

Item No. 18.	Classification: Open	Date: 8 December 2020	Meeting Name: Cabinet
Report title:		Acquisition of 13 S106 affordable housing units at 18-19 Crimscott Street SE1	
Ward:		London Bridge & West Bermondsey	
Cabinet Member:		Councillor Rebecca Lury, Finance & Resources	

FOREWORD – COUNCILLOR REBECCA LURY, CABINET MEMBER FOR FINANCE & RESOURCES

I am delighted that we have the opportunity here to contribute to the commitment we have made to delivering 11,000 new council homes.

Not only are we able to deliver further council homes for our residents, but it is also notable that this acquisition will see us being able to provide both 3- and 4-bed homes, which are understandably often harder to deliver.

I look forward to being able to welcome families who need these homes the most to have permanent residency which is fit for purpose, and shows our commitment to providing for those most vulnerable in our Borough.

RECOMMENDATIONS

That Cabinet:

1. Authorises the council to acquire the long leasehold interest in the property known as 18-19 Crimscott Street shown edged black on the plan at Appendix A to this report pursuant to s120 of the Local Government Act 1972.
2. Delegates authority to the Director of Regeneration and the Strategic Director of Housing and Modernisation in consultation with the Strategic Director of Finance and Governance to agree the terms of the acquisition.
3. Authorises that the acquisition will be made from the Housing Revenue Account (HRA) Investment Programme with the primary focus being the delivery of high quality council housing.

BACKGROUND INFORMATION

4. 18-19 Crimscott Street site plan is shown in Appendix A on the 0.35 acre former printworks. The scheme will provide:

- Redevelopment of the site to provide a part 6 / part 9 storey building (plus basement) (Elevation images in Appendix B)
- 1835sqm GIA of Class B1 office floorspace
- 43 residential units (Class C3) and associated car and cycle parking and landscaping.

5. Of these 43 residential units

- 30 will be for private sale
- 13 will be affordable – 9 social rent (see table below)
- 4 intermediate sale (see table below)

Tenure	1 bed	2 bed	3 bed	4 bed	TOTAL
Social Rent	-	2	2	5	9
Intermediate	-	1	1	2	4

6. On 9 December 2014 the Cabinet resolved actions to address the shortage of affordable housing within the Borough and in January 2015 cabinet agreed its new long term housing strategy for the borough including specific commitments for increasing housing supply, including building 11,000 new council homes for social rent by 2043. One of the approved actions was where appropriate, to acquire affordable housing provided by new developments.
7. The scheme is currently on site and should finish in late 2021/22 adding potential delivery for the council's 2,500 homes target by 2022 and also providing rare but useful large and attractive units for rehousing and larger family need.
8. CityInc UK are the developer and they have been trying to secure a registered provider to manage the affordable homes but have had difficulty in securing a partner. The developer has reported to officers that one of the difficulties has been the proportion of larger family sized affordable units. As such discussions have been progressed with officers as the Council has an interest in securing larger family sized affordable housing.
9. Southwark's housing strategy to 2043 pledges to use every tool at the council's disposal to increase the supply of all kinds of homes across the borough and to provide 11,000 new council homes by 2043. The site at 18-19 Crimscott Street would provide an opportunity to make a contribution to the delivery of new council homes in line with both the housing strategy and the council plan. The direct acquisition of affordable housing provided at new developments is a cost effective means of delivering the commitment to provide new homes.

