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Complete control

Developers, financial viability and regeneration at the Elephant and Castle

Jerry Flynn

Regeneration has for several years been the favoured term of developers and local authorities for house building programmes in London. Regeneration promises new homes in rejuvenated neighbourhoods. This article tells of how such promises were instead used to lever the residents of one south London council estate, the Heygate, from their homes, leaving the benefits of regeneration for the more affluent to enjoy. It is also a case study of how private developers profit from regeneration, without building homes that most people could actually afford to either rent or buy, and how they evade a local authority's planning requirements for affordable housing by means of secret financial reports, so-called 'viability assessments'. Finally it briefly recounts how some local communities are starting to challenge this so-far unchallenged power that puts developer profit above the need for truly affordable housing.

Key words: financial viability assessment, regeneration, developers, council estate, affordable housing, land value, displacement

Introduction

The Elephant Amenity Network (EAN) is a community group at the Elephant and Castle, South London, set up in 2008 to get a better deal out of the £1.5 billion regeneration of the area. A major EAN concern was a lack of truly affordable housing; indeed, the Elephant's regeneration entailed the loss of the best kind, council housing and its replacement by housing that was affordable in name only. EAN therefore started the 35% campaign,[1] which had the modest ambition of holding the local authority, Southwark Council, to the promise of its local plan, that all new large developments would have a minimum of 35% affordable housing.

Affordable housing has three categories—social rented, affordable rented and intermediate housing.[2] The cheapest is social rent, most familiar as council housing. Housing Associations also provide social rent, but since 2011 they have been replacing it with affordable rent—at up to 80% of market rent—and so entirely unlike social rent which is determined by a statutory formula, largely linked to local incomes. Housing associations also provide intermediate housing, or part buy/part rent, for those who can pay more than social rents.

There is an almost invariable obligation on developers to deliver a proportion of new housing as affordable, but it is commonly avoided by a simple expedient—show that your scheme is financially unviable if it has affordable housing, by using a financial viability assessment (VA). Crudely, a VA subtracts the cost of a development from how much it will make; what is left is the developer's profit and if there is not enough then the scheme is 'unviable'; a dependable consultant decides how much profit is 'enough'. A developer-friendly planning regime, which emphasises viability as a key to sustainable development and allows developers a right of appeal against a planning refusal (and the support of the Mayor, in the case of London) means that any capable developer will get a VA[3] rather than have to build affordable housing. We will show how this happened on the Heygate estate, at the Elephant, what we did to combat it, what we found out and what other campaigners can learn from our experience.

'Regenerating' (removing) the Heygate estate—and other developments in Southwark

The Heygate was a council estate of 1200 homes, built in the early 1970s. It was earmarked for redevelopment in 1998 and various regeneration options were originally considered, only one of which was entire demolition. Notwithstanding a MORI Poll of residents[4] which found that there was 'no clear consensus on which of the options for future development should be taken' and that 63% of the residents wished to remain in a council home on the estate, Southwark Council decided on demolition. In 2007, Southwark adopted Australian developer Lend Lease as its development partner, a Regeneration Agreement[5] was signed in 2010, and in 2012 planning applications[6] were submitted for the demolition of the estate and its replacement by over 2400 new homes, including 600 or so affordable homes.

Lend Lease's development was not intended to rehouse any of the former residents, who had nearly all been 'decanted' in 2007–2008. They had consisted of council tenants, leaseholders and 'non-secure tenants', the last typically from black and ethnic minority backgrounds, migrants and asylum seekers amongst them. The secure council tenants (but not the non-secure tenants) were to be rehoused in new homes on so-called 'early housing sites', while the leaseholders would get financial compensation for their homes. In the event the early housing sites[7] were not built in time and most tenants were rehoused in other council housing stock in Southwark (Figure 1). Most leaseholders, on the other hand, moved away from the area, in many cases out of central London, because of inadequate compensation (Figure 2). No central record was kept of what happened to the non-secure tenants, hence it's impossible to track their displacement movements. Only 45 Heygate households got any kind of new home.[8]

Although Heygate residents were not being housed in Lend Lease's development it was still required to provide 25% affordable housing—about 600 homes, half social rented and half intermediate. This had been negotiated down in the Regeneration Agreement from the 35% affordable housing the local plan required, but nonetheless Lend Lease had still to supply a VA to justify the reduction and engaged 'global real estate services provider' Savills for the task. The VA would have to justify not only the reduction of the 430 social rented units down to 300, by virtue of the Regeneration Agreement, but also a further reduction down to 79[9] units as Lend Lease now proposed replacing most social rented flats with affordable rent flats, at 50% market rents (in the Heygate's SE17 postcode 50% market rent would have meant an average weekly rent across all unit sizes of £194, when the median weekly income of a council house tenant was £174).[10] After the VA was appraised for Southwark Council's planning officers by the District Valuer Service (DVS), the officers duly recommended approval of the applications, stating that the 'indicative viable level' of affordable housing was a meagre 9.4%, a figure Lend Lease said that it would make up to 25%, so as to honour the

