

<b>Item No.</b> 15.	<b>Classification:</b> Open	<b>Date:</b> 30 October 2018	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		New Homes Programme: Delivery Model Review 2018	
<b>Ward(s) or groups affected:</b>		All Wards	
<b>Cabinet Member:</b>		Councillor Leo Pollak, Social Regeneration, Great Estates and New Council Homes	

## **FOREWORD – COUNCILLOR LEO POLLAK, CABINET MEMBER FOR SOCIAL REGENERATION, GREAT ESTATES AND NEW COUNCIL HOMES**

Southwark’s New Homes Programme has come a long way from a standing start over the past five years, having delivered 569 new council homes on over 20 sites in all parts of the borough, with a pipeline of a further 2000 on over 70 sites. The housing crisis our borough and city faces is well known – with over 11,000 families on the waiting list and more than 2000 children growing up in temporary accommodation, pursuing every opportunity we can to expand and accelerate our generational commitment towards 11,000 council homes is key to meeting the housing needs of our residents.

With the change in the electoral cycle and a shifting financial backdrop to the programme, the summer has offered a good opportunity to take stock of what has worked well in the programme, and identify where new initiatives and refinements can aid the speed and quality of delivery, which this report details. Principal among these is our ambitious bid to the GLA’s *Building Council Homes for Londoners* fund based on an identified pipeline of sites - for an additional £168m grant and £188m of new borrowing capacity. Where the funding parameters for our programme won’t be known until the GLA bid outcome and new Government rules on Right to buy replacement and HRA borrowing are known, we have also undertaken a comprehensive delivery model review to provide us with the flexibility to maximise the number and proportion of council homes within a regularly shifting financial envelope.

Among other measures identified here are the components of a detailed and resourced communications and engagement strategy, to ensure we are pre-empting residents concerns and directly addressing their issues in the design process, as well as communicating regularly and across all channels. It also details the high priority attached to good design, with a new Southwark architects framework for council homes currently live to bids, alongside a planned refresh to Southwark’s New Homes Design Guide, in addition to a new Rooftop Design Guide.

We describe here too a new Estate Improvement Plan approach, as part of our emerging ‘Great Estates’ programme, designed to ensure new homes projects better draw out the wider benefits to neighbouring residents, both in terms of the communal living environment and (where possible) aligning with repairs to existing homes.

We also begin the process of exploring the options for a new council-owned construction company, which will identify new ways to improve the speed cost and quality of homes we build in the programme, as well as build long-term resilience for the programme.

The report also reaffirms our commitment to delivering new community land trust developments on a wider range of sites.

## **RECOMMENDATIONS**

1. Requests that cabinet approve the following:
  - the exploratory work to provide an innovative solution to develop 'in house' construction development capacity within Southwark
  - further development work to find a suitable site to develop a community land trust (CLT) in Southwark
  - that a programme wide approach is adopted to maximise the proportion of council homes at council rents, with sufficient flexibility for a sales element to support the viability of the programme, depending on the overall financial envelope. Developments on council housing land will have at least 50% council rented homes and ensure a right to return for council tenants and resident leaseholders so local people can stay in borough they call homes.
  
2. Request that cabinet notes the following:
  - the progress at September 2018 on the new build programme and the interim target to deliver 2500 homes by the end of 2022 as part of the longer term commitment to deliver 11,000 council homes by 2043.
  - that the success of this programme is subject to a holistic, planned, managed and executed delivery programme that focuses on providing quality homes expediently
  - a robust borough wide capacity study is underway to provide a future pipeline to deliver the above aims.
  - a renewed design approach as outlined in paragraphs 34-36
  - the detailed communications and engagement strategy outlined in paragraphs 30-33.
  - the funding position and the bid for GLA funding and additional borrowing headroom to enable the delivery of the first 2500 homes
  - the establishment of a new member led steering group to oversee the strategic delivery of the development programme.

## **BACKGROUND INFORMATION**

3. Cabinet established the Independent Housing Commission in January 2012 in order to secure an unbiased perspective and make recommendations and conclusions for an investment strategy of up to 30 years. On 16 July 2013 cabinet considered the conclusions and next steps following community and stakeholder engagement and set out the council vision to identify whether the potential for 11,000 new homes exists for delivery by 2043.
  
4. On 27 January 2015 cabinet agreed its new long term housing strategy for the borough including specific commitments to increase housing supply, including building 11,000 new council homes for social rent by 2043, delivering the successor to our 'warm, dry and safe' housing investment programme', as well as taking a longer term view of measures to improve the housing stock over the duration of the strategy.
  
5. As a fulfillment of the manifesto commitment the council is expected to approve a council plan that commits to build at least 2,500 council homes by 2022, 569

of which have been completed to date leaving a balance of 1931 to deliver.

6. Southwark and London in general face a housing shortfall that is particularly acute for genuinely affordable housing. The draft London Plan sets out a ten year net housing completions target for Southwark to deliver 25,540 homes by 2028/29. With the plans for 11,000 new council homes, the council can make a significant contribution to this total through directly building new homes or building new homes in partnership, delivering the homes that the residents of Southwark need. Southwark continues to lose homes through the right to buy and not only must the council replace these but also build more, to ensure future housing needs and those currently on the councils housing waiting list are met.
7. The council is already building new homes with 569 already delivered, 95 under construction and a further 627 council homes with planning permission. The council now needs to accelerate the building capacity to deliver on average 500 homes a year and build on the strengths and lessons learned from the experiences so far. However, there are significant challenges to ensuring a pipeline of new homes to deliver the councils ambitious building targets. These include; identifying and prioritising the pipeline, choosing an appropriate delivery vehicle, resource capacity and expertise to enable delivery, consultation, funding (and the restrictions around borrowing) that may require the council to rethink such vehicles. This report outlines how these challenges may be overcome and how the council can deliver its ambition of significant numbers of council homes. With an ambitious commitment to build council homes, it will remain a challenging programme entailing significant consultation with the community to enable the council to build the homes that Southwark residents desperately need.
8. The recommendations and actions noted in this report are a series of refinements to the delivery model to help aid speed and quality of delivery by better drawing out the benefit to our existing residents overall living environment.
9. This is an update following the previous update to cabinet on May 2017.

