

<b>Item No.</b> 14.	<b>Classification:</b> Open	<b>Date:</b> 22 July 2014	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Next Steps on Developing Long Term Plans for the Delivery of New Council Homes	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Leader of the Council	

## **FOREWORD – COUNCILLOR PETER JOHN, LEADER OF THE COUNCIL**

In July 2013 this council made an historic commitment to build 11,000 new council homes by 2043.

This report is all about the delivery of that commitment, and describes how we will ramp up our programme of building those new council homes from a few hundred early starts to 1,500 finished homes by 2018 and a total of 11,000 new homes over the thirty years of the programme. It authorises officers to put in place the additional capacity required to deliver to these timescales, including the creation of a new company, wholly owned and controlled by the council, that will allow us to secure the necessary investment.

It also describes how we will bring together the management of the new homes building programme with the ongoing maintenance and renewal of our existing council housing stock. It sets out how we will engage with residents on a borough wide and estate by estate appraisal of our existing housing stock to enable us to develop a comprehensive, long term investment and asset management plan that will ensure a high quality council home for all our tenants in the future.

London is suffering from a chronic shortage of quality, affordable homes. We in Southwark are committed to using every tool at our disposal to increase the supply of all kinds of homes across the borough, including new council homes. And we are committed to demanding the highest standards of quality, so that Southwark becomes a place where you will not know whether the home you are visiting is in private, housing association or council ownership.

Through our planning policies, we will unlock new sites for house building, both council and commercial. Through our large scale regeneration programmes and the financial contributions they bring to the council, we will deliver new private, housing association and council homes for hard working families on all income levels. Through our new homes delivery programme, we will deliver a total of 11,000 high quality new council homes for social rent and thousands more for shared ownership. And through the long term active management of our council housing assets, we will ensure that every council tenant enjoys a high quality home, that is warm, dry and safe, with a modern kitchen and bathroom.

Our commitment is real – this is how we will deliver it.

## **RECOMMENDATIONS**

That the cabinet:

1. Notes progress underway within the Direct Delivery programme that forms part of the commitment to build 11,000 new council homes over 30 years from 2013 to 2043.
2. Agrees to bring together, under the head of major works, the future programme delivery for new council homes with the ongoing asset management of the existing housing stock.
3. Instructs the Strategic Director of Housing and Community Services to:
  - put in place the necessary capacity to oversee further programme delivery;
  - undertake a comprehensive appraisal of the overall performance of current Housing Revenue Account (HRA) assets and report back the outcome of this analysis to cabinet in December 2014;
  - bring a further report to cabinet in December 2014, setting out the proposed pipeline for the delivery of 1500 new council homes by 2018;
  - establish a wholly owned and controlled council 'vehicle' to secure future funding capacity for the programme.
4. Instructs the strategic director of housing and community services to report annually to cabinet on delivery of the programme.
5. Agrees the draft "charter of principles" (Appendix 1) to govern our approach to engagement on housing investment and renewal.
6. Instructs the strategic director of housing and community services to consult with residents on the draft "charter of principles" through the summer, reporting back to cabinet in October 2014.
7. Notes the continuing role of the Futures Steering Board (FSB) as a valued sounding board, providing important tenant and homeowner perspectives on the delivery of the 11,000 new council homes.
8. Notes the ongoing engagement on the New Southwark Plan and emerging 30 year housing strategy, and instructs officers to ensure the necessary linkages are made with the proposed engagement set out in this report.

## **BACKGROUND INFORMATION**

9. Improving housing in Southwark is at the centre of the council's plans to create a fairer future for all, regardless of whether residents are social housing tenants, council leaseholders, private renters or homeowners. Access to appropriate, good quality affordable homes is important not just for residents but also to the wider economy and essential to shaping a borough which all residents are proud to call home.
10. In October 2011, after resident consultation, cabinet agreed an investment programme of £326 million to make every council home warm, dry and safe by 2015/16. By the end of 2013/14, over £180 million had been invested, over

9,000 properties have or are benefiting from work undertaken, in excess of 120 lifts had been refurbished and over 6,000 individual boilers replaced, with many more residents benefitting from improvements to district heating works. The investment programme is on track to be fully committed by 2015/16 in line with target.

