



# WORCESTER CITY COUNCIL

## Options for Council Led Housing Development and for Fully Utilising Housing Enabling

A REPORT ON THE OUTPUTS AND THE OUTCOMES OF A RESEARCH,  
ADVISORY AND APPRAISAL PROJECT UNDERTAKEN BY  
ARK CONSULTANCY LIMITED

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## 1 BACKGROUND AND BRIEF

- 1.1 Worcester City Council (WCC) transferred its council housing stock to a newly formed housing association in 2004. Since that time, the council has focused its role in the provision of new affordable housing on its housing strategy, enabling and planning functions.
- 1.2 Post stock transfer, WCC did retain the operation of the affordable housing allocation system and continues to manage this gateway as well as undertaking homelessness assessments and some outreach support for homeless households. All of these functions are managed by the council alongside housing strategy and enabling in a combined Strategic Housing team. The balance of resources in that team are mainly tilted towards the housing allocations and homelessness function rather than enabling interventions.
- 1.3 Worcester is a relatively small city with a population of 105,000 people and a land area of 33.28km<sup>2</sup>. It has a productive economy which acts as a focal point for much of Worcestershire, despite its economic output and pull being somewhat overshadowed by neighbouring large conurbations in the urbanised West Midlands, including Birmingham, Wolverhampton and Coventry. Worcester is the nucleus of a housing market which extends well beyond the city's boundaries.
- 1.4 Reflecting the intertwined nature of the housing market around Worcester, Worcester City, Malvern Hills District and Wychavon District councils have co-operated to produce a shared Local Plan, the South Worcestershire Development Plan (SWDP). The first iteration of this shared plan was adopted in 2016 and an updated plan is currently in the draft stage of the plan formulation process. SWDP recognises that much of the intended housing growth planned for the Worcester housing market will need to be delivered on strategic sites, including an urban extension for the city, which are actually located in Malvern Hills and in Wychavon.
- 1.5 WCC has also co-operated with all other districts in Worcestershire on the formulation of a new housing strategy. The intention is to adopt a strategy which addresses housing need and directs affordable housing production across the whole of Worcestershire. The adoption process for the county-wide housing strategy has stalled and WCC is frustrated about aspects of the process for formulating and agreeing the strategy.

- 1.6 Despite its reliance on neighbouring districts to help deliver Worcester's housing requirements, WCC recognises the importance of optimising production within the city's boundaries and the need for an approach to affordable housing delivery which is geared specifically to Worcester City. Production levels of affordable housing in Worcester have tended to be well below identified need. In the latest Strategic Housing Market Assessment (SHMA) Worcester City's affordable housing need is identified as 353 new homes per annum on average. Since stock transfer, 1716 new affordable homes have actually been provided and that equates to an average of 95 p.a. Partly as a result of the impact of the Coronavirus pandemic, affordable housing completions in 2020/21 was only 21 dwellings and new starts in the year were 117. Production is far behind required levels.
- 1.7 WCC decided to consider carefully how it might enhance its approaches and interventions to affordable housing production. It commissioned a thorough study of possible enhancements to its housing enabling activity and specifically wanted to include in that study assessing the implications and potential benefits of becoming a direct provider of new homes again.
- 1.8 ARK Consultancy was appointed in October 2021, following a tender process, to carry out the study and our approach was shaped around the council's well-crafted brief and specification for the work.
- 1.9 The study and associated consultation and appraisal work has been carried out between November 2021 and February 2022. The scope of the work has been multi-faceted, as described in Section 2 of this report. Many of the outputs of the study have been reasonably self-contained, like case study and comparator research or awareness raising sessions with members and staff at WCC. This report sets out all of the key findings and conclusions of the study and makes clear recommendations to the council about the measures and actions which ARK believes are appropriate and will offer good efficacy and results. We have aimed to keep the report as concise as we can, despite the breadth of the work undertaken. Much of the output detail is in appendices to the main report or in some cases has been in self-contained and separate form.

## 2 PROJECT SCOPE AND APPROACH

2.1 We sub-divided the study and review into a series of tasks which began at the beginning of November 2021. The project was broad in its scope and content and so there were 20 specific tasks identified in the agreed scope of work.

2.2 The following sets out the main tasks:

- (i) An information request and initial assimilation
- (ii) An inception meeting with key personnel at WCC
- (iii) A brief review of housing need and demand data and the approach taken to identifying need
- (iv) An examination of homelessness incidence, responses and the use of temporary accommodation
- (v) A review of the supply pipeline and provider capacity
- (vi) A review of land supply and relevant planning policies
- (vii) Stakeholder consultation
- (viii) Consideration of land promotion skills and resources in the supply network
- (ix) A status review of planning policy and practice supporting new affordable housing supply
- (x) A skills and resources review of the housing strategy and enabling functions
- (xi) A review of utilisation of Homes England and other funding streams
- (xii) An advice note on the potential for direct housing development by WCC
- (xiii) Case study examples
- (xiv) Engagement sessions with WCC staff
- (xv) Options for improving interventions
- (xvi) Senior staff workshop
- (xvii) More detailed appraisal of options for intervention
- (xviii) Collation of findings and a report in draft
- (xix) Consideration of feedback on the draft report
- (xx) Presentation of a final report.

2.3 The following programme sets out the planned workflow over the course of the project:

	November					December				January				February				March		
	01	08	15	22	29	06	13	20	27	03	10	17	24	31	07	14	21	28	07	14
1	Information request	█																		
2	Inception meeting		█																	
3	Review need/demand		█	█	█															
4	Examine homelessness			█	█	█														
5	Supply pipeline & capacity			█	█	█	█													
6	Land supply					█	█													
7	Consultation meetings					█	█													
8	Land promotion									█										
9	Planning policy/practice									█	█									
10	Enabling skills & resources									█	█	█								
11	HE grant & other funding										█	█								
12	Advice document											█	█	█						
13	Case studies												█	█						
14	Staff engagement										█			█	█					
15	Develop interventions												█	█	█					
16	Workshop														█					
17	Option appraisal															█	█			
18	Draft report																█	█		
19	Feedback & final report																		█	█
20	Presentation of key outputs																			█

2.4 In practice, the sequence of tasks has flowed differently from that initially proposed. For example, the advice note (or briefing paper) on direct development by local authorities was issued as an early output in November 2021, in order to support a member consultation session. Also, the emphasis has proven slightly different than intended with some tasks. For example, the senior staff workshop was restructured to be a session with the council’s Corporate Leadership Team as this responded best to WCC’s needs as the project unfolded. The level of consultation work far exceeded ARK’s original expectations when we formulated the project proposal. And that is despite being unable to meet with a representative from Worcestershire County Council as originally planned. Various meetings with a director at the county council were arranged by ARK and all proved abortive.

### 3 WHAT IS 'HOUSING ENABLING'?

- 3.1 At the nub of the work undertaken by ARK is an exploration of how WCC can sensibly improve the effectiveness of its housing enabling activity.
- 3.2 All housing authorities, but to differing degrees, are responsible for trying to support and facilitate the provision of new affordable homes. In a nutshell, that is the purpose of a local authority's housing enabling function and it is generally regarded as a sub-set of a council's housing strategy role. It is also a General Fund responsibility rather than a Housing Revenue Account (HRA) responsibility. Therefore, even where a local authority has transferred its own council housing stock (as is the case with WCC) it remains responsible for strategic housing including enabling.
- 3.3 To help 'set the scene' for readers of this report, it is worth defining housing enabling more clearly and being aware of the normal range of activities embraced by the definition. Housing enabling means:
- increasing the supply of new housing (usually in affordable housing tenures) to meet a range of identified needs
  - co-ordination, promotion and support for the policy and delivery framework
  - more direct intervention where necessary, especially to address dysfunction in the operation of the housing market, especially on the supply side.
- 3.4 The sorts of activities and approaches adopted by local authorities under the housing enabling banner tend to include:
- understanding and communicating need and demand
  - establishing clear priorities and an effective policy framework
  - making good links between planning, economic development, health and social care and housing
  - supporting local capacity to deliver desired housing outcomes
  - guiding public investment in affordable housing production
  - monitoring the programme
  - providing guidance and support
  - land promotion
  - direct intervention where appropriate.

## 4 HOUSING NEED AND SUPPLY IN WORCESTER

### QUANTIFICATION OF HOUSING NEED

- 4.1 There are a number of different approaches that councils take to gathering housing needs information. These include assessments undertaken to support the local development plan, (usually a Strategic Housing Market Assessment (SHMA), or a Local Housing Needs Assessment) as well as data from housing waiting lists and other specialist housing surveys. The latter may, for example, cover the housing needs of vulnerable young people or rural housing need.
- 4.2 The SWDP, adopted in 2016, was supported by a SHMA which demonstrates housing need in South Worcestershire up to 2030. In 2018 the SHMA was updated by arc4. A further update report has subsequently been produced in 2021 and this considers future population and household projections over the period 2021 to 2041.
- 4.3 The report concludes that WCC has a newly arising affordable housing need of 384 households per annum. When combined with historic unmet need this amounts to a total unmet need of 458 households per annum. This is an increase on the identified need in the 2018 SHMA, which identified an annual unmet affordable housing need of 353 households per annum.
- 4.4 The housing need data demonstrates that there is a requirement for a range of dwelling sizes, from 1 bedroom to 4 bedroom. The mix of tenure shows a requirement for 69% of affordable homes to be provided for rent (with the majority being for social rent). The remainder should be made up of affordable home ownership products.
- 4.5 At 31 March 2021, there were 4,163 households on the council's waiting list. Between March 2016 and March 2021, the number on the waiting list had increased by 76%. WCC was just below the average number of households per 100,000 of population on the waiting list for the West Midlands region, with 28 per 100,000 in 2020/21 compared with an average of 32 per 100,000 for all councils in the West Midlands region.
- 4.6 During 2021/22 the number on the waiting list has dramatically declined to only 1200 applicants, it is understood that this is due to the introduction of a new web based management system, which requires the applicant to self-serve, by loading documents and information themselves to the system. The degree to which this might be skewing the housing register needs to be investigated. It is important to understand this, as the waiting list is a key indicator of housing need and if this change in the data is not accounted for, could result in misleading information being produced.

## ASSESSMENT OF AFFORDABILITY

- 4.7 The SHMA undertakes analysis of housing affordability and the 2021 update report concludes that in the SWDP area:
- “.....households on lower quartile incomes cannot afford any tenure option/product at the current prices except for social renting. For households on median incomes, social/affordable and lower quartile market rents are affordable. By comparison, households on median incomes cannot afford market sales at any of the price points or affordable home ownership products without resorting to higher mortgage multiples than 3.5 or having higher deposits.”
- 4.8 WCC has the most severe affordability problem of the SWDP councils. In Worcester, a household with a lower quartile income renting in the private rented sector would need to spend 42% of their income on their housing costs. The typical expectation is that around 25% to 30% of income should be spent on housing costs. Market housing is also more unaffordable in Worcester, with a household with a lower quartile income requiring seven times their income to purchase a lower quartile priced property in 2020.
- 4.9 This helps to illustrate why the need for affordable housing is so acute in Worcester.

## OLDER PEOPLE AND SPECIALIST HOUSING

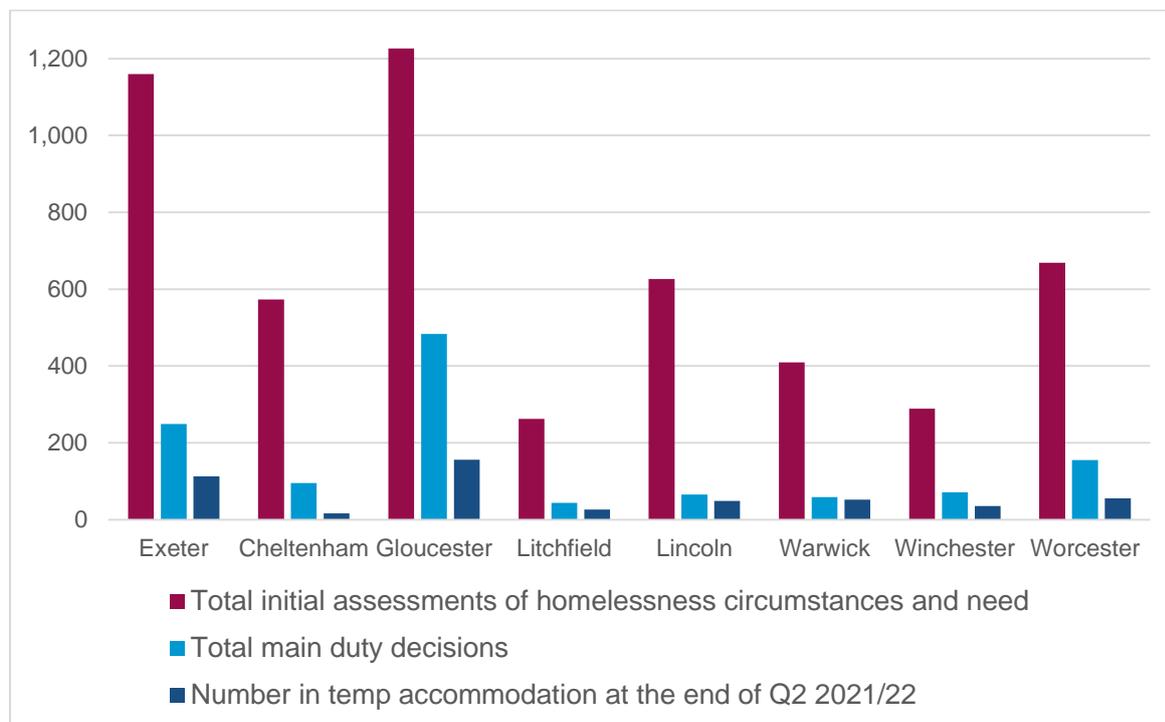
- 4.10 The SHMA provides analysis of health-related housing need to establish the likely requirement for specialist or adapted housing. Across the Worcester population as a whole between 2020 and 2041 there is a forecast increase in those with a physical disability of 22%, and those with a learning disability or autism of 43%. Although all of these people will not require affordable housing, the SHMA update suggests that 4.5% of all new affordable homes should be built to be wheelchair accessible to accommodate increased disability and an ageing population.

