

WELWYN HATFIELD BOROUGH COUNCIL
CABINET HOUSING PANEL - 6 AUGUST 2018
REPORT OF THE CORPORATE DIRECTOR (HOUSING AND COMMUNITIES)

AFFORDABLE HOUSING DELIVERY – REVIEW OF STRATEGIC APPROACH

EXECUTIVE SUMMARY

- 1.1 In September 2017 the council were successful in securing £14K in funding via a bid to the Local Government Association's (LGA) Special Advisors programme.
- 1.2 The project proposal was to get external advice on developing new and innovative delivery models to achieve additional affordable housing in the borough.
- 1.3 The LGA shortlisted providers who bid to work with us on the project and Campbell Tickell consultants were commissioned in November.
- 1.4 Campbell Tickell met with key officers and members to identify our objectives and to understand more about our challenges and opportunities. They also analysed relevant data and carried out site visits.
- 1.5 Campbell Tickell produced an advisory report on our options and recommended the next steps we should take.
- 1.6 This report sets out a summary of their recommendations and the next steps being taken by the team to ensure that we continue to maximise opportunities for the delivery of affordable housing.

2 Recommendation(s)

- 2.1 That Members of the Panel note the content of this report.

3 Explanation

- 3.1 Demand for housing is very high and outstripping demand. The council needs to continue to work innovatively to increase and maintain the current supply of affordable housing locally.
- 3.2 The council has been delivering homes through its Affordable Housing Programme since 2012 and is proud of the achievements so far, but we want to do more and we are keen to innovate and maximise the delivery of affordable housing.
- 3.3 We recognise that enabling access to high quality, affordable housing for local people often extends beyond solely providing social rented housing, due to the diverse needs and circumstances of different households in the borough - there are many households who approach the council for housing because they are unable to meet their housing need from the current market, but do not fulfil the criteria for social rented housing.

- 3.4 The Housing Advisers Programme coordinated by the LGA is designed to support local authorities to deliver a project that helps meet the housing need of their local area.
- 3.5 The programme funds the provision of an independent adviser to offer bespoke expert support to the council to undertake a specific project that works towards delivering homes, reducing homelessness, or generating savings or revenues.
- 3.6 In September 2017 the council was successful in securing £14K via the programme to help develop new and innovative delivery models to achieve additional affordable and accessible housing in Welwyn Hatfield. In summary we wanted the advisors to help with
- Identifying options for utilising right to buy receipts, outside of our current Delivery Plan
 - Identify suitable options for using cross subsidy models and/or engaging in a joint venture or other suitable models, to maximise our ability to deliver
 - Provide guidance on how best to manage land assembly, feasibility and viability assessments
 - Advice on maximising opportunities within the council's own asset base – such as estate regeneration/redevelopment
 - Identify the most appropriate delivery vehicles going forward, based on business objectives and the current operating environment and having regard to our objectives
 - Identify how different delivery vehicles could be used for different tenure types and whether the creation of a delivery vehicle (for example a wholly council-owned housing company) could also potentially generate income for the general fund through certain treasury management arrangements.
- 3.7 The LGA shortlisted providers who bid to work with us and Campbell Tickell (CT) (specialist housing consultants) were commissioned in November. They worked with the team over a four month period between December 2017 and March 2018 – carrying out face to face meetings and interviews, site visits and desk top research – and have now produced a final report with recommendations.
- 3.8 Key findings and recommendations from CT are:
- 3.9 The current programme of enabling and HRA direct development appears to be well managed with appropriate governance and scrutiny arrangements in place, alongside a well-structured strategic review and plan.
- 3.10 There are restricted land banks and pressure on easily obtainable, affordable development sites. Notwithstanding the positive land value, identifying and releasing existing land and property assets owned by the council is likely to be the preferred route of delivering new opportunities, due to the competitiveness in the land market in the area.
- 3.11 The council should consider the re-use and/or redevelopment of the council's own land and property assets which will provide the opportunity and advantage

of establishing an increased scale of direct housing development, whether this is done via a housing vehicle (such as a housing company) or direct through the Housing Revenue Account (HRA).

