Westbury • Fenwick • Central Hill • South Lambeth*

**2.95 Q3. Where is the analysis showing that Cressingham Gardens would cost more to refurbish than all other estates, given the council has already admitted via an FOI<sup>3</sup> that it doesn't actually know how much it has cost to carry out refurbishment on individual estates?**

<sup>3</sup> [https://www.whatdotheyknow.com/request/major\\_works\\_decent\\_homes](https://www.whatdotheyknow.com/request/major_works_decent_homes)

- 2.96 This response has already been provided to residents as part of the consultation process. The answer provided is as follows:

**Q. On what basis has the value for money argument been made?**

*The booklet provided earlier said that:*

*“the predicted cost of bringing homes on Cressingham Gardens up to LHS is disproportionately higher than the average – for every home refurbished to LHS standard on Cressingham, on average, 2 homes elsewhere in the Borough could be brought up to the same level.”*

*If the cost of refurbishing the estate is £9.4m, then with circa 300 properties on the estate, that gives an average refurbishment cost for each property of just over £31,000. Given this would be Lambeth Housing Standard works and not funded through a Decent Homes programme, this cost would NOT be capped at £15,000 for leaseholders.*

*When the Council originally began the Lambeth Housing Standard programme in 2012, it estimated that the cost of the whole programme would be circa £499m. This estimate applied to the entire Council housing stock (including leasehold and tenant properties). This suggests an average of £16,000 per property.*

*Reference: Cabinet paper of March 2012*

*<http://modern.gov.lambeth.gov.uk/documents/s40594/06%20Lambeth%20Housing%20Standard.pdf>*

*In addition to the pure financial factors, the Council has to take other matters into consideration when thinking about ‘value for money’. These include the ability to provide more and better homes for the residents of Lambeth.*

**2.97 G. Failure to meet “Must Achieve” criteria**

***In the cabinet report (Appendix B, para 1.8) Lambeth officers state that options under consideration must achieve the following 4 criteria:***

- 1. Viability: option achieves a positive Net Present Value (NPV);***
- 2. Deliverable: that delivery risk is manageable and that phasing and construction programmes are feasible;***
- 3. Meets Key Guarantees: delivers the re-provision of existing homes in line with the Key Guarantees to residents;***
- 4. Meets Planning Policy and Tenancy Strategy: option meets as a minimum Council planning policy and Council tenancy strategy on affordable housing for the net additional new homes;***

***However, the full demolition (Option 5) being recommended by Lambeth officers fails to meet any of these criteria.***

**2.98 G1. “Viability” - Problems with NPV calculations. Full demolition (Option 5) has a negative NPV and should therefore be excluded from consideration**

**(i) Weathertight repairs**

**Lambeth has committed £1.4m to undertake weathertight repairs on Cressingham Gardens due to their legal obligations to residents, of which they are currently in breach. This £1.4m is included in Lambeth's £9.4m total refurbishment cost. The refurbishment costs assumed can be seen in the detail data sheets provided by Lambeth officers, so we know that these repairs have been included in the council's NPV analysis for Options 1-4. However, they have been excluded from Option 5. This is fundamentally incorrect. Residents raised this issue with officers early in 2015 and recommended that because weathertight repairs were a committed cost regardless of the option, the cost should be removed from ALL options. It would appear that officers have only removed them from Option 5, though. Consequently, by adding this cost back into Option 5, it would likely have a negative NPV and thus Option 5 should be discarded as not meeting the "must achieve" criteria**

**2.99 Question: Why have officers failed to include the cost of weathertight repairs in Option 5, whilst including it in Options 1-4, and if weathertight repairs were to be included in Option 5, what would be the NPV under the council's calculations?**

2.100 Different appraisals have been run for redevelopment and refurbishment scenarios, taking into account the different financial context in which redevelopment or refurbishment would take place.

2.101 All refurbishment appraisals contain consideration of the weathertight repairs costs, being a cost to the HRA. None of the redevelopment appraisals contain any consideration of weathertight repairs costs. There is no refurbishment appraisal for Option 5 because it does not include any refurbishment element.

2.102 It should be further noted that the original assumption of £1.4m for the weathertight repairs was strongly challenged by leaseholders. These proposed works have therefore been paired back to a minimum level and are now estimated to be around £430,000; such works now exclude any works and costs that are not immediately essential.

