

Item No. 20.	Classification: Open	Date: 31 October 2017	Meeting Name: Cabinet
Report title:		Acquisition of Affordable Housing at Longville Road SE11	
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 115 homes nearing completion at Longville Road next to The Castle Leisure Centre. These new homes are right in the heart of central London at the Elephant and Castle and will provide much needed genuinely affordable council homes for local people.

Bearing in mind the scale of housing need in the Borough we are always looking at ways of increasing our housing stock. An opportunity has arisen to acquire 115 units of brand new housing in a fabulous location. This has been evaluated and we think it right for our residents to purchase these homes and the price is significantly less than what it would cost to acquire this quantity on the open market. They will be available for letting early in the New Year so we will have an immediate positive impact on tackling housing need.

RECOMMENDATIONS

That cabinet:

1. Approves the acquisition of 115 units of housing that has been constructed as part of the regeneration of the former London Park Hotel 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.

BACKGROUND INFORMATION

3. The site of the former London Park Hotel together with some additional assembled land is shown hatched on the plan at Appendix B. It has been the subject of a major redevelopment that is due to complete and the end of this year or early in the New Year. The site was assembled by English Partnerships the functions of which subsequently transferred to the Greater London Authority

(GLA). The GLA then transferred the site to a joint venture (JV) comprising Real Star (a Canadian investment company) and Mace (contractors). The JV then granted a lease of accommodation to the Peabody Group expiring in 2204.

4. In 2007 the planning committee resolved to grant the consent to regenerate the site. Thereafter, a number of variations to the consent were made; the most recent was in January 2015. The consolidated consented scheme provides:

- 457 residential units
- a retail unit
- theatre
- car parking
- landscaping.

5. Of these 457 residential units:

- 278 will be for market rent
- 179 will be at below market rent or shared ownership.

6. The consented tenure mix is set out in the table below:

	Studio	1 bed	2 bed	3 bed	Total
Market rent		138	140		278
Intermediate market rent*	36				36
Affordable rent**			35		35
Target rent***		27		17	44
Shared ownership		32	32		64
Totals	36	197	207	17	457

* 80% of market rent

** 60% of market rent

*** Council house rent level

7. The 64 units of shared ownership accommodation is provided on floors 2 – 9 of the main tower the upper floors of which are to be let at market rents. The remaining 115 units for letting at below market rent are provided in the seven storey block that is the subject of a lease to Peabody.

8. Peabody has given the council the opportunity to acquire the lease (186 years unexpired) of the seven storey block but because the development is nearing completion there is only a short period to decide whether to accept the offer.

9. The accommodation provided in this 115 unit block is set out below:

Quantity	Type	Maximum area m ²	Minimum floor area m ²
36	Studio	38.5	36.5
27	One bedroom flat	45	44
35	Two bedroom flat	71	71
17	Three bedroom flat	92	88

10. 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 provided at Longville Road.

11. 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

12. 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 be faster and less expensive than the Council directly building new housing. The proposed purchase will provide a significant contribution to the target and be ready for occupation in 2018.
13. There are a number of instances where this route is being followed:
 - 320 Blackfriars Road Bankside
 - Fisher Close Rotherhithe
 - Odessa Street Rotherhithe.
14. At this stage in the construction process it is too late to influence the specification of the housing. Therefore if the council purchases it will be to the specification Peabody agreed with the JV. Peabody is a registered social landlord so has similar requirements to the council in providing social housing. Officers have viewed the block and no major specification issues were identified.
15. The studios are unusual in that they are arranged on two levels with the bathroom and kitchen on the lower floor and a bedroom with living space on the upper floor. The bedroom does not extend fully over the kitchen area which leaves a picture window covering the full width and depth of the dwelling's elevation. The character of the property is enhanced by balustrades provided at the end of the bedroom creating a galleried effect. The units are however small in spatial terms. Units of this nature would not be commissioned in a council direct delivery scheme.
16. All homes except the studios will have access to a private amenity balcony or terrace space. The block benefits from landscaped grounds, a cycle store, fronts Churchyard Row park and is next to the new leisure centre. It is within a very short distance of the transport and town centre facilities of the Elephant and Castle. The block has a sprinkler system. The exterior is glazed with cladding infill. The cladding is not aluminium profiling but a stone composite.
17. The block was built as a comprehensive development of the former hotel so it is therefore connected to the main tower, the basement runs below both buildings and part under the block in question is for the use of the main tower. As a consequence of this, Peabody could only acquire the leasehold rather than the freehold interest from the JV. This means that the proposed council purchase will be of the leasehold interest and this will bring service charge implications referred to in the closed version of the report.
18. Should these 115 units be acquired, they will increase the quantity of accommodation available to persons awaiting social housing in a very desirable locality.

19. It is normal protocol for any acquisition such as this to be considered by Housing Delivery Programme Board but owing to the urgency of a decision needing to be taken it has not been possible on this occasion.
20. The terms for the proposed purchase are set out in the closed version of this report. The agreed price represents good value for the council and is less than that it would cost to directly provide an equivalent number of housing units in this locality.

Rationale for recommendations

21.
 - (a) To deliver additional affordable housing for Southwark
 - (b) To secure the housing in the most cost effective way
 - (d) To add to the council's asset base.

