

Item No. 6	Classification: Open	Date: 30 November 2015	Meeting Name: Overview & Scrutiny Committee
Report title:		Update and overview report on the delivery of 11,000 council homes	
Ward(s) or groups affected:		All wards	
Cabinet Members:		Councillor Mark Williams, Cabinet Member for Regeneration and New Homes Councillor Richard Livingstone, Cabinet Member For Housing	

SUMMARY

1. This report sets out the context and progress in the council's commitment to build 11,000 new council homes and the interim target of 1,500 homes to be delivered by 2018. This also includes an update on the delivery of new council homes at Willow Walk.
2. This report provides the committee with an update on how the delivery of new homes fits strategically within the wider plans for housing. It also details how resources are operating across service and departmental boundaries in the delivery of new council homes including the establishment of a wholly owned and controlled council vehicle to finance future delivery of new homes.
3. The report describes how the council is putting residents at the centre when considering the choices that need to be made on local housing investment and renewal.

BACKGROUND INFORMATION

4. In July 2013 the council made a commitment to build 11,000 new council homes by 2043. This followed an extensive programme of consultation with Southwark residents where the overwhelming view was that we needed to build more council homes.
5. Following this, work was undertaken on the council's approach to delivering this commitment. A report comprising a new homes investment plan, independently prepared by housing experts Savills UK, was presented to cabinet in January 2014. The report set out the different approaches available to the council to achieve its objectives and stated that the council's ambition to build 11,000 new council homes was both realistic and deliverable.
6. On 22 July 2014 cabinet received an update on how we will deliver on this commitment and ramp up our programme of council house building from a small number of early starts to 1,500 finished homes by 2018 and 11,000 new homes over the thirty year programme.
7. A "community conversation" introduced a different way in which the council sought to engage. The engagement on future housing investment and renewal followed this

approach in being universal, impartial, comprehensive, timely and cost-effective using innovative approaches alongside formal mechanisms that broadened participation. The July 2014 report initiated an on-going programme of engagement with residents that began with this consultation on the Charter of Principles. Following over 2000 responses and overwhelming support, the Charter of Principles was agreed in November 2014. This outlined the principles by which subsequent resident engagement on housing investment and renewal would be undertaken.

KEY ISSUES FOR CONSIDERATION

A 30 year housing strategy for Southwark

8. The 30 year housing strategy, agreed by cabinet in January 2015, was a key step in underpinning the council's ambitions for housing.
9. The strategy follows on from work started in 2011 when Southwark Council began a process of looking at the future of council housing in the borough which resulted in the independent housing commission exploring options for the future financing, ownership and operation of Southwark's housing stock beyond 2015/16.
10. The Independent Housing Commission's work was completed in October 2012. This was followed by very extensive engagement, with over 80 different key events with residents on the future of council housing in Southwark. This resulted in the July 2013 report where the outcome of this community conversation was considered by cabinet. Cabinet restated the council's commitment to council housing as a long term community asset to the benefit of Southwark residents, and ruled out any wholesale or large-scale transfer of its stock to another provider. It also recommended that the council should provide as many homes that are as genuinely affordable as possible and look creatively at different options for financing these homes. At the same cabinet meeting, the leader of the council set the target of building 11,000 new council homes by 2043. Cabinet also agreed an action "to review the council's housing strategy across all tenures and sectors, having regard to the detailed assessment of the council's own stock."
11. 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 Housing Commission's report. The housing strategy describes the key housing issues in the borough and the council's priorities and commitments for tackling these over the life of the strategy. It covers housing across all tenures (both public and private sector housing).
12. The housing strategy sits alongside the council's planning policies, most notably the Core Strategy and the New Southwark Plan, which the council is currently consulting on and which will replace the Core Strategy. This will set out a development strategy for the next 15 years. It will set out both strategic and detailed planning policies. This will be subject to an extensive statutory consultation exercise. The timetable for completion of the New Southwark Plan is late 2017. Officers have been working together to ensure the two documents are and will continue to be consistent. The housing strategy will set the key strategic direction for housing which will also be reflected in the New Southwark Plan. The more detailed housing targets and other further housing planning details will be included in the New Southwark Plan.

