

Viability Workshop - Thursday 28 January 2016 Lambeth Council's notes

Attendees

Marek Effendowicz - ME Head of Communications (Housing), Lambeth
Julian Hart - JH Estate Regeneration Programme Manager, Lambeth
Hamant Bharadia - HB Associate Director, Financial Planning and Management

Daniel Grantham - DG Finance Officer, Lambeth

Pat Reid - PR Housing, Lambeth

Christian Fleming - CF Major Projects, Lambeth

Edward Ogundele - EO Independent Resident Adviser

Abbas Raza - AR Local Dialogue

Gerlinde Gniewosz - GG Estate Resident

George Cosh - GC Estate Resident

Alice Ashton - AA Leaseholder

JH set out the goal of the workshop which is to explain the financial context around the refurbishment option of the estate namely:

- The Housing Revenue Account (HRA) and Council funding
- Value for Money

HB set out the context and purpose of the HRA, explaining that:

- It is a ring-fenced budget
- What it can pay for is restricted
- Government changes have created a situation where the HRA should be self financing

The HRA is funded through:

- Tenant rents
- Leaseholder charges
- Grant income
- Borrowing including interest

The HRA can borrow up to a cap that is described as its 'headroom'. While a council may have headroom, it also needs to consider whether it can afford to borrow the funds that will take it to that limit.

GC queried debt vs income and if there is a lot of debt. **HB** confirmed that the assumed level of debt is £160m.

GG queried the status the of the Council's next edition of the 30 Year Business Plan (for 2016/2017). **HB** confirmed that this will be published in the near future.

GG queried the current headroom available in the HRA. **HB** explained that this is being evaluated at present.

GG requested full view of the figures supporting the Lambeth Housing Standard (LHS) viability calculations and the 30 Year Business Plan. **JH** confirmed that, when this information is published, **GG** will be given notice of where to find it.

GG stated that part of the findings of the judicial review commented on the need to provide financial evidence in consultation on options. It was reiterated that, while information can and will be provided, commercially sensitive information cannot be published.

HB confirmed that a financial analysis for 2016/17 in support of the HRA was being undertaken at present. **GG** expressed concern that this meant the Council was presenting options that didn't account for the latest financial information. **JH** explained that the Council cannot hold up all its activities until its annual business plans had been formally adopted for the next year, but that it had to work with the historic information of last year. He also confirmed that, whilst information had not yet been formally adopted or published, within the Council emerging information was known and could be used to help inform strategy.

GG queried the process of writing off debt. **HB** concurred that this would take place in 2017.

GG asked if the demolition of homes would be paid for through the HRA. **JH** confirmed that the precise details were still being worked through. However the mechanism operated, it was envisaged that the Council's initial investment into regeneration of an estate would be recouped.

GG queried how leaseholders buy-back would be funded. **JH** confirmed that the Council will pay for this upfront; the Council had made a provision of £25m to fund the early stages of the estate regeneration programme, including buying back leasehold properties. The Council has also secured £10m grant from the GLA to support leasehold buy-back on some estates.

GG queried if the Council had accounted for the financial costs for the delay to regeneration and what tests have been conducted to assess this. **HB** confirmed that construction options would be phased to reduce this risk.

GG queried the figures in the HRA budget and why there was a £300,000 increase in costs. **HB** confirmed that this reflects Lambeth Living being absorbed into Lambeth Council, the cost of this process and its ongoing operation will be absorbed over its lifetime. **NOTE:** Lambeth Living was an Arms Length Management Organisation that used to manage housing stock.

GC requested information around the income values that would be generated overtime by redevelopment. **JH** confirmed that viability appraisals with redactions would be provided for the next workshop.

GG requested an update from **PR** on the assumptions made when costing works to be paid for by service charge. Residents had been waiting for these for 12 months. **PR** confirmed that a survey of 191 properties was undertaken with 21 not included which is a strong sample size for the survey.

GG queried why works to refurbish Cressingham Gardens were considered more expensive than other estates she also highlighted the cost of kitchen refurbishment. She said that kitchens were costing £4,400 to refurbish, double what they should cost. She reported that a leaseholder in Lambeth had received a bill for £38,000 (**Note**: no evidence was provided). **JH** explained that the original estimated cost for LHS works in the Borough was £499m (as per Cabinet Report of 2012) and this was for around 31,000 properties. Dividing £499m by 31,000 gave an average per unit estimate of £15,000 cost to bring properties up to LHS. It was against this estimate that the circa £30,000+ per unit cost estimate for Cressingham Gardens was being compared. **GG** disputed the total number of homes and said that the Decent Homes grant application to the GLA related to 24,000 homes.

Note: the difference between the estimated and actual kitchen costs is explained by variations/ extra works required at each kitchen. This cost could include extra plastering, the supply and fixture of fire door(s) and frame, moving a cooker gas point, cooker hose and bayonet.

GC queried if a cash flow analysis existed for works and if these had been considered overtime. **JH** confirmed that the finance of the refurbishment would be dependent on what funds the Council has available. This depended on the ability of the HRA to fund refurbishment. In contrast, redevelopment of parts of, or all of the estate, would be paid by using money borrowed by Homes for Lambeth either from the public loans board or through the City.

GG requested full un-redacted financial information that underpins the 30 year business plans for redevelopment options. **JH** stated that not all the data can be released as it is confidential and commercially sensitive. Releasing the full details would undermine Lambeth Council's ability to procure essential housing services. The level of data that would be released is the same as that which was made available for other estates in Cabinet decisions made in the autumn of 2015.

GG stated that the Airey Miller report did not account for income loss and that she'd provided an analysis to the council showing this was the case. **Note**: no evidence has been provided to justify this claim.

GC stated that transparency would be assisted and made simpler to understand if residents could assess the costs against the values generated

by the regeneration options. **NOTE:** Lambeth Council will be making the following information available to support this process:

- Proposed scheme floor areas, residential unit numbers and tenure mix
- Anticipated residential sales and rental values
- Estimated costs of refurbishment (already published in a March 2015 Cabinet Report)

JH made it very clear that the Council cannot and will not, as stated, publish figures for detailed build costs as this is commercially sensitive information. Release of any cost information would prejudice future procurement of construction works.

GG expressed a concern that financial figures could be manipulated by the Council. It was clearly stated that this would not be the case and Lambeth would conduct its work inline with professional standards. **GG** stated that she would request external auditors to assess the Council.

GG stated that a RCIS qualified surveyor should assess the Council's projected values in relation to refurbishment and redevelopment and queried who previously carried out the assessments. It was confirmed that Lambert Hampton Smith carried out this assessment.

GG queried how the Council reached its £9.4m figure for the refurbishment of Cressingham Gardens and the £30,000 figure per property. **JH** confirmed that in January and February 2015, Council officers had met with **GG** to consider costs of refurbishment. The outcome of this was reported in the March 2015 Cabinet Report. Whilst agreement could not be reached, the Council had conceded and amended its original number to predict an initial refurbishment cost of £9.4m across 306 homes (£30,000 per home). This was an estimate. This would not, however, be the full cost of refurbishment as it involved pushing back the cost of window replacement to a later year. As a consequence, if refurbishment were to proceed, then leaseholders would receive significant bills immediately and again within 5 to 10 years time.

A point was raised around what constitutes value for money, particularly if this is a purely financial term. The Council's view of what constitutes Value for money is considered on the following basis (amongst other factors):

- Whether it delivers good quality homes for existing residents
- Whether additional new homes could be provided for those on the waiting list and how many
- How much of an investment is required to deliver it
- Whether it can be funded

ENDS