#### **WHAT HAS BEEN ACHIEVED**

10. The council has already delivered 569 new council homes for residents across Southwark.
11. A further 95 council homes are on site and 627 have achieved planning with 9 direct delivery schemes (providing 196 council homes) being due on site within the next six months. There is a robust programme of schemes that intend to deliver 2,651 homes by 2022. As with any major programme, some flux can be expected and so wherever possible we will schedule in additional schemes, which could fill any gaps when delays are realised. The council has put these into tranches for monitoring and driving the programme.

Categories	Delivered	On site	Planning Approved	Pre-Planning	Feasibility	Pre-Feasibility	TOTAL
Direct Delivery	262	76	414	703	0	18	1473
Hidden Homes	41	0	29	2	9	0	81
Leathermarket	27	0	0	40	0	0	67
SRPP	0	0	184	241	0	286	711
S106 purchase	239	19	0	0	61	0	319
<b>TOTAL</b>	<b>569</b>	<b>95</b>	<b>627</b>	<b>986</b>	<b>70</b>	<b>304</b>	<b>2651</b>

### Direct delivery of new homes

12. The council has already directly delivered 262 council homes, a further 78 council homes are on site. 414 council homes have planning approval and the following 6 schemes that have gateway approval to commence.

- Pelier Street, Newington
- Meeting house lane, Nunhead & Queens Road
- Daniels Road Car Park, Nunhead & Queens Road
- Tenda Road Car Park, South Bermondsey
- 35-41 Nunhead lane, Rye Lane
- Ivy Church Lane Garages (Kinglake Street), Faraday.

13. A further additional, estimated 703 council homes across 25 schemes sit at earlier stages in the development process.

### Hidden Homes Programme

14. 41 council homes have been delivered through the hidden homes programme. These include pending completions this year delivering 7 further new homes.
15. Southwark is looking through, the hidden homes programme, to convert large void properties to provide additional units. A pilot is currently being progressed.

### Leathermarket Community Benefits society (CBS)

16. These sites are through Leathermarket CBS. This is Southwark's community based delivery partner delivering resident led social homes on underused Leathermarket sites. The CBS has already successfully delivered 27 high quality social rental homes on an underused Leathermarket site. Planning has been submitted for 40 homes at the Joseph Lancaster site. Further investigation is underway to add further sites for delivery through the community based CBS that will be for council rent.

### Section 106 (s106) purchases

17. The council currently has secured a number of sites that are delivering new council homes through purchasing affordable housing homes from developers, so far delivering 239 council homes.

18. A further 80 council homes are expected to be delivered across additional sites.

### **What has been achieved –Southwark Regeneration**

19. The Southwark Regeneration in Partnership Programme (SRPP) is currently made up of 18 sites (Lots A and B) with investigations taking place to add further sites to form additional lot(s). In total these schemes are estimated to deliver 711 homes.

#### **LOT A**

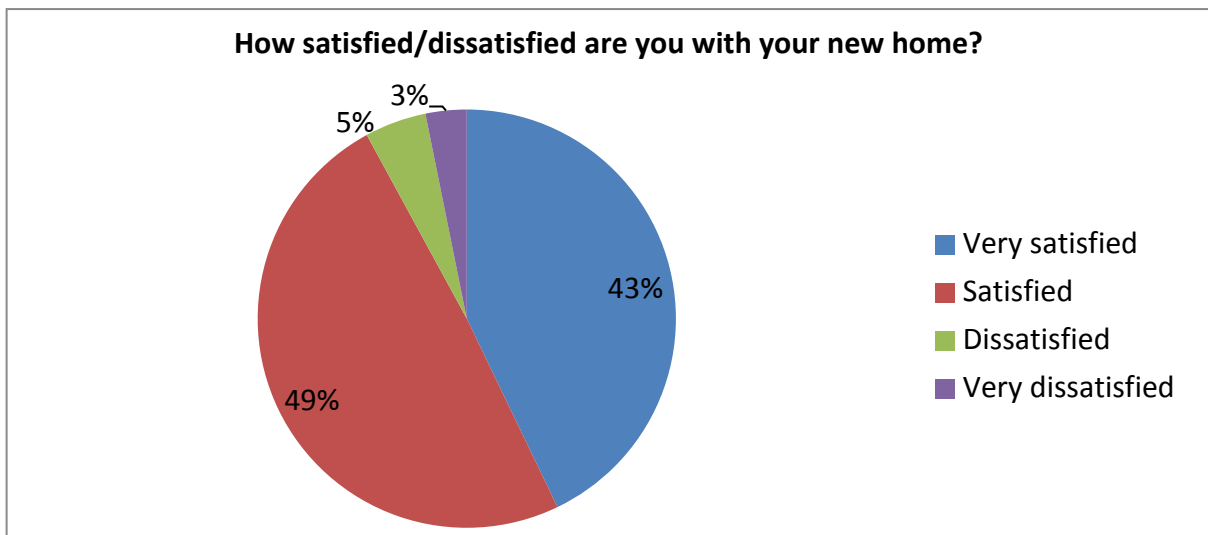
20. Lot A has been repackaged following an unsuccessful tender through the London Development Panel Framework to improve marketability by lowering development risks. The council has created 6 sub lots in line with the feedback from the soft market testing proximity, site size and planning.
21. These are expected to be delivered through partnerships and via competitive procurement following OJEU. The sites have all attracted good market interest with developers offering the council competitive proposals in terms of risk transfer, development expertise, design quality, capital receipts and council homes. Developers will be selected in the current financial year and works will begin on site in 2019.
22. A minimum 50% affordable housing is being sought while balancing maximum returns to the council together with full compliance with the new homes design guide and technical standards.

#### **LOT B**

23. Lot B, comprising 10 sites, was tendered through the London Development Panel Framework. Following the evaluation and the approval of the Gateway 2 on 20 September 2016 Lot B was awarded to Affinity Sutton Homes Limited. Affinity Sutton subsequently merged with Circle One to become the Clarion Housing Group.
24. Changes in market conditions over the last 18 months mean it is prudent to carry out site re-appraisals to ensure the most effective and fastest delivery of new homes, making best use of public funds. This work is being undertaken now and where appropriate any new proposals will be governed through the council's normal gateway process.

