

Item No. 12.	Classification: Open	Date: 21 July 2015	Meeting Name: Cabinet
Report title:		Progress Update on the Council's Housing Investment Plans	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Richard Livingstone, Housing	

FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR HOUSING

Getting the council's plans for housing investment right is fundamental to the delivery of our vision of a Fairer Future for All in Southwark, as it both enables the council to fulfill its promise to build 11,000 new council homes by 2043 and its promise to improve our existing housing stock by ensuring that they are Warm, Dry and Safe and by providing quality kitchens and bathrooms for all our tenants.

This report sets out the way forward for both of these key priorities.

As part of the work to **build new council homes**, at council rents, this report sets out the progress made to date in delivering those homes and in engaging the community on future sites. It also recommends that the council explore the potential for the development of different models of intermediate housing to complement the provision of new council homes.

To assess the **investment needs of our current stock**, the report includes detail from the evaluation of those homes by Savills. This assessment identifies the levels of investment that will be needed to bring those homes up to a good standard. Where estates are identified as High Investment Needs Estates, the council will work with residents to find the best approach. As with the Four Squares Estate, Hawkstone Estate and Maydew House, the council's preferred solution would be to retain these estates and it would only consider more radical redevelopment as a last resort.

Following the cabinet decisions, detailed work will be undertaken to enable the October meeting of Cabinet to consider options on the **major works programme** for 2016/17 and onwards. This report will include a detailed draft programme of the work to be carried out, including that needed to ensure homes remain Warm, Dry and Safe; to provide quality kitchens and bathrooms to all our tenants; and to consider other investment options such as external decorations. Tenants and residents will then be consulted on the draft programme to give their input, for Cabinet to take final decisions in March.

To enable us to make further progress on these areas, the report recommends the establishment of a detailed **Affordable Funding Plan** to effectively marshal the resources available to the council to deliver these priorities. This plan will also need to carefully consider the impact on the Housing Revenue Account of the announcements regarding council rents made by the Chancellor of the Exchequer in his budget on 8 July.

To deliver this ambitious investment, it will also be necessary to borrow money in the early years of the programme, and then pay back that borrowing through the fruits of that investment later on. To allow for this, the report recommends an increase of the borrowing headroom of the Housing Revenue Account to allow further borrowing of up to £176.2m.

RECOMMENDATIONS

That the cabinet notes:

1. The housing investment plan progress update.
2. That progress has been made to increase borrowing headroom within the Housing Revenue Account (HRA) to £176.2m.
3. The response from the Futures Steering Board on the council's housing investment plans at Appendix 3. Cabinet thanks them for their detailed and thoughtful contribution.

That the cabinet agrees:

4. That the council determine a detailed affordable funding plan to support housing investment in new council homes and the existing stock to include the utilisation of all relevant council receipts, commuted sums and revenue contributions, as well as additional borrowing within the available headroom within the Housing Revenue Account (HRA).
5. For the production of a HRA asset management strategy for consultation with residents.
6. To explore the potential for development of intermediate housing products through the Southwark Housing Company to meet strategic needs and to make a financial contribution to the housing investment programme.
7. A further progress update on the ongoing consultation is brought back to November cabinet on the outcome of that exercise.

BACKGROUND INFORMATION

8. In January 2014 cabinet agreed the vision for a new housing strategy and plans for developing a new borough-wide housing strategy for Southwark. The vision emerged from the extensive community conversations on the future of council housing following publication of the independent Housing Commission's report.
9. The July 2014 cabinet report "Next Steps on Developing Long Term Plans for the Delivery of New Council Homes" established a clear direction of travel for the delivery of both new council homes, and investment in the existing housing stock. Among other actions, the Strategic Director of Housing and Community Services was instructed to:
 - Undertake a comprehensive review appraisal of the overall performance of current Housing Revenue Account (HRA) assets
 - Establish a wholly owned and controlled council 'vehicle'.

10. On 27 January 2015 cabinet agreed its new long term housing strategy for the borough, to 2043, probably the first such attempt to develop a long-term housing plan in London for many years. The housing strategy sets the overarching framework for increasing housing supply, transforming housing conditions in Southwark across all tenures, and responding to the borough's housing needs. A single page summary of the strategy is included as Appendix 1.
11. The housing strategy contains specific commitments for increasing housing supply, including building 11,000 new council homes for social rent by 2043 (including 1,500 by 2018), '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.
12. Reports on introducing new standards for houses in multiple occupation, and the implementation of discretionary licensing in the private rented sector elsewhere on this meeting agenda, set out details of the council's plans for improving standards in the private rented sector, demonstrating Southwark's commitment to Principle 2 of the Housing Strategy: '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.'
13. On 25 February 2015 Council Assembly endorsed the Council Plan to 2017/18 which included the Fairer Future Promise- **Quality affordable homes**, which states 'We will improve housing standards and build more homes of every kind, including 11,000 new council homes with 1,500 built by 2018. We will make all council homes warm, dry and safe and start the roll out of our quality kitchen and bathroom guarantee.'
14. We have set out our vision for the future of council housing and begun our detailed conversation with residents about this. We've also started delivering the new council homes and taken the first step in lining up our investment plans to fund future housing delivery. We've also set up our new housing company that will give an additional tool upon which to secure future build. However we now need to go further and begin the conversation with residents on where future building specifically takes place. We also need to use every tool at our disposal (in line with our new housing strategy) to achieve our 11,000 and 1,500 homes ambitions.
15. This means using additional borrowing (within the headroom available) to secure the future investment in order to build the new homes the borough needs. This requires exploring the potential for using the Southwark Housing Company to provide intermediate housing products. It also means having a HRA asset management strategy that combines our ongoing plans for quality kitchens and bathrooms alongside future housing investment opportunities. This is what this report and the decisions within it seeks to achieve.
16. Supporting these ambitions is a separate report on this cabinet agenda setting out key principles and a protocol for developing new council homes in partnership with residents.

