

# Cressingham Gardens – Financial Q&As

Issued: 16th February 2016

As we go through the consultation process the Council will try to answer residents' questions. One of the ways that we will try to do this is by publishing Q&A documents. A set of these will also be updated on the website as well:

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

If you have any questions, then please do not hesitate to get in touch via:

T: 020 7926 3475 or by email: [cressinghamgardens@lambeth.gov.uk](mailto:cressinghamgardens@lambeth.gov.uk)

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## TECHNICAL FINANCIAL QUERIES

This is an up-date to residents on financial issues that have to be taken into consideration by the Council in determining the future of the Cressingham Gardens estate. A viability workshop was held on 28 January 2016, at which various questions were asked. Notes of this meeting are available at the link below:

[http://estateregeneration.lambeth.gov.uk/cressingham\\_gardens\\_meeting\\_notes\\_published](http://estateregeneration.lambeth.gov.uk/cressingham_gardens_meeting_notes_published)

This letter responds to those queries and others that have been raised during the consultation process.

There will be another opportunity for residents to discuss viability considerations at the final workshop on the matter on 18 February 2016.

## REFURBISHMENT

### **What level of debt is there in the HRA?**

There is about £160m debt in the HRA.

### **When will residents be able to review the HRA Business Plan?**

The HRA Business Plan Summary of 2015/2016 is already available on request.  
The HRA Business Plan Summary of 2016/2017 will be released in the near future.

### **Predicted cost of refurbishment – how were these estimated for Cressingham Gardens?**

Between 2012 and 2014, in response to requests from residents, a survey was undertaken to derive an estimate for the refurbishment of the estate. In January and February 2015 detailed discussions took place between resident-appointed surveyors and Lambeth Living appointed surveyors to seek to reconcile and agree an overall cost to refurbish Cressingham Gardens estate. As a consequence of these meetings, the Council agreed to a figure of £9.4m as the approximate estimate for immediate refurbishment of the estate. There would be additional costs that would need to arise in the subsequent

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10 years, totalling another circa £4m. The detailed figures were published in the report to Cabinet on 9<sup>th</sup> March 2015.

*Reference: Cabinet paper of 9<sup>th</sup> March 2015 and Appendix 4*

[http://modern.gov.lambeth.gov.uk/documents/s72158/03f%20Appendix%204\\_Refurbishment%20Costs.pdf](http://modern.gov.lambeth.gov.uk/documents/s72158/03f%20Appendix%204_Refurbishment%20Costs.pdf)

## **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.

## **Why is there not the budget in the Lambeth Housing Standard to pay for refurbishment of Cressingham Gardens?**

When the Council originally began the programme, it deduced that it could not fund the full £499m and that there would be a shortfall of around £56m. This led to the Council deciding that it would need to commence an estate regeneration programme for those estates where the cost of refurbishment was above normal and/or there were opportunities for building additional new homes.

*Reference: Cabinet paper of March 2012*

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

Given this funding shortfall, the Council has to make difficult decisions on which estates to include within the refurbishment programme and what to do with those other estates that cannot be funded by the



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programme.

As the Council has progressed the Lambeth Housing Standard programme, it has discovered that more properties are in worse condition than originally predicted and it has therefore tended to be more costly on each estate refurbished than previously planned. By way of example, the original estimates for replacement kitchens were around £2,000 per kitchen; however, when these works have been done in practice, the cost has risen to over £4,000 per kitchen because of all the additional work required to re-plaster kitchen rooms, install fire-doors and their frames, moving cooker gas points, fixture of cooker hoses and bayonets and any other preparatory works to bring the room up to an adequate condition to enable the installation of the new kitchen units.

Given the cost increases in delivering the Lambeth Housing Standard programme (as noted above) and taking other factors into consideration, such as the Government's reduction in Council rents over the next 4 years, the shortfall between what the programme costs and what the Council can afford has now extended to £85m.

