

Resident Engagement Panel: Finance Special Minutes: Tuesday 30th August 2016 (19:00 – 20:30)
Central Hill Day Centre, Lunham Road, London, SE19 1AA

Attendees

- Victor Hernandez – VH
- Clifford Ward – CW
- Pamela Kovakovich (PPRC) – PK
- Nicola Curtis – NC
- Karen Bennett – KB
- Andrea Rose - AR
- Matthew Bennett (Cabinet Member for Housing/Councillor Gipsy Hill Ward) – MB
- Fiona Cliffe (Programme Manager) – FC
- Lauren Tyrrell (Project Officer) – LT
- Julian Hart (LBL Housing Regeneration Programme Manager) - JH
- Luke Murphy (Councillor Gipsy Hill Ward) – LM
- Tayo (Saidat) Richards - TR

Apologies

Jonathan Croucher (Chair), Pauline Porteous-Hartley, Ron Houston (PPRC) , Abraham Nafonto (PPCR)

30th August Minutes		Actions
	MB took the role of acting chair in the absence of Jonathan.	
1.0	ASH proposals :	
1.1	PK (PPCR) apologised for the lack of a pre-written report, this was due to unforeseen personal circumstances.	
1.2	PK addressed the group and provided a verbal briefing on the draft report findings. PPCR were tasked with undertaking an independent review of the ASH proposals and Lambeth's /PRPs review and response to these plans.	
1.3	PK explained that LBL and PRPs review of the ASH proposals indicated that the vast majority of the proposals did not meet the current building regulations or planning requirements and therefore had been removed from further assessment financially. PK explained that PPCRs approach had been slightly different to that used by LBL and PRP. PPCR looked at each of the sites not previously addressed by PRP/LBL due to them being deemed undeliverable or non-conforming to existing regulations. Each site was addressed and determined on what might be feasible to deliver if a paid professional body were appointed to take forward the designs.	
1.4	PK provided a brief summary of each of the sites considered. Issues with the existing Prospect blocks were identified in relation to the possibility to build over. The proposed deck access is not suitable due to a number of regulations including fire regulations and the requirement for dual aspect homes. This was identified by PPCR as a serious planning and architectural problem as this would be costly to rectify and redesign.	

<p>1.5</p> <p>1.6</p> <p>1.7</p> <p>1.8</p> <p>1.9</p>	<p>The proposals would be deemed as new build. The proposals do not meet the mix of units or tenures required by planning. PK explained that any new build (whether infill or redevelopment) would need to meet a mix and affordable housing provision.</p> <p>NC suggested that the ASH response should be added to the agenda for the next scheduled meeting.</p> <p>KB queried why ASH had not been invited to respond to the queries on their own proposals. Conversations via third parties on this are less than helpful. PK said she was open to the possibility of meeting with Geraldine Denning to talk through PPCRs review report. This would need to be discussed and agreed to internally at PPCR.</p> <p>Finalised PPCR report to be circulated to all REP members and LBL officers.</p> <p>ASH response to be added to the next REP meeting agenda for further discussion. <i>(see change of approach below)</i></p>	<p></p> <p>PK</p> <p>PPCR</p> <p>LT</p>
<p>2.0</p> <p>2.1</p> <p>2.2</p> <p>2.3</p> <p>2.4</p> <p>2.5</p> <p>2.6</p> <p>2.7</p> <p>2.8</p> <p>2.9</p>	<p>Finances: Redevelopment Option</p> <p>JH provided a verbal update to the group, explaining where the identified discrepancies between the previous January financial modelling figures and the current figures being presented.</p> <p>JH confirmed that the assumptions used for initial round of financial modelling had changed. The figures now being used for management costs and interest rates etc were now exceptionally cautious – see below.</p> <p>Referring to the various appendices JH provided a run through of all 6 modelled options presented. The 6 options were all modelled on the basis of providing 100 additional affordable homes as a base level.</p> <p>KB asked why the group were shown the very high number of units, as this would not and could not be delivered. It was explained that this modelling showed how the change in unit number, the type of private and affordable housing affected the outcome.</p> <p>JH went through the modelling options.</p> <p>Key issues/clarifications:</p> <p>LHA rent – this means that rents for 1 & 2 bedroom homes are at the level where full housing benefit can be paid. 3 bed + are as social housing rents.</p> <p><i>(The costs and unit numbers are uplifted from the PRP modelling of 874 homes – where the overall proportion of 3bed+ is 43%).</i></p> <p>Private housing – the aspiration of the Council was to provide private rent over sale, but as shown within the modelling at Central Hill this was more difficult to do.</p>	<p></p>