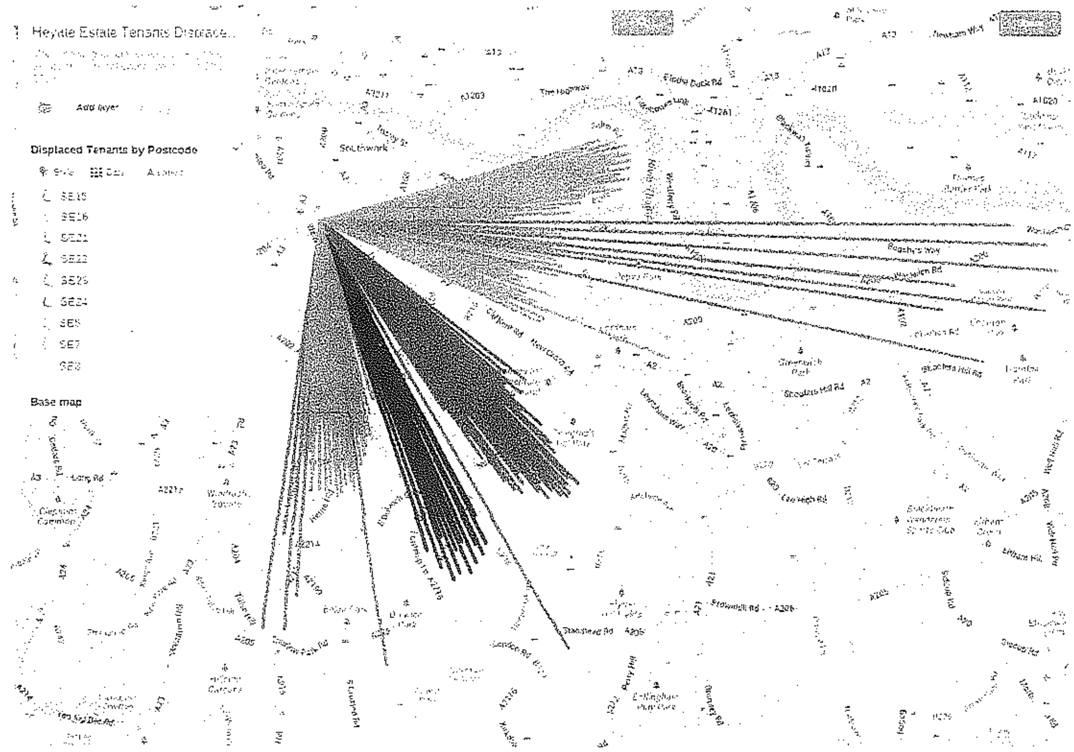

Figure 1 Map of displaced Heygate council tenants (Source: http://35percent.org/blog/2013/06/08/the-heygate-diaspora/).

Regeneration Agreement. Southwark Council's Planning Committee was persuaded and approved the applications, including only 79 social rented units.[11]

Despite the shortfall in affordable housing, the Planning Committee approval was typical, as Table 1 demonstrates. All these selected major developments in north Southwark, dating from 2008, were submitted with VAs that were accepted as proof that affordable housing requirements could not be met. The schemes' total of over 1300 units have an estimated total value of £3.4 billion, but barely provide 5% affordable housing in equivalent value terms—a vivid illustration of how much developers owe to VAs.

Reluctant revelations on financial viability

The VA was so confidential that those not allowed to see it included the Planning Committee. The only public information was limited to the planning officer's report, endorsing the VA's conclusions about the development's unviability. The DVS appraisals that the planning officers depended upon for their recommendations were also confidential. Predictably, Southwark Council refused a Freedom of Information (FOI) request for the VA when it was made by Heygate leaseholder Adrian Glasspool. The request was referred to the Information Commissioner's Office (ICO) who ordered Southwark to disclose the information. Southwark, supported by Lend Lease, unsuccessfully appealed,[12] and the VA,[13] after some redactions relating to Lend Lease's business model, was released in May 2015, three years after the original request.

By the time the VA was released, EAN had redacted versions of the two DVS

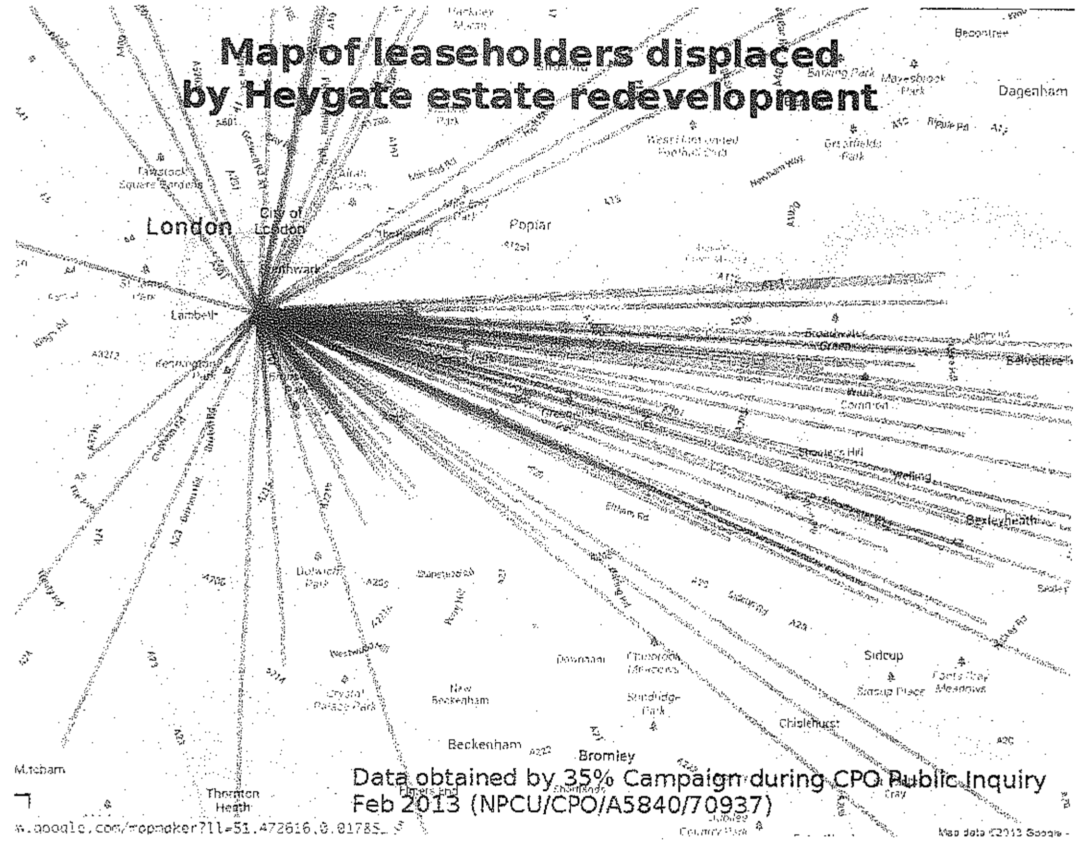

Figure 2 Map of displaced Heygate leaseholders. (Source: http://35percent.org/blog/2013/06/08/the-heygate-diaspora/ (data submitted by Southwark Council at the February 2013 Heygate CPO Public inquiry))

appraisals,[14] also following FOI requests, and by examining all three documents we saw how the VA practically guaranteed that the scheme's affordable housing was reduced, through both the method used to construct it and the latitude allowed for various value judgements.

First, the scheme that is tested for viability does not offer 35% affordable housing, so there is no exploration of how this might be

Table 1 Selection of major development schemes since 2008 in north Southwark

	Estimated gross development value (GDV) £ million	Affordable housing offer £ million	% of total	Total units in development
One Blackfriars	700	29	4	274
Baby Shard Trilogy	300	18.8	6	148
Tribeca Square	250	1	0.4	273
Bankside Quarter	1000	65	6.5	500
185 Park Street	300	30	10	163
South Bank Tower	620	27	4	173
One the Elephant	230	3.5	1.5	284
TOTAL	3400	174.3	5.12	1320

Sources: Planning documents; media real estate reports of GDV.

achieved. The scheme tested was instead one devised by Lend Lease, with an affordable housing baseline of 25% and so there was never any possibility that it would deliver 35%.

