



# Herefordshire Council

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

Interim report

October 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
<b>Total</b>	<b>1,500</b>



Number of different housing associations involved



Wide range of number of affordable housing dwellings in each scheme – down to 1s and 2s – mostly 10 to 40 dwellings, some much larger nos



Top 5 RPs in Herefordshire in terms of stock owning – c11,500 dws. There are another 20+ RPs with some stock in Herefordshire – see later 'slide' for potential relevance

# Local perspectives

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- RPs are under financial pressures (often having to divert resources to upgrade their existing stock – even if no issues for them in Herefordshire)
- RPs are being careful/selective about what they develop – with different approaches for different organisations e.g. one RP will take on smaller (rural) sites but another might operate to a minimum site size e.g. 40 dws
- Some RPs are OK and some are cautious about involvement in s106 schemes
- Local ‘pool’ of contractors is limited – adds to costs
- LA planning capacity across the country is of general concern – planning delays = lost £s
- Nutrient issues are an increasing concern generally and particularly in Herefordshire – there is a ‘queue’ for phosphate credits
- Good communications between RPs and LA at a senior level can matter
- Variety of experiences and different delivery models used e.g. JV with market housebuilder - with shared risk.

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Drawn from interviews with council officers, housing associations (registered providers - RPs) active in Herefordshire and initial contact with other Marches organisations

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Further interviews planned with RPs and neighbouring authorities

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Worth noting that RPs (across the country) are waiting for the Budget/Spending Review - to find out what the impact is on Homes England spending plans – current Affordable Homes Programme ends in 2026

# Alternative delivery models

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**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. Potential to cross subsidise development of AH with market sales/market lettings

**Direct delivery** - council involved in all aspects of delivery – can be right up to selecting and managing contractors for the build process. Can be own land or purchased – may be on a small-scale or major schemes. If no HRA – when has developed 200 units would trigger need for HRA – or have to set up an independent RP or sell to a RP

**Joint Ventures (JVs)** – describes a range of different commercial arrangements between two or more separate entities. 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** - a wide range of these e.g. i) LA leases new homes from a private developer or investor (often for temporary accommodation) e.g. LB Brent and Greenstone) ii) Following an application and assessment process, council enters into contract with developers to forward purchase newly constructed affordable homes off-plan e.g. Rotherham Council's Small Sites Homebuilding Initiative

