

Item No. 15.	Classification: Open	Date: 22 October 2013	Meeting Name: Cabinet
Report title:		Direct Housing Delivery : Phase 2	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Fiona Colley, Regeneration and Corporate Strategy	

FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR REGENERATION AND CORPORATE STRATEGY

I'm delighted to report excellent progress on building the first 290 new council homes in the first phase of our direct delivery programme and to put forward the proposed sites of phase 2 of new homes, with the potential to deliver a further 277 genuinely affordable new homes.

It is still early days on these new sites. Where possible officers have already had initial discussions with TRAs and following this decision discussion, design and consultation with local residents will move ahead. At this stage we are asking cabinet to agree the sites in principle as some changes may need to be made as this work progresses.

What is clear is that we are firmly on track to keep our promise to build the first 1,000 of our 11,000 new council homes by 2020.

RECOMMENDATIONS

Recommendations for the Cabinet

That the cabinet

1. Notes progress to date of Phase 1 of the directly delivered housing delivery programme.
2. Agrees in principle that the schemes listed in paragraph 45 are worked up in accordance with the individually identified recommendations as Phase 2 of an overall programme for direct delivery of new council housing on council owned sites.
3. Notes the consultation undertaken on some schemes in paragraph 45 to date.
4. Agrees that a specific strategy for consulting with residents is agreed with the relevant T&RA / other relevant representative body for each of the Phase 2 schemes.
5. Agrees the inclusion of the Old Kent Road / St James Road site referred to in paragraph 24, and the Castle Resource Centre, referred to in paragraph 45 f) within the Phase 1 Programme, and therefore to be delivered as part of the Phase 1

procurement arrangements.

6. Notes the procurement approaches and proposals for Phase 2 outlined in paragraphs 57 to 63.
7. Notes the position in respect of funding bids to the Greater London Authority for grant funding as outlined in paragraph 40 and notes that the council will be required to enter into a formal agreement with the Greater London Authority in relation to all funding awarded.
8. Notes the ongoing preparation of proposals to develop 10,000 further homes, as outlined in paragraphs 64 to 70.

Recommendations for the Leader of the Council

That the Leader

9. Agrees to delegate the approval for the procurement approaches for Phase 2B, both professional services and construction, to the chief executive.
10. Agrees to delegate gateway 2 decisions for work packages in Phase 1 to the chief executive.
11. Agrees to delegate decisions on scheme substitution that prove necessary because of unforeseen circumstances in Phase 1 and Phase 2 to the cabinet member for regeneration and corporate strategy.

BACKGROUND INFORMATION

12. In October 2012, in considering a report on the direct delivery of new council housing, the cabinet resolved :
 - That a range of priorities and the outline delivery mechanisms, as outlined in paragraphs 23-25 of the report, for the development of new homes using the affordable housing fund be agreed.
 - That the schemes listed in paragraph 41 of the report be worked up in accordance with the individually identified recommendations as phase 1 of an overall programme for direct delivery of new council housing on council owned sites.
 - That proposals for an extra care facility at Cator Street as part of phase 1 be worked up to assist with meeting the objectives of the Housing Strategy (2009-2016), Older People's Delivery Plan and the council's Future Vision for Social Care to deliver a further 150 units of extra care housing and increase housing choices for adults living with disability
 - That it be agreed that formula rents are charged for new social rent homes.
 - That the conclusions drawn from the Grant Thornton report on financing new homes delivery and the analysis of costs by Davis Langdon that informed the conclusions be noted.
 - That officers be instructed to establish a financial and governance framework to generate and manage resources to deliver the programme.

In addition, the Leader of the Council resolved:

- That approval for the procurement approaches for the Sumner Road scheme in Phase 1B be delegated to the deputy leader and cabinet member for housing management.
13. At cabinet on the 16 July 2013, in considering the report 'Independent Housing Commission – Conclusions and Next Steps Following Community and Stakeholder Engagement', the Leader of the council gave the commitment that the council would build ten thousand more new homes in the next 25 years. This was in addition to the commitment already given to build one thousand new council homes.
14. As part of the decisions, cabinet resolved that the strategic director of housing and community services, in consultation with the strategic director of finance and corporate services, undertakes 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 term plans for delivering the cabinet's commitment to build more council homes in the future.

Phase 1 Progress

15. Scheme development has led to some changes to unit numbers and tenure from the schedule agreed by cabinet in October 2012, these are shown in Table 1. The progress with schemes and details of the changes are outlined below the table, on a scheme by scheme basis.

Table 1

Address	Post code	Anticip'd start	Anticip'd compl'n	Social Rent	Support'd Housing	Social Homebuy	Market Sale	Totals
169 Long Lane	SE1	Feb-14	Jul-15	21				21
Willow Walk	SE1	Aug-13	Jul-15	21				21
Clifton Estate Garage Site	SE15	Mar-14	Jul-15	8				8
Gatebeck (East Dulwich Estate)	SE22	Apr-14	Aug-15	9				9
Southdown (East Dulwich Estate)	SE22	Apr-14	Aug-15	10		8		18

Address	Post code	Anticip'd start	Anticip'd compl'n	Social Rent	Support'd Housing	Social Homebuy	Market Sale	Totals
Cator Street Extra Care	SE15	Apr-14	Dec-15		42			42
Masterman Estate Garage Site	SE5	Mar-14	Nov-15	15			10	25
Nunhead Green	SE15	Feb-14	Oct-15	8				8
Sumner Workshops	SE15	Mar-14	Mar-15	50		20	41	111
Willow Walk TA	SE1	Aug-13	Jul-15	54				54
Hidden Homes	Various	Oct-13	Mar-15	24				24
Total				220	42	28	51	341