Purpose of this report

17. This report sets out details of progress on the council's housing investment plans, and delivery of Fairer Future Promise 3, specifically providing:
- An update on the community conversation with residents on plans for delivery of new council homes
 - An update on progress on 11,000 new council homes delivery, and particularly on the target to deliver 1,500 of these homes by 2018
 - Progress on making all council homes warm, dry and safe, and the roll out of the quality kitchens and bathroom guarantee
 - Confirmation of the establishment of the Southwark Housing Company and an update on how it may be utilised in future.
18. It also sets out:
- The council's work on establishing an asset management plan
 - The council's future housing investment plans
 - Engagement conducted with the Future Steering Board on the council's investment plans to date
 - Details of the 30 year HRA business plan model.

KEY ISSUES FOR CONSIDERATION

Engagement with residents on plans for delivery of 11,000 council homes

19. The council has committed to a four-stage consultation approach to ensure residents' views remain central to decisions relating to the delivery of the 11,000 new council homes.

	11,000 council homes – stages of public consultation	Time frame
Stage 1	Charter of Principles	August – October 2014
Stage 2	Borough-wide principles for development	January – September 2015
Stage 3	Estate-by-estate/ site specific engagement	Autumn 2015 onwards
Stage 4	Engagement with local residents around involvement in management of new homes	TBC – as various projects near completion

20. Stage 1 of the consultation was completed in October 2014, with cabinet approving the resulting Charter of Principles - a framework for consulting residents of Southwark on the on-going delivery of 11,000 new council homes - on 18 November 2014. Over 2,000 responses were received at this stage of consultation, demonstrating the potential for resident involvement in this historic project. Stage 2 of the consultation is now underway with the aim of establishing borough wide principles for development; focusing on 3 key questions:
- Where can we build the 11,000 new council homes?
 - What should these homes look like?
 - How can we make these homes and neighbourhoods better places to live?

Where can we build the 11,000 new homes?

21. The council has produced an interactive map, which can be found at the following link: <http://southwark.communitymaps.org.uk/>. This allows residents to make suggestions for where the 11,000 new council homes could be built. The map also allows for residents to see where the council already has plans to develop via its direct delivery team. This map has been promoted via the public website, reports to area housing forums, newsletters to tenant and resident associations, posters in libraries and estate notice boards as well as via flyers handed out by officers out on estates.
22. From February to date there have been 6,517 views of the map, 976 unique users who have left 72 comments (68 suggesting where to build, 4 where not to). The list of suggested sites will be passed on both the direct delivery and regeneration in partnership teams for investigation into their feasibility.
23. We will continue to promote the map during our summer programme of community conversations in order to achieve further suggestions about sites for new council homes. We would like to achieve as many comments as possible about where to build new homes, and at least in excess of 100.

What should the new homes look like and how can we make these new homes and neighbourhoods better places?

24. Residents are now being asked to give their views on a number of design-related questions (a full version of the design survey can be located in **Appendix 2** of this report) that cover a number of areas including - facilities in communal areas, design elements within a home (open plan, dual aspect etc.), what makes a home family-friendly, and what estate or neighbourhood facilities could improve residents' health and wellbeing.
25. The council is asking residents these questions through a variety of means including community conversation events at shopping centres and other community events such as the Bermondsey and Eid festivals, reports to area housing forums, sessions at community councils and the Southwark Group of Tenant Organisations (SGTO), outreach workshops with traditionally under-represented groups, a special joint tenant and homeowner council meeting, an online survey and promotion via frontline officers.
26. We will also be taking the opportunity to inform residents about the Government's new *technical housing standards – nationally described space standard*, to improve residents' understanding of what can be prescribed by the council and what the council is obligated to adhere to.
27. The results of this stage of the consultation will be presented to cabinet this autumn. Residents' views on design will also be presented to officers responsible for drafting both planning documents and guidance for architects involved in the design of the 11,000 new homes.

Stage 3 Estate-by-estate/ site specific engagement

28. Planning for Stage 3 of the 11,000 new council homes consultation is also now underway with consultation plans for each new direct delivery site in Phase 3 being established, in line with the Charter of Principles. This has involved bringing together officers in major works, operations and community engagement

to build a location-specific plan of engagement and cooperate in its delivery. The focus is to ensure that residents and all local stakeholders are involved in the development of the new homes.

