

Routes to 11,000: a new council homes strategy for Southwark

March 2020

Creating 11,000 new council homes

FORWARD

The acute housing need of Southwark residents is well documented, with over 20,000 residents waiting for a new council home. Subsequently, our determination to tackle this housing crisis is now turning towards unlocking new and innovative ways of building new council homes, with a special focus on thinking about land resource and capacity in new ways. From infill, adjacent and rooftop sites, to partnering with land-owners to fashioning twenty-first century council estates on newly-bought land, the new homes strategy identifies a number of key options to contributing to creating new high quality, enduring council housing.

This strategy sets out the frameworks and current financial limitations in which the council operates. It sets out the innovative partnerships and delivery mechanisms that that council will employ to meet its target of 11,000 homes whilst still ensuring the residents are at the heart of the programme.

BACKGROUND

Southwark is an inner London borough which presents both great opportunities but also big challenges in terms of housing. Private housing prices and rents remain way out of the reach of a significant proportion of local residents, and factors like the benefit cap have made the sector increasingly unaffordable. Therefore there is an urgent need for more genuinely affordable housing.

Southwark is directly tackling the housing crises in the borough with a commitment to deliver new council homes. The average cost of buying a home in Southwark is over £600,000 and even the lower quartile rent for a two bed in Southwark is over £2,000 a month, both of which are well out of the reach in a borough

where the median household income in the borough is about £31,000.

Southwark Council has made one of the most ambitious commitments to council home delivery in the country, with plans to build or purchase 11,000 new council homes by 2043.

This promise was made in response to feedback from our residents and other expert advice.

In January 2012, we set up the Independent Housing Commission to make recommendations about our long-term investment strategy. In July 2013, we took their conclusions, along with feedback from residents and other stakeholders, and set out our vision for council housing in Southwark.

Southwark agreed a long-term housing strategy for the borough in January 2015. This included specific commitments to increase housing supply: 11,000 new council homes for social rent by 2043 – and at least 2,500 of these built or under construction by 2022.

SOUTHWARK IN KEY NUMBERS



Total number of homes managed by Southwark Council:
52,597

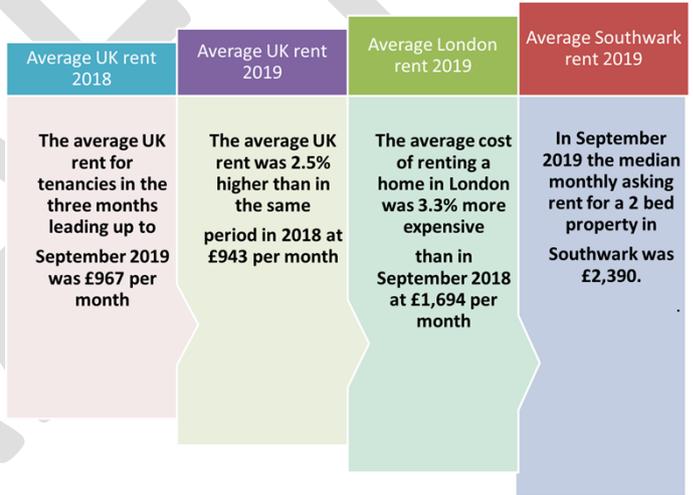
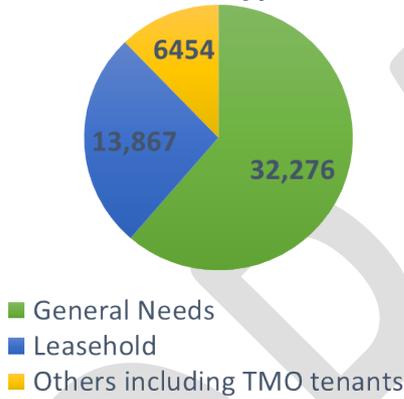


£654,779
Average Southwark property asking price
3.9% change in the last year



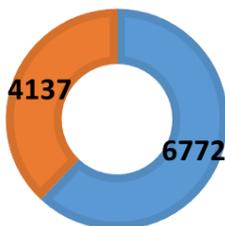
£603,855
Average London property asking price
1.4% change in the last year

Tenure Types



TOTAL NUMBER OF HOUSEHOLDS ON THE HOUSING WAIT LIST AS AT MARCH 2020

■ New Applicants ■ Transfers



MISSION, VALUES, COMMITMENTS AND ASPIRATIONS

Mission:

To provide a fairer future for all by creating 11,000 new high quality council homes and provide affordable housing that addresses the deficit in truly affordable housing being delivered in the private sector. This will provide an affordable home for you and others living in the borough. These will be homes that everyone can be proud of.

