

<b>Item No.</b> 8.	<b>Classification:</b> Open	<b>Date:</b> 16 July 2013	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Independent Housing Commission – Conclusions And Next Steps Following Community And Stakeholder Engagement	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Peter John, Leader of the Council	

## **FOREWORD – COUNCILLOR PETER JOHN, LEADER OF THE COUNCIL**

In many ways modern Southwark has been defined by its social housing. From the pioneering slum clearance and house building of the Bermondsey Borough Council in the 1920s and 1930s inspired by Alfred and Ada Salter, to the post-war construction of the architecturally brutalist estates such as the Heygate and Aylesbury, the provision of good quality homes for Londoners has been a key aspiration of Southwark Councils.

In 1981 70% of all of the housing stock in the borough was council housing. Whilst that figure has now reduced to approximately one third, Southwark remains the largest council housing landlord in London and the largest in England as a percentage of all housing stock.

Two years ago we recognised as a Council that if we were to continue to meet that political aspiration of providing quality and genuinely affordable housing for our residents we needed to realistically assess our ability to fund and manage our homes for Southwark’s next generation.

Our Independent Housing Commission chaired by Jan Luba QC produced a report which has challenged us to think in a bold but practical way about the future of our housing stock of 39,000 tenanted properties and 15,000 leasehold homes.

We then embarked upon the most ambitious public engagement exercise this council has ever undertaken, with dozens of events and multiple opportunities for everyone in the borough to get involved and to be heard on the subject of council housing in Southwark.

We have also supported tenants and homeowners representatives to ensure that they have had the time and space to carefully consider all aspects of the housing commission’s report and to suggest their own preferred approaches. And we have sought advice and comments from local and regional government as well as other housing providers such as housing associations. Finally, we have also had specialist input from financial and property specialists. Their contributions have fashioned the decisions which we will take today and for the next 30 years.

The views of the public reflect our own. We want to build more council homes for Southwark’s present and future residents as part of the increased housing capacity of all tenures which we need to deliver across our borough. We have already committed to building 1000 new council homes by 2020. And building on the success of tenant

management organisations such as the Leathermarket TMO, we want to explore with our residents how they can take greater control of the management of their homes. In coming months we will explore how our housing management services can be delivered in a manner which best meets residents' expectations and their demand for greater involvement in the decisions which affect their homes.

Irrespective of any political will, through the work undertaken by the Independent Housing Commission and more recent financial modelling produced by Savills, we can now conclude with some certainty that not only can we afford to retain our housing stock, but that any stock transfer or significant reduction in the numbers of that stock would not make any financial sense for us as a council.

Southwark cannot provide the answer for the entire housing shortage in London. But we are determined to lead the debate and build more council homes over the next 30 years. Now more than ever council housing provides a viable housing solution for many people. We recognise the value and importance of council housing – it is time for other local authorities across London to find their own financial solutions and commit to building council homes for future generations.

My own vision for housing in Southwark in 30 years time is of a place where you will not know whether you are visiting an estate in private or council ownership; where the quality of our council homes rivals or exceeds those produced for private sale, and where those properties are managed and maintained either by their residents, or the council, or by a combination of both – but always with the agreement and support of their residents.

This report provides a solid evidential basis for us to restate our unequivocal commitment to council housing in our borough, managed for and by our residents – and to set about creating an ambitious strategy to build even more new council homes for Southwark and London.

## **RECOMMENDATIONS**

That cabinet notes

1. The outcomes of the community engagement on the report of the Independent Housing Commission, in particular the clear weight of opinion that:
  - Council housing should be for people for whom the private rented sector is unaffordable, who are in low paid work, beyond retirement age or unable to work (e.g. through illness or disability) and who have a local connection with the borough;
  - The council should invest in its housing stock to provide good quality homes for all its tenants;
  - The council should provide as many homes at genuinely affordable rents as possible and should look creatively at different options for financing and managing the delivery of new council homes;
  - The council's housing stock should be better managed and there is a significant appetite among council tenants and homeowners for more resident involvement in housing management, more tenant management initiatives and for exploring partnership working with other social housing providers, where this makes sense for a particular estate or locality.

2. The very high level of participation of tenants, homeowners and other residents in the community conversations about the future of housing and thanks them all for their thoughtful and constructive contributions.
3. The specific input of the Futures Steering Board of council tenant and homeowner representatives and thanks them for their work.
4. The specific view expressed by Homeowners' Council that there is now greater professionalism and focus to the council's work with homeowners but a need to continue to address the concerns of leaseholders and homeowners.
5. The outcomes of the wider stakeholder engagement with other local authorities, housing associations and representatives of regional and national government commissioned from The Smith Institute.
6. The detailed evaluation of the Independent Housing Commission's findings commissioned from Savills, which comprises a high level financial and housing stock options appraisal, informed by the most recent stock condition survey, the council's existing housing investment programme and relevant national policy developments (e.g. to the Right to Buy scheme).

In consideration of which, that cabinet

7. Restates the council's commitment to council housing as a community asset for the long term benefit of Southwark residents and to championing the mixed and diverse communities which make Southwark such a successful and liveable borough.
8. Rules out any wholesale or large-scale transfer of its housing stock to another provider.
9. Notes the amendments proposed to the council's lettings policy, the report of which appears elsewhere on this agenda, including the proposal to extend the local residency qualification for joining the housing register from 6 months to 2 years.
10. Instructs the strategic director of housing & community services
  - To bring back proposals to September cabinet on how to increase resident involvement in managing council housing and, in particular, how to encourage more tenant management organisations;
  - To bring back an action plan to September cabinet for the continued improvement of leasehold management services;
  - In consultation with the strategic director of finance and corporate services, to undertake further detailed assessment of the financial performance of the council's housing assets alongside an assessment of the extent to which they meet the council's overall social housing objectives and develop long terms plans for delivering more council homes in the future.

Additionally, that cabinet

11. Recognising the important role that other social housing providers and the private sector have in meeting the totality of housing needs in the borough, instructs the director of corporate strategy to review the council's housing

strategy across all tenures and sectors, having regard to the detailed assessment of the council's own stock referred to above.

## **EXECUTIVE SUMMARY**

### **Key milestones**

12. In late 2011 cabinet agreed a £326 million housing investment programme to make every council home warm, dry and safe over a five year period to 2015/16. At the same time, cabinet recognised the need to develop a long-term strategy for the council's housing stock. In order to secure an unbiased perspective, cabinet established the Independent Housing Commission supported by the Smith Institute. The Independent Housing Commission was asked to examine proposals and make recommendations for an investment strategy for up to thirty years, which was sustainable and affordable. It was launched in January 2012 and reported in October 2012.
13. An unprecedented community engagement plan to gather views on the report and the future of council housing was agreed in December 2012. This plan reflected the council's inclusive and ambitious future approach to community engagement, the principles of which were agreed by cabinet in October 2012. It provided the first opportunity to follow the new approach. Because the future of council housing matters to everyone, the plan was set up to be far-reaching and inclusive. At the same time, it was important that the existing residents of council housing were supported to make their own contribution. A board of council tenants and homeowners was established, the Futures Steering Board. Homeowners' Council also decided to make its own separate submission to the council.
14. From the outset, cabinet were clear that there should be wider discussions with other social housing landlords, in London and nationally. The Smith Institute was asked to interview key stakeholders, including local authorities, national and regional government and housing associations.
15. Any emerging new approaches to the management of the council's housing stock would need to be supported by robust financial and technical analysis. Therefore, Savills, a firm of specialist housing advisors, were commissioned to prepare a high level finance and housing stock options appraisal.
16. A review of the council's lettings policy was already underway when the Independent Housing Commission reported. A cross-party councillor group chaired by the cabinet member for housing management reviewed the council's lettings scheme and made a number of recommendations around who council housing should be for.