29. Experience from previous regeneration schemes is that residents prefer 1-2-1 meetings (such as drop in sessions or home visits) as they primarily want to discuss their particular circumstances. Fuller involvement is more effective through a small group of resident representatives, and public events are better as small focus group sessions than as large meetings. Residents have also expressed preferences for newsletters and webpages as a means of updating them.
30. As such the proposed engagement process will employ 3 main formats through the various stages:
 - Inform: using written communication to impart information to stakeholders
 - Consult: getting stakeholders views through drop in sessions or small focus group sessions
 - Engage: working with stakeholder groups on the finer details of the proposals.
31. More details of the proposed site-specific resident engagement process is set out in the cabinet report 'key principles and protocol for developing new council homes in partnership with residents' elsewhere on this meeting agenda.

Future Steering Board

32. The Future Steering Board (FSB), a group of tenants and leaseholders nominated by their respective tenant and homeowner councils, supported by an independent resident's friend, continues to play a crucial role in providing detailed feedback to the council's policies and proposals in this area. The FSB meet fortnightly and have received briefings or workshops on a variety of issues from the non – financial sustainability model (see paragraphs 71-75 for more detail) to the setting up of the new Southwark Housing Company. A detailed formal response on the council's housing investment plans as detailed in this report has been received from the FSB. This is attached as **Appendix 3**. The FSB's response welcomed the council's approach to working closely with tenants and residents to identify potential sites for new council homes, and the progress made in delivering warm, dry and safe improvement works. Their response also notes their input into the design brief for new homes, and their receipt of briefings on a number of topics relating to the council's housing investment plans.

Progress on delivering new council homes

33. On 22 July 2014 the cabinet agreed a report on progress in developing the long term plans for the delivery of new council homes. This report provided an update on the delivery of 11,000 new homes and the early sites that are already in progress. A further report on the commitment to building 1,500 of the new council homes by 2018 went to cabinet in December 2014.
34. Following cabinet's decision, consultation with staff was undertaken to combine the housing delivery team into the major works team in the housing and community services department. The new homes delivery team itself consists of

11 established posts with an interim Development Delivery manager, with extensive experience of leading and managing development programmes within Registered Social Housing providers in place with permanent recruitment to the post now underway.

35. A Delivery Programme Board (DPB), chaired by the strategic director housing & community services, oversees the delivery of the programme by:
- Annually agreeing the appraisal assumptions for individual schemes
 - Each meeting agreeing, if available, individual schemes subject to costs and funding being available from the totals approved by the council's Housing Investment Board. If any schemes have to be approved under emergency arrangements these will be ratified at the next meeting.
 - Each quarter to receive a report on units completed and in each stage of development by individual scheme to show progress towards the 1,500/11,000 targets
 - Each quarter to receive a report on forecast spend on individual schemes compared to budget along with a summary showing the cumulative impact on the programme. For cases where spend is forecast to be above that approved for any scheme, including its approved contingency, an explanation will be given for the overspend along with how the overspend will be funded.
 - Each quarter to receive a report on availability and use of Right to Buy (RTB), S106 receipts and other grant(s) including explanations of major changes since the last report.
 - Each meeting to be notified of any major events which may impact on the deliverability of the programme such as finding a site is seriously environmentally polluted or changes in government policy.
36. A bespoke appraisal model is being utilised as an important tool in assessing scheme viability and in addition provides the opportunity to bring together individual scheme projections so we can better assess the wider impact on delivering the overall programme and the resources required to support delivery, either through combinations of the following: grant; RTB receipts; Section 106 contributions; borrowing within the HRA, or borrowing within the Housing Revenue Account (HRA) or within a subsidiary.
37. Scheme appraisals are considered by the board at key stages in scheme progress to ensure viability throughout the development lifecycle.
38. The council has no current formal arrangements or frameworks in place to deliver the programme beyond the current phase, although these are currently being developed.
39. The sites that are already in development have utilised the Improvement and Efficiency South East (IESE) consultancy and contractor frameworks established to assist local authorities in the south-east of England to deliver capital projects collaboratively and with improved efficiencies. This has comprised a lead consultant appointment to coordinate design and technical inputs, and a two stage open-book Design & Build contracting route to deliver enabling and mains works packages. This procurement route has initially offered a quick route into delivery through the IESE approach to two-stage tendering. There are some concerns that this approach has been too drawn out on the early projects and that a more defined and shorter process should be adopted for future projects.

40. External services required including architects, employers' agents (incorporating a number of key roles such as quantity surveyor, structural engineer etc.) for Phase 2 are to be procured through existing OJEU compliant Registered Provider frameworks (Hyde and Peabody) or in accordance with the council's Contract Standing Orders through competitive quote or tender. For some services existing council held supplier lists may include appropriate operators with the capacity to deliver such services.
41. Consideration of the procurement options for contractors and the frameworks available are continuing prior to options being presented for approval.

