

Meeting:	Cabinet
Meeting date:	Thursday 28 January 2021
Title of report:	Recommendation for potential sites to progress affordable housing delivery in Herefordshire
Report by:	Cabinet member housing, regulatory services, and community safety

Classification

Open

Decision type

Non-key

Wards affected

(All Wards);

Purpose

At Cabinet on 26 November 2020 the decision was taken on how the council will progress the delivery of net zero carbon affordable housing across the county over the coming years.

<http://councillors.herefordshire.gov.uk/ieDecisionDetails.aspx?ID=7360>

Cabinet also approved Phase 2 of this strategic work to develop a pipeline of sites suitable for development as affordable housing to support discussions with key partners including Homes England.

This paper seeks agreement to proceed with the outline feasibility of an initial number of selected council owned sites and any suitable sites in third party ownership identified across the county in order to progress the pipeline of suitable sites. The aim is to identify sites and prioritise using a market needs analysis

Recommendation(s)

That:

- (a) Cabinet agrees to proceed with the outline feasibility work for net zero carbon**

affordable housing at the initial selected council owned sites and any other suitable sites in third party ownership that may be available across the county. The sites will be prioritised to meet the demands based on market needs analysis

Alternative options

1. The council could choose not to intervene in the provision of affordable housing in the County and allow the current arrangement of Registered Providers (RPs) and house builders to meet provision. However, the type and scale of development produced via RPs and private house builders in recent times has not kept pace with demand for affordable housing seen as one of the key components of the County's wider economic ambitions.
2. The council could choose not to proceed with the feasibility of selected council owned sites and solely explore the potential to work in partnership with third party developers and or the purchase of open market sites which already have full planning permission or are under construction in order to facilitate affordable housing ownership
3. The council could choose not to proceed with the feasibility of selected council owned sites and solely focus on identifying open market sites from across the county to purchase in order to facilitate affordable housing development.

Key considerations

4. At a strategic supply level the delivery of both market and affordable new housing is falling short of the housing target of 16,500 new homes set out in the adopted Herefordshire Core Strategy, with only a 4.05 years forward housing land supply reported in 2019 against the 5 year minimum requirement set out in the National Planning Policy Framework (NPPF) and currently dropping. In the developer-led market where the focus continues to be on developing the most profitable housing types on the most profitable and deliverable sites, some larger strategic housing sites in the Core Strategy have not yet been delivered. The lack of delivery of smaller and more affordable new homes is therefore placing additional pressure on house prices and the associated accessibility of the housing market to local and/or newly forming households. NPPF policy, removing any obligations to deliver affordable housing on sites of 10 houses or less, has contributed to the challenges faced by local authorities in securing new affordable homes. In terms of the council's ambition to develop a portfolio of new council owned affordable housing, initial discussions have been undertaken with Homes England (HE). The council's ambitions to deliver 1,000 units in a four year period, and a total of 2,500 units in a ten year period, were well received. The fact that the council is a significant land owner and can therefore deliver quickly is attractive to HE. Should council owned land not be viable the council will also explore third party owned sites to advance the commitment of delivering council owned housing, this piece of work is looking to establish a pipeline of affordable housing schemes that could come forward. The sites will then be prioritised to meet the demand based on market needs analysis
5. The council has set out a broad range of criteria for the County, all details beyond these broad requirements are yet to be agreed. This piece of work will present the options available to the council in terms of density of development, type of use and size of individual units, specification for the units, partners who may be interested in supporting the council as well as a commercial review and viability assessment to identify the optimum mix of tenures to be developed. The scope will also consider in broad terms the proposals for green and amenity space, transport infrastructure and car parking requirements in the area to compliment the residential development.

6. Engie Regeneration Limited (Engie) have been commissioned to complete the outline feasibility work through the existing Overarching Development Regeneration Programme (DRP) agreement. The proposed outline feasibility work builds on work previously completed by Engie and appointing them to undertake this work will utilise this prior knowledge, and will avoid any delays and reduce the potential duplication of cost. The works will be requested as Additional Services under the terms and conditions of the Overarching Agreement as a discrete piece of work.
7. Initial output of the feasibility work on the potential sites to be reviewed at Cabinet in July 2021. Recognising the priority to develop affordable housing sites the commissioned work will identify sites to bring forward in phases prioritised on deliverability and the market needs analysis assessment.
8. Further work in respect of, or development of, any of the initial selected council owned sites or third party owned sites will be subject to a separate decision.

