

22 June 2021		ITEM: 6
Housing Overview and Scrutiny Committee		
Housing Delivery Approach		
Wards and communities affected: All	Key Decision: N/A	
Report of: Keith Andrews, Housing Development Manager		
Accountable Assistant Director: Dr Colin Black, Interim Assistant Director – Regeneration and Place Delivery		
Accountable Director: Sean Clark, Director of Resources & Place Delivery		
This report is Public		

Executive Summary

The emerging local plan identifies a need for around 32,000 new homes in Thurrock by 2038 and the Council has previously agreed ambitious targets to contribute to this – to build 500 affordable HRA homes between 2019 and 2029 and 1000 homes for sale and rent by 2023. 29 units were completed by 2020, a further 56 in early 2021 with an additional 35 units now on site completing later in 2021

To date, the latest Government Housing Delivery Test for 2020 shows that housebuilding in Thurrock has only met 59% of the overall Government target for the area. 3,088 houses needed to be constructed between 2017 and 2020, but only 1,823 were actually built.

A report was presented to Cabinet on 9th December 2020, which explored various approaches to increase the Council's capacity to deliver housing development schemes and to assist in the wider regeneration of the borough. Cabinet agreed to adopt a mixed approach to Housing Development Delivery which would ensure that even if a project were delayed, the policy as a whole would not also be delayed, ensuring more affordable homes would be built.

A further report on Assets Disposals was taken to Cabinet on 10th March 2021, where an Assets Disposals Policy was approved with a clear process identified to Reuse, Retain or Release an asset and a proposed approach to towards identifying the route for additional housing as set in Appendix 3 of that report.

This report further explores the options for disposal when the assets would be suitable for housing and proposes a process to help determine delivery routes. The report also highlights the role that Thurrock Regeneration Ltd (TRL) can play in helping to increase good quality housing across the borough.

1. Recommendation(s)

1.1 Approach to Housing Delivery as set out in the report is agreed.

2. Introduction and Background

2.1 The emerging Local Plan identifies a need for around 32,000 new homes in Thurrock by 2038.

2.2 The Council has previously agreed its targets for housebuilding as a contribution to this, both through the Housing Revenue Account (HRA) and through Thurrock Regeneration Limited (TRL). The previously agreed targets are to build:

- 500 affordable HRA homes to be built between 2019 and 2029 of which 85 units have been completed to date.
- 1000 homes for sale and rent by TRL by 2023. There have been no starts or completions by TRL since the introduction of this target.

2.3 To date, the latest Government Housing Delivery Test for 2020 shows that housebuilding in Thurrock has only met 59% of the overall Government target for the area. 3,088 houses were required between 2017 and 2020, but only 1,823 were actually built.

2.4 Housing delivery is primarily through the private sector and developers have a range of reasons for not bringing forward developments – local land values often being one aspect, along with planning permissions and other factors.

2.5 Delivery of new housing through the Council programme has been impacted on the need to limit and revise how resident engagement could take place during the Covid pandemic, but new ways of working have now been established. The operation of TRL has also been subject to pause and review and further reports on that operating model are being prepared.

2.6 On 29 October 2019 and 15 January 2020 respectively, Housing Overview and Scrutiny and Cabinet established the process and criteria by which Council owned sites are to be identified as potential housing development sites.

2.7 Further reports to Housing Overview and Scrutiny and to Cabinet in February 2020 agreed a long list of 20 sites, with an estimated delivery target of around 900 homes to address the Council's Housing Development targets.

2.8 This list has been reviewed and amended and regularly reported to Housing Overview and Scrutiny, the most recent being in March 2021 which identified 14 sites now on the Site Options list which could potentially be taken forward for delivery.