#### **Post-Occupancy evaluations**

25. There is a 92% overall satisfaction with new homes, to date, from the satisfaction surveys of residents at 6 occupied sites and these range from 100% to 75% on individual schemes and feedback from post occupancy evaluations will inform future design briefs.



## KEY ISSUES FOR CONSIDERATION

### The future pipeline and delivering 11,000 homes

#### New site identification

26. External industry experts have been commissioned to carry out a full borough wide capacity study of housing land to identify a pipeline of potential sites. The work of identifying these opportunities is ongoing and due to complete in spring 2019. However, interim information will be available prior to this to enable highly viable opportunities to be brought into the programme for expedient progression.
27. This work is currently exploring housing land for all reasonable development opportunities including stand alone sites, infill blocks on estates, underused areas, garage sites and developments on top of existing homes. Whilst sites may be identified as technically feasible it is recognised that a holistic approach to assessing the sites will need to be undertaken to assess the opportunity for development. Efforts will be made to ensure that the impacts and advantages associated with new housing are spread evenly across the borough, but this is not an exact science and some parts of the borough may be more suitable, and allow us to deliver new homes faster, than others.

#### Detailed communication and engagement strategy

28. The council's Charter of Principles for community engagement, set out how the council wants to work with local people on the development of new, high quality homes on their estates. The council continues to commit resources to ensure that residents are engaged in the delivery of new homes. This includes estate-by-estate / site specific engagement that is resourced by the teams delivering the schemes, the council's communities division as well as the professional services, architects and employers agents, employed by the council.
29. Building on this important commitment, and work done to date, we will develop a new, detailed, communications and engagement strategy as part of this reinvention of our direct delivery programme.

30. This will include global communications:
- wide communication about the ambitious plans the council has to build new homes and the benefits that the programme will bring
  - Communications on the pipeline and identification of new sites.
31. There will also be further commitments to ensure residents are full engaged in the design and delivery of new sites:
- keeping project and programme communications on the website, and always up-to-date
  - ensuring exhibition material for drop-ins tailored to the specific site and any known resident queries and concerns
  - presentations will be tailored to the audience and will pre-empt resident concerns
  - new homes project groups will be sought from a balance of neighbouring residents and those on the waiting list
  - regular project communications will be conveyed through all available means e.g. website, newsletters, tenant and residents' associations and new homes project groups, and online forums. This will continue irrespective of project / site activity.

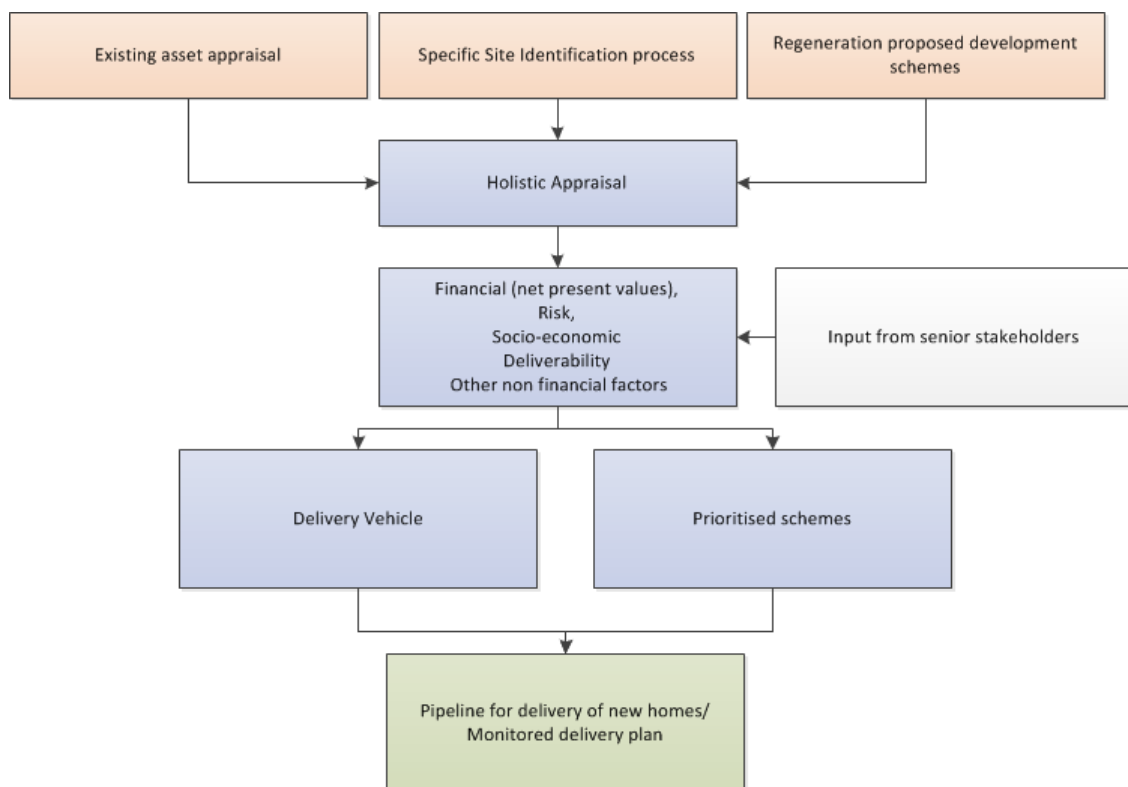
### **A renewed design approach**

32. Linked to the communications strategy, there will be a renewed approach to design involving understanding local need to influence the design, size and mix of homes. In developing the design brief for new homes we can ensure that they can better meet the needs of the community. The council will commission a leading expert to develop the design brief to ensure it meets the council, planning and community requirements to ease barriers to successful delivery. This will help draw out the benefits of good design throughout the process and ensure a lasting legacy in the built environment. This will take account of the Mayor of London's 'Good Growth by Design' guidance to ensure that designs and development benefit the local community.
33. The council is procuring two frameworks, one for architects and one for professional services that will be used to engage services across the council. So far over 400 expressions of interest have been received to be part of these frameworks and shortlisting will be commencing in November this year. The framework is open up to small and medium-sized enterprises (SMEs) and the key emphasis is on the quality of designs to unlock the full value of a site. This will deliver good design that help better attain 'buy in' from residents on schemes and speed up delivery. Through the innovation and quality determined through the frameworks of architectural design and employers agents acting on our behalf on new homes contracts we will improve construction oversight and ensure the highest safety, quality and durability of the builds.
34. The council will be establishing a design advisory group formed of the cohort of architectural practices to help improve and refine emerging designs. This will feed into an updated edition of the Southwark New Homes Design Guide that will take into account the emerging 'Pride of Place principles' work as part of the council's Social Regeneration framework. Alongside this guide a bespoke

Southwark Rooftop Design Guide will be developed to aid learning and best practice for unlocking the specific design and resident buy-in.

