FEATURE

Housing crisis: If Southwark Council can't build homes, who can?

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Weston Williamson + Partners' 109-home Commercial Way, in Peckham for Southwark Council

Source: Kilian O'Sullivan

Until recently Southwark was the poster child of social house-building. Why has its residential drive ground to a halt, and what does this mean for the rest of the country?

Until earlier this month, the 28-unit social housing scheme at 66 Linden Grove in Nunhead, south-east London, originally designed by Levitt Bernstein, was the only council housing project the London Borough of Southwark had started in the past year. Its unique status only ended when another 18 homes by Fraser Brown MacKenna began in north Bermondsey.

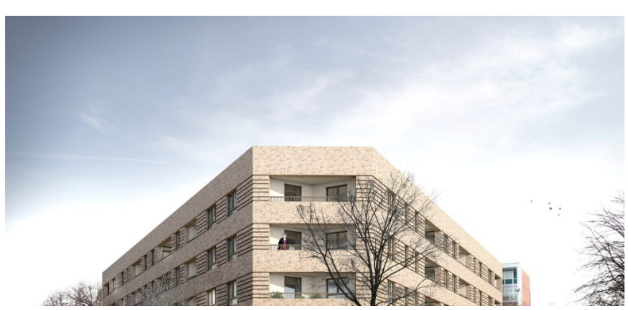
In total, the council made just 28 starts in 2023-24 compared with 684 in the previous year.

These latest handfuls of homes are a drop in the ocean compared to the highs of 2021/2022 when Southwark was the poster child of social house-building. Back then, the Labour-run borough was delivering one in three of all England's new social homes.

Put another way, 726 of the pitifully low national output of 2,234 social homes started in 2021/22 belonged to Southwark, according to government data.

Despite the lack of financial backing from central government, Southwark had been one of the last ambitious councils still doing direct delivery – self-funded 100 per cent social housing – without the help of developers or housing associations.

And, impressively, almost all its new council housing had been designed by top-name architects, among them Mae, Haworth Tompkins and Daykin Marshall Studio.



Pitman Tozer's 44 homes for social rent on the Lindley Estate, which client Southwark Council has not taken forward

But this summer that all changed as the local authority pivoted towards so-called 'private development agreements' to deliver its social housing.

In this respect, it has followed the examples of Croydon Council, which scrapped its own housing company Brick By Brick, and Enfield Council, which abandoned attempts to build-out its massive Meridian Water scheme on its own.

Since coming to power, the Labour government has been vocal about its target of constructing 1.5 million new homes by 2029.

After the Second World War, the nation relied heavily on publicly funded house-building with councils behind almost half of the 300,000 homes built annually.

But what hope does the government have if local authorities like Southwark can no longer play their part?

Have government efforts to oversee the biggest social housing boom in a generation, as declared by deputy prime minister Angela Rayner, come too late? And what now for Southwark's house-building dreams?

Bell Phillips' now-paused 14-storey tower scheme, Styles House

The collapse of direct delivery

Southwark's shift away from direct delivery of social housing towards private development partnerships has not come as a surprise to the many architects the AJ talked to about the borough's fortunes.

The council's decision was quietly announced in a press release in July. This explained how the authority had not been immune to challenges, including 'regulatory uncertainty and build-cost inflation' which had led to the collapse of total housing starts across London by 90 per cent in the past year.

Southwark admitted: 'A year ago, the incredibly hard decision to pause a number of new homes schemes had to be taken.'

Among them, four schemes revealed by the AJ in December 2023 which, unbeknown to residents, had been either binned, delayed or mothballed owing to rising costs and new fire safety regulations.

The planned schemes would have created 79 homes at the Sceaux Gardens Estate in Camberwell, 127 homes at the Bells Gardens and Lindley estates in Peckham, and 25 homes at the Styles House development in Waterloo.

The architects on the jobs were WW+P, Bell Phillips and Pitman Tozer – all members of the Architecture Design Services (ADS) framework launched by Southwark in 2020 with fanfare and a commitment to spend £100 million on design up until 2025. The AJ understands that the framework is now undergoing a rejig, partly to address outdated construction budget brackets.