## HOMELESSNESS

- 4.11 Homelessness data offers a snapshot of the most severe housing need. A review of the data for WCC shows that, in 2020/21, 669 initial assessments were made to establish whether an applicant had a homelessness need. The number of households assessed as unintentionally homeless and with a priority need (owed a main duty) was 101. It should be noted that the COVID 19 pandemic will have impacted particularly severely in 2020/21.
- 4.12 At the end of Q2 2021/22, 55 households were accommodated in temporary accommodation.

4.13 ARK has undertaken some benchmark analysis to compare WCC homelessness statistics with other areas with similar population size and some similar characteristics, including where possible a dominant town or city constrained by its city boundaries. The graph below shows comparative data for 2020/21:

### COMPARATIVE HOMELESSNESS DATE



4.14 WCC does not stand out as having especially high numbers of homeless applicants or high numbers accommodated in temporary accommodation, suggesting that homelessness in the city is being managed effectively.

### OTHER HOUSING SURVEYS

4.15 ARK understands that focused housing surveys of specific cohorts have not been undertaken.

### THE VALIDITY OF THE HOUSING NEEDS DATA

4.16 ARK has reviewed the various housing need data available to WCC. The SHMA is very comprehensive. It follows the relevant government guidance for undertaking a housing needs survey. The most recent report reflects worsening affordability, which ARK would expect to see. This is a national trend fuelled by rising housing prices and stagnant wages. ARK has some concerns with the most recent waiting list data and this was discussed in section 4.6 earlier.

4.17 The SHMA is a general survey, providing an overview of housing need. It does not explore the nuanced needs of specific groups. WCC should consider undertaking more detailed housing needs surveys, should it require a deeper understanding of how housing need is affecting particular groups, rather than

relying only on the SHMA.

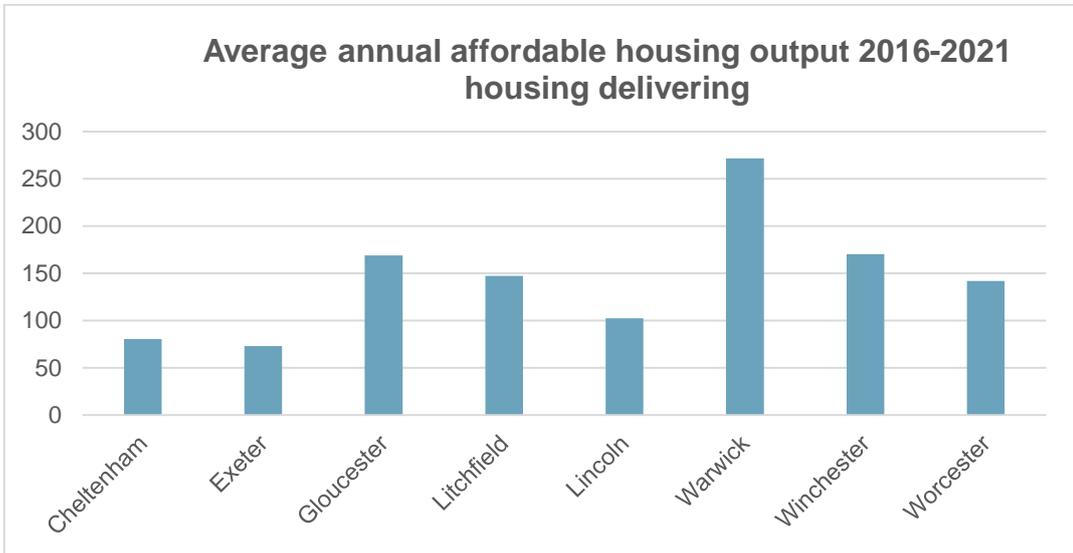
## 5 HOUSING PRODUCTION

### TOTAL PRODUCTION – ALL TENURES

- 5.1 Worcester does not have sufficient available and suitable land within its administrative area to meet its long-term housing need. In total, the SWDP (2016) forecasts that c5400 homes (including affordable homes) up to 2030 are required outside of Worcester’s boundary to meet the city’s housing requirement; this is known as the “wider Worcester area (WWA)”. Urban extensions are being developed immediately adjoining or close to the Worcester city boundaries, in both Wychavon and Malvern districts, to assist in accommodating Worcester’s housing need.
- 5.2 Over the last five years, WCC has had an average completion rate (all tenures) of new dwellings, across the WWA of 315 homes per annum.
- 5.3 There are still 1600 homes to complete in WWA by 2030. This does not include any revisions to the planned production target as a result of the current review of the SWDP.

### AFFORDABLE HOUSING PRODUCTION

- 5.4 The average affordable housing completions in the last five years, in the WWA is c140 dwellings per annum. Affordable housing production in WCC’s administrative boundary has been c92 dwellings per annum. The percentage of homes for rent (social and affordable rent) is around 75% of total affordable housing production.
- 5.5 ARK has compared WCC affordable housing outputs with the peer group of councils identified above. Although all of these areas will have their own local issues that affect their affordable housing production, it does give an indication of how WCC is performing compared to others.
- 5.6 The table below shows the average production for these districts over the last 5 years.



- 5.7 This demonstrates that WCC is at the lower end of affordable housing production and there is work to do to put in place mechanisms to increase supply. ARK addresses how this might be achieved later in this report.
- 5.8 There appears to be considerable focus operationally on bringing forward sites within Worcester itself. However, given the amount of new affordable homes being developed in the urban extensions, WCC should be fully engaged in ensuring the affordable housing delivery on these sites is maximised and meets its needs.
- 5.9 **TEMPORARY HOUSING/PRIVATE SECTOR LEASING**
- 5.10 Although not necessarily new production, the provision of temporary accommodation has been identified as a key objective for WCC. It is understood that WCC currently manages 12 units of temporary accommodation (which it either leases or owns) at Bromford Rd (8 rooms) and Oldbury Rd (4 self-contained houses). WCC is still reliant on bed and breakfast accommodation and would like to replace some of this with its own, better quality accommodation. WCC's Asset Management Plan (see 6.27 below) also identifies additional temporary accommodation as a priority when considering the use of property and land in its ownership.
- 5.11 The development of a business case for further units of temporary accommodation remains an action in WCC's Strategic Housing Action Plan 2021-22.
- 5.12 A private sector leasing scheme is in the process of being established, however it is understood that current team members have been redeployed to other activities, therefore there are vacancies in the staff team, thus progress has been slow and may have stalled.
- 5.13 Staff at WCC advise that the private sector rented market is very competitive in Worcester. Any private sector leasing scheme would, therefore, need to be very attractive to private landlords if it is to offer market appeal.
- 5.14 A standard private sector leasing model usually sees the manager of the scheme take on responsibility for day-to-day repairs, whilst the landlord remains responsible for major repairs to the buildings envelope. It is understood that there is an expectation in Worcester that landlords will pay for day-to-day repairs at cost. As a result, the offer to private landlords is relatively unattractive and the problem is compounded by a repairs contract held by WCC, which makes individual repairs very costly. WCC should seriously consider the value for money and benefit of initiating this scheme, before taking it further. Other councils, such as the Gloucestershire councils for example, outsource this activity to a third party, which is an option WCC could consider if it decides to progress the scheme.

## 6 OTHER KEY DIMENSIONS OF THE OPERATING ENVIRONMENT FOR AFFORDABLE HOUSING IN WORCESTER

### HOUSING STRATEGY

- 6.1 WCC does not have a current housing strategy. In the absence of a housing strategy, ARK reviewed WCC's City Plan, which sets out its corporate objectives. There is no specific reference to affordable housing delivery as a strategic priority in the plan. In ARK's experience, where councils consider affordable housing a genuine priority, they are very explicit about this in their wider corporate planning documents.
- 6.2 A joint housing strategy is being developed between Worcestershire County Council and the six district councils in Worcestershire. It is understood that the production of this strategy has been slower than anticipated. ARK understands that, although discussions are ongoing to agree a joined-up approach, there may be significant delays or in fact process may have stalled. It is extremely important for the reasons ARK has set out, that a fundamental decision is made about WCC's continued involvement in the county strategy. If a decision were taken not to proceed then urgent action must be taken to put in place a strategy for WCC.
- 6.3 A published housing strategy clearly signals to stakeholders, both internally and externally (as well as to the general public) the vision for housing and the objectives that need to be met in order to fulfil the vision. It provides a strategic approach to managing and supporting the operation of an effective housing market. The strategy collates and integrates the more detailed work on things such as gauging housing need or deciding how to intervene differently in the market.
- 6.4 In ARK's view the lack of a current housing strategy is causing a loss of clarity and strategic direction in this area.
- 6.5 The county-wide housing strategy needs to be put in place as soon as possible. It is recommended that WCC should develop a housing action plan to sit below the strategy, which clearly sets out how the strategy's objectives will be delivered and how progress will be measured at a district level.

### PLANNING POLICY

- 6.6 The SWDP adopted in February 2016 is the document that guides development in WCC, as well as in the wider South Worcestershire area.
- 6.7 The SWDP was the first joint development plan produced by the three South Worcestershire councils. ARK understands that, from a planning perspective, the joint plan is considered to be of great benefit to WCC because Malvern and Wychavon districts are helping to deliver development sites to meet Worcester's needs.

- 6.8 Following significant delay, a new timetable has very recently been produced for the review of the SWDP. This sees public consultation on the updated plan in the summer of 2022, with the independent examination forecast for summer 2023 and adoption in October 2023.
- 6.9 The housing supply numbers for the new plan, including the affordable housing requirement, will be established through the revision process. The expectation is that the plan period up to 2041 will see the delivery of 14,000 new homes across south Worcestershire on top of an existing target of 28,400 new homes by 2030 under the 2016 SWDP, of which 69% have so far been delivered.

The 2019 SHMA and the 2021 update report provide an important evidence base for establishing housing need and determining the amount of affordable housing that the plan should support.

### AFFORDABLE HOUSING POLICY

- 6.10 The affordable housing supplementary planning document (SPD) has been jointly produced and adopted by the SWDP. The SPD is dated 2016, with an update in 2019 to take into account the latest changes to national planning policy. The SPD provides detailed guidance on the interpretation of the policies that relate to affordable housing in the SWDP area.
- 6.11 As the SPD was first adopted in 2016, it is now out of date and needs properly updating, although, ideally it should be revised once the review of the SWDP has taken place. The main areas for consideration in terms of the impact on the SPD are the revised evidence base of the SHMA and the introduction of “First Homes”.
- 6.12 First Homes is a new affordable home ownership tenure, which was introduced by the Government in 2021. Although still being piloted, planning policy guidance requires 25% of the affordable housing contribution on development sites (with certain exceptions) to be provided as First Homes. These are homes sold to local first-time buyers at discounted rates to open market value, with a minimum 30% discount being required. This discount is secured through a legally binding agreement so that the dwelling is always available to first-time buyers.
- 6.13 The requirement for First Homes has a significant effect on the supply of other types of affordable housing and will impact on WCC’s delivery of both rented and shared ownership homes. WCC should maximise opportunities to secure additional grant funded affordable housing on sites, over and above the planning requirement, in order to mitigate to some degree, the impact of First Homes.
- 6.14 The current SWDP affordable housing policy in WCC is for 30% of new homes to be developed as affordable housing on brownfield sites, and 40% on greenfield sites.

- 6.15 The planning system makes a significant contribution to affordable housing delivery. Over the last five years, an average of 77 affordable homes per annum have been provided in the WWA through the planning system. When compared to overall housing delivery in the WWA, this equates to an average of 26% of all homes being provided as affordable housing. This percentage is not fully policy compliant when related to the SWDP.
- 6.16 ARK understands that there has been challenge on some sites to viability and, as a result, the affordable housing numbers have been reduced. The Sherring Gate site has been mentioned as a scheme where the viability of affordable housing delivery is being challenged and it is understood that the affordable housing percentage was reduced to 20% of overall housing numbers on the Worcester South urban extension. WCC should check whether it is providing a robust enough challenge where developers are presenting viability arguments which could lead to a reduction in proposed affordable housing numbers.