KEY ISSUES FOR CONSIDERATION

10. The opportunity to purchase the affordable homes has arisen and council officers have been negotiating terms with the developer. These discussions are ongoing. The affordable homes comprise 13 affordable units- 9 social rent/ 4 intermediate. The size range of the affordable units are as follows:

Tenure	Unit type	Size range
Social Rent	2 bed	80 sq m
	3 bed	103 sq m
	4 bed	101-102 sq m

Tenure	Unit type	Size range
Intermediate	2 bed	80 sq m
	3 bed	103 sq m
	4 bed	101-102 sq m

11. The council has appointed external valuers who have confirmed that the price agreed for the acquisition (details of which are in the closed report) represents value to the council.
12. It is proposed that any acquisition is funded through the Housing Revenue Account (HRA) Investment Programme. It is recognised that a key factor in the council achieving its ambitious target of 11,000 new council homes by 2043 is the availability of land. Therefore acquisition of S106 elements of schemes which meet Council need can contribute towards the Council's objective. This acquisition demonstrates the council's commitment to the council home programme.
13. Section 120 of the Local Government Act 1972 enables the council to acquire land for any of the council's functions under the Local Government Act or any other enactment, or for the benefit, improvement or development of their area.
14. The acquisition of the property for housing units will fulfil the requirements of s120 as the provision of housing is one of the council's functions; in addition the local area will benefit from the new Council homes and the enhanced environment around the homes and from the construction jobs created through its development.
15. Negotiations are ongoing over the principal terms for the purchase of the property. These are set out in more detail in the closed report and still require agreement between the parties. It is recommended that authority be delegated to the Director of Regeneration and the Strategic Director of Housing and Modernisation to agree such matters in consultation with the Strategic Director of Finance and Governance. Therefore, cabinet is being asked to agree to the acquisition in principle, subject to final terms being agreed.

16. Should these thirteen units be acquired, they will enhance the variety of accommodation available to persons awaiting social housing. They could also provide rehousing options for large family need on the Aylesbury estate.
17. A local lettings scheme applicable to these units will be investigated and reported back to the member for Housing and Modernisation.
18. Society creates the need for additional housing resulting in the variation of existing use planning classification to satisfy this need, it is intended that in the medium/long term this site will be redeveloped to meet that housing need. However, society is penalised because in order to acquire the land to build new housing it must pay consideration based on the revised and more valuable planning classification that it has created. The beneficiaries are landowners that have done nothing apart from sitting on the land in the hope it gains a more valuable planning consent. The additional money spent in acquiring land would be better used in building affordable new homes. The Council have for some time been campaigning that local councils should be allowed to acquire land for new housing at its existing use value rather than its post planning consent value plus a modest premium of around 10% to encourage the landowner to sell. This would enable local housing authorities to build more new affordable homes rather than giving landowners windfall profits. The Council will however continue to make the case for a change in legislation which would allow for more affordable homes to be built.
19. Southwark Council recognises the inequities created by the current land trading system, that results in a leakage of development value away from core town planning objectives where the Land Compensation Code enshrines the 'hope value' (i.e. any level of speculative premium on any alternative use for a site) in the price of a given valuation for purchase.
20. Alongside securing available sites for future council house-building, the council will continue its 'Affordable Land for Affordable Housing' campaign, calling on reform of the 1961 Land Compensation Act and RICS valuation guidance, to better allow councils to purchase sites at a price nearer to their existing use value, assemble land more rationally, promote build out, and reserve a higher proportion of development value for the affordable housing and infrastructure contributions that our residents need.
21. The council will continue to build an evidence base of discrepancies between EUVs given in developer viability assessments and real transactions in our borough to support Government in their future decision-making on the land trading system.
22. Rationale for recommendations:
 - a) To assist in providing new homes for persons on the Housing Waiting List, including possible rehousing options.

- b) To further a commitment within the new Council Plan.
- c) To enhance the council's asset base.

Community impact statement

- 23. The new Council Plan was the subject of extensive community consultation. The recommendations herein further the delivery of the *A Place to Belong* commitment set out in the Plan.
- 24. The Equality Act 2010 requires the council in the exercise of its functions to have due regard to the need to:
 - a) eliminate discrimination;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 25. Relevant protected characteristics for the purposes of the Equality Act are:
 - Age
 - Civil partnership
 - Disability
 - Gender reassignment
 - Pregnancy and maternity
 - Race
 - Religion or belief
 - Sex and sexual orientation.
- 26. In considering the recommendations herein the Cabinet must have due regard to the possible effects of them on any groups sharing a protected characteristic in order to discharge its public sector equality duty. This is an ongoing obligation.
- 27. If the recommendations set out are approved, the Council will purchase 13 affordable units on a site already under construction. The new homes will greatly improve the quality of life of its residents some of which may have protected characteristics.