### **Community Engagement**

17. The public were asked to respond to 4 questions:
  - Who should council housing be for and for how long?
  - How much council housing should there be and to what quality?
  - How should council housing be managed?
  - Any other comments?

18. In total there were over 80 different key events, activities or ways of engaging that gathered several thousand views, ideas and suggestions. The engagement process included a varied range of exercises that included:
- Engagement at Area Housing Forums, Tenant Council, and Homeowners' Council
  - Engagement at community councils
  - Engagement at a range of community forums
  - Engagement targeted at young people including work with a local youth radio station that engaged over 120 young people
  - Engagement on the housing needs of older people
  - Community Conversations, led by councillors, in busy shopping streets across the borough, or in parks where people are enjoying leisure activities.
  - Events in libraries
19. In general, in response to who should council housing be for and for how long, people were more likely to say that council housing should be for households on low incomes. This was followed by views around the need to maintain lifetime tenancies, the importance of having a local connection, those with disabilities and those for whom the private rented sector is unaffordable.
20. In response to how much council housing there should be and to what standard of quality, respondents were more likely to say that the council should have more council housing, that this should be of better quality and that there should be more investment in the current stock.
21. In response to how council housing should be managed, people were more likely to say that the council housing stock should be council managed but that there should be more resident involvement, that the council should encourage tenant management organisations and that the council should work more in partnership with others.
22. The Futures Steering Board felt that the council should at least retain the existing level of stock but preferably increase the number of homes available for social rent. The group felt that the homes should be council managed but that there was a need to improve the level of service and there should be more resident involvement.
23. Homeowners' Council said Southwark should provide as many social rented homes as possible but investment decisions have the potential to increase the costs charged to leaseholders. Regardless of the management option chosen, homeowners said they need more cost-effective management of both repairs and major works. Homeowners would like to see a wider range of options to help struggling owners and be fully involved in the implementation of policies and procedures that are developed.

### **External Stakeholder Views**

24. Other local authorities referred to the difficulties of lack of housing supply, poor quality homes, and the impact of welfare reform, and mentioned that housing had to support wider strategic objectives of supporting economic wellbeing.
25. The key message from housing associations was that there was an appetite for working in partnership with the borough on innovative models of delivery,

although this might require mixed tenure developments or some properties let at higher affordable rents, in order to subsidise a proportion of properties for social rent.

26. The GLA, DCLG and London Councils felt that the main challenges facing Southwark Council were high housing demand, poor quality housing and the impact of welfare reforms.
27. Also, it was felt that the council needed to decide what it wanted to do with its housing stock, and who council housing was for. They felt that Southwark could make more of its borrowing capacity and land availability. Greater flexibility over rental policy, particularly the affordable rent product, was also mentioned.

### **Finance and Housing Stock Options Appraisal**

28. Savills were commissioned to carry out a high-level, expert review of the potential options for the future of the council's housing stock, including financial modelling, stock options and management arrangements.
29. In their view, Housing Revenue Account (HRA) self financing introduces new opportunities for a viable long term business plan with the potential to increase levels of investment beyond the current Warm, Dry, Safe standard. Initial modelling indicates that additional investment is affordable with significant long term surpluses forecast.
30. Savills reported that a reduction in stock to 20,000 explored by the Housing Commission would lead to a significant loss of future HRA revenue which could not be matched at the same time by a corresponding reduction in costs. This means that in revenue terms the HRA would be worse off as a result of stock reduction and capital receipts from disposals would need to be used to balance the revenue position, reducing the amount of capital available for any additional benefits.
31. Savills say that there is no overriding financial case for wholesale stock transfer or any significant stock reduction at estate level. Instead any stock reductions could be on an asset management basis, and community led.
32. They add that local management options may facilitate service improvement and locally focussed asset management could improve business plan capacity and resident satisfaction. There is a range of funding options available to deliver council led estate renewal and new build where this makes strategic sense, allowing the council to access the funding required without impacting on the cap on borrowing currently in place in the HRA. Savills say this could provide opportunities for new mixed tenure redevelopment.

### **BACKGROUND INFORMATION**

#### **Housing need in Southwark**

33. Southwark is a borough which has historically experienced high levels of housing need and this is likely to continue, with projected increases in the borough's population.
34. The Southwark Housing Requirements Study which was conducted using the government's methodology for objectively assessing the housing requirements of

a locality was last carried out in 2008, prior to the economic downturn. This found that the borough had a high level of need for affordable housing, and in particular for larger social rented housing. There were around 11,300 existing households who were in housing need, that is, they were living in unsuitable housing, needed to move, but were unable to afford to pay for a housing solution themselves. Work is continuing to update our understanding of housing needs in the borough with the ongoing releases of census data and the forthcoming London strategic housing market assessment. This will be fed into the review of Southwark's housing strategy.

35. At 1 April 2012 there were 20,555 households on the Southwark housing register. Just over two thirds of these were new applicants (14,112) and just under a third were existing tenants wishing to transfer (6,443). The greatest demand was for a one bedroom property (10,855). However, social housing tenants wishing to transfer are most likely to need a 2 bedroom or larger property. Applicants wishing to move to a 3 bedroom or larger property have to wait much longer for a property to become available. While the council has policies to encourage greater supply of new larger properties these are still in very short supply.
36. The Southwark Housing Requirements Study 2008 identified significant shortfalls in the supply of larger affordable family homes (i.e. with 3 or more bedrooms). This study also identified very high levels of overcrowding in the borough. Around 12% of the borough's households live in overcrowded conditions, with the highest levels of overcrowding being experienced in the council's own housing stock at 15%.
37. Homelessness acceptances – those to whom the authority has a legal duty to provide assistance – increased in 2012/13, from just over 500 in 2011/12 to over 600 in 2012/13. Homelessness is projected to increase further as a result of the continued shortage of genuinely affordable housing for those on low incomes. Welfare reforms are also likely to impact on levels of homelessness. Many landlords are unwilling to accept households on benefits due to concerns about rent arrears, that may result from direct payments of housing benefit to the tenant, and the pending introduction of the cap on the maximum amount in all out of work benefits which households can receive (£350 per week for single people and £500 per week for couples and families).

### **Social housing supply in Southwark**

38. The number of council lettings averaged around 1900 over the last two years. There were 1,725 housing association lettings including supported housing lets in 2011/12. 724 households accepted Southwark's nomination to housing association accommodation in the same period.

The table below shows projected completions of affordable housing over the period 2012-15.