### CITY CENTRE MASTER PLAN

- 6.17 The City Centre Master Plan sets out a vision for Worcester city and is a very comprehensive and ambitious document. It seeks to encourage mixed-use development including increasing the number of people living in the city, with c3,240 new homes being proposed.
- 6.18 The master plan explains WCC's desire to be more actively engaged in development:
- “Worcester City Council is a significant land owner within the city centre, and as such wishes to retain a suitable element of control and influence in the progression of delivery of development opportunities on those sites.”
- 6.19 It expresses WCC's desire to seek partnerships and remain involved throughout development and delivery. There is no explanation as to how this role might be achieved.
- 6.20 The master plan does not reference affordable housing as being a priority. It is understood that there are concerns that affordable housing would not stimulate economic activity, due to the residents of those types of homes having more limited resources and spending power than residents of homes in market tenures.

### LAND SUPPLY

- 6.21 Worcester is a relatively small city and is very much constrained in terms of new development by tight geographical boundaries. Hence the importance of the urban extension sites in Wychavon and Malvern districts.
- 6.22 Due to the land supply constraints in Worcester, the re-development of brownfield sites and the regeneration of existing areas of the city are critical.

- 6.23 It is understood that the land market in Worcester is very competitive, with the university particularly mentioned as being active in acquiring sites for accommodation for students. It should be noted that there is no requirement for an affordable housing contribution from schemes delivering student housing. Another example was given, in discussion with staff, of a site that could have been developed for residential use, but was granted planning permission for a retail use, thus no affordable housing contribution was made.
- 6.24 A variety of landowners are active in Worcester. St Modwen is the major landowner at Shrub Hill, which is an old industrial site and an important area for redevelopment and regeneration. The large housebuilders, including Bloor and Persimmon, have options on land surrounding the city. From ARK's observations, WCC has not defined clearly how it wishes to engage with landowners and developers and what role it should have. Agreeing this role and clarifying and articulating this would give stakeholders both internally and externally a clear message of WCC's intentions.
- 6.25 It appears that a number of key sites are progressing more slowly than hoped. This is for a variety of reasons. WCC appears to be very dependent on developers bringing sites forward in their own timescales. In order to help overcome this, ARK's view is that WCC should be engaging at a very early stage with landowners and developers, pro-actively focusing on site assembly and working with landowners to establish why sites are stalling. ARK explores what actions WCC might take in this regard later in this report.
- 6.26 Part of a more proactive approach is to recognise the importance of compulsory purchase orders (CPO) in enabling development. It is understood there is no current council policy in connection with CPO. WCC should put in place a policy to determine when it might use CPO as this is an important tool at WCC's disposal to assist in enabling development.

### WCC OWNED LAND

- 6.27 WCC's Asset Management Plan (2019) sets out how WCC will manage its land and property holdings. There are two objectives relating to affordable housing. Action 10 is about utilising WCC's assets to provide temporary accommodation for homeless applicants and Action 13 relates to the procurement of a partner to deliver the Sansome Walk swimming pool site.
- 6.28 There is no specific reference in the Asset Management Plan to bringing forward council owned sites to assist with meeting affordable housing need. It is understood that sites are marketed, when they are available, with an expectation of a planning policy compliant affordable housing contribution only.
- 6.29 The Asset Management Plan identifies that there was only one WCC site surplus to requirements, with a further two sites held for sale.

- 6.30 The Sansome Walk site is a good example of WCC working with a partner (Sanctuary Housing) to deliver a wholly affordable housing development. It is understood that the site was marketed to the private sector, as well as to RPs, with a clear specification of WCC's requirements. This approach seems to have worked well although the resultant sale and scheme proposal has been very slow in coming to fruition.
- 6.31 WCC should decide if it is prepared to accept a reduced capital receipt for sites it owns to enable affordable housing delivery. A council is able to dispose of land for less than best consideration if it considers that the disposal will contribute to the promotion or improvement of the "economic, social or environmental" well-being of its area. Clearly affordable housing would meet this requirement.
- 6.32 A process should be put in place to consider all appropriate council assets, that are identified for disposal for an affordable housing use.

### WCC'S STRATEGIC HOUSING FUNCTION

- 6.33 The strategic housing and enabling functions are located in the Homes and Communities department.
- 6.34 The strategic housing team structure (see Appendix G) chart shows the following posts as being related to strategic housing or enabling:
- Strategic Housing Team Manager
  - 1 x Housing and Solutions Officer (who is focused on enabling)
  - 2 x Strategic Housing Officers (one of the posts is a 0.8 post)
- 6.35 The Strategic Housing Team Manager is also responsible for the housing outreach service, with c7 staff to oversee. One of the strategic housing officers manages the corporate customer services team and it is understood that this takes up much of the available time of this individual. It appears that the other strategic housing officer is not fully engaged in strategic housing activities. Effectively therefore, this leaves one full time officer covering enabling and strategic housing.
- 6.36 ARK has undertaken some limited benchmarking of enabling resources in other councils. It can be quite difficult to compare resources, as the enabling role can be varied and differs in its scope from one council to another. WCC is not alone in having a limited enabling resource. However, from ARK's experience of other councils, in order to undertake an effective housing enabling role the activity must be resourced effectively.
- 6.37 If all of the WCC roles which appear on the face of it to be enabling/strategic housing roles were fully deployed in those functional activities, then this would significantly improve the resourcing situation. This includes the manager who has oversight of other operational duties which, by their nature, are time consuming. This manager's combination of responsibilities should be reviewed.

- 6.38 ARK has not undertaken a skills audit of existing WCC staff in the Strategic Housing team but we would anticipate a need for new skills if housing enabling is to be delivered in a more effective way.

### OTHER RELEVANT COUNCIL RESOURCES

- 6.39 In order to maximise affordable housing delivery and support the planning and enabling functions, there needs to be a joined-up approach across the council. This involves, legal, finance, property, asset management and governance services. There should be a clear steer that affordable housing delivery is an important objective for WCC. From ARK's observations, joint working across WCC on progressing new development and affordable housing delivery is not particularly strong. Relationships need to be strengthened and a more structured approach adopted. Staff need to be supported and enabled to give priority to this important area of work.
- 6.40 Some councils have found that the most effective way to ensure excellent communication and a joined-up approach is for teams from affordable housing and planning to be located in the same directorate. There is a lot of overlap between housing and planning and it can be beneficial for these teams to be more integrated. Property teams are also sometimes included as part of the same directorate with affordable housing and/or planning.
- 6.41 It is understood that historically a steering group made up of planning, property and enabling colleagues used to meet periodically with a focus on affordable housing delivery. In part due to the pandemic, it seems that this group no longer meet. However, following the staff engagement sessions run by ARK as part of this assignment, it is understood that this group will be re-established. This is to be welcomed.
- 6.42 It is important that the group has clear terms of reference and that it is managed effectively to ensure it does not become a "talking shop". Attendance should be of sufficient seniority so that decisions can be made and the group do not have to defer to others before any action can be taken.
- 6.43 As with affordable housing enabling, the level of resource and current skill sets need to be reviewed and enhanced, particularly in the property and planning functions, to ensure there is sufficient capacity to support WCC's objectives. The need for new skills in this area was identified as part of ARK's discussion with members of staff.
- 6.44 ARK recognises that recruitment of the range of skills and expertise required can be challenging and it may be appropriate to procure these through a retainer contract with a multi-skilled external organisation. This would enable the council to call on professional advice as and when it is needed. It would also enable WCC staff to learn and gain confidence.
- 6.45 The additional knowledge and expertise, whether in-house or through external advisors, is essential if the council were to pursue the more pro-active interventions described by ARK in Section 10 of this report.

## DELIVERY PARTNERS

- 6.46 There is currently a mix of developers and housebuilders operating in WCC. Their main engagement with the council seems to be through the planning system. It is understood that there are no specific delivery partnerships in place with private sector developers. Many councils do work in a variety of partnerships with the private sector and examples of this are explored in Section 8.
- 6.47 There are a number of registered providers (RPs) operating in Worcester (the term 'Registered Provider' is defined in the Housing and Regeneration Act 2008 as a provider of social housing). The main RPs are:
- Platform Housing Group
  - Sanctuary Housing
  - Stonewater
  - Citizen
  - Others who are active from time to time include Bromford, Rooftop Housing Group and Heylo Housing Group.
- 6.48 There are also some charitable organisations who are active in providing specialist affordable housing, particularly assisting those who are homeless.
- 6.49 The RP achieving the most new build affordable housing completions in recent years is Platform Housing Group. It also has the largest number of housing association homes in Worcester with around 5500 homes (mainly because it incorporates the housing stock transferred by the council in the past).
- 6.50 It is understood that in recent years the relationship with Platform has not been particularly strong, both strategically and operationally. From the feedback that ARK received in the recent interviews carried out with RPs as part of this assignment, Platform indicated that it is keen to be more engaged with WCC. More work is required to understand why this relationship is not as productive and effective as it should be. Platform, has both the resources and the local knowledge to be a key partner for WCC.
- 6.51 Sanctuary has a head office in Worcester and therefore a special interest in the city, not only as an affordable housing provider but also as a major employer. It is already working with the council on the Sansome Walk swimming pool site and has indicated that it would like to do more with WCC.
- 6.52 It is understood that considerable work goes on with individual RPs on a day-to-day basis. However, from ARK's observations, there is not a formalised and proactive approach to managing these relationships.

- 6.53 At an operational level, a partnership group with RPs which are active in Worcester should be established, covering both the enabling of new development and housing management. This type of forum would strengthen existing relationships and engender a better understanding between the partners and a more cohesive approach to supporting affordable housing development. The case studies explored in more detail in Section 8 provide examples of this type of partnership working.
- 6.54 At a strategic level, there needs to be regular and purposeful engagement with senior managers in the relevant RP.
- 6.55 RPs are potentially strong delivery partners. They not only develop affordable housing but many of them are able to develop mixed tenure developments.
- 6.56 The majority of RPs are community benefit companies or registered charities, meaning that they do not distribute profits to shareholders, although they may have commercial companies within the group structure. The latter are there to manage risk associated with commercial activities. RPs are regulated by the Social Housing Regulator.
- 6.57 RPs' values are more likely to be aligned with the council's objectives, with their main purpose being to provide social/affordable housing.
- 6.58 RPs also have significant borrowing capacity and are able to access public sector funding through the Government's Affordable Homes Programme. The current programme runs from 2021 to 2026, with £5.2 billion of funding nationally (outside of London) being allocated by Homes England.

## 7 INNOVATION BY LOCAL AUTHORITIES TO SUPPORT HOUSING DELIVERY

- 7.1 Since The Localism Act 2011 introduced substantial new freedoms (the General Power of Competence) for local authorities to act with the scope in law which any person would have, there has been a significant increase in the number of councils intervening differently in their local housing markets.
- 7.2 A further spur for new interventions and innovation by local authorities was the aftermath of the financial crash of 2008 and the consequent loss of market capacity which ensued, especially a loss of small and medium sized housing developers in most localities. Added to the capacity problems was the fact that many important development schemes, offering wider regeneration benefits, stalled as a result of market uncertainty or financial problems. Local authorities recognised that they needed to change their local operating environments for housing production in the interests of both new home production and their local economies.
- 7.3 In January 2015, the Treasury sponsored the publication of a report by Natalie Elphicke and Keith House entitled 'From Statutory Provider to Housing Delivery Enabler'. This report recognised the constraining effect of the Government imposed borrowing cap on Local authorities' HRAs and recommended more generally that councils should strive to 'make development happen'. In the view of the authors, this should include identifying land and providing resources including finance. The Elphicke-House report includes a number of case studies giving examples of a broad range of interventions and initiatives by local authorities across England.
- 7.4 The establishment of new development vehicles is a feature of local authority innovation in housing delivery which has gathered pace since the enactment of the Localism Act and since the fillip for such innovation provided by the Elphicke-House report.
- 7.5 Research at University College London (UCL) established recently that 83% of councils in England now own a housing company (either wholly or on a joint venture (JV) basis). That compares with 78% in 2019 and 58% in 2017. Indeed, in 2021, 72% of councils were involved in at least one housing JV with either a private sector partner or a housing association (RP).
- 7.6 Whilst the proliferation of local authority housing companies continues on a rising curve, the UCL research did note the closure of some housing companies recently, including those in Liverpool and in the London Borough of Merton. In cases where companies were being closed, the reasons for closure were typically concerns about rising costs, inherent viability problems and actual or potential trading losses.

- 7.7 Over the course of the past year, reports have emerged of pronounced trading failures by some local authority housing companies. Foxhall Homes, Luton Borough Council's local housing company, failed to submit accounts to Companies House within the normal filing deadline and has experienced significant financial difficulties. London Borough of Croydon is closing its housing company, having refused an offer to acquire the business from Urban Splash. Instead, the company, Brick by Brick, intends to build out 23 of the 29 sites transferred to it by LB Croydon and hand the remainder back to the council. The company's very poor trading position contributed to LB Croydon declaring a £66m budget deficit and to freezing all non-essential spending. The council is forecasting that it will ultimately have to write-off between £27m and £53m of loans to Brick by Brick.
- 7.8 Clearly, establishing and operating local housing companies is a risky business and local authorities have not always proceeded wisely with investment in such vehicles. Nonetheless, there are many examples of local authorities having sponsored successful and effective special purpose vehicles for the production of new homes, including affordable homes. Overall, JV and project-based approaches have tended to offer the best results and the most contained exposure to risk.
- 7.9 If a local authority chooses to innovate in connection with housing production, the delivery mechanism chosen will typically be driven by the council's aspirations for production and political outcomes and for the scale, pace, qualitative and financial outcomes also. Typical drivers tend to include:
- putting local people at the heart of rolling out new homes delivery
  - addressing weakness in market capacity or in the balance of housing being developed locally
  - enhancing the pace and scale of new housing delivery, often focused particularly on affordable housing delivery
  - improving quality standards or the affordability of new homes
  - pioneering the de-carbonisation of new homes and/or the adoption of modern methods of construction
  - focusing on regeneration and place-making where it is needed most in the locality
  - adding social value to that being achieved through new homes development at present.
- 7.10 For some councils, achieving housing aspirations is possible through direct delivery within the HRA (for stock owning authorities) or within the General Fund. As WCC is a non-stock owning authority, it could only develop directly within the General Fund, unless it is willing to re-establish an HRA. Some councils will go as far as re-establishing the HRA and that option is being actively explored by Herefordshire Council at the moment, for example.

