

<b>Item No.</b> 14.	<b>Classification:</b> Open	<b>Date:</b> 27 January 2015	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Southwark Regeneration in Partnership Programme	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Mark Williams, Regeneration, Planning and Transport	

## **FOREWORD – COUNCILLOR MARK WILLIAMS, CABINET MEMBER FOR REGENERATION, PLANNING AND TRANSPORT**

To help meet the housing needs of Southwark's residents this report sets out a programme of delivering new homes, of all kinds, through a new 'Southwark Regeneration in Partnership Programme'. This will deliver new homes as well as facilities for the public good, including improved Adult Social Care facilities, new education facilities, and new GP surgeries. In addition, these schemes will compliment the on going regeneration of our borough including improving public spaces, streetscape and linkages for pedestrians and cyclists.

This report sets out how the council will package under utilised or redundant sites to create new opportunities for inward investment. By working in partnership with developers, this programme will enable the council to make more efficient use of sites (such as taking advantage of opportunities in adjoining sites, including those not in council ownership), to capitalise on their value and utility to maximise regeneration outcomes for our residents.

The homes delivered through this partnership will be a third for social rent, a third intermediate and a third for private sale. The social rented homes will be retained by the council and will be let at council rents and will contribute to the council's target of delivering 1,500 new council homes by 2018. The sale of the private homes will help subsidise the new council properties and other facilities. The criteria for the intermediate homes will be reviewed to help maintain a balance of Southwark's population, so that those who do not qualify for social housing but cannot afford to buy a home will not be forced out of the borough. To this end a variety of intermediate options will be considered, including different forms of low cost home ownership.

## **RECOMMENDATIONS**

That the Cabinet:

1. Agrees to the development of the proposed 'Southwark Regeneration in Partnership' programme.
2. Notes that an upfront budget for site investigations, feasibility studies, surveys and option appraisals will be funded from regeneration and development reserves, on the basis that it will be repaid back into the reserve through realisation of the various developments.
3. Notes the proposed delivery timetable.

4. Notes that a further report will be submitted to cabinet in summer 2015, seeking approval to specific proposals for procurement.

## **BACKGROUND INFORMATION**

5. In July 2014, the council renewed its pledge to deliver a fairer future for all in Southwark in a set of 10 new fairer future promises as well as specific commitments, some of which include:
  - Deliver value for money across all services
  - Build more quality affordable homes of every kind across the borough
  - Become an age friendly borough
  - Improve standards across schools
  - Provide enough places to offer young people and families, including those who are vulnerable, the right support
  - Revitalise neighbourhoods
  - Support local people into work.
6. These promises are recognition of the need for new supply whilst improving existing housing, educational and health provision across the borough. This programme has the potential to make a significant contribution to that objective.
7. The New Southwark Plan is being prepared in consultation with residents, land owners, developers, employers, local organisations and other groups over the next two to three years. It will set out the strategy to bring the full benefits and opportunities of regeneration to all Southwark's residents.
8. The overall objective is to develop a range of regeneration programmes in line with the Plan to revitalise our neighbourhoods, making them places in which we can all be proud to live and work and to build more quality affordable homes of every kind.
9. A move towards more efficient and higher quality provision must be considered against the financial constraints faced by the council as it prepares for further reduction in our funding from central government. This comes on top of savings of around £90m the council has had to make in the three years to March 2014. As such, the council is exploring ways it can continue to deliver value for money for residents and businesses by making even better use of its resources.
10. The council holds significant assets and sites and there will be opportunities to work with developers to achieve the best possible outcome for our residents and to enhance their long term value. This is already occurring on individual sites and regeneration areas and the council has a strong track record of attracting private sector investment to secure better outcomes for the local community.
11. This report sets out Regeneration's aims and objectives for the 'Southwark Regeneration in Partnership' programme to identify a number of council owned sites of varying size and development potential, which would be packaged to create viable opportunities for development and regeneration. These sites could be developed for a range of mixed use schemes, including housing that would maximise the utility and value of these assets by leveraging in the investment and expertise of established developers through a joint partnership.
12. The programme will enable more efficient use of assets, deliver more quality homes of every kind and create new opportunities to enhance the quality of

service provision and maximise value of council buildings across the borough, through partnership working with developers and registered providers.