Year completed	Affordable Rent	Social Rent	Intermediate	Grand Total
2012-13		487	150	<b>637</b>
2013-14	24	308	225	<b>557</b>
2014-15	146	548	346	<b>1,040</b>
<b>Grand Total</b>	<b>194</b>	<b>2,574</b>	<b>1,504</b>	<b>4,272</b>

## **Current Council Housing Investment Strategy**

39. In late 2011, as one of the council's ten Fairer Future promises, cabinet agreed a £326 million housing investment programme to make every council home warm, dry and safe over the following five years.
40. The warm, dry and safe programme incorporates all major works that will be required over the five years to meet the council's housing landlord obligations as a landlord and achieve the government's decent homes standard. The council has committed to residents to deliver this programme, having undertaken extensive consultation on the investment principles and draft programme.
41. Another key priority for the council is the commitment to invest in estates with high investment needs, which was agreed alongside the current investment strategy. Specific decisions were taken to refurbish three estates – Hawkstone (low rise blocks), Abbeyfield and Four Squares – and to continue with the existing approach for others, including the Aylesbury.
42. The regeneration schemes at the Aylesbury, Heygate and Elmington Estates involve the redevelopment of these estates in partnership with others, including the provision of new social housing. The agreed approach for these estates goes far beyond the scope of the council's investment strategy and is predicated on bringing in external financing to allow the focus of housing investment resources to be on the remainder of the stock.
43. The development of new homes under the direct delivery programme for 1,000 new council homes is not regarded as part of the current investment strategy and is designed to minimise any impact on the current investment programme.
44. The key principles of the council's housing investment strategy are:
  - To agree a minimum affordable standard based upon the known resources realistically available that will enable the council to bring all council homes up to the same agreed standard by March 2016.
  - To ensure that all council homes which require investment benefit from the resources available.
  - To agree the minimum budget envelope and to continue to work to bring in additional funding to bring schemes forward where possible in order to complete the programme more quickly and ahead of schedule
  - To develop a 30 year housing asset management plan which will be used to inform and shape future programmes.

## **The Independent Housing Commission**

45. At the same time as agreeing the current five year investment programme, cabinet recognised the need to develop a long-term strategy for the council's housing stock. This would be an investment strategy for council homes for a whole generation into the future, and a blueprint for service improvement and the quality standard of council homes for tenants and leaseholders for decades to come.
46. In order to secure a genuinely external, unbiased perspective on the issues, cabinet agreed to establish an independent commission on the future of council housing in Southwark. The Independent Housing Commission was tasked with

exploring options for the future financing, ownership and operation of Southwark's housing stock beyond 2015/16 (when the current five year investment programme comes to an end). It was asked to examine proposals and make recommendations for an investment strategy for up to thirty years, which was sustainable, affordable to the council and broke the current cycle of an escalating demand for resources to maintain the quality of the stock.

47. The Commission was chaired by Jan Luba QC, a leading housing lawyer with extensive experience of work in the voluntary sector, including the Citizen's Advice Bureau, Child Poverty Action Group and the National Housing Law Service. It was supported by The Smith Institute, a London-based public policy think tank, which specialises in housing and place making.
48. The commission directed its own research and analysis and undertook an open call for evidence and information from stakeholders, tenants, leaseholders, residents, housing associations, voluntary organisations and others who were involved and interested in providing housing across the borough. It was launched in January 2012 and reported in October 2012.
49. The commission's report acknowledges the strategic importance of council housing in Southwark, noting: "council housing is self-evidently strategically important for Southwark: it provides rented homes for a third of the borough's residents, connects to health, education and employment, and shapes the physical landscape. Getting the strategy for council housing right is thus vital to the future prosperity of Southwark."
50. The report also notes that "in order to develop a long term investment strategy, the council will need to take some critical strategic decisions about how many council homes it wants to provide over the next 30 years; who should live in council housing; and how the homes will be managed and paid for."
51. The report looks back in time to establish how and why Southwark's housing stock arrived at its current position. More crucially it looks to the future, examining options for investing in the housing stock, including different options for the number of rental units maintained by the council, and considers the question of who council housing should be for.
52. The report also identifies the need for a step change in the way the council manages its stock, and engages with its tenants and leaseholders. It proposes a number of different management and engagement options for the council and residents to consider, including tenant and leaseholder compacts, increased levels of tenant management organisations or boards, and partnership models.
53. The report is clear that issues such as demographic change, the local housing market, economic factors, and migration mean that whatever measures the council takes, demand for housing will continue to outstrip supply. The report notes that "the council cannot possibly meet all housing demand in the borough, but could take the lead on developing a new agenda for council housing in London and, with the GLA and other boroughs, explore proposals to pool land and housing assets and create common housing investment funds."
54. It also notes that "the council could continue to give priority to those most in need. However, some reassessment of the council's lettings scheme may be justified, with possible new criteria such as allocating more homes to those in

low-paid employment locally and some restrictions on newcomers to the borough.”

55. The report of the Independent Housing Commission was presented to cabinet by the chair of the commission on 23 October 2012, at the same time as a report setting out how the council could develop a new approach to community engagement. This new approach retains a strong focus on communication and consultation, but moves beyond these to more active and meaningful engagement.

### **Work following receipt of the report of the Independent Housing Commission**

56. In October, cabinet asked for detailed consideration of the report’s findings to be undertaken, noting that this would require full and extensive community engagement, involving councillors, officers, tenants, homeowners and other residents, as well as key stakeholders. To that end, cabinet instructed officers to undertake a detailed review of the commission’s report and draw up a plan for engaging residents in an extensive and wide-ranging debate on its analysis, findings and conclusions.
57. The community engagement plan was developed over the following weeks and agreed by cabinet in December 2012. At the same time cabinet noted that the detailed evaluation of the commission’s report was underway but would take some time to complete. Because the future of council housing matters to everyone, the engagement plan was formulated to be far-reaching and inclusive. It was also important that the existing residents of council housing were supported to make their own contribution to the process. A board of council tenants and homeowners was established, the Futures Steering Board, supported by Solon Community Network. Although the original purpose of the board was to act as a quality assurance panel for the community engagement process, ensuring that tenants’ and homeowners’ views were properly represented, after a number of meetings, the board decided to change its remit and focus instead on forming its own conclusions and recommendations. Homeowner’s Council also decided to make its own separate submission to the council.
58. The process and outcomes of the community engagement are summarised in a later section of this report, including a summary of the report of the Futures Steering Board and of the submission from Homeowners’ Council. A full report of the community engagement, the full report of the Futures Steering Board and the complete submission from Homeowners’ Council are appended to this report.
59. From the outset, cabinet was clear that while the primary focus of the housing commission was to inform a strategy for the future of Southwark’s council housing stock, the discussion should resonate more widely with all social housing landlords, in London, and nationally. Although the scale of Southwark’s housing stock means that the need for a future strategy may be more pressing for the council than for other housing providers, Southwark’s council housing does not exist in a geographical and social vacuum. The views of others are vital in establishing a strategy that will deliver positive outcomes for the whole community – current residents and the residents of the future.
60. The Smith Institute was therefore commissioned to carry out a series of interviews with key housing stakeholders including local authorities, national and regional government and housing associations. This peer review exercise

captured key stakeholders' reflections on the commission's report, their views and experience of the council as a housing authority and housing provider, and their ideas for the future. To ensure a reasonable degree of candour in the views expressed, The Smith Institute undertook the interviews on an independent basis and the feedback has been recorded on an anonymous basis. The outcomes of this exercise are summarised in a later section of this report and the full reports produced by The Smith Institute are appended to it.

61. Any options for the future of housing would need to be supported by robust financial and technical analysis. Savills, a firm of specialist housing advisors, was commissioned to prepare a high level finance and housing stock options appraisal for the council. The aim of this appraisal was to establish the viability of different future options for housing management and investment and so both inform the council's response to the outcomes of the community engagement and support future business planning, in consultation with residents. The executive summary of the appraisal is included as a later section of this report and Savills' full report is appended to it.
62. A review of the council's lettings policy was already underway when the Independent Housing Commission reported. A cross-party councillor group chaired by the cabinet member for housing reviewed the council's lettings scheme and made a number of recommendations around who council housing should be for. This key question chimed with the commission's report and it was decided to make the planned consultation on the outcomes of the lettings policy review part of the wider community engagement on the commission's report. This aspect of the engagement is fully referenced within this report and the relevant appendix. The final proposals of the lettings review are contained in a report elsewhere on the Cabinet's agenda.