Progress on delivering 1,500 homes by 2018

42. The council has set an ambitious target to deliver 11,000 new council homes by 2043, with the first 1,500 of these by 2018. 42 new council homes had been delivered as at 31 March 2015, as set out below:

Development stage	SCHEME NAME	RESIDENTIAL UNIT NUMBERS						
		Soc rent	Temp Acc	Int sale	Sale	Count to 1500	TOT	Other units/ description
Completed	14a-18 Firbank Rd	3				3	3	
	125 Peckham Park Road	16				16	16	
	Hidden Homes Delivered	23				23	23	
	TOTAL	42	0	0	0	42	42	

43. **Phase 1** covers 9 different sites, all of which are already on site excluding Sumner Road. Willow Walk is completing shortly. The majority of the remaining units on site are forecast to complete around the end of the financial year. Phase 1 sites are set out below:

Development state	SCHEME NAME	RESIDENTIAL UNIT NUMBERS						
		Soc rent	Temp Acc	Int sale	Sale	Count to 1500	TOT	Other units /description
On site	Willow Walk (GN)	21				21	21	
	Willow Walk (SSA)		54			54	54	
	Gatebeck House	9				9	9	
	Southdown House (SO)			8		0	8	
	Southdown House (GN)	10				10	10	
	Clifton Estate Garages	8				8	8	
	Cator Street Extra Care	42				42	42	
	Masterman House Garages (Rent)	15				15	15	
	Masterman House Garages (Private)	0			10	0	10	
	169 Long Lane	21				21	21	Commer-cial unit
	Nunhead Site B	8				8	8	
			134	54	8	10	188	206

Development state	SCHEME NAME	RESIDENTIAL UNIT NUMBERS						
		Soc rent	Temp Acc	Int sale	Sale	Count to 1500	TOT	Other units /description
Planning Approved	Sumner Road (Rent)	50		20	42	50	112	
	Sumner Road (Community)					0	0	Community Centre
	TOTAL	50	0	20	42	50	112	

44. Cost estimates for phase 1 are £75m, excluding land. These are expected to be funded from s106, RTB receipts, GLA funding and other capital programme funding. Phase 1 is expecting to deliver 238 homes towards the target of 1,500 council homes by 2018. In addition it will deliver 52 homes for sale, 28 intermediate homes, a community centre and a commercial unit. The new council homes are all to be let at target (council) rents.

45. **Phase 2** consists of 13 sites that have been identified by the council as potential sites for new homes pending further investigation and consultation with residents. These schemes have been agreed by the Programme Delivery Board to be worked up to planning stage and are expected to be on site around autumn 2016. The cost of delivering Phase 2 based on the capacity studies and using an appraisal model is estimated to be around £71m, excluding land. Phase 2 is currently expected to deliver 237 homes towards the target of 1,500 homes. In addition it will deliver 88 homes for sale, 34 intermediate homes and a commercial unit. Current funding assumptions are that these will be funded from s106, RTB, and other capital programme funding. Receipts of around £30m are expected on current estimates from the units for sale / intermediate housing. About half the costs are forecast to be met through s106 and RTB receipts. Phase 2 sites are set out below:

Development stage	SCHEME NAME	RESIDENTIAL UNIT NUMBERS						
		Soc rent	Int sale	Sale	Count to 1500	TOT	Other units / description	
Pre Planning	Daniels Road Car Park	14			14	14		
	Lugard Road Garages	2			2	2		
	Fenham Road Garages	5			5	5		
	Haddonfield Garages	24			24	24		
	Commercial Way	56	20	40	56	116		
	Pelier Street	17			17	17		
	Welsford Street Garages	12			12	12		
	Meeting House Lane	19		13	19	32		
	Goschen Estate	16	14	14	16	44		
	Canada Estate	35	0	21	35	56		
	Tenda Road Car Park	11			11	11		
	35-41 Nunhead Lane	10			10	10		
	Kinglake Street Garages	16			16	16	Commercial unit	
TOTAL	237	34	88	237	359			

46. **Phase 3** sites are due to go to cabinet in September for approval and are currently estimated to deliver in excess of 200 units in total. Resident consultation in partnership with the community engagement team has begun on

these sites in line with Charter of Principles agreed by cabinet.

47. In consultation with local residents the council will also be developing additional homes in conjunction with major refurbishment works at Lakanal on Sceaux Gardens which will provide a new build opportunity on a site identified by local residents. At Maydew House on Abbeyfield Estate there are plans to build on top of the existing block and by relocating an existing community user to the ground floor of Maydew, this releases a sizeable area of land for council housing redevelopment. At Lakanal the new build work will start in 2016, finishing in 2017. Maydew House is due to start late in this financial year and continue until 2019. Details of the development programme for Lakanal and Maydew House are set out below:

Development stage	SCHEME NAME	RESIDENTIAL UNIT NUMBERS						
		Soc rent	Temp Acc	Int sale	Sale	Count to 1500	TOT	Other units/ description
Lakanal	Lakanal Refurbishment	88		3	7	0	98	Refurb only
	Lakanal Undercroft	0				0	0	New non-residential units
	Lakanal New Build	7		3	18	7	28	
	TOTAL	95	0	6	25	7	126	

