

**Report of the Corporate Director of Health Housing and Adult Social Care & the Corporate Director of Economy & Place (Portfolio of the Executive Member for Finance and Performance & Executive Member for Housing and Safer Neighbourhoods)**

**Strategic Partnership with the Homes & Communities Agency for the Accelerated Delivery of Housing**

**Summary**

1. This report sets out the need for the council to take a strategic lead in addressing the current housing crisis which is being faced nationally and which has specific local factors which impact negatively upon our communities and the growth potential of our economy. It explains how the dynamic of high demand and low supply has inflated housing prices beyond the reach of a large proportion of York residents.
2. The Government's recent Housing White Paper establishes a clear role for local authorities to create radical, lasting reform to boost supply and affordability. The measures proposed are largely targeted at the planning system, and the rules and regulations that govern the relationship between developers and local councils however it is clear from engagement with the Homes and Communities Agency (HCA – the government's house building agency and the national agency charged with accelerating housing delivery) that council's are also being encouraged to use their powers of general competence to actively engage in the facilitation of housing delivery through the exploitation of publicly owned land to promote local solutions that work for local communities and essentially accelerate housing delivery.
3. This report explains the impacts on our city of the housing situation and how the council might act in partnership with the HCA to impact upon some of the root causes – poor housing supply and a limited tenure mix. The report also gives an overview of some of the assets under the control of the council that are immediately available for housing development and how active engagement in direct delivery of housing in partnership with the HCA could contribute to the financial targets set in the budget for the generation of long term revenue streams from the commercialisation of our estate.

## Recommendations

4. Executive are recommended to
  - I. Agree to enter into a Memorandum of Understanding (MoU) to establish a strategic partnership for housing development and investment with the Homes & Communities Agency.
  - II. Agree that a detailed business case for council-led housing development, including project management, governance, funding arrangements and risk assessments be presented for Executive approval in the summer of 2017.
  - III. Agree that the council will explore partnership and funding opportunities to deliver accelerated housing on public land.
  - IV. Agree that as part of the development of business cases the council will engage with health and education partners to explore the local impacts of housing development on other strategic services.
  - V. Note that the financial plan for the council requires that an additional £1m of annual revenue is generated from Council-owned property and land by 2020 and using budgets already held for this purpose, establish a project team who will develop proposals for housing development.
  - VI. Note that work has begun to develop proposals for housing on the Burnholme and Lowfield sites [in accordance with Executive decisions of 19th May 2016 and 8th December 2016] and agree that work begins to develop the business case for the development of homes on the Askham Bar site, the former Clifton Without School site and the Manor school site.
  - VII. Note the good progress made in delivering new affordable housing via Housing Revenue Account Investment and agree that this will continue, subject to individual consent for investment in accordance with Financial Regulations.

Reason: To progress with the building of much needed new homes in York.

## Background

### Housing Demand

5. York needs more homes to address the shortage of supply across all tenures and to address a local housing market that is characterised by high demand and high prices. The existing market dynamic of mismatched supply and demand leads to :-
  - Difficulty in providing affordable housing for those in greatest need (high land prices)
  - An inflationary impact upon private rent levels creating an affordability gap even for those on middle incomes
  - Escalating house prices meaning that the option for home ownership is out of reach even for those on median incomes
6. This in turn impacts upon the long term health and growth potential of our economy which requires a readily available and diverse housing supply at different price points.
7. There is a strong need for affordable housing in York, both because house prices (to buy and to rent) are higher than regional averages and incomes are lower than regional averages:
  - a. A household wanting to purchase a home at the lower quartile average cost of £160,000 with a 10% deposit would need an income of £41,100pa (based on 3.5 times income multiplier).
  - b. For renting, a lower quartile rent of £575 would need an income in the range of £17,250 to £27,600 depending on the threshold for affordability used (usually between 25% and 40%).
  - c. 31% of households have incomes below £20,000 with a further third in the range of £20,000-£40,000. The overall (median) average income of all households is estimated to be £28,000 and the lower quartile earnings figure £19,000.
8. The council's Draft Local Plan currently proposes allocating sufficient residential housing sites to deliver a total of 841 homes each year for the next 15 years; This must include the provision of affordable housing. The highest needs are for two and three bedroom homes in the private market and for one and two bedroom affordable homes. Although snapshots of current housing need are important and informative, strategic housing policy must also be informed by longer term population projections including:
  - a. that the largest growth is projected for people aged 60 and over; an increase of 16,500 (36%) from 2012 to 2031;

- b. that the population aged 75 or over is projected to increase by a greater proportion than this (56%); and
  - c. that, by comparison, only a modest increase in the population aged 15-29 is forecast for the same period – just over 2,000 over the 19 years to 2031.
9. The Strategic Housing Market Assessment (SHMA) (which provides a framework for discussion on a range of policy choices relating to housing mix, type and affordability to support the development of the draft Local Plan) calculates a need for 11% of new housing to be specifically for older people with an approximate split of 50/50 affordable and market housing.
10. These are complex issues to address, but if housing remains unaffordable for the majority of working age households (be it for rent or for sale) then the city could find increasing difficulty in attracting new and retaining existing employees across a whole range of occupations especially in the service sectors on which much of the city's economy depends. There is already evidence of recruitment difficulties in health and social care; two areas that have a direct and profound impact on the well being of York citizens, including older people.