### **Summary of Community Engagement**

63. This section summarises the results of a very wide reaching community engagement process that discussed the implications of the Independent Housing Commission's report and gathered residents' views on it. The engagement process reflected the council's inclusive and ambitious approach to community engagement, the principles of which were agreed by the cabinet in October 2012. It provided the first opportunity to test the new approach.
64. Underpinning the wide ranging community engagement programme were five key community engagement aims. These were that it should be:
  - Universal
  - Impartial
  - Comprehensive
  - Timely
  - Cost effective
65. The engagement process was also designed to adhere to the government Code of Practice on Consultation.
66. Because the future of council housing over the next 30 years impacts on all residents in the borough, the council set out to gather the views of as many residents as possible, regardless of their housing tenure.

67. The engagement did not ignore the existing formal mechanisms of resident engagement but was characterised by a drive to use additional, new and innovative ways to consult in an attempt to broaden participation and encourage those who do not normally engage with the council to give us their views.
68. The process included a varied range of engagement exercises that included:
- Housing based formal meetings, such as Area Housing Forums, Tenant Council, and Homeowners' Council to gather the views of representatives of council tenants and leaseholders
  - Community councils
  - Community forums
  - Events targeted at young people including work with a local youth radio station that engaged over 120 young people
  - Events targeted at housing needs of older people
  - Social media and on-line surveys
69. To engage as wide a range of residents as possible the Community Conversations method was used. Community conversations are led by cabinet members and ward councillors and take place in locations where people are already going about their day to day business. They can include having conversations in busy shopping streets across the borough or in parks where people are enjoying leisure activities. This was one of the centrepieces of our engagement and attracted people who were not likely to express their views through other more conventional routes. The Community Conversations included working with local community volunteers and an interactive video booth for people to say what they thought.
70. Libraries were also a focal point for the engagement, again capturing people's views where they just happen to be rather than creating a new environment for engagement. In addition neighbourhood based focus groups ensured we worked with a sample of people in different localities.
71. In an effort to include as representative a sample as possible of the borough's diverse populations, we engaged people who experience barriers to having their views heard. This included those who have English as a second language and those who are part of newer migrant communities.
72. In total there were over 80 different key events, activities or ways of engaging that gathered several thousand views, ideas and suggestions. We are grateful to all those residents who contributed to it.
73. The majority of the data collected was via an open qualitative survey methodology. Residents completed 643 such surveys. Surveys were completed and submitted in person at one of the community conversations, by post or online. The survey consisted of 4 broad open questions:
- Who should council housing be for and for how long?
  - How much council housing should there be and to what quality?
  - How should council housing be managed?
  - Any other comments?

74. Each question was accompanied by brief background information ranging from data on Southwark's current council stock to summaries of the Independent Housing Commission's conclusions.
75. This approach made the engagement a more open conversation with our residents and provided an assurance that the engagement was impartial and comprehensive, in that there were no pre-selected options to choose from.
76. In addition to the wider conversations in February 2013 the council set up a representative group of council tenants and homeowners, known as the Futures Steering Board (FSB). Its membership was made up of people nominated by Tenant Council and Homeowners' Council respectively. This group had access to advice and support from an independent housing expert from Solon Community Network. Its initial remit was to act as a quality assurance mechanism for the engagement process. However, it decided instead to submit its own conclusions and recommendations to the council.
77. The council also received a separate submission from Homeowners' Council that focused on the issues for leaseholders and homeowners that in their view were most significant in considering the future approach to housing in the borough.

### **Open surveys and Community Conversations**

78. Open surveys, largely submitted through the Community Conversations brought in the largest volume of responses.
79. In response to who should council housing be for and for how long, people were more likely to say that council housing should be for households on low incomes. This was followed by views on the need to maintain lifetime tenancies, the importance of having a local connection, those with disabilities and those for whom the private rented sector is unaffordable.
80. In response to how much council housing there should be and to what standard of quality, respondents were more likely to say that the council should have more council housing to meet the need, that this should be of better quality and that there should be more investment in the current stock.
81. In response to how council housing should be managed, respondents were more likely to say that the council housing stock should be council managed but that there should be more resident involvement, that the council should encourage Tenant Management Organisations and that the council should work more in partnership with others.

### **Area housing forums**

82. The responses given on who council housing should be for varied, however the most common responses were in favour of those with a strong local connection and those on low incomes.
83. All area housing forums were in favour of an increase in the council's stock of council homes.
84. A range of responses were given to how council housing should be managed. The most common responses were that it should be council managed, with some

of the forums favouring a more local approach and more tenant and leaseholder input and scrutiny.

### **Communities of identity forums**

85. These groups had no clear consensus on who should be given priority for council housing but were more likely to say that tenancies should be for life and the length of local connection should stay as it is now (i.e. 6 months).
86. On how much council housing there should be, these groups were more likely to favour no reduction in the number of council homes and that it should all be of decent quality.
87. With regard to how council housing should be managed, participants were more likely to be in favour of more resident involvement, a more local approach to management and increasing the number of Tenant Management Organisations.

### **The Futures Steering Board**

88. The board was set up in February 2013. The tenants and homeowners that were nominated to the board met twelve times and had an initial remit to act as a quality assurance panel for the council's wider engagement. The board decided to change this after four meetings, instead focusing on its own conclusions and making its own recommendations to the council.
89. The board was supported throughout the process by Solon Community Network.
90. Members of the board agreed with the council's current plans to build 1,000 homes in the borough, although they were concerned that the proposed timeframe of completion by 2020 could result in a net loss of homes for social rent, as combined disposals and right to buy sales could outstrip the number of new homes created. The board therefore urges the council to complete the new homes as quickly as possible. The board also believed that the council can completely self-finance the new homes, using a range of income sources.
91. The modelling undertaken by the board assumed that homes built for rent would be let at social – not affordable – rent levels. Members of the board felt strongly that, given the low level of median incomes in the borough for both council tenants and residents in general, and the high average market rents, affordable rents set at 65% or 80% of market rates would be too high for those on the housing waiting list.
92. The board also considered options for the council to supplement its income in order to allow it to kick-start a major house building programme.
93. On the question of who council housing should be for and for how long, the views included: maintaining lifetime tenancies; not introducing income or savings thresholds; considering carefully but not automatically penalising those with poor tenancy records; and some priority for ex-servicemen and women.
94. On the question of how council housing should be managed, the board felt that the main issue in terms of housing management is recruiting and retaining the right staff to run a professional and personal service for residents. In particular, the group suggested a specialist team within the council to oversee a new building programme.

95. The group felt that the most important issues were self-financing the build of new homes while ensuring that the overall level of rented stock is at least maintained. They acknowledged the scale of the challenge, and were keen to continue working with the council to explore how this ambition can be realised.

### **The Community Councils**

96. On the question of who should council housing be for, participants were most likely to say those most in need.
97. When asked about how much council housing there should be and to what standard, most participants did not think compromising on quality was acceptable at all and that there should be as much housing as the council can possibly provide. When presented with a stark choice of more units at lower quality or fewer units at higher quality, the majority of respondents preferred the “middle” option of 30,000 good quality units rather than 20,000 top quality or 39,000 of less good quality. However, this was not consistent across all localities. A majority of those attending both Dulwich and Borough, Bankside & Walworth Community Councils favoured the retention of 39,000 rental units and a significant majority of those attending all Community Councils were unhappy with the premise that the provision of more housing might imply lower quality.
98. Participants were also likely to support more resident involvement and a more local approach to management.

