

Item No. 12.	Classification: Open	Date: 17 July 2012	Meeting: Cabinet
Report title:		Directly Funded Housing Delivery	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Peter John, Leader of the Council	

FOREWORD - COUNCILLOR PETER JOHN, LEADER OF THE COUNCIL

London faces an affordable housing crisis. In Southwark the number of households waiting for council or social housing is already over 20,000 and growing every month. The recession and government welfare policies appear set only to contribute further to our borough's need for more good quality affordable housing, whilst cuts to national housing budgets mean that national assistance to build new affordable homes has decreased. Without national direction we must take local action.

Through our Housing Investment Plan we are already going to ensure that all of our council homes are warm, dry and safe by the end of 2015. But the rising demand for affordable housing means that we must go further than simply making good the stock we already manage. We must increase the size of that stock, with homes with genuinely affordable rents, not the 80% of market rents that the Government has defined 'affordable'.

So, by using the regeneration that is taking place in our borough, by 2020 we will build 1,000 new council homes in Southwark – more than have been built across the whole of London in the last ten years. 1,000 new homes will certainly not solve the housing supply challenge that faces our borough – to truly do that requires action outside our control – but we will be working towards making the future for our borough's homeless and overcrowded families a fairer one.

RECOMMENDATIONS

That the cabinet

1. Notes the affordable housing fund (AHF) for 2011/12 to 2015/16 (see paragraph 12).
2. Agree in principle to the council directly building and providing new affordable homes in the borough within the financial limits of the AHF set out in this report and in line with the council's local planning policy framework.
3. Instruct officers to prepare a further report for presentation to Cabinet in September that sets out a fully costed range of options for the delivery of new affordable council homes, including the broader impact on council and local services.

BACKGROUND INFORMATION

4. This report recommends the in principle decision to the delivery of new affordable council homes funded through the AHF and specifically the proposal of a target to build 1,000 new council homes by 2020. It sets out the overall resources expected to be in place for the AHF for 2011/12 to 2015/16. It sets out initial proposals for sites that may be used for delivery of new affordable homes. Subject to agreement of this report, a further report will be presented to Cabinet in September setting out a range of delivery options for new affordable council homes including financial appraisal of these options, and impact analysis on other council and local services.

KEY ISSUES FOR CONSIDERATION

Bringing the full benefits and opportunities for regeneration to all Southwark's residents

5. In July 2011 the Council agreed a Council Plan that set out ten promises to deliver the local vision of a fairer future. One of those promises was to bring the full benefits and opportunities for regeneration to all Southwark's residents. The delivery of more high quality, genuinely affordable council homes is a central outcome in achieving the vision.
6. In the last year, 600 affordable homes were delivered in Southwark and the council has an aspiration to achieve a greater number of affordable council homes, some 1,000 new council homes by 2020, by using the receipts from funding generated through local regeneration activity. In planning policy terms, the Southwark Core Strategy (2011) sets a target of 8558 net new affordable homes between 2011 and 2026.
7. This report puts forward a proposal to make use of sites around Southwark for the building and development of as many new affordable council homes as is possible within financial limits. Sites which will be prioritised for development are those which are underused, vacant or "problematic" for large-scale development.
8. The first possible site for new homes to be built is at the former Borough and Bankside housing office site on Long Lane, SE1. A register of other potential sites is being developed. The next stages in the process would be an assessment of initial capacity followed by appropriate consultation with residents, subject to the agreement of this and subsequent report(s).
9. It is proposed that the new affordable housing would be council-funded and managed, which will subsequently allow greater control over rent levels and management. This could also potentially allow for local lettings – where new housing is let to local residents in priority need, enabling the council to re-let existing homes and create better mobility on estates, and provide people with appropriate housing to suit their needs. It is also proposed that the provision of specialist housing such as accessible, or wheelchair adapted homes, be delivered through the AHF programme.

The Affordable Housing Fund (AHF)

10. The AHF provides a funding mechanism in which to deliver new affordable council homes in the borough. There are a number of ways this can be achieved. They include:

- a) Delivery of new affordable housing, either directly or by use of a development agent
 - b) Support regeneration programmes to deliver truly affordable units and be policy compliant
 - c) Development of affordable specialist housing, including new extra care provision
11. The AHF is created as a result of 'in lieu' payments from local development that are subsequently pooled. When sufficient funds are accumulated, they are used to fund specific new housing schemes, normally with Housing Associations.
12. Table 1 below shows the AHF resources and the anticipated timing from agreements already in place.