11. At the same time, recognising that housing was one of the single biggest challenges facing the future of the borough, cabinet agreed to set up a commission, independent of council influence, to explore options for the future financing, ownership and operation of Southwark's housing stock beyond 2015/16. The independent housing commission reported in October 2012. It was followed by extensive engagement with residents on the future of council housing. The engagement process comprised wide ranging community conversations, consultation through formal mechanisms, including Tenants Council and Homeowners Council and the establishment of a new tenant and homeowner sounding board, the Futures Steering Board (FSB).
12. The outcome of the community engagement was reported to cabinet in July 2013. It highlighted overwhelming support for the views that:
  - Council housing should be for people for whom the private rented sector is unaffordable, who are in low paid work, beyond retirement age or unable to work (e.g. through illness or disability) and who have a local connection with the borough;
  - The council should invest in its housing stock to provide good quality homes for all its tenants;
  - The council should provide as many homes at genuinely affordable rents as possible and should look creatively at different options for financing and managing the delivery of new council homes;
  - The council's housing stock should be better managed and there is a significant appetite among council tenants and homeowners for more resident involvement in housing management, more tenant management initiatives and for exploring partnership working with other social housing providers, where this makes sense for a particular estate or locality.
13. Following this engagement, cabinet made an historic commitment to build a total of 11,000 new council homes.
14. Since July 2013, work has been undertaken on the council's approach to delivering this commitment. A report comprising a new homes investment plan, independently prepared by housing experts Savills UK, was presented to cabinet in January 2014. The report set out the different approaches available to the council to achieve its objectives and stated that the council's ambition to build 11,000 new council homes was both realistic and deliverable.
15. Also in January 2014, the FSB set out its response to the new homes investment plan report. In summary, the FSB was "delighted" to see the council's clear and strong commitment to building 11,000 new homes over the next 30 years. The full detail of their response, as set out in the January cabinet report, has been used to inform the actions set out in this report. The FSB was also consulted on the content of this report at its most recent meeting with council officers on 9 July 2014. They will continue to be actively engaged in progressing the next steps set out later in this report, as the council concludes the strategic planning and early development sites phase of the 11,000 homes programme and the focus shifts to

large scale delivery.

### **Purpose of this report**

16. This report sets out plans to progress one of the most ambitious programmes of housing investment and renewal in a generation, including the building of 11,000 new council homes by 2043, the first 1,500 of which will be built by 2018. The purpose of the report is to put in place the actions required to deliver this programme of borough-wide and estate by estate housing investment and renewal - shaped by residents and funded through a range of new and existing mechanisms.
17. The council will fully align and bring together its resources, operating across service and departmental boundaries, and will reshape how future council housing is supported and financed. This will include establishing a wholly owned and controlled council vehicle to finance future delivery of new homes whilst maintaining and improving the quality of the existing estate.
18. Most importantly, the report describes how the council will put residents front and centre when considering the choices that need to be made on local housing investment and renewal. These choices will impact on different communities in different ways over different periods of time and will be based on solid evidence, shaped by local opinions and residents' aspirations for the future.

### **What the report says**

19. The report begins with an update on progress so far delivery, including the early sites identified for the first of the 11,000 new council homes.
20. The report then looks forward, outlining the long term housing vision for Southwark, which provides the framework for developing a new borough-wide housing strategy. It then considers how the council will go about identifying further potential land for development opportunity including, as part of the emerging New Southwark Plan, looking at capacity and opportunities for redesignation of land at strategic sites such as the Old Kent Road.
21. The report goes on to explain how the council is balancing investment in the existing stock, through ongoing asset management, with its plan to deliver 11,000 new council homes. This will entail taking a more pro-active approach to the stewardship of its housing assets and means aligning delivery of new council homes with ongoing asset management. Through its housing vision, the council set itself the challenge not just of increasing the supply of homes, but of demanding that all homes, including its existing housing stock, are of the highest standards of quality. The report sets out the links between this vision and plans for delivery.
22. The report then explains how the council will establish the capacity to achieve its plans, including the establishment of new officer governance and delivery arrangements under the strategic director of housing and community services and a wholly-owned, council controlled 'vehicle' to finance future delivery.
23. Finally, it sets out how residents will shape the programme of housing investment and renewal at the borough-wide and estate by estate level, now and in the future.