Second, the scheme is tested by Lend Lease agents, Savills, not tested by Southwark Council. Savills make the assumptions and decide on the values used in the VA, including the measure of a viable scheme, the benchmark. That this turned out to be the desired profit created a virtuous circle from Lend Lease's viewpoint: the higher the profit, the higher the benchmark, the less likely the scheme will prove to be viable, creating more scope to diminish the affordable housing.

The only disincentive to exploiting this situation was that the DVS would contest the VA's conclusions and that Southwark Council would reject the planning application. There was little chance of the latter; Southwark had already accepted 25% in the Regeneration Agreement and it needed to show some visible progress on a development that was then 15 years old, so corporate and peer/party pressures on the committee majority were strong. All sides were also aware that Lend Lease could appeal against any rejection and be favourite to win; alternatively, it could ask the Mayor to 'call-in' the application and reverse the decision.

For its part the DVS did eventually concur with the VA, stating that 'the scheme on a current cost basis is clearly unviable and would not be built with this level of Affordable Housing',[15] but not before several disagreements with Savills, which if resolved in a different way may have led to a different conclusion. These differences included how much would be made from the residential units, what was the value of the land, what constituted a 'reasonable profit' and what the benchmark of viability should be.

The VA estimated that the residential value would be £598 per sq. ft, based on local 'comparable' sales evidence.[16] This included sales of properties a long way in every respect from the concierge-serviced luxury towers being built at the Elephant, such as a two-bed ex-council flat on an estate straddling the Walworth/Camberwell borders.[17] The DVS described the sales values as 'too conservative' saying that 'much of the local sales evidence is not comparable to what is proposed' and it 'does not give an idea of what may be achieved following redevelopment'. The eventual average sale prices of £1012 per sq. ft[18] for an early phase of the redeveloped Heygate (re-christened Elephant Park) proved his point.

Land value is a critical and contentious factor in determining viability; broadly the more that is paid for land the less there will be for affordable housing. The VA arrived at four different land values:

(1) £37.3 million (the land's worth if it continued in its existing use as a housing estate);[19]
(2) £48.5 million (the land's worth if a developer were willing to pay a premium price);[20]
(3) £72 million (based on sales of comparable sites);[21]
(4) £48 million (the actual purchase price paid by Lend Lease).[22]

The VA settled on £48 million,[23] but the District Valuer disagreed and came up with a fifth figure—£26.4 million.[24]

The VA also settled on 25% as profit on costs (20% Internal Rate of Return—IRR) and used these figures as the benchmark, based on a land value of £48 million.[25] As profit on costs this is 5% higher than the 20% in the Regeneration Agreement, but the VA does not address the difference, instead justifying the 25% figure on two counts—that it is what everyone else is getting ('having regard to our own development experience … throughout London')[26] and it's what was required to secure bank funding.[27] The DVS was unimpressed and says 'I do not adopt the profit benchmark that Savills have adopted … '[28] and 'I would like to see some evidence provided to benchmark these levels of returns as my *understanding is that most development* schemes ... average out below 15%'.[29]

The significance of all these differences of opinion about the scheme value, land value, profit and benchmark are brought into focus by the DVS's initial conclusions, in his first appraisal. He suggests a profit level of 15–18% and sets his own benchmark of 16% IRR.[30] He points to the 'significant impact on profitability' of the modest 5% rise in sales value.[31] He states that the scheme cannot support 'policy compliant provision', but makes two suggestions, one that an 'acceptable target rate of profit' is identified before there is any change to the tenure type in affordable housing, for example, before social rented is dropped,[32] and second that there is a review mechanism to recoup lost affordable housing if the scheme is more profitable than anticipated[33] (a suggestion considered but effectively rejected by Southwark Council).[34]

The DVS also produced 28 different scenarios, varying the input values to generate a range of outputs, including scheme profit, profit on cost, scheme IRR.[35] The first 14 scenarios all have redacted outputs, but those for the last 14 reveal the scheme profits, in cash and percentage terms and these paint a quite different picture of the viability of the scheme from that presented by officers to the Planning Committee, which emphasised that a viable *scheme could only deliver* 9.4% affordable housing.[36] Eleven of the scenarios deliver a profit on cost above the 20% agreed in the Regeneration Agreement and six of these deliver profit on cost above the VA's 25% benchmark figure. All these scenarios are run with 25% affordable housing and critically all include social rented housing.

Three scenarios are run with 35% affordable housing, one of which, scenario 26, gives a profit on cost of 18.74% and £227.275 million with some reduction in social rented housing, a 5% improvement in residential sales values and the lower land value of £26.4 million. This scenario on its own does not demonstrate that the scheme could support 35% affordable housing, but it does demonstrate that by reducing the profit benchmark, increasing sales expectations and taking a lower land value there was a possibility of doing so.

Several other points about scenario 26 deserve emphasis; first, it is based on the scheme as presented by Lend Lease and does not posit any major physical changes; second, while it is based on a 5% increase in the expected residential sales value of £598 per sq. ft, nearly twice this, £1012 per sq. ft, was to be realised in an early phase; third, that it still delivers a handsome profit of £227 million.

We learnt from the DVS's second appraisal that there were 'a series of meeting [*sic*] to discuss the various differences in order to reach more of a consensus'.[37] The consensus reached included using the VA's private residential *sales figures—presumably dropping* the 5% sales 'improvement'—and the higher VA benchmark land value of £48 million.[38] There is no longer any mention of identifying an acceptable profit rate before considering changes to affordable housing tenure, to allow further scenarios; instead, affordable rent at 50% market rent and higher qualification thresholds for half the intermediate housing are introduced. The DVS does maintain an objection to development and project management fees,[39] having called this potential additional profit.[40]

In his final conclusion, the DVS identifies the profit gap as £65 million, but believes this would be reduced to £30 million if a lower land value and a lower IRR of 17.5% were used.[41] He also repeats his first appraisal conclusion that 'the scheme *as currently proposed* does not provide a policy compliant affordable housing provision' (our emphasis),[42] but does so without pursuing any further the input changes that might have helped bridge the viability gap suggested in the first appraisal. He makes no mention of 9.4% as being the 'indicative viable level of affordable housing' as was described to the Planning Committee, but repeats the recommendation for a review mechanism.

Summary of our views

- The major purpose of the Heygate VA was to demonstrate that Lend Lease's scheme could not supply the 25% affordable housing, secured in the Regeneration Agreement, and remain viable; the further aim was to justify replacing social rented housing with affordable rent. It was not to examine or explore other options that could increase this to 35%.
- The viability of the scheme was measured by its profit and it was failure to reach the benchmark level 25% profit on cost/20% IRR that made the scheme unviable, not *the prospect of the scheme making a loss.*
- The inputs into the viability calculations could have been varied (e.g. the land value, sales values) and profit reduced to improve the viability of the scheme and deliver more affordable housing.
- The unredacted DVS scheme scenarios show that schemes with 25% affordable housing, including social rented, could be viable. They delivered profits between £260 million and £364 million and exceeded either the 25% profit benchmark used in the VA or the 20% profit agreed in the Regeneration Agreement.
- The recommendation to have an effective review mechanism that could have increased the amount of affordable housing or the cheaper affordable tenures was ignored without reasonable justification.

