

Item No. 25.	Classification: Open	Date: 19 September 2017	Meeting Name: Cabinet
Report title:		Acquisition of Future Affordable Housing in Blackfriars	
Ward:		Cathedrals	
Cabinet Member:		Councillor Mark Williams, Regeneration and New Homes	

FOREWORD – COUNCILLOR MARK WILLIAMS, CABINET MEMBER FOR REGENERATION AND NEW HOMES

Southwark Council is committed to doing all we can to tackle the housing crisis head on; this includes the most ambitious new build council home programme in the country. This will see 11,000 new council homes delivered by 2043. We are making good progress and will see the first 1,600 complete, on-site, or committed (with planning permission and funding in place) by the end of 2018. Residents have already moved into the first 357 new council homes.

We are delivering these new council homes through direct delivery on our existing housing land, through regeneration partnerships and through directly purchasing units. This report seeks approval to purchase the affordable housing block of 61 homes recently consented at planning committee for the 18 Blackfriars Road development. These new homes are right in the heart of central London and will provide much needed genuinely affordable council homes for local people.

Should the initial recommendation be approved the purchase agreement will need further work, in particular the specification for the new homes will need to be reviewed and agreed with the vendor. It is important that we can properly maintain the completed homes at the least cost to the housing revenue account and to source replacement parts. To achieve this, it may be necessary to agree variations to the intended specification. It is also our preference to acquire the freehold interest in the block rather than a long leasehold as this will enable us to control and minimise any service charges payable by our tenants. This is our aim but there may be legal technical issues that affect this and these will need to be worked through. For these reasons the second recommendation gives the appropriate directors delegated authority to resolve any outstanding matters.

RECOMMENDATIONS

That cabinet:

1. Approves the acquisition of the affordable housing to be provided as part of the regeneration known as 18 Blackfriars on the principal terms set out in the closed version of this report.
2. Authorises the director of regeneration to agree detailed terms of the purchase including whether the freehold or leasehold interest in the housing is acquired and in conjunction with the strategic director of housing and modernisation the specification of the housing to be acquired.

BACKGROUND INFORMATION

3. 18 Blackfriars is shown edged black on the plan at Appendix A to this report. As can be seen, it is a substantial site currently comprising low rise offices and the sites of demolished buildings. Its regeneration will be a significant milestone in the transformation of the Blackfriars area.
4. On 19 July 2017 the planning committee resolved to grant the promoter Circleplane consent to regenerate the site subject to a number of conditions. The consented scheme will provide:
 - Offices
 - Retail
 - A hotel
 - A music venue
 - Restaurant
 - 288 residential units
5. Of these 288 residential units:
 - 227 will be for market sale or rent
 - 61 will be affordable
6. In numerical terms, the affordable provision does not meet the policy compliant level of 35% but a further 22 units are being provided in Amelia Street (within a RSL scheme) together with a cash payment to be used to secure further affordable homes in the Borough. However in floorspace terms the onsite and off site affordable results in a 37% provision. Overall, planning committee was satisfied with this aspect of the scheme.
7. The affordable housing is to be provided in a fifteen storey block (retail on the ground floor) on the southern end of the site's Paris Gardens frontage. An image of this frontage is shown at Appendix B.
8. On 9 December 2014 the cabinet resolved actions to address the shortage of affordable housing within the Borough. One of the approved actions was where appropriate, to acquire affordable housing provided by new developments. It is therefore appropriate for cabinet to consider acquiring the affordable housing to be provided at 18 Blackfriars.
9. S17(1b) of the Housing Act 1985 empowers the council to acquire dwellings for housing purposes. Such dwellings once acquired will usually be held by the Housing Revenue Account.