Table 1 – anticipated resources from the AHF 2011/12 to 2015/16

Resource Expected £	2011/12	2012/13	2013/14	2014/15	2015/16	Total
Kings Reach	0	22,400,000	0	0	0	22,400,000
Potters Field	0	0	10,500,000	0	0	10,500,000
Union Street	0	1,600,000	0	0	0	1,600,000
Neo Bankside	9,000,000	0	1,000,000	0	0	10,000,000
						0
TOTAL	9,000,000	24,000,000	11,500,000	0	0	44,500,000

13. Further resources will be generated by a range of means to fully fund the programme. The detailed funding and delivery strategy will be reported to cabinet in September.

Broader impact on council and local services

14. The creation of new affordable housing is part of an overall policy programme as set out in the Council Plan and as such there are a number of broader impacts on council and local services that need to be considered.
15. Identification of sites will be a key consideration, particularly when considering the impact on local services. Where new homes are constructed on local estates, the development should be delivered in such a way as to best integrate the new properties into their surroundings, including sharing amenity space and facilities where it is best to do so. Design should be to a high standard. There will need to be consideration given to impact on environmental services such as local parking provision and accessibility to parks, play and open spaces.
16. The Future Vision for Social Care approved by the cabinet in April 2011 commits the council to shifting the balance away from residential care to community based provision and most notably extra care housing. With limited grant funding to support extra care facilities for older people the AHF can be used to develop such facilities directly. Officers will consider options for the delivery of such facilities which offer value for money, quality and speed of delivery.
17. The impact of new affordable council homes on local schools will also be a key consideration. Any future plans will need to take account of existing local provision with an assessment of the impact of new homes on future capacity.

This will require further, more detailed consideration as options for the delivery of the new homes are worked up.

18. The delivery of new homes and improvement of existing stock through the AHF has the potential to generate substantial economic benefits in the borough, requirements should therefore be built into tender criteria, contracts and planning agreements that secure a commitment to delivering access to jobs, apprenticeships, skills training and supply chain contracts locally.
19. The council has a fully funded housing investment programme (HIP) for the next 5 years subject to confirmed Decent Homes backlog funding and an appropriate proportion of future capital receipts. Supplementary funding for the HIP could be provided by the way in which AHF is used, which would enable acceleration of the current programme subject to management capacity.

Planning policy implications

20. The homes delivered as part of the AHF programme will assist in increasing the supply of good quality affordable housing and will contribute the following targets:
 - Policy 5 of the Core Strategy sets a housing target for the borough of 24,450 net new homes between 2011 and 2026 (1,630 per year).
 - The London Plan sets the borough a housing target of 20,050 net new homes between 2011 and 2021 (2,005 per year)
 - Core Strategy policy 6 sets an affordable housing target of 8,558 net affordable housing units between 2011 and 2026.
21. New national planning policy is set out in the National Planning Policy Framework (NPPF), which was published on 27 March 2012. The NPPF continues to require boroughs to set policies for meeting the need for affordable housing on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified. The NPPF introduces a change which allows local planning authorities to make policies for financial contributions to be used to “improve or make more effective use of existing housing stock and the agreed approach contributes to the objective of creating mixed and balanced communities”. The NPPF changes have the potential to provide further opportunities for investment in the council’s existing stock.

Community impact statement

22. The proposals to increase the supply of affordable, good quality homes will benefit households in need from all Southwark’s communities, and will increase the housing options available for older people living in Southwark.
23. Southwark is a borough with high levels of deprivation, low median income levels, and high levels of housing need. Southwark’s Housing Strategy 2009-2016 identified that there is a shortage of affordable housing in the borough, particularly of larger homes. Households from black and minority ethnic communities tend to be over-represented among those living in overcrowded, poor quality housing.
24. Southwark has an ageing population, particularly those aged 85 plus. By 2020 the number of older people over the age of 85 is expected to grow by 21.0%. There is a shortage of extra care sheltered housing for older people as an

alternative to residential care. Surveys of older people have found residential care to be an unpopular housing option among older people.