**2.103 (ii) £7.5m loan recognised as income**

**Lambeth proposes to invest £7.5m of capital funds into the full demolition (Option 5). It is stated that this £7.5m is to be repaid to the council by the SPV. In the financial data sheets the £7.5m is classified as 'grant income'. It is not. This sum should be recognised as debt or equity.**

**This means that the NPV of Option 5 has been overstated, as the £7.5m was included as income in the NPV calculation. Removal of the sum would mean that NPV would drop to a negative -£6.7m NPV.**

**2.104 Question: Why have Lambeth officers included the £7.5m loan to the SPV as income in the financial model, and how is the NPV of Option 5 affected if the £7.5m 'grant income' is removed?**

2.105 The £7.5m reflects the Council providing grant upfront to cover the cost of professional fees. In the model this is expressed as a grant coming in at the start and then being repaid during construction.

**2.106 (iii) No maintenance**

***In Lambeth's financial data sheets, zero maintenance for 60 years under Option 5 is shown. When questioned during the cabinet meeting on 21st March 2016, Neil Vokes stated that maintenance was included in the Gross Rent. I understand that he was referring to the Gross Rent:Net Rent ratio which in the description next to it explains that the reduction is an allowance for "Management and Lettings." Under Option 5, this ratio is 76%, with an explicit assumption that "Management and Lettings" costs will be 20% of the gross rent.***

***When queried at the cabinet meeting whether he believes that 20% is sufficient to cover the entirety of management, lettings, and repairs, when Lambeth Housing's current % is 50-60%, Mr Vokes repeated that it was included in the gross rents. However, also in the cabinet report Lambeth officers write that a report - presented to Tenants Council - showed that for every pound of rent received into the HRA, some 66% goes to cover such items. Why does Lambeth think it's own SPV will deliver more efficiently - in fact be twice as efficient or more - than the council's own "in house" team, given that officers and councillors have stated that the SPV will purely be a legal shell and that the SPV homes will be fully managed by Lambeth Housing- ie that same "in-house team"?***

***No local authority or housing association has just 20% of gross rents being spent on management, lettings and repairs. The HCA's report "Global Accounts 2014 of Housing Providers"<sup>4</sup> shows that for Social Housing Lettings, the following are the industry averages as a % of total rental income:***

***Management costs: 20.5%***

***Service costs: 10.7%***

***Routine & planned maintenance: 21.0%***

***3 Combined: 52.2%***

**2.107 Question: As is standard for social housing, what is the percentage for each of the three above items as a percentage of gross rent as it is currently incorporated into the Option 5 financial model? Please explain how the NPV for option 5 would be affected by a lower Gross rent: Net rent ratio?**

**2.108 Question: If officers state that they can achieve 20% compared to the industry average of 52%, how will this be achieved? Please provide full details.**

2.109 It is stated in the Viability Report that the gross:net ratio for the various proposed rents are:

*Percentage of gross rent assumed for capitalisation purposes:*

<i>Beds</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
<i>Private</i>	<i>71.25%</i>	<i>71.25%</i>	<i>71.25%</i>	<i>71.25% Gross:Net Rent</i>
<i>Replaced AH</i>	<i>76.00%</i>	<i>76.00%</i>	<i>76.00%</i>	<i>76.00% Gross:Net Rent</i>
<i>New Build AH</i>	<i>80.75%</i>	<i>80.75%</i>	<i>80.75%</i>	<i>80.75% Gross:Net Rent</i>

2.110 It should be noted from this that the element of the rent used for the components of operating and management for a council rent would typically sit within an average range of between £1,500 and £2,500 per annum, whereas the element of the rent used for similar market rent properties would typically be in excess of this owing to the provision of additional services.

2.111 Industry best practice has been consulted including the Urban Land Institutes' Build to Rent: A Best Practise Guide, 2014. This provides guidance on the rental market and is intended to be a reference tool and benchmark data source. The guide refers to operating costs and draws on data collected by the Investment Property Databank.

2.112 The detail presented in the HCA Global Accounts reflects a total overview of existing stock across the country. It is acknowledged that existing stock will be in an increased state of disrepair and as a consequence it will require greater levels of investment to maintain. The lack of location weighting will also mean that the national average rent will be less than the rental levels in London. Consequently, the increased cost and lower average rent will appear to give the impression of a higher operating deduction from gross rent than might typically be required within London.