16. **169 Long Lane: Former Borough / Bankside Housing Office:** The proposed scheme has been reduced by one unit, from 22 homes to 21 as a result of the detailed design work, resident consultation and planning discussions. It is also proposed that all the units are developed for social rent. Detailed discussions have been held with the Leathermarket JMB, and two consultation events held with the Kipling Estate Tenants and Residents Association (T&RA). A drop in event for all those in the planning consultation area was held in June 2013. There has also been dialogue with the developers of the neighbouring site, 171 Long Lane, to assess the implications of the developments occurring in a similar timeframe. The planning application is due to be submitted in November 2013. It is currently programmed for development to start on site in February 2014.
17. **Willow Walk: Former temporary accommodation:** The scheme includes for the development of 54 units of new short stay accommodation and 21 homes for social rent. Three consultation meetings have been held with the Setchell Estate T&RA and a drop in event was held in September 2012. Planning approval was achieved in March 2013. Enabling works, including demolition of the existing accommodation, commenced in August, with the new build programme due to start in November 2013, subject to the second stage procurement and agreement on build cost. A "meet the contractor" event was held in June 2013 with the T&RA, prior to the works commencing.
18. **Clifton Estate, garage site fronting Clayton Road:** As a result of detailed design work, consultation and discussions with planning, the revised scheme proposes 8 units. The proposed development was discussed at the Clifton Estate T&RA meetings in May and June 2013, and a drop in event was held in June 2013. A planning application is due to be submitted in October 2013. Works, commencing with demolition, are expected to start on site in March 2014.

19. **Sites of Southdown House, Gatebeck House, East Dulwich Estate:** Planning permission for the two new housing blocks, along with environmental works and conversion of drying rooms into Hidden Homes, was granted in March 2013. Phase 1 of the drying room conversions started on site in August 2013. The first phase of the environmental works are scheduled to start on site in January 2014. The various work packages will be coordinated to ensure both initial elements are complete prior to the new build commencing, which is programmed for April 2014. The East Dulwich Estate Regeneration Project Team (EDERPT) has been central to the delivery of the schemes and has been involved throughout. In addition, a drop in consultation event was held in May 2013.
20. **Cator Street, area fronting Commercial Way in front of the Learning Resource Centre:** To assist the design development of the proposed extra care housing, a strategic design brief was developed. As a result and following on from detailed discussions with Adult Social Care, Housing Services, and Development Management, the scheme is now proposed to provide 42 extra care units, as well as communal areas and staff facilities. The design has been developed with reference to the proposed Centre of Excellence. Details of the scheme were presented to the neighbouring T&RA and a drop in event held in August.. The council has also been working with a design group on the Centre of Excellence which includes Age UK, Alzheimer's Society, Southwark Pensioners' Centre, Southwark Pensioners Forum, Southwark Pensioners Action Group, South London and Maudsley NHS, Southwark Clinical Commissioning Group as well as user and staff representatives. A planning application was submitted in Sept 2013. The new development is programmed to commence on site in April 2014.
21. **Masterman House, garage site to the rear of Masterman House:** The scheme is now projected to provide 25 new homes, of which 15 will be for social rent, and 10 for market sale. Planning policy in the area requires that 35% of the development should be for private housing. The proposals were presented to the Poets' Corner T&RA in April and an open drop in event held in June. A planning application was submitted in August 2013. The existing garage site would be demolished prior to the commencement of the new build, which is currently programmed for March 2014.
22. **Nunhead Green, site currently occupied by the former Nunhead Lane community centre adjacent to Citron Terrace:** The overall project includes provision of a new community facility on an adjacent site, along with new build private housing. The proposed scheme for the affordable housing element of the site of the former community centre (known as 'site B'). will now deliver 8 family houses for social rent on the site. Consultation events have been held throughout the scheme development process for the overall project with the wider community from August 2011 to February 2013. A planning consent was approved on 3 Sept 2013 for the overall development, but the delivery of the private housing and community centre will be delivered under separate arrangements. The demolition of the existing community centre, is programmed to commence on site in February 2014, with the construction of the new homes to follow on.
23. **Sumner Road, vacant housing site:** The proposed scheme will provide 111 homes, with a tenure mix of 50 social rent units, 20 shared ownership and 41 private units and a community facility. The scheme design provides for an independent block for the private units, therefore allowing for a range of development routes to be

considered. The proposed scheme was presented to a meeting of the North Peckham T&RA in July, as well as a drop in session held in August. One of the key issues for residents has been the provision of a community facility within the new development; work is being progressed to consider what can be incorporated as part of the development and how it may be funded. The planning application is due to be submitted in October 2013. Three broad procurement options are being considered for the delivery of the private housing:

- The council to finance and build the private homes for open market sale
- The council to dispose of the land, with planning to a developer to build and sell the homes
- The council to enter into a joint venture arrangement with the house builder appointed to develop the affordable element.

24. **Old Kent Road / St James Road:** The site was previously identified for the development of Home Office Approved Premises. It is now recommended that the site be included in the Phase 1 programme for council housing. The site had been included in the procurement process for Phase 1b outlined in paragraphs 27 and 28. A feasibility study has been commissioned.

