

Supplement to the agenda for

Connected Communities Scrutiny Committee

Wednesday 13 November 2024

10.00 am

**Conference Room 1 - Herefordshire Council, Plough Lane
Offices, Hereford, HR4 0LE**

8. LOCAL AUTHORITY HOUSING DELIVERY MODELS

Pages

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Herefordshire Council

Best Practice: Review of
approaches to developing
& delivering affordable/
social housing

Report of findings

November 2024



Scene setting

Current position

Estimate of need for affordable housing

The **Housing Market Area Needs assessment** (2021)-

- 597 affordable homes per year
- 422 social/affordable rented homes
- 175 affordable home ownership homes
- 65% of these in Hereford and Ross.

➤ **Policy for delivery of affordable housing**

Current **Local Plan Policy**– Policy H1 (New plan - Reg 18 – similar percentages)

Sites over 10 dwellings to provide:

- 35% AH - Hereford, Hereford Northern/ Southern Hinterlands, and Kington and West Herefordshire
- 40% affordable housing - Ledbury, Ross and Rural Hinterlands; and Northern Rural (which includes Bromyard)
- 25% affordable housing - Leominster.

The task....

1. A strategic overview of the current delivery models for affordable housing

- Commentary on current delivery models – their relative merits and pitfalls
- Summary of any local authorities currently operating the models
- Examples of successfully delivered developments, as case studies
- Summary of relevant third party council policies in relation to affordable housing.

2. An overview as to which models could be appropriate to address the need in Herefordshire - to include:

- Delivery vehicle – model and governance requirements
- Possible sources of funding
- Details of any operational constraints.

Affordable housing delivery – next three years

Best estimate - from 3-year delivery plan – c 500 per annum

Development type	Est. Nos
Community Land Trusts	20
100% affordable housing Schemes	350
Planning gain	1,110
Total	1,500
C 250 of the AH in rural villages	



Number of different housing associations involved



Variation in size of affordable housing schemes – down to 1 and 2 dwellings – mostly 10 to 40 - some bigger



Top 5 RPs in Herefordshire in terms of stock owning – c11,500 dws. There are another 20+ RPs with some stock in Herefordshire

Local perspectives

- RPs under financial pressures
- RPs are being careful/selective about what they develop – different approaches for different RPs e.g. one RP will take on smaller (rural) sites but another might operate to a minimum scheme size e.g. 20 or 40 dws
- RP 'red lines' e.g. gas boilers in new housing
- Some RPs are OK and some are cautious about involvement in s106 schemes
- Local 'pool' of contractors is limited especially in more rural areas – can push up costs
- LA planning capacity across the country is of general concern – planning delays = lost £s
- Nutrient issues are an increasing concern generally - in Herefordshire – there is a 'queue' for phosphate credits
- Good communications between RPs and LA at a senior level can matter.

Drawn from interviews with council officers, housing associations (registered providers - RPs) active in Herefordshire

National issues affecting most RPs – stock upgrades, rising build costs, slower sales market

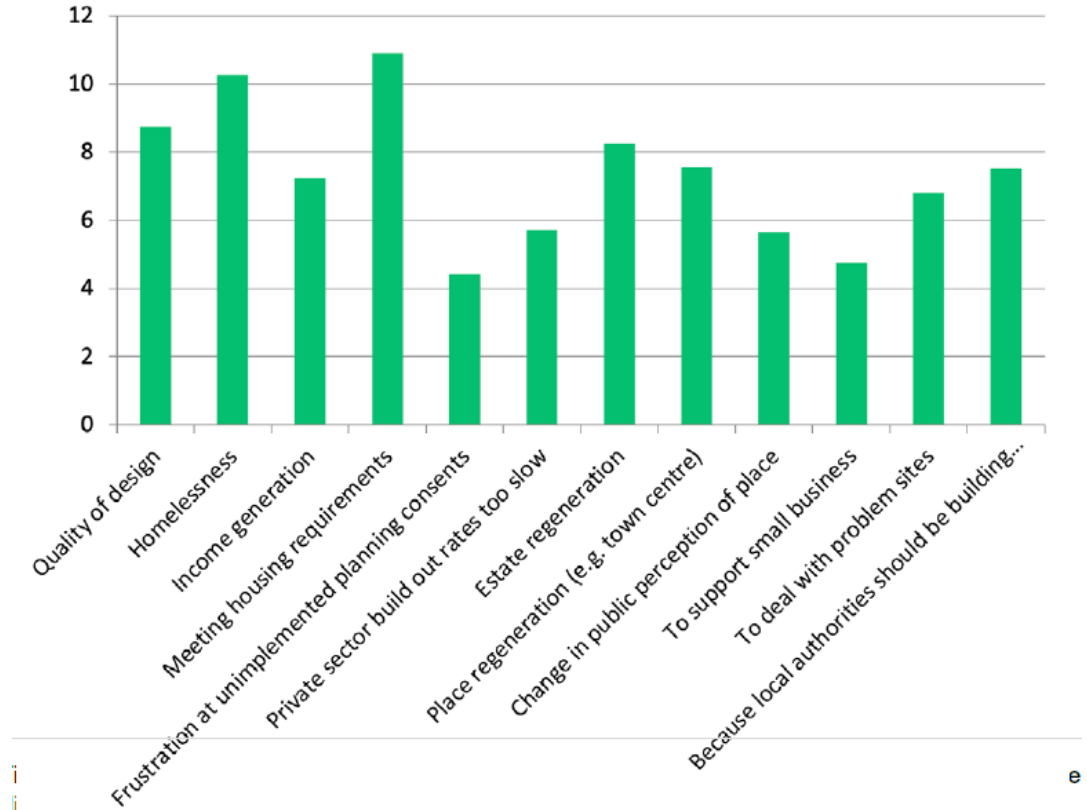
Waiting to learn more about impact of the Budget on Homes England spending plans – current Affordable Homes Programme ends in 2026