There had already been warning signs of a social-housing slowdown. One architect on the framework told the AJ there had been 'nothing in the pipeline' for some time. Others described exasperation and disappointment at consented schemes never getting off the ground.

Stolon Studio director Robert Barker, who is on the ADS framework, told the AJ that two of his schemes in Southwark were put on ice despite 'a huge amount of effort' working with local residents and stakeholders to deliver a 100 per cent social scheme.

Haworth Tompkins' scrapped retrofit of Maydew House, which will now be demolished

He warned that the number of canned council homes had started to mount up. Although Stolon Studios' projects 'would have only contributed a small element' to Southwark's long-term plan housing ambitions, the cancellations were symbolic of a 'more concerning' bigger picture, he says.

'We were disappointed when the two projects that we had developed for 100 per cent socially rented homes in Southwark were postponed and, as we understand now, likely cancelled. Rising construction costs, which shot up during the planning [and] design process, were presumably a large factor in the decisions.'

Completion is an issue in the borough. Of the social homes approved in Southwark since 2017/18, only 45 per cent have been built out. One of the success stories was WW+P's 109-home scheme at Commercial Way, Camberwell, which accounted for a fifth of the 557 homes completed in the last 12 months.

Southwark has now been overtaken by another London borough in the building league table: Barking and Dagenham, which completed an impressive 879 council homes in the past 12 months.

What's more, according to the Liberal Democrat opposition, Southwark's housing ambitions are now on a 'knife edge', with the council's housing account due to overspend by £9.5 million in the next year.

Liberal Democrat housing spokesperson for Southwark, Emily Tester, puts it this way: 'The funding crisis could plunge our already failing housing department into further peril, or even potential bankruptcy, and it's residents who will suffer.'

She adds that with some larger schemes already scrapped – including those mentioned above – 'it's difficult to see how things can get better'.

The Aylesbury estate regeneration, which is being delivered in partnership with Notting Hill Genesis

A broken model

Can things improve? Is the government listening? Possibly. Labour's first party conference in government for 15 years was described as a 'housing conference with politics on the side' by one panellist.

Everybody from Peabody and Vistry, to the RIBA and new Labour MPs, accepted that social and affordable housing was in an 'extremely bad' way, as housing minister Matthew Pennycook told a social housing fringe event attended by the AJ.

The key takeaways from conference were a need for funding, stability in the department for housing, and changes to national planning policy to unlock brown and 'greyfield' sites for development.

Council housing revenue accounts face a £2.2bn black hole while £1.7bn is being spent a year on temporary accommodation

It was telling that Kieron Williams, the leader of Southwark Council, used his appearance at this year's Labour conference to promote a 94-page report entitled *Securing The Future Of Council Housing* – a document first published in July, the same month his authority abandoned direct delivery.

The report, signed by the country's largest councils and housing associations, laid out the funding crisis this way: council housing revenue accounts are facing a £2.2 billion black hole by 2028. At the same time, £1.7 billion is being spent a year on temporary accommodation.

If councils were given the money and freedom to build their own accommodation, this wasted annual outlay could be slashed, it argued.

Luke Tozer is director at Pitman Tozer Architects, which is leading the Architects' Action for Affordable Housing (AA4AH) campaign backed by the AJ. He also attended the party conference in Liverpool and tells the AJ he agrees the current financial regime is broken and that central government must overhaul the restrictive funding and borrowing rules imposed on local authorities in 2012.

'If a central London authority, in Zone 1 with high land values, can't make it work, what hope is there for the rest of the country?' he asks. 'The model is clearly broken. Affordable housing needs its own, long-term, predictable and sustainable funding model, backed by government.'

Currently, local authorities such as Southwark have funded direct delivery of social homes through a mixed financial model, combining borrowing, S106 receipts and grant funding. But for Tozer, this isn't enough.

'With the cost of developing a new-build home being estimated by the Housing Forum as £250,000, which is equal to or higher than its market value in 60 local authority areas, there's a fundamental problem with relying on the financial value in the market to finance the affordable housing through Section 106 contributions,' he says. 'When the market dries up, so does the affordable housing. As has happened now.'