**2.113 (iv) No abnormals or other costs**

***A lot of significant costs are missing in the demolition financial models. For example, the following 'known' costs have not been incorporated:***

- ***Building a new community hall to replace the Rotunda***
- ***Car parking provision***
- ***Waste management***
- ***External and drainage works***
- ***Dealing with the 40" water main that passes through Cressingham Garden that is older than the estate itself***
- ***Dealing with the invasive weed present across the entire estate (For the same invasive weed to be removed from the Olympic Park Stadium development site, approx the same size as Cressingham Gardens, it cost reportedly £70m)***
- ***Compensation payable to non-returning homeowners to cover the stamp duty and legal costs for replacement homes***

**2.114 Question: Why have officers not incorporated the above costs into the demolition financial models, and if officers are contending that the above costs are**

***incorporated, what percentage has been included as a premium over and above the build cost to cover them?***

**2.115 Question: What financial provision has been made for the removal of the invasive weed, and what is the proposed removal approach - if provision has not been made, what are the estimates, and what are their impact(s) on the NPV calculation?**

2.116 There are a number of allowances and assumptions informing the build up of costs, including the main build works and external works including demolition and site preparation. All these costs are contained within the build rates at this early point of the design process.

**2.117 (v) Unrealistic rate of returning leaseholders and unusual profiting via staircasing by Lambeth**

***Lambeth officers assume in their workings that 80% of leaseholders will return to the estate. Neil Vokes has admitted to the AMCAP that the figure is optimistic (recorded in AMCAP minutes), given that 80% was only achieved on Myatts Field North with a significantly better offer to homeowners than what will be offered on the regeneration estates. In Lambeth's own Test of Opinion survey conducted in 2015, only 60% of homeowners indicated they would want to return. This was in reply to a question that did not specify any particular option. In that survey, only 20% of homeowners indicated that they wanted to live in a new build if finances were not an issue.***

***The actual leaseholder retention rate will have a massive impact on Lambeth's financial models because of an unusual profit mechanism. In the datasheets Lambeth assumes that the full demolition option will generate £517k in income for Lambeth every time a returning leaseholder "staircases." I presume that this is not 'staircasing' in the traditional sense of purchasing a greater share of equity over time, but is rather Lambeth's percentage of the sale price when a leaseholder's property is sold. The projection is of 2 such sales/staircasings occurring each year. In Lambeth's models that is £1m pa extra income.***

***The grounds on which this £517k figure is based are problematic. Lambeth assumes and projects a future 30% stake in returning homeowners' homes, which it is valuing for staircasing purposes in today's money as £517k. This means that Lambeth is attributing a value across all properties of an average £1.7m. This is an odd assumption, as elsewhere they forecast a 4 bed flat being market valued for sale at £860k, less than half the implied market value for the staircasing/on-sales.***

***This imaginative and bold assumption regarding Lambeth's equity share in returning homeowner's homes, combined with an unrealistically high projected retention rate, means that even a slight decrease away from that projected retention rate will render the NPV negative. In fact, through the model for Option 5 recreated by Cressingham residents in The People's Plan, it is shown that lower-than-projected retention rates could remove as much as £30m in NPV, ie cause***

***the NPV to drop as low as a negative -£30m NPV, compared to the current - meagre - positive £0.8m NPV***

**2.118 Question: Lambeth officers project achieving an 80% homeowner retention. On what data is this figure based, and what are the effects on the NPV if retention is below the projected rate - at 60% or 40%? Please provide data sheets/models as evidence.**

**2.119 Question: Have Lambeth officers done any sensitivity analysis through the Airey Miller models on the impact of lower homeowner retention rates?**

2.120 The number of leaseholders retained is a working assumption, which has been drawn from the Council's experience at the Myatt's Field North.

2.121 The value stated for the purpose of estimating the value of the equity retained is based on an average blend of leaseholder house-types replaced on the estate, each with an appropriate market value. It is then assumed that 30% of this equity is held and subsequently staircased out. As part of the modelling, a number of considerations have been considered and reported. The £547k figure is the average receipt received over the 60 year period taking account of inflation.

**2.122 G2. "Deliverable" - No evidence that delivery risk is manageable and construction programmes are feasible**

***Whether an option was 'deliverable' was highlighted in para 1.8 of Appendix B as one of the "must achieve" criteria. However, in Table 3 at para 1.17 Appendix B, which compares the options against the various criteria, this "must achieve" criteria is totally ignored.***

**2.123 Question: Lambeth officers have ignored the "must achieve" criteria around whether the options are deliverable, ie whether delivery risk is manageable and that phasing and construction programmes are feasible. On what basis?**

2.124 From a technical perspective there are no known deliverability issues with any of the options (1 to 5). This matter was therefore not a relevant item to compare between options in the referenced summary table.