The explicit purpose of the council's New Homes Programme is to maximise the overall supply and proportion of social rent and other genuinely affordable homes as far as programme viability will allow.

Values:

Our values inform what we do across the council and what you can expect from us.

We will:

- Treat residents as if they were a valued member of our own family
- Be open, honest and accountable
- Spend money as if it were from our own pocket
- Work for everyone to realise their own potential
- Make Southwark a place to be proud of

Commitments and aspirations:

We will:

- Build council homes residents will be proud to live in
- Build local construction skills
- Build sustainably
- Build sustainable communities

Build council homes residents will be proud to live in

- Create 2,500 new council homes by 2022
- Build 11,000 new council homes by 2043

- Building additional council intermediate housing, including shared ownership and intermediate rent.
- Increase the number of council homes and build to the highest standards
- Develop the use of off-site modular manufacturing, and modern methods of construction (MMC), where it is appropriate, to minimise the on-site 'installation' time which compares favourably with conventional construction projects built on new foundations
- Build a legacy of great design so that on any council-built estate it will not be obvious whether homes are private, intermediate or council, and ensuring all residents can be proud of the homes in which they live.
- Southwark's design standards ensure that the new homes will be a lasting asset for the community; both industry experts and feedback from residents have informed them. They will continue to be developed based on the resident feedback the council receives.

Build local construction skills

- Set up our own construction company to create the homes and develop the skills our borough needs.
- Guarantee that all our building contractors advertise jobs to local people first.

Build sustainably

- Make sure our homes meet the highest possible standards for sustainable design and construction to contribute towards making Southwark carbon neutral by 2030.
- Have a clear developed approach decarbonising our developments and supply chains
- Look to work with partners and contractors to develop a more sustainable supply chain of materials
- Meaningful plans for offsetting where the development and supply chain cannot be decarbonised

Build sustainable communities

- Make sure all local residents benefit from the new council homes we create, by delivering on the principles of great estates, ensuring up to 100% local lettings, and doing other improvement works at the same time.
- Consider the needs of the whole estate and how it will benefit from any new homes and associated works.
- Ensure a right to return for council tenants and resident leaseholders so local people can stay in the borough they call home
- Make sure every new development has enough GPs, school places, and parks to support communities.
- Guarantee that at least 50% of the homes built on council housing land are council rent and that they ensure a right to return for council tenants and resident leaseholders, so they can stay in the borough they call home.
- An enhanced offer to residents who will have upward extensions including opportunity to move or purchase the new properties.
- Make sure all sales of private council-built homes are aimed at local people first.
- Make sure the council can gain income from the sale of private homes, to help fund new council homes, where alternative funding is not available.
- Coordinate new build works with existing asset management to ensure value for money.

DELIVERY ROUTES

The council recognises that it can not deliver this scale of new homes by itself but will utilise and expand its horizons to coordinate a growing range of delivery mechanisms and partners to achieve its ambitious build programme. These may include; the council direct delivery on estates or other council owned land or assembling land through purchasing for the delivery of new homes. The council will also create strategic alliances to enable the delivery

of new homes as well as employing a range of agreements and ventures to enable delivery through the private, public and third party community organisations.

Council Direct Delivery

- The council has significant resources in place to deliver the plan and is actively working on schemes to deliver over 3,000 new council homes.
- The council has expanded delivery capacity so that there are ample project managers with supporting services in place to drive forward the programme of delivery of new homes.
- It is recognised that the resources may need to adapt with the changing priorities, such as income generation, to deliver the councils aims
- Resources around the council have been aligned to enhance the delivery capability, including in planning, legal and finance.
- The council is putting in place frameworks to get the best architects and professional services on board to deliver the programme.
- The council will deliver high quality homes of all kinds so that people want to buy and live in council delivered schemes.