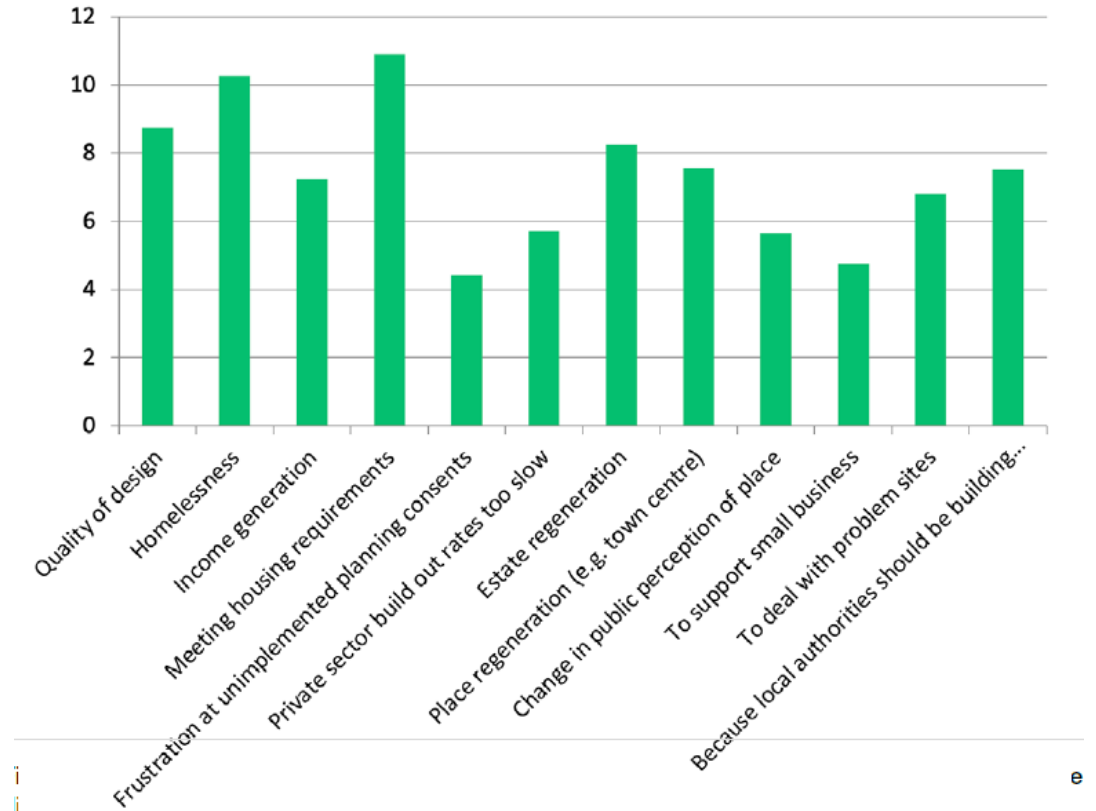
# National picture

Taken from the annual survey by Bartlett School of Planning, UCL -

## “Local authority Direct Provision of Housing: Fourth Research Report – Jan 2024”

- In 2023, 52% of authorities reported having one or more local housing companies - a wholly owned or joint venture company focussed on the development of new housing
- In 2023, 69% local authorities have Joint Ventures
- Very few councils taking no action
- Local authorities are developing a wide range of housing delivery initiatives including 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

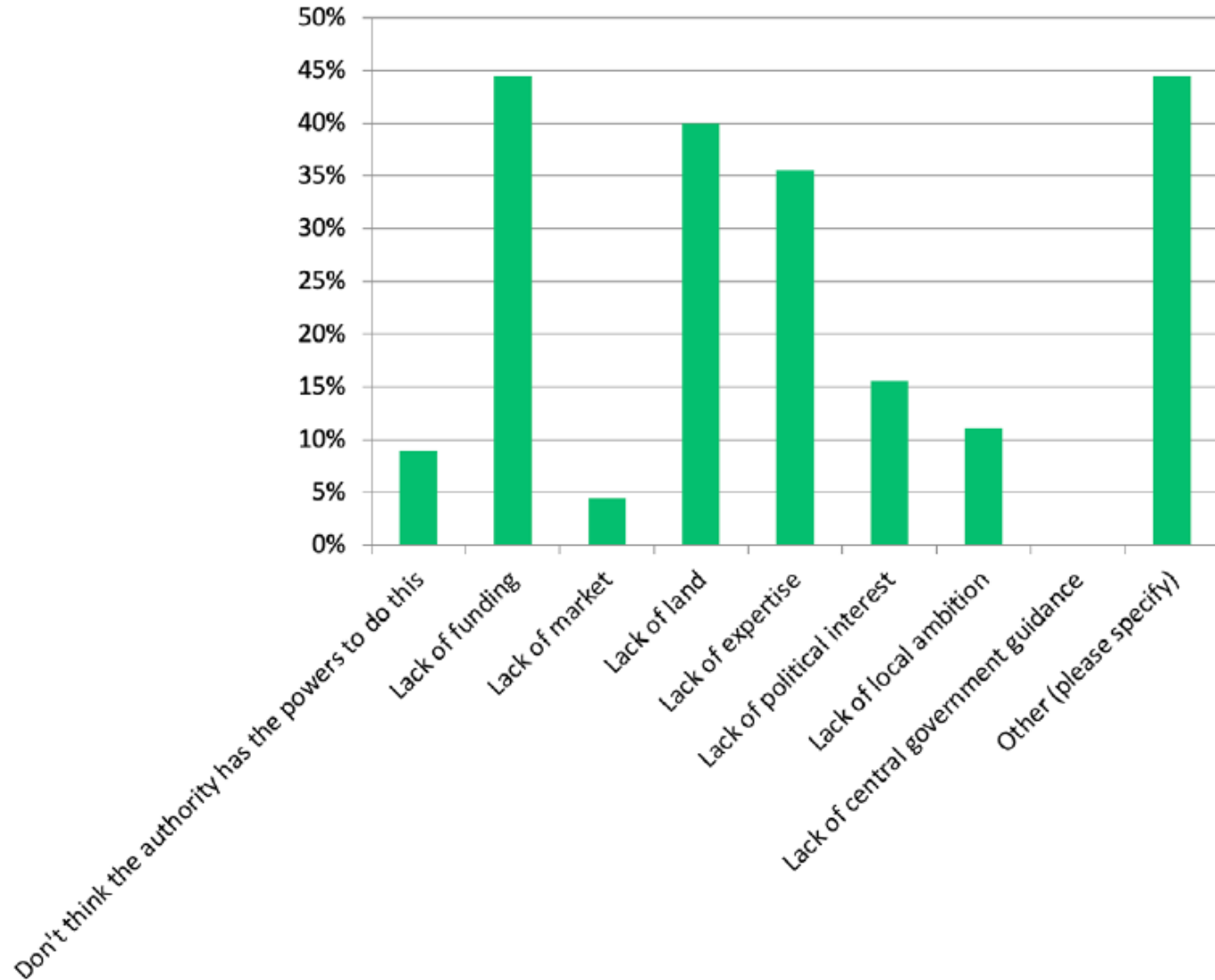
Again – from the annual survey quoted above