Development stage	SCHEME NAME	RESIDENTIAL UNIT NUMBERS						
		Soc rent	Temp Acc	Int sale	Sale	Count to 1500	TOT	Other units/ description
Maydew	Maydew Refurbishment	73			71	0	144	Refurb only + Community centre
	Maydew House Extension				16	0	16	
	Maydew New Build	60				60	60	Estimate
	TOTAL	133	0	0	87	60	220	

48. The hidden homes programme continues to deliver new council homes, with recently completed homes being delivered alongside WDS works on the Dickens Estate.
49. As well as further direct delivery sites being identified, the council is in negotiation with a number of developers to purchase council homes developed through s106 requirements. Council homes are also being delivered as part of wider regeneration projects. A report on the Council's Switham Regeneration in Partnership Programme is expected to be submitted to Cabinet in September 2015 and will have the potential to deliver more than 500 new Council homes. A number of sites are progressing through the development and appraisal stage. Ward Members are being briefed and consultation meetings are being arranged for July and September 2015.
50. The Switham Regeneration in Partnership Programme (SRPP) team is responsible for larger scale estate regeneration including joint ventures with

developers or housing associations. The current assumption is that these schemes will be cost neutral over the delivery lifetime of the schemes. A number of these sites are at feasibility stage but have yet to go to the Delivery Programme Board for approval:

- Albion St (Civic Centre site)
- Albion Primary School Land
- Manor Place Shops
- Copeland Road car park
- Brandon Baptist Centre
- Angel Oak Academy (former Gloucester Primary School) – development of surplus land
- Braganza Street Workshops.

51. The Leathermarket JMB is also working on proposals for developments at two sites.
52. Work continues on both the identification of potential sites and the realisation of those sites into the pipeline as potential new council homes.

Formation of the Southwark Housing Company

53. In April 2015 the Leader of the Council formally approved to the formation of the new Southwark Housing Company by way of an individual decision making (IDM) report: Formation of Housing Company. The recommendations of the report were as follows:
 - That the Leader of the Council agrees officers set up a company limited by shares with a £1 share issued to the council for the purpose of delivering new homes. The proposed name of the company is Southwark Housing Company Limited.
 - That the Leader of the Council agrees to the appointment of three initial directors for the company: Strategic Director of Housing and Community Services, Strategic Director of Finance and Corporate Services and Director of Legal Services.
54. Southwark Housing Company (SHC) Limited was formally incorporated as a wholly owned subsidiary of the Council on the 15 May 2015 with three company directors as set out in the IDM report.
55. As detailed in the report the company currently has the model memorandum and articles and these will be developed prior to any trading taking place.
56. The company is 100% owned by the council. It will be able to contribute towards the delivery of council properties at council rent, intermediate housing products, as well as market rent housing in order to provide cross-subsidy within overall schemes.
57. One for one Right to Buy receipts cannot be used in SHC as it is a wholly owned subsidiary of the Council. However, subject to the specific wording of the agreement, cash in lieu of Section 106 funds can be used. Other grants that may be available, e.g. from the GLA, will be considered on a case by case basis.

58. While the general principles of the finances of developing schemes in SHC have been considered in order to show that developing in SHC is viable, it is considered that the best approach is to look at individual schemes on a case by case basis and then decide whether it is appropriate to develop it within the HRA, General Fund or SHC.
59. It is proposed to explore the potential for development of intermediate housing products through the Southwark Housing Company to meet the borough's strategic housing needs, and also to make a financial contribution to the housing investment programme.

Asset Management Strategy

Progress on Warm, Dry and Safe investment programme, including quality kitchen and bathroom guarantee

60. On the 18 October 2011 Cabinet agreed a detailed five year housing investment programme to deliver Warm, Dry and Safe (WDS) homes. The key components of the programme are:
- The main WDS estates and street properties programme (electrics, windows, roofs, bathrooms, doors, and boilers, as well as other external repairs)
 - Lift, individual boiler, district heating and electrical works programmes
 - The existing investment two-year programme and the high priority fire risk assessment schemes
 - Expenditure on major voids and voids capitalisation.
61. The programme is based on WDS principles and this equates to the Government's Decent Homes Standard. These principles are:
- **Warm** – modern functioning heating, well-insulated roofs, windows in good condition or double-glazed with secure locks, sliding window vents and restrictor hinges where needed, draught excluders on front doors, cavity wall insulation
 - **Dry** – roofs, windows and building fabric in good condition, free from water penetration and damp
 - **Safe** – modern electrics including rewiring where necessary, secure front doors (fire rated where necessary).
62. The programme is expected to be fully committed by March 2016 with spend on the programme in excess of £280m to the end of March 2015. Projected spend for 15/16 on WDS and kitchens and bathrooms is £220m. The delivery of WDS homes forms part of the Fairer Future Promise – **Quality affordable homes**. This promise also includes starting the roll out of our quality kitchen and bathroom guarantee. The kitchens and bathrooms programme was due to start in April 2016, at the conclusion of the WDS programme. However Cabinet took the decision to start the programme early alongside the final year of the WDS programme in 2015/16.
63. The council has been undertaking a substantial programme to reduce fire risk. Work has been undertaken to reduce the highest risk in high rise properties and work is also being undertaken to reduce substantial risk in medium rise properties alongside the WDS programme. Cabinet has also agreed to install sprinkler systems into sheltered and hostel accommodation and of LD2 type

automatic battery powered smoke/heat detection to council homes cross the borough starting with the highest priority. Southwark continues to prioritise future work to reduce fire risk in discussion with the London Fire Brigade.