### A holistic appraisal of delivery options

35. A holistic appraisal model will be developed to take into account of financial (net present values); risk, socio-economic, deliverability and other non financial factors that take into account the community in which the development will take place. Clear consideration will be provided by planning, how packages of work may be created to create efficiencies and best use of available funding at that time. The driver to deliver the greatest volume of quality homes as quickly as possible will remain a key focus.



36. The pipeline will be assessed against this model to identify where different sites should sit within the programme, with those scoring the best prioritised alongside those that may be deliverable in a shorter timeframe. By mapping out our entire programme we will be able to identify potential gaps and challenges early and thus develop plans to mitigate them.
37. It is proposed that sites be quickly brought into the programme (see the revised route to IDM in Appendix 1), alongside better consultation in line with the Charter of Principles. By increasing local awareness of the plans through our new communications and engagement strategy we will both increase transparency and ensure local residents are properly informed about the plans providing opportunity to discuss any concerns they may have.
38. Once the council has a number for the potential capacity on all council land, any shortfall in achieving our 11000 targets will have to be met through finding



other capacity. This could include building on other council land, developing on non-council land, regeneration and purchase of affordable housing on private led developments.

39. The council already has a number of delivery mechanisms that it is employing to enable the delivery of new homes. These include; direct delivery, joint ventures and development agreements (as part of the Southwark Regeneration in Partnering Programme SRPP) and third party developers e.g. Leathermarket CBS.
40. The appraisal model will also take account of the various delivery models available and as part of that process assess the schemes for the most appropriate vehicle for delivery to be employed. The assessments will also allow for the diversification and capacity of those vehicles to deliver the target.

### **Delivery Vehicles**

41. The following weighting factor in the how the delivery vehicles could accelerate the delivery across the programme from now, noting the time to set up some of the structures for delivery. However, the council may consider all vehicles as part of its assessment of the opportunities.

<b>Delivery Vehicle (5=highest, 1=lowest)</b>	<b>Speed of delivery</b>	<b>Certainty of delivery</b>	<b>'Pride of Place' quality oversight, and design guide compliance</b>	<b>Capturing land and development value for council</b>	<b>Mobilise inward investment or funding</b>	<b>Total/25</b>
<b>Direct Delivery (Building internal team on programme managed, self-financing basis)</b>	4	4	4	3	2	17
<b>Joint Ventures</b>	3	3	3	4	4	17
<b>Council owned development</b>	3	4	4	3	3	17

<b>Delivery Vehicle</b> (5=highest, 1=lowest)	<b>Speed of delivery</b>	<b>Certainty of delivery</b>	<b>'Pride of Place' quality oversight, and design guide compliance</b>	<b>Capturing land and development value for council</b>	<b>Mobilise inward investment or funding</b>	<b>Total/25</b>
company						
<b>SRPP style partnership procurement via an OJEU</b>	4	3	4	3	3	17
<b>Development Agreement via land agreement</b>	4	3	3	3	3	16
<b>Third party community led development e.g. Leathermarket and CLT type schemes</b>	4	4	4	2	3	17
<b>Registered Provider operating as a development arm</b>	3	2	3	3	2	14

42. There are benefits and restrictions to all delivery vehicles, however, diversification of delivery reduces the overall risk on the programme moving forward:

<b>Delivery Vehicle</b>	<b>Benefits</b>	<b>Restrictions</b>
<b>Direct Delivery (Building internal team on programme managed, self-financing basis)</b>	<ul style="list-style-type: none"> <li>• In house</li> <li>• Teams in place with expertise now in delivery so new homes</li> </ul>	<ul style="list-style-type: none"> <li>• Limited funding and currently limited borrowing to enable delivery</li> </ul>

Delivery Vehicle	Benefits	Restrictions
	<p>can be delivered quickly</p> <ul style="list-style-type: none"> <li>• Less reliant on a new structure</li> <li>• Total accountability to the council, control to take decisions in the best interests of the council and residents and flexibility</li> </ul>	
<b>Joint Ventures</b>	<b>Registered Provider joint venture</b>	
	<ul style="list-style-type: none"> <li>• Homes owned by JV</li> <li>• An experienced provider is brought in to deliver homes</li> <li>• External investment brought into programme</li> <li>• The company owning the risk</li> <li>• The ability to process a larger number of schemes and thus a quicker delivery method</li> </ul>	<ul style="list-style-type: none"> <li>• Complex to set up</li> <li>• The council is relinquishing some control</li> </ul>
	<b>Investor Led joint venture</b>	
<ul style="list-style-type: none"> <li>• Increases capacity to deliver</li> <li>• Risk sharing</li> </ul>	<ul style="list-style-type: none"> <li>• Complex to set up, possibly difficult for the council to secure a good deal</li> <li>• The council grants a lease and defines what the land will be used for</li> <li>• The council has less control over delivery but can manage this through the Development Agreement</li> <li>• Would only be suitable for larger schemes</li> </ul>	
<b>Investor lease back joint venture</b>		