Small no in this group – c45 replying to the survey

Main reasons = lack of land, funding and experience

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

Reason(s) for not engaging in providing housing



# Delivery models use of HRA and General Fund – further examples

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- **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. Hounslow, Welwyn Hatfield, Brighton
- **LAs that used their own GF land or HRA land as leverage to establish Joint Ventures (JVs)** with the private sector e.g. *Bristol City Council* (Goram Homes), *Warwickshire County Council* – JV with Countryside to deliver 2,000 homes over 20 years, *Sheffield* – Sheffield Housing Company which is a JV with Keepmoat and Great Places HA, *Telford and Wrekin Council* (Nuplace) – Development Company which is developing affordable homes and private rent
- **LAs that have purchased third-party land** to deliver new homes/new community  
Eastleigh at One Horton Heath - where LA will be developer as well



# Delivery models – setting up and key considerations

	What would be involved	Key considerations
Development company	Setting up a company, establish funding, requires a business plan, requires strong governance arrangements	Due diligence as a must! Gives the LA control – can offer a wider range of products e.g. private rent Easier if already have land assets Have been high profile failures – lessons about getting bus plan and funding right at Day 1 and actively managing risk thereafter
Direct delivery	Similar to dev co but done directly under General Fund or HRA At 200 homes requires HRA	Can be useful mechanisms to build out smaller sites Very hands on – requires wide range of skills and commitment/patience
JVs	Identify land parcels and appropriate partners. Identifying right legal mechanism and structure and exit routes ..just in case....	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

# Delivery models case studies – to explore further

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Local authority	Potential as case studies
Telford	Has an established development company (Nuplace) – has created 485 homes since established Nuplace delivering private rented units and some general needs affordable housing
Shropshire	Set up own development company (2019) - Cornovii Developments Limited Delivering affordable housing and entering the private rent market
Wolverhampton	Mix of approaches – has own development company (WV Living) and also undertakes direct delivery, using council land. Recent tendered to find private sector regeneration partner on own land to deliver over 200 homes and mixed commercial uses.
Bristol	Has established development company – Goram Homes (set up 2019) and the council undertakes direct delivery
Eastleigh	Rare example of an LA acquiring land to masterplan and develop mixed tenure scheme, at scale.
Hounslow	Started by identifying all development opportunities in their estate (happened to be an HRA authority) – found mostly small sites in the estate, parcelled these up and went to a number of RPs to bid for the different parcels

# Local potential for increasing delivery of AH

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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 necessary 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
- Giving affordable housing priority in the 'queue' for phosphate credits – but may only be realistic for sites developed for 100% affordable housing

# NEXT STEPS

- Complete the research
- Take into account feedback re the interim report
- Finalise the case studies
- Suggested 'site visits' to other LAs