- 7.11 Direct homes development within the General Fund is limited to 199 homes being retained, so the scale of very direct interventions in new homes production in the General Fund does have quite limited potential.
- 7.12 All council direct housing stock development and ownership will be subject to Chartered Institute of Public Finance and Accounting (CIPFA) codes of practice. Meeting CIPFA guidance also extends to a council's borrowing and on-lending to newly created housing companies or other arm's length vehicles. The Government has stressed to local authorities that borrowing and on-lending should not be for the primary purpose of securing a yield, in accordance with CIPFA's Treasury guidance. Some councils investing in, for example, commercial property or market housing tenures did appear to be lending solely to secure a net return and this would be deemed non-compliant with the code.
- 7.13 ARK has provided WCC with guidance on options for setting up a local authority housing company, either wholly owned or via a JV, at various stages of this assignment. The members' workshop session and the CLT session both included mini case studies of approaches adopted by other local authorities (the briefing paper and relevant slides are included in the appendices). Section 11 of this report provides guidance on the implications and relative merits for WCC of various new approaches to intervening in affordable housing production in Worcester.

## 8 SPECIFIC CASE STUDIES AND COMPARATORS

8.1 This section sets out specific case studies that provide further illustration of good practice and innovation highlighted in this report, as well as some feedback from other interviews conducted by ARK with personnel from comparator organisations. They provide real life examples showing what other councils have done or are doing and setting out some points that WCC can take away. The case studies are not all necessarily a precise ‘right fit’ for WCC but are intended to highlight the risks and issues that can arise as well as the opportunities. More detail is provided on some of the case studies in Appendix A.

### AFFORDABLE HOUSING ENABLING

8.2 The following examples illustrate some effective affordable housing enabling.

Gloucestershire Joint Core Strategy Affordable Housing Partnership
<p><b>Why has it been chosen?</b></p> <p>It demonstrates partnership working between Tewkesbury Borough Council, Cheltenham Borough Council and Gloucester City Council focused on maximising affordable housing specifically on strategic development sites.</p>
<p>The Joint Core Strategy sets out a strategic planning framework (similar to the SWDP) for the three local authorities.</p> <p>The Affordable Housing Partnership comprises the three councils and 6 registered providers, the latter procured through a formal tender process. The partnership encompasses a number of objectives centred around the quality of the new homes and their management once the relevant housing developments are completed.</p>
What might WCC take away?
<ul style="list-style-type: none"> <li>• Collaborative working to maximise and achieve consistency from affordable housing development on strategic sites.</li> <li>• A comprehensive approach to affordable housing, not just covering development but also housing management and community development.</li> <li>• The benefit of having a forum for engaging with RPs in a structured way.</li> <li>• The ability to measure the performance of individual RPs through agreed performance measures.</li> </ul>

## South Gloucestershire Affordable Housing Enabling

**Why has it been chosen?**

South Gloucestershire Council’s Enabling Team is well regarded by stakeholders, particularly RPs, as being very pro-active and making this council an exemplar affordable housing enabling authority.

South Gloucestershire, like WCC, is a non-stock holding authority. The affordable housing enabling function sits within the planning department. In addition to the staff dealing with standard affordable housing matters there are also specialist team members responsible for extra care housing and self-build. The enabling team is often cited as well performing by RPs in comparison to other councils. Anecdotal feedback includes:

- the staff are empowered and able to give clear guidance on affordable housing policy and its interpretation;
- policy documents are clear and up to date in respect of affordable housing policy;
- planning policy is upheld but solutions are sought and staff work proactively with planning colleagues;
- a firm approach is taken with developers including challenging viability claims and being prepared to defend appeals in respect of planning refusals related to affordable housing policy

**What might WCC take away?**

- An understanding of the resources required to take a very proactive approach to enabling.
- The benefits of working closely with planning colleagues
- The importance of having a strong relationship with RPs
- Consideration of the degree to which the affordable housing obligation is a priority and whether it is compromised in favour of other planning obligations when viability is an issue.
- The benefit of specialist roles within the enabling function to support particular policy initiatives.

**STRATEGIC HOUSING ENABLING**

8.3 The next case study demonstrates how important a joined up and strategic approach to housing enabling is.

**Plymouth City Council – Plan for Homes**

**Why has it been chosen?**

Plymouth City Council’s Plan for Homes demonstrates strategic leadership, focused specifically on intervention in relation to housing supply and increasing the amount of affordable housing.

In the context of high housing need and lack of supply from the private sector, the LA took the decision to put in place a series of policy interventions to create: “a

### Plymouth City Council – Plan for Homes

step change in housing delivery” in the city.

The Plan for Homes was launched in 2013 with an objective of enabling the development of 5000 homes over a 5 year period (2014 to 2019). Having achieved this target, it has been subsequently renewed for a further 5 years, with a target of enabling 1000 homes per year.

Outcomes have included:

- A joint venture with a housing association to build 600 homes
- A development of 72 affordable homes to a high environmental standard, in partnership with a housing association.
- Funding for temporary accommodation.
- Funding for specialist housing.
- A focus on social rented homes.
- The ability to purchase sites that have stalled or present the opportunity to unlock wider development opportunities.

### What might WCC take away?

- That a range of different interventions is often required.
- Clear strategic leadership is important, along with a clear set of objectives and measurable outcomes.
- The need to invest and resource effectively.
- A full understanding of the risks associated with a more proactive approach.

## REGENERATION AND AFFORDABLE HOUSING

- 8.4 The next two case studies explore how affordable housing can be delivered in complex regeneration schemes. These types of scheme generally need joint working between the public and private sectors and usually a considerable amount of private sector funding is required.
- 8.5 Regeneration projects are difficult to undertake without public sector funding. It is probable that affordable housing would not have been delivered at a planning policy compliant level without significant public funding in these projects.
- 8.6 These cases studies also highlight the importance of partnership working, which includes RPs. RPs, through their capacity to fund the affordable housing and access public sector funding, can assist with cashflow to projects and create certainty. Their purchase of the affordable housing is not dependent on the performance of the private sales market.

### Regeneration at Wapping Wharf, Bristol



**Why has it been chosen?**

An example of brownfield development in Bristol, which has acted as an economic driver for a previously rundown and neglected area. It is an example of private led investment alongside significant public sector funding, incorporating mixed uses and heritage buildings. It includes 600 residential dwellings of which 20% should be affordable housing.

The site includes the remains of the historic, listed Bristol gaol and other historic buildings that needed to be retained and restored. Viability was therefore a challenge.

The project was delayed for five years, due to adverse economic conditions as a result of the 2008 financial crisis.

There has been significant public sector investment – c£35m in the form of loan finance.

The Council’s role is one of leadership and strategic vision for the area, it is also an adjoining landowner.

The early phases were not compliant with affordable housing planning policy and the majority of affordable housing to date has been shared ownership.

**Gloucester Quays**



**Why has it been chosen?**

An example of a long-term regeneration, involving both the public and private sectors. It demonstrates that achieving affordable housing delivery is possible even in complex regeneration projects.

The Gloucester Quays area comprised approximately 60 acres of derelict land, The Gloucester Heritage Urban Regeneration Company (GHURC) a public/private partnership was set up to oversee the master plan and attract investment. The Council’s involvement was through membership of the GHURC.

Although retail led, c.1,000 homes have been developed with approximately 35% affordable housing being achieved, mainly through funding from the Government affordable housing funding programmes rather than through the planning system.

**What might WCC take away?**

- The importance of strategic vision and taking a long-term view.

### Gloucester Quays

- Establishing at an early stage what the priorities are for the area (through a local development plan for example).
- Establishing what mechanism/structure is required for delivery at an early stage.
- Considering the role of the council, particularly when separate vehicles are established.
- If affordable housing is identified as a key priority, recognising that there is likely to be compromise on other council objectives.
- Recognising and understanding development viability, particularly in relation to delivering affordable housing and ensuring sufficient expertise is available to challenge developers and landowners.
- Working pro-actively with RPs and engaging them as early as possible in the development process.
- Accept that things will change and there will be a need to be agile and be able to adapt to changing policy and operating environments (such as economic cycles/changes in Government priorities).

### JOINT VENTURE

- 8.7 As discussed elsewhere in this report, there are various types of organisations that WWC might consider as a development delivery partner.
- 8.8 In this case study, the subject council is working with a company owned by another council.

### Rugby Council JV Company

#### Why has it been chosen?

A joint venture (JV) between a council and a private company.

- The council established a holding company to enter into the joint venture.
- The JV partner is Norse, owned by Norfolk CC.
- Its purpose is to regenerate and deliver new market and affordable homes on council owned and underused sites.
- 6 initial sites have been identified and are being scoped.
- It took 18 months from start of the process to establish a trading position.
- Affordable homes are purchased by the council, which is still a stock-owning authority with a Housing Revenue Account. The profits from the JV provide cross-subsidy to maximise the delivery of further affordable housing.

#### What can WCC away?

- Ability to share risk and benefit from reward
- Structures can be complex
- The right development partner is critical
- A good means to gain access to development experience and expertise
- It is essential to understand the risks associated with the JV

## DIRECT COUNCIL DEVELOPMENT

8.9 The following case studies provide examples of where the subject councils have decided to undertake development themselves.

### Surrey based council (business case evolution still subject to confidentiality)

#### Why has it been chosen?

It is a non-stock owning council undertaking development directly itself on its own land.

- The council's first development is to build 42 new apartments with commercial property at ground floor on previously derelict land in its ownership.
- 50% of the homes are at affordable rent, the remainder at market rent.
- Stock is being transferred to a council owned company bringing in new expertise through Non-Executive Directors.
- The main purpose is to focus on regeneration; it is not intended as an activity principally to provide an investment yield.

### Hereford Council

#### Why has it been chosen?

A previously non-stock owning council deciding to explore re-opening its Housing Revenue Account (HRA), undertaking development directly and retaining ownership of the new affordable homes.

- Following an options appraisal exercise, the council is focusing on developing homes directly and regenerating existing underused sites
- Its ambition is to provide 1000 homes over 5 years
- The council is still at a relatively early stage, reviewing how re-opening its HRA might contribute to its ambition and undertaking detailed modelling and financial analysis to explore this.

#### What can WCC take away from these studies?

- There needs to be a clear business case for direct council development.
- Structures can be complex and are resource-intensive to set up.
- It is beneficial if a council has its own landholdings which it can utilise for housing development.

### Hereford Council

- The council is in control if it is undertaking development directly.
- It will require external expertise to start with but will be able to build an in-house skill base.
- The consequences of reopening an HRA need to be fully understood.

## COMPARATOR INTERVIEWS

- 8.10 As part of the ARK assignment, we sought dialogue with some other local authorities, over and above the main case study subjects, which may have offered further case study material, or which at least would provide helpful comparison and insight.
- 8.11 We approached a number of additional local authorities, or their housing companies, for feedback. We achieved mixed success in securing feedback/commentary despite being fairly persistent. Councils who we believe are reasonably comparable to Worcester City Council, and/or have strong reputations for housing enabling, included Blaby District Council in Leicestershire and Cheshire West and Chester Council. Unfortunately, ARK was not able to secure responses from the named housing strategy and enabling personnel we approached at these authorities.
- 8.12 We also looked at Harrogate District Council, again recognised to offer some helpful learning in terms of affordable housing production. Following a more detailed investigation, ARK identified that the main good practice innovation introduced by Harrogate is its insistence that heads of terms for Section 106 agreements, including for affordable housing provision, have to be agreed between the council and applicants before a planning application is registered and processed. The heads are expected to be set out in a predetermined pro-forma by applicants as part of the pre-application process. This is a fairly simple process requirement but is very sensible in ARK's view.
- 8.13 Ultimately, the two comparator interviews we were able to conduct, over and above case study research referred to earlier in this section, involved Exeter City Council and Goram Homes (Bristol City Council's local housing company). Notes arising from both of the interviews are attached to this report at Appendix A. Some highlights include:

### EXETER CITY COUNCIL:

- Exeter is reasonably comparable to Worcester in a number of ways but the council remains a stock owning authority.

- Housing enabling is included within a council team mainly responsible for HRA development and asset data and evaluation. This is a very unusual combination of functions.
- There has tended to be only one dedicated housing enabling post, like at WCC; the post is currently vacant.
- Exeter wants to revitalise its RP partnership.
- Exeter has established a local housing company, Exeter City Living, to develop some council sites in mixed tenure.
- All new council homes in Exeter are developed to Passivhaus standard.