KEY ISSUES FOR CONSIDERATION

10. The direct acquisition of affordable housing provided at new developments is a cost effective means of delivering the commitment to provide 1,500 new homes by 2018, it will usually be faster and less expensive than the Council directly building new housing.
11. There are three instances where this route is already being followed:

- 320 Blackfriars Road Bankside
- Fisher Close Rotherhithe
- Odessa Street Rotherhithe

12. At this time, a detailed specification for the completed housing has not been discussed but this will be a very important workstream once the principle of the acquisition is agreed. Indeed, the specification will form part of the purchase agreement. The specification will seek to secure the council's requirements both in terms of tenant amenity and mitigation of costs in use including replacement of components. Ultimately, the strategic director of housing and modernisation will approve the specification but specialist external and internal advice will contribute to the negotiations that will bring this to fruition.
13. All homes will have access to a private amenity balcony or terrace space. In addition, a communal roof top garden is provided for the residents in the building. The block recommended for purchase will have a sprinkler system. The exterior will not be clad instead it will be finished in glass and brick infill panels.
14. A summary of the accommodation provision is set out below:

Quantity	Type	Unit floor area m ²	Minimum floor area m ² *
20	One bedroom flat	50 & 52	50
35	Two bedroom flat	63 & 70	61 & 70
6	Three bedroom flat	74 & 86	74 & 93

* Minimum floor area to satisfy planning policy. Floor area for two and three bedroom units vary according to number of persons they are designed to accommodate

15. Should these sixty-one units be acquired, they will increase the quantity of accommodation available to persons awaiting social housing in a very desirable locality. At least half of the homes will be let via local lettings agreements. The remainder will be allocated in the normal needs based way i.e. through the choice based lettings system.
16. The aspiration is to acquire the freehold interest in the block to alleviate against service charge and management conflicts between it and the rest of the development. However this is complicated because of retail being provided at ground floor level. Negotiations to achieve this aspiration are currently taking place. If this is not possible a long leasehold interest will be taken that will endeavour to minimise both the responsibility retained by the freeholder and the service charge.
17. The proposed acquisition of this housing was considered at the housing delivery programme board on 12 September and is supported by the board.
18. The terms for the proposed purchase are set out in the closed version of this report. The agreed price represents excellent value for the council and is less than it would cost to directly provide an equivalent number of housing units in this locality. It is also confirmed the price is in keeping with the viability appraisal submitted with the consented planning application.

19. Secure tenants of the new housing may be entitled to purchase the dwellings subject to qualification under Right to Buy. These rules include a 'cost floor' provision that means for the first 15 years after the acquisition of the dwellings, the council cannot sell any one of them for less than their acquisition price even if the discounted price should be lower. In reality though, the market value of any of the properties less the current maximum discount will exceed the cost floor value.

Rationale for recommendations

20. (a) To deliver additional affordable housing for Southwark
- (b) To secure the housing in the most cost effective way
- (c) To enable full negotiations to complete securing a specification for the new homes in accordance with housing policy and put in place a purchase structure that mitigates the Council's exposure to high service charges
- (d) To add to the council's asset base

Community impact statement/public sector equalities duty

21. The Equality Act 2010 imposes a general equality duty on public authorities (PSED), in the exercise of their functions, to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct that is prohibited by or under the Act.
 - Advance equality of opportunity between people who share a relevant protected characteristic and people who do not share it.
 - Foster good relations between people who share a relevant protected characteristic and those who do not share it.
22. For the purpose of the PSED the following are 'protected characteristic' considerations:
- Age
 - Civil partnership
 - Disability
 - Gender reassignment
 - Pregnancy and maternity
 - Race
 - Religion or belief
 - Sex and sexual orientation.

23. The proposed purchase will increase the availability of housing to all and will not adversely affect any protected characteristic.

Resource implications

24. These are set out in the closed version of the report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Housing and Modernisation

25. As part of the council's strategy to deliver 11,000 new council homes by 2043, the cabinet agreed on the 9 December 2014 that the acquisition of S106 affordable homes being delivered by private housing developers as part of their planning consent could contribute to this target.
26. The acquisition of homes built by private developers raises issues for the housing and modernisation department in terms of ensuring the final development can meet the council's requirements, however this is by no means a unique position for the council to be in and any challenges can be met.
27. Issues over ensuring the specification meeting council's design standard and specifications will be managed by the new homes team. They will endeavour to make sure the scheme meets the council's standards as far as possible but it is recognised on a private development schemes this may not be completely possible and variations will need to be agreed. The new homes team will be involved in the development of the scheme to ensure the successful delivery of the homes into management.
28. It is strongly recommended that, if possible, the freehold be purchased so that the council can have control over the service charges and does not have to enter a lease agreement.
29. 61 newly purchased council homes present an opportunity for the council to continue to add to the pipeline of new homes towards the goal of delivering 11,000 new homes.
30. The acquisition proposal has been approved by the delivery programme board and the housing investment board. 30% of acquisition funding is to come from right to buy receipts, the remainder will be non-RTB receipts or major repairs reserve or a combination thereof.

