

Item No. 13.	Classification: Open	Date: 28 January 2014	Meeting Name: Cabinet
Report title:		Developing Long Term Plans for the Delivery of New Council Homes	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Peter John, Leader of the Council	

FOREWORD – COUNCILLOR PETER JOHN, LEADER OF THE COUNCIL

Last year, I announced that Southwark would embark on the most ambitious council house building programme in the country: 11,000 new council homes delivering affordable homes for people right across our borough.

We asked officers to undertake further financial modelling to determine how best to deliver our commitment. Independent experts, Savills UK, have done this and in this report set out their conclusions and the next steps for the council. Their view, and ours, is that there are a variety of different mechanisms to deliver our pledge – but that it is both realistic and deliverable.

I welcome reference in the report to the work of the Futures Steering Board. This board of representatives from the community has engaged with this work and has backed our commitment to building these homes.

On the basis of this report we can now ask officers to develop a detailed investment plan and to build up capacity so that we can begin the work of delivering even more new council homes for Southwark, and to report back to the Cabinet in July.

RECOMMENDATIONS

That cabinet

1. Notes the New Homes Housing Investment Plan report independently prepared by Savills UK (Appendix 1), and in particular notes the conclusions of that report and the suggested next steps set out at paragraph 8 of this report.
2. Notes the ongoing development of a new long term housing strategy and local plan for the borough that will support delivery of the investment plan.
3. Instructs officers to further develop the investment plan and take appropriate action to build up the necessary development capacity to deliver the plan, reporting back to cabinet in July 2014.

BACKGROUND INFORMATION

4. In July 2013, following extensive consultation on the report of the Independent Housing Commission, cabinet restated the council's commitment to council housing for the long term. The leader of the council reported that the cabinet would give a commitment to 10,000 new council homes for rent over the next 25

years. This was in addition to the commitment already given to build one thousand new council homes by 2020, progress on which was reported to cabinet in October 2013.

5. Cabinet also instructed the strategic director of housing and community services to undertake further financial modeling and assessment in order to develop long term plans for delivering these additional council homes in the future.
6. Savills UK were commissioned to carry out this work. They have now completed the production of a high level new homes housing investment plan (Appendix 1). The plan reflects both the ambition to deliver 11,000 new council homes and the intention to continue investing in the council's existing stock.
7. Recognising the important role that other social housing providers and the private sector have in meeting the totality of housing needs in the borough, cabinet also instructed the director of corporate strategy to review the council's housing strategy across all tenures and sectors. The proposed vision for a new housing strategy appears elsewhere on this agenda. The development of the investment plan will be worked up in line with the longer term housing strategy vision.

KEY ISSUES FOR CONSIDERATION

8. The full report, including executive summary, on the New Homes Housing Investment Plan prepared by Savills is attached as Appendix 1. An extract of the Savills report setting out the conclusions and suggested next steps is set out below in italics:

"As a result of the initial work on the stock options appraisal, and the work since the summer to develop the housing investment plan it is reasonable to conclude that the Council's ambitions are realistic and deliverable. Key conclusions would include:

- *The HRA business plan is constructed to manage emerging risk factors associated with the existing stock but is unlikely to be able to have sufficient resources to subsidise additional new build development.*
- *The investment plan for new homes would need to rely on funding supported by the future rental income stream of the new homes and additional subsidy from market sales, intermediate homes and additional capital subsidy (e.g. Affordable Housing Fund).*
- *Recent capacity studies show a clear and transparent projection of land supply. However a key factor will be the actions required by the Council to access each of the opportunities identified including sites not in Council ownership.*
- *There are a variety of different potential delivery mechanisms available that will need to be explored to deliver the scale of development required.*
- *The funding of new homes is constrained within the HRA due to limits on the debt cap, but other structures exist which many other Councils are using to structure and finance new development in a Council owned vehicle.*

- *Management models for new housing can be developed in line with Council proposals for the existing stock.*
- *A delivery framework including governance, operations, risk management, skills audit and procurement strategy will need to be established, led and managed to enable the Council to take a proactive and co-ordinated approach to increasing development delivery capacity, including the co-ordination of multiple project streams.*

Next steps

Finally the report summarises the range of actions to be taken over the next 6 – 12 months to build up development capacity including:

- *The development of a single consolidated financial model including site specific modelling to test funding and viability*
- *Various actions to take forward opportunities under different potential delivery mechanisms, including in particular engagement with registered providers and developers/house builders and the GLA to ensure access to third party expertise and capacity where these can support the Council's objectives for new Council housing.*
- *The development of a framework for the evaluation of existing HRA assets and the agreement of an active asset management strategy to take forward opportunities in consultation with residents.*
- *Appraisal of alternative options to structure funding for new build homes in a way that allows expansion of the programme without breaching the HRA debt cap including further exploration of the establishment of a Council Vehicle.*
- *The development of a detailed business plan involving site specific proposals as these are identified and agreed and an appraisal of funding options.*
- *The establishment of delivery framework including, governance, operations, risk management framework, skills audit, procurement strategy and how this will be led and managed.*
- *An analysis of the wider impacts of a large Council housing building programme, including the management and monitoring of impacts on the Council, the environment, the housing mix in the borough, demographics and the housing market.*
- *The Council will continue to evaluate new and emerging models of delivery which may assist in meeting its objectives for housing investment and new build provision."*

The Futures Steering Board (FSB)

9. The board was set up in February 2013 and made up of tenant and leaseholder representatives. It was set up as part of the extensive community engagement

exercise that the council developed on the future of council housing. It was originally supported by Solon Community Network and is now supported by Shared Intelligence.