<b>Delivery Vehicle</b>	<b>Benefits</b>	<b>Restrictions</b>
	<ul style="list-style-type: none"> <li>Increases capacity to deliver</li> <li>Similar to above but homes leased back to the council and council retains the full ownership at the end of the lease period</li> </ul>	<ul style="list-style-type: none"> <li>The lease amount for the period is set where as the income for the units may diverge</li> <li>Higher cost to set up</li> <li>Profit retained by the investor</li> </ul>
<b>Council owned development company</b>	<ul style="list-style-type: none"> <li>Making use of in house teams</li> <li>The council already has a company set up, though not actively developing</li> <li>Has access to finance outside the HRA</li> <li>Can generate investment into the programme</li> <li>Can generate a return for the general fund</li> <li>Can be labelled under a separate brand</li> </ul>	<ul style="list-style-type: none"> <li>The council would have the costs associated to make this activate the company</li> <li>Slightly less accountable</li> <li>The council still ultimately carries the risk</li> </ul>
<b>SRPP style partnership procurement via an OJEU</b>	<ul style="list-style-type: none"> <li>Already established contract documentation and in house experience</li> <li>Can achieve competitive outcomes in terms of land value and or council homes</li> <li>Attracts new and experienced developers especially developers and builders in one company who commit contractually to delivery programmes and can provide a track record of delivery.</li> </ul>	<ul style="list-style-type: none"> <li>Procurement process can be lengthy and other partnership processes may produce quicker outcomes.</li> </ul>
<b>Development Agreement via land agreement</b>	<ul style="list-style-type: none"> <li>Relatively quick delivery of new homes for residents</li> <li>Can determine risk share</li> <li>Potential for profit share</li> <li>Can be cost effective</li> </ul>	<ul style="list-style-type: none"> <li>Can stray into procurement</li> <li>Needs benchmarking to ensure value for money</li> </ul>
<b>Third part community led development e.g.</b>	<ul style="list-style-type: none"> <li>In Southwark, this is a proven model for</li> </ul>	<ul style="list-style-type: none"> <li>Depending on the status of the party,</li> </ul>

<b>Delivery Vehicle</b>	<b>Benefits</b>	<b>Restrictions</b>
<b>Leathermarket</b>	<p>delivering new homes (Leathermarket) however for unproven community groups directly delivering would carry risk</p> <ul style="list-style-type: none"> <li>• The schemes are more likely to have community buy in enabling some delivery that may be more difficult for the council to deliver</li> <li>• This creates a significant piece of community engagement and as such significant social value</li> </ul>	<p>these may only be able to deliver 'council like homes'</p> <ul style="list-style-type: none"> <li>• The council might not retain the homes</li> <li>• The parties have limited access to funding outside of the council or the councils borrowing</li> </ul>
<b>Registered Provider operating as a development arm</b>	<ul style="list-style-type: none"> <li>• The ability to increase the development capacity without having to increase internal capacity</li> <li>• As only a development arm similar financial restrictions to direct delivery</li> </ul>	<ul style="list-style-type: none"> <li>• You would need resources to monitor delivery and outputs</li> <li>• Less control over the development than delivering directly</li> <li>• There is unlikely to be substantial risk transfer over delivery</li> <li>• A development fee would be extracted from the overall value, meaning possible less value for the council and residents</li> </ul>

43. Southwark has already set up a wholly owned company. Southwark Housing Company Limited (SHC), which was established in May 2015, with the purpose of exploring the potential for development of intermediate housing products and also to make a financial contribution to the housing investment programme.

44. For the council to deliver new housing by acting in commercial manner with a private sector development partner, outside of either the Official Journal of the European Union (OJEU) procurement (the online journal that is home to all public sector contracts that exceed a certain value) or a land sale or property partnership, it may be beneficial to use the housing company. This could maximise the investment benefits that would be achieved from a joint venture including private sector investment, financing outside of the HRA and the use of private sector sales to cross subsidise investment. It will also enable the council to build other assets. This method of delivery could therefore provide the council with greater flexibility and financial freedom to deliver new homes and make the most of its assets.

45. Since the incorporation there has been no official company activity but officers

have explored the financial feasibility of undertaking development through the housing company. Initial financial analysis has indicated that the company could be financially viable but would require council or external resources to start up. Much would depend on the company arrangement, whether it is funded by the general fund, or through institutional funding, or whether it would be a joint venture arrangement in partnership with RPs and/or a construction developer.

46. The ability of the council to deliver new homes, through Housing Revenue Account borrowing, announced at the conservative part conference may play a significant role in accessing the vehicles for delivery. However, the council awaits the details of the announcement so that this can be properly accessed.
47. Establishing a wholly owned company may have advantages. In 2016 Croydon Council established Brick by Brick (BXB) to accelerate delivery of both private and affordable homes to buy and rent, for Croydon residents. The model allows for a return from development activity as well as providing much needed housing. The council receives back the returns from development, meaning that the council has more money to provide services as well as addressing housing need. BXB can use a variety of approaches to deliver the development schemes including direct delivery via building contractors and joint ventures.
48. Croydon council expects to benefit through the receipts for the land value for each of the development sites will be received by the council upon completion of each site, a dividend paid to the council as sole shareholder and interest on the significant loans made to BXB. BXB also benefits the council by contributing to the delivery of housing within the borough whilst operating commercially and independently from the council.
49. However, this model does not necessarily speed up delivery of new homes. BXB aim to deliver homes for the residents of Croydon of which 50% will be affordable homes. So far the council is at planning stage with over 30 schemes, and is currently working on around 2,000 new homes on multiple sites, but as yet no homes have been delivered. The overhead associated with operating this entity is not known.

## **ACCELERATING THE FORWARD PROGRAMME**

50. Once we have a forward pipeline, over and above the current approved programme, resources for the council's in house teams can be assessed and planned in line with the programme. This would not only include the teams directly delivering the schemes such as the regeneration and new homes teams but also the teams that enable the delivery at key stages including legal, procurement, communications, finance and other sections in housing and modernisation. Clearly setting out milestones and resource commitment will reduce slippage. Different teams will need to resource their teams appropriately and be held to account for their key roles in driving the programme forward. By having visibility of resource peaks they will be able to resource accordingly.

### **Estate improvement plan approach**

51. The emerging 'Great estates programme' includes a new Estate Improvement Plan approach to estates with new homes potential. With a planned pipeline the council can plan the new build programme around the wider asset management plan ensuring that the efforts are coordinated and opportunities maximised.

This will look at the coordination between the major works programme and the new build programme to ensure that the timings and where possible benefits of the new build programme are felt more widely. This can mean delivering community benefits alongside the new build programme and thus contributing to a wider uplift in living conditions of all residents and thus aiding the buy-in of residents affected by council homes developments near their home. This will ensure residents can clearly see the benefits for building new homes on their estate.