Financial implications

- 28. The acquisition of the affordable units will incur substantial capital expenditure that will be financed from resources supporting the Housing Revenue Account (HRA) Investment Programme and this is considered in detail in the closed version of the report.

29. Discussions with the developer, CityInc UK, over the possible purchase of the property and processing the legal documentation necessary to complete the purchase, has and will incur revenue costs but these will be met from existing budgets.
30. The tax implications of the acquisition are also being considered. As a new build development, the dwellings are expected to be zero rated for VAT purposes and should not, therefore, have an adverse impact on the council's partial exemption threshold. Stamp Duty Land Tax and associated reliefs including registered provider relief are being investigated. This would otherwise be an additional cost to the acquisition.
31. Service charges and any management charges are uncertain at this point. When further progress has been made on establishing likely service charge levels, officers will report back to the members for Housing and Modernisation and Finance before any decision is made to acquire the new homes.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law & Democracy

32. Section 120(1) of the Local Government Act 1972 ("the 1972 Act") authorises the Council to acquire any land by agreement for the purposes of (a) any of its statutory functions or (b) for the benefit, improvement or development of its area. The report sets out at paragraph 15 how these requirements are met.
33. Section 120(2) of the 1972 Act authorises the Council to acquire any land by agreement for any purpose for which it is authorised by the 1972 Act or any other Act notwithstanding that the land is not immediately required for that purpose; and, until it is required for that purpose, it may be used for the purpose of any of the Council's functions.
34. There are adequate powers available to the Council to acquire the property by agreement.

Strategic Director of Finance & Governance (H&M 20/104)

35. This report is seeking Cabinet approval to delegate authority to the Director of Regeneration and the Strategic Director of Housing and Modernisation in consultation with the Strategic Director of Finance and Governance to continue negotiating the terms for acquiring 13 new homes as part of the development at 18-19 Crimscott Street. The expected cost of the acquisition is comparable with other recent acquisitions made by the council. As set out in the financial implications section of the report, the cost will be met from resources supporting the Housing Investment Programme. Finalisation of service charges and management costs will be subject to the continuing negotiations. Investigation of the tax

implications of the acquisition also needs to be concluded and taken into consideration as part of any decision made in respect of this proposed acquisition.

Strategic Director of Housing and Modernisation

36. 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.
37. The acute housing need of Southwark residents is well documented, with over 20,000 residents waiting for a new council home. The council is determined to tackle this housing crisis and meet its commitment to deliver new homes.
38. As well as meeting that need these homes provide larger accommodation that could meet a wider strategic need such as providing rehousing options for large family need on the Aylesbury estate.
39. Final agreement to purchase the property will be subject to a due diligence on the new homes design specification and management arrangements. This will ensure the properties are of the high standards that the council expects for new homes and to make sure that the properties can be readily brought into management.

BACKGROUND DOCUMENTS

Background Papers	Weblink
Council Plan 2018/9 – 2021/22	http://moderngov.southwark.gov.uk/documents/s78763/Report%20Council%20Plan.pdf

APPENDICES

Appendix	Title
Appendix A	Plan of 18-19 Crimscott Street
Appendix B	Elevation Drawings

AUDIT TRAIL

Cabinet Member	Councillor Rebecca Lury, Finance & Resources	
Lead Officer	Stephen Platts; Director of Regeneration	
Report Author	Marcus Mayne, Principal Surveyor: Regeneration South	
DRAFT	Final	
Dated	26 November 2020	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law & Democracy	Yes	Yes
Strategic Director of Finance & Governance	Yes	Yes
Strategic Director of Housing and Modernisation	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	26 November 2020	

APPENDIX B

Elevation Drawings



Illustrative view of proposed updated scheme