## KEY ISSUES FOR CONSIDERATION

### Progress to date

24. In recognition of the need to address some of the more immediate housing needs in the borough in May 2012, the leader of the council signalled his intent that the council begin a programme of new house building and asked that officers work up a programme of delivery. The schemes comprising the first phase of the directly funded housing delivery programme were agreed by cabinet in October 2012. Since then:
  - Eight of the schemes have secured planning approval, with two currently in the planning process.
  - Five schemes have now commenced on site, and a further scheme will commence on site before December 2014.
  - Twenty four “Hidden Homes” are included in the programme.
25. The schedule of schemes is attached at Appendix 2.
26. In October 2013 cabinet went on to agree in principle a second phase of schemes to be worked up in further detail. The schedule of schemes, with next steps outlined, is attached at Appendix 2. More details of some of the schemes currently on site or with agreed planning permission, including site drawings and photographs, are included at Appendix 3.
27. In order to support future delivery of new council homes, cabinet agreed proposals for a procurement exercise in March 2014, to develop two frameworks for designers, project managers and contractors tailored to Southwark’s requirements. Interim arrangements to progress design work prior to contractors coming on board were also agreed.
28. A number of schemes of relatively larger size than those in the second phase will be assembled, that lend themselves to working with partners in joint venture arrangements. This will access existing supply chains to achieve good value and reduce the financing burden for the construction of private housing.
29. In addition, officers will consider how the council can best secure new council housing in private developments through section 106 agreements or land disposals. This would correspond to the role traditionally taken by Registered Providers of affordable housing in section 106 agreements in privately led developments. The first such scheme to deliver through a disposal is being worked up at Braganza Street workshops. Using section 106 or land disposals will form one of a number of important and alternative components in how we seek to finance the future delivery of 11,000 new council homes. More details on alternative funding mechanisms are set out later in this report.
30. At the more strategic level, further delivery options will be identified that contribute to the building of new council rented homes, both general needs and specialist housing types. Where appropriate, intermediate housing will be developed, including both shared ownership on the Social Homebuy model and of the retained equity type agreed previously by cabinet.
31. Progress to date therefore demonstrates that the council is already meeting its commitment to build 11,000 new homes. At the same time, the scale of the

ambition requires the council to now put in place actions that will progress delivery from these early sites to a borough-wide and estate by estate programme of investment and renewal.

### **A 30 year housing strategy for Southwark**

32. Providing more homes for people to live in, including council homes, and making homes affordable and of the highest possible quality are some of the council's top priorities. Recognising that its own plans for council housing are one part of a wider and growing housing offer in the borough, on 28 January 2014, the cabinet agreed a vision for a new thirty year housing strategy for Southwark.
33. This long term vision consists of four key principles:
  - We will use every tool at our disposal to increase the supply of all kinds of homes across Southwark.
  - We will demand the highest standards of quality, making Southwark a place where you will not know whether you are visiting homes in private, housing association or council ownership.
  - We will support and encourage all residents to take pride and responsibility in their homes and local areas.
  - We will help vulnerable individuals and families to meet their housing needs and live as independently as possible.
34. The programme to deliver 11,000 new council homes by 2043 is a key contributor to the principle to increase the supply of all kinds of homes across the borough. Aligning the programme for new council homes with ongoing asset management of the existing housing stock and bringing that stock up to the highest possible standard of quality is in line with the principle to make Southwark a place where a visitor would not be able to distinguish between homes in private, housing association or council ownership.
35. To take forward the next stage of development of the housing strategy, a senior officer group involving all council departments has been established. This group is overseeing detailed research and analysis of housing need, condition and supply.
36. Work to date has included carrying out a sub-regional strategic housing market assessment (SHMA), which was completed in June 2014. This continues to demonstrate a high level of unmet need for affordable housing in the southeast London sub-region and in the borough. Research is also being undertaken into private sector housing conditions in the sub-region and the scope for this sector to meet local housing needs.
37. The development of a long term housing strategy is ambitious and marks Southwark out from many other local authorities. It means that the council will be able to plan with greater certainty and work with developers and other partners in a way that gives them clarity of vision and outcomes.
38. The strategy will also set out how we will aim to meet particular housing needs, including for specialist provision. This will include taking account of the assessments that need to be made as part of a broader appraisal of the current estate and future investment requirements.

39. Most importantly, a long term strategy, developed in alignment with the council's programme for delivery of 11,000 new homes, gives residents the opportunity to shape plans at both the strategic and local level. The proposals for resident engagement set out in this report, as well as the related engagement on the housing elements of the New Southwark Plan, will form an integral part of the approach to engagement on the development of the new housing strategy.
40. It is anticipated that the new housing strategy for Southwark will be completed by autumn 2015.

### **Identifying longer term development opportunities**

41. The commitment to build 11,000 new council homes by 2043 requires the council to identify as much potential land as possible for development opportunity. This will mean using tools such as the New Southwark Plan to achieve the council's ambition. The Mayor's London Plan sets a target for Southwark to deliver 2005 new homes of all kinds each year. Alterations to the London Plan currently being considered propose increasing this target to 2736 each year. The New Southwark Plan will refine and update our strategies to deliver the council's fairer future vision.
42. To prepare the New Southwark Plan, the council will consult on issues and options in October 2014. Residents will be engaged in this process so that they help shape the strategy and achieve sustainable development which improves the environment of the borough, provides infrastructure such as schools and health facilities and promotes economic well-being. The plan will also have a particular focus on improving the health of the borough.
43. The plan will refine the policies and identify opportunities for development which will support the strategy not only to deliver the overall housing target but specifically to support the commitment to build 11,000 new council homes by 2043.