52. With a clearly planned pipeline the council can begin to link new build and asset programmes to a wider agenda of improving lives and wellbeing for residents. A balanced mix of physical, economic and social regeneration is most likely to enhance health and wellbeing of residents. So the council will look to provide a more rounded approach to make sure it is delivering more than just new homes working with the 'Great Estates' agenda and utilising social regeneration indicators linked to council plan objectives. Where the council has planned major investment to existing homes aligned with a development schedule for new homes, wider proposals to include the surrounding spaces will be developed for in the proposals for the scheme. This will realise benefits to the whole community. These will be synchronised so that do not cause any significant delay the existing refurbishment plans, such as delivering the kitchens and bathrooms guarantee. Once the details of the removal of the HRA debt cap are announced later this month and an understanding of how this will impact on the overall HRA financial envelope, any new flex on the housing investment programme will be used to assist this approach.

#### **Other plans to accelerate the programme**

53. The council recognises the challenge and will review its own procedures and barriers to ensure that it can speed up delivery. The lead teams will create standard processes, procedures, and lines of communication, with a gateway approval process that encourages a steady pace. As part of the appraisal assessment of deliverability, the council will prioritise the sites that are more deliverable acknowledging that infill sites, in particular, tend to be difficult to developed, provide more challenges than a standalone site and they may not offer best value for money. However, they frequently provide the opportunity to bring underused areas back to life and opportunities for local lettings for people in housing need. There is much to be balanced within the programme.
54. Focusing initially on smaller sites under OJEU levels may allow for quicker delivery on direct delivery sites, but require a high volume of sites in the short term. New frameworks are being developed for both professional services including architects and employers agents implementable by spring 2019 as well as a construction framework implementable by spring 2020. The framework makes provisions for different works values and including those under and over OJEU levels to run concurrently. This will both ensure value for money and timely delivery for the programme in the longer term.
55. We recognise that attempting to speed up our delivery of new homes has implications for all aspects of the programme, including our community engagement. We will seek to reassure residents that we remain firmly committed to our charter of principles and in engaging local communities about new homes in their area, doing so more effectively to prevent false starts and misinformation. The November 2017 IDM on the review of the charter of principles approved changes to the way the council delivers community

engagement on the direct delivery of new council homes recognising that one size does not fit all and on some occasions the council and the community may wish to modify the way in which it works (e.g. the engagement on a large scheme may require a different approach to a very small infill with one or two new properties).

56. Across the programme of delivery the council will continue to adhere to the engagement approach adopted by the Council in 2012, and the commitments made in the Cabinet report on Charter of Principles, whilst recognising that on some small sites a more streamlined flexible approach is required:
  - Ensure that we work closely with our existing formal tenant structures along with the wider community.
  - Work in ways that encourages those who are not involved to participate.
  - Build on the work of the Community Engagement team to develop relationships with groups who do not normally participate such as young people and residents in sheltered housing.
  - Use a range of engagement tools that encourages a diversity of people to respond, such as hard to reach communities, young people and disabled people.
57. The principles need to be developed into an agreed consultation plan to be followed on each scheme which is transparent and honest with a timetable which will be met. There could be different plans depending on size and complexity of the scheme, as this will avoid potential non-productive iterations and engagement, and move positively through to planning applications within a structured process that all stakeholders are committed to.
58. For each scheme a view on local lettings will be developed in accordance with local priority need which could mean mixed and variable considerations. Each being reviewed on a scheme by scheme basis. At design brief stage the priority need on an estate will be assessed and the scheme developed accordingly – this will mean that schemes may be at odds with current planning policy however planning will give due consideration to this and accommodate, where they can, within the New Southwark Plan (NSP).
59. The council is also working with architects to ensure that a consistent range of consultation material is available to residents so that they are able to effectively engage in the design process whilst limiting later changes to design briefs. This will deliver a clear and consistent model across all schemes.
60. The council is also currently undertaking heat mapping and master planning with a view of developing a strategy for the council's heat network. The plans to develop 11,000 new council homes will need to link into this plan to ensure that networks are coordinated with the strategy to enable the delivery of modern district heat networks to Southwark residents. A coordinated approach across all capital and revenue expenditure, including new homes delivery will deliver the maximum value to the council and therefore its residents.
61. To enable a council wide approach, capable of overcoming challenges to delivery, a new cabinet member led New Homes Steering Group will be set up. They will oversee the successful delivery of the council's new build programme, including the delivering of 2500 homes by 2022 and development of the overall programme, including the consideration of options to deliver 11,000 new council



homes by 2043. This group have strategic oversight of the programme and unlock the potential building capacity within Southwark. By agreeing key principles at this juncture, we will avoid having to revisit key decisions, which will help expedite delivery.

## **A SOUTHWARK CONSTRUCTION COMPANY**

62. Alongside the existing delivery tracks outlined earlier, we will commence exploring the options for a Southwark construction organisation with a view to examining:
- the elements of the construction supply chain that have identified and projected skills and material supply issues that delay delivery and add cost, and
  - which types of intervention can deliver benefits for
    - i) speed and certainty of delivery
    - ii) quality and flexibility of build
    - iii) durability and ease of handover. (These investments in new capacity will be rooted in a detailed, accurate business case, and the process supporting this will be embellished in a future cabinet paper).
63. Southwark has made a commitment to providing a construction company and this will be proactively progressed. This will link to the work to provide a clear planning pipeline of work. It will determine the vehicles for delivery so that the required capacity can be resourced. This may enable options such as a construction company through a joint venture opportunity with strong links to the council. The development of a construction company has wide and varied connotations and as such needs a degree of both wide considerations and narrow evaluation. Southwark is currently considering the best way to evaluate options in relation to this opportunity.
64. The council will seek to advance plans for the development of the company by April 2019.