Construction Company

- The council is developing plans for a construction company.
- The construction company is envisaged to be able to deliver better value, high quality and speed of delivery to the programme. Considerations in the development of the company will be - delivering on social value; construction skills in the borough, rooftop homes solutions; low carbon homes including offsite manufacturing solutions; to develop for sale expertise; identify and purchase sites for development
- It is envisaged that this could be a primary, though not exclusive, vehicle for delivering new homes in Southwark

- This will bring additional external expertise into the programme

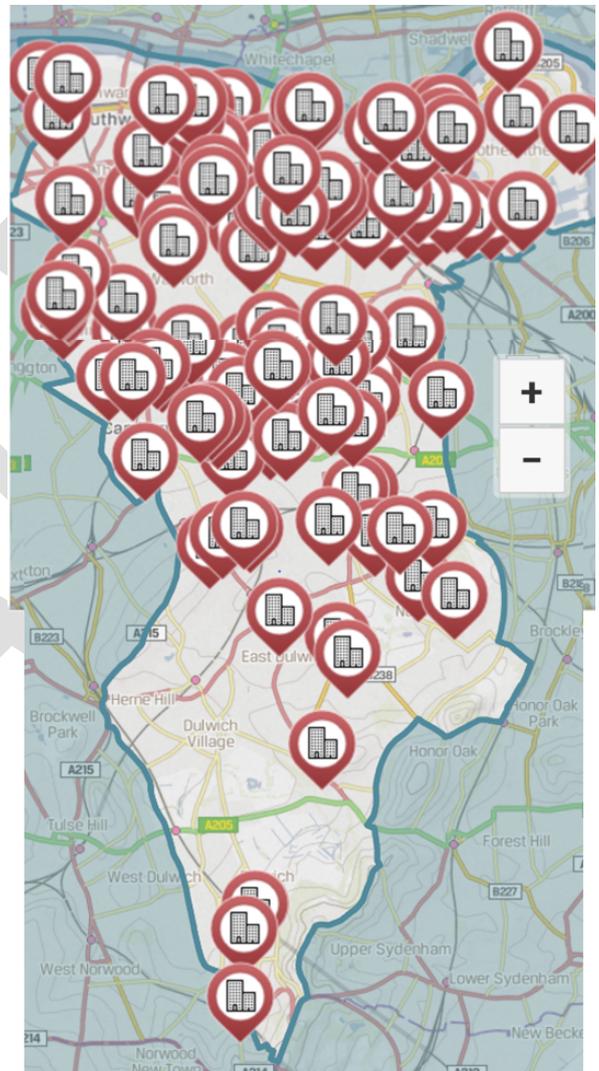
- Over 3,000 council homes have been delivered or are part of the agreed pipeline that are being delivered all across the borough

Joint working

The council is looking to work with our partners to deliver new council homes. This can take a number of forms such as working on joint ventures (with developers or investors) land agreements or direct procurement. We will explore partnership working covering the following areas:

- Access to land – Both on land owned by Southwark (where a developer can be allowed to develop new homes for sale in exchange for new council homes) and on land owned by partners e.g. landbanks, stalled sites etc
- Sharing risk - Where there may be benefits from sharing the risks of a development
- Making best use of resources e.g. grants, loans, capital outlay to maximise the supply social rent and intermediate housing.
- Maximising wider opportunities where this will help secure benefits to the wider area.
- Purchasing council homes directly from developers through S106 agreements
- Working with third party community led development like Leathermarket and Community Land Trust (CLT) models

Current pipelines map



EXISTING PIPELINE FOR NEW COUNCIL HOMES

Current delivery

- 676 Council homes have been delivered
- Nearly 1,000 further homes on site or with planning approved.
- The programme is to deliver 2,500 homes on site or completed by May 2022

Potential numbers of known opportunities

- The council estimated it can deliver approximately 4,000 council homes through existing developments or through homes that are actively being pursued as part of the agreed or developing pipeline.
- The council estimates that a further 2,000 can or have been identified on land that the council owns without looking at new ways to expand the pipeline

