

Housing Development Company

Meeting:	Cabinet
Meeting date:	Thursday 6 March 2025
Cabinet member:	Cabinet member economy and growth;
Report by:	Corporate Director, Economy and Environment
Report author:	Service Director Economy and Growth

Classification

Open

Decision type

Key

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

(All Wards);

Purpose

To explore the development of a council owned housing development company. There is a critical need for additional housing in the county. Following the outcome of a recent best practice study of how other local authorities across England have addressed this issue (appendix 1), the Connected Communities Scrutiny Committee have recommended that the council explore the development of a council owned housing development company, which is supported by the Cross Party Housing Working Group.

Recommendation(s)

That:

- a) **To explore the development of a Herefordshire Council owned housing development company, to meet some of the county's critical housing need.**

Alternative options

1. Do nothing – The significant gap in provision will continue.
2. Create a Housing Revenue Account where the council directly develops, owns and operates council housing. A previous study identified that to reach a break-even point on operating and maintaining services, the council would need a stock of circa 1,000 houses. There would be significant revenue cost requirements, and related risk, over a number of years before the council could reach this position. This option is not recommended.

Key considerations

3. Herefordshire like the rest of the UK faces a housing crisis, due to affordability levels and lack of provision. This is evidenced in Herefordshire by the increased applications for 'Home Point' the waiting list for affordable rented accommodation with numbers currently in excess of 2,100 households with 156 households being accommodated in temporary accommodation (such as B&Bs and chain hotels) with the gap in provision growing significantly year on year. Temporary accommodation can have a significant impact on the quality of people's lives – restricts social mobility/ aspiration, and health and wellbeing due to lack of food preparation and cooking facilities. This type of accommodation has a very high revenue cost to the council.
4. In addition to the need identified through the Home Point waiting list there are also vulnerable people who require accommodation but cannot bid for property through this mechanism, they require alternative accommodation such as supported accommodation. The client groups include but are not limited to people with learning disabilities, mental health issues and Care experienced individuals. Numbers exceed 200 individuals that require new supported accommodation.
5. The county also has an increasingly ageing population, driven by demographic changes including increasing life expectancy. This is a key driver of the need for housing which is capable of meeting the needs of older people. Herefordshire is projected to see a notable increase in the older person population, with the total number of people aged 65 and over projected to increase by 42% over the next 16 years. In total population terms, the projections show an increase in the population aged 65 and over of 20,400 people.
6. The Housing Market Area Needs Assessment, updated in July 2021 is a countywide assessment of all housing needs, open market and rental. The projected need for 2011-2031 to meet demand identified that 846 dwellings are required annually in the County. For the period 2011 – 2020 total net completions equated to 4,725 dwellings (525 per annum). Therefore demand from 2020 – 2030 has increased to 1,070 dwellings per annum.
7. The affordable housing needs evidence highlights a requirement for 422 rented affordable homes per year, and 175 affordable home ownership homes per year, indicating a total affordable housing need for 597 affordable homes per year. A significant proportion of this need is existing households who are resident in Herefordshire but need (or aspire) to live in a different tenure.
8. The private rented sector in the county is relatively modest in size equating to approximately 15% of the housing stock. Stock is often older and of poor quality leading to many properties being sub divided into Houses of Multiple Occupation. Due to the limited numbers in the private rental market rents have risen to unaffordable levels for people on local levels of average income. In addition, the stock is in great demand and often utilised by the Ministry of Defence, Wye Valley Trust, Colleges and other agencies which again increases rental levels.

9. In addition to the social and affordable housing needs, through the revisions to the National Planning Policy Framework (NPPF) government has assigned a mandatory housing growth target to the county of 27,260 over the next 20 years compared to 16,100 previously. To meet this increased target the current private sector build out rate will need to double each year.
10. In December 2023 a council motion was agreed ([Agenda for Council on Friday 8 December 2023, 10.00 am - Herefordshire Council](#) [Agenda for Council on Friday 8 December 2023, 10.00 am - Herefordshire Council](#)) to explore how the county's housing crisis could be addressed, including agreement to commission a best practice study of how other local authorities have addressed this issue.
11. In summary, the report (appendix 1) concluded that the private sector and Registered Providers have and continue to play a critical role in the delivery of affordable and social housing across Herefordshire. However, they are not in position to meet all of the need outlined above on their own. Therefore, like other councils across the country, in order to meet the current gaps in delivery the council will need direct control over some elements of housing development and delivery.
12. There are three options as to how this can be achieved;
 - I. Housing Revenue Account – the council directly develops, owns and manages council housing. This includes all facilities management/ maintenance services. Residents would have the right to buy, which also raises complexity in terms of maintaining the level of stock. A previous study identified that for the council to break even in meeting management and maintenance costs, we need a housing stock of circa 1,000 units. It would take a number of years to reach this level, which would require significant levels of revenue funding subsidy which is not affordable.
 - II. Joint Venture(s) – Establishing a joint venture (s) with the private sector is a route to controlling the type and the location of accommodation to be developed (in agreement with the private sector). Joint Ventures generate private investment into the county, and utilise developers expertise and pace of delivery. The council is engaging developers to explore opportunities, and it is anticipated we will pursue developments with the private sector as a key part of our overall strategy. However joint ventures are likely to be limited to the more commercially viable schemes. Therefore, Joint Venture(s) may address some of the county's needs but not all.
 - III. Council Owned Housing Delivery Vehicle – as identified in the report included in appendix 1, Local Authorities across the country have successfully established council owned housing development companies. Establishing a separate company enables for a more effective, efficient, and focussed delivery. The company would be owned and directly controlled by the council, enabling delivery in priority locations, and the range of type of accommodation to meet resident needs.
13. The Connected Communities Scrutiny Committee (CCSC) considered the findings of the report at their meeting on [13 November 2024](#). One of the recommendations made by the Scrutiny Committee was to '*Identify and begin the process of setting up a development company, using the lessons learned from other local authorities identified in the report*'.
14. The Cross Party Housing Working Group, including representatives from each local political party, met on 16 January 2025 to consider the consultant report and the CCSC recommendations. The Working Group also supported the recommendation, that the council should progress the development of a housing development company.