13. The housing strategy sets out four key principles. Each principle is underpinned by key commitments which summarise the steps required to deliver on the principles over the duration of the strategy.
14. **Principle one – We will use every tool at our disposal to increase the supply of all kinds of homes across Southwark.**
 - a. Building 11,000 new council homes for rent, and hundreds more to be made available on a shared ownership basis.
 - b. Creating a new Southwark Plan and getting the most from regeneration opportunities to encourage and support housing growth across all tenures.
 - c. Delivering a mix of homes, of different types and sizes, which are accessible and respond to people’s changing needs over time, through direct provision and in partnership with housing associations.
 - d. Ensuring a supply of new homes which are affordable to people on a range of incomes, through our major regeneration schemes in the Elephant & Castle, Aylesbury Estate, Canada Water and beyond.
 - e. Seeking opportunities to work in partnership with the private sector to develop good quality, well managed privately owned and rented homes.
15. **Principle two – 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.**
 - a. Delivering the successor to our “warm, dry and safe” housing investment programme to make all our council homes fully fit for the twenty first century.
 - b. Using our powers as the local planning authority to ensure that all new homes, regardless of ownership, are built to high standards of quality and design.
 - c. Implementing a licensing and accreditation scheme for private landlords to drive up standards and reward good practice in the sector.
 - d. Encouraging private landlords to offer greater security, certainty and stability for their tenants, especially families with children.
 - e. Taking tough enforcement action against rogue landlords and letting agencies.
16. **Principle three – We will support and encourage all residents to take pride and responsibility in their homes and local area.**
 - a. Enabling council tenants and homeowners to take greater control over their local housing services, and supporting the development of tenant management organisations.
 - b. Working with local housing associations to promote resident involvement and a more consistent Southwark wide service standard.
 - c. Providing advice and assistance to private landlords and tenants on their respective rights and responsibilities.
 - d. Working in partnership with local residents to tackle antisocial behaviour where it blights neighbourhoods and people's lives.
 - e. Providing advice to private leaseholders on their options including the right to manage their blocks or estates.
17. **Principle four – We will help vulnerable individuals and families to meet their housing needs and live as independently as possible.**

- a. Building lifetime homes, delivering extra care housing, exploring other specialist housing options for older people, and adapting properties to enable older and disabled residents to live independently as long as possible in their communities
 - b. Providing incentives and opportunities for under-occupiers in social housing to downsize, releasing larger homes to help reduce overcrowding.
 - c. Being 'more than a landlord' by connecting residents to the services and support they need across health, education, training, and employment, especially those facing particular barriers and less able to help themselves.
 - d. Preventing homelessness wherever possible through self-reliant individuals and resilient communities.
 - e. Working in partnership locally and across London to bring an end to rough sleeping in Southwark.
18. The delivery of 11,000 new council houses supports all of the principles as set out in the long-term housing strategy. The programme is helping to increase the supply of new housing of all types, including council homes (Principle one). These will be high quality homes which are tenure neutral in design (Principle two). They will include homes to meet a range of needs (Principle four) and the approach to resident engagement as set out in the Charter of Principles embodies the commitments as set out in Principle three.

Establishing the capacity to deliver the programme

19. Following on from the July 2014 cabinet report a housing delivery programme board was established, responsible for reviewing the overall programme including cross subsidy and opportunity to generate other means of funding. The delivery programme board is chaired by the strategic director of housing and modernisation, and consists of senior officers from across the council including housing and modernisation, regeneration, planning and finance. This gives the board the housing development expertise to oversee the development of new homes, community engagement expertise to ensure that residents are involved from the earliest stages and throughout the lifetime of the programme, and financial and commercial support to ensure that the programme is funded as necessary.
20. The board reviews and monitors the delivery programme as well as individual project appraisals to include design, build costs, procurement, community impacts, infrastructure requirements and on-going service delivery requirements such as environmental services.
21. The delivery programme board reports into the housing investment board which in turn reports to the Cabinet Member for Regeneration and New Homes, and to the cabinet as a whole.
22. The July 2014 report also structurally aligned the future delivery of council homes with the on-going asset management of the existing housing stock. In October 2014 the new homes delivery team was established under the then head of major works, who became responsible for the new homes delivery programme alongside the responsibility for investment programmes and the on-going housing investment in the existing housing stock.