### **Homeowners’ Council**

99. Homeowners’ Council, which represents the council’s 14,500 leaseholders and freeholders prepared their own submission in response to the consultation. The key points from the submission are set out below.
100. Strategic decisions on the long-term future of social renting will inevitably have a major impact on homeowners. In particular investment decisions have the potential to increase the costs charged to leaseholders significantly.
101. Homeowners’ Council believes Southwark Council should provide as many social rented homes as possible over the next thirty years. These homes should be let on social rents on full secure tenancies to ensure affordable homes for local families and key workers.
102. But this option may mean that more homeowners face large major works bills if their rundown blocks and estates are renovated rather than demolished.
103. Alternatively, the options that reduce the amount of rented housing are likely to increase the level of annual service charges. The higher level of demolition under these scenarios will displace more homeowners, who will be unable to afford replacement homes without some support from the Council.
104. Many homeowners are on low incomes and would like to see a wider range of options to help struggling owners, including optional individualised reserve funds and discretionary caps for homeowners in exceptional hardship.

105. As the council's financial position improves, Homeowners' Council would also like to see greater use of buy-backs from households that can no longer afford home ownership.
106. There is general support among homeowners for devolved management to improve efficiency and responsiveness, although Homeowners' Council recognise the Tenant Management option will not appeal to tenants in all parts of the borough.
107. Regardless of the management option chosen, homeowners need more cost-effective management of both repairs and major works.
108. Disruptive sub-letting is a serious issue and there is support for action against homeowners that permit anti-social behaviour. However, there is opposition to the council acting as the sole letting agent for new homeowners as this will restrict choice and flexibility.
109. Homeowners' representatives would like to be fully involved in the implementation of policies and procedures that are developed as a result of the strategic review of housing.

### **Young people**

110. The council particularly sought the views of young people. With a 30 year strategy, it was recognised that many young people would be the council tenants and homeowners of the future.
111. On the question of who council housing should be for and for how long, the young people were more likely to say that this should be for those in need of financial help and people on low incomes. Families with children and single parents were among the most mentioned groups although young people also referred to others they saw as vulnerable, such as homeless people, unemployed people, those with disabilities and older people. Young people were also most likely to say that people on low incomes and children should be given priority.
112. The young people who were engaged through the work with Represent radio were also keen to talk about building communities, not just houses, and the importance of community pride and involvement. They wanted to create places that made people proud of where they lived and where they were involved in managing and keeping their neighbourhoods clean.

### **Summary of External Stakeholder Views**

113. From the outset, cabinet was clear that while the primary focus of the housing commission was to inform a strategy for the future of Southwark's council housing stock, the discussion should resonate more widely with all social housing landlords, in London, and nationally. Although the scale of Southwark's housing stock means that the need for a future strategy may be more pressing for the council than for other housing providers, Southwark's council housing does not exist in a geographical and social vacuum and therefore the views of others are vital in establishing a strategy that will deliver positive outcomes for the whole community – current residents and the residents of the future.

114. The Smith Institute was therefore commissioned to carry out a series of interviews with key housing stakeholders including local authorities, national and regional government and housing associations. This peer review exercise captured key stakeholders' reflections on the commission's report, their views and experience of the council as a housing authority and housing provider, and their ideas for the future. To ensure a reasonable degree of candour in the views expressed, The Smith Institute undertook the interviews on an independent basis and the feedback has been recorded on an anonymous basis. They produced three reports grouped by stakeholder type, which are appended to this report.
115. The diversity of opinion expressed through this research reflects the complexity and wide-ranging interest in housing policy and delivery both now and, even more so, in the future. Although that diversity cannot be captured into a single set of messages, a number of themes did emerge, which have been summarised below. The detail of external stakeholder opinion is set out in the relevant appendices.

### **Perspectives from local authorities**

116. Local authorities in the main, in addition to noting the difficulties of lack of housing supply, poor quality homes, and the impact of welfare reform, mentioned that housing had to support wider strategic objectives of supporting economic wellbeing.
117. Most local authorities thought the council was doing a good job in difficult circumstances, with one respondent quoted as saying "what I have heard is that they are interested and involved and trying their best. They seem to be rolling up their sleeves." Overall, there was a general sense that local authorities like Southwark were displaying a "can-do attitude", with positive scope to work together.
118. Local authorities identified a number of opportunities for Southwark, some of which were based on areas of their own good practice. These opportunities included working across borough boundaries, devolving powers locally and looking at estate based regeneration. Rent levels and tenure mix were cited as more sensitive areas for all local authorities. Having strong relationships with tenants and leaseholders was important.
119. They also felt it was important that the council was clear about what it wanted to get out of partnership working. Ideas for working together included sharing information for the purposes of fraud prevention and tackling unlawful subletting, as well as looking at other areas of partnership work (rather than council housing services), for example provision of temporary accommodation and dealing with rogue landlords.

### **Perspectives from housing associations**

120. The key message from housing associations was that there was an appetite for working in partnership with the borough on innovative models of delivery, although this might require mixed tenure developments or some properties let at higher affordable rents, in order to subsidise a proportion of properties for social rent.
121. It was mentioned that "Southwark was in the unenviable position of having to maintain poor quality, system built housing. A significant proportion of the stock

would require regenerating, which demands high levels of investment”. High demand for property in the borough was also mentioned as a challenge, alongside recognition that council resources were not “limitless”. A long term strategy backed by stakeholder consensus would help the council get more from its stock.

122. Welfare reform was identified as a specific current challenge for all, alongside getting people back into work, with one housing association quoted as saying “Southwark has a lead housing role to play in serving London’s economy”.
123. Most housing associations thought Southwark was heading in the right direction and welcomed the initiative of setting up an Independent Housing Commission, agreeing that it was a good sign. The council was seen as open to new ideas, realistic and most respondents thought things were improving.
124. A “sticking point” cited was planning policy and the affordable rent product, with some housing associations thinking there could be more flexibility from the council in these areas.
125. Housing associations mentioned a number of opportunities for working in partnership with the council, from straightforward two way partnership discussions on site developments to more innovative ‘mutual models’ to the benefit of tenants, the council and the housing association. It was noted that Southwark had land assets and Section 106 monies, and housing associations had greater borrowing freedoms and development expertise which could be brought together to maximise benefits. It was also felt that Southwark could do more to utilise the “latent value” in its own housing stock.
126. One interviewee mentioned the opportunity to invest in regeneration of existing council estates. They thought it was not about transfer but about leaseback agreements. This could involve allowing the association to rent some properties at market levels, for say five years, to cover the cost of the initial investment in improving the standard of homes and then returning those homes to lower rents over the life time of the agreement.
127. Another interviewee thought it possible for a single housing association to take a stake in an estate. Southwark could place a value on the stock, the housing association could take a percentage stake (less than half) and the money could be used for regeneration. The housing association could then provide and improve the management and maintenance and, as an equity partner, the council would get a share of the cost savings. After five or ten years tenants could choose to stay with the council or transfer to the housing association.
128. Another suggested partnership approach was a joint common ownership model, which would hold the freehold of a number of homes in trust, sitting outside the HRA. Residents could become members of the trust, which would contain a mixture of assets from the council and housing association.
129. Some housing associations also saw opportunities to consider partnerships in a wider policy context and consider the role of housing in job creation, health and wider areas. For example, it was suggested that Southwark and housing associations could look to focus on housing options in response to an ageing society as an alternative to residential and nursing care.