Summary

25. As shown in Table 1, the current estimates indicate that 341 new homes will be built, of which 166 would be for general needs social rent, 28 for Shared Ownership under the Social HomeBuy model, and 51 for private sale. A further 96 units are being developed in the extra care and temporary accommodation schemes. As noted in paragraph 24, a feasibility study is being undertaken for the Old Kent Road / St James Road site, which will provide additional homes for phase 1. There is a need to explore the possible requirements for appropriation for housing purposes for the sites at Nunhead Lane, Commercial Way, Cator Street and the Albion Civic Suite.
26. The Hidden Homes programme continues to run alongside the development of the larger Phase 1 schemes, contributing to the overall delivery of new council homes. There are currently seven Hidden Homes units nearing completion, with handover for letting scheduled for October and November 2013. A further twelve units have received planning approval and are being programmed for delivery, with five more units awaiting planning decisions. Further suggested hidden homes have been put forward for feasibility assessments and new sites continue to be identified and explored.

Procurement

27. Procurement for both contractors and technical advisors for Phase 1 schemes has been undertaken via the Improvement & Efficiency South East (iESE) regional framework arrangements that were established in 2007 by OGC Buying Solutions (now known as Government Procurement Service or GPS) in conjunction with a consortium of public bodies in the south-east region led by Hampshire County Council in order to assist authorities in the efficient and effective delivery of construction projects over £1million. The arrangements comprise two regional frameworks, namely a construction framework with eight contractors and a professional services framework with twelve multi-disciplinary professional

consultants (based on the GPS framework). Southwark Council is one of over 70 public sector organisations eligible to use the arrangements. Phase 1 was split into two phases.

28. The Willow Walk and Nunhead Green schemes had been worked up to a more advanced stage and they therefore formed the first development tranche.

Phase 1A

29. Willow Walk

- The appointment of the professional team, under Mott Macdonald Ltd was completed in April 2012. The professional consultancy team includes the following disciplines: project management, architectural services, quantity surveying, mechanical & electrical, and structural.
- Mansell Construction Services Ltd were appointed as contractor for pre-construction services in December 2012 and were also appointed to carry out enabling works, eg demolition of existing buildings.

30. Nunhead Green

- The appointment of the professional consultant team under Mott McDonald Ltd was confirmed in December 2012. The disciplines included within the team are as outlined in paragraph 22 for Willow Walk.
- The contract for the build element has been included in the Phase 1B procurement, detailed in paragraph 26.

Phase 1B

31. This phase includes the remaining Phase 1 and associated schemes, procured in two lots as follows:

Lot 1 sites:

- Cator Street Extra Care / Cator Street (Centre of Excellence)
- Sites of Southdown House and Gatebeck House, East Dulwich Estate
- Clifton Estate, garage site fronting Clayton Road
- Masterman House, garage site

Lot 2 sites:

- Nunhead Green Site B
- Long Lane - former Borough and Bankside housing office
- Sumner Road workshop site
- Old Kent Road/St James Road

Technical advisors

32. The appointment of the professional advisor team, under Mott Macdonald Ltd was finalised in February 2012. The disciplines included within the commission are as

outlined in paragraph 29 for Willow Walk.

Contractors

33. The procurement exercise for contractors for Phase 1b has resulted in recommendations included in a gateway 2 report for decision by the cabinet member for regeneration and corporate strategy in October.

Funding

34. The council's main funding sources for Phase 1 are the funds generated as a result of in lieu payments and useable Right to Buy receipts that are pooled into the Affordable Housing Fund (AHF). Separate funding had already been identified for the Willow Walk temporary accommodation.
35. The resources received or expected from in-lieu payments from signed S106 agreements are set out in Table 2 below. Everything profiled to date for 2011/12 and 2012/13 has been received and the remaining is from developments underway but for which the payment trigger has not yet been reached.

Table 2

Resources Expected (£'m)	2011-12 (Actual)	2012-13 (Actual)	2013-14	2014-15	2015-16	2016-17	Total
Kings Reach	0	22.4	4.8	0	0	0	27.2
Potters Field	0	0	10.5	0	0	0	10.5
Union Street	0	1.6	0	0	0	0	1.6
Neo Bankside	9.0	0	1.0	0	0	0	10.0
1 Blackfriars	0	0	7.25	7.25	7.25	7.25	29.0
19 Spa Road	0	0.5	1.5	0	0	0	2.0
Total	9.0	24.5	25.05	7.25	7.25	7.25	80.3

36. In addition the resources identified in Table 2, the Planning Committee agreed to consent a scheme at Sampson House and Ludgate House, Blackfriars on 8 October 2013 which will result in a minimum in lieu payment of £65m from the developer, subject to the completion of the S106 agreement and referral to the Mayor for London. However it is likely to be some months before the planning permission for this scheme is formally granted and some years before the permission can be implemented whilst vacant possession of the site is obtained and agreement reached between the developer and Network Rail. Therefore there can be no certainty at this stage as to the receipt of these monies.

RTB Receipts

37. As outlined in the 23 October 2012 cabinet report, the Communities and Local Government department, now DCLG, consented to the council retaining RTB receipts for the development of new affordable homes. The DCLG calculated that the council's anticipated level of sales under previous arrangements as 40 per year and that beyond this level of sales, most of the receipts can be retained for development of new homes. The DCLG guidance explains RTB receipts can be used for a full range of expenditure relating to new build, but only up to 30% of the cost of providing each new unit. Developments would need to commence within 3 years of the receipts being generated. Some possible variations to the DCLG guidance in relation to the use of grant as match funding are being monitored. Useable receipts of £3.4m were realised in 2012/13. It is currently estimated that receipts in the region of £11.2m will be realised in 2013/14.