#### GORAM HOMES:

- Goram is a subsidiary of Bristol Holdings Ltd and wholly owned by Bristol City Council.
- Goram is able to operate outside of public procurement regulations. It acquires council land and generally then partners with a private developer to produce mixed tenure schemes.
- Goram does pay for council land and contributes its land to JVs with developers. Ultimately it receives a deferred land payment and a profit share.
- Goram borrows from Bristol City Council for scheme development costs (mainly for land purchase) and has a separate loan for working capital for staffing.
- Goram's forward programme is 3,000 homes. Its skills are likely to be sought by the council to support its in-house HRA development team.

## 9 CONSULTATION AND ENGAGEMENT

### COUNCIL MEMBERS

- 9.1 As an early task in the project, ARK facilitated a workshop session for council members.
- 9.2 A briefing paper was produced by ARK and circulated to members ahead of the workshop session. The paper was entitled 'What if the Council Chose to Develop New Homes Directly' and a copy of this paper is attached to this report as Appendix B.
- 9.3 The briefing paper and the subsequent session itself explored the typical motivations and objectives for local authorities when deciding to develop homes directly, the options available including direct development within the ambit of the General Fund and by re-establishing a Housing Revenue Account (HRA) as well as approaches involving the establishment of arm's length companies, either wholly owned or joint venture companies.
- 9.4 Section 10 of this report provides some detailed guidance and appraisal on the characteristics and strengths and weaknesses of council owned arm's length housing companies.
- 9.5 The workshop session included some slide content describing various case study examples of local authorities which have established new housing companies or have re-established an HRA. The examples described were all local authorities who were or are being advised by ARK; thus allowing us to offer good insights.
- 9.6 Members attending the workshop session raised a host of specific points which are relevant to rolling out new housing enabling and production initiatives in Worcester including:
- the amount of unoccupied space above shops in Worcester's city centre and the fact that this is perceived as a housing opportunity,
  - a concern that affordable housing in city centre locations could be expected to offer less internal and external space for residents than housing in more suburban locations. Ideally, some central new housing should be houses as well as flats,
  - generally new homes should be of good quality, achieving 'net zero' by design and also be well managed,
  - tenure needs to be well targeted; some localities may actually need more market tenures as well as others clearly needing more affordable housing. The council may well have an important role intervening in weak local markets where the private sector tends to be absent.

### COUNCIL CLT

- 9.7 The council's Corporate Leadership Team (CLT) is made up of only 4 very senior officers and is an important component in corporate decision-making and in guiding the implementation of strategy/policy.
- 9.8 ARK facilitated a workshop session for CLT officers in early February. The session was supported with a slide presentation and copies of the slides are attached as Appendix C.
- 9.9 As well as explaining the scope of the ARK project, the CLT session homed in on what constituted housing enabling, how to get the best from working with the council's housing partners, the role affordable housing might play in city centre regeneration and a range of case study and comparative examples that offer good learning for WCC.
- 9.10 WCC is a recipient of funding from central Government via its Future High Streets Fund. So, city centre regeneration is a focus for the council and its partners and housing's role in that regeneration is topical. This is why that specific topic area featured in the CLT session alongside other initiatives linked to enhancing affordable housing production.
- 9.11 Dialogue with CLT officers was very constructive and there is a clear commitment to the need for action to enhance affordable housing production levels in the city. Officers welcomed the positive interest shown by RPs in supporting the council's aspiration to enhance production.
- 9.12 It was emphasised by officers that some feedback received by ARK on the stalling of some key developments in Worcester, Shrub Hill in particular, did not fully reflect progress achieved or recognise the ownership profile of parts of the land area. For example, St. Modwens has sold on its interest in the housing part of the site and RPs did not seem to be properly aware of this. There is a need therefore for WCC to ensure that it provides effective market intelligence to prospective housing development partners.
- 9.13 Officers had a fairly good knowledge of examples of local authorities setting up housing companies and were aware of some of the prominent failures. There is general recognition that WCC going it alone with substantial investment in a wholly owned company looks less appropriate to the Worcester context than improved facilitation of opportunities by the council and better partnership working.

## COUNCIL STAFF

- 9.14 ARK undertook one-to-one meetings with individual council staff and also facilitated two staff engagement sessions. The one-to-one meetings took the form of informal interviews, with a series of structured questions. Interviews took place with staff from:
- Planning
  - Property/Asset Management
  - Affordable Housing Enabling and Strategic Housing
  - Homelessness
- 9.15 The questions were tailored to cover the individual interviewee's role, as well as addressing a range of more general issues. The main focus for the questions was centred around the role of the interviewee in the development of new homes, particularly affordable homes and their perception of the priority that was given to the delivery of new homes and the commitment of WCC maximising affordable housing delivery. It also covered the barriers to increased delivery, areas for improvement and how things might be done differently.
- 9.16 The staff engagement sessions involved staff from various disciplines covering planning, property/asset management, affordable housing enabling, strategic housing, finance and legal services. The sessions were undertaken via Microsoft Teams.
- 9.17 The purpose of the staff engagement sessions was to develop understanding and explore opportunities to enhance the housing strategy and enabling function. The sessions were designed to be interactive as well as a learning experience for staff. Session 1 covered:
- The characteristics of a good strategic housing authority
  - How does Worcester CC compare?
  - Strengths and areas for improvement
  - Defining affordable housing enabling and what more proactive enabling looks like
  - Exploring the difference between enabling and intervention
- 9.18 Session 2 focused on examining some of the issues facing WCC in more detail covering:
- What tends to block or delay housing production?
  - How is viability assessed for housing development?
  - What does land promotion mean?
  - How can local authorities intervene more directly?
- 9.19 There are a number of key themes emerging from both the one-to-one interviews and the engagement sessions. These are explored in more detail below:

## THEME 1: THE LACK OF CLARITY AROUND WCC'S ROLE IN ENABLING DEVELOPMENT.

- 9.20 Staff felt it was unclear the degree to which WCC wants to proactively take a leading role.
- 9.21 An example was given where WCC had been proactive when purchasing an empty retail unit, ahead of securing public sector funding. It was felt this showed that there is a willingness to take risk and intervene. Another good example was the refurbishment of arches in an old viaduct. Also, WCC purchased properties to assist in enabling a walkway from Foregate Street to the river. However, there are other situations where WCC should be more proactive but is prepared to let developers take the lead. This sends mixed messages.

### THEME 2: AFFORDABLE HOUSING DOES NOT HAVE SUFFICIENT PROMINENCE CORPORATELY.

- 9.22 Increasing affordable housing delivery is not identified as a clear corporate priority.
- 9.23 It was felt that the approach to affordable housing is not well articulated. Decisions were sometimes made which appeared at odds with this objective. An example was given of a property in WCC's ownership, which could have been converted for use as temporary accommodation but it was decided, fairly late on, that it should be used for something else. Although there may well have been good reasons for this, those reasons were not fully communicated.
- 9.24 ARK also observed a degree of disconnect between the perception at a senior level that enabling affordable housing delivery was a priority, whereas at an operational level this was less clear.

### THEME 3: CROSS-DEPARTMENTAL WORKING NEEDS TO BE IMPROVED

- 9.25 There was generally agreement that cross-departmental collaboration and communication needed to be improved. A previous forum including planning, affordable housing enabling and property, had not operated for some time. It was agreed that it had worked well in aiding understanding and enabling cohesive working. A decision was reached at the staff session to restart these meetings.
- 9.26 Some staff felt that there was a lack of understanding of aspects of the development process by colleagues in other departments.
- 9.27 There were some observations that teams being in different departments, such as property and housing, did create some barriers
- 9.28 There were positive examples as well of good communication, for example housing colleagues felt there was good liaison with planning colleagues where development schemes involved affordable housing.

### OTHER POINTS

- Staff were positive about successful recent government funding bids.
- There is a good knowledge of development activity and sites in Worcester amongst staff.

- There is enthusiasm to do more and support for a more proactive approach.
- There was a recognition that experience or expertise in regeneration is lacking at WCC.
- Skills in affordable housing/property and planning needed to be enhanced and improved to take on new initiatives.
- It was felt that there is an expectation from some quarters that regeneration, in particular, and to some extent affordable housing should produce investment returns for WCC. In reality, returns would normally be social and economic rather than direct financial returns.

## OTHER STAKEHOLDERS

9.29 Dialogue with other stakeholders as part of the ARK assignment has focused mainly on RPs (housing associations). ARK did make repeated attempts to conduct a consultation meeting with one or more senior officers at Worcestershire County Council. Three separate meetings were scheduled but were not attended by the county council representative. This seemed mainly to be a result of illness. Ultimately, attempts to conduct this meeting were abandoned.

9.30 However, ARK was able to meet with representatives from all five of the larger RPs active in Worcester, namely:

- Citizen
- Platform
- Rooftop
- Sanctuary
- Stonewater

9.31 These discussions were very productive and notes of each of the meetings are attached to this report as Appendix F.

9.32 There was a good deal of consistency in the responses received from RPs which is encouraging in regard to the validity of those responses. Some key findings/feedback includes:

- there is general enthusiasm and commitment from RP partners to develop new homes in Worcester,
- to a degree, there are some complementary skills and experience evident among partners so it would be possible for WCC to encourage RPs to play to their particular strengths and keep competition to a manageable and constructive level,
- there is general recognition that land supply in the city is very limited,
- despite the land supply challenge, there is actually limited pro-activity amongst RPs on creating opportunities through land promotion,

- strategic development sites in the SWDP are progressing very slowly and this is proving frustrating for RPs. Also, RPs have been actively interested in sites adjacent to identified strategic development land but planners have been so slow to respond that acquisition opportunities have been lost,
- there is insufficient joint working by planners in the three SWDP authorities on the strategic sites. In particular, the input of Malvern DC has a negative effect on progressing strategic sites and yet WCC is reliant on these sites for meeting its housing needs,
- there is a lack of understanding of why progress on key city centre sites appears to have stalled, especially Shrub Hill,
- all key RP partners have considerable resources, both money and staff, available to invest in new affordable homes in Worcester. Platform in particular has very ambitious growth plans,
- Sanctuary has considerable interest in expanding its role in Worcester, including in the city centre and wants to make its HQ presence in Worcester more meaningful by being a key local provider.

## 10 THE RANGE OF POTENTIAL MEASURES AND ACTIONS FOR WCC TO IMPROVE ENABLING AND PRODUCTION

10.1 Based on the findings emerging from ARK's various lines of analysis, research and other enquiry (including consultation) we were able to identify a series of measures or actions which the council could consider to improve its enabling programme and effectiveness or to intervene differently in the housing production process.

10.2 To varying degrees, these measures or actions could all have a positive impact on the production of affordable housing. Some are relatively straightforward improvements of WCC's infrastructure for housing enabling. They need to happen, are all about doing the 'day job' well and are unquestionably sensible improvements. Others involve greater cost or risk and need to be weighed up more carefully in terms of whether the benefits warrant the costs or effort involved. In a sense, these are more like options which require appraisal.

10.3 This section of the report and section 10 are dedicated to identifying the emerging measures and actions and then setting out ARK's view of their relative suitability and strengths. Ultimately these exercises have led us to reach our conclusions on the measures and actions we recommend should be implemented by the council.

10.4 The following is the 'long-list' of potential measures and actions which ARK has considered:

### 10.5 POLICY FRAMEWORK

- Formulating a more precise and up to date Housing Strategy
- Better integration between Housing Strategy, the Development Plan and the Community Strategy
- A more up to date SPD for affordable housing

### 10.6 ORGANISING AND RESOURCING ENABLING

- Better definition of the function
- Increasing the number of dedicated staff
- Moving enabling to sit with planning or assets
- Securing 'on-tap' skills and back-up resources from a specialist contractor
- Expanding the role to be more pro-active and to intervene earlier
- Moving other 'Strategic Housing' activities to outsourced contracts to improve focus on housing strategy and enabling

### 10.7 LAND SUPPLY AND PLANNING

- Mapping potential opportunity sites and identifying ownerships and development constraints
- Leading site assembly including contributing council assets, funding and CPO
- Formulating planning/development briefs for priority sites and areas

- Clarifying expectations on housing standards, tenure and management arrangements

## 10.8 CONVENTIONAL ENABLING TOOLS AND APPROACHES

- Gearing up the Private Sector Leasing offer and portfolio
- Operating a social lettings agency
- More effective programme management
- Improving market intelligence
- Closer integration of relevant teams in the council
- Adopting a stronger leadership role

## 10.9 NEW INTERVENTIONS

- A dedicated land promotion function/vehicle and CPO
- Establishing a Special Purpose Vehicle for direct housing production
- Joint Ventures (JVs) with private developers/contractors
- JVs with Registered Providers (housing associations)

## 10.10 PARTNERSHIPS AND COMMUNICATION

- Facilitating a RP liaison group for Worcester
- Providing an information hub for affordable housing developers
- Re-shaping the partnership with Malvern and Wychavon including more formal joint working
- Improving the use of communication techniques and methods including marketing new approaches
- Formulating a Communication Strategy
- Establishing a Partnership Protocol with key partners
- Improving joint working with Worcester County and with Homes England

## 10.11 SPECIFIC SUPPLY SIDE INITIATIVES

- Formulating a plan to develop an integrated network of young people's accommodation options with support
- Agreeing a temporary accommodation strategy
- Identifying preferred partners for specialist roles or portfolios.