Outcome of Savills' asset performance evaluation

64. Savills consultancy was instructed to carry out work in conjunction with the council to assist with a comprehensive appraisal of the overall performance current HRA assets. The aim of this review was to:
 - Consider operational cash flows at a local level and assess their worth to the housing business to provide a measure of financial performance
 - Identify non-financial measures of social sustainability and to provide an analysis of this at the same local level.
65. Savills' report is attached as **Appendix 4**. Savills' evaluation of the performance of HRA assets has been used to inform the investment strategy and detailed planning based on an active asset management approach where the council seeks to make investment decisions that are informed by an understanding of the financial performance of the stock, and the extent to which it delivers the council's social housing objectives. In this way decisions can strengthen the business plan and contribute to meeting the council's policy objectives.
66. The 30-year net present value (NPV) of the income and expenditure associated with a tenanted housing stock, at the point in time when Savills undertook the analysis, stood at £457.3m or £12,597 per unit. This reflects a range of NPV levels across the stock.
67. 11.5% of the stock (4,167 units) has an NPV which is below zero. We will be working with residents of these 'High Investment Needs Estates' to find the best way to improve this stock. As with our approach for previous High Investment Needs Estates such as Four Squares and Hawkstone estates and Maydew House, redevelopment would only be considered as a last resort.
68. Southwark has already committed to the Warm, Dry and Safe programme, which includes the majority of the units that the analysis showed having a negative NPV.
69. The current WDS investment plans have been fed into the Savills analysis to create a revised investment profile. Since receiving the Savills model Southwark has been developing a revised HRA asset management plan which will feed into the over-arching business plan, which in turn includes the investment needs of the existing stock as well as the new build programme.
70. Further refinement of the business plan and associated decisions will allow the resources available for capital investment to be estimated and therefore initial prioritisation for an investment strategy.

Non-financial measures of sustainability

71. Savills supplemented the financial performance data by undertaking broader sustainability analysis taking into account the social and economic performance of a neighbourhood in which an estate is located.

72. Savills worked closely with Southwark to develop a set of indicators that reflects the council's social housing objectives. The combination of sustainability analysis and financial analysis allow an estate's overall sustainability to be more accurately measured.
73. The purpose of including non-financial data into the measurement of the sustainability of estates is to ensure that interventions in management services can be planned to support the physical investment in estates.
74. The FSB received a presentation from Savills on the proposed indicators and weightings and considered the model over three meetings. They were actively involved in testing the assumptions with the non-financial indicators and were broadly supportive of the conclusions.
75. The board agreed to explore in more detail how the council assesses the appetite for greater levels of resident involvement throughout its estates as it felt the methodology to be very subjective.

Asset management strategy- conclusions and next steps

76. Despite an unprecedented investment in making every council home warm, dry and safe, there remains a legacy of poorly designed and built housing and housing that is also nearing the end of its life, is expensive to repair and costly to maintain and replace. For these reasons a new strategy is required to support future housing investment which reflects the council's strategic ambition to ensure its homes are fit for the twenty first century, providing a sustainable solution that meets residents' expectations.
77. It is recognized that moving forward our residents and key stakeholders are more fully engaged in investment decisions and planning programmes. However Southwark is committed to:
 - Providing quality homes to an agreed standard
 - Ensuring residents are at the heart of everything we do
 - Delivering value for money (VFM)
 - Setting out future investment plans and co-ordinating resources accordingly
 - Providing a clear picture and route map for understanding and improving the overall performance of the property portfolio
 - Placing increased emphasis on planned maintenance and works programmes therefore decreasing the reliance on reactive repairs.
78. Quality homes means a standard that maintains decent homes and aspires to an agreed improving standard that meets residents' (and future residents') needs including:
 - Ensuring a quality kitchen and bathroom for every council tenant
 - Delivering a planned maintenance and exterior and communal decoration programme
 - A planned programme of refurbishment and replacement of communal facilities such as heating systems, landlord's electrics, lighting and lifts
 - Improving energy performance of our housing stock and therefore reducing carbon emissions
 - Core resident-led improvements to our estates.