GLA Funding

38. Bids were submitted for grant funding from the GLA Building the Pipeline funding opportunity for all schemes in the Phase 1 programme. These bids initially were unsuccessful; however, they have now been resubmitted following clarification with GLA officers on their value for money and deliverability criteria.
39. Some bids were successful in the initial round. The Hidden Homes programme provides new affordable housing and as such is included in the Direct Delivery Programme; the GLA has allocated £228k towards the delivery of 10 Hidden Homes. In addition £158k is being made available for remodelling of homes for people with learning disabilities.
40. It is a requirement of the Building the Pipeline funding that the council will be required to enter into a Grant Agreement with the GLA. Detailed consideration will be given to the terms of the agreement with the Greater London Authority to ensure that there are no conditions attached to the funding that are in conflict with the council's objectives.
41. A bid for the Cator Street extra care scheme had previously been submitted for the GLA's Care and Support funding stream, but was unsuccessful.

Development Costs

42. Davis Langdon have been commissioned to undertake a review of the Stage C cost plans submitted by Mott McDonald for 8 of the Phase 1 schemes against their original cost estimates produced in December 2012. As a result due diligence reports have been produced for 5 of the sites with the remainder being progressed. These reports will be used to assist in the process of finalising contractors' cost plans and final scheme approval.

Planning Policy

43. Schemes will need to comply with the council's planning policies. The current development plan consists of the London Plan (2011), the Core Strategy (2011), the saved Southwark Plan (2007) and adopted area action plans for Aylesbury (2010)

and Canada Water (2012). There is also an emerging area action plan for Peckham and Nunhead, with adoption planned for 2014, and current revisions to the Canada Water area action plan. Further guidance is also set out in area specific supplementary planning documents (SPDs), and topic specific SPDS, namely the affordable housing SPDs (adopted 2008, draft 2011) and the residential design standards SPD (2011)

KEY ISSUES FOR CONSIDERATION

Phase 2 Proposed Sites

44. A number of sites have been identified as potential schemes for inclusion in Phase 2. They range from sites where some capacity work has been undertaken to others where only a very initial assessment of their suitability has been made. The proposed phase 2 sites are outlined in the table at appendix 1.
45. In summary the proposed sites are:
 - a) *Joseph Lancaster Nursery Annex, SE1*: Single storey building and surrounding land adjacent to estate managed by Leathermarket JMB. A capacity study has been commissioned and the findings are awaited.
 - b) *Canada Estate, SE16*: A number of potential areas for development exist on the estate. Discussions about the possible configuration of new development have taken place with the Canada Estate T&RA, and a capacity study has been commissioned.
 - c) *Daniels Road Car Park, SE15*: Strip of land on north side of Daniels Road. A site meeting has been held with the Buchan T&RA and a capacity study has been commissioned and initial options have been forwarded to the T&RA for consideration.
 - d) *Albion Street Civic Centre, SE16*: The disused Civic Centre occupies a linear site backing onto the Rotherhithe Tunnel approach.
 - e) *Commercial Way, SE15*: Two sites between Pentridge Street and East Surrey Grove, which were originally earmarked for the proposed crossriver tram. The site neighbours the proposed Cator Street extra care development, in Phase 1 and therefore a mini masterplan exercise is underway to look at the impact of developing these two sites and the extra care site. A capacity study has also been commissioned. Initial contact has been made with the North Peckham T&RA and it is proposed to combine the necessary consultation with the process under way for the Phase 1 schemes.
 - f) *Castle Resource Centre, Hampton Street, SE1*: Day centre building above garages on estate. This scheme is at a more advanced stage, having been worked up as part of the Elephant & Castle regeneration. It involves the relocation of the Crossways United Reform Church, currently located with the Heygate development area and the provision of six homes, two of which will be provided for the use church. Consultation has been held with the Draper House T&RA, the Strata residents group and local businesses located in the neighbouring railway arches. Consultation is now being arranged with the Hampton Street Nursery and Newington Estate T&RA.
 - g) *Weston Street Garages, Kipling Estate, SE1*: The site currently contains garages and is within the area managed by Leathermarket JMB. The JMB has been successful in obtaining funding from the GLA to work up proposals for a

Community Right to Build development. The proposals are being worked up on the basis of any new affordable homes developed as part of this funding would contribute to the new council homes programme.