23. Over the last year the new homes delivery team has recruited staff (alongside those transferred from Regeneration) and become established as a key vehicle for the delivery of new homes. The team's work includes progressing schemes from reports of potential sites, consulting with residents, procuring capacity studies, establishing service level agreements for planning advice, developing procedures and tendering for the appointment of architects and employers agents to work up schemes for planning approval.
24. Through the senior management restructure, implemented in October 2015, the new director of asset management also took overall responsibility for the responsive repairs service, structurally aligning the delivery of all investment into current housing stock as well as the new homes delivery team under one person.
25. The Southwark Regeneration in Partnership Programme (SRPP) team is responsible for larger scale estate regeneration including joint ventures with developers or housing associations, and building new council homes and other community facilities on non-housing land.

A wholly council owned and controlled 'delivery vehicle'

26. Following on from the July 2014 cabinet agreement to establish a wholly owned and controlled funding vehicle, in April 2015 the Leader of the Council agreed for officers to set up a company limited by shares with a £1 share issued to the council (as recommended by Trowers & Hamlins, and the Council solicitor) for the purpose of delivering new homes. The company named Southwark Housing Company Ltd was therefore established with the then 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.
27. This allowed the company to be registered in April initially with Model Articles. A cross council project team has been formed to look at the best specific Articles for the company and also to set up the necessary governance and operating structures.
28. In the past a number of financial, legal and regulatory issues have resulted in Registered Providers ("RPs") taking a lead in delivering new social housing, even where this is on council owned land. The main reason for this is that, prior to the Localism Act 2011, HRA reform and grant reductions from the Greater London Authority (GLA), councils were in a less favourable position than RPs to both build and maintain large scale stock, as borrowing levels were limited and restrictions applied to the amount of income that could be retained from council housing.
29. This position has evolved over recent years. Due to a combination of changes in the Localism Act, HRA reform, GLA grant reduction, and interest from institutional investors, councils are in a better position in terms of the opportunities available to them to deliver new social housing.
30. Councils also have land holdings both within the HRA and general fund which can be used for new council housing.
31. It is anticipated that the vehicle will be used on a case-by-case basis as befits the particular circumstances of any given specific development opportunity, in order to maximise the council's overall development capacity.

32. Officers are currently working on which schemes are appropriate for development in the company. The initial view is that mixed tenure schemes currently being worked up would be appropriate for detailed appraisal. In these cases, delivery through the company may be more efficient and would likely reduce the risk of limiting the Council's capacity to undertake direct delivery elsewhere.

Implementing new development through a feasibility model

33. Following a competitive tender Appraisall Ltd was commissioned to develop a feasibility model on behalf of the council. The new model has been finalised and Grant Thornton has carried out an independent audit of the model.
34. The model is an important tool in assessing scheme viability and in addition provides the opportunity to bring together individual scheme projections to consolidate cash flows. This allows us to better assess the wider impact on delivering the overall programme and the resources required to support delivery. This can either be through one of or 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.
35. Staff have been trained and the model is being utilised at key stages throughout the development cycle so that the on-going viability of schemes can be assessed and reassessed. This gives a clear staged approach to scheme approval through the delivery programme board.
36. The new model is linked directly to the work Savills completed with regards to maintaining the balance between the delivery of new council homes and the continued investment into the council's existing housing stock.