## **KEY ISSUES FOR CONSIDERATION**

### **Project Objectives**

13. To maximise and enhance the utility, value and quality of council-owned land and buildings.

### **Benefits**

14. By improving the quality and maximising the utility of council buildings, the programme will revitalise communities and neighbourhoods and enable improved service provision.
15. By delivering more homes of every kind across the borough (including social rent, intermediate and private sale) the programme will enable more mixed and balanced communities and address the housing need of the various groups and communities in the borough.
16. Moreover, as the social rent units will be retained as council homes, they will count towards the council's pledge of 11,000 new council homes by 2043 (in addition to the homes delivered by the Direct Delivery team).

### **Quality**

17. Ensuring quality is a key driver and a partnership approach means the council will be able to direct the quality outcomes of the programme. To this end, officers have commissioned a housing design and specification guide and will seek to ensure that the assets created through the programme have regenerative value by building new facilities and homes that:
  - 1) are not only fit for purpose but future proofed and flexible;
  - 2) are high quality, well integrated, and geared to their management and maintenance as long term assets;
  - 3) create interesting and aspirational places that communities will be proud of;
  - 4) encourage and enable better community engagement and service provision.

### **Timescale**

18. The aim of the programme is to engage the investment and expertise in the market to achieve efficiency that will expedite delivery – this includes aiming to deliver a critical mass of new council homes by 2018 to count towards the 1,500 homes target. As such the programme will:
  - 1) seek to use expedient procurement approaches, such as the GLA's developer framework, to select development partners.
  - 2) phase delivery to enable start on site of "quick win" sites by summer 2016.

## Costs

19. The aim is to leverage in private investment to achieve value for money, reduce the council's outlay and minimise financial risks whilst maximising the value of the council's assets and its return on investment. The appraisal of the programme's viability will be based on the following assumptions:
  - 1) there will be no net capital costs to the council at completion;
  - 2) that the council will either defer the value of its land or accept a residual value (i.e. gross land value less development costs);
  - 3) the development costs for social rent and council facilities will either be:
    - i. entirely cross-subsidised from private sale and land value (i.e. at nil upfront cost to the council) or
    - ii. partially funded by the council;
  - 4) the council's profit share will be based on 50% of GDV (gross development value);
  - 5) the council will retain the freehold;
  - 6) all social rent units will be council homes - rents and service charges will be in line with Direct Delivery terms;

## Deliverables

20. The Southwark Regeneration in Partnership programme's key deliverables:
  1. To deliver/re-provide:
    - High quality homes of every kind
    - Improved Adult Social Care facilities
    - New teacher training facility
    - Improved schools where linked to development opportunities
    - New GP surgeries where supported and approved by NHS England and the CCG (Clinical Commissioning Group)
    - New community facilities
    - New hostels and other supported housing
    - Improved streetscapes and permeability
    - Employment and training opportunities.
  2. In relation to the housing element, the aim is to deliver a mix of council homes, intermediate and private across each package with the critical mass of council homes completed by 2018 (to count towards the 1,500 home target). As such:
    - a. a majority of council homes will need to be front-loaded on the programme as stand-alone sites but will be deliverable through the overall financial model.
    - b. additional funding from the Affordable Housing Fund and/or Recycled Capital Receipts may be required. Otherwise, the expectation would be that our development partners deliver the social rent units at nil cost to the council.

3. Deliver high quality and fit-for-purpose public buildings at good value.
4. Achieve a net gain on completion of sales through a profit sharing or overage agreement with our development partners.

### **Scope and Exclusion**

21. The programme will consider council owned land and buildings where efficiencies can be achieved through redevelopment. Excluded from the programme will be infill development on housing estate land.
22. While the social rent units will count towards the 11,000 new homes pledge and will be delivered on the same quality assumptions as direct delivery, they are not part of the direct delivery programme, i.e. they will be delivered through a different vehicle based on commercial opportunities and constraints.
23. There is also scope to consider opportunities to redevelop private sites in partnership with registered providers or developers; either as part of a site assembly to achieve area regeneration or on an ad hoc basis.