- h) *95A Meeting House Lane, SE15*: Site of the former Acorn area housing office, on the edge of Acorn Estate. The Peckham Settlement obtained a planning consent for a 2/3 storey building including community space. However, the Settlement has subsequently become insolvent and therefore will not be progressing with the development. Therefore, it is proposed to bring the site into the Direct Delivery programme to produce a council housing development with combined community facilities.
- i) *Welsford Street Garages, SE1*: This site was previously identified as an Elephant and Castle early housing site, and a feasibility study undertaken but nothing was progressed. The site consists of 30 garages with a large informal car parking space to the rear. It is likely some garage re-provision will be necessary as part of any development.
- j) *Colombo Street, SE1*: The site currently accommodates a two storey General Practice (GP) surgery on a long lease. There is significant development in progress or proposed in the area and it is considered that this site could be put to better use as a council housing block, potentially with improved GPs premises on the lower floors. This approach would need to be discussed with the leaseholder and a variation agreed, and arrangements made for alternative temporary provision of GP services. No discussions have yet taken place.
- k) *Goschen Estate, SE5*: This consists of two potential sites, one adjacent to the railway and Causton House comprising a row of garages, sheds and space to the rear; the second a single storey vacant tenants / community hall. Part of the first area is being prepared for a ball games area under the Cleaner, Greener, Safer programme. There is no formally constituted T&RA at Goschen Estate, but discussions about the development possibilities will take part with interested residents.
- l) *Lugard Rd, SE15*: A row of 7 garages and 3 parking bays. The site is not covered by a T&RA.
- m) *Fenham Road, SE15*: A site containing 12 garages on the corner of Fenham Road and Nutcroft Road. The site is not covered by a T&RA.
- n) *Tenda Road, SE16*: Consists of a stand alone area of car parking on Wilmington Terrace. The site previously housed pre-fab homes. Initial contact has been made with Manor Estate T&RA, and the proposal is to be discussed at a T&RA meeting in early November.
- o) *Nunhead Lane 35-41, SE15*: Site fronts Nunhead Lane and used to accommodate a nursery. The site is not covered by a T&RA. No consultation yet – to be arranged
- p) *Kinglake Street, SE17*: Two storey garage site at the southern end of (new) Kinglake. It fronts Old Kent Road and may require some garage re-provision. The possibility was discussed at the Kinglake T&RA meeting on 7 October 2013. Residents were not particularly supportive of the idea, but if agreed in principle, further work would be done with residents including the capacity for some garage re-provision.
- q) *Pelier St, SE17*: Former car breaker's yard on south side of Pelier Park. The site was being considered for disposal and an outline planning application has been made. Discussions are to be arranged with Residents' Associations in the area.

46. Some discussions have taken place concerning possible schemes which are not being recommended for inclusion in Phase 2.
- Salisbury Estate Car Park, SE17: Car park on the edge of the estate on the Balfour Street / Chatham Street corner. An initial discussion has taken place with the Salisbury Estate T&RA in the context of an update about other developments being progressed in the area, and there is not support for a new council development on the car park site. It is proposed that an outline scheme / capacity assessment is undertaken in order to have an informed discussion with the T&RA.
 - Styles House, SE1: Initial discussions have taken place with a private developer, Development Securities, who have an option to acquire a derelict building adjacent to the estate. Development Securities are proposing a jointly delivered scheme with the council that could be of mutual benefit. If it was possible to agree a scheme that had the support of residents, any new affordable housing developed as part of it should be council stock and therefore would need to be identified for inclusion in this programme.
 - Braganza Street Workshops: A disposal is being negotiated which will result in the development of a mixed scheme. It is proposed that one condition would be that the affordable housing homes built would be council homes. This should be worked up as a potential model for replication in other situations where sites are being disposed of for housing or mixed uses and there is a planning requirement for affordable housing. The use of Affordable Housing Fund resources arising from other developments to fund council housing on a site will have to be carefully administered to ensure that the outcome of development of additional affordable homes is being achieved.
47. As outlined in Appendix 1, the initial capacity assessments estimate that 327 homes could be built, with a tenure split of: 241 social rents, 36 Shared Ownership on the Social HomeBuy model and 50 private sale. The appendix also sets out the estimated development costs and values, which are also summarised in the financial considerations paragraphs. An average of £170,000 per unit has been used for modelling purposes, compared with £160,000 used in the report recommending Phase 1 schemes. This uplift is a response to the experience of scheme development of Phase 1 to date.
48. An indicative development programme has been drawn up for the 19 sites in phase 2. It is projected that the sequence of the construction stages across the sites will range from 2014/15 to 2017/18.

Changes to composition of tranches

49. It may be necessary as scheme development continues for Phase 1 and gets under way for Phase 2, that circumstances arise that make it undesirable to progress with an individual project. To support the overall momentum and balance in the programme, it is proposed that schemes are substituted with suitable replacements, and that any necessary decisions are delegated to the Cabinet Member for Regeneration and Corporate Strategy.

Consultation

50. Resident consultation for Phase 1 is continuing as outlined in the scheme summaries. For Phase 2 schemes, consultation will be progressed along the following lines:
- Agree consultation strategy with the relevant T&RA (and with the Tenant Management Organisation in the case of the Joseph Lancaster site)
 - Consultation drop-in with outline designs
 - Absorb feedback, adjust designs as appropriate and advise residents.
 - Formal planning consultation
 - Ongoing engagement on detail design and delivery
51. There have been at least initial discussions with T&RAs for the potential Phase 2 schemes where they exist. Where there are no known active T&RAs, or where sites are not on estates, consultation arrangements will be worked up on a site by site basis, including with current users of garages.
52. Ward member invitations and briefings will be coordinated with the resident consultation
53. Consultation to date on each of the proposed schemes has been outlined above in the scheme summaries.