2.10	<p>Assumption that have changed</p> <ol style="list-style-type: none"> 1. Higher discount rates (interest) This is a method of reducing the future value of money for modelling purposes – instead of modelling using money borrowed from the bank This ignores the repayments and discounting heavily the future value of money. The discount rate now allowed in the model is 6.09%. This will change, but at the moment the set-up of HfL hasn't taken place and we don't know the full financial implications and how HfL will work as a business – e.g. tax. Therefore we are using extremely cautious figures. HfL will get the best interest rates it can. 2. Management costs Future prediction management and maintenance costs have been inflated. Lambeth's existing numbers are being used. HfL will not be using these numbers – existing is historic stock, new build will be designed for low maintenance and upkeep. Again these are high figures.. 	
2.11	<p>Costs of building</p> <p>There are huge unknowns on the abnormal – costs over and above building a property. These are very high. For Central Hill this will be e.g. in relation to the cost of foundations, 'cut and filling' – where required, etc. Once surveys are undertaken there be a better understanding of what those costs will actually be. If these are reduced HfL potentially deliver more rented homes – the Council's priority.</p>	
2.12	<p>Values</p> <p>These are lower than some of the other more central estates we are dealing with, this also affects the viability.</p>	
2.13	<p>Provision of 40% Affordable Housing</p> <p>NC asked why this wasn't delivered across all the options if it was a planning requirement, specifically as it was applied to the ASH proposals. (An ASH option with no affordable has also been modelled).</p>	
2.14	<p>JH explained the position in relation to an estate regeneration scheme, where there is a level of leniency. Whereas for the ASH proposal there is no demolition. Ultimately it would be for planners to decide – looking at viability proposals.</p>	
2.15	<p>Energy costs.</p> <p>NC asked whether the cost was allowed for an energy supplier for 25 years JH explained there will be energy strategy for all the estates has currently been commissioned. The position on district heating would be dictated by planning and the GLA. If a different option exists there would need to be negotiation with the GLA. (Sustainability agenda). NC raised the issues with Myatts Field and the cost of heating.</p>	
2.16	<p>Rents</p> <p>NC said that the level of rent increases are substantial, e.g. the modelling shows a 1</p>	

	<p>bedroom council rent home at £117. She also asked whether current tenants would need to pay for the £25/month parking allowed in the model. FC to respond.</p>	
2.17	<p>For Sale Values NC also commented on house prices, she felt existing leaseholders will be lucky to get a foot on the ladder again with the new properties. In addition there are no service charges or council tax added to these costs. Why were these redacted? FC to respond</p>	
2.18	<p>Tenant & Leaseholder Payments allowed within the modelling VH said that these had reduced from the January modelling to the current July modelling i.e. T&L payments – £15.1 million (based on 80% staying) in July 16, and £19.4 million in January. Was this a reduction in payments to leaseholders (& tenants)? FC to respond.</p>	
2.19	<p>Number of Leasehold Remaining on CH The model show 80% of leaseholders remaining on CH, & at VH's request the modelling was carried out with 20% of leaseholders remaining on CH. VH's view from the July 'public' meeting was that only 1 of 26 leaseholders would remain – which equates to 4%.</p>	
2.20	<p>Number of additional homes The modelling has looked at numbers to deliver around 100 additional affordable homes.</p>	
2.21	<p>Matthew has requested for these numbers to be rerun without the goal of the 100 additional homes. Rerun the 800+ and 900+ units at the current numbers. And come back with the results of additional.</p>	FC
2.22	<p>KB asked with the number of homes at 1000+ where are the hundreds of extra homes going? The example options on the 800+/900+ show 6 stories on the ridge? How many stories are we looking at?</p>	
2.23	<p>FC to provide massing drawings at a higher density.</p>	FC
2.24	<p>This is modelling only. The model looks at viability in relation to re-provision, and the number of additional homes. There is no commitment to a scheme at this stage.</p>	
3.0	<p>Key Guarantees</p>	
3.1	<p>JH provided a verbal update as to where the Key Guarantees (KGs) are in the process. JH stated that the release of the new KGs was imminent and that officers were awaiting final sign off internally before commencing a consultation on the enhanced KGs.</p>	
3.2	<p>VF posed a serious of questions surrounding the nature and form of HFL. Type of company, FCA registration, publically owned etc.</p>	