Efficient and cost effective procurement

37. A range of services are required to support the delivery of the initial 1,500 homes and subsequent homes delivery.
38. Services required to deliver the programme will be:
- a. Consultant team / project / development management
 - b. Design services including architectural, mechanical & electrical, civil & structural, and environmental services
 - c. Surveying services, including quantity surveying/cost consultancy, land surveys, building surveying, party wall, rights of light, utilities issues
 - d. Property related professional services, including planning, valuation and legal.
39. The sites that are already in delivery 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. There are a number of OJEU compliant consultancy services frameworks available for use by the council. These frameworks have sufficient number and range of operators to provide a wide range of the key services that the council may require supporting this programme.
41. In June 2015, Cabinet approved a Gateway 1 report which proposed procuring architectural services and Employer's Agents on an existing OJEU compliant framework available for use by local authorities. Approval was given to enter into joining agreements with Peabody and Hyde to use their framework agreements.
42. In October 2015 delegated approvals were given for the award of architectural services and to appoint Employer's Agents across 13 sites, which were packaged up into four separate tenders, with two on each framework.
43. A service level agreement for planning consultancy advice has been put in place with the council's planning team from October 2015 to provide advice and a comprehensive planning consultancy service to the New Homes Delivery Team to assist in obtaining planning permission, from the early identification of sites through to the approval of non-material/minor material design amendments.
44. It is envisaged that building control, valuation and legal services for the programme will be provided through internal council services.
45. The current OJEU threshold for the procurement of works is £4.32 million (£4,322,012). For contracts below this value the council must follow its own Contract Standing Orders and consequently there will be a number of smaller sites within programme for which there is an opportunity to target and encourage small and medium sized operators. For these lower value works a tendering process for works will be undertaken designed to encourage smaller operators whilst maintaining the council's quality and cost benchmarks and integrity. Work is underway to encourage further contractors on to the approved tendering list to increase competitively.
46. For projects above the OJEU threshold, the preferred route will be to utilise existing frameworks. The OJEU route remains a procurement option, however, the added time and the requirement for increased client resources to manage the process of selection with the associated quality determination and financial checks is a disadvantage to using this route.
47. Frameworks are available to local authorities on the basis that they have already been through competitive process with regards to quality and financial checks. They offer the advantage of speed but some have restrictions in their use which limits the flexibility in how call off contracts can be awarded, which may not always work in the council's favour when the construction market is extremely busy and the costs of labour and materials are rising. LBS will also need to be named as a contracting authority, which means that not all construction frameworks are available for use at the present time. Having considered the available frameworks including Scape, IESE, Southern Construction and London Construction Programme (LCP), the council is considering approval to enter into an access agreement with London Borough of Haringey for the London Construction Programme (LPC).

Engagement with residents including the development of design standards

48. Meaningful engagement with residents has been, and will continue to be, central to delivering the new homes commitment.
49. So far engagement with residents has consisted of the following two key milestone consultations:

Consultation	Timeline	Outcome
The future of council housing in Southwark	February – June 2013	Commitment to build 11,000 new council homes
Charter of Principles	August – October 2014	Adoption of the Charter of Principles (pledges to those residents affected by the building of the new homes)

50. In November 2014 Cabinet agreed a staged approach to formalise further community engagement in the delivery of the new council homes as per the table below.

	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	February – 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

51. Over 2000 residents responded to the stage one consultation and that the vast majority of these were council tenants and leaseholders/homeowners and there was an overwhelming support (around 90%) for the six pledges and therefore in November 2014 cabinet agreed to adopt the Charter of Principles.
52. The six pledges are summarised as follows:
- How we will work with you on developing the principles for housing investment and renewal of our estates
 - How we will work with you on the development of the new homes on your estate
 - How we will involve you in ensuring that the new homes are delivered to a high standard
 - Giving you a real say in how the new homes are managed
 - We will demand high standards for the quality and affordability of new homes
 - Your housing options if you are affected by redevelopment of your estate
53. In parallel to the above process officers commissioned the development of a design guide that sets out the Council's aspirations and expectations for its partners and contractors. The outcome is a suite of three documents.

54. Design Values: This is the kernel of the council's aspirations for excellence in the New Homes programme. It defines the outcomes sought, rather than the outputs required. The starting point for this document was the Five Fairer Future Principles and 10 Fairer Future Promises as set out in the Council Plan and the Housing Strategy which looks forward to 2043. As such the 15 design values set out in below are a reflection of the council's core objectives.
1. Promote equality, diversity and social cohesion through tenure blind design
 2. Provide a wide range of dwelling types and sizes that respond to different household sizes, ages, circumstances and lifestyle choices.
 3. Create a legacy of high quality buildings and spaces and places where these can be justified through a long-term approach.
 4. Involve residents every step of the way.
 5. Enhance the character, identity and psychology of an existing place – or create new places that have this potential.
 6. Be open to new ideas, innovation and the benefits of smart and sustainable technology without taking undue risks.
 7. Reduce capital cost by using space wisely in buildings that are straightforward to construct.
 8. Keep rents, service charges and general running costs down by using robust, good quality materials and designing for low maintenance and light-touch management.
 9. Reduce health and social care costs by making homes and neighbourhoods safe, comfortable, accessible and adaptable to changing need.
 10. Take a 'lean, green and clean' approach to energy consumption to reduce fuel poverty and protect the natural environment.
 11. Support family life and individual health and well-being by creating healthy environments that value privacy as well as sociability.
 12. Improve life chances and encourage social mobility by providing space to study and work and for recreation and play.
 13. Provide opportunities for social interaction and civic participation.
 14. Create homes and places where people feel they have ownership, and are proud to live in and want to care for.
 15. Seek to spread regeneration benefits beyond the immediate site boundary and ensure that new development takes account of future plans and looks for wider opportunities.
55. Design Standards: This is essentially a client brief to design consultants and contractors. In addition to standards set out in local, regional and national planning guidance, the design standards document is also informed by the council's experience as landlord. Its development has also drawn on the wide-ranging experience of many residents, councillors, council staff and consultants, including Levitt Bernstein and PRP architects who have produced these documents.
56. Technical Specifications: This document is intended to serve as the starting point for consultants tasked with developing employer's requirement on behalf of the council and is underpinned by the Design Values and Design Standards documents that, with it, form the Southwark Design Guide suite.
57. The borough-wide principles phase (stage two) aimed to identify residents' key priorities in relation to the 11,000 new homes on a general, rather than site specific basis. As per stage three in the table above, consultation on specific sites with the residents living close by and/or directly affected by the development will be on going