- This leaves at least a further 5,000 homes that need to be identified. However, the amount of land required will be higher where there is a need for private sales and other tenures to fund the continual delivery of council homes.

standards that the council expects from its homes, with homes meeting

- New homes design guide
- Council's approach to tenure integration, within and between blocks
- Council homes be noticeably of equal or higher quality than neighbouring private developments, as per Council plan commitment

EXPANDING THE PIPELINE

To deliver 11,000 new council homes the council will be:

- Aiming to have a rolling 3-5 year planned development pipeline.
- Identifying sites for new council homes on our own land and housing estates, exploring further opportunities for infill development, small sites, land redesignation and intensification, as part of the council's 'expand and enrich' approach to our housing estates, and resident-centred estate improvement plans.
- Developing a programme of upward extensions on existing buildings in order to create new homes. Rooftop sites also allow the council to retain more green spaces and parking spaces which are under pressure in the context of our housing targets.
- Purchasing land on the open market for immediate and longer term building opportunities, particular around opportunity areas such as the Old Kent Road and also including small sites. The council will aim to purchase land where opportunities have not yet been realised and planning permission has generally not been gained. The council will prioritise:
 - Sites without planning permissions
 - Windfall sites
 - Multi-site lots/bundles of smaller sites or airspace rights
 - Sites adjacent to council land holdings
 - Sites that lend to providing specialist housing.
 - Sites that unlock other sites.
- Purchasing council homes directly from developers through S106 agreements, aiming to work with developers as early as possible so that they meet the high standards that the council expects from its homes, with homes meeting
 - New homes design guide
 - Council's approach to tenure integration, within and between blocks
 - Council homes be noticeably of equal or higher quality than neighbouring private developments, as per Council plan commitment
- Freeing up land working with landowners, and buying up stalled sites including strategic land banking to deliver future homes.
- Developing strategic partnerships to deliver new homes that may include large land portfolio holders, City of London, water authorities, faith groups, other public bodies such as the NHS, Transport for London and Housing cooperatives
- In consultation with residents, exploring opportunities to increase council homes on estates in need of extensive refurbishment or where the existing estates are not providing homes that meet resident aspirations. Where residents agree that they would prefer to move to a new home works will be phased to ensure existing residents are prioritised to move into new homes, ideally directly from their existing homes.
- The great estates vision cabinet paper in December 2018 restated the terms and circumstances in council policy, setting requiring the following 5 terms to be met for any redevelopment proposal:
 - i) a net increase in social rent homes alongside increased density, to meet the acute need of families on our waiting list;
 - ii) a right to remain for all rehoused tenants and leaseholders, for keeping communities together;
 - iii) intensive co-design of redevelopment proposal, to become co-authors of a new estate plan;
 - iv) a positive ballot on any new estate regeneration (as per the commitment in the Council Plan 2018-2022).
 - v) a clear rationale for any

redevelopment proposal, including an explanation of how

- this would increase housing supply (based on comprehensive density modelling)
- and/or a transparent stock condition survey.
- Look at opportunities outside the borough that can help resource delivery
- Create a new a council home equivalent standard that guarantees an identical level of affordability and security but can be delivered outside of the housing revenue account (HRA) to allow the council greater flexibility in meeting the needs of the borough.

FINANCING 11,000 NEW HOMES

Borrowing

- The council will prioritise any borrowing for the delivery of new homes as these assets deliver a revenue stream and capital receipts, accepting that there may be calls to use borrowing to address statutory and other key priorities that the council must respond to.
- The council will seek to deliver 11,000 homes within a self imposed debt cap to ensure that any debt remains serviceable from income without having a detrimental effect on services. The council will ensure there is a prudent level of contingency on which the council may call.
- The council will not overextend itself and will keep borrowing within a self imposed debt cap, should the council approach this limit it will be more flexible in its approach to delivering 11,000 homes.

Other income

- The council will campaign to increase grant for the delivery of council homes including supporting the delivery of low carbon homes. Without grant the council will look generate income to deliver council homes.
- The council will maximise revenues through private sales, whilst maintain that overall at least 50% of the homes built on council land

will be for council rent and ensuring homes are marketed to local people first.