None of this amounts to conclusive proof that this particular scheme could have been policy compliant and delivered 35% affordable housing. Nevertheless, we believe that the chance of achieving 35% was not as hopeless as Southwark's Planning Committee was led to believe and that there was also a much greater possibility of keeping social rented housing. Lend Lease and Savills though had effective and de facto unchallenged control of the viability process and did not allow those options to be explored.

Instead, the committee was presented with a bald 9.4% affordable viability answer, which discouraged all questioning of the VA, made Lend Lease look good in offering 25% (while leaving unexplained how 25% could be achieved) and undermined any arguments in favour of a review mechanism. It represented a comprehensive triumph of the developers' need for profits over the local community's need for homes it can genuinely afford to live in.

Conclusion

The disclosure of the Heygate VA has provided a window into the viability process and shows how contingent it is on uncertain 'facts', opinion and argument. It also shows how a closed and secret part of the planning process has become the determining factor in major planning decisions, while falling under the control of developers, with great gains to them, but huge loss to the public.

But there has been a reaction. The £1.2 billion Shell centre redevelopment,[43] the 10,000 home Greenwich Peninsula development[44] and the tower-block redevelopment of Bishopsgate's Goodsyard[45] all feature local campaigns that have thrust VAs centre stage. This has caused the *Estate's Gazette* to lament that a new 'sophisticated breed of campaigner' through their understanding of the planning system 'throw some real spanners in the works of some of London's biggest schemes'.[46] Controversial estate regenerations, such as that of the Heygate's sister estate, the Aylesbury,[47] also rely heavily on VAs to justify themselves.

Local authorities have therefore been forced to take action—Islington,[48] Greenwich,[49] Lewisham[50] and Southwark[51] are all toughening up their approach to VAs (although only a cautious welcome is advisable until their resolve is tested by a recalcitrant developer). The London Assembly has also turned its attention to the question, inviting both developers and campaigners to give evidence to its Planning Committee.[52]

So campaigners have made creditable gains in dragging what was becoming a disreputable part of the planning process into the light of day, with the help of sympathetic planning professionals, academics, lawyers and journalists. But we have not forced developers to abide by local affordable housing requirements and an understanding of viability is needed if there is to be any hope of doing so. The good news is that campaigners have demonstrated that the layperson can understand it only too well, when allowed to see the assessments. Unsurprisingly, profit turns out to be one big determining *factor of how much affordable housing is* built and mounting a serious challenge against the developers' assumption that they are due whatever they claim is the campaigners' next battle.

Disclosure statement

No potential conflict of interest was reported by the author.

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Jerry Flynn moved with his family, as a teenager, onto the Heygate estate, when it was built in 1972. He is now a council tenant, living in Bermondsey. He is part of the campaign group Elephant Amenity Network, which runs the 35% campaign. Email: gregoryflynn@btinternet.com

THE SUNDAY TIMES
04/12/16

Homes meant to revive estate sold overseas

Jon Ungoed-Thomas

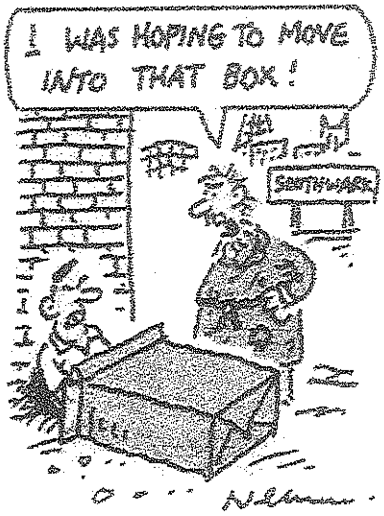
FAR Eastern investors are snapping up homes in the redevelopment of an iconic London estate intended to help first-time buyers.

The vast Heygate estate, built in 1974, was demolished between 2011 and 2014 as part of a £3bn regeneration programme in southeast London. The council backing the plan stated in its strategy documents that "at least 35% of new units must be affordable".

The scheme has been marketed in Singapore and registry documents obtained by the group 35% Campaign, which is lobbying for more affordable housing, show the vast majority of new buyers officially recorded to date at South Gardens in the Elephant Park development are from the Far East. Prices start at £550,00 for a one-bedroom flat.

The South Gardens phase of the development has only 25% affordable housing. Lendlease, the developer, successfully argued it was not financially viable to build more affordable homes.

Jerry Flynn, a spokesman for the 35% Campaign, said: "It shows what a failure this



regeneration has been in providing local people with affordable housing."

Mark Williams, Southwark council's cabinet member for regeneration and new homes, said: "In a very difficult financial climate in 2010, the council secured a minimum 25% affordable homes on the Elephant Park development, although we expect to reach 35% across the Elephant and Castle opportunity area as a whole."

He said the regeneration also funded a new leisure centre and would mean improved open spaces.

Lendlease said it was committed to helping to create a "balanced and diverse" community.

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SOUTHWARK NEWS
MAY 11 2017

By Owen Sheppard
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THE EMBATTLED leaseholders on the Aylesbury Estate "remain confident" they will win their battle with Southwark Council over plans to evict them.

The leaseholders released a statement last week in reaction to the decision by secretary of state for Communities and Local Government, MP Sajid Javid, not to fight the council in court.

A hearing was set for May 9, in which the government was expected to defend its decision to block the council's compulsory purchase order (CPO) of seven remaining leaseholders' home in Phase One of the estate.

Mr Javid's decision to block the CPO came in September last year. Mr Javid argued that buying the leaseholders' homes would "contravene" their human rights, as the compensation offered to them by Southwark was too low.

In February 2016 one leaseholder was offered £190,000 for their two-bed flat. Another of £260,000 had been made for a four-bed flat.

One leaseholder, Beverley Robinson, said: "It's a great pity that Mr Javid has thrown in the towel and given up the battle over one single point.

"He confirmed his own Inspector's recommendation that the CPO should not be granted and he promised to defend that decision 'robustly'.

"We are already facing the loss of our homes and cannot take on the additional risks of paying Southwark their legal costs too, so we have reluctantly decided to consent to the case ending."

It is understood by both the council, the government, and the leaseholders that a new public enquiry will take place to decide the legality of the council's CPOs.