Director of Law and Democracy

31. The proposal is to acquire the affordable housing block which is sited within the proposed development at 18 Blackfriars Road. The planning application for the redevelopment of the entire site was heard by planning committee on 19 July 2017 and a resolution to grant planning permission was obtained subject to the approval by the Mayor of London and also subject to the negotiation of a planning obligations agreement under section 106 Town and Country Planning Act 1990. The outline terms for the s.106 Agreement were only finalised shortly before consideration by the planning committee and it is unlikely that the agreement will be finalised for some months and possibly not before early 2018. Planning permission for the development can only be issued after the s.106 Agreement has been finalised and completed.

32. The closed report gives a full description of the proposal and the specific terms. The proposal being considered here is in relation to the affordable housing element at 18 Blackfriars which comprises 61 affordable units in a single 15 storey block which has a frontage to Paris Gardens.
33. The power to make the acquisition is within section 120(1), Local Government Act 1972 which authorises a council to acquire any land by agreement for the purposes of (a) any of its statutory functions or (b) for the benefit, improvement or development of its area. The cabinet is therefore advised that there are adequate powers available to the council to acquire the affordable housing units at 18 Blackfriars Road by agreement.

Strategic Director of Finance and Governance (H&M17/039)

34. The strategic director of finance and governance notes the recommendations in this report seeking approval for the acquisition of affordable housing at 18 Blackfriars and authorising the director of regeneration to agree detailed terms of the purchase.
35. Should the acquisition proceed, it is anticipated that 30% of the cost of acquisition can be funded from Right To Buy receipts and the remaining 70% from other capital resources forming part of the overall housing investment programme, which is not currently fully funded. This may require part of the acquisition to be funded from borrowing.
36. The service charges payable by the council for estate upkeep are part of the Housing Revenue Account. The cost of these service charges is yet to be established and the council will need to have regard to the charges payable by tenants. If appropriate, the council will need to consider whether this arrangement should operate on a separate basis to the rest of the housing estate.
37. Staffing and any other costs associated with the report's recommendation are to be contained within existing department revenue budgets.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Cabinet report on 9 December 2014 Proposed Pipeline for the Delivery of 1,500 New Council Homes by 2018	160 Tooley Street London SE1 2QH	Paula Thornton 020 7525 4395
Link: (copy and paste link into browser) http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=4865&Ver=4		
Planning Committee report 19 July 2017	160 Tooley Street London SE1 2QH	Paula Thornton 020 7525 4395
Link: (copy and paste link into browser) http://moderngov.southwark.gov.uk/documents/s69900/Report%20LAND%20AT%202018%20BLACKFRIARS%20ROAD%20BOUNDED%20BY%20STAMFORD%20STREET%20PARIS%20GARDENS%20AND%20CHRIST%20CHURCH%20GARD.pdf		

APPENDICES

Appendix	Title
Appendix A	Plan showing 18 Blackfriars edged black
Appendix B	Image of Paris Gardens' frontage

AUDIT TRAIL

Cabinet Member	Councillor Mark Williams, Regeneration and New Homes	
Lead Officer	Stephen Platts, Director of Regeneration	
Report Author	Patrick McGreal, Regeneration North	
Version	Final	
Dated	7 September 2017	
Key Decision ?	Yes	
CONSULTATION WITH OTHER OFFICERS/CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Strategic Director of Housing and Modernisation	Yes	Yes
Director of Law and Democracy	Yes	Yes
Date final report sent to Constitutional Team		7 September 2017