79. The timeline for the production of a HRA asset management strategy for consultation based on the funding assumptions within the HRA business plan. The strategy will support the development of planned programmes, building on the warm, dry, safe standard and delivering a quality kitchen and bathroom to every tenant over the duration of the programme. This will also allow for the active consideration of investment opportunities. The timeline for the development of the asset management strategy will be as follows:

No	Consultation	Date
1	Draft asset management strategy including kitchen and bathroom programme to Cabinet	October
2	Kitchen and bathroom programme to T&RAs	November /December
3	Draft asset management strategy including kitchen and bathroom programme to resident forums	December / February
4	Final asset management strategy including kitchen and bathroom programme to Cabinet	March

30 year HRA business plan

80. As part of the long term business planning for the department the 30 year financial model is being updated. One of the key issues is to balance the 3 activities which have an impact on the HRA as set out below.
81. **Revenue** (the net surplus between income, mainly rents and service charges, less costs) is based on the 2015/16 budget. Going forward it is assumed that rent will increase by the current formula of CPI + 1% with costs increasing by RPI.
82. **Capital works:** The main component of this relates to the asset management strategy for existing stock. In early years these are based on the WDS and kitchens and bathrooms programmes. The high level of WDS and kitchens and bathrooms investment in 2015/16, 16/17 and 17/18 has a significant impact on resources available in the financial model and it is apparent that this will ultimately result in the need to borrow via the headroom available under the HRA debt cap.
83. **New development:** At this stage the assumption is that the initial 1,500 social units will be built or bought through HRA resources.
84. For the initial 1,500 units an estimate of 1,000 units from Direct Delivery, 300 from the SRPP programme and 200 S106 purchases has been assumed. For planning requirements and in order to provide a balance of tenures an estimated 86 homes will be built for the intermediate market and 200 for outright sale are estimated to be built.
85. The focus has been on detailed planning during the 5 years of the investment programme. Key assumptions have been tested regarding 30 year projections and achieving 11,000 new build council homes as well as maintaining the council's existing stock, in accordance with the asset management strategy.
86. The council has outstanding debt of £400.7m with a debt cap of £576.9m, which leaves current headroom to potentially borrow up to £176.2m. Borrowing headroom has been increased by £50.3m since the introduction of self-financing in April 2012.

87. The existing 30 year HRA financial model has had to be updated to allow the level of development being undertaken by Southwark which is significantly higher than in other local authorities. The model has also had to be amended to reflect the various funding sources available for each type of development.
88. Going forward the model will then be used to evaluate and test investment decisions. Budgets will be integrated into the long-term business plan to ensure consistency and affordability within council resources.
89. A diagram illustrating the HRA business plan model is set out below.



Overall conclusions

90. Our long-term housing strategy is in place, supported by the right policy framework. Our plans are on track for delivering the investment in new homes and in our existing homes. This report opens up new opportunities for future investment and so helps deliver our Fairer Future promises. We will continue to report progress, especially on the results of our ongoing dialogue with residents later this year.

Policy considerations

Council Plan 2014/15 to 17/18

91. A new council plan was endorsed by Council Assembly on 25 February 2015. This contains the Fairer Future Promise: **Quality affordable homes**, which states 'We will improve housing standards and build more homes of every kind, including 11,000 new council homes with 1,500 built by 2018. We will make all council homes warm, dry and safe and start the roll out of our quality kitchen and bathroom guarantee.'
92. The measures and progress to date outlined in this report demonstrate that we have robust measures in place, are delivering, and are on track to meet this Fairer Future promise.

Housing Strategy to 2043

93. 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.

94. The progress outlined in this report, covering the development of new homes of all tenures particularly council homes, carrying out improvements to the existing housing stock, resident engagement over the new council homes, and provision of housing to meet a range of housing needs, exemplify each of these strategic principles.

New Southwark Plan

95. The New Southwark Plan will form part of Southwark's development plan along with the London Plan and area action plans. It is a regeneration strategy for Southwark and will be used to make decisions on planning applications. While the New Southwark Plan must be in general conformity with the London Plan (2013) and the National Planning Policy Framework (2012), it can adapt some of these policies to reflect specific issues in Southwark. It will replace the Core Strategy (2011) and saved Southwark Plan (2010) policies. The New Southwark Plan is being prepared with several stages of consultation taking place between 2013 and 2017.

96. The first stage of consultation was the issues consultation from October 2013 to February 2014. This consultation was a community conversation on 'Health of the High Streets'. The second stage was the issues and options which set out a detailed strategy for regeneration in Southwark, the Council's approach to planning to deliver the Fairer Future promises and an update of the strategy and area visions in the Core Strategy. There are visions for: Aylesbury, Bankside, Bermondsey and the Blue, Blackfriars Road, Camberwell, Canada Water, Dulwich, Elephant and Castle, Herne Hill, London Bridge, Old Kent Road, Nunhead, Peckham and Tower Bridge Road.

97. The next stage will be to consult on a Preferred Option in the Autumn and then to prepare for a formal consultation on a Submission Version for Autumn 2016. The document is then inspected at an Examination in Public before it can be finally agreed by Council Assembly.