Procurement Options for Phase 2

54. The procurement strategy for Phase 2 sits within the master programme for delivering 1000 council homes by 2020, which is included at Appendix 2. This envisages five tranches (or phases) of projects, each comprising approximately 200 affordable units. The delivery is profiled to give a reasonably even flow of starts and completions on site over the lifecycle of the programme.
55. It is proposed that Phase 2 be divided into two sub-phases, 2A and 2B, as this will build on the momentum established in Phase 1 and provide continuity in the short-term whilst bespoke framework arrangements tailored to the council's long-term needs are procured. At present, the sites suggested for inclusion in Phase 2A are the former Joseph Lancaster Nursery Annexe, site at Canada Estate, Daniel's Road car park site and the site of the former library in Albion Street. Phase 2B would comprise the remaining sites in the Phase 2 schedule.
56. A summary of the delivery proposals embodied in the master programme, including for Phase 2, is given in Table 3:

Table 3

Tranche / Phase	Approximate No of Units			First start on site	Last finish on site
	Affordable	Market	Total		
1	290	51	341	Aug 2013	Mar 2016

Tranche / Phase	Approximate No of Units			First start on site	Last finish on site
	Affordable	Market	Total		
2A	101	4	105	Jun 2014	Dec 2016
2B	217	46	263	Jul 2015	Jun 2017
3	157	35	200	Jan 2016	Dec 2017
4	157	35	200	Jan 2017	Dec 2018
5	78	29	169	Jul 2017	Jun 2019
Float				Jul 2019	Dec 2020
Total	1000	200	1200		

Phase 2A

57. The procurement strategy under consideration for the provision of Phase 2A for professional services is a negotiated agreement with the existing Phase 1 provider, Mott MacDonald. Mott MacDonald's existing appointment is through the GPS/iESE consultancy framework and provides for a multi-disciplinary professional services, including project management, architectural design, quantity surveying, building services engineering, structural engineering, civil engineering and CDM co-ordination. Under EU procurement regulations, it is permissible in certain circumstances to extend an existing agreement by negotiation for up to fifty cent of the original value. Should such a negotiation prove possible, the council would gain further benefit from the knowledge and experience accumulated from the Phase 1 projects in respect of the Phase 2A projects. A negotiated appointment would also be relatively quick to implement compared to other options. On-going discussions are taking place with the head of procurement and the specialist contracts lawyer on the feasibility of this and other approaches. Subject to the feasibility of a negotiated approach, a gateway 1 report setting out the procurement strategy for Phase 2A professional services will be prepared for decision by the strategic director for finance and corporate services in November 2013.
58. Options for the procurement of the construction works for Phase 2A include further use of the iESE contractor framework which relies upon two-stage design and build, as used for Phase 1, or use of the GLA's London Development Panel (LDP) which has been recently established for residential development and is more flexible on the form of contract that may be adopted. Both arrangements are compliant with EU procurement regulations, allowing the selection process (probably by means of a mini-competition) to be implemented relatively quickly. Further consideration of these options with regard to programme objectives will be given by officers during October. The works procurement strategy will be the subject of separate gateway 1 and 2 reports.

Phase 2B

59. Arrangements for the provision of professional services and construction are required in the longer term for Phase 2B and subsequent phases. These need to be procured in parallel with the work currently in progress on Phase 1 and Phase 2A for reasons of programme continuity.

60. The GPS/iESE consultancy framework expired in June this year and is no longer available for use beyond the possibility of varying Mott MacDonald's Phase 1B appointment to include for the Phase 2A projects. The Government Procurement Service is in the process of procuring a successor framework but there is uncertainty over whether the arrangements will be suitable for the council's purposes or exactly when it will be available for use.
61. Other options for securing professional services for Phase 2B and subsequent phases include adoption of another consultancy framework arrangement, for example, the Homes and Community Agency (HCA) Consultant Design and Built Environment Panel, contractor-led design via the iESE contractor framework or GLA developer panel and setting up a bespoke, EU-compliant Council panel of multi-disciplinary consultant teams. These and other options are currently under consideration by a panel of officers with a view to identifying a recommended procurement strategy for implementation.
62. Long-term options for procuring construction works for Phase 2B and subsequent phases need to take account of future market conditions. Early indications suggest that prices are likely to rise with increasing demand, particularly in the residential sector. One approach would be to use an existing contractor framework, similar to those described for Phase 2A in paragraph 50. These, however, tend to attract the larger construction firms and may be more susceptible to the effects of 'overheating' should demand continue to rise. An alternative approach would be for the council to procure its own EU-compliant panel of contractors that specialise in housing development and are not typically found on the major contractor frameworks.
63. It is proposed that a gateway 1 report setting out the proposed procurement strategy for Phase 2B and subsequent phases for both professional services and construction works be prepared for decision in December 2013 and that the decision be delegated by the Leader to the cabinet member for regeneration and corporate strategy.

Delivery of further 10,000 homes

64. In the report considered by cabinet on 16 July 2013 titled 'Independent Housing Commission – Conclusions and Next Steps Following Community and Stakeholder Engagement.' In the Leader's forward to the report, he stated that the report provided a solid evidential basis for the council to restate its unequivocal commitment to council housing 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. The Leader also gave a commitment to build ten thousand more new homes in the next 25 years and that this was in addition to the previous commitment to build one thousand new council homes. Cabinet required a detailed assessment of the performance of the council's housing assets and the development of long term plans to build 10,000 more council homes in the future.
65. A significant piece of work is required to prepare for the expanded long term proposal. Over 25 years, there would be a need to average completions of 300 – 350 units per year. To put this in context, 600 affordable homes per year have been completed in Southwark with council support for several years in succession, so the

level of construction activity envisaged is not unprecedented. What is different is that the council would be directly managing or enabling the delivery of new homes.