- 2.9 On 9th December 2020, Cabinet agreed to adopt a mixed approach to Housing Development Delivery which would help increase capacity to deliver more much needed housing.
- 2.10 The paper identified that the mixed delivery approach would likely include:
- Continued direct delivery on Council owned sites
 - Street purchase of existing private sector stock
 - Purchasing new homes through S106 opportunities
 - Purchase of existing private sector land or completed units
 - Continued TRL development on appropriate sites
 - Joint Ventures or collaboration with the private sector
- 2.11 The Cabinet report of 9th December 2020, also recommended that a further review of the Council's own assets take place to highlight other sites for disposal or for housing development and a subsequent report on Assets Disposals was taken to Cabinet on 10th March 2021, where the Assets Disposals Policy was approved with a clear process identified to Reuse, Retain or Release an asset and a proposed approach was set out to identifying the route for additional housing delivery.
- 2.12 The proposed approach in Appendix 3 of the report (10th March 2021) set out four options for disposal when the assets would be suitable for housing delivery:
- Straight disposal to the private sector as land not fit for housing.
 - Joint venture with a private or public sector partner.
 - Sale to the Housing Revenue Account; or
 - Where no partner is found the asset reverts to a reformed TRL or is sent there with cabinet consent.

3. Housing need across the borough

- 3.1 Providing good quality, sustainable and affordable housing is absolutely key to the wider growth agenda as it enables our residents to live healthy and happy lives and means that there are local people available to take up the new employment opportunities created by this growth.
- 3.2 The South Essex Strategic Housing Market Assessment (May 2017) objectively assessed the need for housing in Thurrock between 2014 and 2037 as being between 1,074-1,381 new dwellings per annum, within which the affordable housing element is estimated at 472 dwellings per annum. Accordingly, the emerging Local Plan acknowledges the need for up to 32,000 new homes in Thurrock during the next Local Plan period to 2038.
- 3.3 To achieve this, different types of housing are needed - more social housing, more in the private rented sector and more affordable ways of purchasing to help those who aspire to own their home, to be able to buy a house. In addition, we need different types and sizes of houses. This could meet the needs of single people, enable young people and people with a need for supported housing (including care leavers) to move on to sustainable housing,

provide larger houses for those who have growing families, and, provide accommodation for those who are getting older and need more help with day to day living or specialist care.

- 3.4 Therefore, an increase in good quality housing across all tenures is needed and given the demand in the area, this cannot be delivered via just one route, as recognised in the December 2020 Cabinet Report.
- 3.5 The growing population (estimated to be 178,300 following the latest census – an increase in 35,000 in a decade) will place additional pressure on the housing supply with 20,600 new homes required by 2031, equating to 1,030 per year. This is the highest of any local authority in the sub region and this requires collaborative working to deliver these much-needed homes.
- 3.6 The Strategic Housing Market Assessment report (SHMA) shows circa 60% of housing requires 3 bedrooms or more across all tenures – and across both private and affordable housing.
- 3.7 Local housing waiting lists for Council housing, indicate that whilst there is still a demand for 3-4 bedroom properties (circa 22%), 78% of current demand is for one and two bedroom homes. This need can be satisfied by constructing new smaller dwellings for rent and also in part by building larger homes for expanding families needing to move thereby releasing the smaller homes vacated.
- 3.8 As at May 2021, Council Housing Waiting list was 5,301 and the Council Housing transfer list 1,566, meaning that on total 6,867 people are seeking new Council homes in Thurrock. 83% of that demand is for 1 and 2 bedroom homes.
- 3.9 This indicates a requirement for significantly increased affordable accommodation across the spectrum of need including for younger people who are looking to buy/rent their own home; single households; small families and also for older people.
- 3.10 There is an ageing population in the borough and more housing suitable for those aged 60+ will be needed in the future. Ensuring that older people can live longer in their own homes is hugely important as public sector finances reduce. Looking at ways we can incorporate assistive technology and wider aspects of health and wellbeing into such developments will be paramount to ensure independent living.
- 3.11 This will be important for both social housing and private schemes. We need far more accommodation that meets the needs of older people. This will encourage them to move into housing that is more suited to their longer term needs and release larger houses for those needing more space.

