

PRESS RELEASE MARCH 14

LAMBETH COUNCIL “SWIFT DISMISSAL” OF CRESSINGHAM PEOPLE’S PLAN

Yet again, Lambeth’s regeneration team, in tandem with Labour politicians, have shown their complete contempt for residents of Cressingham Gardens. Having spent just a few days in possession of the People’s Plan report, the council issued a swift dismissal by email to residents, which was strewn with errors, distortions and omissions, at 5.17pm on Friday evening. This was closely followed by a press release in similar terms, stating that cabinet is being asked next Monday to endorse full demolition of the estate. If the council does go ahead, this will cause chaos, misery and financial difficulty for many, and will destroy a community.

Residents are disappointed and upset to say the least, but aren’t surprised - the council hasn’t exactly set a high bar for how it conducts itself since launching the Cressingham regeneration in 2012. Even in November’s high court judicial review hearing, following many months of delays, Lambeth’s officers finally, on the last day, produced into evidence a key finance memo, which was discredited, and even the judge said it had made her feel “uneasy”¹. She ruled the consultation unlawful and quashed the decision, forcing the consultation to be run again.

We produced our People’s Plan to challenge their lazy thinking and offer an alternative that was both best for residents, and met the council’s aims. On this most recent occasion, despite the short period - barely five working days - since receiving our 326-page report (including appendices), the council has claimed to have assessed it “on both feasibility and finances” and “found that it could not be considered a practical option”. We are certain this can’t be the case both for reasons of time, and the evident inaccuracies. The numerous holes, and the council’s haste and closed-mindedness, are plain for all to see.

Were Lambeth to be honest, it would admit that the preferred option of demolition is the unworkable choice, yet it chooses to gloss over its own errors, while fabricating flaws in the residents’ proposal.

For example, residents purposely invited the council to meet a neutral third party to cover their commercially sensitive funding discussions², which the council has not taken

¹ <https://savecressingham.wordpress.com/2015/11/24/breaking-news-lambeth-demolition-decision-quashed/>

² Page 2 of The People’s Plan: “We are already in conversation with a number of funding organisations who are in the position to finance a community-owned structure, as was stated in the executive summary of TPP

up, and Lambeth has therefore concluded its “assessment” before considering the available evidence on that point.

Secondly, Lambeth claims the PP report “relies on funding from the Housing Revenue Account and does not, therefore, resolve the question of how to fund refurbishment of the estate”. This is also a complete misrepresentation. It is true we are suggesting there is an option for the HRA to be used to fund the refurbishment. The available evidence suggests there is enough money, but in Lambeth’s true spirit of non-transparency, it has refused to share an up-to-date HRA business plan with residents. This option, along with four other suggested funding structures, is clearly set out in the PP report³. There is no evidence that the council has carried out the appropriate analysis of the structures suggested. In addition, it appears the council has a further £26.5m from the HRA Earmarked Reserves for investing and improving homes, some of which could be made available⁴ for the PP.

Thirdly, the PP proposal to provide 37 additional homes (of which 90 per cent - 33 homes could be let at council rent levels), has been summarily dismissed and on a false basis⁵, with claims that the numbers achieved are lower than they are, and false claims about non-compliant dimensions of the new homes proposed for the carpark. We believe these misrepresentations are designed to mislead residents and councillors about the veracity of the People’s Plan.

In terms of Lambeth’s analysis of its own preferred option, there are too many flaws to mention here. We highlight just ten of them:

- 1) The council has failed to address the fact that the People’s Plan report identifies a failure of Lambeth’s own recommended option to meet its “must” have number one key criteria of achieving a positive Net Present Value (NPV)⁶. A properly calculated NPV for Full Demolition (Option 5) reveals it falls spectacularly at the

submitted February 19th 2016. In response to Lambeth officers stating that “no proof of additional funding had been provided” at the subsequent February 25th 2016 exhibition, we are willing to disclose the proof of these commercially sensitive discussions via an independent and neutral third party.”

³ Page 45 of the People’s Plan: “7. Five funding Structures & their Implication”

⁴ Page 8 <https://www.lambeth.gov.uk/sites/default/files/ec-statement-of-accounts-2014-15.pdf>

⁵ Page 9

<http://moderngov.lambeth.gov.uk/documents/s80083/Appendix%20E%20-%20Part%202%20-%20Peoples%20Plan%20Development%20Appraisal.pdf>

⁶ http://estateregeneration.lambeth.gov.uk/cressingham_options “The Council’s Cabinet will review the options for the estate (including the People’s Plan) against the same criteria as was used for other estates in the programme. Firstly all options must achieve these criteria: Viability: option achieves a positive Net Present Value (NPV).

- first hurdle, with a negative -£6.7m to -£30m NPV over 60 years, compared with the People's Plan, which has a positive £6.6m to £13m NPV over only 30 years.⁷
- 2) There are multiple unexplained omissions⁸ from the council's NPV calculation, such as the absence of any maintenance costs under Full Demolition (Option 5); lack of sensitivity analyses for homeowner retention which is likely to be very low, thereby pushing up actual upfront buyout costs; a failure to include the full statutory home loss compensation and associated costs in the calculations; missing costs that ought to be in any development proposals as well as costs for known site-specific problems such as the major water main running under the estate. The totality of this means that what is being presented as a financially viable demolition programme, is in fact enormously loss making, not viable and would require massive taxpayer subsidies.
 - 3) The classification of a £7.5m "grant" as income, although it is simply Lambeth's own capital cash that it is putting into their own private company "Homes for Lambeth", massively distorts the viability and NPV assessments. Without this erroneous classification of the £7.5m, Lambeth's proposed full demolition would be clearly loss-making even after 60 years. In addition, this grant, if it is supposedly to be repaid at some future point (no details provided) would also need to comply with state aid regulations, ie any loan would have to be provided at market rates, which is clearly not the case here. Even if the £7.5m were permitted to be included in the NPV, which it should not be, for a fair comparison to be made with the People's Plan, the £7.5m should be equally available to the Plan for the provision of the proposed new homes.
 - 4) The council may have to sell off all the new homes it builds on the open market, under legislation to fund the government's RTB (Right to Buy) extension to housing associations, as these properties may be considered vacant "high value" properties⁹.
 - 5) Under the above circumstances, it is clear that Homes for Lambeth would not be able to secure external funding, as no investor would put money into a proposal that has a grossly negative NPV, with the additional risk of having to sell off its assets.