### **Constraints and Assumptions**

24. In order to achieve start on site by summer 2016, the council will need to take the development risk of achieving planning consent and undertaking enabling works (including, where necessary, demolition) on identified quick win sites before a development partner(s) is in place.
25. Some sites will need CPOs in order to achieve vacant possession. Vacant possession on some sites may have other dependencies outside of programme control. Some sites will require appropriation and Secretary of State consent to redevelop and repurpose.
26. The mix of housing to be delivered on a range of tenures with possible mixes of a third social rent, a third intermediate and a third private sale.
27. Where existing services or community facilities need to be re-provided, new provision will be delivered first before the services and facilities are decanted. However, commercial leaseholders may need to be decanted elsewhere with the option to return.

### **Delivery Approach**

28. Officers have identified the sites listed below as having the potential for regeneration through a partnership approach:
  - Albion Street Library and Civic Centre
  - Albion Street Health Centre site
  - Braganza Street Workshops
  - Copeland Road car park
  - Manor Place Shops.
29. It is expected that this list will grow to enable at least two lots of a minimum of 300 units. To achieve this, officers will consider sites held in education, health, housing and adult social care where current uses can be integrated with housing

delivery or relocated. The main delivery route will be through a joint partnership arrangement with major developers

30. However, where it is appropriate and beneficial, the council will also enter into partnership arrangements with smaller developers and/or registered providers to redevelop sites, either not in council ownership or where marriage-values can be achieved, on an ad hoc basis.
31. Preliminary works will need to be undertaken to assess viability of these sites and any additional ones that are identified. Works will include:
  1. feasibility studies and initial design proposals to Stage 2 (and Stage 3 where appropriate),
  2. full surveys and planning surveys with specialist planning advice as required,
  3. valuations and development appraisals
  4. legal advice
    - title searches
    - drafting a Development Agreement or amending standard form agreements.
32. Officers will explore procurement approaches such as OJEU, the use of existing procurement models such the council's Local Education Partnership (LEP) and established frameworks such as the GLA London Development Panel (see below) and a formal joint venture.
33. The GLA London Development Panel framework has 25 developers (many of whom already work in Southwark) who have already gone through the pre qualification checking process. The LDP framework is the greater London version of the national Housing and Communities Agencies (HCA) framework. It supports the building of new public sector facilities and housing led mixed use developments, on land owned by the public sector. The LDP is made up of all the main developers, both registered providers and contractors; it is the main framework for London and is operational. It includes a standard form Development Partnership Agreement.
34. As part of the preliminary works, procurement proposals would be finalised with a view of procuring a development partner(s) in the summer of 2015, following a report back to cabinet. This will be with the benefit of soft market testing and consultation with other local authorities building on best practice.

### **Project Management and Governance Structure**

35. A development partnership or joint venture agreement will be implemented that clearly sets out the roles and responsibilities of the council and its development partner. At a strategic level the programme will be overseen by a Project Board. Operationally, project coordinators will be responsible for day to day management and monitoring of the individual projects. The Housing Regeneration Manager responsible for the delivery of the overall programme, under the management of the Head of Regeneration, Capital works, will be responsible for ensuring that the programme is adequately resourced and coordinated to deliver its objectives and procured efficiently and effectively in accordance with best practice for major projects procurement.

### **Consultation Strategy**

36. A robust consultation programme with all relevant stakeholders will be developed and implemented, that takes into account, the views of all residents as well as engaging with those that live in the vicinity of any new development site. Community engagement will be inclusive, open and accessible to all.
37. A project group composed of inter-departmental stakeholders will be established to ensure full buy-in and cooperation in achieving programme objectives. This group will also help shape site specific requirements.
38. Officers will also engage the market through soft market testing events to guarantee the package(s) that is tendered is attractive enough to ensure sufficient competitive tension to achieve programme aims.