### **A more pro-active approach to actively managing the estate**

44. As one of the largest landlords in the country, it is important that the council has the most comprehensive understanding of how it can actively manage and maintain its housing assets and how this is balanced with the delivery of any future plans, in this case 11,000 new council homes. Clear standards need to be set and put in place. These standards need to be agreed and costed for works to bring existing stock up to a quality that is both affordable and within available resources. At the same time, a robust assessment needs to be undertaken to identify those assets which cannot be economically refurbished to the agreed standard.
45. A starting point for this assessment is the council's approach to asset management. In 2011 cabinet agreed a five year housing investment programme of £326 million to improve the stock. The programme was put together based upon the assumptions of need (i.e. which housing stock needed most work), affordability (i.e. how much we have to spend and how this spend was distributed) and practical considerations (i.e. how housing blocks are grouped). The key components of the ongoing asset management programme are:

- The main warm, dry and safe (WDS) estates and street properties programme (electrics, windows, roofs, bathrooms, doors, boilers as well as other external repairs)
  - Lift, individual boiler, district heating and electrical works programmes
  - The existing investment two-year programme and the high priority Fire Risk Assessment (FRA) schemes
  - Expenditure on major voids and voids capitalisation.
46. The ongoing asset management programme is based on warm, dry, safe principles, which equates to the Government's Decent Homes Standard. In putting together the current asset management programme, some estates were recognised as needing a higher investment and given funding beyond that available through WDS. These 'High Investment Needs Estates' (HINE) are Abbeyfield Estate, Four Squares Estate and Hawkstone along with the continued regeneration of the Elmington Estate and Aylesbury Estate.
47. Achieving delivery of the warm, dry, safe programme does not of course in itself remove the need to continue to bring properties up to the Government's Decent Homes Standard. Properties will always be falling out of decency on a year by year basis, given a number of the Decent Homes criteria are based on age. It is therefore important to look at short and longer term performance of the council's housing assets to put in place the most appropriate and effective plans for delivery.
48. Recognising the increasing emphasis on long term performance of our ongoing assets, activity includes both "traditional" stock investment actions and "active asset management". These are defined as:
- **Stock investment** –those activities that will maintain the stock to a standard that meets local need
  - **Active asset management** – those activities to improve or replace properties that have poor economic and social performance with properties that are more fit for purpose.
49. Moving forward, the council has the opportunity to align future delivery of council homes more closely to the ongoing asset management of the existing housing stock, and in doing so take a more pro-active approach to how we actively manage the local estate. This will ensure that the council balances investment in the maintenance and improvement of existing stock with the need to deliver new homes. This report therefore proposes the alignment of ongoing asset management activity of the existing housing stock with future programme delivery for new council house building.

### **Appraisal of existing assets**

50. In order to ensure that the council takes every opportunity for appropriate investment and renewal within its own stock, this report also recommends that a detailed and comprehensive appraisal be undertaken of the performance of the current Housing Revenue Account (HRA) assets. Actions to develop this approach will include a stage of data collection and validation. This will be followed by the development of operational cash flows at a local level and an assessment of their worth to the housing business.
51. Alongside the financial evaluation, the council will identify non-financial measures



of sustainability in order to identify those areas where the housing stock prevents the council effectively meeting its social housing objectives, for example as set out in the housing vision described earlier in this report. This will include a measure of social return, which will be based on a range of locally relevant factors such as income, employment, health and well-being, education, skills and training, crime and anti-social behaviour, barriers to housing and social exclusion and the wider living environment.

52. The appraisal will include commentary on the costs and agreed investment standard to be used in future investment programmes for existing assets, including a comparison against other standards applied within the sector. The aim would be that the standard to be applied to existing assets reflects as far as feasible the quality proposed for new development.
53. Finally, a correlation of these results with open market values and development potential across the stock will identify candidate groups of assets where more detailed options appraisal could result in either opportunities for additional homes or improvements in values to the overall HRA business plan, increasing the surpluses that may be available to subsidise new developments.
54. The council has developed an asset performance evaluation tool that provides information on the performance of the stock and can be used by the council to test alternative scenarios. This will be the council's strategic planning tool that it will own and maintain and update over time to review its short, medium and long term strategy for its assets.
55. The asset performance evaluation tool enables the council to understand and evaluate the performance of its existing housing assets, from a financial and non financial perspective. The results from the appraisal of existing assets will provide illustrative future cash flows for the operating cash flows associated with all assets and an estimate of their worth to the overall business plan in net present value terms. The tool will also include a measure of social return, based on feedback from engagement with residents. This will be used to support the development of an active policy of managing housing assets which challenges the value for money of each investment decision, based on an analysis of both the value of future cash flows, and the extent to which investment meets the council's long term housing strategy and related policy objectives.
56. The tool will enable the council to establish a programme of options appraisals to support the investment strategy. This will improve business plan capacity by strengthening asset cash flows. It will also support the development of the 11,000 new council homes programme by identifying sites where investment and renewal will deliver better outcomes for both the council and its residents.
57. A comprehensive appraisal will be concluded and reported to cabinet in December 2014.

