

Report to: Choose a meeting



Date of Meeting 9th September 2021

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Affordable Housing TaFF – A plan for increasing outputs of affordable/social housing.

Report summary:

This report pulls together the work of the TaFF and makes a series of suggestions for delivering an increase in the supply of new affordable and social housing. Having explored a variety of housing delivery options it is recognised that there is no single panacea and adopting a range of delivery vehicles will most likely achieve the ambition of a 'step change' in the output of affordable/social housing.

Such a change requires considerable commitment, investment, resources, skills and opportunities. The provision of affordable housing is costly and social housing even more so. Developing and sustaining a pipeline of new build housing schemes will require a dedicated task force or project team with a range of skill sets to give us the best chance of achieving the stated ambitions. It will require a risk appetite and a financial model that demonstrates that programmes are financially viable over the long-term.

This report makes some suggestions for how the ambition can be achieved for the purpose of discussion.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

That the Housing TaFF recommend to Cabinet and Council the recommendations set out in section four of the report.

Reason for recommendation:

To further the ambitions to deliver an increased output of social and affordable housing to meet the housing needs of East Devon residents.

This is a discussion document with proposals put forward for consideration that will achieve an increase in social/affordable housing output.

Officer: John Golding Strategic Lead – Housing, Health & Environment.

Portfolio(s) (check which apply):

- Climate Action and Emergencies
- Coast, Country and Environment
- Council and Corporate Co-ordination

- Culture, Tourism, Leisure and Sport
- Democracy and Transparency
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities

Equalities impact Medium Impact

If choosing High or Medium level outline the equality considerations here, which should include any particular adverse impact on people with protected characteristics and actions to mitigate these. Link to an equalities impact assessment form using the [equalities form template](#).

Climate change Medium Impact

Risk: Medium Risk; Click here to enter text on risk considerations relating to your report.

Links to background information Click here to enter links to background information; appendices online; and previous reports. These must link to an electronic document. Do not include any confidential or exempt information.

Link to [Council Plan](#):

Priorities (check which apply)

- Outstanding Place and Environment
- Outstanding Homes and Communities
- Outstanding Economic Growth, Productivity, and Prosperity
- Outstanding Council and Council Services

1. Background

- 1.1 Through the Affordable Housing TaFF (initially the Housing Company TaFF) we have explored a range of delivery models for affordable and social housing in an attempt to discover a method for increasing the output of housing to meet the needs of households who require subsidised, good quality, affordable housing in the district. Our ambition is to make a 'step change' in the output of housing to meet the needs of low income households in housing need.
- 1.2 The TaFF has held meetings in May 2020; October 2020; December 2020; and March 2021 with a Member Working Group undertaking some meetings with external organisations working to a similar agenda and feeding back learning to the TaFF. Further meetings are planned in September.
- 1.3 Like many local authorities we have in the past fifty years relied on a model that favours delivery of affordable housing through Housing Associations then Registered Providers, taking advantage of available government funding delivered through The Housing Corporation now Homes England, and opportunities generated through the planning system. It has been many years since Councils delivered large numbers of new homes as is evident with the aging stock profile of most local authorities who have retained their housing stock.
- 1.4 We have flirted with a Housing Company model by establishing East Devon Homes with an initial focus on market renting with the express aim of making a surplus from this activity in the initial years. This has not proven possible from a financial viability perspective despite exploring a number of sites and opportunities. Conflicting priorities for existing staff, ambitious financial projections, and no dedicated staff resource have also not enhanced the chances of success.

- 1.5 Our Housing Strategy prioritises a decent home for all and our Council Plan prioritises better homes and communities. Similarly the Housing Service Plan seeks to optimise affordable/social housing delivery. More affordable and social housing is a clear priority for the Council.
- 1.6 In terms of housing need the ambition to increase the supply of affordable and social housing fits well with our evidence of need through the housing register, homeless approaches and survey data. The local housing market is expensive with demand far exceeding supply, a small private rented sector and reductions in availability due to second homes and holiday lets. This all combines to make it very difficult for low income households to secure a suitable home.
- 1.7 In the last decade we have enabled an output of 200-300 new affordable homes per annum operating the traditional delivery model. Our HRA contribution towards this output is 20-30 homes per annum, almost exclusively the acquisition of existing market properties.
- 1.8 We currently have one part-time Enabling Officer on our staff with some support from our Housing Project Officer. We call upon consultancy advice when required and senior officers for support and guidance. Our colleagues in Legal, Property & Estates, Finance and Planning also support the current programme delivery. Remarkably this limited capacity delivers the above programme in partnership with Registered Providers.
- 1.9 There are few shortcuts to providing social/affordable housing it requires a strong political will and prioritisation, alongside resources and skills to compete in the housing market. When these factors come together we can deliver meaningful change and assist more households in need into a suitable, affordable, decent home.
- 1.10 Members have signalled a desire to increase the output of social/affordable housing and this discussion document explores the implications of turning this ambition into a reality.