- The council will consider selling its higher value empty homes and ring-fencing the money for delivery of new homes, ensuring that more homes are delivered from this money. Only the net increase in homes will be included in the delivery of 11,000 homes.
- Consideration of in-lieu payments from large development schemes where the delivery of the programme cannot be financed in other ways
- Whilst the council does not support the sale of council homes and where possible will use legitimate powers allowed to avoid it, right to buy receipts, where received, will be employed to deliver new council homes.

Fixed rate housing standard

- The council will consider options to lever in private funding where it is equivalent or less than the value of achieved through the Public Loans Board.
 - Where delivering direct investment into new housing that provides additionality in terms of supply and improving affordability within the council's programme-wide model, further to what can be achieved within the council's borrowing envelope and sums diverted from RTB and s106,
 - Explicitly maximises social rent or personalised rent housing for lower and middle incomes within the model of the partnership,
 - the landlord remains the council
 - the partnership does not abrogate control over design, local benefits, social value and other key commitments
 - where there is clarity over management and ownership over an the financing period

A LEGACY OF GREAT DESIGN

Setting standards

The 11,000 programme will create a legacy of great design in Southwark aimed at delivering a lasting mark on the borough and delivering homes that will be seen as exemplar, visually and practically as homes that people enjoy living in and are proud of.

At the heart of this legacy are the council's new Design Standards and Employers' Requirements that set a high level that Southwark wants to deliver for residents. These standards bring together views from design and industry experts, the best of council learning and are shaped by the feedback from residents.

These standards form part of the 'expand and enrich' approach at the heart of our Great Estates programme. New homes are essential to expanding our estates and these standards will help ensure that our developments, whether they are part of an existing estate or creating a new one, will raise living conditions for all residents.

The aim is to create durable and attractive buildings, giving people a greater sense of ownership of their homes, gardens and shared space across the estate as a whole.

We have made a commitment to be carbon neutral by 2030. This is an ambitious target and these standards will need to adapt quickly to facilitate the change as soon as the knowledge becomes available.

Our commitment to be carbon neutral by 2030 will also mean that new standards to address this will need to be introduced in future revisions of the standard.

Our standards go beyond and will continue to go beyond the required standards delivering:

- enhanced space standards
- improved standards for storage and connectivity
- fire safety standards above and beyond current regulations including on cladding, lifts, sprinklers and alarms

- higher wheelchair standards
- warm LED lighting, minimum letter box heights
- communal areas of our flat blocks that set the tone for the entire development,
- New blocks sitting comfortably alongside existing blocks
- harmony and character to allow residents to be proud of their estate
- space and privacy
- secure by design, alongside sociability by design.

Leading architects

Standards alone will not guarantee great design so the council will work with the best architects that will be made available through the council's professional frameworks. The council will work with the best practices to deliver great designs based on briefs worked up with residents.

Where appropriate, architects will be retained throughout the build to ensure designs are carried through faithfully.

Community briefs

We will develop design briefs, pre-empting issues and opportunities relating to each site and wider estate, in collaboration with residents, defining the fundamental objectives of the scheme.

COMMUNICATION AND PUBLIC AFFAIRS

It is important that as the 11,000 new council homes strategy is developed and delivered, local residents are at the heart of the programme. We will continue to engage and communicate with residents about the 11,000 new homes we are delivering, including through a [new dedicated page on the council website](#) which maps out where, how and why we are building the new homes. We will also continue to ensure local people are involved and consulted on plans for new homes being built in their communities.

There are a number of national issues which make it more difficult for the council to build

new homes. Therefore we will also continue to press national government on a range of issues that will help us to deliver the new council homes our residents need, including:

- Enhanced grant funding for more affordable and especially social housing
- A more flexible approach to using grant alongside other types of funding
- Land reform to enable affordable land for council homes
- Supporting the Mayor of London and the GLA in pushing for Right-to-Buy to be suspended in London to help tackle the acute housing need; and mitigating against the negative impacts of Right to Buy
- Funding and building regulations support for low carbon housing

PIPELINE AND COST

Delivery of the new build programme and the funding required for the 11,000 new build properties by 2043 can be modelled through the 30 year Housing Revenue Account (HRA) business plan.

