

Response to queries on Community Investment Programme (CIP) Special Camden Town DMC – Wednesday 13 February 2019

See below for responses to queries on the Community Investment Programme (CIP) previously submitted by Camden DMC. (Queries are in *italics* with responses to each below).

Q1: To date how much has LBC raised through sales of premises and/or land to fund CIP? Please break down capital receipts in terms of source – HRA, General Fund, Other – showing type of disposals (small sites, etc).

See below for a table showing capital receipts from land sales 2013/14 - 2017/18 used to fund CIP/HS2 Replacement Homes.

<u>Type of sale</u>	<u>Proceeds £000</u>
General Fund land sales	141,713
Housing (HRA) Small Sites	34,884
Enforced sale of land to HS2	1,942
	178,539

Q2: Please provide an update on new home sales giving details of date of completion, asking price, length of time homes remain empty before sale agreed, any reduction in original market asking price.

See below for a table setting out progress of selling new homes

Project	Selling Commenced Date	Total Sale Units	Available Units	Reserved Units	Exchanged Units	Completed Units
XY, Maiden Lane	08/01/2015	147	42	0	0	105
Plender Street	04/01/2016	31	0	0	0	31
Holly Lodge (Phase 2A)	04/01/2016	7	0	0	0	7
Holly Lodge (Phase 2B)	15/08/2016	11	1	1	1	8
Bacton Low Rise (Phase 1)	22/04/2017	21	2	1	0	18
Bourne	19/01/2017	31	11	8	1	11
Abbey Road Cross	06/10/2018	75	75	0	0	0
Total		323	131	10	2	180
Total value of homes		£235.3m	£98.3m	£6.8m	£1.3m	£117.2m

We continually monitor the market and competing schemes, we reduce asking prices where it is appropriate to ensure our units are competitively priced. We also offer market incentives to help achieve sales where necessary.

Q3: Please provide details of how many completed flats for sale remain empty, their location and the duration of vacancy?

Project	Practical completion	Available Units
Maiden Lane	November 2017	42
Holly Lodge (Phase 2B)	July 2017	1
Bacton Low Rise (Phase 1)	April 2017	1
Bourne	October 2017	11
Total		56

In addition to the above 75 homes for sale are due to complete this quarter as part of the first phase of the Abbey regeneration.

Q4: What is the impact of this delay in release of capital locked into investment in new-build failing to deliver on time?

We build assumptions of an expected sales rate of new build schemes into the Capital budget. The CIP programme holds a level of funding contingency (capital receipts and borrowing capacity) to allow for the funding of the programme in the event of delays. Where homes sell more slowly than expected the Council may need to use some of this contingency.

Q5: Please supply details of total monies used to fund CIP from all sources: loans from HRA and/or General Fund, s106, GLA grants, other?

The table below summarises capital funding sources for CIP over the last four financial years.

	<u>2017/18</u>	<u>2016/17</u>	<u>2015/16</u>	<u>2014/15</u>
	£000	£000	£000	£000
Capital Receipts	83,992	72,834	64,796	28,696
Borrowing	14,697	8,029	15,783	63,683
GF RCCO	5,792	1,270	6,585	-
Grants/S106/Contributions	4,146	2,853	795	8,151

	108,627	84,986	87,959	100,530

Note: The CIP is a subsection of the overall Council Capital programme and the full funding of the capital programme overlaps with CIP, i.e. overall borrowing for the Council takes into account the Council's overall capital funding requirement.

Q6: To date, what is the total amount that has been raised through sales of new-build homes?

To date CIP has raised £137.94m from sale of new homes, of which £21.9m has been received this financial year.

In addition to the above CIP generated £46.3m through the sale of 70 homes at Netley to the Department of Transport. The homes had been earmarked for private sale but were bought by government and returned back to the Council a few years later as replacement housing for residents displaced by the development of High Speed Two.