66. Work has commenced to review the requirements to provide 10,000 additional new council homes through a tested housing investment plan, in order to establish a viable delivery model for these homes in Southwark by 2050. This will incorporate the impact of emerging risk factors, including government changes to rent policy and HRA business plan assumptions, and these will be further tested and refined.
67. The current plans for 1,000 new homes will be considered, alongside the preparation of a report that reflects market benchmarks across the Southwark residential market, to contribute to a model illustrating the financial impact and viability of delivery, in order to assess and test capacity. An investment plan will be formulated to include an analysis of the impact of different tenure choices and the extent to which each meets identified need in Southwark and assists Southwark Council in meeting its broader housing objectives.
68. A high-level 30 year housing investment plan, along with a framework for assessing the performance of all HRA assets and development potential across the borough, will be developed. The potential impact of the housing investment plan on local RP and market-led activity in the borough, in order to maximise the affordable housing investment in the borough over the long term, will also be considered. There will also be a review of the July 2013 Futures Steering Board report of an investment model for a council home building programme, which was largely based on building homes for sale to finance homes built for social rent, perceived to be kick-started by other sources of income, such as bond issuance.
69. In addition, the work will include an assessment of the viability of different approaches and assistance in the creation of a development strategy, in order to test viability locally and refine the programme on a site specific basis. This will include a consideration of how the overall long-term programme can be broken down into manageable and deliverable strands of activity, ensuring viable delivery and value for money throughout a long term plan.
70. The outcome of this work will be reported to Cabinet in November. In support of it, and in addition, a number of other strands are currently being progressed as follows:
 - Preparatory work on identifying Phase 3 of 1000 homes programme, and review of delivery options.
 - Develop new housing strategy in accordance with agreed approach and timescale.
 - Consideration of Phase 1 and 2 schemes to prove designs and approaches that can be repeated on other estates where opportunities arise.
 - Explore options for the delivery of a range of additional council housing, in terms of ownership, letting and income, either directly or for example, through leaseback or joint venture arrangements. Further supply lines may be achieved by:

- The council assuming the role traditionally taken by Registered Providers of affordable housing in S106 agreements in privately led developments, as proposed for the Braganza Street scheme referred to in paragraph 46.
 - The acquisition of new or existing properties from private owners,
 - The generation of increased revenue by development of homes for private renting.
- Programme level consultation with residents through the existing representative structures.
 - Assessment of the capacity and skills required within the relevant teams to deliver a longer term programme.
 - Responding to the GLA Strategic Land Availability Assessment and the council's development capacity work undertaken for planning purposes.
 - Continue assessing and filtering development possibilities.
 - Integrate development capacity to strategic assessment of housing need, particularly the Social Housing Market Assessment based on current identified priorities:
 - Council rented – general needs
 - Council specialist housing eg extra care
 - Council shared ownership on Social Homebuy model.
 - Other intermediate products, established following research on housing requirements for entry level home ownership.
 - Continue work to develop Design & Specification guide to establish generic requirements.
 - Explore ways of developing new housing stock to meet needs of an evolving housing management service and to provide local choice in management, and in particular to promote increased Tenant Management.
 - Integrate delivery of new stock with existing priority programmes including Warm, Dry & Safe, and estate regeneration and High Investment Needs Estates schemes as planned.
 - Upgrade software to undertake option and scheme development appraisals, based on Argus system administered by Property services with upgrade if necessary.

Policy implications

71. The homes delivered as part of the AHF programme will assist in increasing the supply of good quality affordable housing and will contribute the following targets:
- Policy 5 of the Core Strategy sets a housing target for the borough of 24,450 net new homes between 2011 and 2026 (1,630 per year).
 - The London Plan sets the borough a housing target of 20,050 net new homes between 2011 and 2021 (2,005 per year)
 - Core Strategy policy 6 sets an affordable housing target of 8,558 net affordable housing units between 2011 and 2026.
72. The proposed extra care provision would assist in meeting the aim in the Mayor of London's draft revised Housing Strategy to increase the supply of extra care

housing, with an estimated 16,700 homes required over the next six years.

73. The council is committed to providing a fairer future for all and maximising the benefits from regeneration to all is one of top ten promises set out in the council plan. Developing new council homes across the borough will make a major contribution. Further, in 2012 the council agreed an economic well-being strategy that focuses action on promoting jobs and growth, supporting business and improving financial well-being, including through regeneration, construction and other opportunities. The affordable housing fund has the potential to support the strategy by engaging with housing partners and council contractors to identify and develop entry points for priority groups to access local employment and training opportunities, promote and develop apprenticeships and work placements and embed local economic benefits into procurement.
74. In accordance with the July 2013 cabinet decision, the council's housing strategy across all tenures and sectors will be reviewed and the implications of this work will influence the council's direct delivery programme.

Community impact statement

75. Southwark is a borough with high levels of deprivation, low median income levels, and high levels of housing need. Southwark's Housing Strategy 2009-2016 identified that there is a shortage of affordable housing in the borough, particularly of larger homes. Households from black and minority ethnic communities tend to be over-represented among those living in overcrowded, poor quality housing.
76. Southwark has an ageing population, particularly those aged 85 plus. By 2020 the number of older people over the age of 85 is expected to grow by 21.0%. There is a shortage of extra care sheltered housing for older people as an alternative to residential care. Surveys of older people have found residential care to be an unpopular housing option among older people.
77. There are similar demographic pressures arising in the disabled population in Southwark. The number of people with learning disabilities is projected to increase by 22% by 2030; this will inevitably create increased demand for ordinary housing options for people with disabilities living in the borough.
78. The proposals to increase the supply of affordable, good quality homes will benefit households in need from all Southwark's communities, and will increase the housing options available for older people and people with disabilities living in Southwark. As schemes are worked up, officers will continue to monitor the need for equalities impact assessments of the proposals on residents and services users as they arise.
79. It should also be noted that it is still difficult to measure the full impact of the government's welfare reform measures on Southwark's communities. These impacts will need to be closely monitored as the new homes programme unfolds to ensure that the design and delivery of the new homes and arrangements for letting and management continue to meet needs.
80. Those living in the vicinity of the new developments may experience some inconvenience and disruption in the short-term, while works are taking place but that