Local authorities – direct involvement in housing delivery

Annual survey - Bartlett School of Planning,
UCL - [Local authority Direct Provision of
Housing: Fourth Research Report – 2024](#)

- In 2023, 52% of authorities surveyed reported having one or more local housing companies
- In 2023, 69% local authorities have joint ventures
- Very few councils taking no action
- LAs developing wide range of initiatives e.g. establishing lettings agencies (e.g. Ashford, Bury, BANES, Wyre Forest)

What are the main reasons for engaging in housing provision? (Higher score = greater importance)



Where authorities choose not to get involved

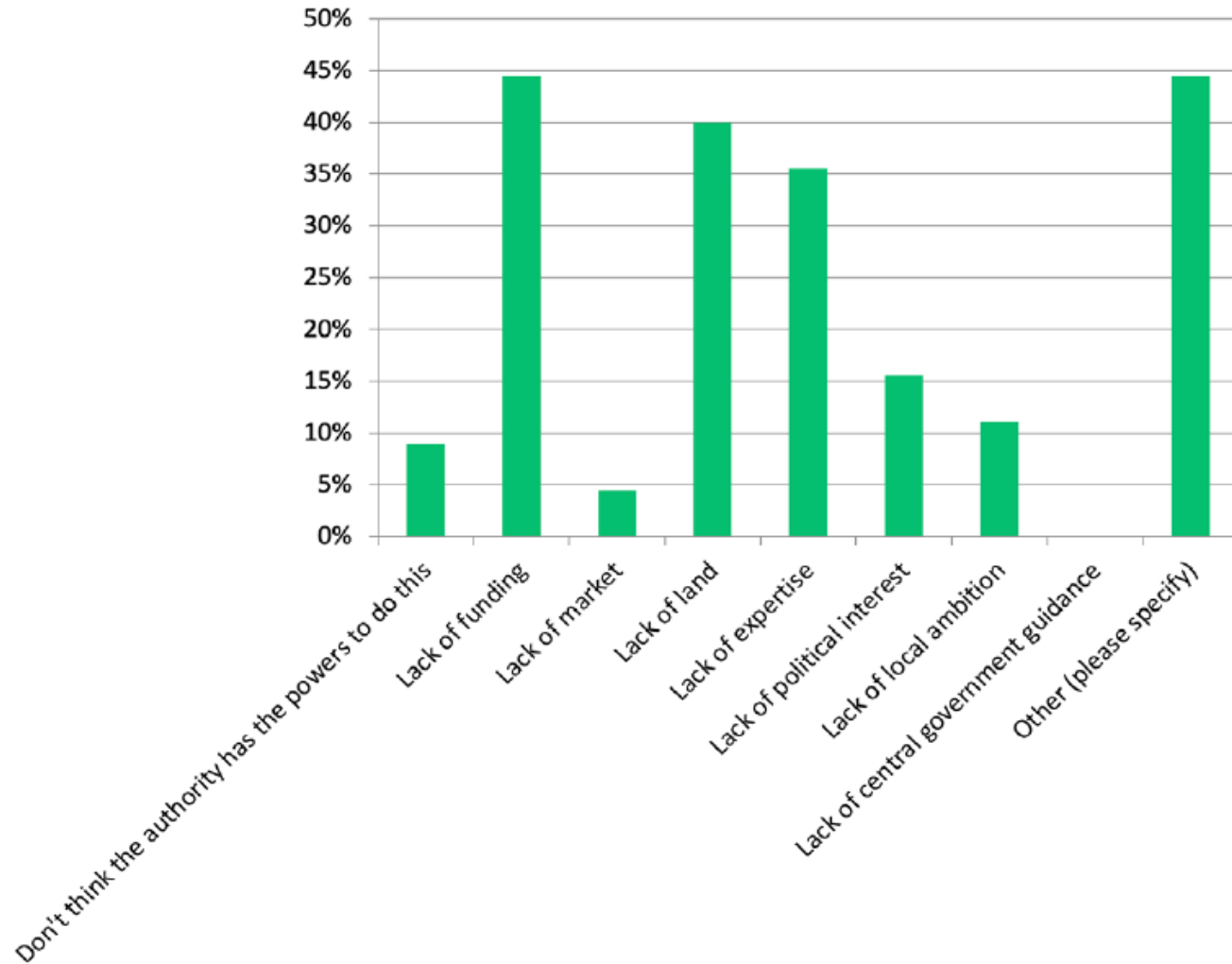
Again – from the annual survey quoted in previous slide