## **Perspectives from the GLA, DCLG and London Councils**

130. Taken as a group, the GLA, DCLG and London Councils felt that the main challenges for Southwark were high demand for housing, quality and impact of welfare reform. Also, it was felt that the council needing to decide what it wanted to do with its housing stock, and who council housing was for.
131. There were opportunities for Southwark to be more open and up its game on housing, in particular that “Southwark could pick up the pace and seek to be the best landlord in London. It could punch much more above its weight”.
132. Comments were made that the council had improved in recent years and if this trajectory continued the council could be a leader in the sector. The council was cited as open and responsive on partnership working.
133. There were mixed views about the numbers of homes the council should retain. Some interviewees said that the council should rationalise its stock, for example through trickle transferring the worst quality stock, another thought that the council needed to maximise the number of council homes – “there would be a trade off against investment in existing stock but the waiting list in the borough demanded it”.
134. Opinions were mixed about how many new homes Southwark could deliver. Some thought the current stock too large, expensive to maintain and that it would be cheaper to build new homes at higher densities. A question raised was “what were the guiding principles for stock retention?”.
135. Interviewees felt that Southwark could make more of its borrowing capacity (‘headroom’) and land availability. Greater flexibility over rental policy, particularly the affordable rent product was also mentioned.

## **Summary of Finance and Housing Stock Options Appraisal**

136. Savills were commissioned to carry out a high-level, expert review of the potential options for the future of the council’s housing stock, including financial modelling, stock options and management arrangements. Their own summary of their findings is reproduced in its entirety below.

### **Introduction**

137. The council has ambitions to improve its services and the quality of its homes beyond current levels. It faces significant challenges with a legacy of housing which is reaching the end of its life and is expensive to repair and costly to maintain and replace.
138. Following the Housing Commission report in 2012 the council is conducting an extensive programme of resident consultation to consider the future of council housing in Southwark. At the same time it has commissioned Savills to carry out a finance and housing options appraisal. The scope of Savills work has included a review of the base line position of the housing business plan, and an analysis of options to improve investment in homes and services.
139. It should be stressed that the findings in this report present an initial view, following a relatively high level assessment. Further work is needed to refine the position and this is set out in the conclusion to the report.

## **Developing a robust information base for decisions**

140. A critical element of the housing business plan is the information available on the future investment needs of the stock. Savills has reviewed the information available to the council held in its asset management data base, alongside information from other sources within the council in order to prepare a comprehensive assessment of future investment need. This indicates a requirement for an estimated £58k per tenanted property over the next 30 years – a total of some £2.1bn.
141. More work is required to refine these estimates to ensure that a deliverable programme is established which represents a value for money approach to maintaining existing assets and Savills' review makes recommendations about the steps required to develop this.
142. Savills has also reviewed the revenue costs in the current business plan. Day to day management and maintenance costs compare favourably with the Department for Communities and Local Government (CLG)'s previous assessment of reasonable costs for Southwark. They reflect significant savings already delivered to prepare for Housing Revenue Account (HRA) self financing.
143. The review indicates areas where the revenue position could be refined over time, including increases in income from a self funded garage improvement plan as well as potential savings from local management. Additional allowances are included in the plan to manage the impact of welfare reform and these will also need to be refined over time as the impact of these changes materialises.

## **Baseline HRA business plan**

144. All income and expenditure and key assumptions that drive the council's housing landlord business have been brought together into a single comprehensive financial model that can be used to project the future resources, investment and borrowing requirement over time, and to test different scenarios and future options.
145. The baseline plan includes the capital expenditure in the current business plan to deliver Warm, Dry, Safe. Under this scenario the plan indicates significant financial capacity, with additional borrowing capacity of £126m before reaching the cap on borrowing allowed by Communities and Local Government (CLG) as well as significant revenue resources building up in the longer term.
146. The position changes once the full investment needs of the stock are considered, as well as revised estimates for the impact of welfare reform. Under this scenario, borrowing is increased as necessary to meet investment needs. While an increase in borrowing would be required, this is still affordable within the long term plan.
147. This demonstrates that an increased programme of investment is possible within resources available to the council subject to:
  - Sensitivity analysis to test the impact of risks
  - Demonstration of the value for money of investment at this level at a local level
  - Deliverability of larger capital programme

148. In order to test the strength of the plan to withstand future risk the report has explored the impact of reduced income and increased costs that could materialise for a range of different reasons. While the business plan can withstand a level of risk, for example where future capital receipts are less than anticipated, there is a point at which reduced income and increased expenditure mean that the plan is no longer deliverable within the debt cap, and ultimately not affordable in the long term.
149. This demonstrates the need for the council to make choices between the level of investment delivered and the amount of income generated from rents and capital receipts. The council will also need to understand the impact on leaseholders of any increased capital programme and explore options to manage the affordability of service charge bills.
150. The housing stock is not uniform and in reality the business plan cashflows will vary across the borough, with some assets creating surpluses and others making losses. Given the legacy of housing in Southwark that is now reaching the end of its life, it is important for the borough to understand the cashflows associated with different assets in order to provide an objective basis for future decision making.
151. The Housing Commission made the point that in Southwark “good money is being wasted on treating the symptoms of building failure, rather than tackling the root causes”. 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 cashflows, and the extent to which investment meets the council's social housing objectives could improve long term business plan capacity and resident satisfaction.
152. The analysis of the social return on investment needs to include more than a purely financial analysis. The financial results need to be considered alongside an assessment of other sustainability factors linked to the council's social housing objectives. There will be different strategies for business improvement depending on whether an asset group exhibits weak values, weak sustainability or both.
153. A high level analysis of rental income and capital expenditure associated with assets across the borough shows that 27% of long term stock has a combination of higher than average capital expenditure and lower than average rents. Medium and high rise flats are over represented in this group. Geographical concentrations of these properties are found in Borough and Bankside, Camberwell and Walworth. This is based on information currently available to the council, which represents surveys of close to 30% of the stock. A more detailed analysis to model cashflows at a very local level would identify pockets of poorly performing properties that will exist in these areas and elsewhere and local options appraisals, in consultation with residents, may identify better outcomes for these properties, and for their residents, that could be delivered through alternative strategies.

### **Future options**

154. The modelling of the baseline HRA position shows that retention of the existing housing stock is a viable option for the council to consider, subject to the

management of future risks, and effective asset management to tackle the legacy of housing that may require regeneration and renewal.

155. This report also looks at alternative options for the stock including

- Exploring the Housing Commission scenarios for stock reduction to 20,000 units and stock increase to maintain 39,000 over the life of the plan.
- Whole and partial stock transfer
- Whole scale PFI

156. Finally this section explores options for maximising opportunities under retention including exploring local management arrangements, for example tenant management organisations, arm's length management organisations and partnerships with external providers.

#### *Stock reduction*

157. The impact of stock reduction is difficult to test with any certainty due to the inability to predict with accuracy the rate at which the council would be able to reduce costs as stock numbers reduce. In reality it is likely to be a significant challenge to reduce all costs pro rata in line with stock reductions. Therefore any benefits of stock reduction (e.g. from capital receipts) would be needed to manage the financial impact of stock loss, delivering limited additional value, if any, to the overall financial position. In addition a net loss in social housing would leave many in the borough without the affordable home they need, and have financial implications for the council in terms of the increased cost of homelessness.

158. These assumptions can only be illustrative at this stage, and in any event, the case for stock reduction on any scale is not evident. In reality the initial view is that the HRA business plan is robust enough to allow for an increased investment programme under retention. Community led initiatives may lead to small scale transfers in future, where there is a clear rationale for the disposal, and where the impact on both the HRA and the General Fund can be managed more effectively. There is no obvious financial case to drive larger scale stock reduction and the financial benefits of this to the HRA business plan are unclear in the short term and may be negative longer term.

159. Stock reduction will happen, as a result of Right to Buy sales. A strategic approach to managing any further stock reductions based on community led decisions using effective asset management could generate opportunities for additional benefit by replacing stock with new mixed tenure redevelopment which adds value to the business plan.