Conclusion

25. Demand for housing of all types is undiminished and the council has reported separately on the pressures it faces through for example, rising waiting lists. Public sector grant for affordable housing development is operating at reduced levels. The delivery of new council homes through the AHF will help meet the need for truly affordable housing and enable development to take place which may otherwise not be forthcoming. It also presents an opportunity for adding to the overall stock.
26. This report sets out an initial plan for the delivery of new affordable council homes across the borough within the financial limits of the AHF. It seeks for cabinet to make an in principle decision for the council to take forward plans for the direct building and investment in new affordable council housing.
27. Following agreement of this report, further work will be required and a subsequent report prepared for cabinet setting out a range of costed options for delivery. These options will need to take account of the broader impact of new housing development on council and local services, including demand for such services and where changes to service provision may be required.
28. Also, the cabinet has agreed to the establishment of an independent housing commission to consider broader issues of investment, management and operation of the council housing stock for up to thirty years from 2015/16 (when the current five year programme comes to an end) and the implications of the proposals in this and subsequent reports will need to be appropriately considered.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services (20120704/SY)

29. Members of Cabinet are requested to make an in principle decision concerning the strategy for investment of circa £44,500,000 comprised in Affordable Housing Fund (AHF) towards the provision of new affordable housing in the borough. The decision is within the remit of Cabinet's responsibilities for:
 - resources and priorities (function 3, Part 3B of the Constitution) and
 - devising strategies and programmes for the implementation of the planning policy framework set by the Council (function 4, Part 3B of the Constitution).
30. The AHF comprises a pool of financial contributions obtained pursuant to planning agreements under Section 106 of the Town and Country Planning Act 1990. Any future decisions to expend Section 106 contributions would be subject to the following considerations:
 - a. The specific and legally binding provisions and restrictions of the extant S106 agreements which form the source of the AHF funding;
 - b. Regulation 122 of the Community Infrastructure Regulations 2010 imposes certain limitations on the form, nature and expenditure of obligations such that any financial contributions must be:

- i. Necessary to make the development acceptable in planning terms;
 - ii. Directly related to the development;
 - iii. Fairly and reasonably related in scale and kind to the development;
- c. Regulation 123 of the Community Infrastructure Regulations 2010, with effect from April 2014 restricts the ability of local authorities to pool more than five financial contributions if by that date the authority in question has adopted a charging schedule, namely a tariff based system for the provision of infrastructure pursuant to the Regulations. Whilst Section 106 agreements will continue to regulate in-kind and financial provision for new affordable housing, the Council will effectively be able to pool no more than five contributions once it has adopted a Community Infrastructure Levy (CIL) Charging Schedule (note: an item entitled “Community Infrastructure Levy Preliminary Draft Charging Schedule” is elsewhere on this agenda).
31. The report sets out the planning policy implications in terms of achieving requisite affordable housing targets which this in principle decision will contribute to. It is recommended that members may make this in principle strategic decision which is within Cabinet’s constitutional remit. Members are advised to note that future decisions concerning specific expenditure would be taken in accordance with the above considerations, in consultation with community councils (Part 3H of the Constitution) and the matters reserved to planning committee in respect of expenditure of Section 106 monies which exceeds £100,000.

Strategic Director of Finance and Corporate Services (NR/F&R/5/7/12)

32. This report recommends that the cabinet notes the affordable housing fund (AHF) for 2011/12 to 2015/16, agrees in principle to the council directly building and providing new affordable homes in the borough within the financial limits of the AHF set out in this report and in line with the council’s local planning policy framework and instructs officers to prepare a further report for presentation to Cabinet in September.
33. The Finance Director notes the initial funding arrangements for the AHF and the intention to provide a more detailed strategy to fully fund the scheme to conclusion. Officer time to effect the recommendations will be contained within existing budgeted revenue resources.

BACKGROUND PAPERS

Background Papers	Held At	Contact
None		

APPENDICES

No	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Peter John, Leader	
Lead Officer	Eleanor Kelly, Chief Executive	
Report Author	Stephen Gaskell, Head of Strategy and Partnerships	
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Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Cabinet Member	Yes	Yes
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