## 11 APPRAISAL OF POTENTIAL MEASURES AND ACTIONS

11.1 As a starting point for appraisal of the potential measures and actions set out above in section 10, ARK has identified a series of evaluation criteria for the effectiveness of the measures in the Worcester City context. These criteria include:

- the **Strategic Fit** of the measure or action with WCC's policy framework, stated priorities and national guidance
- the **Achievability** of successful implementation of the measure or action
- **WCC Control** over the application of the measure or action to give the council added assurance
- the degree of **Capital Cost** involved
- the level of **Revenue Cost** involved
- the **Ease of Implementation** of the measure or action; which is similar in scope to the achievability test but is focused more on the scope of implementation work required
- the **Re-organisation** requirement associated with the measure or action
- the degree to which the measure or action **Contributes to Effective Partnership** working with other stakeholders
- the extent to which the measure or action will secure **Quick Wins** in enabling performance and housing production
- the extent to which there are **Long Term Gains**
- the **Durability** of the approach or improvement in operating infrastructure
- the **Risk** associated with the measure or action whether that be financial, operational, reputational or outcome related.

11.2 Because, as mentioned earlier, some of the identified measures or actions are straightforward and necessary improvements to the operating infrastructure for housing enabling, it is difficult to evaluate these in a way which is wholly comparable with more challenging approaches, which are more genuinely options for the future. The appraisal methodology we have adopted does subject all the measures or actions to a simple scoring matrix, with some weighting added to the scores for strategic fit, quick wins and long-term gains, and with risk assessed by reference to a traffic light indicator. For the more involved options identified as 'new interventions', we have produced an appraisal pro-forma for each to offer the reader a greater insight into the relative merits of these.

11.3 Basic scoring is applied to the measures and actions in relation to each of the evaluation criteria between 1 and 5, with higher scores indicating better performance in relation to the criteria. So, in the case of capital cost for example, a higher score suggests a low capital cost. That same inverse logic also applies to revenue costs.

11.4 For the three criteria shown shaded in the second table below, a weighting is applied to the basic score to amplify the relative importance of these criteria to the overall assessment. The weighting is a percentage uplift to the basic score in line with the weighting key in the first table below.

11.5 Here is the basic appraisal matrix for the measures and actions identified:

Score	Weighting	Score + weighting	Total
5	Plus	100%	5
4	Plus	80%	3.2
3	Plus	60%	1.8
2	Plus	40%	0.8
1	Plus	20%	0.2

Option	Strategic Fit	Achievability	WCC Control	Low or zero Capital Cost	Low or zero Revenue Cost	Ease of implementation	Re-organisation not needed	Contributes to effective Partnership	Quick Win 1 - 5 years	Long-Term Gain 5 years+	Durability	Total	Risk
<b>1 – Policy Framework</b>													
More precise and up to date Housing Strategy	10	4	5	5	4	3	5	5	5	7	4	57	
Better integration between Housing Strategy, Development Plan and Community Strategy	7	5	5	5	4	4	3	4	5	3	3	48	
More up to date SPD for affordable housing	7	4	4	5	3	3	5	4	3	5	3	46	
<b>2 – Organising &amp; Resourcing Enabling</b>													
Better definition of the function	7	4	5	5	4	4	5	3	10	7	5	59	
Increasing the number of dedicated staff	10	3	4	5	3	3	3	3	7	7	4	52	
Moving enabling to sit with planning or assets	10	3	4	5	4	4	3	4	7	7	4	55	
Establishing a cross-departmental Housing Delivery Team	10	3	5	5	5	3	1	5	7	10	4	58	
Securing 'on-tap' skills and back-up resources from a specialist	10	4	3	5	3	3	3	5	10	10	3	59	
Expanding the role to be more pro-active and to intervene earlier	10	3	5	5	2	3	3	5	10	10	5	61	
Moving some other 'Strategic Housing' activities to outsourced contracts to improve focus	5	3	3	5	4	3	1	5	7	10	5	51	
<b>3 – Land Supply &amp; Planning</b>													
Mapping potential opportunity sites, identifying ownerships and development constraints	10	4	5	3	3	3	4	5	5	10	5	57	
Leading site assembly including contributing council assets, funding and CPO	7	3	5	3	3	3	4	5	5	10	5	53	
Formulating planning/ development briefs for priority sites and areas	10	3	5	2	2	3	3	5	5	10	4	52	
Clarifying expectations on standards, tenure and management arrangements	7	3	5	1	3	3	4	4	5	7	4	46	
<b>4 – Conventional Enabling Tools &amp; Approaches</b>													
Gearing up (and clarifying) the PSL offer and portfolio	5	2	4	2	2	2	4	4	3	5	1	34	
Social lettings agency	3	2	4	2	1	2	2	4	3	1	1	25	
More effective programme management	7	3	5	5	3	4	3	5	7	10	5	57	
Improving market intelligence	7	3	4	5	3	3	4	5	7	10	5	56	
Closer integration of teams in the council	5	3	5	4	4	3	5	5	5	7	3	49	
Leadership	10	3	5	3	3	3	3	5	10	10	5	60	
<b>5 – New Interventions</b>													
Dedicated land promotion function/ vehicle and CPO	3	2	4	2	2	3	3	5	4	5	5	38	
SPV direct production vehicle	2	2	1	1	1	1	1	2	2	3	3	19	
JVs with private developers/ contractors	2	3	2	3	2	2	3	4	3	4	3	31	
JVs with RPs	3	3	2	3	2	2	3	5	3	3	4	33	
<b>6 – Partnerships &amp; Communication</b>													
Facilitating a RP liaison group for Worcester	7	4	4	5	4	4	4	5	5	10	4	56	
Information hub	7	4	4	5	3	3	3	5	7	10	5	56	
Re-shaping the partnership with Malvern and Wychovon including formal joint working	5	3	2	5	5	3	3	4	5	7	3	45	
Improving the use of communication techniques and methods including marketing new approaches	10	4	5	4	4	4	3	5	7	10	5	61	
Communication strategy	10	5	5	5	5	4	4	5	10	10	4	67	
Partnership protocol with key partners	7	4	3	5	4	3	3	5	7	10	4	55	
Improving joint working with Worcester County and with Homes England	7	4	4	5	5	3	3	4	7	10	4	56	
<b>7 – Specific Supply Side Initiatives</b>													
Formulating a plan to develop an integrated network of young people's accommodation options with	7	3	3	3	3	3	4	5	5	10	4	50	
Agreeing a temporary accommodation strategy	10	3	4	3	3	3	4	4	7	10	3	54	
Identifying preferred partners for specialist roles or portfolios	7	3	3	4	4	3	4	5	7	10	4	54	

11.6 Here are the more detailed appraisals of the 'new interventions' options so that readers can fully appreciate their respective strengths, weaknesses and applicability in the Worcester context:

OPTION A

PROPERTY

PEOPLE

PERFORMANCE

PROGRESSION

<b>MEASURE OR ACTION:</b>	<b>Dedicated Land Promotion Function/Vehicle and CPO</b>
<b>DESCRIPTION OF NEW APPROACH/ACTION:</b>	
<p>This option would be a step on from simply mapping sites and assessing and appraising development opportunities to creating a dedicated role or team with the land promotion function. It would be possible to share resources with key delivery partners for this purpose. Ideally, the function should be backed with capital to support land acquisition and to gradually assemble a revolving land-bank to support new affordable housing schemes. An important tool to assist WCC land promotion would be occasional deployment of compulsory purchase (CPO) powers.</p>	
<b>KEY CHANGES FROM CURRENT APPROACH:</b>	
<ol style="list-style-type: none"> <li>1. Intervention would be much more pro-active than currently and would focus on early identification of opportunities and more control.</li> <li>2. WCC (and/or its partners) would need dedicated staffing with people possessing the right skills and experience to succeed with land promotion.</li> <li>3. In order to assemble or unlock some sites, there may be occasions when WCC will need to compulsorily acquire sites or at least threaten to do that.</li> <li>4. A land promotion function will be at its most effective if it has capital available directly, or from partners, to effect early acquisitions.</li> </ol>	
<b>ACHIEVABILITY:</b>	
<p>The complexity of delivering this dedicated function will largely depend on how it is structured and resourced. If agreements are reached with partners to share resourcing, this would enable quick progress.</p> <p>It would be possible to actually constitute a new entity with this land promotion function, probably as a joint venture with partners. That would though be more difficult to achieve.</p>	
<b>COMPLEXITY AND CHALLENGE:</b>	
<p>As mentioned under achievability, this depends on the structure adopted.</p> <p>It is challenging to make a success of land promotion, especially from a standing start. Success would be enhanced for the function if it promoted council owned sites as well as newly identified opportunities.</p> <p>Using CPO powers is always challenging and again long-winded.</p> <p>WCC would need to accept that land promotion is a long game but the rewards can be great.</p>	

<b>MAIN RESOURCING IMPLICATIONS:</b>		
<b>PERSONNEL</b>	<b>CAPITAL</b>	<b>REVENUE</b>

<p>At best one very experienced Land Manager would be required to make a reality of this approach. Having an additional part-time or consultancy back-up would add resilience.</p>	<p>Capital outlay for WCC would be modest if the function is not supported with a land-banking fund. Initial working capital might be in the region of £100k. A land-bank would need a revolving facility of something like £5m.</p>	<p>The degree of revenue work will depend on whether WCC resources the function entirely or shares the cost with partners. The annual cost might be £85k on salaries and on-costs. If sites are purchased and enhanced, additional value can be capitalised when sold on.</p>
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**PARTNERSHIP IMPLICATIONS:**

Delivery partners have already expressed an interest in working with WCC on this activity. Whilst such a partnership would cement relations with one or more key RPs, where would that leave relations with others?

In whatever form this option is taken forward, it offers the prospect of better land supply and shows that WCC is an effective and pro-active partner. Ultimately it should be very positive for partnerships.

**MAIN POTENTIAL BENEFITS/GAINS:**

SHORT TERM	LONGER TERM
<ul style="list-style-type: none"> <li>• Sends out a very clear message to the market and to landowners.</li> <li>• Will raise the profile of affordable housing development.</li> <li>• Could unlock some meaningful investment resources for acquisition.</li> <li>• Will clarify ownerships, constraints and opportunities in target localities.</li> </ul>	<ul style="list-style-type: none"> <li>• Creates a momentum on the land supply side.</li> <li>• Adds new skills and experience to affordable housing production.</li> <li>• Puts WCC on the ‘front foot’; and enhances its market intelligence.</li> <li>• Can generate significant value gains.</li> </ul>

**SUSTAINABILITY OF APPROACH AND BENEFITS**

This approach/option will only be sustainable if it is seen to succeed and maintains the active support of WCC. Good outcomes will take time to secure but ultimately the benefits could be significant.

It would also be possible for WCC to directly manage the function for a time but, if outputs look positive, then decide to wrap a new legal entity around the land promotion vehicle to enhance its status.

**KEY RISKS**

RISK	IMPACT	LIKELIHOOD	MITIGATION
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1. An under-resourced and limited function achieves few results.	High	Med.	A clear and meaningful initial commitment is required.
2. A major initial commitment includes establishing a separate legal entity which does not prove sustainable.	High	Med.	It would be pragmatic to stop short of a separate company and leave this as a longer-term growth option.
3. Attempted CPOs are frustrated legally.	Med.	Low	Use CPO as a last resort and prepare cases thoroughly.
4. Private landowners are resistant to land assembly attempts.	High	High	Ensure that there is a reasonable return available for landowners including possibly some overage. Use CPO powers if necessary.
5. Delivery partners are unwilling to work with the land promotion vehicle.	High	Low	Ensure that RPs are closely involved in developing the concept and that Homes England and other public sector agencies are consulted.

**SUMMARY:**

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Could have a transformative effect on land supply.</li> </ul>	<ul style="list-style-type: none"> <li>• Will require a significant level of resourcing.</li> </ul>
<ul style="list-style-type: none"> <li>• Will strengthen the skills and resources available to support production.</li> </ul>	<ul style="list-style-type: none"> <li>• CPO use will be risky and long-winded.</li> </ul>
<ul style="list-style-type: none"> <li>• Can align with partners' aspirations.</li> </ul>	<ul style="list-style-type: none"> <li>• Results will take some time to come through.</li> </ul>
<ul style="list-style-type: none"> <li>• Could create potential for JVs with private sector.</li> </ul>	<ul style="list-style-type: none"> <li>• If a new entity is created there is a cost control and investment risk.</li> </ul>
<ul style="list-style-type: none"> <li>• A major statement of intent by WCC and reinforces its leadership.</li> </ul>	<ul style="list-style-type: none"> <li>• Partners may be unwilling to engage effectively.</li> </ul>
<ul style="list-style-type: none"> <li>• Can work well alongside other enabling techniques.</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
<ul style="list-style-type: none"> <li>• Land-banking can create value and be a revolving facility.</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>

**OPTION B**

**MEASURE OR ACTION:**

**SPV for Direct Housing Production**

**DESCRIPTION OF NEW APPROACH/ACTION:**

This option would entail WCC establishing a wholly owned company, probably one limited by shares, charged with developing new homes. Often these companies, sometimes described as a ‘Local Housing Company’ develop homes in both market and affordable tenures. The former tenure cross-subsidises the latter.