and in line with the Charter of Principles.

58. Residents were asked three key questions which aimed to not just address issues of design but also those around how housing can impact on our health and wellbeing. The questions were as follows:
 - a. Question one - Where can we build the new homes?
 - b. Question two - What should these new homes look like?
 - c. Question three - How can we make these new homes and neighbourhoods make places to live?
59. Questions two and three were grouped together and views sought via eight questions covering subjects such as what makes a family home and how we can improve communal areas, to how your neighbourhood can improve your health and wellbeing.
60. Around 2,500 people have been engaged in this phase of the 11,000 council homes consultation including through community council workshops, a #Chatback event at Ministry of Sound (Young people aged 12 – 18 years), #Chatback outreach (Young people aged 12 – 18 years), SPLASH workshops (Primary school aged children, aged 8 -10), an interactive map (which allowed residents to make suggestions for where the 11,000 new council homes could be built), surveys completed and at Area Housing Forums.
61. The feedback has been used to develop the design guide and officers are to be tasked with bringing forward further proposals for how resident feedback on design and neighbourhoods can be taken forward. The proposals are to be brought to cabinet by April 2016.
62. Planning for Stage three of the 11,000 new council homes consultation is also now underway with consultation plans for each new direct delivery site being established, in line with the Charter of Principles. This has involved bringing together officers in the new homes delivery team, operations and community engagement to build a location-specific plan of engagement and cooperate in its delivery.

HRA assets analysis and appraisal

63. Following the Housing Commission report in 2012 the council engaged Savills to carry a Stock Options Appraisal. Their final report was issued in June 2013. This noted that: 'The development of an active policy of managing housing assets which challenges the value for money of each investment decision, based on an analysis of both the value of future cash flows, and the extent to which investment meets the council's social housing objectives could improve long term business plan capacity and resident satisfaction.'
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:
 - a. Consider operational cash flows at a local level and assess their worth to the housing business to provide a measure of financial performance
 - b. Identify non-financial measures of social sustainability and to provide an analysis of this at the same local level.

65. 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) had an NPV which is below zero. Southwark has already committed to the Warm, Dry and Safe investment, which includes the majority of the units that the analysis showed as having a negative NPV.
68. 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 overarching business plan, which in turn includes the investment needs of the existing stock as well as the new build programme.
69. The business plan and associated decisions allow the resources available for capital investment to be estimated and therefore prioritisation for an investment strategy.
70. 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.
71. 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.
72. 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.

Asset management strategy

73. Southwark has made a substantial investment in delivering Warm, Dry and Safe (WDS) homes which has made a visible difference to the borough's housing stock and residents' homes. However, there remains an on-going need to replace components nearing the end of their life and some poorly designed and built housing that is expensive to repair and costly to maintain and replace.
74. For this reason, a new strategy is required to support our 30 year housing investment plan which reflects the council's ambition to maintain and invest in its existing housing stock that meets residents' expectations. The plan must deliver the key priorities of a quality kitchen and bathroom guarantee, maintain decency, delivery of a cyclical planned maintenance and decoration programme and bringing all properties to a 'tolerable' fire safety risk level.