### **Establishing the capacity to further deliver the programme**

58. This report proposes the alignment of the future delivery of council homes with the ongoing asset management of the existing housing stock. The head of major works will become responsible for the new build programme alongside the responsibility for the current warm, dry and safe programme and the ongoing housing investment in the existing housing stock, including the installation of kitchens and bathrooms.

59. The delivery programme team will include housing development expertise, community engagement officers to ensure that residents are involved from the earliest stages and throughout the lifetime of the programme, and financial and commercial support to ensure that the programme is funded as necessary.
60. The action planning for the delivery of the programme, including the potential funding model, delivery vehicle and business plan, is already ongoing and progress is described elsewhere within this report.
61. The monitoring of the delivery programme will be overseen by a new corporate governance structure: the housing delivery programme board. The programme board will be chaired by the strategic director of housing and community services, and will consist of senior officers from across the council.
62. The housing delivery programme board will review individual project appraisals to include design, build costs, procurement, community impacts, infrastructure requirements and ongoing service delivery requirements such as environmental services. The board will be responsible for reviewing the overall programme including cross subsidy and opportunity to generate other means of funding. The board will also be engaged in and understand and approve the assumptions and parameters that drive the decision making on the individual scheme feasibilities.
63. The housing delivery board will report into the housing investment board which in turn reports to the leader of the council, as the portfolio holder with responsibility for delivering the 11,000 new council homes, and to the cabinet as a whole.
64. The new arrangements will subsume the existing delivery arrangements, currently located within the regeneration division in the chief executive's department. Staff consultation has commenced and will progress over the summer. It is anticipated that the new management arrangements should come into effect by early autumn 2014. In the meantime, work has begun to recruit specialist financial and community engagement support to augment the council's existing capabilities.

#### **A wholly council owned and controlled 'delivery vehicle'**

65. In the past a number of financial, legal and regulatory issues have resulted in Registered Providers ("RPs") taking a lead in delivering new social housing, even where this is on council owned land. The main reason for this is that, prior to the Localism Act 2011, HRA reform and grant reductions from the Homes and Communities Agency, councils were in a less favourable position than RPs to both build and maintain large scale stock, as borrowing levels were limited and restrictions applied to the amount of income that could be retained from council housing.
66. This position has evolved over recent years. Due to a combination of changes in the Localism Act, HRA reform, HCA grant reduction, and interest from institutional investors, councils are in a similar position as RPs in terms of the opportunities available to them to deliver new social housing. In particular, with renewed interest from institutional investors in larger scale council house building, councils are now in a much stronger financial position to build and deliver new social housing.
67. Delivery and ownership of new build council housing within the HRA may not

however be possible due to caps imposed by the Government on the total level of debt that can be held within the HRA, even given the relaxation on caps announced by the government in the 2013 autumn statement. Also, the council's consistent policy has been to ensure that HRA debt is carefully managed within prudent limits. As a consequence, the council now intends to establish by April 2015 a vehicle, wholly council owned and controlled, to fund new council home delivery.

68. The vehicle will sit outside the HRA and so enable borrowing beyond existing HRA headroom limits. While Southwark's housing investment plans are on a far bigger scale, several working examples of similar council owned delivery vehicles have already been established elsewhere for example in Ealing, Greenwich, Newham and Barking and Dagenham.
69. Establishing a council-owned and controlled delivery vehicle does not mean abandoning existing delivery and investment plans. Rather the vehicle will create additional flexibility to enable the council to increase current development capacity and so give speed and scale to plan implementation.