4. A Mixed Approach to Housing Delivery

4.1 The Cabinet report of 9th December 2020 and the proposed approach in Appendix 3 of the Cabinet report on Assets (10th March 2021) set out four options for disposal when the assets would be suitable for housing delivery:

- Straight disposal to the private sector as land not fit for housing.
- Joint venture with a private or public sector partner.
- Sale to the Housing Revenue Account; or;
- Where no partner is found the asset reverts to a reformed TRL or is sent there with cabinet consent

4.2 Straight disposal to the private sector

4.2.1 This may be when the land is deemed to be unsuitable for housing or where there may be complications with the site that may be best served via private sector delivery.

4.2.2 The Council is already working with the private sector to bring forward sites and larger housing programmes across the Borough, in a variety of ways.

4.2.3 In some areas, this has included developers proposing sites for the Council to purchase for development as part of wider private sector led proposals.

4.2.4 Following the Council's approach to engaging with land owners and developers through the Design Charrette process that is supporting development of the new Local Plan, approaches have also been received from the private sector on collaborative approaches to bring forward new larger scale developments alongside the Council.

4.2.5 The Council also has targets for capital receipts to enable it to invest in other council priorities. Therefore some sites will need to be sold directly to the private sector.

4.2.6 Timing of disposals, due diligence and ensuring best consideration for any council assets being sold, is set out comprehensively in the Assets Policy approved by Cabinet on 10th March 2021.

4.2.7 Sales to the private sector for residential use, will likely mean housing is developed that is in demand locally – therefore a range of dwellings will be expected including 3 and 4 bedroom properties with some apartments. Affordable housing/s106 agreements will be agreed on viable schemes.

4.3 Joint venture with a private or public sector partner

4.3.1 Joint ventures (JVs) can be with a private sector partner or a public sector partner.

4.3.2 Public Sector JVs may involve working with Housing Associations (HAs) to open up more affordable housing developments in the area. These may involve agreeing the sale of local authority land to develop accommodation

with social housing nomination rights, developing housing together across the borough or simply supporting HA applications for Government grant.

- 4.3.3 The past 10 years or so have seen big changes in HAs' plans to increase housing and both HAs and Local Authorities are committed to providing affordable housing. Enabling greater HA delivery in Thurrock may be one way of increasing affordable housing provision for Thurrock residents in the borough without increasing risk on the local authority.
- 4.3.4 There are a wide range of private sector JV structures available to local authorities which can be adapted to reflect the Council's appetite for risk and reward. The structure of any particular joint venture ultimately depends on the objectives of the partners involved, often with access to land, equity funding and/or development related skills or expertise.
- 4.3.5 There are a number of local authorities which have agreed JV models known as "income strip" deals whereby they agree long-term leases, and at the end of the period, they take possession of the property for a peppercorn fee. There are a range of models available via this route but they mostly rely on the covenant strength of the local authority for further investment.
- 4.3.6 Some JVs involve setting up a new structure such a Limited Liability Partnership (LLP), with specific governance arrangements. Others may involve a development agreement being put into place.
- 4.3.7 JVs may be appropriate where the private sector partner/investor owns land holdings adjacent to council land, enabling both parties to create a more ambitious scheme.
- 4.3.8 They may also be appropriate to lever in investment to the area, rather than the council taking on all of the risk.
- 4.3.9 A joint venture can be helpful in bringing new ideas and expertise to the area, where successful schemes have been delivered elsewhere, especially where particular types of housing/demographic groups may be the speciality of the private sector partner. Similarly urban regeneration projects can often be delivered effectively through joint venture arrangements where each party is best able to manage the risk appropriate to its expertise. A private sector partner often takes on the role of sales or management of market facing products including outright sale and private rent. Council's will commonly retain and manage newly constructed replacement affordable housing.
- 4.3.10 However, the process of finding and procuring a suitable JV partner, agreeing any proposed deal or "income strip" needs to be carried out with care and attention to ensure the council does not enter into a prohibitive, long term arrangement which would be costly to exit.
- 4.3.11 Finalising the legal negotiations, what the JV governance model will be and carrying out full due diligence on the arrangement and JV partner, can be

lengthy, time consuming and incur significant set up fees. It would clearly necessitate profit share based on the level of investment/risk by the partners.