Small no in this group – c45 replying to the survey

Main reasons = lack of land, funding and experience

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+ have picked up similar comments from local interviews and past research with local authorities

Reason(s) for not engaging in providing housing



LA delivery models – most common examples

Local housing companies - independent arms-length commercial organisations wholly or partly owned by councils - can develop, buy and manage properties within and outside the local authority area. Development companies sit outside local government housing financing systems (Housing Revenue Account). Local housing companies can establish RPs to deliver affordable housing.

Direct delivery of affordable housing - council involved in all aspects of delivery – including selecting and managing contractors for the build process. Can be small-scale or major schemes. If no HRA – when 200 units developed, would trigger need for HRA – or pass on to an RP.

Joint Ventures (JVs) – a range of different commercial arrangements between two or more separate partners. Each party contributes resources to the venture and a new business is created in which the parties collaborate together and share the risks and benefits associated with the venture. Typically the local authority contributes land. A local authority may have one or many JVs with one or more partners.

All the above could involve acquisitions as well as newbuild – acquisitions could include buy-back of properties previously bought through Right to Buy.

Other mechanisms – some examples

LAs that have used their own General Fund (GF) and Housing Revenue Account (HRA) land to ‘sell’ at lower value to RPs/HAs to deliver higher levels of Affordable Housing (AH), or 100% AH e.g. Welwyn Hatfield, Brighton.

As above – but LA active in reviewing own estate and then **parcelling up small sites** – then go to a number of RPs to bid for the different parcels e.g Hounslow.

10 **LAs lease new homes from a private developer or investor** (often for temporary accommodation) e.g. LB Brent and Greenstone.

LA enters into contract with developers to forward purchase newly constructed affordable homes off-plan e.g. Rotherham Council’s Small Sites Homebuilding Initiative.

Case studies – summary

(Further details in Appendix A)

Local authority	Activity – and timescale	Operation
Telford and Wrekin Council: Nuplace	Development company – established 2015 delivering mainly homes for market rent but also some general needs affordable 485 homes (64 AR) delivered (c400 pipeline – 2023) Focus on larger, more challenging, brownfield sites – mainly council owned	Wholly owned by the council Now making small profit before tax Runs alongside direct delivery focusing on housing for more vulnerable groups.
Shropshire Council: Cornovii	Development company - established 2019 (1 st completions 2023) 2024 Bus Plan - programme to deliver 913 homes over 10 years Delivers policy compliant affordable housing Entering the private rent market	Wholly owned by the council and council funded Expects a positive financial benefit over the life of the company
City of Wolverhampton Council: WV Living	Development company – established 2016 delivering policy compliant affordable housing (rest market sale or rent) Targets difficult to deliver BF sites 629 homes completed or under development - 135 AH Rented homes managed by council ALMO	Wholly owned by the council Part funded by council loans Move to financial surplus 2025/2026 Also direct delivery programme – using framework agreements with developers
Eastleigh Borough Council: Horton Heath	310-acre (125 ha) residential led development (up to 3,000 homes) Land now owned and to be developed by the council Residential units include market, affordable rent, low cost sale (shared ownership) and private rent	Initially promoted by private developers but development stalled Council acquired land in March 2018 – first completions 2025 Delivery undertaken in-house Governance via council decision making