Could housing associations potentially fill the gap then? Possibly not. Speaking to the *Observer* this month, Paul Hackett, head of housing association Southern Housing, argued that current rent returns were not enough to pay for new affordable and social homes since income was 'insufficient to cover all of our costs'.

He told the newspaper: 'I've been working in housing now for 35 years, and there has never been a time when housing-association capacity is so decimated.'

Southern Housing has put a block on acquiring new schemes or units because of the ongoing financial pressures, according to the *Observer*'s report.

The way forward

While housing associations contribute towards the delivery of social and affordable housing – as much as 78 per cent of all affordable housing in England, according to the *Observer* – their schemes are not delivering 100 per cent social in the same way direct delivery by councils can.

Today, councils only supply 2 per cent of all new homes. Funding restrictions continue to handcuff councils that want to build, while many already-built social homes continue to be lost to the open market through right to buy.

Yet, campaign groups such as homelessness charity Shelter, anti-poverty charity the Joseph Rowntree Foundation, and the National Housing Federation say the government and local authorities need to be delivering 90,000 social homes a year if Labour is to meet its target for this parliament.

In Southwark, the Liberal Democrats don't think the Labour-run authority can deliver the 11,000 council homes it has committed to by 2043 – certainly not on its own.

'We have to find new ways to deliver the homes our residents need and deserve. The alternative would be to stop building'

Southwark's Labour leadership says it is merely being pragmatic. Cabinet member for housing and development Helen Dennis tells the AJ: 'Our council house-building programme is recognised across the country as one of the most ambitious, and to date we have completed or have on site over 3,000 new council homes, despite increasingly difficult circumstances nationally.

'[But] we have to be practical and responsible with our finances and find new ways to deliver the homes our residents need and deserve. The alternative would be to stop building. Given the scale of the housing crisis, we are not prepared to do that.'

For Southwark, these 'new ways' mean more public/private development agreements, such as the Aylesbury Estate regeneration, where housing association Notting Hill Genesis has partnered with the council to overhaul the 28ha estate in phases.

Architects on the controversial project include Maccreanor Lavington, Sergison Bates, HTA Design and Haworth Tompkins. By the time of completion, it will have delivered 4,200 new homes, of which 1,600 will be for social rent and 581 will be new council homes. (The estate once contained 2,700 council homes.)

But is that enough? The 35% Campaign, a group that champions affordable housing, argues that when you remove the homes lost to demolition, Southwark's net gain is far fewer than the 3,000 homes begun or completed figure championed by the borough – and could be as few as 257 by the time current developments are finished and estates flattened.

'Southwark Council's ambition to build 11,000 council homes is laudable,' says campaign spokesperson Jerry Flynn. 'But it is hard to see how it can be achieved if it abandons direct delivery. Partnerships with private developers simply won't get the number of social rented units we need when private housing has to be included in the mix.

'We also have to take into account the very large number of council homes Southwark is demolishing, which is drastically reducing the net gain. Matters are not helped by the long delays on the Aylesbury regeneration, the borough's biggest. It is years behind schedule and means we have hundreds of council homes just standing empty – over 700, according to Southwark's own figures.'

The council has also mothballed a number of retrofits, including Haworth Tompkins' cancelled overhaul and extension of Maydew House after cost estimates reached £70 million. The long-vacant tower still stands empty today.

Given the housing crisis, relying on private partners to help deliver affordable housing may be one of the only viable delivery alternatives. Conran and Partners, another practice on Southwark's ADS framework but with no recent work in the borough, says turning to private developers introduces a new funding stream.

Principal and partner at the practice Tim Bowder-Ridger says: 'Going private does not have to be a bad thing. With the current economic climate and market conditions – especially while we are still feeling the effects of the Liz Truss mini-budget fiasco – it is crucial for all sectors to reassess and adapt their approaches and rethink their strategies to ensure financial stability.

'Private developers can bring investment and innovation to the table and, ultimately, all councils have an urgent imperative to deliver much-needed housing one way or another.'