Community impact statement/public sector equalities duty

22. 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.
23. 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.
24. The proposed purchase will increase the availability of housing to all protected characteristics and not adversely affect any.

Resource implications

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

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Housing & Modernisation

26. 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.
27. 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 to be in and any challenges can be met.
28. As noted in the report, as the development is near completion, there is no ability to influence the final design or finishes. However, as the development has been lead by Peabody, a registered social landlord, very experienced in developing affordable housing, the standard will be similar to that developed via the Direct Delivery Programme. However, it is recommended that an allowance is made in the budget to allow for any essential works required to address any shortfall.
29. It should also be noted that due to the purchase arrangements and the freehold remaining with the developers, the service charges will be higher than that normally charged to existing and new build homes.
30. The new homes team will lead the process for bringing the homes into management.
31. 115 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.

Director of Law and Democracy

32. The report clearly sets out the relatively long history of this particular development and at paragraph 7 clarifies that the opportunity to purchase is in relation to part of the affordable housing being provided within the development and sited in a seven storey block which is currently leased to the Peabody Group. The block comprises 115 units which will be available at below market rent in accordance with the terms of the planning section 106 Agreement and the table in paragraph 8 sets out the accommodation being provided.
33. The consideration to be paid together with the Stamp Duty Land Tax arising are set out in the closed report. Paragraph 19 of the report confirms that the price represents good value for the council and does not exceed the market value. The agreed figure is less than if the council was itself directly developing a site in the locality for a similar number of units.
34. Paragraph 12 refers to the other instances where the council have acquired the affordable housing units within developed schemes. The purchase of the blocks

at 320 Blackfriars Road adjoining St George Circus and the site at Fisher Close have already been completed and the acquisition of the affordable housing block within the Odessa Street site at Rotherhithe is currently being finalised. Other possibilities for purchase are being considered.

35. The report refers to the power in section 17(1b) Housing Act 1985. Furthermore, in accordance with section 120(1), Local Government Act 1972, the council has the power to acquire any land where it is for the purposes of (a) any of its statutory functions or (b) for the benefit, improvement or development of its area. Accordingly, cabinet is able to approve the acquisition of the 115 units and following the authority provided within the cabinet decision in December 2014, can delegate the details of the precise terms to the director of regeneration since these units would be a further example of the scheme of acquisition of affordable housing which has already been approved.
36. Paragraph 16 of the report refers to the service charge arrangements and the likely cost which will arise. The closed report provides further details and this is an area where further detail will be obtained.
37. The report has considered the Public Sector Equalities Duty and reaches the conclusion that this decision will increase the availability of affordable housing and accordingly it is not considered that there will be any adverse impact on those people who share a protected characteristic.

Strategic Director of Finance and Governance (FC17/066)

38. The strategic director of finance and governance notes the recommendations in this report seeking cabinet approval for the acquisition of 115 affordable homes at Longville Road, Newington (on a leasehold basis until 2204), and to authorise the director of regeneration to agree detailed terms.
39. The closed report sets out the consideration to be paid including SDLT and makes comparison with other similar acquisitions made recently or in the process of being negotiated. The proposed purchase price does not exceed market value and is deemed to represent good value in relation to the potential cost of direct development or open market acquisition by the council of a similar number of properties in that locality.
40. Subject to cabinet approval, the acquisition will be financed from the council's housing investment programme (HIP), comprising Right To Buy receipts and other capital resources. The council's ability to use S106 commuted sums in this instance is still to be determined, but in the event that it cannot, then other resources will be substituted as appropriate. It should be noted that the medium-term HIP is not currently fully resourced and it may be necessary to borrow to part fund this acquisition, thereby reducing the council's borrowing headroom.
41. In addition, given the leasehold nature of the acquisition the council will be liable for a share of the cost of periodic external and communal repairs and renewals. However, this is not dissimilar to the council's asset management responsibilities in relation to its own housing stock, albeit the standard, frequency and timing of such capital works are at the discretion of the freeholder and could potentially be more onerous.

42. Service charges are also payable under the lease for estate management and upkeep and form part of the Housing Revenue Account. The cost of these service charges is yet to be fully established, but will be higher than prevailing council service charges. The council will therefore need to have regard to the charges that are payable by tenants and if appropriate, whether this arrangement should operate on a separate ring-fenced basis to the rest of the council's estate, which are charged on a borough-wide pooled basis.
43. Staffing and any other costs associated with the report's recommendation are to be contained within existing departmental 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: http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=4865&Ver=4		
January 2015 planning consent - 14/AP/3871 variation	160 Tooley Street, London SE1 2QH	Paula Thornton 020 7525 4395
Link: (copy and paste into browser and enter planning application 14/AP/3871 into search box) http://planbuild.southwark.gov.uk:8190/online-applications/simpleSearchResults.do;jsessionid=E88B315823019660DF16C74B7F9BF01C?action=firstPage		

APPENDICES

Appendix	Title
Appendix A	Plan showing former London Park Hotel regeneration site
Appendix B	Elevation of block proposed to be purchased

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	19 October 2017	
Key Decision ?	Yes	
CONSULTATION WITH OTHER OFFICERS/DIRECTORATES/CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law & Democracy	Yes	Yes
Director of Finance & Governance	Yes	Yes
Strategic Director of Housing & Modernisation	Yes	Yes
Date final report sent to Constitutional Team		19 October 2017