4.3.12 Joint ventures can focus on whatever type of housing is needed in the borough depending on the agreement in place. Housing Associations will be basing developments on known need for social housing and tenure/size of units on private sector developments will be agreed as part of the initial agreement.

4.4 Land Sale to the Housing Revenue Account (HRA)

4.4.1 Thurrock Council is the local housing authority with circa 10,000 homes and this is managed through the Housing Revenue Account. Consequently the Council can borrow money via the HRA to support housing delivery.

4.4.2 On 29 October 2018, the government confirmed that the HRA borrowing cap was abolished with immediate effect. As a result, local authorities with an HRA are no longer constrained by government controls over borrowing for housebuilding and are able to borrow against their expected rental income, in line with the Prudential Code.

4.4.3 On 19 March 2021 MHCLG also introduced additional flexibilities in the use of capital receipts from sales of Council homes under the right to buy. These included raising the proportion of a project's costs that can be funded from RTB receipts from 30% to 40%; permitting their use in developing shared ownership homes and extending the period by which they must be used by from three to five years after receipt. These changes together with the introduction over time of a cap on how much of an authority's receipts can be used on acquiring properties rather than new development means that there will be wider scope to fund HRA development.

4.4.4 Land for affordable housing can be from a range of sources. It can be land currently held within the existing HRA estate, land held by the General Fund or plots of land purchased on the open market from private owners. Where new affordable housing is to be built on land currently held within the General Fund it will need to be appropriated to the HRA under powers contained within the Housing Act 1985. Through this process the HRA 'pays' for the land through an increase in the HRA Capital Financing Requirement (CFR) whilst the General Fund benefits from a corresponding decrease in its CFR thereby freeing up General Fund resources for other uses.

4.4.5 Land that is suitable for HRA developments will include:

- Plots of available land in areas where there is existing social housing to enable ease of housing management;
- Smaller developments (up to 50 dwellings) in mixed development areas on existing council land;

- Part of larger developments where there would be a mixed approach to housing tenures – some HRA, some Private Sales (PS) and some Private Rented (PR).
- Re-provision of existing housing stock where due to its age or condition will need to be redeveloped. This can include both small scale re-provision and large scale housing regeneration projects.

4.4.6 Given the demand for smaller sized residences, much of the HRA focus will be on 1 and 2 bedroom homes and residences for older people. However there will be a mix of homes including 3 and 4 bedroom developments for growing families which can in turn make smaller homes available for re-let where the new occupiers are moving from an existing Council home.

4.5. Thurrock Regeneration Ltd (TRL)

4.5.1 A “reformed TRL” has the potential to play a greater role in housing delivery as the company has previously delivered high quality, award winning affordable housing and private rented homes at St Chads. In the first instance this requires a new operating model and revised governance arrangements to be put in place and this is currently in progress.

4.5.2 The TRL model enables the regeneration of Council sites, the delivery of housing and provides an associated income source to the council via the financing of the scheme. Housing delivered can be managed through the subsidiary company Thurrock Regeneration Homes Ltd (TRHL).

4.5.3 The quality of the St Chads development was achieved despite some indications from the private sector initially that the scheme may not be viable due to factors such as low land values, high construction costs, the required levels of affordable housing and higher quality design required.

4.5.4 Therefore the TRL model of delivery enables the local authority to challenge such views. The company will assess projects to ensure schemes deliver a required return over the project life. TRL can also agree a level of affordable homes and ensure build is to a quality and standard consistent with the Council design standards.

4.5.6 TRL can support brownfield redevelopment and ensure sites (where there may be feasibility issues identified by the private sector) to be developed by accessing funding via partners such as the LEP, ASELA and Homes England.

4.5.7 However, to enable TRL to operate successfully, achieve design standards and policy compliant affordable housing levels, there may be a need to also develop sites where higher returns are also possible. This may then enable the cross subsidy of more challenging sites.