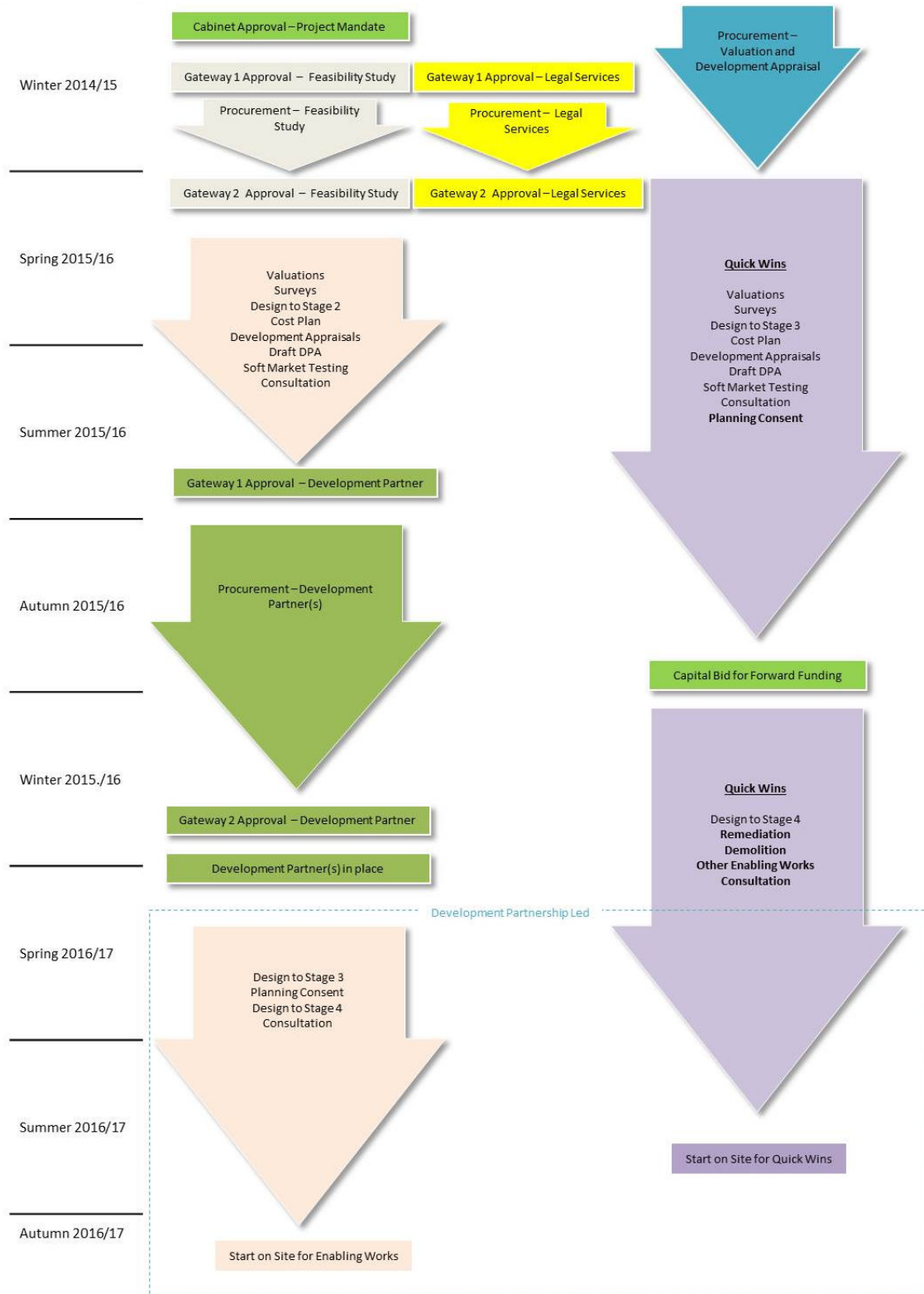
### **Quality Management Strategy**

39. A detailed quality management strategy will be developed and implemented in consultation with the relevant stakeholders. As outlined above, quality is a key driver and the development partner would be expected to sign up to the strategy.