Community impact statement

98. Southwark is a borough which has high levels of housing need. The 2014 Strategic Housing Market Assessment demonstrated a continuing the need for affordable housing, with the borough experiencing very high house prices that are outside the reach of many of its residents. It has the highest house prices in the housing sub-region (the average 2 bedroom flat being sold for £360k in 2013). At the time of the 2011 census there were 18,547 overcrowded households in Southwark, a higher number, and a higher percentage (15.3%), than any of the other four boroughs in the sub-region. Over the period 1981-

2012 the population of Southwark increased by 34%, the fastest growth in the sub-region by some margin. This helps to demonstrate a continuing need for more homes, and particularly for affordable homes in the borough.

99. The 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 (see paragraphs 19 – 32). Examples include community conversations at summer festivals and libraries, digital engagement tools, dedicated resident mailings, workshops and focus groups with protected characteristic groups, social media and youth engagement.
100. A robust consultation framework – as supported by the council's Approach to Community Engagement – is underpinning this process. Critical to this is ensuring that we conduct our engagement at the right time, that information is provided to residents in the appropriate format, that there is a transparent decision-making process and finally that resident feedback is delivered at the end of the consultation.
101. Equalities monitoring data is being collected at each stage of the consultation to verify and ensure that the council is involving a representative sample of residents in line with our duties under the Equality Act. To date, data analysis undertaken at the Charter of Principles stage of the consultation demonstrated that we had engaged a fully representative sample of Southwark residents compared to the 2011 census.

Resource implications

102. This report sets out the council's progress towards achieving its investment plans for the renewal and improvement of its existing housing stock and the building of 11,000 new council homes (and specifically the delivery of 1,500 homes by 2018). The scale of investment planned requires the council to explore every opportunity to maximise potential resources necessary to deliver such an ambitious programme. Funding streams for the investment programme currently comprise: external grants, Section 106 contributions, RTB and other housing receipts, depreciation and other HRA revenue contributions and prudential borrowing (which is limited to the debt cap). Funding is determined on a scheme by scheme basis to ensure the optimal financial position for the council, particularly in relation to new build, which are subject to specific financial and regulatory restrictions. Critical to this process is the development of the HRA business plan to provide a comprehensive financial model for the next 30 years, which will assist in informing planning and decision making going forward.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

103. This report provides a progress update to cabinet and seeks approval to a number of recommendations in relation to the housing investment plans. The

report sets out consultation that has taken place and the further consultation planned. To meet legal requirements consultation with residents likely to be affected must be undertaken when proposals are still at a formative stage; it must include sufficient information to allow interested parties the opportunity to consider the proposals and formulate a response; allow adequate time for interested parties to consider and formulate their response and the outcome of consultation must be conscientiously taken into account when the final decision is taken. The report confirms that consultation is being carried out in stages and engagement with residents will take place in different ways at different stages. Given the staged nature of development of the council plans, staged consultation is appropriate but the purpose of the consultation should be made clear to those being consulted at each stage.

104. Throughout the development of proposals, the council must give active consideration to the public sector Equality Duty, in section 149 of the Equality Act 2010 which requires the council to consider all individuals when carrying out their functions. 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. Officers will need to keep the duty in mind during the consultation process and when formulating recommendations for final decision.
105. As noted in paragraph 41, procurement options for the future delivery schemes of new council homes are being considered and will be subject to separate approval.

Strategic Director of Finance (FC 15/008)

106. The strategic director of finance and corporate services notes the recommendation that the “council determine a detailed affordable funding plan to support the housing investment in new homes” and the exploration of Southwark Housing Company to make a financial contribution to the programme. The Delivery Programme Board holds key responsibilities in overseeing the programme delivery including agreeing schemes on a scheme by scheme basis (subject to funding available) and financial monitoring and management of the costs and budgets (paragraph 35). Further that the HRA business plan model (paragraph 87) incorporates a funding plan and that the Savills’ asset performance model and will be used to support prioritisation of investment in housing stock to ensure best use of available resources.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Cabinet paper – Next Steps on Developing Long Term Plans for the Delivery of New Council Homes	Corporate Strategy, Southwark Council, 160 Tooley Street, London SE1 2QH	Stephen Gaskell, Corporate Strategy Tel: 020 7525 7293
Link: http://moderngov.southwark.gov.uk/documents/s43581/Report%20Developing%20Long%20Term%20Plans%20for%20the%20Delivery%20of%20New%20Council%20Homes.pdf		
Individual Member decision report-Formation of Housing Company	Housing & Community Services, Southwark Council, 160 Tooley Street, London SE1 2QH	Paul Langford, Housing & Community Services Tel: 020 7525 2637
Link: http://moderngov.southwark.gov.uk/documents/s53344/Record%20of%20Decision.pdf		

APPENDICES

No.	Title
Appendix 1	Housing strategy to 2043- single page summary
Appendix 2	New homes design survey
Appendix 3	Futures Steering Board response to cabinet report - Progress update on council's housing investment plans
Appendix 4	Savills' report- evaluation of the financial and sustainability evaluation of the performance of the council's housing assets (circulated separately)

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Housing	
Lead Officer	Gerri Scott, Strategic Director of Housing and Community Services	
Report Author	Paul Langford, Head of Operations Claire Linnane, Housing Strategy and Partnerships Manager	
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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
Date final report sent to Constitutional Team	9 July 2015	