Q7. Please supply a graph projection of where LBC expected to be at this point in time compared with actuality

CIP's programme targets have evolved as the programme has developed. The December 2010 Cabinet report that launched CIP did not set out programme wide targets.

The CIP report to Cabinet on 27 February 2013 noted that 'The programme is projected to deliver 1,100 new / replacement homes by 2020/21' and that 'in total £117m will be invested in 58 schools and children centres in the period up to 2016/17'.

By the December 2013 Cabinet report this has been updated to 'The programme is projected to deliver 1,100 new / replacement affordable homes by 2021/22' and on schools: 'In total CIP aims to generate £117m to be re-invested in 53 schools and children's centres in the period up to 2016/17'.

The January 2014 Cabinet report set out the current CIP programme targets for housing for the first time: 'The programme is projected to deliver 3050 new homes including nearly 1100 new and replacement social rented homes and 300 new intermediate housing' with the school investment remaining the same: 'In total CIP aims to generate £117m to be re-invested in 53 schools and children's centres in the period up to 2016/17'.

The current programme wide targets are to build 3,050 homes across 15 years – so taking December 2010 as starting point by December 2025 – as follows:

- 1,100 Council homes (450 additional, 650 replacement)
- 300 intermediate affordable homes

- 1,650 homes for sale

To date we have built 721 new homes of the following tenure through CIP:

- 285 Council homes (156 additional and 129 replacement homes)
- 78 intermediate affordable homes (65 Camden Living rented homes and 13 for shared ownership)
- 358 homes for sale (this includes 70 units for sale at Netley, which were purchased by the Department of Transport and returned back to the Council as replacement housing for residents displaced by the development of High Speed Two, so the vast majority are now social housing units).

To date we have invested £122m into improvements to schools and children's centres across the borough. Total investment reached £117m this financial year.

Q8. Are Savill's the sole marketing agent for CIP new-build sales? What percentage commission is charged on the sale of property?

Savills are sole agents for most CIP schemes and have a contract with LBC until August 2020. Savills commission as per the contract is 0.9% of the sale price achieved. We use other agents some schemes not listed in Savills contract.

Q9. Of the number of CIP projects completed, how many have delivered on time and on budget? Please identify each. and

Q10. Which CIP projects have exceeded their budget and by what amount? Please identify, including phased projects where future phases have been cancelled, put at risk or redesigned because of financial challenges in the first phase.

CIP and the council's wider capital programme are reviewed annually and budgets updated to reflect latest requirements and assumptions. As proposals develop budget requirements change as do market conditions. Inflation of construction costs in recent years has outstripped market forecasts leading to cost increases.

All CIP projects have experienced at least some increase in budget from the point of Cabinet approval. But in some cases – such as Maiden Lane and Plender Street / Camden Street increased capital receipts from the project mean that the achieved / anticipated net surplus from the project has increased from the point of Cabinet approval.

Q11. Does LBC include penalty clauses in its contracts? If so, how much has been awarded to LBC in relation to project delays? How much have project delays cost LBC? Has LBC been in breach of any such penalty clauses?

A true 'penalty clause' would be unenforceable and they are not included in standard forms of construction contract. The building contracts used on CIP have Liquidated Damages clauses (sometimes referred to as liquidated and ascertained damages or

LADs). Liquidated Damages are not penalties but rather a pre-determined calculation of actual losses the client is likely to incur if the contractor fails to meet the completion date.

Set against this the contract is able to claim for Extension of Time which allow the construction period to be extended where they can demonstrate that the delay is not their fault. The contractor can also claim for any direct loss or expense incurred as a result of the progress of works being materially affected by relevant matters for which the client is responsible. Again loss and expense claims are not strictly speaking 'penalty clauses'.

Details of final settlements on contracts are commercially sensitive as they could influence negotiations on future contracts. In practice Liquidated Damages, Extension of Time and Loss and Expense claims are common across construction contracts and are often agreed by client and contractor as part of the settlement of final account or where agreement cannot be reached through arbitration.