### **Council Assets**

11. The Council has identified, in its financial plan, that an additional £1m of annual revenue should be generated from its' land and property assets. It is proposed to deliver this saving by deploying three approaches with a good balance of the risks relating to delivery of both savings and the strategic objectives of the Council.
12. The council are progressing rent reviews and reinvestment proposals in order to deliver approximately a third of this total. Good progress has been made to date against this target and, at present, achievement of this element of the savings target is classed as low risk.
13. Decisions have already been made to dispose of land and buildings with an estimated value of over £4m [Castlegate, Ashbank, Fordlands Road and Willow House] and this capital receipt can be used to repay existing debt and reduce revenue debt repayments. This will be considered as part of the overall capital financing, but in broad terms can deliver revenue savings of approx £300,000 pa. However, once sold, the land and buildings permanently move outside of the control of the council and the subsequent use of these assets cannot be guaranteed to assist with council priorities such as the provision of new homes. These receipts will potentially be subject to planning consent and therefore this approach is deemed to be of low to medium risk.

14. The Council now have a number of other surplus sites which have already been agreed for disposal or development for housing. These include the former Burnholme and Lowfield School sites. In addition the former Askham Bar Park and Ride site is ready for development for housing, the former Clifton Without and Manor school sites are becoming vacant imminently and there are a number of smaller sites which could be included for consideration to contribute to accelerated delivery of housing.

### **The Council's accelerated Housing Delivery Proposal**

15. The housing delivery challenges are city-wide, across all tenures, and will rely largely on the private sector to deliver more homes. However, the council has an opportunity through its own land assets to deliver new homes now, directly, and thereby to accelerate that delivery. This opportunity can also assist the Council to generate revenue in order to meet its financial targets.

16. It is proposed that the Council consider delivery of new homes in two ways:

- a. By continuing and accelerating Housing Revenue Account (HRA) investment in new council housing:
  - i. 59 homes were completed in the period 2010 to 2015 at Archer Close, Hewley Avenue, Le Tour Way and Lindsey House;
  - ii. 41 are currently under construction at Fenwick Street, Glen Lodge and Pottery Lane and will be completed by 2018;
  - iii. A further 69 are in planning
  - iv. There is current and projected capital investment of £24.3m available to fund new projects including an extension to Marjorie Waite Court Extra Care scheme, the redevelopment of Crombie House and "buying" the affordable housing element of Council developments, as described below. This is possible within the current HRA regulations and the work on agreed capital schemes will continue.
- b. By using council owned General Fund land to facilitate the delivery of mixed tenure housing developments. This will make best use of Council assets, grow the stock of affordable housing, build up a private rented housing portfolio and, thereby, secure a sustainable revenue income for the Council. In order for CYC to facilitate this development it will need to consider a range of mechanisms and decide upon the most appropriate one to deliver the council's objectives taking into account both financial risks, investments and governance issues. This can include on and off balance sheet solutions. A comprehensive business case will be needed before the various alternatives can be considered. This will

include options for creating a joint venture/partnership/company structure or undertaking this work within the council.

17. The commercialisation of land assets could potentially achieve sustainable, long term revenue incomes to the General Fund. This approach would be as an alternative to selling land assets to achieve, via debt repayment, General Fund revenue savings and relying on private developers to bring forward housing and to take the development uplift.
18. Although each site and opportunity would be assessed on its individual merits, broadly it would be expected that site business cases would test the tenure mix in respect of homes for sale on the open market, homes sold at a discount from market value (shared ownership), affordable rented homes transferred/sold to the HRA as new council housing in perpetuity, and other tenure options that may be advantageous for the delivery of council priorities such as self build or private rented
19. It is important that the business case development process will consider a range of viable options for achieving the strategic and financial outcomes and that the financial risks of each options are satisfactorily explored and similarly that the full implications of different delivery mechanisms are explored and understood before bringing options back to Executive
20. The Council owns a number of good quality sites that are ready for development, subject to planning consent, including those listed in Table 1 below: These sites (with the exception of Tang Hall library and Clifton Without Primary School because of their size) are listed in the Draft Local plan as sites suitable for housing development.