Southwark Council leader Peter John said: "We are really pleased that the secretary of state has quashed his previous decision, and will now allow us to hold a new CPO inquiry. We remain committed to regenerating the Aylesbury Estate for the benefit of local residents."

Holding another public enquiry will at least mean further delays to demolition of Phase One (which includes the Bradenham, Chiltern, Chartridge and Arklow). But the prospect of a second public enquiry also means that Southwark Council's CPO could be rejected a second time.

Jerry Flynn of the 35% Campaign, who have supported the leaseholders, said: "Southwark's case will be tested and we will be ready for that inquiry.

"This case has generated huge interest. Leaseholders on council estates across London can see what is in store for them, if they stand in the way of a regeneration and we will be drawing on their support to fight the battle ahead."

Crowdfunding appeal is launched to pay for Aylesbury Estate leaseholders' barrister

By Owen Sheppard
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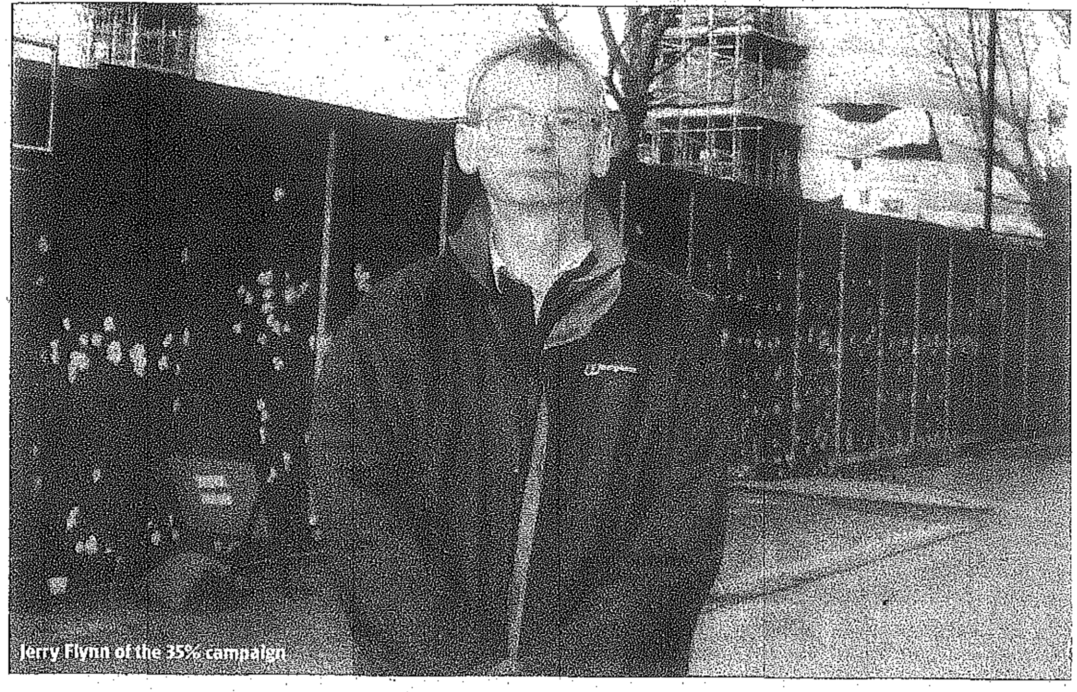
Jerry Flynn of the 35% campaign

LOCAL HOUSING campaigners are crowdfunding for a barrister to represent Aylesbury Estate leaseholders who could be forced out of their homes.

Southwark Council last week batted away criticisms of its decision to pursue a judicial review of the government's decision to block its CPO (compulsory purchase order) of eight leaseholders' flats.

The eight leaseholders had been offered prices of below £300,000 for their flats, which the government said would contravene their human rights by forcing them to leave the area.

But the council has said they are being given market value, and offering them more would be a poor use of taxpayers' money, and would require money from its budget for council estate maintenance.

This week, the 35% Campaign launched a GoFundMe crowdfunding page for people to raise money for leaseholders' legal representation during the judicial review.

Jerry Flynn of the campaign, and a previous Heygate Estate resident, told the *News*: "Southwark have made a bad choice challenging the CPO decision. They should accept it, start treating the leaseholders properly and give them fair compensation.

"We are supporting the leaseholders because like tenants and everyone else on the estate, they are being treated badly. They are being pushed off the estate and their homes demolished to make way for new homes most simply cannot afford. We're fantastically pleased with the response to our appeal so far and have raised £750 in just two days.

"This is a fight for everyone who wants a real chance of a decent home in Southwark and we welcome all donations, no matter how small.

"Southwark should also use the secretary of state's decision as an opportunity to have a complete rethink about the Aylesbury regeneration and to halt the demolition. The regeneration as it stands will lose us 2,200 council flats and the affordable housing being built in its place are too expensive for most people in Southwark."

Last week Southwark Council's cabinet member for regeneration and new homes, Mark Williams, said the council would spend £50,000 on legal fees to fight its case in the judicial review, which may not be decided until April. He clarified that the CPO was its preferred option for emptying the western section of the Aylesbury, before handing it over to Notting Hill Housing Association for demolition by 2018, rather than negotiate with leaseholders on the value of their flats.

The council has said it has also made other options available to the leaseholders. They include: the opportunity to become Notting Hill tenants in flats built nearby; to trade the value of their flat for an equity share in a new flat, while paying service charges; to entering a 'non-binding arbitration process' over property price disputes; to go to a Lands Tribunal.

To visit the 35% Campaign's crowdfunding page, visit **www.gofundme.com/aylesbury-the-right-to-a-community-2uefgf2s.**

Council takes legal a[…] over social housing p[…]

Affordable homes promised but 'passed to open market' says Southwark

EXCLUSIVE

By Amelia Burr
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SOUTHWARK COUNCIL is taking legal advice after developers promised social housing which never materialised.

After campaigners sent a letter of complaint to the council about a lack of social rented homes in the borough , a senior planning official has confirmed Southwark is "currently taking legal advice in respect of a number of developments" where affordable housing provision was promised in the legal agreement between the council and developers.

"….but the units in question have since passed to the open market, in circumstances which the Council believes to be unlawful," said the official.

Southwark's cabinet member for regeneration and new homes, Cllr Mark Williams, said the council took these breaches "very seriously" but could not give any further details on the current cases for legal reasons.

Former Heygate residents Jerry Flynn and Adrian Glasspool have also complained to the council about the number of approved planning applications which promise social rented units but ultimately deliver 'affordable' homes in their place. As social rent is tied to typical local earnings it is often dramatically lower than 'affordable' rents, which are set at up to 80 percent of market rent levels.

In Southwark that could mean the difference between paying under £100 a week to the council in rent or £200 a week for the same size 'affordable' home next door.