### **Engagement with residents**

70. Sound engagement with the community and involvement from and by residents is the starting point and bedrock upon which both existing and future housing investment and renewal programme will be progressed. In December 2012 the council agreed a new and innovative approach to community engagement.
71. The "community conversation" introduced a different way in which the council sought to engage. The engagement on future housing investment and renewal will follow the same best practice principles of being universal, impartial, comprehensive, timely and cost-effective using innovative approaches alongside the formal mechanisms that broadened participation and encouraged those who do not normally give us their views to have their say
72. Delivering 11,000 new council homes by 2043 and demanding the highest quality in the standards of new and existing stock, demands an ambitious process of resident engagement and involvement i.e. different types of community engagement taking place over different areas at different scales and with different groups, partly determined by the nature of the investment opportunities attached to local areas. This will also mean an estate by estate approach that is flexible and responsive to local needs and issues, and uses a range of methods to ensure maximum possible participation.
73. Residents will work together with the council plus any development partners to design the best possible solutions for future investment that maximises the number of homes available whilst ensuring quality of supply. The engagement and design process will need to be appropriately structured to ensure maximum participation and influence from residents, particularly those affected by any specific changes put in place as a result of redevelopment and renewal of local estates. Agreements with any development partners will take on board agreed principles to underpin the regeneration programme that arise from our engagement.

### **Engagement – establishing and agreeing principles**

74. A first step will be to establish and agree some overarching principles that are

brought together to form a charter that governs how we go about, over the longer term, borough-wide housing investment and renewal.

75. This draft “charter of principles” is attached at Appendix 1. These principles build on the Lakanal engagement (see paragraphs 81 to 86) and have been informed by what people told us in response to the earlier phase of consultation on the Housing Commission findings. The principles include establishing clear, broad criteria for prioritising local housing regeneration and investment with regard to location, height, access, quality, community benefit and social impact and so on.
76. Following agreement by cabinet it is proposed that the draft “charter” be consulted upon with local residents. This will take place through the summer and a final “charter” will be presented back to cabinet in October 2014. The consultation represents the first phase of a multi-staged, wide ranging approach to engagement with residents, shaped by residents and for residents throughout.

### **Engagement – applying the principles to a programme of housing investment and renewal**

77. With a “charter” in place and following presentation to cabinet in October, it is proposed that officers begin engagement with residents to inform and influence the ongoing appraisal of existing HRA assets, focusing on the measures of social return used to determine that appraisal process. The outcome of this will be a clear list of measures, designed and agreed with residents that will be built into the ongoing appraisal of existing HRA assets.
78. It is proposed that the appraisal of the existing HRA assets be concluded by December 2014. The outcome of this appraisal will result in a series of options for investment in the future estate across the borough. These options will be published for consultation and engagement with residents to commence early in 2015.
79. The next stage of engagement and consultation will ask residents for their views on the options for future investment in the estate and it is proposed that officers commence a series of estate by estate and area by area consultation and engagement. This is so that local residents in those areas have the opportunity to design and shape how investment is best delivered. The charter of principles will again be key to informing these engagement activities. The type, scale and duration of these activities will depend on what is proposed for the area under investigation. Ultimately it will be residents with the council to determine the shape and style of the engagement programmes for local estates and areas that directly affect them.

### **Supporting the engagement process**

80. In summary, the aim is for residents to be at the front and centre of future plans for housing investment and renewal and so the engagement process set out in this report is clearly very intensive. To effectively progress the engagement programme, a dedicated officer resource reporting through the housing delivery structure and with clear links to the existing community engagement team will be established.

### **A template for future engagement**

81. The ongoing and extensive engagement work on current refurbishment projects

including on the future of Lakanal House following the tragic events there provides a practical example of how the council is going about individual area and localised engagement on future housing investment and renewal. This combines broader engagement with the use of a project board of residents that has taken residents with us every step of the way and puts them in the driving seat of shaping local housing renewal and investment.

82. The approach includes officers working together with residents at the early stages of a scheme. This includes working up options for refurbishment and taking detailed account of people's views, ideas and opinions on how this is best delivered. The principles of how officers will work with residents are agreed at the outset with resident representatives who form a working party to develop, consider and agree options for the future of the wider estate.
83. Officers work with resident representatives to reach out to the wider group of residents on the estate. An independent residents' friend provides expert advice to the resident group – this helps to build an atmosphere of confidence, enthusiasm and trust.
84. As contractors are appointed they work together with residents and council officers to look at all possible options and help select their preferences. In some cases the group has also worked with council officers on a localised lettings policy.
85. Officers and residents work together on how development can enhance the estate as a whole and bring opportunities to address wider improvements including the potential to create new homes, revitalise under-used assets like commercial units, better provide for local community groups, improve lighting and security and get input to a wider list of improvements to implement when resources are available.
86. The whole process is about benefiting the estate and the community as a whole, not just improving the homes that people live in. The aim is to create a neighbourhood with a strong sense of community and for which residents feel a real sense of ownership.