5. **Decision Making Process for Release of Land**

- 5.1 The Proposed Approach to Housing Delivery and Asset Rationalisation (Cabinet Report on Asset Disposals - March 2021), helpfully sets out the process for release options.
- 5.2 Each site should be assessed as to whether it is suitable for housing and then reviewed as to how it could then progress to development (using the Flow Chart identified in Appendix 3 of the Cabinet Report on Asset Disposals – March 2021).
- 5.3 The assessment would include an overview of:
- Suitability of land for housing
 - How the development supports the Strategic Plan and wider vision
 - Deliverability of site – land condition
 - Is the land part of a possible wider development with different ownerships?
 - How the site will support targets for affordable housing
 - Financial/viability appraisal
 - Local issues
 - Regenerative effect.
 - Impact on economic growth, job creation and social value
 - Key risks and benefits
- 5.4 Appendix 1 gives an example of the process to be taken by officers when assessing the land for housing delivery and the route being proposed for said delivery.
- 5.5 Engagement with cabinet members and ward members is also crucial at this stage to ensure local concerns are fully understood as part of the assessment process.
- 5.6 Once appraisals have been carried out on each site, recommendations will be made to Cabinet and, where appropriate, to the new TRL Board when re-formed.

6. Reasons for Recommendation

- 6.1 To ensure that we can deliver a wide range of housing tenures and developments across the borough.

7. Consultation (including Overview and Scrutiny, if applicable)

- 7.1 This report builds on the Cabinet Report on Housing Delivery approved December 2020 and the Cabinet Report on Assets approved March 2020.
- 7.2 Housing Overview and Scrutiny regularly monitor and approve the housing delivery programme and will consider this report, making recommendations to Cabinet as appropriate.

8. Impact on corporate policies, priorities, performance and community impact

- 8.1 The proposed approach to the development of new housing aligns closely with the Council's Vision and Priorities adopted in 2018. In particular it resonates with the "Place" theme which focuses on houses, places and environments in which residents can take pride.

9. Implications

9.1 Financial

Implications verified by: **Jonathan Wilson**
Assistant Director, Finance

The financial implications of specific housing delivery schemes will be considered on a site by site basis. This will initially include consideration of the proposed delivery route and the wider financial implications to the Council.

9.2 Legal

Implications verified by: **Ian Hunt**
Assistant Director of Law and Governance and Monitoring Officer

The Council is generally empowered to dispose of assets which are underperforming or surplus to requirements. Each asset will need to be checked to ensure its formal ownerships and appropriation enable general disposal with terms to be confirmed. A final analysis of the legal title and terms of disposal will be included in the disposal decision report.

In considering direct sales and potential joint venture arrangements the Council will have to comply with relevant procurement regulations and guidance. Particularly in respect of Joint Venture arrangements this may necessitate formal public advertisement for partners. Future decisions on specific sites will need to balance the Council's duties in respect of securing best value with the benefits obtained from schemes, this is particularly relevant in any situations where sites could be developed for mixed tenure arrangements and higher levels of affordable housing are balanced against immediate capital receipts.

9.3 Diversity and Equality

Implications verified by: **Roxanne Scanlon**
Community Engagement and Project Monitoring Officer, Community Development and Equalities

The aim of the Housing Delivery approach is to provide good quality housing across a range of tenures for a wide variety of residents with differing needs across the whole borough including those with protected characteristics.

In line with Equality Act 2010 requirements a Community Equality Impact Assessment (CEIA) will be required for individual proposals to determine potential impacts and mitigation where identified for individuals or groups with protected characteristics. This will ensure detailed consideration of the impacts of particular developments take place.

9.4 **Other implications** (where significant – i.e. Staff, Health, Sustainability, Crime and Disorder)

Not applicable

10. Background papers used in preparing the report

- Cabinet Report 9th December 2020 - Housing Development Delivery Approach (Decision 110540)
- Cabinet Report 10th March 2021 – Asset Disposals (Decision 110565)

11. Appendices to the Report

- Appendix 1- Land Assessment Grid – Suitability for Housing and Delivery Method Proposed

Report Author:

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