

Housing Pipeline Investigation Account

Decision maker: Cabinet member housing, regulatory services, and community safety

Decision date: Wednesday 5 May 2021

Report by: Head of economic development

Classification

Open

Decision type

Non-key

Wards affected

(All Wards);

Purpose

This paper seeks agreement to proceed with the creation of a Housing Pipeline Investigation Account budget which could be utilised to procure technical services to undertake initial site studies for sites in third party ownership to advance the creation of a pipeline of developable sites.

Recommendation(s)

That:

- a) Create a Housing Pipeline Investigation Account from the capital Strategic Housing Development budget up to £350,000 which could be utilised to procure technical services to undertake initial site studies for sites in third party ownership to enable the delivery of council owned housing; and**
- b) The Director of Economy and Place be given delegated authority to spend the funds, following consultation with the Chief Financial Officer, and to take all operational decisions including the procurement of third party services to complete the required technical services.**

Alternative options

1. The council could choose not to intervene in the provision of affordable housing in the County and rely on 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 Plan.

2. The council could choose not to create a Housing Pipeline Investigation Account and to seek a governance decision on a site by site basis to complete all technical investigation work into each potential third party owned site that will be considered for progressing the housing strategy. However this option was ruled out as it would potentially impact on the council's ability to proceed with any site exploration in a timely manner and putting council at a competitive disadvantage against commercial operators.
3. The council could choose not to proceed with the feasibility studies of any third party owned sites and only explore the feasibility of selected council owned sites already identified to facilitate affordable housing ownership. However this option was ruled out as it is apparent that there are not sufficient council owned sites proceedable due to various constraints to deliver the 2,500 homes required to meet the Cabinet strategic target.

Key considerations

4. At Cabinet on 26 November 2020 a 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://hc-modgov:9070/ieDecisionDetails.aspx?ID=7360>
5. 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.
6. A further decision was taken on 28 January 2021 which stated:

“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”
7. From the initial work completed by Engie Regeneration Limited (Engie) on the selected council owned sites, excluding the Station Approach site, it is apparent that a high percentage of the sites are not proceedable due to various constraints and will not provide the 2,500 homes required to meet the Cabinet strategic target.
8. Third party owned sites currently cannot be explored as the project does not have the funds to undertake any technical valuations, surveys or building reports which would be required to be able to identify viable sites.
9. This proposal is seeking agreement to create a Housing Pipeline Investigation Account from the capital Strategic Housing Development budget which could be utilised to procure technical services to undertake initial site studies for sites in third party ownership.

10. The decision to establish the Housing Pipeline Investigation Account is also requesting delegated authority for the Director of Economy & Place, following consultation with the Chief Financial Officer, to take all operational decisions including the procurement of third party services to complete the required technical services.
11. The Housing Pipeline Investigation Account would enable the council to complete the technical assessment of any proposed site more efficiently and at pace which would reduce the risk of losing out to third parties who are able to operate at a greater speed in property transactions.
12. The Housing Pipeline Investigation Account would provide the supporting technical analysis detail to support any future Cabinet decision to proceed with the acquisition and development of any potential housing scheme site not currently in the council's ownership.
13. The Housing Pipeline Investigation Account would be used to procure the services required to complete an initial assessment of a site, including any associated existing buildings. The services would include, but not be limited to:
 - a. Valuation
 - b. Building Surveys
 - c. Specialist Legal expertise
 - d. Specialist technical expert
14. At this stage, the procurement and commissioning options are being considered and the procurement process for the above services will be undertaken in accordance with the council's contract procedure rules.
15. The output of the technical work would be assessed against the Housing Revenue Account Business Case Model Criteria to ensure any potential third party site meets council's requirements
16. The creation of a Housing Pipeline Investigation Account would enable the council to develop a pipeline of third party sites that could be developed to develop the housing strategy

Community impact

17. The County Plan 2020 - 2024 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.
18. 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
19. 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.
 20. 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.
 21. 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. The creation of affordable housing to provide supported accommodation will assist with accommodating vulnerable clients supported by Adults & Communities and allow for independent living whilst receiving support within their own homes and reducing the need for residential placements.

Environmental Impact

22. All potential sites that are identified and progress as 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.
23. 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.
24. The creation of a pipeline of county wide schemes will 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.
25. 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 carbon zero standards and to protect and enhance Herefordshire’s outstanding natural environment.
26. 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

27. 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.

28. 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.
29. 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.

Resource implications

30. In order to progress the development pipeline and establish a draft programme for delivery, it will be necessary to allocate funding from the Strategic Housing Development capital budget of £350k, if the work does not progress the costs will revert to revenue costs.
31. This piece of work will be enable the council to assess the deliverability of potential sites and, will consider the viability of each site.

Capital cost of project	2021/22	2022/23	Future Years	Total
	£000	£000	£000	£000
Housing Pipeline Investigation Account	175	175		350
TOTAL	175	175		350

Funding streams	2021/22	2022/23	Future Years	Total
	£000	£000	£000	£000
<i>Strategic Housing Development Capital Budget</i>	175	175		350
TOTAL	175	175		350

Revenue budget implications	2020/21	2021/22	Future Years	Total
	£000	£000	£000	£000
<i>None</i>				
TOTAL				

Legal implications

32. The council has a general power of competence under s1 of the Localism Act 2011 which means that it can undertake any action that an individual generally can do and therefore the council has the power to set aside an amount of money and create a budget to undertake initial technical studies.
33. There are no other specific legal implications arising from this report as it relates to the creation of a budget to facilitate the investigation only of potential third party sites

Risk management

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

Risk / opportunity	Mitigation
<p>Commercial Competition - Without having a Housing Pipeline Investigation Account budget the council is unlikely to be able to compete against other developers in any transaction for a site as each scheme would require a decision that would be required to follow the council's governance processes before any preliminary work could be completed.</p>	<p>Agree a development agreement with development partners to assess and potentially purchase sites on council's behalf which is likely to incur additional costs. This could result in the council surrendering a degree of control over the development of identified sites. The Pipeline Investment Account also mitigates this risk and enable council to move with greater agility in any potential site purchase</p>
<p>A number of potential sites could be assessed and not meet the council's requirements. If the costs were not able to be capitalised there would be potential impact on revenue budgets or council's reserves</p>	<p>Agree funding from Revenue Reserves to fund any aborted development costs from the outset</p>
<p>Currently no third party owned sites have been identified for further analysis so exact value for money cannot be established</p>	<p>Ensure all local land and estate agents are aware of the council's requirements and criteria for potential sites.</p>
<p>Establishing a pipeline of sites for development does not progress after the completion of the technical evaluation of third party sites</p>	<p>Each potential site would be assessed initially by officers and agreement sought from Director of Economy & Place, in conjunction with the Chief Financial Officer, before any technical work were commissioned</p>
<p>Demonstrate value for money for securing the services to deliver the technical reports</p>	<p>At this stage the procurement and commissioning options are being considered and the procurement process will be undertaken in accordance with the council's contract procedure rules.</p>

35. Risks are managed according to the council's performance risk management framework, and recorded on a service risk register, being escalated to the directorate or corporate risk register according to the significance of the risk.
36. A project risk register will be maintained on the council's project management system, Verto.

Consultees

37. The Cabinet Member Housing, regulatory services and community safety, Commercial Services and Legal Services have been consulted and confirmed that the decision may be taken.

Appendices

None

Background papers

None