**2.125 G3. "Key Guarantees" - Key Guarantees have already been broken**

***During the final viability workshop (18th February), Cressingham residents raised with Lambeth officers and Cllr Mary Atkins the issue that the 28 x 4-bed council tenant homes were only being replaced with 4 x 4-bed homes for council tenants. Residents asked why and the explanation provided by Julian Hart was that Lambeth had assessed current and future resident need, and based their decision on this. He also stated that Lambeth was not willing to share this analysis. Residents pointed out that there are more than 4 families requiring 4 bedroom homes and that it is inappropriate to be effectively telling residents that only 4 families will be allowed to return. This is in contravention of the Key Guarantee #1: "Any secure tenant who wishes to continue to live at their current estate will have the opportunity to do so."***

***In the cabinet report Lambeth officers explain the reduction by arguing that the current 4 bedroom homes are only designed for 5 people and in such cases they only deserve a 3 bedroom in a new build. However, this is also in contravention of the Key Guarantees #5 and #8:***

***“5. The Council assures that tenants will not be worse off in terms of the size of their accommodation than their current circumstances.***

***8. Tenants who are under-occupying by one bedroom or more will be offered a new home with one bedroom above their need (for example, a couple living in a 3-bed home would be offered a 2-bed home when their actual need is a 1-bed).”***

**2.126 Question: Are Lambeth officers allowed to break the Key Guarantees? What are the consequences if the Key Guarantees are broken?**

**2.127 Question: Where is the actual analysis undertaken by Lambeth officers to support their assumption of only needing 4 x 4-bedroom homes to replace the existing 28 x 4-bedroom homes? Why have 5 bedroom homes been excluded from their housing mix for the redevelopment if an analysis of current & future needs has actually been done?**

2.128 The Key Guarantees have not been broken. The financial appraisals are estimates at this time and based on reasonable assumptions.

2.129 Most of the 4 bedroom properties on Cressingham Gardens are currently classified as 5 person. These would normally be built nowadays as 3 bedroom 5 person properties, as such properties are much more flexible and useful in general. However, if redevelopment of the estate proceeds, then detailed housing needs assessments will be carried out and residents will be re-provided homes in accordance with the Key Guarantees. In addition to this, 3b5p homes built to modern standards are not necessarily smaller than current 4b5p homes at Cressingham Gardens – just differently configured.

**2.130 G4. “Planning Policy & Tenancy Strategy” - Doesn’t meet planning policy & tenancy strategy**

***(i) Failure to meet target tenancy strategy for regeneration***

***Lambeth’s “target tenancy strategy” for the regeneration programme is that of the net gain houses, 60% of homes should be “affordable” (all of which should be at council rent levels) and 40% at market levels (either sale or rent).***

***Full demolition (Option 5) fails to meet this target strategy. Based on Lambeth’s latest figures in the report, only 17% of the extra new homes will be at council rent levels whereas the target tenancy strategy requires 60%. Even with the unaffordable “affordable” homes included, this only increases to 47% and is nowhere near the 60% required.***

**2.131 Question: Why is the council proceeding when their own target is going to be missed, with the likelihood that the low percentage of extra new council rent**

***homes will deteriorate through the successive stages - as has happened on the majority of regeneration schemes elsewhere? At what lesser percentage of extra new homes at council rent would the regeneration become unacceptable to Lambeth, and warrant halting the scheme and a removal of Cressingham Gardens from the regeneration program?***

- 2.132 The target set out above is explicitly an aspirational target. The current design proposals for Cressingham Gardens suggest that this aspirational target cannot be met; however the current designs do enable the minimum criteria to be met.
- 2.133 If redevelopment were to be taken forwards, then the Council would continually review proposals with a view to working towards these aspirational targets.
- 2.134 The reason why other regeneration projects often lose social homes as they proceed is because they are led by private sector partners who are seeking to maximise profit as opposed to maximise numbers and proportion of homes for council rent. With the Council directly delivering the scheme, the objectives would be different.