*Reference: Cabinet paper of February 2016*

<http://modern.gov.lambeth.gov.uk/documents/s79347/Budget%20Report%20-%202029-01-16%20FINAL.pdf>

## **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*

[http://estateregeneration.lambeth.gov.uk/cressingham\\_options#g](http://estateregeneration.lambeth.gov.uk/cressingham_options#g)

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

## **How has the Council calculated the net rental income that is embedded in the refurbishment appraisals?**

The net rental income is derived from information that was presented to the Tenants Council Executive in November 2015, which identifies out of each 100pence collected what percentage of rental income to the Council's HRA is used for what purposes. Once housing management costs, debt repayment costs and other factors are taken into account, only 33.12% of the gross rent is available to pay for capital refurbishment of the estate.

This estimate is an average across the Borough. Given that Cressingham Gardens costs more than average to maintain, then this estimate is optimistic.

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## REDEVELOPMENT

### **How is the current work to consider estates within the estate regeneration programme being funded?**

The initial stages of work towards estate regeneration is being funded from a variety of sources.

The feasibility work is being funded from the HRA, which will be compensated in due course as projects are taken forwards. Once projects become confirmed, then they are funded from capital reserves in the general fund. Again, the Council will be compensated for this early expenditure by Homes for Lambeth in due course.

### **Why will the Council not provide residents with full un-redacted appraisals of the redevelopment?**

The Council is releasing as much information as it is able without compromising the future commercial performance of Homes for Lambeth. To this end, the Council has already released the values that are being used to inform the appraisals:

*Reference: see link [estate regeneration/homeownership](http://estateregeneration.lambeth.gov.uk/homeownership)  
<http://estateregeneration.lambeth.gov.uk/homeownership>*

The Council cannot, however, release either the structure of the appraisals or any of the cost information that sits within the appraisals. The reason for this is that, as and when the Council is seeking partners to help fund the projects and is looking to procure the construction of the project, release of this information would compromise the Council's ability to negotiate commercial deals that are beneficial to the Council and its residents.

### **Does the HRA Business Plan account for removal of the estates within the estate regeneration programme?**

The current HRA Business Plan has been tested to identify the impact of removal of the six estates in the regeneration programme. This is embedded in the draft HRA Business Plan of 2016/2017, which will be finalised and published in the near future.

### **How is the rental income calculated for tenants calculated for the redevelopment scenarios?**

The rental income is estimated according to the target rent formula, in exactly the same way as existing rents are calculated. For the purposes of the appraisals, the Council has also factored in the 4% rental reduction that will take place over the next 4 years.

### **What will the rise in living costs be as a consequence of redevelopment?**

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. Also, when designing the new buildings every effort would be made to keep future maintenance needs to a minimum which will reduce service charges. Leaseholders shouldn't expect 'Section 20 notices' for a number of years given



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that they would be living in new properties.

All new homes will have water meters to comply with building regulations. New low usage taps, showers and toilets will also be installed, giving tenants greater control over their water bills.

Residents may experience increases in council tax, if the new properties are of higher value.

Council tenants will continue to have their rent set using the current Government formula. They will also be subject to the same increase as council tenants elsewhere in Lambeth. The Government formula takes account of the quality and condition of homes, as indicated by their value, so the level of rents of the new homes on Cressingham will be higher than for a equivalent home on the current estate.

However, a key finding of the Cressingham Gardens Equalities Impact Assessment was the need to make potential living cost increases caused by regeneration manageable. To do this, the Council has agreed to phase increase in rents over a 5-year period. The Council has also committed to honour the Government's 4% rent reduction.

In addition, if regeneration were to go ahead, council tenants would have their housing needs assessed. This could see tenants move into different size properties. This would lead to a reduction or increase in rents. The Council will also support tenants to ensure they are receiving the benefits they are entitled to.

Given the different circumstances of council tenants and the factors involved, at this stage we cannot give the actual level of rents. However we believe that the range increase in rents caused by the higher value of properties to be around 15% for a 2-bedroom house over 5 years - a 3% yearly increase for 5 years.

So, considering the 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.

## **The Valuation Data is taken from work done in November 2014. Is this not out-of-date?**

It is known how much property values and construction costs have risen over the last year or so. The data has been inflated accordingly to bring it up-to-date.