- 3.12 Consider options and carry out more detailed feasibility work on establishing a local housing company or other trading vehicle or company. This is on the basis that the HRA may only be used to provide homes under secure tenancies, in the case of our council, social rented. In order to widen the options in terms of tenure (such as sub-market/market rented homes let on assured shorthold tenancies) a wholly owned housing company can be established. Local housing companies have been established by hundreds of councils across the country and have had the benefit of not only meeting more different types of housing need but importantly have been able to cross-subsidise additional social rented housing
- 3.13 To take a strategic and holistic approach to all of its land and property assets, which would include reviewing underperforming land and property assets for potential development and an analysis of revenue costs and gains.
- 3.14 Continue to engage in the One Public Estate initiative and other avenues to work with other public bodies to make the best use of public land.
- 3.15 Any increase/scaling up in development activity should be accompanied by an appropriate review of skills, capacity and procedures to ensure development risks can be properly managed and mitigated.

Next Steps – in addition to continuing with our Affordable Housing Programme to provide social rented utilising retained right to buy receipts.

- 3.16 The summary of the report will be shared with the Corporate Regeneration Group for their consideration.
- 3.17 A detailed analysis of the HRA land and stock holdings is being commissioned, which will help us identify other potential assets/land that could be considered for redevelopment/new housing delivery. The procurement of a suitable company to carry out this analysis is underway, with all tenders returned. We aim to have appointed a company by September.
- 3.18 In addition to this, we have recently launched 'Spot the Plot', an initiative which encourages staff to highlight potential development sites/remodelling opportunities that they have spotted during the course of their day to day duties.
- 3.19 The council has already engaged a Land Agent to identify any new development opportunities in the area outside of the council's land ownership
- 3.20 Discussions are ongoing with Herts County Council regarding land that they own and whether there is an opportunity to work in partnership to deliver on identified sites.
- 3.21 We will procure a suitably qualified company to provide expert advice on the appropriate structure required for a housing company, in order that a suitable delivery model is available at the right time, when opportunities present themselves. This will be in order that properties can be delivered for market sale and/or at full market rent – in order to provide both cross subsidy, but also deliver housing to meet the needs of the community as a whole.

- 3.22 This would also facilitate further analysis, carried out in conjunction with the council's Resources Team, to identify how a housing delivery vehicle such as a housing company could provide income for the general fund through loan arrangements between the council and the housing company.
- 3.23 A further report will be brought to members this calendar year, following receipt of the advice, setting out the options and recommendations on how to take this forward. As and when opportunities arise, we will consider the benefits of entering into joint venture partnerships to help facilitate future housing developments. There are numerous ways in which a joint venture could work, the chief benefit being the sharing of risk and reward, but also enabling access to specialist experience from other organisations.
- 3.24 Consideration of options to scale up the housing development team as and when required, based on the level of development projects that are underway. The team are currently working at capacity, but continuing to identify new opportunities. This is likely to be in the form of commissioning a suitably qualified firm to provide project managers who can work alongside the current team to provide additional capacity, but in a flexible way as need dictates.

Implications

4 Legal Implication(s)

- 4.1 There are no specific legal implications arising from this report.
- 4.2 Any project that is taken forward will include a review of legal implications and where appropriate specialist legal advice will be procured, for example where looking at potential company structures