⁷People's Plan Page 40 - Financial Viability

⁸ Page 14 People's Plan Report, NPV Comparison & Missing Assumptions. "When we re-created Lambeth's Option 5 financial models using the assumptions provided by the council, it would appear that the real NPV for Option 5 is probably closer to a negative -£20m over 60 years, increasing to a -£30m over 30 years. This appears to be a result of excluded assumptions (e.g. no maintenance) and errors (e.g. recognising the £7.5m loan from Lambeth to its SPV as income).

⁹

<http://www.theguardian.com/society/2015/jun/28/right-to-buy-islington-council-caledonian-road-speculators-sell-off>

- 6) The government has said it will not allow councils to set up SPVs (Special Purpose Vehicles such as Homes for Lambeth, the private company being set up by Lambeth for property building) to be used in order to avoid current local authority accounting rules and debt caps, a fact which other councils have duly noted^{10 11 12}
- 7) The government has said it will not allow SPVs¹³ to be used to deprive tenants of their rights, such as the right to buy. Lambeth's proposal to replace secure tenancies with assured tenancies under the SPV, contravenes this policy. In fact, the financial "success" of Homes for Lambeth rests on the removal of tenants' rights¹⁴, by providing the flexibility for selling off shares and hiking rents to market levels in the future, along with the wide-ranging stripping of rights from residents - with secure tenancies being downgraded to inferior private, assured tenancies.¹⁵
- 8) While, as stated, we are in discussions with potential funders, regeneration manager Julian Hart is on record¹⁶ saying the council has not spoken to any banks, so on the available evidence regarding funding, the People's Plan is in the better position.
- 9) The council's additional homes are largely unaffordable¹⁷ and this contravenes its own target strategy of 60 per cent affordable (of which 100% of should be council rent levels)¹⁸ in regeneration schemes. At 90 per cent genuinely affordable (all council rent levels), the People's Plan actually exceeds this target. In addition, the supposedly "affordable" additional homes in Option 5 involve large rental increases (for the majority of tenants forecasted is a 23%-25% rent increase).¹⁹ Furthermore, Lambeth will not be setting the rents of the new 1 and 2 bed homes at council rent levels, but at the much higher Local Area Housing Allowance levels, which we believe is designed to exploit Housing Benefit/Local Housing

¹⁰ <http://www.insidehousing.co.uk/councils-axe-build-programmes-after-rent-cut/7014108.article>

¹¹ <https://www.gov.uk/government/speeches/housing-update-march-2015>

¹² Page 63, People's Plan - other SPV projects

¹³ <https://www.gov.uk/government/speeches/housing-update-march-2015>

¹⁴ <https://architectsfor-social-housing.wordpress.com/2016/03/10/a-manifesto-for-all-londoners/>

¹⁵ Architects Journal: "When returning to replacement homes on rebuilt estates, they will become private renters, losing many rights..."

<http://www.architectsjournal.co.uk/news/guerrilla-architects-and-courtroom-fisticuffs-a-tale-from-regeneration-s-frontline/10003962.fullarticle>

¹⁶ Page 147,

<http://modern.gov.lambeth.gov.uk/documents/s80091/Cressingham%20Gardens%20Consultation%20on%20the%20future%20of%20the%20estate.pdf>

¹⁷ Page 13, People's Plan - market rent - from £345/wk for a one-bed flat, to £757 per week, for a four-bed flat

¹⁸ Page 12, People's Plan

¹⁹ Page 13, People's Plan - council rent increases

Allowance limits and has the effect of making Lambeth needlessly more reliant on benefits²⁰.

10) In order to achieve its 27 homes at “council rent levels” Lambeth has massaged the numbers - by demolishing 24 four-bed homes, replacing them with only four homes of this size, and smaller three bed homes. There has been no evidence provided that actual need of residents was the driver for this configuration, and appears to be a way of boosting the paltry numbers from its previous “23”. The bald statement that all council tenants will be able to return, at the very least does not apply to those families living in many of the current four-bed homes.

Lambeth’s cabinet is about to endorse a catastrophically flawed decision made by Cllr Matthew Bennett and his regeneration team, that is very likely to be Labour Lambeth’s Iraq - aptly put by a resident of Central Hill, another estate threatened by the council. We urge officers, ward councillors and cabinet members to think again before taking the final leap.

To help save Cressingham Gardens and preserve these genuinely affordable homes for both its current residents and generations to come, we urge the public to join in the residents’ protest on March 21 and to back the People’s Plan:

<https://www.thunderclap.it/projects/38789-i-support-the-people-s-plan>

<https://www.facebook.com/events/255069118158125/>

Notes:

Any of the above is attributable to resident Andy Plant

For further information contact cressinghamcommunity@gmail.com

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²⁰ Page 13 People’s Plan - council to charge LAHA levels for all extra one bedroom @£204/wk and two bedroom homes @£265/wk