## **COMMUNITY LAND TRUST**

### **Community land trusts**

65. Community Land Trusts (CLTs) are a way of providing genuinely and permanently affordable home ownership, offering up one model to address the growing gap in the market between people who are a priority for a council property and those who can afford to buy on the open market.
66. The CLT homes are sold at levels linked to local incomes and every subsequent sale through the CLT will also be linked to local incomes.
67. The council is committed to look to deliver a Community Land Trust within Southwark as part of the commitment to deliver homes of every kind and is working with the London CLT and Peckham Citizens to identify a suitable opportunity to take forward.
68. As part of the borough wide capacity study the council will identify suitable sites that can be explored and taken forward from inception to delivery with the community in to deliver a community land trust in Southwark. It is likely that

these sites may still require subsidy, possibly in the form of land and external grants to ensure they are genuinely affordable to Southwark residents. Southwark intends to work with Peckham Citizens and the London Community Land Trust to quickly identify suitable sites and then explore these opportunities and deliver homes available to the 'squeezed middle' in Southwark. The council will also assist the CLT to help facilitate grant applications such as to the Community Housing Fund.

## Funding

69. For a number of years councils have faced significant barriers to delivering new homes. Right to buy (RTB) receipts that the council receives from the discounted purchase of council homes can only be kept for three years and can only be applied up to a maximum of 30% per property. The programme delivered so far has largely relied upon a mixture of commuted sums (s106 receipts). With the council insisting on more on site provision of affordable housing it is expected that going forward there will be less commuted sums to support the new build programme.
70. The regeneration schemes (SRPP) delivering council homes rely on the capital value of the land. The council puts in land and private sales enable the provision of social homes and possible overage on sales values back to the council.
71. The council has had limited borrowing capacity within the Housing Revenue Account and given the size and complexity of the new build programme would always look to keep a contingency of £50m borrowing headroom. The remaining £97m existing borrowing headroom is already earmarked for other major capital investment which includes large projects such as Ledbury, Tustin and Maydew House.
72. This leaves the council with very limited resources to provide a new build programme, particularly through direct delivery through the HRA.
73. It is estimated that the cost of delivering the council homes and the additional units in the current pipeline is excess of £500m of resources (including non council homes).
  - There are currently £75m of RTB receipts, with the amount of RTB purchases generally reducing and therefore the receipts are reducing going forward.
  - There is currently £60m of s106 and the amount of s106 coming in is generally assumed to be reducing going forward.
  - Any shortfall would need to be met largely with borrowing.
74. A grant bid of £168m against the pipeline has been applied for through the GLA's *Building Council Homes For Londoners* fund. This is bidding for all the possible units starting on site before March 2022. The grant available for is £100,000 per Social Rent/London Affordable Rent. The grant for London Living Rent, London Shared Ownership or other genuinely affordable intermediate homes is:
  - £38,000 per home started in 2018-19 or 2019-20
  - £28,000 per home started in 2020-21 or 2021-22.

75. Government announced it would raise local authority Housing Revenue Account borrowing limits by up to £1 billion between 2019-20 and 2021-22. The GLA announced London's share of this increase as £500m and all London councils are able to bid for borrowing linked to new build schemes.
76. £204m of borrowing has been identified to deliver the pipeline in addition to the grant, that would be required to come from additional borrowing headroom. Of this, £188m could be eligible for additional GLA borrowing support.
77. The GLA is also offering councils the opportunity to opt-in to its Right to Buy Ring-Fence Offer. Southwark has accepted this offer and the GLA will ring-fence any Right to Buy receipts that the council collects and returns to the GLA (via central Government) for use by Southwark in accordance with a standard agreement between the two parties. It provides Southwark with an opportunity to ring-fence receipts plus any interest paid on receipts for three years; the council would otherwise lose control of these resources once returned to central Government.
78. The government has been consulting on changing the rules around right to buy receipts (ending in October), possibly allowing for a longer retention and a higher percentage of receipts that can be used. Relaxing rules around the use of right to buy receipts, such as allowing them to be used with grant and freeing council from HRA borrowing restrictions would allow councils build more houses.
79. At the Conservative party conference it the intention to end the cap on council borrowing against the housing revenue account (HRA) was announced. The council awaits details of when the cap will be scrapped and whether there will be conditions imposed on councils, with more details due in the budget scheduled for 29 October 2018.
80. However, as it currently stands, if the councils bid is not successful or the rules on borrowing in the HRA do not change, they will not be able to deliver the volume planned pipeline through direct delivery and alternative delivery vehicles will need to be examined. This may include but not be limited to mixed tenure development and cross subsidy by way of outright sales.

#### **The Future Steering Board (FSB)**

81. The FSB has considered and responded to key local plans, strategies and consultations. This includes the Old Kent Road Area Action Plan; changes to the councils Day to Day Repair Service, New Southwark Plan, Southwark Regeneration in Partnership, and the Hackitt report on Fire Safety as well as planned refurbishments, new developments and builds. The Board has also submitted responses to key Southwark Consultations such as the Old Kent Area Action Plan and the Southwark Conversation. Members of the FSB also visited the new development at Sumner Road.
82. FSB has also responded to Briefing Notes on the proposed government method to calculate housing need for planning purpose and the comparison of viability testing for planning applications between GLA and Southwark Council.
83. FSB's continues its focus on monitoring the progress the council is making towards the target of new homes on site by 2018 and working to understand the likely effects of the changing government housing and planning policy on meeting the new homes target and on Council residents in general. A second

key area of focus is on the variety of implementation methods used by the Council to provide new homes, including Building on Top, and Direct Delivery.

### **Programme communications**

84. The council has developed an external affairs strategy for the next four years, setting out its priorities for communicating and influencing, linked to the priorities set out in the council plan. One such priority is the New Homes programme and a detailed strategy is planned, to ensure that residents and other key stakeholders are aware of the council's plans and the wider challenges and opportunities regarding local government's response to the housing crisis. As detailed in paragraphs 34-37, a detailed communication and engagement plan for each site will also be developed to ensure local residents have an opportunity to be involved in and influence decisions about new homes in their community.

### **Policy implications**

#### **Housing Strategy to 2043**

85. The new long-term housing strategy for the borough was agreed by Cabinet on 27 January 2014. It contains a vision for the future of housing in the borough, which consists of four principles.
- Principle 1: We will use every tool at our disposal to increase the supply of all kinds of homes across Southwark.
  - Principle 2: 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.
  - Principle 3: We will support and encourage all residents to take pride and responsibility in their homes and local area
  - Principle 4: We will help vulnerable individuals and families to meet their housing needs and live as independently as possible.