5 Financial Implication(s)

- 5.1 The report was commissioned using funding provided by the LGA.
- 5.2 The recommendations in the report will be built into the new Housing Revenue Account Business Plan which is being developed. This will be presented to members during the course of this year.
- 5.3 The projects delivered via the Affordable Housing Programme are funded through the established capital budget.
- 5.4 The review of the HRA assets is being procured in accordance with Financial Standing Orders and this work will be paid for from existing HRA budgets.
- 5.5 If external support is commissioned to add capacity to the housing development team, this will be to deliver capital projects and the costs of this will be a legitimate professional fee associated with the relevant project and met from the scheme budget.
- 5.6 There is currently approximately £60m headroom (the amount that we currently have available to borrow) in the HRA and this is set to increase significantly, year on year. Full details will be provided in the updated HRA Business Plan (see 5.2, above)
- 5.7 At this stage, although we have plans in place to utilise the available right to buy receipts over the next three years, we do not have plans in place to spend all the

receipts currently anticipated over the life of the Housing Revenue Account Business Plan and on that basis we need to ensure that we are continuing to identify development opportunities, to mitigate the risk of having to return RTB receipts and associated penalties.

- 5.8 Detailed financial implications relating to the creation of a housing company will be shared with members when further research has been conducted, as set out in 3.11 above.

6 Risk Management Implications

- 6.1 Failure to meet local housing need: Failure to prevent homelessness will result in a financial and reputational risk to the council. The council has enhanced responsibilities under the new Homeless Reduction Act. Failure to meet these responsibilities could result in intervention from government bodies. In addition homelessness is becoming a more visible problem in the borough, for example we have seen a rise in rough sleeping, causing potential reputational damage to the council. Homelessness has direct financial implications, particularly where there is a shortage of housing, leading to the provision of sometimes costly temporary accommodation. For example, bed and breakfast costs are met from the general fund. By increasing housing supply, particularly affordable housing options, both the financial and reputational risks associated with not meeting housing need is mitigated. Likelihood High; Impact High.
- 6.2 Legal – new ventures: it is important that the right advice is secured before establishing any new vehicle or entering into joint ventures to enable the delivery of more homes. Specialist advice will be procured, as required, for the relevant projects, which will mitigate the risk Likelihood Low; Impact High
- 6.3 Team capacity. Housing development is very complex and the council has a small, but skilled team. Ensuring that there is sufficient capacity available to project manage any new initiatives or new housing development will ensure that projects are well managed, reducing reputational, legal and financial risks. The risk may also be mitigated through carefully sourced expert consultancy on a project by project basis, or through considering joint venture projects, where part of the contribution made by partners is development expertise. Likelihood Low; Impact High
- 6.4 Financial – right to buy receipts. The current government rules allowing the council to retain right to buy receipts are based on delivery and expenditure of receipts within three years, with any unspent receipts being returned to government with associated penalty payments. A long term Affordable Housing Delivery Plan is essential to mitigate the risk of underspend on the receipts and the associated financial implications. Likelihood High; Impact Medium.

7 Security & Terrorism Implication(s)

- 7.1 There are no security or terrorism implication for this scheme

8 Procurement Implication(s)

- 8.1 There are no direct procurement implications arising from this report. The initiatives mentioned in the report are being procured in accordance with the council's Financial Standing Orders and the procurement policy.

9 Climate Change Implication(s)

- 9.1 Homes delivered via the council's affordable housing programme are built or renovated to a high standard, ensuring that thermal comfort and efficiency are a key outcome.

10 Communication Plan

- 10.1 The council's Affordable Housing Programme has an agreed communications plan and the positive outcomes of delivering additional affordable and other housing is promoted as this is a key achievement and positive outcome for the community.

11 Link to Corporate Priorities

- 11.1 The subject of this report is linked to the Council's Corporate Priority:

1 Our Housing – planning for current and future housing needs”

12 Equality and Diversity

- 12.1 An Equality Impact Assessment (EqIA) was not completed because this report does not propose changes to existing service-related policies or the development of new service-related policies.

Name of author (Sian Chambers ext 2640)
Title (*Head of Community and Housing Strategy*)
Date (11 July 2018)

Background papers to be listed (if applicable)

Cabinet report Strategic Review of the AHP June 2016