**Table 1 Initial General Fund sites suitable for residential development**

Site	Size in hectares	Estimated number of homes
Askham Bar	1.44	100
Former Lowfield school	5.5	162
Former Burnholme school	1.9	72
Former Manor school	5.6	100
Clifton Without Primary School	0.3	25
Tang Hall Library*	0.15	12
<b>Total</b>		<b>471</b>

\*The Tang Hall Library will relocate to the redeveloped Burnholme complex

## **A Partnership with the Homes & Communities Agency**

21. The council is already working in partnership with the HCA to support the development of York Central. Officers have explored the development for the expansion of this successful partnership to consider broader opportunities to accelerate housing delivery by: identifying and utilising vacated government estate, using the HCAs Infrastructure funding to bring forward brownfield sites requiring significant infrastructure or remediation investment with a view to bringing development forward within the 10 year timescale of the council's Draft Local Plan.
  
22. It is anticipated that through a broader partnership with the HCA it could be possible to deliver over 5000 homes over the next 15 year with the potential for early delivery of over 1000 homes in the next 3 years. All of these are on brownfield sites.
  
23. The partnership could look to :-
  - a) Accelerate the delivery of a significant quantum of housing
  - b) Overcome remediation/infrastructure issues on stalled sites.
  - c) Deliver blended developments of; houses for sale, houses for private rent , discounted purchase schemes, social housing, self build, age related housing, affordable housing schemes for key workers etc.
  - d) Deliver a range of tenure mixes to bridge the affordability gap and to provide intermediate rent levels and promote greater confidence and stability in the renter market.
  - e) Increase the quantum of social housing delivery in a city where, due to high land prices, we struggle to achieve S106 on-site social housing provision or to achieve new off site provision at scale from commuted sums.
  - f) A strategic approach to complimentary community infrastructure
  - g) Develop a reliable construction supply chain to harness the local Small and Medium-sized Enterprise (SME) construction market and therefore increase the bandwidth in the construction industry to match delivery to ambition.
  - h) Make York's economy more sustainable by retaining graduates in the city.
  - i) Combine delivery capacity from the council and HCA – HCA could bring experience, investment and relationships. The council could bring land and capacity and strong local relationships. The partnership would bring increased confidence to both.
  - j) Explore alternative construction methods to accelerate delivery (modular build and off site construction)

- k) Explore the establishment of a Private Rented Sector (PRS) vehicle (with public sector ownership of non social housing) to operate a private rented housing portfolio to generate income stream for the public sector. This has the potential to enable the continued delivery and development of council services.
- l) Moderate the impact of inflationary house price growth by increasing capacity

24. HCA have a range of investment programmes which have traditionally been focused on specific policy initiatives. The HCA are currently considering a range of council funding bids including:- :-

- Delivery Grant - for resources to enable development of some of the proposals set out in this report (decision pending)
- Garden Villages – provision of planning support to develop the proposals for land to the west of Elvington Lane(decision pending)
- Shared Ownership - £2.4m for provision of 65 homes (funds agreed)
- DCLG Regeneration Enabling fund – bid for existing stock to consider adaptations for older people
- Accelerated Construction programme, HCA will provide a tailored package of support to ambitious local authorities who would like to develop out surplus land holdings at pace. The programme aims to deliver up to 15,000 homes nationally (housing starts) on central and local surplus public sector land in this Parliament through £1.7 billion of investment..
- The HCA are currently making strategic purchases of land on the York Central Site as part of the development to the York Central Partnership agreement
- Supported Housing Fund – likely to make a future bid for support for development of homeless provision in the city.

25. A strategic partnership would enable a more coherent approach to seeking funding across these targeted funding streams and would help to create greater synergies in the use of the funds to deliver broader housing outcomes.

26. Delivery arrangements for the partnership would need to be defined once a portfolio of projects has been agreed but this might include a formal joint venture (JV). Detailed governance arrangements would need to be developed that took account of existing arrangements for York Central. Decisions would need to be taken on a case by case basis with a streamlined governance model for the strategic partnership, providing a governance framework to agree individual business cases. The council has developed a model of governance and community engagement that can be replicated on other sites.



27. The arrangements need to allow for the possibility of engaging other public bodies or private sector land owners who may bring additional sites or the potential for inward investment. Such a partnership would also mitigate risks associated with the Council seeking to deliver homes in isolation, whilst maximising external investment.

28. A Memorandum of Understanding will be developed with the HCA.

### **Moving Forward**

29. These proposals represent a significant shift in the ambition of the council to play an active role in the delivery of wider housing solutions through the use of council owned land and through a strong local and national partnership ethos. Each development site will require significant further evaluation work before decisions are made. Signing a Memorandum of Understanding with the HCA is a commitment to pursue a new direction of travel with pace and will enable the council to do this detailed work collaboratively with and benefit from national support and best practice guidance.