To help with future operational flexibility, the newly created structure will often include a holding company and a subsidiary development company.

**KEY CHANGES FROM CURRENT APPROACH:**

1. WCC would be establishing a direct housing development presence, albeit via a wholly owned company.
2. This would add a further delivery organisation to the current range of RPs active in Worcester.
3. WCC would need to raise loans to both support the operation of the new SPV and to enable it to fund land acquisition and work-in-progress on new homes.
4. WCC may seek to transfer some existing council owned sites/assets to the new SPV (albeit these are in very short supply) to kick-start development schemes.

**ACHIEVABILITY:**

Around 80% of all district level local authorities in England have established a Local Housing Company or similar delivery vehicle. Some are joint venture based but most are wholly owned. The methodology and mechanisms available are well established and local authorities have freedom statutorily to do this. CIPFA Treasury Regulations require local authorities not to establish these SPVs mainly for the purpose of generating a yield.

The start-up process is usually quite involved and fairly costly, requiring extensive legal and business case consultancy support.

**COMPLEXITY AND CHALLENGE:**

Whilst the company structures and establishment processes are well proven, there is a fair degree of complexity in the start-up phase and also via agreeing how the council represents its shareholder interest and how reporting from the SPV to the council takes place.

WCC would need to raise additional borrowing in the General Fund in order to on-lend to the SPV.

Housing development is inherently complex, challenging and risky and many local authority SPVs have failed to meet their financial targets.

**MAIN RESOURCING IMPLICATIONS:**

PERSONNEL	CAPITAL	REVENUE
The new company will need to be embodied by dedicated personnel and	The company will require working capital in order to operate as well as capital	Receipts from market sale units can help to offset some scheme

<p>these should not be secondees from the council. There is likely to need to be a senior executive in charge as well as delivery and admin resources (the delivery and admin resources could be outsourced, at least for a time).</p>	<p>loans to finance development schemes, Working capital exposure could well be up to £500k p.a. and require perhaps 8-10 years to achieve pay-back. A development scheme of 20 units will cost around £3.7m i.e. about £185k/unit with acquisition costs. Given reasonable growth aspirations, WCC investment in schemes might need to be around £20m.</p>	<p>capital costs. Retained rented stock will generate recurring revenues and ultimately this will enable loans to be repaid and, hopefully, profits to be achieved. The council would receive a dividend as a share of profits (some should be retained as cash). Annual running costs could be around £250k and potentially more.</p>
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**PARTNERSHIP IMPLICATIONS:**

Establishing a direct development company will impact on partnerships with RPs. Some Local Housing Companies focus on segments of the market which RPs are less interested in, like market renting, but in Worcester the greatest need is for more affordable homes.

if a company was established on a JV basis, especially for a specific project, this would enhance partnership but that is really a different option.

Partnership with other public bodies could be enhanced if the SPV really achieved things and involved other public bodies in the benefits arising from schemes.

**MAIN POTENTIAL BENEFITS/GAINS:**

SHORT TERM	LONGER TERM
<ul style="list-style-type: none"> <li>• Sends out a very clear message to the market.</li> <li>• Will improve the council’s flexibility in responding to opportunities.</li> <li>• Could unlock significant new capital resources for affordable housing investment.</li> </ul>	<ul style="list-style-type: none"> <li>• Could establish a solid and self-sustaining programme of delivery.</li> <li>• Means that WCC gains more control of delivery and locks in capital and revenue gains for Worcester and its citizens.</li> <li>• Could enable the council to pioneer some construction and other innovations in a specific Worcester form.</li> </ul>

**SUSTAINABILITY OF APPROACH AND BENEFITS**

Highly dependent on the success of the new SPV with its initial batch of development schemes. The success of other local authority SPVs/LHCs has been mixed and some have fared very badly and been the source of major financial cost and embarrassment to some authorities.

The most sustainable examples have been well resourced with council land as

well as funding and been led by suitably skilled and experienced staff.

**KEY RISKS**

RISK	IMPACT	LIKELIHOOD	MITIGATION
1. Substantial initial investment does not secure pay-back within target expectations.	High	High	Business case appraisal needs to be thorough and realistic. Market conditions need to be conducive.
2. Existing delivery partners lose commitment to Worcester due to added competition.	Med.	Med.	New SPV could be carefully targeted and other enabling support needs to be distributed equitably.
3. Council suffers reputational damage if SPV fails.	High	High	Solid business case, carefully crafted marketing strategy and real commitment from WCC.
4. SPV falls foul of new Govt. constraints on council activities.	High	Low	Localism Act freedoms unlikely to be constrained too much. Focus of SPV needs to be on affordable homes production ahead of yield.

**SUMMARY:**

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>Should enable strategic direction of delivery efforts by WCC.</li> </ul>	<ul style="list-style-type: none"> <li>Start-up and running costs are comparatively high and add to existing overheads among providers.</li> </ul>
<ul style="list-style-type: none"> <li>A commitment to an SPV will require WCC to vote the necessary investment resources, unlocking potential.</li> </ul>	<ul style="list-style-type: none"> <li>Affordable housing is only viable with subsidy; with limited council land where is the subsidy to come from?</li> </ul>
<ul style="list-style-type: none"> <li>Borrowing costs are historically low at present.</li> </ul>	<ul style="list-style-type: none"> <li>Another entrant to a competitive market is likely to struggle.</li> </ul>
<ul style="list-style-type: none"> <li>Housing development can generate significant profits or revenues if managed well.</li> </ul>	<ul style="list-style-type: none"> <li>The risk of failure is quite pronounced and would have bad consequences for WCC.</li> </ul>

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>If SPV focused on public land and land promotion it could unlock new opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>It is difficult to recruit good people to the role of running a new SPV.</li> </ul>
	<ul style="list-style-type: none"> <li>There are often conflicts for councillors when representing the council's shareholding interest.</li> </ul>



<b>OPTION C</b>	
<b>MEASURE OR ACTION:</b>	<b>Joint Ventures (JVs) with Private Developers/Contractors</b>
<b>DESCRIPTION OF NEW APPROACH/ACTION:</b>	
<p>This is a fairly common place approach for local authorities seeking to regenerate specific areas or existing council housing stock. Unlike Option B, WCC would establish a new legal entity, either a company or a limited liability partnership, with a private sector partner. Typically, ownership would be divided 50/50.</p> <p>The council would contribute land and/or funding, the JV partner would provide construction and possibly sales. It is possible for JVs to be created by contract.</p>	
<b>KEY CHANGES FROM CURRENT APPROACH:</b>	
<ol style="list-style-type: none"> <li>1. WCC would establish a formal JV structure with the partner organisation, either a company or a contract.</li> <li>2. If a new company is formed, this adds a layer of additional administration and possibly staffing to WCC's enabling establishment.</li> <li>3. If WCC's contribution is financial, the council would have to raise a loan and on-lend to the JV.</li> <li>4. WCC would carry a proportion of the development risk for the JV in exchange for a share of the profits or a benefit in kind in the form of new homes.</li> </ol>	
<b>ACHIEVABILITY:</b>	
<p>This is a well proven methodology. JVs have tended to enjoy a better track record for achieving good outcomes than wholly owned local authority companies.</p> <p>There is reasonable appetite for these JVs among private developers/contractors, especially those with specialist partnership arms.</p> <p>A contractual approach is more achievable than setting up a JV company. The latter tends to be more appropriate for larger programmes.</p>	
<b>COMPLEXITY AND CHALLENGE:</b>	
<p>If the JV were based on establishing and staffing a new company (private developers will often seek to second staff to the JV company) this is a more complex approach than relying on a contractual partnership.</p> <p>The challenge and complexity will also be driven by the objectives of the JV. If these relate to delivery of opportunities not all clearly identified at the outset, then the JV will be challenging and risky.</p>	

**MAIN RESOURCING IMPLICATIONS:**

PERSONNEL	CAPITAL	REVENUE
<p>If a new JV company is established, it will need dedicated staffing (although secondments might be appropriate).</p> <p>Monitoring of JV outputs will have a significant staffing implication.</p> <p>Negotiating JVs can be demanding of staff time.</p>	<p>The level of capital commitment will normally be defined specifically at the outset. It could be in kind, with the contribution of council land and with some funding for work-in-progress or JV company costs. The partner will share the capital funding requirement.</p>	<p>There may be an on-going revenue implication for WCC if it seconds a member of staff or agrees to a commitment to company running costs. More typically, costs are capitalised and the council would have an agreed initial capital commitment. WCC would share in profits/sales revenue.</p>

**PARTNERSHIP IMPLICATIONS:**

This approach is founded on a carefully codified partnership. It will be important to find the right partner and make sure both parties play to their strengths and share risk and reward fairly. As far as possible, aiming for a 50/50 ownership and risk/reward structure is best. These are usually the most successful partnerships. Because this is a big step, it would be good to focus initially on a project rather than a whole programme.

**MAIN POTENTIAL BENEFITS/GAINS:**

SHORT TERM	LONGER TERM
<ul style="list-style-type: none"> <li>Adds to WCC’s armoury and enables effective intervention in production.</li> <li>Risk and investment costs and energy are shared so WCC’s resources can be spread further.</li> <li>The right partner will bring good experience and skills to the JV.</li> </ul>	<ul style="list-style-type: none"> <li>The approach, if successful, can be a blueprint and mean more projects of a similar style can be rolled out.</li> <li>If good profitability is achieved, the gain can be left in the JV pot for further investment.</li> <li>This approach could secure a longer-term commitment to Worcester from the JV partner.</li> </ul>

**SUSTAINABILITY OF APPROACH AND BENEFITS**

A lot depends on the scale of ambition, the approach adopted and how successful it proves to be. If WCC had available land resources to contribute, it could prove quite sustainable (however, we don’t believe this is the case). It is difficult in practice to sustain good working relationships with JV partners over time. Private developers have very different motivations and cultures to local authorities.

**KEY RISKS**

RISK	IMPACT	LIKELIHOOD	MITIGATION
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1. Significant initial investment does not secure an adequate return from project outturns.	High	Med.	Ensure partner is properly incentivised. Appraise project opportunities thoroughly.
2. If project based, JV cannot secure planning consent for proposed scheme.	High	Med.	Ideally, secure outline consent ahead of funding JV.
3. JV partner goes bust.	High	Med.	Complete thorough due diligence checks. Insist on an insurance backed bond for the project.
4. Construction costs far exceed budgeted levels.	Med.	High	Aim for a JV which places most build cost risk on partner. Make sensible assumptions at feasibility stage.
5. Unforeseen title problems arise with land	High	Low	Complete thorough title research even on land owned by WCC for some time. Check potential issues on the ground as well as in documentation.

**SUMMARY:**

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>Allows WCC to intervene more directly.</li> </ul>	<ul style="list-style-type: none"> <li>WCC has to relinquish some control and potential return.</li> </ul>
<ul style="list-style-type: none"> <li>Spreads risk (but also return) between WCC and a partner.</li> </ul>	<ul style="list-style-type: none"> <li>Most JVs between local authorities and developers are driven by LA land. WCC has little land available.</li> </ul>
<ul style="list-style-type: none"> <li>Offers access to developer skills and experience, improving the likelihood of profit.</li> </ul>	<ul style="list-style-type: none"> <li>Partners tend to be good at disguising their costs in JVs, meaning their returns are better than declared.</li> </ul>
<ul style="list-style-type: none"> <li>Can translate returns into homes rather than cash.</li> </ul>	<ul style="list-style-type: none"> <li>There is real development risk and WCC may achieve less than expected.</li> </ul>
<ul style="list-style-type: none"> <li>Any additional profit (overage) can possibly roll into future projects.</li> </ul>	<ul style="list-style-type: none"> <li>There is a resourcing demand for setting up and managing/monitoring the JV.</li> </ul>
STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>It is possible to stop short of a JV</li> </ul>	

company and just have a contractual relationship.	
<ul style="list-style-type: none"><li>• Much lower establishment cost than wholly owned SPV.</li></ul>	

OPTION D		
<b>MEASURE OR ACTION:</b>	<b>JVs with Registered Providers (RPs)</b>	
<b>DESCRIPTION OF NEW APPROACH/ACTION:</b>		
<p>This is a variant of Option C but in this instance envisages a JV arrangement with a RP (housing association). Such a JV would almost certainly be project related. A contractual JV is more likely to be appropriate than a new company although an area-based regeneration initiative might warrant the company approach.</p>		
<b>KEY CHANGES FROM CURRENT APPROACH:</b>		
<ol style="list-style-type: none"> <li>1. WCC would establish a formal JV structure, either a company or a contract.</li> <li>2. There will be additional resourcing requirements for administration and possibly staffing of the new JV.</li> <li>3. The balance of WCC's relationships with RPs will change because of the special character of the one with the JV partner.</li> <li>4. WCC would carry investment and development risk in the JV.</li> </ol>		
<b>ACHIEVABILITY:</b>		
<p>JVs with RPs are less commonplace for local authorities than with private developers. However, they are becoming more evident, especially as RPs are expanding their own role as developers/constructors including involvement in multi-tenure or mixed-use schemes. A JV with an RP is more likely to be project focused and to be contractual.</p>		
<b>COMPLEXITY AND CHALLENGE:</b>		
<p>Because RPs are generally less familiar with JV approaches and have sometimes laborious processes, it is likely to be more long-winded and challenging to agree and implement the terms of a JV than with a private developer. However, there should be better alignment of objectives between the partners.</p>		
<b>MAIN RESOURCING IMPLICATIONS:</b>		
<b>PERSONNEL</b>	<b>CAPITAL</b>	<b>REVENUE</b>
<p>If a new JV company is established. it will need dedicated staffing.</p> <p>Monitoring of JV outputs will have a significant staffing implication.</p> <p>Negotiating JVs can be demanding of staff time.</p>	<p>The level of capital commitment will normally be defined specifically at the outset.</p> <p>WCC could contribute land and/or funding.</p> <p>RPs are more risk averse than private developers so may be less comfortable taking their fair share of risk.</p>	<p>There may be on-going revenue implications for WCC if it seconds a member of staff or agrees to a commitment to meet some company running costs.</p> <p>WCC should share in profits or sales revenue.</p>
<b>PARTNERSHIP IMPLICATIONS:</b>		

This approach is focused on a carefully codified partnership.  
 The balance of relationship with other RPs may be adversely affected.  
 A 50/50 risk and reward share should be best. RPs are not always realistic about taking appropriate risk for a targeted return and are poor at containing costs. This will hamper the potential for a fair share of risk and return.