To achieve delivery there are three distinct tranches which have been modelled within the plan:

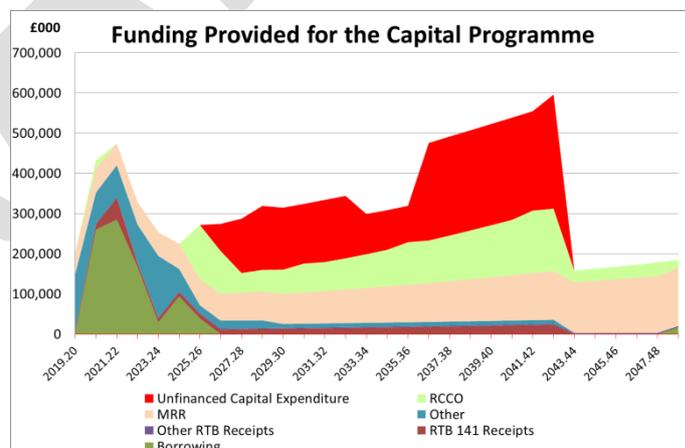
- Tranche 1 - model 5,000 units through direct delivery (estimated capacity) – assumed achievable with available land
- Tranche 2 - model acquisition of land (considers acquiring land either from the general fund or the private sector to build on)
- Tranche 3 - model purchase & acquisition (considers acquiring additional units)

Delivery	Number of Units	Timeframe	Cost per Unit (£)
Tranche 1 - Pipeline	2,839	2019-28	330,000
Tranche 1 - Additional	2,161	2021-28	330,000
Tranche 2	3,000	2028-36	430,000

Tranche 3	3,000	2036-43	500,000
Total	11,000		

This tranche approach to delivery is not expected to be the direction taken by the council but is instead an illustrative example to help inform the housing delivery strategy. Key assumptions include:

Area	Assumption
Rents	CPI+1% from 2020/21 for 5 years CPI+1% thereafter
Grant	Only the existing grant agreed to 2022 is included
Right-to-Buys	90 RTBs assumed in 2019/20. Then RTBs 72 thereafter
Capital Investment through planned maintenance in existing stock (QHIP)	First years as planned then assumed to be £70m per annum thereafter.
Borrowing	Self-imposed debt cap set at £1.3bn
Reserves	The minimum level of HRA revenue balances is set at £15m



Resources within the HRA to 2043 are estimated to be:

Area	Resource
Right To Buy Receipts	£0.5bn
Other (s106 / Grant)	£0.8bn
Major Repairs Reserve (MRR)	£1.8bn
Revenue Contribution to Capital Outlay (RCCO)	£2.0bn
Borrowing	£0.9bn
TOTAL	£6.0bn

Capital Expenditure to 2043 is estimated to be:

Area	Expenditure
New Build Development Costs	£6.1 billion
Major Works & other capital costs	£2.9 billion
TOTAL	£9.0bn

2,500 homes are fully fundable under the HRA.

Under these assumptions nearly 4,000 council homes could be delivered alongside the rest of the capital programme. Beyond that, using these assumptions, that include no grant beyond the current allocation and no private or other tenures the programme, would require borrowing beyond levels that the council is comfortable with, whilst meeting its commitments to existing residents and functions under the HRA.

The council clearly cannot take an approach to singularly deliver 11,000 council homes through its own resources without looking at different tenures, incomes, models of delivery and support from central government.

This strategy sets a direction to maintain the delivery of council homes and deliver the key aims outlined in this document.

OPTIONS FOR REACHING OUR SHORT-TERM GOALS TO 2022

We will:

Land / homes development

- Continue to buy properties to use as council homes and, where we can, work with developers as early as possible to make sure new homes meet residents' needs.
- Develop a standard to assess purchasing opportunities that measures the value to the council as well as the costs and alignment to the council standards for new homes

- The value of the properties / land, taking into account the planning conditions and Section 106 requirements
- The strategic fit against the council aims, that may for example enable opportunities or provide decant options
- Wider opportunities that link to the purchase
- The alignment with the council standards for design standards and employers requirements for properties

- Ensure we scope out and develop plans for sufficient sites to meet the short term target of 2,500 council homes and provide a forward pipeline for the following years.
- Look at the assets we own for further opportunities to build on council land.
- Acquire land for medium-term development.
- Work closely with residents so that they understand what we are trying to achieve and understand their concerns.
- Consider buying back properties bought under right to buy where they make economic sense in comparison to a new build or link to longer term strategic aims
- Develop new council homes partnerships with large and small landowners across the borough.