#### *Stock increase*

160. The alternative scenario explored in the Housing Commission report is that the council's rented stock is maintained at current levels with a programme of new build which replenishes stock lost from Right to Buy, void disposals and regeneration.

161. New build at social rent requires a subsidy and without this, HRA borrowing would quickly rise above the debt cap and social rent income would be insufficient to avoid debt escalating each year. In reality the Council would need to construct new build development either on a smaller scale, at a level that

could be funded from HRA surpluses, or by providing additional cross subsidy, either from the affordable housing fund, recycled Right to buy receipts, grant and/or mixed tenure.

162. Delivery and funding of new or replacement housing, conventionally funded in the HRA, would lead to an increase in HRA debt and (depending on the scale) potentially a breach of the HRA debt cap. As the HRA debt cap is primarily in place to prevent increased borrowing on a council's existing HRA housing, rather than to restrict additional borrowing to fund new housing delivery, there are a number of alternative delivery and funding options that other councils are exploring, that do not impact on the debt cap. These options are typically either:
- Funding and delivery within the HRA in a way that does not impact on debt cap
  - Funding and delivery outside the HRA
163. The important point to note is that the debt cap need not be a constraint to the council engaging in a programme of new development. Constraints still exist however, in particular the availability and cost of funding, the affordability of the development and the council's own capacity to deliver.

#### *Stock transfer*

164. The implementation of HRA self financing has introduced new issues to be considered as part of a stock options review and in particular relating to the option of stock transfer. Following the introduction of HRA self financing the council needs to ensure that HRA debt (£451m) can be repaid from the proceeds of transfer or written off by government. CLG's starting point for consent to transfer is that transfer cash flows reflect the assumptions in the HRA self financing debt calculation, which also valued the future anticipated cash flow. Any relative increases in costs or reductions in income assumed in the transfer cash flows, which will reduce the valuation, must be explained and justified through additional outputs, in return for debt write off.
165. This presents a barrier to stock transfer in that typically councils would want to promise tenants an improved standard under transfer compared with retention, and this would mean a departure from the HRA self financing valuation assumptions which would trigger a requirement for debt write off. While a limited budget may exist in the current spending round to fund debt write off for stock transfer, this would need to be matched by broader economic benefits to HM Treasury which may be difficult to demonstrate based purely on an enhanced programme of investment.
166. Stock transfer brings additional costs in terms of VAT liability, set up costs and the costs of external funding.
167. An indicative business plan for a landlord taking transfer of Southwark's stock, based on assumption that the new landlord would pay a purchase price sufficient to cover the council's existing housing debt, shows a position that is very unlikely to support the ability to raise private finance at the level required to finance the plan.
168. Residents have consistently stated that they would not support stock transfer in Southwark. Stock transfer can only proceed if the majority of tenants voting in a

ballot confirm their support for the proposals and there is no pressing financial case for stock transfer.

169. Stock transfer introduces additional costs, and critical risks in terms of ballot and funding availability. Without evidence of tenant support for change, and without financial support from government, it is unrealistic to consider whole stock transfer, or large scale partial transfers as a viable option for Southwark.

*Private Finance Initiative*

170. There are currently no rounds of funding for PFI credits available and in reality housing PFI was only ever deliverable on an estate based level, due to the limits in both the availability of credits, and the market for the contracts. PFI is therefore not considered further as a route to fund improvements to business plan capacity in Southwark.

*Maximising benefits under retention – alternative models for housing management*

171. This initial review indicates that retention could be a viable option for Southwark with the potential to increase investment beyond the current Warm, Dry, Safe programme.

172. There is potential for the council to improve its business plan under retention, through effective asset management. This would mean identifying those assets which are a net liability in the plan, and exploring alternative options for those properties, in consultation with residents. While this approach can address the issues associated with assets which are currently a financial liability within the plan, and failing to meet the council's social housing objectives, there remains a desire to fundamentally improve the management and day to day maintenance service, as well as the quality of homes.

173. There are several options for alternative models of housing management which the council may wish to explore in order to provide the step change in performance improvement which both the council and its residents are seeking. Examples of these are set out in the report.

174. These models include

- Tenant led management initiatives through a tenant management organisation or community led mutual
- The establishment of a public/private or public/public cost sharing or shared services vehicle
- Local delivery vehicles
- The establishment of one or more Arm's Length Management Organisations
- Outsourced management

175. It is clear from resident feedback captured in the Housing Commission report, and from discussions with council officers, that the council is keen to deliver a step change in performance improvement and the catalyst for this change needs to be established. In the past councils have used whole stock transfer, PFI or Arm's Length Management as this catalyst for change, linked to the potential for additional funding. Additional funding is no longer available through these routes, and this has created barriers, at least in the case of PFI and whole stock

transfer, where the level and cost of change cannot be justified by benefits delivered.

176. Arm's length management continues to be an option that is explored to provide a local focus for improvement in landlord services, and some councils have explored joint ventures with private sector providers to provide either housing management or development services. With the introduction of self financing, and the freedoms and flexibilities available for councils to engage in new development again, many are looking at arm's length arrangements through council owned companies, or partnerships with the private sector, to provide a locally focussed business approach to improve services and provide new homes, with residents at the heart, at board level, driving improvement in line with their priorities.
177. At Southwark it has been identified that the size of the housing stock in itself presents barriers to performance improvement and there is a clearly expressed desire for the development of locally focussed service delivery structures. These may be through small scale local management structures wholly owned by the council, local partnerships with other providers, or tenant led management organisations. This would create the internal market of competition through comparisons, in order to drive service improvement. There is no immediate financial crisis in the HRA and therefore the council has time to enable these proposals to develop at a pace which residents are comfortable with but which could deliver significant long term benefits once in place.
178. Key next steps to develop local delivery structures would include:
- The establishment of an overarching framework of governance to ensure the development of local decisions while managing the impact on the overall HRA.
  - A policy framework for decisions on how a local management area is defined. These areas must make sense to residents on the ground, and must be of a scale and with a balance of properties which enable viable proposals to develop. The area based asset analysis work identified above may be one way of ensuring that viable property portfolios are established, alongside appropriate levels of debt and funding to sustain long term improvement. This needs to sit alongside resident engagement to ensure these areas reflect existing communities and will enable the establishment of a clear local focus which balances the views of tenants and leaseholders..
  - Resident engagement which allows each area to explore options for the management model that suits their appetite for involvement and partnership, drawing up local service standards to inform any contractual arrangements required.
  - A programme of soft market testing, visits to other providers, and in the case of external partners, procurement, with resident involvement .
  - The establishment of a service structure, with local delivery alongside shared support services, enabling the financial strength of the HRA to be maintained, while devolving delivery to a local level.

### **Conclusions and next steps**

179. HRA self financing introduces new opportunities for a viable long term business plan with the potential to increase levels of investment beyond Warm, Dry, Safe.

Initial modelling indicates that additional investment is affordable with significant long term surpluses forecast. Choices may need to be made between timing and level of investment due to short term business plan pressures.