### **Risk Management Strategy**

40. As with any development programme, there will be practical risks and officers will develop and implement mechanisms to manage those risks. The development partner procurement route is a means of addressing financial and delivery risks associated with large scale developments.
41. The programme will align itself to the council's corporate risk management strategy. Risk will be categorised under the following areas and risk management will be facilitated via risk workshops:
  - Financial
  - Legal & Regulatory
  - Operational
  - Staffing & Culture
  - Reputational.

## Indicative Project Plan (Pre-construction)



## Financial implications

42. It is anticipated that initial start up funding of up to £1.5m will be required in order to bring detailed proposals to Cabinet in summer 2015. This will be funded from regeneration and development reserves on the basis that it will be repaid into the



reserve through realisation of the various developments.

### **Investment implications**

43. There is uncommitted balance of £4.1m in regeneration and development reserve code ZR003. Therefore, costs associated with this proposal can be contained within this available balance.

### **Policy implications**

44. The programme has been shaped by the promises and commitments made in the Council Plan, such as building more quality affordable homes of every kind and revitalising our neighbourhoods making them places in which we can all be proud to live and work.
45. The development plan for the borough consists of the Mayor's London Plan, the Core Strategy 2011, the Southwark Plan policies, the Aylesbury Area Action Plan, the Peckham and Nunhead Area Action Plan and a revised Canada Water Area Action Plan.
46. The New Southwark Plan is being prepared in consultation with residents, land owners, developers, employers, local organisations and other groups over the next two to three years, having commenced in October 2014. This New Southwark Plan will set out the strategy to bring the full benefits and opportunities of regeneration to all Southwark's residents.

### **Community impact statement**

47. A community impact statement will be collated to capture community priorities, issues and needs, in particular groups displaced or impacted by the development proposal. It is proposed that the community impact statement will focus on two distinctive communities:
- geographical communities - people living, accessing or working close to the development.
  - community of identity – groups that share characteristics such as the older people, minority ethnic groups, faith groups, people with disabilities and young people, etc.
48. Indicative groups we seek to consult and assess with will be service users, internal stakeholders and affected businesses.
49. Officers will conduct an equalities impact assessment to ensure that there is no disproportionate or discriminatory impact on groups with protected characteristics.
50. Under the Equality Act 2010's Public Sector Equality Duty (PSED), as a public body we must have due regard to the need to:
- 1) Eliminate unlawful discrimination, harassment and victimisation
  - 2) Advance equality of opportunity between different groups
  - 3) Foster good relations between different group.

## SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

### Director of Legal Services

51. This report covers progress on the continuing investigations into sites within the Borough which are owned by the council where there exist opportunities for development and regeneration. The intention is to explore the use of these sites so that they may, if appropriate, be used as contributors towards the target of 11,000 council homes by 2043.
52. Paragraph 22 of the report refers to the possibility of some sites being subject to compulsory purchase orders and others to obtaining consent from the secretary of state. These requirements will need to be analysed as each site is brought forward and 5 locations are identified at paragraph 27 where a due diligence process will be carried out in each case.
53. The report anticipates that a more detailed report will be submitted to Cabinet in the summer 2015. At this stage, there are no legal issues arising in relation to the matters raised but it is likely that there will be a variety of matters which require legal consideration as the project develops.

### Strategic Director of Finance and Corporate Services (FC/13/001)

54. This report recommends, amongst other things, that the Cabinet agrees to the development of the proposed Southwark Regeneration Partnership programme; notes the requirement for upfront funding and the need for a further report, seeking approval for procurement proposals, to be submitted to Cabinet in Summer 2015.
55. The Strategic Director of Finance and Corporate Services notes the financial implications contained in the body of this report. Officer time to effect the recommendations will be contained within the existing budgeted resources.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Mark Williams, Cabinet Member for Regeneration, Planning and Transport	
<b>Lead Officer</b>	Stephen Platts, Director of Regeneration	
<b>Report Author</b>	Diana Hall, Project Co-ordinator	
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<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<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
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