2. Learning through the work of the Taff

- 2.1 The terms of reference for the TaFF were to - assist the Council in ensuring East Devon Homes Limited (the Council's housing company) is fit for purpose by re-evaluating the business model, considering alternative business models, its role in the delivery of housing generally and how it might meet the aspirations of the Council in relation to affordable housing, working with the Housing Review Board and the Housing Revenue Account to explore options for housing delivery.
- 2.2 Members wanted to take a fresh look at housing delivery options and came to the conclusion that the housing company model was not the most appropriate vehicle to meet what the TaFF sought to achieve, which was a desire to increase social housing. The Council is a Registered Provider and does provide new social housing through its Housing Revenue Account activities.
- 2.3 At its October 2020 meeting the TaFF looked at the business model for East Devon Homes and an overview of housing need in the district, and identified several areas for investigation including the experience of other local authorities who had created housing companies, methods for passive house and modular construction, innovation in the sector, and delivering green social housing policy. It also became evident that providing additional affordable/social housing at scale and pace had many challenges.
- 2.4 At the December 2020 meeting the TaFF considered a report on the options for delivering more affordable/social housing. This included an annex that looked at delivery mechanisms, which provides a useful template for our plans going forward.
- 2.5 The March 2021 meeting received feedback from a meeting and presentation from Torbay's housing company, Torvista Homes. This was established after a stock transfer and used a variety of delivery routes to achieve its goals. Torbay had invested significantly in the company which is a not for profit, wholly owned subsidiary of TDA.

- 2.6 Also in the March 2021 meeting the TaFF had a presentation from Middlemarch CIC who we work with to enable Community Land Trusts in the South West. The model, purpose and delivery of the CLT programme was explained and its relevance to rural communities. We also explored rural exception site policy and rural housing needs surveys and their role in providing small scale development in our villages.
- 2.7 Further discussions are planned with Exeter City Living the Exeter City owned housing company who are a for profit limited company who reinvest into frontline public services, with a profit for purpose ethos.
- 2.8 Following discussions at the TaFF the Council's housing company East Devon Homes has been wound up and remains dormant (December 2020 TaFF minutes to Cabinet) largely because as indicated above the priority is for affordable/social housing and the Council through the HRA already had a Registered Provider vehicle to provide and manage social housing. This may still provide a useful tool in the development armoury if the Council's ambitions and risk appetite change going forwards.

3. Increasing the output of social/affordable homes

- 3.1 The TaFF has discovered that a variety of delivery methods exist for increasing the output of affordable/social housing and that there is no 'one size fits all'. We need to embrace a variety of delivery models and apply the most appropriate to the situation. This might include some market housing to achieve a viable scheme.
- 3.2 It has also been evident that considerable resources and finance are required to deliver a consistent and meaningful pipeline of new housing schemes. This is best achieved with a dedicated team with a range of skills and attributes that are focused on development in a competitive and commercial housing market. We need to recognise that HRA resources are healthy, but subject to competing pressures from decarbonisation and modernisation projects, tenant safety and catch up repairs. The stock condition survey will inevitably throw up significant additional cost and the requirements around compliance issues and building safety are set to be more onerous, meaning additional investment will be required. We also need to recognise that social housing invariably requires more subsidy than affordable housing.
- 3.3 In respect of housing finance a simple analysis shows that the cost of providing subsidised housing, be it social or affordable housing rents, requires government grant, developer contribution, cheap or subsidised land and/or competitive build rate for a scheme to be financially viable. The income from these subsidised rents will rarely meet the cost of borrowing for land and construction costs, developer profit, fees etc. unless there is a form of subsidy injected into the project. This simple fact of affordable housing development economics will restrict our ability to develop unless we can tap into new forms of subsidy, grants and/or borrowing.
- 3.4 The HRA Development Fund stands at over £3 million. Useable HRA Right to Buy Receipts can be added to the fund and will vary according to the number of sold properties. This will provide short-term development funding to initiate new build schemes, but it is imperative that this is supplemented by other sources of funding if we are to be able to sustain a pipeline of schemes. There is a reality check issue here in that new build is hugely expensive and the costs are not met through rental income. A viable scheme typically comes through subsidised land, grant for development, planning obligations or some other form of subsidy that brings costs down closer to the borrowing that can be financed through rental income.
- 3.5 I believe that it is imperative that we do all in our power to enable Registered Providers to maintain a healthy supply of new affordable housing. We are best placed to do this through our Enabling Officer working with RPs, Planners, Legal, funders, Towns & Parishes, community land trusts, land owners and others to smooth the way for projects. Enabling typically involved facilitating development by identifying RPs for projects, supplying housing