180. Local asset analysis is needed to determine value for money of investment and alternative options for redevelopment and renewal.
181. A reduction in stock to the 20,000 unit scenario explored in the Housing Commission would lead to a significant loss of future HRA revenue which could not be matched at the same time by a corresponding reduction in costs. This means that in revenue terms the HRA would be worse off as a result of stock reduction and capital receipts from disposals would need to be used to balance the revenue position, reducing the amount of capital available for any additional benefits.
182. There is no overriding financial case for whole scale stock transfer, or any significant stock reduction at estate level. Instead any stock reductions can be on an asset management basis, and community led.
183. Local management options may facilitate service improvement and locally focussed asset management to improve business plan capacity and resident satisfaction.
184. There are a range of funding options available to deliver council led estate renewal and new build where this makes strategic sense, allowing the council to access the funding required without impacting on the cap on borrowing currently in place in the HRA. This could provide opportunities for new mixed tenure redevelopment.
185. In order to develop the capacity of a retained HRA business plan to deliver council and resident objectives for the future the following next steps are recommended
  - A detailed evaluation of the financial performance of the council's housing assets, alongside an assessment of the extent to which assets meet the council's overall social housing objectives
  - Exploration of the council's appetite to lead regeneration and renewal and the development of funding strategies to deliver these within the existing HRA debt cap or through alternative financing arrangements
  - A programme of resident engagement to communicate the ambitions for the retained housing stock and to explore the appetite for local management arrangements and TMO development, balancing the objectives of both tenants and leaseholders.
  - The development of local management solutions needs to be planned alongside a detailed understanding of the HRA overhead recovery and its relationship with General Fund costs in order to ensure the council and residents continue to benefit from the financial strength of the HRA but have the freedom to determine local solutions to deliver performance improvements.
  - Investment planning and asset management strategy to deliver an enhanced capital programme to meet the full investment needs of the stock, where this represents value for money and developed in consultation with tenants and home owners.

## **Financial Implications**

186. There are no financial implications arising directly from this report. All work undertaken to date to engage the community on and make further analysis of the report of the Independent Housing Commission has been contained within existing budgets. The further work recommended on proposals to increase resident involvement in managing council housing, proposals for the continued improvement of leaseholder management services, detailed assessment of the council's housing assets and review of the council's housing strategy will all be funded from existing resources.

## **Community impact statement**

187. 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.
188. The engagement plan was designed to be inclusive of all the borough's communities and provide a range of mechanisms to provide all residents with the opportunity to engage. In particular, a dual approach was taken to ensure the community engagement process met its core aim of universality.
189. Firstly, a set of events were designed specifically to encourage participation by groups of residents either traditionally underrepresented, or for whom traditional engagement events are hard to access. These events were promoted via community engagement contacts. Where appropriate, interpreters also attended or consultation materials were translated by volunteers.
190. Secondly, to ensure that the community conversations and library conversations (where the majority of surveys were completed) were accessible to all residents, a sample of survey respondents were asked to provide information on their tenure, age, gender and ethnicity. This data was collected on 1 in 4 surveys. This sample was compared to the results of the 2011 census.
191. Council tenants constituted a majority of survey respondents, while comprising just under a third of households in the borough. Given the subject of the consultation it is neither surprising, nor of concern that this group is over represented. The same assumption is made regarding the under representation of private homeowners and private renters. Housing association tenants are broadly representative in numbers, while council leaseholders are under represented, though this may be a reflection of the number of leaseholders known not to live in their property and/or the borough. To address this disproportionality, the council also received a submission from the Homeowners' Council, which represents council leaseholders and homeowners.
192. In terms of the age of participants, while the 2011 census data release shows that under 16 year olds account for 17.5% of Southwark's population, they accounted for a negligible proportion of the general survey respondents. However the Represent Radio commissioned activity was targeted at this group, thereby countering this predicted underrepresentation.

193. Older people were represented at double the level among survey respondents than in the borough as a whole, while the 35-44 years old age group was a highly representative sample.
194. In terms of ethnicity, those who completed the housing commission survey were broadly representative of the borough – white British being the largest group, followed by Black or Black British, then Asian or British Asian and mixed/dual heritage, with white European and “other” being slightly underrepresented. It should be noted that the census 2011 did not contain “Latin American” as a specific ethnicity category and direct comparison is therefore not possible with this group.
195. The sample reflects the borough balance of female to males, that is a slight imbalance towards females.
196. The further work recommended on proposals to increase resident involvement in managing council housing, proposals for the continued improvement of leaseholder management services, detailed assessment of the council’s housing assets and review of the council’s housing strategy will require further equality analysis to be undertaken, as specific workstreams are developed and taken forward.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Legal Services**

197. The report details wide ranging consultation carried out with residents and other interested parties following the publication of the report of the Housing Commission in October 2012. The law requires members to conscientiously take into account the outcome of consultation when considering the recommendations in the report which include restating council policy in relation to council housing and instructing officers to carry out further work in developing proposals for future consideration.
198. When considering the recommendations, members must also have regard to the public sector equality duty (PSED) in section 149 of the Equality Act 2010. The duty requires the council to consider all individuals when carrying out its functions. Specifically, to have due regard to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct; advance equality of opportunity and foster good relations between people with protected characteristics and those who do not. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. The PSED also applies to marriage and civil partnership, but only in relation to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct. Members are referred to the community impact statement in paragraphs 187 to 196 of this report.
199. Going forward with the development of proposals for future cabinet consideration, the council will need to keep consultation arrangements under review and continue to conscientiously consider the PSED.

### **Strategic Director of Finance & Corporate Services (FC13/050)**

200. This report is requesting cabinet to note the results of the community engagement process undertaken, following the Independent Housing

Commission report that was presented to cabinet on 23 October 2012. Details of the findings are contained in the main body of the report and attached appendix 1.

201. The report is also requesting cabinet to recommend that a further detailed evaluation of the financial performance on the council's housing assets is undertaken following the high level assessment of the finance and housing options work carried out by Savills. Details of the financial modelling work carried out by Savills are contained within the main body of the report and attached appendix.
202. Grant Thornton was commissioned to review and challenge the work of Savills during the engagement, which provided the council with an additional level of assurance regarding the approach adopted and conclusions reached by Savills at this stage.
203. The current Housing Capital Investment Programme was approved by cabinet on 18 October 2011 up to the period 2015/16 which included £326m for the Warm, Dry and Safe programme for investment in the housing stock. It is noted that there are no immediate financial implications arising directly from this report. Any long term future plans for investment in housing will be subject to further cabinet reports and will need to be incorporated into the council's capital refresh process for the Housing Investment Programme, once approved by cabinet.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Report of the Independent Housing Commission. The report is available to view on this web site link (item 16): <a href="http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=4247&amp;Ver=4">http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=4247&amp;Ver=4</a>	160 Tooley Street London SE1 2QH	Claire Linnane, 020 7525 0732
Community Engagement Plan. The report is available to view on this web site link: <a href="http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=4549&amp;Ver=4">http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=4549&amp;Ver=4</a>	160 Tooley Street London SE1 2QH	Stephen Douglass, 020 7525 0886
Equality Analysis of Community Conversations <a href="http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=4247&amp;Ver=4">http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=4247&amp;Ver=4</a>	160 Tooley Street London SE1 2QH	Stephen Douglass, 020 7525 0886

## APPENDICES

No.	Title
All appendices circulated separately and available on the council's website	
Appendix 1	Report of Community Conversations
Appendix 2	Report of the Futures Steering Board of Tenants and Homeowners
Appendix 3	Submission by Homeowners' Council
Appendix 4	Smith Institute Stakeholder Views Report – other councils
Appendix 5	Smith Institute Stakeholder Views Report – housing associations
Appendix 6	Smith Institute Stakeholder Views Report – GLA and DCLG
Appendix 7	Savills' Finance and Stock Options Appraisal Report

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Peter John, Leader of the Council	
<b>Lead Officer</b>	Eleanor Kelly, Chief Executive	
<b>Report Author</b>	Graeme Gordon, Director of Corporate Strategy Stephen Douglass, Head of Community Engagement Paul Langford, Head of Housing Operations	
<b>Version</b>	Final	
<b>Dated</b>	5 July 2013	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	5 July 2013	