**2.135 (ii) Failure to meet Local Plan requirements in terms of mix of homes**

***According to Lambeth's Local Plan (signed off September 2015) the "affordable" housing element of residential developments should reflect the preferred borough-wide housing mix for social/affordable rented and intermediate housing set out below:***

***1-bedroom units: Not more than 20%***

***2-bedroom units: 20-50%***

***3-bedroom+ units: 40%***

***And specifically in relation to regeneration schemes:***

***"5.23 In the case of estate regeneration schemes, replacement / new affordable housing should reflect the particular housing needs of existing and future tenants. Schemes should make provision to re-house existing residents, after which the mix of all additional units should reflect the wider housing needs of the borough in all but exceptional cases where a variation can be robustly justified."***

***However, in the proposed Full Demolition (Option 5), only 33% of the net gain homes would be family-sized homes (3+ bedroom) and hence in breach of the Lambeth Local Plan.***

**2.136 Question: Why are officers proposing a breach in the Local Plan, and what is the "robust justification" for this variation?**

- 2.137 In the Option 5 appraisal it is currently 36% family homes for the net gain homes. In Lambeth's Local Plan, it states:

*While developments are expected to reflect the preferred dwelling mix set out above, rigid application of these requirements may not be appropriate in all*

*cases. When considering the mix of dwelling sizes appropriate to a development, the council will have regard to individual site circumstances including location, site constraints, viability and the achievement of mixed and balanced communities. In all cases proposals will be expected to demonstrate that the provision of family-sized units has been maximised.*

2.138 As stated in Appendix B of the Cabinet Report:

*Through a masterplanning process the Council will work with residents to develop a final model for a rebuilt estate, which the Council anticipates will further increase the number of additional homes for council rent.*

2.139 As the masterplanning is progressed, the Council will look to increase the number of homes proposed on the estate beyond the current estimated uplift of 158 homes. This will enable provision of more homes, allow an increased proportion of homes for council rent and enable an increase in the number of family homes.

2.140 There will also be more work carried out to identify in more detail the housing needs of residents on the estate and the housing needs of the local area (and whether these vary from the Lambeth-wide assessment of housing needs) and design proposals will be adapted to move towards these needs.

### **3 Finance**

3.1 The financial implications of the decision by Cabinet are set out in the report to Cabinet. There are no financial implications arising from this report.

### **4 Legal and Democracy**

4.1 Legal advice was provided in the report to Cabinet.

### **5 Consultation and co-production**

5.1 Consultation and co-production was provided in the report to Cabinet.

### **6 Risk management**

6.1 Risk management was provided in the report to Cabinet.

### **7 Equalities impact assessment**

7.1 The statement on EQIAs was provided in the report to Cabinet.

### **8 Community safety**

8.1 Community Safety was provided in the report to Cabinet.

### **9 Timetable for implementation**

9.1 A timetable was provided in the report to Cabinet.

<b>Audit trail</b>				
<b>Consultation</b>				
<b>Name/Position</b>	<b>Lambeth cluster/division or partner</b>	<b>Date Sent</b>	<b>Date Received</b>	<b>Comments in para:</b>
Sue Foster	Strategic Director, Neighbourhoods & Growth	21.4.16	29.4.16	All
Rachel Sharpe	Director, Strategy and Commissioning, Housing & Communities	21.4.16	28.4.16	All
Hamant Bharadia Associate Director	Corporate Resources/Finance	21.4.16	28.4.16	All
Legal Services	Corporate Resources	21.4.16	28.4.16	All
Democratic Services	Corporate Resources	21.4.16	28.4.16	All
Councillor Matthew Bennett	Cabinet Member for Housing	28.4.16	28.4.16	All

<b>Report history</b>	
<b>Original discussion with Cabinet Member</b>	4.4.16
<b>Report deadline</b>	28.4.16
<b>Date final report sent</b>	28.4.16
<b>Report no.</b>	230/16-17
<b>Part II Exempt from Disclosure/confidential accompanying report?</b>	No
<b>Key decision report</b>	No
<b>Date first appeared on forward plan</b>	N/a
<b>Key decision reasons</b>	N/a
<b>Background information</b>	Cabinet report Investing in better neighbourhoods and building the homes we need to house the people of Lambeth - Cressingham Gardens estate  <a href="http://moderngov.lambeth.gov.uk/ieDecisionDetails.aspx?AllId=29000">http://moderngov.lambeth.gov.uk/ieDecisionDetails.aspx?AllId=29000</a>
<b>Appendices</b>	