Last year the *News* reported how 44 social rented flats promised at the luxury Bermondsey Spa development were never delivered. 'Affordable' units are offered on that development at £184 per week for a two bedroom property. In October the Southwark Council confirmed they would not be taking any legal action in that case.

This news comes in the same week as *Southwark was shown to have lost the* highest amount of social rented units through recent regeneration schemes across all London boroughs.

According to London Assembly Member, Darren Johnson, figures taken from live planning applications recorded on the London Development Database show that Southwark has lost over two thousand social rented homes, largely because the Heygate and parts of the Aylesbury are counted within that total.

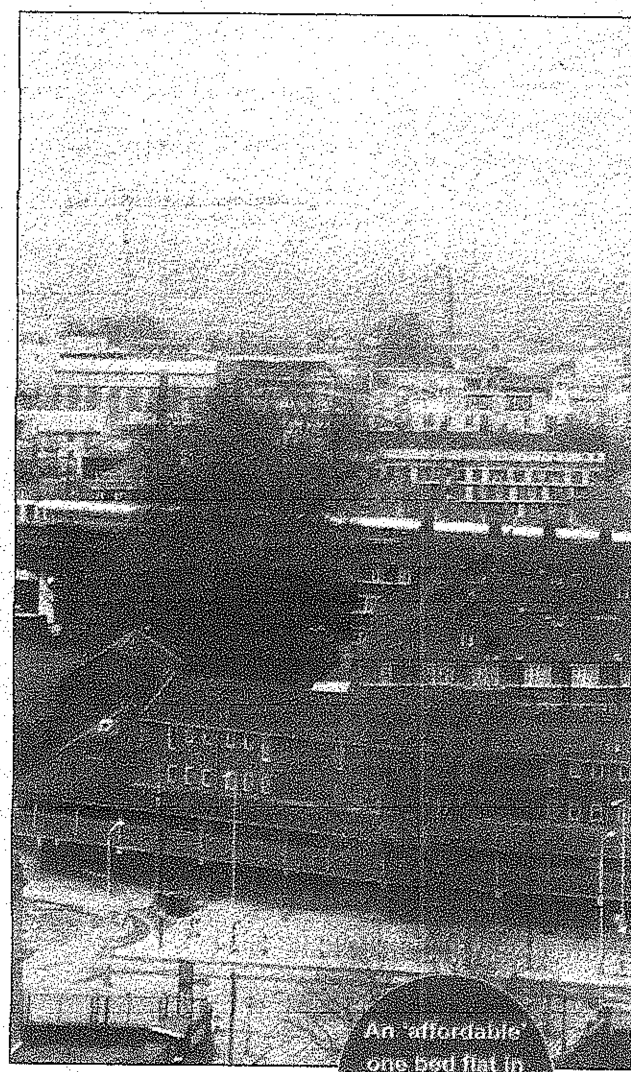
Darren Johnson has called for a halt to the demolition of council homes unless "absolutely necessary" as properties which are "genuinely affordable to Londoners" become scarce.

"With a few exceptions, estate regeneration has been a complete disaster in London and has made our housing crisis worse," said Mr Johnson.

Southwark's Cllr Williams says Mr Johnson's figures do not take into account the new social rented (set at council rent levels) and affordable homes (set at up to 80 percent of market rents) which have been and will be built in the borough.

"Southwark Council has one of the best records in the country for delivering new affordable homes, with 2,646 delivered in the last five years with over half of these at social rents. We also have the biggest council home building programme in the country, with 11,000 new council homes planned by 2043 and the first 1,500 of these complete by the end of 2018. In Southwark we are carrying out some of the country's largest estate regeneration programmes, which are replacing poorly designed homes that often have failing heating systems, with new modern homes including genuinely affordable social rent homes.

"This is the first year we have recorded any net loss which will be temporary. Once our key regeneration areas, like the Elephant and Castle, are completed we will see an overall increase in social housing in our borough, which will be further bolstered by our council home building programme."



An 'affordable' one bed flat in this scheme is rented at £215 per week

How can rent levels change between social rented and affordable homes?

When is affordable affordable?

Con Sullivan (circled) in a team photo from 1965

06/04/2016

Campaigners worry over 'loophole' on affordable homes

By Owen Sheppard
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A COUNCIL policy that could be a breakthrough in the battle for more affordable housing built in the borough has been rubbished by "disappointed" campaigners.

Adrian Glasspool and Jerry Flynn, two former Heygate Estate residents who carry out investigations under the 35% blog, have identified a "loophole" in the policy that they think may allow developers to get around rules on being open about how much affordable housing they will provide.

The policy, which was approved by senior councillors on March 15, is designed to make deals for getting decent amounts of social and affordable-rent housing out of developers more transparent. It does this by forcing developers to publish 'viability schemes' that show how many social or affordable-rented homes they can offer before a development becomes unprofitable.

Pressure from Jerry and Adrian's campaign had helped convince Southwark Council leader Peter John to promise to take this issue on, and previously say to the *News* that more "openness" is needed, so people can "pore all over these documents".

But Jerry told the *News* the new policy was a "missed opportunity" for real transparency.

The campaigners fear the policy will give developers the freedom to privately change deals made on affordable and social-rented housing quotas after the council has signed them off, because it "skips over" what would happen if an appeal is made.

"It would be very simple for them [the council] to just put a line in the policy making it explicit that they have to provide viability schemes when they want to alter the amount of affordable housing," he said.

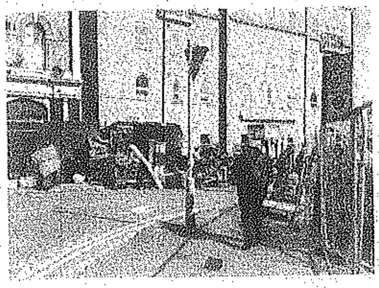
"It feels like the council are making trouble for themselves by not making it clear. If I was a developer I would just say 'show me where it says I have to do another one [viability scheme].'"

Cabinet member for regeneration and new homes, Mark Williams, said the policy "includes" scenarios when a developer tries to reduce the level of affordable housing, while a council spokeswoman said the policy's documents state this "implicitly".

Southwark's Liberal Democrat spokesperson for Planning, Cllr Adele Morris, said: "Until the council understands that development should be done 'with' residents and not 'to' them, they will continue to have serious problems with deals being done behind closed doors."

CAMBERWELL

'Squatters destroy old care home'



By Alex Yeates & Owen Sheppard
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SQUATTERS HAVE been accused of leaving a disused care home in a "disgusting" condition after they were turfed out by security guards on Friday.

Elmington Estate resident Fred Rowley said he watched up to 40 squatters hurling abuse as they were cleared out of the former Camberwell Green Nursing Home building.