30. Executive have already agreed to “seek a developer or alternatively for the Council to undertake development for housing” at Burnholme [19th May 2016] and Lowfield [8th December 2016]. The former Manor School and the former Clifton Without school are also vacant . It is proposed that we put these sites within the proposed programme as early progress sites and proceed to:

- a. Commission design work and development appraisals for the Burnholme, Lowfield and Askham Bar, Manor and Clifton Without sites to determine home sizes and design, layouts, construction costs as well as sale and rent values.
- b. Obtain legal advice on the most appropriate mechanisms and governance arrangements for undertaking development activity and the development of a partnership with the HCA.
- c. Conduct appropriate financial review on the matter of financial modelling, holding & trading arrangements, accounting treatment and tax.
- d. Bring forward a report in the summer of 2017 with the outcomes of this work setting out proposals for approval

31. Good project management, the careful handling of risks and strong governance will be key to the successful delivery of the housing development programme. It is proposed that we adopt a similar approach and project management methodology for the housing development programme as we

have successfully deployed on other major projects, such as the Older Persons' Accommodation Programme, namely:

- a. A Business Plan based on individual site business cases with a supporting delivery programme agreed by Executive.
- b. A Programme Board
- c. The appointment of a programme manager with time dedicated to this task, supported by relevant internal and external resources.
- d. Use of the Verto project management tool to manage gateway reviews, monitor risks and to report delivery.
- e. Regular review and oversight by Executive, Audit & Governance Committee and Corporate and Scrutiny Management Policy and Scrutiny Committee.

32. An indicative timetable for this programme would be:

What	When
Preparation of Business Care	Q1/Q2 2017
Executive approval of Business Care	Q2/3 2017
Procure builders	Q3 2017
Planning	Q4 2017 to Q1 2018
Begin building	Q2 2018
First homes complete	Q1/2 2019

## Council Plan

33. The proposals in this report will contribute directly to the following objectives in the Council Plan 2015-19

### **A prosperous city for all**

- Residents can access affordable homes while the greenbelt and unique character of the city is protected
- Local businesses can thrive
- Residents have the opportunity to get good quality and well paid jobs
- Environmental sustainability underpins everything we do.
- Visitors, businesses and residents are impressed with the quality of our city
- Be entrepreneurial, making the most of commercial opportunities

## **A focus on frontline services**

- Everyone has access to opportunities regardless of their background
- All York's residents live and thrive in a city which allows them to contribute fully to their communities and neighbourhoods
- Every child has the opportunity to get the best possible start in life
- Residents are encouraged and supported to live healthily

## **Implications**

34.

**Financial** -. An additional £1m of annual revenue needs to be generated from Council-owned property and land. The approach identified in this report will contribute a long term revenue stream to contribute to the achievement of this target.

The initial resources required to bring forward the business case to the Executive can be funded from existing budgets and grants (HRA Housing Development budget and the One Public Estate phase 5). Longer term investment in the Housing Delivery Programme and in other sites will be the subject to business case put before Executive later in the year. It should be noted that there is already an assumed capital receipt for Burnholme in the budget and this will need to be incorporated into the business case analysis.

**Human Resources (HR)** – In order to deliver the workplan set out in this report a project team will be established. Council policies will be followed for any recruitment.

**Equalities** - The development of a wider range of mixed tenure housing on the city will contribute to narrow the affordability gap for

**Legal** - Due consideration will need to be given to a range of legal matters related to this proposal including:

- i. vires issues including but not exclusively on the matter of building homes to sell and to let at market rents;
- ii. the transfer to the Housing Revenue Account of newly built homes that have used General Fund assets; and
- iii. The necessary legal and governance structures needed to operate Council led development activities.

**Crime and Disorder** - none

**Information Technology** – none

**Property** - The proposals in this report will lead to the development of detailed site by site business cases for the future development of surplus council assets.

**Risk Management** - It is recognised that there are risks associated with housing development, including land acquisition, the achievement of sales and cost/income pressures. A full risk register will be developed as part of the business case development and the early project initiation. Risks would be mitigated by undertaking this activity in partnership with the Homes & Communities Agency.

## **Contact Details**

### **Author:**

Tracey Carter - Assistant  
Director for Regeneration &  
Asset Management  
Tel No. 01904 55 3419  
Tom Brittain - Assistant Director  
for Housing & Community  
Safety  
Tel 551262

### **Chief Officer Responsible for the report:**

Martin Farran – Corporate Director of  
Health Housing & Adult Social care  
Neil Ferris - Director of Economy &  
Place

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**Wards Affected: All**

**For further information please contact the author of the report**

**Background Papers:** none

**Annexes –** none

## **Glossary**

DCLG – Department of Communities and Local Government

HCA – Homes and Communities Agency

JV – Joint Venture

PRS – Private Rented Sector

SHMA – Strategic Housing Market Assessment

SME - Small and Medium-sized Enterprise