10. The FSB is made up of the following members:
 - Jeff Barnett - Home Owners Council
 - Cris Claridge - Southwark Group of Tenants Organisations
 - Steve Hedger - Tenants Council
 - John Nosworthy - Home Owners Council
 - Ian Ritchie - Tenants Council
 - Sandy Stewart - Home Owners Council
 - Carol Vincent - Tenants Council
 - Alistair Smyth – Shared Intelligence
11. The FSB set out its own conclusions and recommendations to the council on the future of council housing, which were reported to cabinet in July 2013. The board have continued to meet and be engaged in working with the council, acting as an important sounding board and consultative group, on the future of council housing in the borough.
12. The FSB welcomes the opportunity to work with the council to explore options for delivering more homes for people in Southwark. The board is delighted to see the council's clear and strong commitment to building 11,000 new homes to be let at social rent levels over the next 30 years.
13. The FSB want to be able to explore all options over the next 6 – 12 months. The board is particularly keen to consider more detailed financial modelling around recycling receipts to build more homes, including developing "hidden homes", in order to keep any borrowing the council needs to undertake to an absolute minimum. The FSB would also like the council to fully investigate the option of raising finance by issuing bonds.
14. With so many on our waiting list already, the board want to ensure there is a net gain of homes for social rent, which means leaving no stone left unturned to help us achieve this. A broad range of innovative financial instruments will be needed, along with strong and informed programme management.
15. The board looks forward to working together to developing new and productive approaches to this ground-breaking and vitally important programme for Southwark.

Policy implications

16. In order to deliver the new homes housing investment plan, the council will need to make the most of its position as a major landowner and as the housing and planning authority for the borough.
17. Southwark's Core Strategy was adopted in April 2011. The saved Southwark Plan (2007) is the council's unitary development plan and provides more detailed borough-wide policies. The council is currently reviewing both the saved Southwark Plan and Core Strategy to prepare a Local Plan called the New Southwark Plan. This will set out a development strategy for the next 15 years. The New Southwark Plan, consultation on which will commence shortly, will set

out a strategic vision for new developments in the whole of the borough, including new housing development. It will be important that any investment plan considerations are aligned to the emerging New Southwark Plan.

18. The proposed housing vision (elsewhere on this agenda) includes a principle of using every tool at our disposal to increase the supply of all kinds of home across Southwark, including new council homes for rent.

Community impact statement

19. 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. At 1 April 2013 there were 21,144 households on the Southwark housing register. 70% of these were new applicants (14,713) and 30% were existing tenants wishing to transfer (6431). While the council has policies to encourage greater supply of new larger properties these are still in very short supply.
20. The commitment in July to deliver 11,000 new council homes for rent over the next 25 years was based on an engagement plan that was inclusive of all the borough's communities and provided 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. The principles of that engagement process have continued to be taken forward since July, including continued involvement of the Futures Steering Board.
21. The development of an investment plan to deliver 11,000 new council homes (alongside a longer term housing strategy vision for the borough) and the intention to continue investing in the council's existing stock will benefit communities across Southwark. This will be particularly so in addressing the shortage of genuinely affordable housing for those on low incomes as well as improving the quality of housing conditions of the borough.

Resource implications

22. All costs associated with the development of this plan to date have been contained within the Housing Revenue Account. The resource implications arising from a proposal of this size are significant and will be addressed in detail as plans progress.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

23. Savills (UK) Limited has delivered an updated report building on their original Housing and Finance Stock Options Appraisal. This raises a number of matters such as land supply, funding and different delivery mechanisms and this report now looks to officers to develop the Council's investment plan further and to report back to the Cabinet later in 2014.
24. There are no legal issues to be considered arising from the report at the present time although there will clearly be a number of legal implications to be considered when officers report back to cabinet in July 2014.

Strategic Director of Finance and Corporate Services

25. This report notes progress on the ongoing development of a new long term housing strategy and local plan for the borough that will support delivery of the investment plan. The resource implications contained within the body of this report are noted.
26. There are no new financial implications quantified at this stage and any additional resources associated with developing the investment plan will need to be contained within available budgets. This will be reported through the quarterly budget monitoring and specific updates to cabinet on this strategy.
27. Further financial appraisals will be undertaken to identify the expected costs of this investment plan. Approval of any new expenditure will be subject to the council's budget and procurement processes.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Cabinet paper – Independent Housing Commission – Conclusions And Next Steps Following Community And Stakeholder Engagement	Southwark website	Claire Linnane, Corporate Strategy 020 7525 0732
Link http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=3882		
Cabinet paper – Establishment of a housing commission – 13 December 2011	Southwark website	Stephen Gaskell, Corporate Strategy 020 7525 7293
Link http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?Id=2588		
Cabinet paper - Direct Housing Delivery : Phase 2 – 22 October 2013	Southwark website	Tim Bostridge, Regeneration 020 7525 1222
Link http://moderngov.southwark.gov.uk/documents/s41478/Report%20Direct%20Housing%20Delivery%20Phase%202.pdf		

APPENDICES

No.	Title
Appendix 1	New Homes Housing Investment Plan

AUDIT TRAIL

Cabinet Member	Councillor Peter John, Leader of the Council	
Lead Officer	Gerri Scott, Strategic Director of Housing and Community Services	
Report Author	Graeme Gordon, Director of Corporate Strategy Paul Langford, Head of Housing Operations	
Version	Final	
Dated	16 January 2014	
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
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	16 January 2014	