Delivery models – learning points

	What would be involved	Key considerations
Development company	Setting up a company, establish funding, business plan and governance arrangements Full due diligence	Gives the LA control – can offer a wider range of products e.g. private rent or increased affordable housing Can generate income but not immediately BUT Have been high profile failures – lessons about getting bus plan and funding right at Day 1 and managing risk- must maintain a pipeline of sites
Direct delivery 12	Similar to dev co but done directly under General Fund or HRA At 200 homes requires HRA Could choose to focus on specific development type such as TA or supported housing	Can be useful mechanisms to build out smaller sites Very hands on – requires wide range of skills and commitment/patience Consider impact of RtB
JVs	Identify land parcels and appropriate partners Full due diligence Identifying right legal mechanism and structure and exit routes	Importance of up front due diligence and of risk modelling Selecting the right partner is key – need to be committed and financially sound
Leasing from private developer	Taking a 10yr plus lease on newbuild or existing stock at an agreed return to the property owner	Short term fix Can be either with General Fund or HRA

Common themes from the delivery mechanisms

- Can deliver policy compliant amounts of affordable housing – but potential to scale this subject to funding, land availability and viability e.g. Salford City Council (Dérive)
- Some provide private rented homes which could i) take pressure off demand for affordable housing ii) provide an income for the council iii) provide an asset e.g. Telford and Wrekin Council, Cornwall Council
- Can deliver at scale or to meet small local opportunities e.g. Warwickshire County Council – JV with Countryside to deliver 2,000 homes over 20 years or Bristol direct delivery of small sites

HC-owned sites

- HC owns a number of sites that are capable of delivering policy compliant affordable and market homes
- Over 2,000 units on 18 sites with potential for further investigation
- 10 sites with potential for further investigation which each have capacity for less than 75 units – may be suitable as a pilot
- There may be other sites that will become available in due course
- See Appendix B – for list of sites included in the totals above.

Local potential for increasing delivery of AH

Potential opportunities to increase supply of affordable housing using existing mechanisms – in addition to maintaining good relationships with current RP partners

- Explore with current RP partners and RPs with some stock holding in Herefordshire but not currently developing, their potential to do more - some may have untapped financial/corporate capacity
- Use of council's own funds e.g. collected from commuted sums, to support delivery – possibly more about securing types of homes needed e.g. switch from affordable to social rent, provide more family sized units
- Consider options to ameliorate the wait for phosphate credits

Business as usual

S106 sites

- Difficulty of scaling up overall AH delivery
- Minimal financial risk

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- Small sites deliver no AH
 - Cannot guarantee will meet policy – viability (total number and/or type)
 - HE funding unlikely
 - RtB / RtA
 - Achieve mixed housing

100% affordable sites

- Difficulty of scaling up overall AH delivery
- Minimal financial risk

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- Potential of attracting HE funding
 - RtB / RtA
 - Mono-tenure
 - RP more control over unit type

Overview of models which could be appropriate to address the need in Herefordshire

No single solution

The three main delivery mechanisms – DevCo, direct delivery, JV, are all capable of increasing capacity and influence the type of housing

HC has land that could be used for all of the above - potential to look at smaller sites, under 30 units, to use as a pilot

17 There are examples of success in wider sub-region – HC could discuss in more detail with the relevant councils

A common feature is that they all require significant effort and resources in setting up successfully (to mitigate risk) and take time to deliver

Limited short term options without an HRA - could include i) limited acquisitions ii) maintaining the current delivery pipeline through s106 and 100% AH sites working with RP partners.

APPENDICES

Appendix A - Case studies – supporting information - 1

Case study	Description	Established	Delivery
Telford and Wrekin Council: Nuplace	Wholly owned development company - delivering mainly homes for market rent but also some general needs affordable. Runs alongside direct delivery programme focusing on housing for more vulnerable groups. Is now making a small profit.	2015 Council has complete control over identity of company and appointment of Directors.	Developed 485 homes (64 AR) +c400 pipeline – 2023. Manages own properties. Undertakes own developments using a housebuilder as a contractor. Also buys units 'off the shelf'. Focus on larger, brownfield sites – mainly council owned.
Shropshire Council: Cornovii Developments Limited	Wholly owned development company. To undertake development to address unmet housing need.	2019 Governance arrangements include Housing Supervisory Board – monitoring the operations and performance of the company.	First development completed 2022 (33 dwellings) 2024 Bus Plan - 882 homes across 10 schemes + entry into private rent market (initial 33 units to be retained and operated via a managing agent). Affordable housing delivery to be policy compliant.