Community impact

9. The County plan aims to shape the future of Herefordshire and encourage and strengthen communities whilst creating a thriving local economy and protecting and enhancing the environment to ensure Herefordshire remains a great place to live, visit, work, learn and do business.
10. Delivering council owned affordable housing to help address the shortage of affordable housing in the County is intrinsically linked to the ambitions of the new County Plan 2020 – 2024:
 - Environment – protect and enhance our environment and keep Herefordshire a great place to live
 - Community – strengthen communities to ensure everyone lives well and safely together
 - Economy – support an economy which builds on the County’s strengths and resources
11. The council recognises that healthy, connected and vibrant ecosystems strongly support the local economy, improve health and wellbeing and make the County an attractive place to live and to visit. It is vital that we protect and enhance this environment while stewarding it for future generations. Access to green space is vital and this will be a key consideration throughout all developments.
12. Providing affordable homes delivered through carefully planned policies, sustainable development and taking account of the needs of local people, improving Herefordshire’s house affordability ratio making accommodation more affordable.
13. Increasing the number of affordable housing properties will contribute to a balanced community providing additional accommodation of an alternative tenure to meet a wider cohort of residents in the county and encourage existing private landlords to increase the standards of their existing current accommodation

Environmental Impact

14. As the proposals are developed during this stage the council can heavily influence and retain full control of what is ultimately built as part of any scheme. This ensures that all the council's sustainability policies and objectives can be met for the sites to be developed.
15. The proposal for the council to advance affordable housing and have at least an element of control over design helps deliver the council's environmental policy commitments and aligns to the following success measures in the County Plan:
 - Increase flood resilience and reduce levels of phosphate pollution in the County's rivers – by ensuring that new developments take into account opportunities to minimise the impact on the environment including, where appropriate, through grey water capture and other methods.
 - Reduce the council's carbon emissions – seeking high levels of sustainability and energy efficiency in the construction and operating costs of new homes delivered.
 - Work in partnership with others to reduce County carbon emissions – working with partners to minimise our carbon footprint in terms of methods of construction and in seeking the use of local materials and labour wherever possible.
 - Improve the air quality within Herefordshire – supporting the development, where appropriate, of car free schemes in new developments and making provision for safe cycling and walking spaces.
 - Improve residents' access to green space in Herefordshire - ensuring new developments make appropriate provision for green space and the use of appropriate, indigenous planting.
 - Improve energy efficiency of homes and build standards for new housing – good design and high levels of energy efficiency in council-owned or influenced developments will provide a blueprint principle to other developers in Herefordshire.
 - Increase the number of short distance trips being undertaken by sustainable modes of travel – walking, cycling, and public transport – promoting access to sustainable modes of transport in the master-planning of larger scale developments.
16. The creation of a pipeline of county wide schemes will review and consider the environmental impacts on development in all the areas. This includes the likes of flood alleviation, the integration of green open space in and around the developments, the pedestrian routes through the developments to local services, car parking requirements and transport infrastructure including sustainable transport options. All of this will be built upon as the schemes are developed.
17. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving net zero carbon standards and to protect and enhance Herefordshire's outstanding natural environment.
18. The environmental impact of these proposals has been considered through the service specification and includes appropriate requirements on Engie to minimise waste, reduce

energy and carbon emissions and to consider opportunities to enhance biodiversity. This will be managed and reported through the ongoing contract management.

19. The development of this pipeline will seek to minimise any adverse environmental impact and will actively seek opportunities to improve and enhance environmental performance.