#### **Delivery timeline and next steps**

87. This report sets out plans to progress one of the most ambitious programmes of housing investment and renewal in a generation including the building of 11,000 new council homes by 2043, the first 1,500 of which will be built by 2018.
88. These plans include a number of actions and a high level delivery timeline, based on the agreement of this report, is set out below:

<i>2014</i>	
July	Establish housing delivery programme board, chaired by Strategic Director of Housing and Community Services
	Agree draft charter of principles for resident engagement on housing investment and renewal
August	Begin consultation on charter of principles with residents
September	Bring together, under the head of major works, the future programme delivery for new council homes with the ongoing asset management of the existing housing stock
October	Finalise charter of principles for agreement by cabinet
	Commence consultation with residents on the measures to inform the appraisal of the current estate
	Commence first stage engagement on New Southwark Plan.
December	Conclude appraisal of existing assets and report to cabinet
<i>2015</i>	
January	Commence engagement with residents on specific options for investment in the future estate across the borough followed by a series of estate by estate and area by area consultation and engagement (specific timings to be worked up with residents).
April	Wholly council owned and controlled 'vehicle' established to secure future funding capacity for the programme
Autumn	Agree long term housing strategy for Southwark
<i>2018</i>	1,500 new council homes delivered

### **Policy considerations**

89. A new council plan is being proposed for agreement by cabinet elsewhere on this agenda. In that plan, it commits the council to improving housing standards and building more homes of every kind including 11,000 new council homes by 2043 with 1,500 by 2018.
90. The vision for a new long term housing strategy for the borough was agreed by cabinet on 28 January 2014. The vision consists of four principles as set out in paragraph 33 of this report. The proposals detailed in this report, covering the development of new homes, improvements to the quality of the existing housing stock, engagement with residents, and provision of housing to meet a range of housing needs, exemplify these strategic principles.
91. The development plan for the borough consists of the Mayor's London Plan, the Core Strategy 2011, the Saved Southwark Plan policies, the Aylesbury Area Action Plan and the Canada Water Area Action Plan. These will soon be joined

by the Peckham and Nunhead Area Action Plan and a revised Canada Water Area Action Plan.

92. The Core Strategy and the Saved Southwark Plan policies are to be replaced by a local plan to be known as the New Southwark Plan. This will be prepared in consultation with residents, land owners, developers, employers, local organisations and other groups over the next two to three years starting with the publication of issues and options in October 2014. As noted above, the New Southwark Plan will set out the strategy to bring the full benefits and opportunities of regeneration to all Southwark's residents including the delivery of the long term housing strategy.

### **Consultation**

93. This report proposes undertaking one the most complex and comprehensive engagement and consultation activities with residents in recent times. An engagement plan will be delivered commencing in the summer and ultimately leading to an estate by estate programme to be progressed through 2015. The fundamental principle that underlies this engagement is to engage with as broad and representative a range of residents as possible and to give residents real choices on the future investment programme.
94. It will be important to ensure that the resident engagement set out in this report will inform major areas and action planning within the new housing strategy and New Southwark Plan. As part of the strategy's development separate engagement will take place on other housing tenures, and for those with special housing needs.

### **Risk management**

95. A wholly owned and controlled 'delivery vehicle' is the preferred model to contain financial risk within a separate delivery vehicle.
96. The vehicle will enable the council to meet borrowing needs to support its investment proposals, whilst effectively managing risk and protecting new assets from right-to-buy. High level financial modelling to support the new vehicle is also being undertaken with associated detailed work on the stock condition asset management model. This will include investment needs analysis capable of supporting prudential management of existing stock and planning for new build, with appropriate management and mitigation of risk.
97. The practical risks associated with the planning and actual delivery of new homes at scale are those normally associated with any significant development programme: site availability; funding capacity, skills and expertise (in-house or external), and officers are developing mechanisms to manage and mitigate those risks.

### **Community impact statement**

98. Southwark is a borough which has high levels of housing need. The 2014 SHMA continues to demonstrate the need for affordable housing, with the borough experiencing very high house prices that are outside the reach of many of its residents. It has the highest house prices in the housing sub-region (the average 2 bedroom flat being sold for £360k in 2013). At the time of the 2011 census there were 18,547 overcrowded households in Southwark, a higher number, and

a higher percentage (15.3%), than any of the other four boroughs in the sub-region. Over the period 1981-2012 the population of Southwark increased by 34%, the fastest growth in the sub-region by some margin. This helps to demonstrate a continuing need for more homes, and particularly for affordable homes in the borough.

99. The report sets out proposals for a comprehensive community engagement programme with residents, not just those living in our homes and on our estates, but also those living in the vicinity of estates where the new homes will be built. This will be one of the most comprehensive engagement exercises of its type ever undertaken. It will build on the learning of other community conversation exercises undertaken by the council, such as that carried out in response to the findings of the independent housing commission; being inclusive, open and accessible to all of Southwark's diverse communities. As set out in this report, the results of the resident engagement exercises will be reported to cabinet and will help to shape the future direction of the council's 11,000 new homes programme.