"I watched for a bit while they were 'demonstrating' – basically shouting at the security officers and calling them fascists," said Fred.

"The security guards were all wearing black helmets, so they must have expected some trouble.

"They had only been there three or four weeks, but I spoke to a few security guards who told me they have left a terrible mess inside.

"On Friday they were all outside with shopping trollies full of things like TVs, radios and roll-up beds, and some of the trollies have still been left there.

"They told me Battersea Dogs' Home is cleaner than what they found in there. They had just destroyed the bloody place."

The 66-year-old first spotted squatters breaking in an out of the empty building a month ago and they have caused a nuisance for the estate's residents ever since, he said.

"They used to let their dogs loose on our estate and let them go all over our gardens and just leave it for us to pick up," said Fred.

"We're glad they're gone. It's a shame as well because it's a nice new building and they have destroyed it."

The nursing home was formerly run by private care company HC One.

Southwark Council put an embargo o[n] the care home last year, and it was pla[ced] in special measures by the Care Qu[ality] Commission before HC One announced its closure on October 4.

A spokeswoman for HC One said: "We worked with the relevant authorities to safely remove a number of squatters from the building.

"Additional security is now in place and work will be undertaken to repair any damage. We are in the process of making a decision on the future of the building."

Lack of affordable housing slammed

By JACK DIXON

HOUSING campaigners have blasted plans for a 40-storey "tower of shame" in Elephant & Castle.

Developer London Regional Properties (LRP) has made changes to its affordable housing commitment for the Skipton House tower block but came under fire for failing to provide enough low-cost homes.

The number of homes planned for the development has been revised down from 421 to 408, but only around 15 per cent are expected to be affordable.

Southwark council has set a target for major housing developments to provide at least 35 per cent of new properties at affordable levels.

The 35 per cent campaign's website described the development as "another tower of shame" that would "exclude those who aren't rich enough".

Jerry Flynn, from the campaign, said LRP's revised figure was "pathetic". "We call ourselves the 35 per cent campaign because that is Southwark council's policy," he said. "But time and again these developers have been allowed to get away with it – 15 per cent is way below the mark."

The campaign also said the number of affordable homes proposed for the developments at Eileen House and the Strata Tower were unacceptable and warned that the Elephant was being turned into a "social housing free zone".

"There is a pattern to all of this," Mr Flynn added. "Developers like towers because they can design out the affordable housing."

Around 150 of the new homes at Skipton House should be affordable, with half of those made available at social rent levels, according to the campaign.

But the developer's revised plans, which were submitted to Southwark council last week, suggest a contribution "in the region of 15 per cent" – only around 60 homes.

LRP's application also outlines plans for two basement levels, including a 500-seater underground concert hall, an arthouse cinema and a fitness centre.

The developer has said it expects to create 1,675 jobs. LRP did not respond to requests for comment but said in its affordable housing statement that it had followed the requirements of Southwark council's planning policies.

It said: "Discussions are ongoing with the council and its viability consultant to establish the maximum reasonable contribution to afford, taking into account the significant current use value of the site and the provision of other uses.

"A site search is also under way to identify a suitable location for the delivery of affordable housing off-site in order to provide the greatest quantum and tenure of affordable housing to meet local needs."

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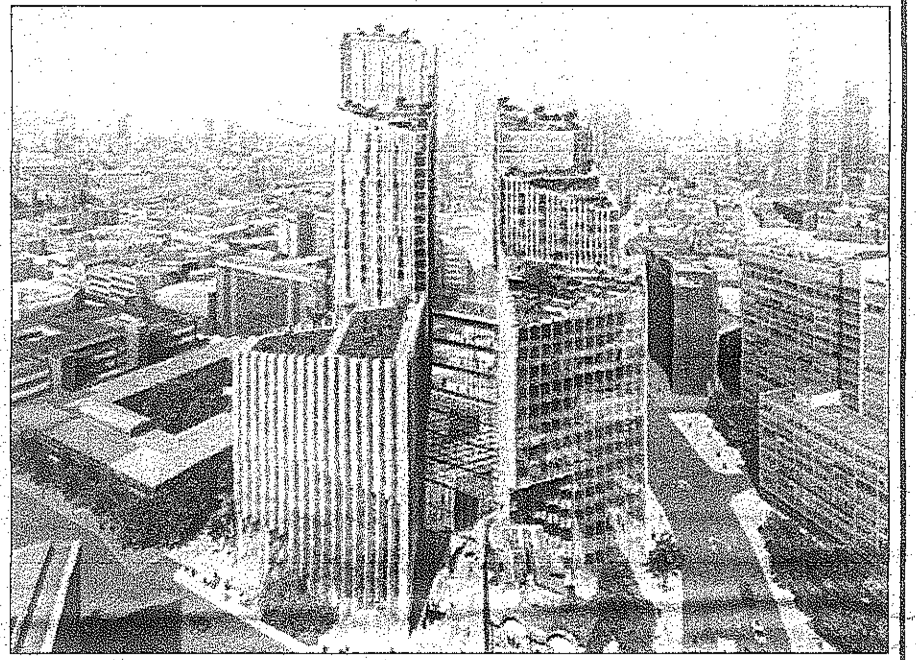

TOWER: Plans for the development at the Elephant & Castle m7302

By Owen Sheppard

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A DAMNING investigation has revealed that a global property firm made tens of millions in profits from selling 282 luxury homes in Elephant and Castle, with zero affordable housing.

Records from Australian property giant LendLease show that every single flat in the 37-storey 'One the Elephant' tower block was pre-sold before completion in 2016.

The firm's financial statements show the flat sales brought in revenue of AU$345m, or approximately £185m (based on average 2014-16 exchange rates).

The 35% Campaign, who published the investigation on their blog last week, estimated that LendLease spent less than £110m on all costs associated with building the mammoth block, leaving it with profits of at least £70m.

The numbers have caused the campaigners to ask why Southwark Council had given LendLease permission to build the block in 2013, with no provision of affordable or social housing.

LendLease paid the council a total of £22m in order to gain planning permission for the tower block, of which £20m was used by the council to build the recently-opened Castle leisure centre.

The £22m can be broken down into the following costs:

- £4.6m as a Section 106 (instead of providing affordable housing)
- £12.24m as an overage payment (given in light of the excess profits made on the sale of flats)
- £6.6m to buy the land off the council

LendLease then spent £79m on construction, according to the company's Portfolio Report published in December 2015. £0.9m was also given to the Greater London Authority. A LendLease spokesperson said there were also costs for marketing, and consulting with architects, engineers and local residents, but said they could not be disclosed as they were "commercially sensitive".

Add it all up, and the 35% Campaign have assessed that LendLease's overall costs came to approximately £108m.