<p>3.3</p> <p>3.4</p> <p>3.5</p> <p>3.6</p> <p>3.7</p> <p>3.8</p> <p>3.9</p> <p>3.10</p> <p>3.11</p>	<p>JH confirmed that the outline structure for HFL is included in the cabinet paper dated October 2015. Small amendments have been made to the structure since then to ensure robustness.</p> <p>Questions were raised surrounding the removal of the shared equity deal previously offered to existing resident leaseholders as part of the KGs. LBL is no longer able to offer a shared equity scheme due to a recent change in EU legislation. JH confirmed that the shared equity offer is no longer an option provided by HFL. As part of the new enhanced KGs a shared ownership deal which emulates the shared equity offer – e.g. 0% rent on the remaining value – would be developed as part of the new offer.</p> <p>VH asked and whether the shared ownership down payment would need to include the 10% compensation payment offered to resident leaseholders? VH stated that if this was the case that in his view this could not be referred to as a compensation payment.</p> <p>MB explained that if the 10% payment to resident leaseholders was not included in the down payment on the new homes for leaseholders then this funding would need to be raised from elsewhere in the model. If this were to happen then other elements of the scheme would suffer including the numbers of affordable units provided.</p> <p>NC made the point that this issue (of rent being paid on the remaining value) alongside the issue of porting mortgages. On the basis that the majority of people will be paying rent and mortgages.</p> <p>JH – Lambeth is looking at the leaseholder position. Leaseholders should have the option of renewing their mortgage, where they could invest 100% of the value of their existing property plus the 10% compensation payment into the new property and live rent free.</p> <p>If a resident leaseholder could not renew then the council should step in and pay off their remaining mortgage sum. Here the council would need to recoup this cost, the resident leaseholder would need to pay rent on the remaining value of their property owned by the council. This payment could be the interest of the previous mortgage payments.</p> <p>JH said the 60% equity wasn't going to be fixed to access the option and that most leaseholders willing to remain in the estate should be able to use it with their old house equity plus 10% compensation to the new house.</p> <p>JH confirmed to the group that HFL is still on track to be legally incorporated in autumn this year.</p>	
<p>4.0</p> <p>4.1</p>	<p>Cabinet Decision & Consultation</p> <p>VF expressed real concern about the possibility of the options consultation starting before the enhanced KG consultation had been undertaken and prior to the incorporation of HFL and its legal structure which is effectively the guarantor or the KGS on behalf of the council.</p>	

<p>4.2</p> <p>4.4</p> <p>4.5</p> <p>4.6</p>	<p>Note: Ron Houston (PPCR – absent) had previously emailed all REP members agreeing with residents that a consultation could not start prior to the enhanced KGs consultation.</p> <p><i>LBL have consulted legal advice and have been assured that legally the consultation could go ahead.</i></p> <p>The only caveat of this would be for the swift development of a similar replacement shared equity offer to leaseholders at a later date.</p> <p>MB said it was clear from the public meeting people wanted a decision.</p> <p>NC said ‘ If you make a decision, we’re going to court’</p>	
<p>5.0</p> <p>5.1</p> <p>5.2</p> <p>5.3</p> <p>5.4</p> <p>5.5</p> <p>5.6</p> <p>5.7</p>	<p>Terms of Reference:</p> <p>All REP members were circulated a copy of the Terms of Reference form on 5th August 2016 which were to be signed by each panel member by the 6th September. The ToR had previously been noted and agreed as part of the REP by the independent chair almost a year previous.</p> <p>NC stated that a request had been sent to officers for clarification on what sanctions would be placed on officers if they were to breach the Terms of Reference (ToR).</p> <p>Responses sent 1st September.</p> <p>NC also stated that 3 previous versions had been circulated of the ToR and therefore REP members had only just been provided with this new ToR document format. NC stated that REP members had therefore not had this document for ‘a year’ as quoted from correspondence between officers and the REP via email.</p> <p>Clarification request to NC on 1st September.</p> <p>The group asked why they were being asked to sign this document at this late stage. JH confirmed this was for consistency across the 6 estates. The other 5 estates all now have signed off ToR, with only Central hill outstanding.</p> <p>The reasoning behind the signing of this document for the terms/ scope of the group. The nature of the group is that contentious issues are discussed and these need to be worked through in a polite and understanding manner by all sides. The Code of Conduct is to support this approach.</p> <p>KB argued that the signing of the ToR was in some way confirming the group’s position as a REP rather than the groups previous status as a steering group. She felt the act was deemed devious on the part of the council.</p> <p>There was a general consensus that the group would not sign the ToR document by the 6th and legal advice was demanded by NC on behalf of the group on the ToR & associated code of conduct.</p>	

5.8	JH stated that the group would not be required to sign any ToR prior to a Cabinet decision.	
6.0	Consultation approach	
6.1	Draft consultation documents including a consultation programme and timespan were circulated on 18 th August- as requested in 28 th June.	
6.2	No comments had been received prior to the meeting. (VH advised he was to respond).	
6.3	<i>The substance of the booklet has been re-drafted to make the Council's position clearer. This has been cleared by legal and therefore no further edits will be accepted. It will be sent to the group for information and for discussion.</i>	
6.4	<i>Next REP to go through and discuss Lambeth's consultation process</i>	LT
7.0	Agenda for the 6th	
7.1	Following on from incomplete discussions on the ASH finances and design & planning review from PCCR due to late circulation of the information and in the absence of a finalised report from PCCR it was deemed that items from this meeting had not been thoroughly addressed.	
7.2	It was noted that a number of residents were annoyed at the lack of support provided by PCCR in relation to the finance information provided and presence at the meeting from PCCR.	
7.3	It was suggested that the REP members could use the 6 th Sept REP time to meet with PCCR to better understand and interrogate the finance information provided by the council and the final ASH review report from PCCR. This will not be a full REP meeting. No cllrs or officers should be in attendance.	
7.4	A REP meeting would then be arranged to: <ul style="list-style-type: none"> - Review consultation approach and associated material - Respond to any finance queries that may be raised by PCCR on behalf of REP members following the REP/PCCR meeting on the 6th September 	
7.5	REP meeting to be arranged and confirmed by FC/LT following the 6th September.	FC/LT
8.0	A.O.B None.	