Equality duty

20. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
21. Section 9 of the Housing Act 1985 (the 1985 Act) is the key power for councils to provide housing accommodation. It includes two sets of acquisition provisions: Sections 9(1)(b) and 9(2) - a local housing authority (LHA) may acquire houses – and alter, enlarge, repair or improve a house so acquired; Section 9(3) – a LHA can exercise the Section 9 powers to provide housing accommodation "in relation to" land acquired for the purpose of (a) disposing of houses provided, or to be provided, on the land or (b) disposing of the land to a person who intends to provide housing accommodation on it.
 22. The Localism Act 2011 enables local authorities to make their own decisions to adapt housing provision to local needs, and make the system fairer and more effective giving local authorities more control over the funding of social housing, helping them to plan for the long term and giving the people who live in social housing new ways of holding their landlords to account. From these proposals a focus will be to deliver supported and accessible accommodation for vulnerable groups which advances the equality of opportunity to access the housing market by those who share a protected characteristic.
 23. The accommodation will add to the county's housing stock and will be affordable in perpetuity allowing future households who share protected characteristics to also have access to appropriate accommodation. Consideration has been given to the types and standard of accommodation required taking a fabric first approach to building design, maximising the performance of the components and materials. Taking this approach can minimise the need for energy consumption so will be cost beneficial to the occupant, demonstrating the council's commitment to equality and their pro-active approach to ensuring the right properties are available in the right location and built to a high specification to meet the their needs.

Resource implications

24. There are no further financial implications from this report and no spend incurred to date, this is just confirming the list of initial selected sites Cabinet wish to progress through the feasibility process agreed at Cabinet on 26 November 2020.

25. It was agreed at Cabinet in November 2020 to progress the development of a pipeline of sites funded from the Development Regeneration Programme (DRP) capital budget for £71k, if the development work does not progress after the feasibility has been done the costs will revert to revenue costs. This piece of work will be provided by Engie to deliver outline feasibility options for the initial selected council owned sites and any suitable site in third party ownership, will recommend a number of options which ensures the full cost of building the houses can be recovered by either sale or rental income or a combination of both. Due to the ambition to deliver housing to net zero carbon standard and rent at social rent levels, it may be a requirement that a number of houses need to be sold to cross subsidise the development or alternative tenures explored to ensure the full cost recovery over 40 years.
26. At this stage outline sites are being identified for possible future development. No decision has yet been taken as to how these sites will be taken forward and will be subject to a separate decision once all options have been considered.

Legal implications

27. The outline feasibility work will be commissioned from one of the council's development and regeneration partners, Engie Regeneration Limited (Engie). Engie have been procured through a Public Contract Regulations 2015 compliant procurement process and the council entered into legally binding overarching agreement with Engie in 2018. Under the terms of the overarching agreement Engie can be commissioned, by way of an additional services request, to deliver an outline feasibility report for the delivery of affordable housing on initial selected council owned sites.
28. There are no other specific legal implications arising from this report as it relates to a feasibility study. Any future development will be subject to a separate decision.

Risk management

29. The key risks associated with the options outlined in the paper are as follows:

Risk / opportunity	Mitigation
The project team are unable to establish developments that could provide value for money for the council	There are a number of potential uses that could be incorporated into schemes and the council will be drawing upon Engie's commercial expertise to establish a viable scheme
The council's own internal team are unable to adequately brief the Engie team on the council's requirements for the initially selected sites	Establish a dedicated project team within the council which draws upon the different directorates and is headed by one experienced individual who can brief the Engie team accordingly
Following completion of this work a decision is made to simply dispose of the selected sites	The investment in developing a set of proposals that could be implemented will add value to any potential purchaser of the site which would then be reflected in the value of the sites
The council's wider sustainability objectives	The Station Approach Site Study already

are not adequately incorporated

embeds the wider sustainability objectives and forms the starting point to develop any potential sites

30. Risks are managed according to the council's risk management framework, aligned with corporate risk strategy and recorded on a service risk register, being escalated to the directorate or corporate risk register according to the significance of the risk.

Consultees

31. Consultations have taken place with the Cabinet Members for Housing, Regulatory Services, and Community Safety; Finance and Corporate Services; Commissioning, Procurement and Assets; and Environment, Economy and Skills.
32. This paper and the recommendations contained within it incorporate comments received during the above consultations

Appendices

Appendix 1 – Initial selected Council Owned Sites to be considered for the progression of affordable housing in Herefordshire

Background papers

None