communities as a whole will benefit in the longer term from the new homes. In local areas, the effects will be eased, in part by working closely with residents on the delivery process, and also through the specific planning requirements to mitigate the effect of development in that local area. The 23 October 2012 cabinet report proposed that a proportion of the new properties in each development are made available to existing tenants living on an estate within an agreed boundary. This matter is being addressed in the Letting Policy review on the assumption that the proportion for local lettings shall be 50% of the homes for rent in each scheme and that rehousing will result in a property being released for reletting.

Financial implications

81. Current costs and funding for phases 1 & 2 are shown in the table below, which shows sufficient funding to meet these intended works:

Directly Funded Housing Delivery Phase 1 & 2 Costs and Funding Schedule							
	B/Fwd	2013/14	2014/15	2015/16	2016/17	2017/18	Total
		(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Costs:							
Phase 1	-	6.00	15.00	13.00	2.00	0.00	36.00
Phase 2	-	1.00	10.00	20.00	20.00	4.60	55.60
Phase 1B preconstruction	-	1.30	0.26	-	-	-	1.56
Willow Walk (pro rata)	-	0.18	0.18	0.18	0.18	0.18	0.90
Nunhead Green (pro rata)	-	0.04	0.04	0.04	0.04	0.04	0.20
Phase 1B Consultancy (pro rata)	-	0.44	0.44	0.44	0.44	0.44	2.20
Direct orders	-	0.20	0.20	0.20	0.20	0.20	1.00
Total costs		9.16	26.12	33.86	22.86	5.46	97.46
Funding sources:							
S106 (AHF)	33.50	25.30	7.25	7.25	7.25	-	80.55
Capital Receipts	3.40	11.20	8.60	-	-	-	23.20
Grants (GLA Building The Pipeline) (pro rata)	-	1.10	1.10	1.10	1.00	1.00	5.30
Grants (GLA Hidden Homes)	-	-	0.23	-	-	-	0.23
Total Funds	36.9	37.6	17.18	8.35	8.25	1.0	109.28

82. The cabinet report (dated 23 October 2012) outlined the financial resources that are in place to deliver Phase 1 of the directly funded housing delivery programme, with a budget of £44.5million. The capital allocation for the affordable housing elements of

all Phase 1 schemes will be funded from the Affordable Housing Fund (AHF). The AHF is made up from payments made by developers' in-lieu of the affordable housing obligation on a number of exceptional schemes and Right To Buy (RTB) receipts.

83. Both elements of the AHF can only be used for the provision of new affordable housing. The use of the in lieu payments is subject to the S106 agreements for the relevant schemes and therefore needs to be agreed as an appropriate use of the resource, which is a matter for Planning Committee approval.
84. The estimated development costs for phase 2, as shown in appendix 1, are £55.6m. Phase 2 will deliver 327 new homes in the borough of which 241 will be let as social rent. The rental income will make a positive contribution to the HRA business plan.
85. The costs of the 42 extra care units, communal areas and staff facilities Centre of Excellence (Adult Social Care) will be categorised as an HRA asset. On going maintenance of the completed works will be met from the housing revenue budget and detailed budgets will have to be drawn up for each scheme to ensure all costs are covered and to minimise risks.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

86. Advice has previously been given on the report to cabinet in October 2012 which sought approval to the direct delivery of new council housing. This report requires the cabinet to note progress on phase 1 of the programme and to agree additional properties to be included within the scheme, including some substitutions, and also to note the procurement approach for future parts of the programme. Specifically the Leader is asked to approve the delegation of certain gateway decisions which would otherwise be approved by the cabinet. Officers in legal services will continue to advise on this project as required.

Strategic Director of Finance and Corporate Services (FC13/073)

87. This report notes progress to date of Phase 1 of the directly delivered housing delivery programme. It also seeks agreement to various aspects of Phase 2, which has an overall expected cost of £55.6m.
88. The funding sources for Phase 2 will be from a mixture of S106 Affordable Housing Fund (AHF), Capital Receipts, Grants and other contributions. It is noted that these funding sources each carry conditions which will need to be met. In the event that funding is not secured, overall programme cost will need to be reviewed to ensure it remains affordable and other alternative funding sources sought.
89. The strategic director of finance and corporate services notes the financial implications detailed in paragraphs 81 to 85 and the requirement for continued monitoring to ensure the scheme is contained within available resources. Future reports to cabinet, including quarterly capital monitoring, will report progress.
90. The impact on the Housing Revenue Account (HRA) is noted and will need to be

identified in the annual revenue budget setting and monitoring process. Officer time to implement this decision can be contained within existing revenue resources.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
23 October 2012 cabinet report : Direct Delivery of New Council Housing http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=4247&Ver=4	160 Tooley Street, SE1 2QH	Tim Bostridge 020 7525 1222

APPENDICES

No.	Title
Appendix 1	Proposed Phase 2
Appendix 2	Overall Programme

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Regeneration and Corporate Strategy	
Lead Officer	Eleanor Kelly Chief Executive	
Report Author	Tim Bostridge, Housing Supply Manager	
Version	Final	
Dated	11 October 2013	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
List other officers here		
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	11 October 2013	