Capacity to deliver

- Deliver new council homes through effective partnerships, particularly around delivering upward extensions on existing homes
- Develop our plans to set up our own construction company to create the homes and foster the skills our borough needs.
- Develop strategic alliances to unlock the potential of other sites that the council does not own including creating suitable forums such as a faith forums to explore opportunities

Resources to deliver

- Finance the first of our 2,500 new council homes through a Greater London

Authority grant, other resources such as s106/RTB receipts, and the lifting of the HRA borrowing cap.

- Plan mixed tenure developments so that we can use private sales to help pay for new council homes.
- Lobby for changing land compensation rules and improved grant rates, especially with the likely increasing costs in delivery low carbon homes.

Carbon Reduction

- Work with partners to develop approaches to decarbonising developments, including piloting low carbon homes, ensuring a low carbon supply chain and modelling the effects on cost and delivery.
- Develop plans for meaningful carbon offsetting for where carbon commitments on site cannot be met

OPTIONS FOR REACHING OUR MEDIUM-TERM GOALS TO 2028

We will:

Land / homes development

- Deliver a further 2,500 council homes by 2028
- Deliver a steady supply of new council homes aimed at around 400-500 homes per annum
- Build up the Southwark brand for delivering homes of every kind that people want to live in and are proud to call their homes
- Consider build to rent and other management options to allow for the movement of residents to enable development, this may include out of borough options where residents no longer wish to reside in Southwark
- Look at all opportunities to create new council homes across the borough, including estates coming to the end of their reasonable lives and talking to residents about how we can deliver improvements to their homes.
- Acquire land for medium to long-term development, particularly in major development areas.

Capacity to deliver

- Build up our expertise in delivering high quality private sales and other tenures. with the expertise in council teams in place to effectively deliver and manage these alongside our existing homes
- Work with partners to deliver our aims, including with using the construction company

Resources to deliver

- Start to build more homes for private sale and other tenures to help pay for new council homes
- Operate within our means, not increase our HRA debt beyond what we can afford, and allow for a contingency.
- Ensure that all schemes are financially viable either individually or by linking schemes and minimising any call on borrowing for the programme
- Finance new council homes through grants, sensible debt, and profits from selling homes. Including leveraging in outside finance through joint ventures and development agreements.

Carbon Reduction

- Implement the approaches to decarbonising development across all the pipeline and supply chains in order to meet carbon commitments for 2030.

OPTIONS FOR REACHING REACH OUR LONG-TERM GOALS TO 2043

We will:

Land / homes development

- Deliver the remaining 6,000 homes with a pipeline of approximately 400 per annum
- Develop opportunity areas and also, if supported by residents, estates coming to the end of their life, are beyond economical repair and where the number of council homes can be increased. Works will be phased to ensure existing residents are prioritised to move into new homes, ideally directly from their existing homes.

- Use the land available or purchased to build the maximum number of council homes, whilst maintaining financial controls which limit our exposure to fluctuations in the private market that may affect cash flows but recognising that the numbers may be reliant on grant and the strength of private market sales

Capacity to deliver

- Continue to use a wide range of established partners to help with delivery as well as continuing to establish new partners where they can aid delivery of new homes