75. Building on the work undertaken by Savills, in October 2015 cabinet approved a consultation plan for a draft asset management strategy. Following completion of consultation, the final strategy is due to come back to cabinet with resident feedback in March 2016.
76. The funding assumptions for this plan have been included in the HRA business plan.
77. The first year programme for delivery in 2016/17 was agreed to progress with design and initial consultation for the schemes.
78. The draft asset management strategy sets out a delivery timetable for:
 - a. Maintaining a high level of decency
 - b. Delivering a cyclical works programme
 - c. Completing the kitchen and Bathroom programme within the first cycle of the programme
 - d. Delivering of a mechanical and electrical programme
 - e. Bringing all properties to a Fire Risk Assessment (FRA) to a 'tolerable' level by the end of the first cycle of the programme
79. An investment appraisal of the first year's programme identified a small number of properties based on their financial and social sustainability that require further investigation to ensure the long term sustainability of the units. These properties have, for the moment, been removed from the programme for further consultation in line with the Charter of Principles.

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 three 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 was originally assumed that rent will increase by the current formula of CPI + 1% with costs increasing by RPI (see note on the Welfare Reform and Work Bill).
82. Capital works: The main component of this relates to the asset management strategy for existing stock. The high level of investment in existing stock 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, Right to buy receipts, section 106 contributions, and cross-subsidy from private sale
84. For the initial 1,500 units an estimate of 1,000 units from Direct Delivery, 300 from the SRIP programme and 200 S106 purchases has been assumed. In addition, 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. These numbers will increase as more detailed schemes are worked up.

85. The focus has been on detailed planning during the five 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 £376m with a debt cap of £577m, which leaves current headroom to potentially borrow up to £201m. Borrowing headroom has been increased by £80m 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.



Housing and Planning Bill 2015 and the Welfare Reform and Work Bill

90. On 13 October 2015 the Secretary of State for Communities and Local Government, introduced the Housing and Planning Bill to parliament for its first reading. The bill will progress through the House of Commons and the House of Lords before it becomes legislation. The Housing and Planning Bill 2015 is expected to achieve Royal Assent in 2016.
91. The bill will require Local Authorities (LAs) to make annual payments to the Secretary of State, based on an estimate of their vacant high value void sales over the following year, less any sales costs or other deductions. There will be a duty on the LA to consider selling their high value stock but the LA would not necessarily have to sell their stock if they have another source of funding.
92. The Secretary of State will be able to require all providers of social housing to charge an increased rent to high income social tenants. This may require a market rent, a proportion of market rent or a rent determined by reference to other factors. This could be different for those on different income levels and or in different areas.

Income levels will initially be set at £40,000 in London and £30,000 nationally. This will empower registered providers to require a tenant to provide income information. Those who fail to do so could be made to pay the market rate.

93. LAs will be required to pass the additional rental income to the Secretary of State minus any centrally set deductions due to administrative costs. It is not clear if this payment would be at the end of a financial year or as an estimate at the start of the year. In the case of registered providers, they would keep the additional income provided this was used to develop new housing. There may be a case to argue for the same for developing Local Authorities.
94. Welfare Reform and Work Bill will require registered providers to reduce the rent by 1% less than the amount of rent that was payable by the tenant in respect of the preceding 12 months for a period of four years. The second reading of this bill in the House of Lords is scheduled for 17 November.
95. The HRA business plan model will allow the evaluation and testing of investment decisions and changes in legislation to enable the council to deliver its priorities, including the delivery of 11,000 new homes.

Intermediate Housing

96. On 21 July, Cabinet agreed to explore the potential for development of intermediate housing products. Key representatives of the council agreed on 2 September that the priority for council resources in terms of intermediate housing is a quality discounted market rent product, rather than shared ownership. This complements other measures to improve the quality of private sector renting in the borough as set out in the housing strategy.
97. The target client group for this product will be low to middle income groups such as key workers, and those with a long-term connection with the borough. A cross-council group has been set up to test the affordability of such a product, to ensure it is viable both in delivery terms, and through being affordable to lower/middle income earners in order to comply with Southwark's affordability policy. The allocations policy for these new homes will be consulted on in due course.

The pipeline delivery of new homes

98. 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.
99. 138 properties have been completed with 8 different sites are currently on site, all of which are already on site excluding Sumner Road. Willow Walk's short life accommodation has been handed over with the General needs due shortly. The majority of the remaining 154 units on site are forecast to complete around the end of the financial year / early next financial year.