### **Resource implications**

100. All costs associated with the development of this plan to date have been contained within the Housing Revenue Account. The resident engagement proposals will also require adequate resourcing in order to be conducted effectively, particularly at the next stage of the engagement process. More details will be provided in future reports.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Legal Services**

101. As many of the sites are likely to be part of housing estates, it will generally be necessary to conduct a consultation with secure tenants under section 105, Housing Act 1985 before any final decision is taken concerning the site. Other persons likely to be affected should also be consulted. The law requires that such consultation must be undertaken when proposals are still at a formative stage; it must include sufficient reasons for the proposals to allow interested parties the opportunity to consider the proposal and formulate a response; it must allow adequate time for interested parties to consider proposals and formulate their response and the outcome of it must be conscientiously taken into account when the ultimate decision is taken. Similarly due regard must be had to the impact a proposal in relation to any site may have on persons with protected characteristics under the Equality Act 2010.
102. Paragraph 65 to 69 of the report refers to the possibility of an alternative business structure being used. The report emphasises that this will be owned and controlled by the council. This may be achieved under powers conferred by local government legislation that include the general powers of competence under Section 1 of the Localism Act 2011, which effectively gives local authorities the powers of an individual of full capacity. The power to trade is contained within section 95, Local Government Act 2003 which allows a council to do for a commercial purpose anything which it is authorised to do for the purpose of carrying on any of its ordinary functions. The power conferred by section 95 may only be exercised after a business case has been prepared and approved.
103. If any land is to be transferred to the new structure then this will either need to be



for best consideration in accordance with section 123 Local Government Act 1972 or if the purpose of the disposal is likely to contribute towards the promotion or improvement of economic, social or environmental well-being of the area. If housing land then the disposal needs to be in accordance with the requirement to obtain consent under section 32 Housing Act 1985. There are a number of general consents which have been issued under the General Housing Consents Order 2013 and this includes disposals to a body owned or partly owned by the local authority. When making its considerations, the council should have regard to its community strategy and its fairer future promises.

104. The development of an alternative business structure will involve legal complexities requiring legal advice and input throughout development.

**Strategic Director of Finance and Corporate Services (FC14/011)**

105. This report notes progress to date on delivering new council homes. It also instructs the strategic director of housing and community services to put in place the necessary capacity to oversee further programme delivery and to establish a wholly owned and controlled council 'vehicle' to secure future funding capacity for the programme.
106. The resource implications arising from a proposal of this size are significant and will be addressed in detail as plans progress and will be subject to further reports.
107. The strategic director of finance and corporate services expects that each element of this programme will be subject to full financial appraisal to ensure it delivers best value and can be contained within available resources.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Cabinet paper – Developing Long term Plans for the Delivery of New Council Homes	Corporate Strategy, Southwark Council, 160 Tooley Street London SE1 2QH	Stephen Gaskell, Corporate Strategy Tel: 020 7525 7293
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=4329">http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=4329</a>		
Cabinet paper – Vision for a New Housing Strategy for Southwark	Corporate Strategy, Southwark Council, 160 Tooley Street London SE1 2QH	Claire Linnane, Corporate Strategy Tel: 020 7525 0732
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=4328">http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=4328</a>		
Cabinet paper- Independent Housing Commission – Conclusions And Next Steps Following Community And Stakeholder Engagement	Corporate Strategy, Southwark Council, 160 Tooley Street London SE1 2QH	Claire Linnane, Corporate Strategy Tel: 020 7525 0732
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=3882">http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=3882</a>		
Cabinet paper – Establishment of a housing commission – 13 December 2011	Corporate Strategy, Southwark Council, 160 Tooley Street London SE1 2QH	Stephen Gaskell, Corporate Strategy Tel: 020 7525 7293
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?Id=2588">http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?Id=2588</a>		

## APPENDICES

No.	Title
Appendix 1	Draft charter of principles
Appendix 2	Schedule of directly funded housing delivery programme schemes
Appendix 3	More details of directly funded housing delivery schemes currently on site or with agreed planning permission, including site drawings and photographs

## AUDIT TRAIL

<b>Cabinet Member</b>	Leader of the Council	
<b>Lead Officer</b>	Gerri Scott, Strategic Director of Housing and Community Services	
<b>Report Author</b>	Stephen Gaskell, Head of Strategy and Partnerships Graeme Gordon, Director of Corporate Strategy	
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<b>Officer Title</b>	<b>Comments sought</b>	<b>Comments included</b>
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	10 July 2014	