needs evidence, etc. We need an additional Enabling Officer post to manage the increased workload our enhanced ambitions will generate.

- 3.6 In addition, we require our own dedicated task force or project team to drive the ambition forward. Initially project management skills are required with many development tasks being outsourced, but we can build up surveying, clerk of works, land buying and other areas of expertise as we can justify appointments through a programme of development projects. We will eventually need access to development skills including – land assembly; viability & feasibility; planning; valuation; surveying; quantity surveying; contracting; clerk of works/project management; architectural etc. This will require ongoing revenue support to sustain its work.
- 3.7 I have approached LiveWest a large Registered Provider based in East Devon who deliver most of the affordable housing in the district, to see if they are able to provide development support and expertise. This might be available until we have established a pipeline of schemes and grown a project team.
- 3.8 We also have an ability to commission additional support from Middlemarch at a day rate. We have an agreement with Middlemarch to support CLT delivery in the district for a set fee. They have the skillsets set out above and we can buy this in to assist us in our ambition.
- 3.9 Planning policy can make a huge difference in affordable housing delivery despite government guidance prioritising viability and some forms of housing that we may not consider genuinely affordable. We have an opportunity in preparing a new Local Plan to ensure that our adopted policy supports and optimises the opportunities for affordable housing delivery.
- 3.10 Helpfully Advantage South West our procurement club we belong to has produced a set of standard house type designs that we could use to speed up the delivery of schemes. Most volume building Registered Providers have standard house types that are adapted for sites and according to need, planning conditions, site conditions etc.
- 3.11 There are significant capital and revenue implications involved in achieving these ambitions and a fully costed appraisal has not been undertaken at this stage. I have referred to investment and this will need to be quantified if the recommendations below are supported.

4. Recommendations emerging from the TaFF

- 4.1 Having considered the evidence presented to the TaFF to date I would conclude for the purposes of discussion that in order to achieve our ambitions of a 'step change' in output of new social/affordable housing we need to adopt some or all of the following recommendations:
- Creation of a **social housing task force** through a combination of new appointments and secondments into a dedicated, single purpose, multi-disciplinary team managed within the Housing Service;
 - Confirm increased output of social/affordable housing as a **Council Plan priority**;
 - Establish a member **Social Housing Delivery Group** to support and oversee the delivery of social/affordable housing;
 - Implement the **range of delivery options** contained in the report to the December 2020 TaFF;
 - Recruit additional **Enabling Officers** to work in the social housing task force to support Registered Providers; Community Land Trusts and the Council deliver more social/affordable housing;
 - Recruit a **project manager** to build up a programme of development projects and manage the specialist professions input required to deliver social/affordable housing projects;
 - Identify and create **secondment** opportunities within the Council;

- Source support from an Registered Provider partner with a strong track record in development to help us ‘kick start’ a development programme;
- Establish a **pipeline** of development opportunities to form a programme of sites/schemes;
- Undertake an audit of corporate sites and identify any suitable for housing development;
- Operate a site finding, feasibility and viability process with a view to land banking sites that contribute to the pipeline;
- Promote the **Council as preferred developer** through the planning system;
- Align Planning Policy with affordable housing ambitions to optimise output of social/affordable housing;
- We need to consider our risk appetite and produce a **risk register** that allows us to make calculated development risks;
- Utilise the **HRA development fund** and develop funding models that enable us to sustain a pipeline of social/affordable housing development;
- Produce a fully costed project appraisal document for the task force/project team.

4.2 I believe that in order to achieve the increase in social/affordable housing output we need to embrace all of the above and more. We need to be creative, methodical and committed. There are no quick wins to achieve our ambition, the key ingredients will be investment, clarity of purpose, securing the right skills at the right time, risk appetite and sustaining a focus on the outcomes that deliver a decent home for all.

Financial implications:

To be completed by Finance.

Legal implications:

To be completed by Legal.