15. This decision seeks cabinet agreement to explore the development of a council-owned housing development company. This will consider the models established elsewhere, in developing a business plan and proposed company structure (Articles of Association) by mid 2025. A separate cabinet decision will be brought forward to then consider if the company should be created, and any resources required to take it forward considered in the budget setting process for 2026/27.

Community impact

16. As set out above, there is a critical need to establish affordable and social housing across the county, to meet current and future needs including attracting the workforce needed to support the economy.
17. The Council Plan 2024 - 2028 states '*Growth - We will create the conditions to deliver sustainable growth across the county; attracting inward investment, building business confidence, creating jobs, enabling housing development along with providing the right infrastructure*'.

Environmental Impact

18. Any future housing development company will seek the highest possible affordable environmental standards in both construction and delivery of any new homes. This will be a key consideration within the development of the business plan.

Equality duty

19. As outlined above, the Housing Development Company will help address the current gap in social housing need, as part of the council's overall housing strategy. There is a critical need for affordable and social housing to support vulnerable people, and to support social mobility and improve the quality of life for communities across the county as a whole.
20. Due to the potential impact of this decision being low, a full Equality Impact Assessment is not required. However the following equality considerations should be taken into account when making a decision about this activity/project:
 - a. The development of the business plan will consider the needs of all of the county's communities in considering how housing needs can be met.
 - b. An Equality Impact Assessment will be undertaken for any housing development brought forward, should a housing development company be created.

Resource implications

21. The development of the business plan for the proposed housing development company will be led by the Head of Housing Development, with input from key teams across the council such as Finance, Legal and Property Services.
22. Technical and legal advice is likely to be required in support of the development of the business plan, estimated at up to £150,000. This will be funded through the existing revenue housing budget (CO7523).

Revenue or Capital cost of project (indicate R or C)	2025/2026	Total
Technical Studies and legal advice	£150,000	£150,000
TOTAL	£150,000	£150,000

Funding streams (indicate whether base budget / external / grant / capital borrowing)	2025/2026	Total
Base Budget (CO7523)	£150,000	£150,000
TOTAL	£150,000	£150,000

Revenue budget implications	2025/2026	Total
To be funded from existing base budget	N/A	N/A
	N/A	N/A
TOTAL		

Legal implications

23. There are no direct legal implications arising from this report. A business plan, if proposed to support a housing development company, will be presented for approval following review.

Risk management

Risk / opportunity	Mitigation
Council fails to deliver the affordable and social housing the county needs, increasing the gap in provision, with people in high cost and inappropriate temporary accommodation.	Propose development of a housing development company, as well as continuing to work with the private sector and Registered Providers.
Younger generations and workforce leave the county as they can't secure homes.	Utilise all possible routes to establishing the affordable homes needed, including the potential housing development company to directly control how meet gaps.
The county fails to meet the new mandatory housing target set by government.	Through the development of the Local Plan, the council will seek to identify the land required to meet the housing target. We will work with government to seek to address critical infrastructure requirements, and the private sector to increase build out rates. The proposed Housing Development Company could help address gaps in provision.
The development of the Housing Development Company Business Plan identifies it is not viable.	The council will seek to learn lessons from local authority areas that have already successfully established a housing development company. Should the business plan indicate a company would be unviable; the council will seek alternative options to address the housing crisis.

Consultees

The Connected Communities Scrutiny Committee and the Cross Party Housing Working Group have been consulted in developing the proposed approach to addressing the housing crisis.

A Political group consultation was held on the 12th February 2025. All that those attended recognised the need to address the county's current critical need for affordable and social housing, and that the gap in provision grows year on year. It was felt that the potential for a council owned Housing Development Company should be explored. Questions raised primarily related to areas to be considered in the business plan, such as land availability, location of housing, costs of creating and operating the company. It was suggested the business plan should consider how any Housing Development Company could utilise public sector pension investment funds as means of enabling delivery.

Appendices

Appendix 1 – Review of best practice delivery models

Background papers

None

Report Reviewers Used for appraising this report:

Governance	John Coleman	Date 12/02/2025
Finance	Wendy Pickering	Date 23/02/2025
Legal	Emma-Jane Brewerton	Date 12/02/2025
Communications	Luenne Featherstone	Date 07/02/2025
Equality Duty	Harriett Yellin	Date 12/02/2025
Procurement	Carrie Christopher	Date 12/02/2025
Risk	Jessica Karia	Date 18/02/2025

Approved by	Ross Cook	Date 26/02/2025
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Please include a glossary of terms, abbreviations and acronyms used in this report.