Resources to deliver

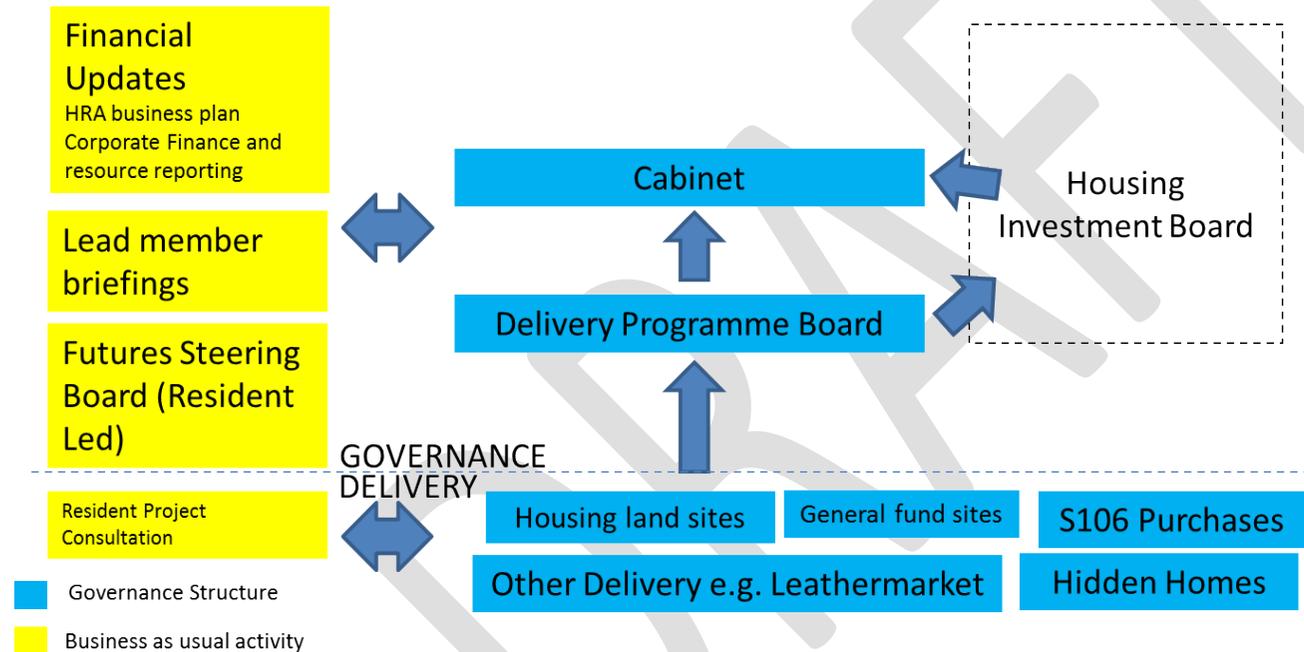
- Operate within our means, not increasing our HRA debt beyond what we can afford, and allow for a contingency.
- Finance the creation of new council homes through sales of private homes, available grants, and other sources.
- Schemes are financially viable and there is no long term call on borrowing to finance the programme

Carbon Reduction

- Continue to lead the way in developing low carbon homes and innovative ways to reduce the impact of delivering new homes on the environment

Governance Model

Purpose. The purpose of the governance model will be to oversee the successful delivery of the council's new build programme, including the delivering of 2500 homes by 2022, and development of the overall programme, including the consideration of options to deliver 11,000 new council homes by 2043.



- Cabinet and the cabinet portfolio holder, the lead member Cabinet Member for Social Regeneration, Great Estates and New Council Homes are responsible for the delivery of this commitment
- The Deliver Programme Board, chaired by the Strategic Director, Housing and Modernisation reports to the
- The Deliver Programme Board, will oversee and monitor the progress of tasks associated with the development of the delivery programme including:

- Staff resources – ensure that there is sufficient capacity internally and externally to develop and deliver the programme
- The comprehensive appraisal of HRA assets and analysis to inform project development
- Community engagement with the Future Steering Board and the wider community
- The review and monitoring of the delivery pipeline
- Linkages with Southwark Plan
- Approve projects on a scheme by scheme basis in accordance with the parameters of the feasibility model
- Approve the procurement route for projects on a scheme by scheme basis
- Be responsible for overseeing the programme funding, budget expenditure and ongoing value for money.
- The housing investment board which has the responsibility for monitoring the overall Housing Investment Programme and overall financial business plan.

Governance for the strategy

- The Deliver Programme Board, will oversee and monitor the progress of the work associated with the delivery of the strategy reporting to the Housing Investment Board and Cabinet in line with the governance model.
- Progress will be reported to cabinet formally through periodic cabinet reports

Consultation

Risks

Measures

Action plan

DRAFT