Stage	SCHEME NAME	RESIDENTIAL UNIT NUMBERS								
		Soc rent	Aff rent	Temp Acc	Mkt rent	Int sale	Sale	Count to 1500	TOT	Other units/ description

Stage	SCHEME NAME	RESIDENTIAL UNIT NUMBERS								
		Soc rent	Aff rent	Temp Acc	Mkt rent	Int sale	Sale	Count to 1500	TOT	Other units/ description
Delivered	14a-18 Firbank Rd	3						3	3	
	b. 125 Peckham Park Road	16						16	16	
	Hidden Homes Delivered	28						28	28	
	Willow Walk (SSA) (Ros Stark house, 6 Willow Walk, SE1)			54				54	54	
	Good Neighbours House			37				37	37	
		47	0	91	0	0	0	138	138	

On site	Willow Walk (GN) (Flats 1-21, 1 O'Reilly Street, SE1)	21						21	21	
	Gatebeck House (1-9 Gatebeck House, Pytchley Road, SE22)	9						9	9	
	Southdown House (SO) (1-18 Southdown House, Pytchley Road, SE22)					8		0	8	
	Southdown House (GN) (1-18 Southdown House, Pytchley Road, SE22)	10						10	10	
	Clifton Estate Garages (1-8 Parish Apartments, 7 Clayton Road, London SE15)	8						8	8	
	Cator Street Extra Care (1-42 Tayo Situ House, 73 Commercial Way, SE15)	42						42	42	
	Masterman House Garages (Rent) (Flats 1-25 Piper Court, 8 Lomond Grove, London SE5)	15						15	15	
	Masterman House Garages (Private) (Flats 1-25 Piper Court, 8 Lomond Grove, London SE5)	0					10	0	10	
	169 Long Lane (Flats 1-19 Villiers Court, 167 Long Lane, SE1. 165 Long Lane, SE1 (wc unit long lane), 115 Weston St, SE1 (wc unit Weston St block) 169 Long Lane, SE1 (Commercial Unit))	21						21	21	Commercial unit
	Hidden Homes on site	2						2	2	
	Nunhead Site B (8-13 Candle Grove & 56 & 56a Nunhead Lane, SE15)	8						8	8	
	136	-	-	-	8	10	136	154		

Planning Approved	Sumner Road (Rent)	50				20	42	50	112	
	Sumner Road (Community)							0	0	Community Centre
	Hidden Homes Planning approved	4						4	4	
	TOT	54	0	0	0	20	42	54	116	

Stage	SCHEME NAME	RESIDENTIAL UNIT NUMBERS								
		Soc rent	Aff rent	Temp Acc	Mkt rent	Int sale	Sale	Count to 1500	TOT	Other units/ description

Pre Planning	Hidden Homes Planning Pre Planning	7						7	7	
	Daniels Road Car Park	14				0	0	14	14	
	Lugard Road Garages	2				0	0	2	2	
	Fenham Road Garages	5	0			0	0	5	5	
	Haddonfield garages	24						24	24	
	Commercial Way	56				20	40	56	116	
	Pelier Street	17				0	0	17	17	
	Welsford Street Garages	12				0	0	12	12	
	Meeting House Lane	19				0	13	19	32	
	Goschen Estate	16				14	14	16	44	
	Canada Estate	35				0	21	35	56	
	Tenda Road Car park	11				0	0	11	11	
	35-41 Nunhead Lane	10				0	0	10	10	
	Kinglake Street Garages	16				0	0	16	16	
	TOT	235	0	0	0	37	106	235	378	

100. In September 2015 cabinet approved further sites to be progressed 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.
- Rye Hill Park Garages
 - Edmonton Court
 - 39-44 Rutley Close
 - Seavington House and Garages
 - Salisbury Estate Car Park (Balfour Street)
 - Mayflower T&RA Hall
 - Silverlock Estate underground garages
 - Sceaux Gardens (Florian and Racine including some garages)
101. Taking into account the volume of potential sites which are being brought to the attention of the New Homes Delivery Team, and acknowledging the need to accelerate the development programme in order to meet the target of 1,500 new homes by 2018, it was agreed that the approval point for inclusion of a site in the programme will be an IDM to the Cabinet Member for Regeneration and New Homes, in consultation with the Cabinet Member for Housing.
102. 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 next financial year and continue until 2019. Details of the development programme for Lakanal and Maydew House are set out below:

	SCHEME NAME	RESIDENTIAL UNIT NUMBERS								
		Soc rent	Aff rent	Temp Acc	Mkt rent	Int sale	Sale	Count to 1500	TOT	Other units / description
Lakanal	Lakanal Refurbishment	91					7 *	9	98	Refurb only
	Lakanal Undercroft	0						0	0	New non residential units
	Lakanal New Build	7				3	18	7	28	New build
		98	0	0	0	3	25	7	126	

*Previously 9 leasehold properties reverting to social rent

	SCHEME NAME	RESIDENTIAL UNIT NUMBERS								
		Soc rent	Aff rent	Temp Acc	Mkt rent	Int sale	Sale	Count to 11000	TOT	Other units / description
Maydew	Maydew Refurbishment							0	144 *	Refurb only + Community Centre
	Maydew House Extension						16	0	16	
	Maydew New Build	60						60	60	Estimate
		60	0	0	0	0	16	60	220	

*Tenure mix still to be determined

103. The hidden homes programme continues to deliver new council homes, with completed homes being delivered alongside WDS works this year on the Dickens Estate.
104. 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. The council is in advanced negotiation over two sites expected to deliver 90 units including 80 social rented units:
 - a. 128 – 150 Blackfriars Road
 - b. Surrey Docks, Salter Road
105. Council homes are also being delivered as part of wider regeneration projects. A report on the Council's Southwark Regeneration in Partnership Programme was approved by Cabinet on 20 October and will have the potential to deliver more than 500 new Council homes. Expressions of Interest have been sent to developers on the GLA London Developer Panel and the initial process of sifting expressions of interest prior to formal procurement in January 2016 has begun. A number of sites are now progressing through the development and appraisal stage. Ward Members are being briefed and further on-going consultation meetings are being organised. The current assumption is that these schemes will be cost neutral over the delivery lifetime of the schemes.

106. A number of these sites have been identified to go forward as an initial package for the delivery of new homes and expected to deliver around 300 council homes by 2018:
- a. Albion St (Civic Centre site) SE16
 - b. Shops & Council Offices, Manor Place /Stopford Road SE17
 - c. Copeland Road car park, SE15
 - d. Gloucester Primary School, Longhope Close SE15
 - e. Workshops, 42 Braganza Street SE17
 - f. South Dock Marina, Plough Way SE16
 - g. Petrol Station, 233-247 Old Kent Road SE1
 - h. Flexyard site, Sumner Road SE16
 - i. Peckham Library Square Peckham high street, SE15
 - j. 21/23 Parkhouse Street
107. The Leathermarket CBS is also working on proposals for developments at two sites with the first aimed at completing in 2017, once funding arrangements are agreed.
- a. Weston Street Garages (Kipling Garages)
 - b. Joseph Lancaster Nursery (Deverell Street)
108. Work continues on both the identification of potential sites and the realisation of those sites into the pipeline as potential new council homes.

Willow Walk update

109. The scheme has been subject to a number of snags and defects in the falls of the showers in the short stay accommodation (SSA) and the drainage of the balconies in the general needs accommodation. Some windows have also had to be replaced where they were scratched in the process of installation. The contractor has accepted responsibility for these defects and is being charged liquidated damages by the council for late completion of the general needs accommodation. The problems with the showers in the SSA arose after handover but the contractor has been advised that the costs to the council will need to be reflected in the final account.
110. The council has now been given formal notice of final completion of all works on 30th November.
111. A 'lessons learnt' review has been undertaken. Key headlines include a review of organisation and governance, leadership and communications, risk and issue management planning, statutory approvals, quality management, finance and budget management, scope and requirements, design and delivery (on and off site) and stakeholder management. A series of recommendations have been made, which will be included in an internal report.

APPENDICES

No.	Title
None.	

AUDIT TRAIL

Cabinet Member	Councillor Mark Williams, Cabinet Member for Regeneration and New Homes Councillor Richard Livingstone, Cabinet Member For Housing	
Lead Officer	Gerri Scott, Strategic Director Housing & Community Services	
Report Author	David Markham, Head of Asset Management	
Version	FIFTH DRAFT	
Dated	23 November 2015	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Legal Services	N/A	N/A
Strategic Director of Finance and Corporate Services	N/A	N/A
List other officers here		
Cabinet Member	YES	NO
Date final report sent to Constitutional Team		N/A