### **Community impact statement**

86. 2014 Strategic Housing Market Assessment demonstrated a continuing 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.
87. The Public Sector Equality Duty requires public bodies to consider all individuals when carrying out their day to day work, in shaping policy, in delivering services and in relation to their own employees. It requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. The council's consultation with residents on the 11,000 council homes programme has been specifically designed to be inclusive of all the borough's communities and provide a range of mechanisms to provide residents with the opportunity to engage.

88. Consultation on sites is being undertaken in line with the Charter of Principles and continues to provide mechanisms for resident to engage with the development of new homes.
89. By providing a stronger link between the new build programme and working with the 'Great Estates' agenda and utilising social regeneration indicators linked to council plan objectives, the programme will help target those most in need to deliver community benefits.

### **Resource implications**

90. There are no resource implications as all the work is currently being managed through current resources.
91. The resources required to deliver the programme will be kept under review by the new homes steering group in line with the pipeline and delivery vehicles employed.
92. The resources to build the current pipeline of new homes to deliver 2500 will be dependent on the GLA bid and the autumn statement on the HRA debt cap. The resources will need to be reviewed in line with the grant and borrowing headroom that is made available.

### **Consultation**

93. The extensive four stage consultation around this programme and the charter of principles consultations are outlined in this and previous reports.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Law and Democracy**

94. There are no specific legal implications relating to this report, which is an update report to cabinet on the progress of the new homes delivery programme, and requests for approval of exploratory and development work.
95. The cabinet must continue to take into account the Public Sector Equality duty (PSED General Duty) under the Equality Act 2010, and when making decisions to have regard to the need to (a) eliminate discrimination, harassment, victimisation or other prohibited conduct, (b) to advance equality of opportunity and (c) foster good relations between persons who share a relevant protected characteristic and those who do not share it. The relevant characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion, religion or belief, sex and sexual orientation. The duty also applies to marriage and civil partnership but only in relation to (a). The PSED General Duty is a continuing duty, and potential equality considerations should be considered at the different stages of the programme. The cabinet is specifically referred to the community impact statement at paragraphs 95-98 setting out the consideration that has been given to equalities issues in relation to the new homes delivery programme.
96. The cabinet should note that decision makers must continue to conscientiously take into account the outcome of consultation when taking decisions on the proposed programme. When taking decisions on the programme decision

makers must satisfy themselves that the consultation carried out meets legal requirements. To meet legal requirements consultation must be undertaken when proposals are still at a formative stage, it must include sufficient reasons for the proposals and adequate time to allow interested parties the opportunity to consider the proposal and formulate a response.

97. The member-led steering group referred to in the second recommendation is not a formal council decision making body. Decisions on the new homes programme must continue to be made in accordance with legal requirements under the council's constitution.

### **Strategic Director of Finance and Governance**

98. The strategic director of finance and governance notes the progress made on the new build programme and the recommendations made in this report, which are designed to improve the delivery programme in terms of speed and quality of delivery.
99. There are no financial implications arising directly from the report's recommendations. As the report identifies, the council has bid for grant and additional borrowing capacity from the GLA to support the delivery of new homes, which if successful are both affordable for the HRA. In the event of any relaxation of central government controls over HRA borrowing capacity, the council will need to ensure that any additional borrowing taken out is both affordable and sustainable.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
11,000 New Council Homes - Results of Consultation on Design, Neighbourhoods and Where to Build (Item 8)	Housing and Modernisation, Southwark Council, 160 Tooley Street, London SE1 2QH	Tim Bostridge, Development Delivery Manager 020 7525 1222
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/ielistdocuments.aspx?CId=302&amp;MId=5141&amp;Ver=4">http://moderngov.southwark.gov.uk/ielistdocuments.aspx?CId=302&amp;MId=5141&amp;Ver=4</a>		
Cabinet paper : progress update on the council's housing investment plans (Item 12)	Housing and Modernisation, Southwark Council, 160 Tooley Street, London SE1 2QH	Tim Bostridge, Development Delivery Manager 020 7525 1222
<a href="http://moderngov.southwark.gov.uk/ielistdocuments.aspx?CId=302&amp;MId=5138&amp;Ver=4">http://moderngov.southwark.gov.uk/ielistdocuments.aspx?CId=302&amp;MId=5138&amp;Ver=4</a>		
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/ielistdocuments.aspx?CId=302&amp;MId=5138&amp;Ver=4">http://moderngov.southwark.gov.uk/ielistdocuments.aspx?CId=302&amp;MId=5138&amp;Ver=4</a>		
New Homes Delivery Programme (Item 11)	Housing and Modernisation, Southwark Council, 160 Tooley Street, London SE1 2QH	Tim Bostridge, Development Delivery Manager 020 7525 1222
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/ielistdocuments.aspx?CId=302&amp;MId=5139&amp;Ver=4">http://moderngov.southwark.gov.uk/ielistdocuments.aspx?CId=302&amp;MId=5139&amp;Ver=4</a>		
New Homes Delivery Programme (Item 15)	Housing and Modernisation, Southwark Council, 160 Tooley Street, London SE1 2QH	Tim Bostridge, Development Delivery Manager 020 7525 1222
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/ielistdocuments.aspx?CId=302&amp;MId=5372&amp;Ver=4">http://moderngov.southwark.gov.uk/ielistdocuments.aspx?CId=302&amp;MId=5372&amp;Ver=4</a>		
New Homes Delivery Programme	Housing and Modernisation, Southwark Council, 160 Tooley Street, London SE1 2QH	Tim Bostridge, Development Delivery Manager 020 7525 1222
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/ielistdocuments.aspx?CId=302&amp;MId=5380&amp;Ver=4">http://moderngov.southwark.gov.uk/ielistdocuments.aspx?CId=302&amp;MId=5380&amp;Ver=4</a>		

## APPENDICES

No.	Title
Appendix 1	New process to deliver an approved scheme
Appendix 2	Map showing approved schemes

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Leo Pollak, Social Regeneration, Great Estates and New Council Homes	
<b>Lead Officer</b>	Michael Scorer, Strategic Director of Housing & Modernisation	
<b>Report Author</b>	Tim Bostridge, Head of Development	
<b>Version</b>	Final	
<b>Dated</b>	15 October 2018	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	19 October 2018	



## APPENDIX 1

### New process to deliver an approved scheme