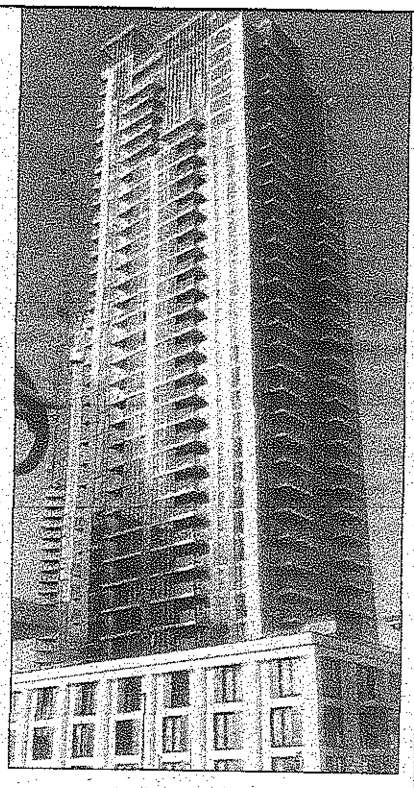
Bermondsey man Jerry Flynn, who co-authored the 35% Campaign investigation, said: "It defies common sense that anyone could have looked at this scheme and not questioned whether LendLease would profit hugely from this."

He said the profits showed that viability schemes (used to assess what level of affordable housing developer should provide, based on projected profit levels) could easily be "manipulated" for developers to avoid providing affordable homes.

"It's only us who are saying they have made this amount of money, and it's up to LendLease to clarify what their profits were from all the sales. But up until now they have said nothing.

"You can look at all the different scenarios for the value of the land and the projected revenue from the sales, and it still shows how easily [viability schemes] can be manipulated in developers' favour.

"Developers will always aim to make a



development look as costly as possible, so that they won't have to provide affordable housing.

"It should also be noted that they will be making money from the underground parking, and the lease they have given to Pret A Manger."

A Lendlease spokesperson called the figures "materially overstated" and questioned whether the gross revenue figure for the flat sales had been converted from Australian dollars using an accurate exchange rate. However, they were unable to provide figures of their own.

"Our long-term partnership with Southwark Council is delivering huge investment for the Elephant and Castle community," the spokesperson said. "We are proud of the contribution One the Elephant has made in transforming a previously derelict swimming pool into a thriving new place at the heart of the Elephant and Castle, with new homes, shops, a world-class community leisure centre and a significantly improved public park."

The *News* asked the council whether it would call for an independent audit of LendLeases's profits, or if it would seek to review its deal with the company to try to recoup any 'excess' profits.

Councillor Peter John, leader of Southwark Council, said: "The council is more than happy with the arrangement we made with LendLease regarding the profit share and we are confident that the outcome, which not only covered the costs of our new leisure centre, but provided additional funds to help us build new council homes in the Elephant and Castle area, shows how successful these agreements can be is creating benefits for the local community."

LendLease are also the council's development partner for regeneration of the Elephant Park site – formerly the Heygate Estate – which will include a quota of 25 per cent of new homes to be let at affordable rents.

appeal 32 years after murder

News Page 9

20/04/2017

Affordable housing pledges swept under mat

Developers have reneged on promises to build cheaper homes alongside those being sold at full market rates

Jon Ungoed-Thomas
and George Turner

Developers are quietly walking away from promises to build affordable homes, according to an investigation by campaigners.

They say council officials are "outgunned" by the financial and legal might of the developers who were granted permission for schemes on condition that affordable homes were included.

Some councils have given in to demands to change the pledges. In other cases, property companies have flouted legal agreements because they expect lax monitoring.

In four developments involving one group, London District Housing Association, council officials believe there was a deliberate and unlawful scheme to sell or rent affordable homes at full market rates. The housing association denies knowledge of any wrongdoing.

A dossier seen by The Sunday Times and submitted to the local government ombudsman identifies 46 developments in London where it is claimed affordable homes may not have been provided as pledged. The ombudsman ruled last December that there had been a failure in monitoring the delivery of affordable homes, including the rent levels charged.

The allegations in the dossier are the latest setback in the provision of affordable homes. A study in 2013 showed that 60% of the biggest housing schemes fell short of local affordable housing targets including projects in Birmingham, Bristol, Cardiff, Manchester and Sheffield.

Councils have targets to build a set proportion of affordable homes, typically 35%-40% of new-build housing. They are rented at lower rates or sold in shared ownership schemes and it is usually a condition of planning permission for big developments that affordable homes are provided.

Jerry Flynn, a spokesman for the 35% Campaign, which compiled the evidence submitted to the ombudsman, said: "It's a scandal that affordable homes at these developments have not been delivered as originally agreed."

Its submission highlights the £400m Neo Bankside development, adjacent to the Tate Modern gallery in London. The developer initially pledged 32 affordable homes would be part of the complex, where flats were marketed for up to £22m. The agreement was dropped with the backing of Southwark council after planning permission was granted.

Neo Bankside did build 132 affordable homes off site. It pledged in a legal agreement that its affordable homes would be built without the support of public funds.

Greater London Authority documents show, however, that some of the affordable homes provided by Neo Bankside were funded with more than £3m of taxpayers' cash. Neo Bankside and Southwark council said last week they were examining why official records indicated that public grants helped to fund the affordable homes.

The most serious failures in the submission concern four developments involving London District Housing Association, including the redevelopment of a former jam factory. It is alleged some of the affordable homes at its sites were let out or sold at full market rates.

Southwark council has alleged in court documents that there was a deliberate conspiracy and unlawful scheme to sell or let out affordable homes at market rates in a flagrant abuse of the original agreement. Its legal action against the housing association and property companies involved in the sites claims "sham" documentation was used to sell or let affordable homes at market rates.

London District Housing Association said it is a not-for-profit housing provider and denies executing or knowing about sham documentation. It said its intention was to provide social housing and it was unaware of details of the alleged unlawful scheme with its commercial partners.

A property company involved in the deals, Protected Growth Plan, said it was not party to the original legal agreements to provide affordable housing (known as section 106 agreements), it was not bound by them and had not breached any law.

A Southwark council spokesman said: "Following settlement of a complex High Court claim we are pleased to confirm that we have agreed terms with the current owners which will result in 17 flats going back into affordable housing use."

Southwark said it had one of the best records for delivering affordable homes and was introducing an audit to monitor the delivery of such housing.

The Neo Bankside development said that in addition to the 132 homes built off site, a payment of £11m had been made to help build other affordable housing.

@JonUngoedThomas

Developers of Neo Bankside appear to have used taxpayers' cash to fund affordable homes

£22m

The price of a penthouse flat at the Neo Bankside development in London