Case studies – supporting information - 2

Case study	Description	Established	Delivery
<p>City of Wolverhampton Council: WV Living</p>	<p>Wholly owned development company – delivers 25% AH as per policy (rest market sale or rent) Move to financial surplus 2025/2026</p>	<p>2016 Objectives to provide choice and offer local people the opportunity to buy high-quality, good value homes</p>	<p>Developed 451 new homes + 178 under development. Total of 629 - 135 of which are affordable homes. Rented homes managed by council ALMO. Targets difficult to deliver Brownfield sites.</p> <p>Runs alongside direct delivery framework, parcelling up council-owned land and inviting developers to bid to bring them forward for affordable homes.</p>

Case studies – supporting information - 3

Case study	Description	Established	Delivery
<p>Eastleigh Borough Council Horton Heath Development</p>	<p>310-acre residential led development (up to 3,000 homes) – with land for employment and community facilities Land owned and to be developed by the council Amongst council’s objectives – maximise housing quantum, accelerate delivery, minimum 35% AH, achieve min 40dph. Governance via council decision making Horton Heath Development Management Committee established plus additional officer expertise – including sales and marketing teams etc</p>	<p>Horton Heath first allocated in draft Local Plan – 2014 Initially promoted by private developer(s)– with 1st consent in 2015 (for part of site) but development stalled due to protracted viability negotiations. Council acquired land in March 2018</p>	<p>Residential units include market, affordable rent, low cost sale (shared ownership) and private rent Delivery undertaken in-house In-house delivery including seeking tenders for new development. A key part of the next phase of the project will be disposal of the sales units on the open market. This will be done under the Council’s housing brand “eastbrooke homes” First new homes to be occupied 2025</p>

Appendix B – List of HC owned sites – capacity for fewer than 75 units

Development	Site Address & Postcode	Area Ha	Total Units	HC Comments
Grafton,	The Green HR2 8BL	0.34	6	
Symonds Street site	Hereford, HR1 2HA		8	Temporary structure currently in place on site (Arrow Building)- site is bordered by Car Park and close to City Centre.
Westfield School Leominster	Westfield Scholl Leominster HR6 8HD	0.89	14	
Holme Lacy Primary	Holme Lacy, Hereford, HR2 6LW	0.6	18	Council owned former Primary School site. School building to be incorporated into planning designs. Governance granted for outline design, planning and disposal- July '21
Kington Livestock	Kington Livestock Market	0.93	18	
Broad St Car park	Broad Stret Leominster HR6 8RD	1.04	25	
Walls Hills Close	Wall Hills Close HR5 3	1.59	39	
Plough Lane	Top Car park Plough Lane Hereford	1.63	48	
Hildersley Farm incorporating former John Kyrle High School site	Hildersley, Ross-on-Wye HR9 7NN	2.66	52	Former Hildersley Farm and John Kyrle High School sites. Adjacent to Barratt David-Wilson development site and MoD Ross Ranges. Access currently land-locked and site unallocated within Local Plan
Chatsworth Rd playing field	Chatsworth Rd Hereford HR4 9hl	2.07	62	

Appendix B (Cont) – List of HC owned sites – capacity for more than 75 units

Development	Site Address & Postcode	Area Ha	Total Units	HC Comments
3 Elms Trading Estate	E Elmes Tarding est, HR4 9PU	2.8	77	
County Bus Station, HC land	Hereford HR1 2BJ		85	See above- new transport hub will free up site, although potential for multistory car park. Potential for mixed use if surrounding sites acquired.
Essex arms Hereford	Station Approach Hereford	1.56	120	
Land West Holmer North	Holmer North Hereford	10.67	213	
Bridge St sports centre	Bridge St Sport centre Leominster HR6 8EA	9.18	229	
Merton Meadow, Station Approach Sites	151 Widemarsh Street, HR4 9HE	2.85	300	Council owned site, earmarked for housing in City Master Plan. Site is constrained by flood-risk, for which £2m is available via BRLF funding if site is developed for housing however the site is currently a predominant part of car parking in the City.
Hospital Farm Hereford	Hospital Farm Hereford	40.64	359	max potential capacity 1000
Burghill Hospital Farm (East)	Burghill Hereford HR4 8NQ		400	HC owned former small-holding site that is land locked, potential to sell to Taylor Wimpey (neighbour with access) for a capital receipt or a sale agreement for affordable housing. Development of the site is not straight-forward due to current covenant in place and highways restrictions.