**MAIN POTENTIAL BENEFITS/GAINS:**

SHORT TERM	LONGER TERM
<ul style="list-style-type: none"> <li>• Could add to WCC’s armoury for improving production.</li> <li>• Creates a very focused approach to the JV project.</li> <li>• Should unlock RP energy and investment resources.</li> </ul>	<ul style="list-style-type: none"> <li>• The approach, if successful, should be a blueprint. The JV partner is likely to want to do more if outturns are good.</li> <li>• Gains for both parties could potentially be reinvested in further projects.</li> <li>• RPs no not have shareholders profit needs to service.</li> <li>• RPs can access more funding streams than private developers.</li> </ul>

**SUSTAINABILITY OF APPROACH AND BENEFITS**

Generally, RP JVs are focused on specific projects, like an area regeneration scheme for example. Once that project is completed, it can be difficult to sustain the JV approach.

An exception could be the creation of a land promotion vehicle via formal partnership with an RP partner. That would have long-term efficacy and be quite self-sustaining.

**KEY RISKS**

RISK	IMPACT	LIKELIHOOD	MITIGATION
1. Significant initial investment does not secure an adequate return.	High	Med.	Appraise project opportunities thoroughly. Carefully evaluate RP partner’s motivation.
2. If project based, JV cannot secure planning consent for proposed scheme.	High	Med.	Ideally, secure outline consent ahead of funding JV.
3. Project costs far exceed budgeted levels.	High	High	RPs will be reluctant to accept as much risk as private developers – however, they should carry the bulk of construction cost risk. Carefully appraise project.
RISK	IMPACT	LIKELIHOOD	MITIGATION

4. Unforeseen title problems.	High	Low	Complete thorough title research. Check potential issues on the ground.
5. Other RPs lose interest in Worcester.	Med.	Med.	Given the poor levels of current production, the impact of this risk is not too great.  Best to focus JV on a specific and targeted project.

**SUMMARY:**

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>Allows WCC to intervene more directly.</li> </ul>	<ul style="list-style-type: none"> <li>WCC will have to relinquish some control and potential return.</li> </ul>
<ul style="list-style-type: none"> <li>Spreads risk (but also return).</li> </ul>	<ul style="list-style-type: none"> <li>RPs are inefficient and costly developers.</li> </ul>
<ul style="list-style-type: none"> <li>RP partner will be more aligned than a private developer to WCC's objectives.</li> </ul>	<ul style="list-style-type: none"> <li>An RP will be less willing than a private developer to accept development risk.</li> </ul>
<ul style="list-style-type: none"> <li>Can translate returns into homes rather than cash.</li> </ul>	<ul style="list-style-type: none"> <li>There is a resourcing demand for setting up and managing/monitoring the JV.</li> </ul>
<ul style="list-style-type: none"> <li>Any additional profit can possibly be rolled into future projects.</li> </ul>	<ul style="list-style-type: none"> <li>Other RPs may be discouraged because of the preferential relationship with the JV partner.</li> </ul>
<ul style="list-style-type: none"> <li>A land promotion vehicle could be set up as a JV with an RP.</li> </ul>	<ul style="list-style-type: none"> <li>RPs are relatively inexperienced at JV working.</li> </ul>

## 12 CONCLUSIONS AND RECOMMENDATIONS

- 12.1 The ARK assignment has been thoroughgoing in its examination of the environment for enabling new affordable housing development in Worcester, whether that be the local strategic and policy context, the resources and structures deployed to support production and the additional measures or actions which WCC could take to achieve an improvement in the output of new homes.
- 12.2 What is very clear from the work we have carried out is that Worcester has experienced a prolonged period of new affordable housing supply falling well short of the levels required to meet local housing need. It is also clear that WCC has not given its housing enabling function the priority it warrants, not backed production with the most developed of strategic frameworks and been less interventionist or innovative than many other local authorities in trying to increase affordable housing provision.
- 12.3 We do recognise that Worcester is a challenging operating environment for new homes production generally. Land supply is very constrained, development potential for the limited sites available is realised very slowly and WCC is dependent on land supply from neighbouring districts to meet its housing requirements.
- 12.4 The terms of ARK's commission to carry out the assignment which led to this report does demonstrate that WCC is serious about enhancing the level (and the nature) of new affordable housing supply. ARK wholeheartedly supports the council's desire to achieve a step-up in production and we have been able to identify a raft of measures and actions which the council could take in order to improve things. We set out the main measures and actions in Section 10, earlier in this this report. In drawing conclusions from our work and making specific recommendations to WCC, we want to encourage you to focus on an achievable range of initiatives and improvements. What we are recommending in the remainder of this section will be a stretch for the council and we do not want that stretch to be unrealistic or impractical. So, we believe that what we are proposing will make a really positive impact on affordable housing production, will require a significant but manageable level of commitment from WCC and its partners and will hopefully garner support. We have grouped our recommendations in a way which we hope helps the council to consider and then implement the proposed changes. As far as possible we have tried to follow the grouping structure applied to the 'long-list' of potential measures and actions set out in section 10 of the report.

## A) MINDSET, ATTITUDE AND CULTURE

12.5 ARK can see, from the work we have undertaken, that there is inconsistency in the messages sent out to the market by the council about how much priority is really accorded to affordable housing production. For example, there is no up-to-date housing strategy for Worcester, the council does not recognise supporting affordable housing production in its Asset Management Strategy, resources in the Strategic Housing Team are largely drawn into housing allocations, homelessness and general customer service functions rather than housing enabling, partnerships with providers are fairly unstructured and programme management is not pro-active.

**A1) ARK recommends that the council, from member level downwards, recognises that delivering affordable housing is a major priority for Worcester and that there needs to be policy, operational and cultural alignment around that priority. All relevant aspects of the council's corporate planning needs to declare affordable housing delivery at optimum levels as a key objective.**

**A2) ARK recommends that the council establishes a Housing Delivery Group or Team with cross departmental/functional membership including senior officers and ideally at least one councillor who can champion the delivery cause. Ideally the membership of this group or team should be quite small and its remit should be defined and focused on achieving specific targets for production and programme roll-out.**

## B) STRATEGY AND POLICY FRAMEWORK

12.6 This aspect of improving the delivery environment is obviously closely linked to the points made above, at 12.5, in connection with culture. Getting the strategic planning and policy framework equipped to support delivery will help to reinforce the importance accorded by the council to affordable housing delivery and support the implementation of improvement measures.

**B1) ARK recommends that WCC sets itself a clear timescale and decision-making process for determining whether it continues to participate in the county-wide process for formulating a housing strategy and whether the council believes the county-wide strategy can achieve the precision needed to properly address Worcester's needs.**

**B2) ARK further recommends that, once B1 is clarified, WCC then needs to prioritise whether work is then needed to ensure the timely introduction of the county-wide strategy (with relevant Worcester City supplements) or to produce a Worcester only housing strategy.**

- B3) ARK recommends that WCC reviews its main corporate plan (The City Plan) the emerging SWDP and the Asset Management Strategy to ensure that there is effective consistency and ‘read across’ to the new Housing Strategy. As far as possible, terminology, policy targets and implementation plans need to be integrated and consistent.**
- B4) ARK recommends that WCC reviews the existing SPD for Affordable Housing, identifies where the policies or preferred approaches therein are out of date and potentially out of step with the emerging SWDP and Housing Strategy and develops a plan for updating the SPD, either as a Worcester standalone or in partnership with Malvern and Wychavon district councils as previously.**

### **C) ORGANISING AND RESOURCING ENABLING**

- 12.7 There are a number of changes which ARK believes the council should make in order to improve the way that housing enabling is currently organised. At the nub of the changes is a need for the enabling function to become better defined and understood, both within and without the council, and much more pro-active. Becoming a more effectively organised housing enabler is linked to our earlier recommendation at A2 for the establishment of a Housing Delivery Group or Team.
- C1) ARK recommends that WCC should review the effectiveness and suitability of the Strategic Housing Function and the prominence and resourcing of both the Housing Strategy and the Housing Enabling roles within the function. ARK is aware that some review work has recently been carried out on ‘front of house’ type services and that there has been a major recent change in the management of the Strategic Housing team. The scope of the review we are proposing should include better defining both the Housing Strategy and the Housing Enabling functions/roles, securing corporate buy-in to these definitions, considering the balance of the whole team in Strategic Housing including the productivity of the outreach/support service for homeless households and the need for an in-house approach to this and then, armed with other outputs, whether the housing enabling function in particular might be better placed alongside the council’s planning and/or assets functions.**
  - C2) ARK recommends that, in improving the definition of the housing enabling function, more emphasis is placed on early intervention in potential schemes, especially in connection with unlocking sites, and that enabling becomes more pro-active, setting clear expectations for delivery partners, offering more assistance from the council and monitoring programme outturns by scheme and intervening where appropriate.**

- C3) ARK recommends that on completion of the review recommended at C1, WCC aims to increase the amount of staffing resource dedicated to housing enabling to a minimum of 1.5 full-time equivalent posts and ideally to 2 full-time equivalent posts. At present only 1 FTE post is genuinely focused on enabling. There is a need for greater resourcing but also more resilience.**
- C4) ARK recommends that WCC establishes a brief for the appointment of a retained specialist external advisor to support the housing enabling function. The arrangement should contract an agreed low level of input from the specialist alongside contractual flexibility to increase input for workload peaks or for specific project activity, all at pre-determined pricing. This resource should be deployed effectively to really add value to the council's enabling activity.**

#### **D) LAND SUPPLY AND PLANNING**

12.8 Of all the various aspects of the assignment undertaken by ARK, addressing land supply and assembling and promoting sites/opportunities to support affordable housing development is the measure we believe is most likely to make a material impact on increasing supply. Our recommendations in relation to land identification and promotion are therefore among the most important we are making.

- D1) ARK recommends that WCC should commit to establishing a specific land promotion function/vehicle in accordance with the scope of function set out in ARK's 'Option A' analysis at 11.6 earlier. This function or activity should be regarded as additional to the council's main housing enabling activity and require additional resources.**
- D2) ARK recommends that WCC be prepared to deploy its CPO powers to support land assembly and land promotion and to assist the work of the dedicated land promotion function proposed at D1 above. ARK recognises that CPO powers should be used sparingly and only when appropriate. However, ARK does recommend that the council is clear in communication about its land promotion work that it will deploy CPO when needed, particularly to bring forward sites for affordable housing.**
- D3) ARK recommends that WCC opens dialogue with its key RP delivery partners about options for establishing, owning and resourcing the dedicated land promotion function/vehicle. RPs should be asked to what extent they would be willing to vote specific resources to the land promotion function/vehicle and what their preferences would be for the ownership model. ARK recommends that the council should not accept an ownership model where WCC owns fewer than 50% of the shares of any special purpose vehicle.**

- D4) ARK recommends that WCC, and possibly one or more RP partners, develops a clear business plan/case for the land promotion function/ vehicle once the preferred ownership model and structure is agreed. If delivery partners do not want a stake in a separate SPV, ARK recommends that WCC should set up the function as a dedicated in-house activity.**
- D5) ARK recommends that WCC should develop specific planning briefs for priority sites of significant size expected to deliver relatively high levels of affordable housing, including important regeneration areas. We do not believe that potential developers should formulate plans, even master plans, in the absence of site-specific framework guidance from WCC addressing place-making, tenure and housing quality. In some specific instances, WCC should also address the on-going management standards for affordable housing and for public realm in planning briefs.**

## **E) OTHER MAJOR INTERVENTIONS**

12.9 Generally, ARK's conclusion from our assignment is that the establishment of a wholly owned company by WCC to support the development of new housing, including affordable homes, is not appropriate. Such an approach would be very time-consuming, resource intensive and be unlikely to add much to the delivery framework. However, we do think that there is potential for WCC to establish JV arrangements with partners, in some instances, to share risk and return and to bolster affordable housing production.

- E1) ARK recommends that WCC opens dialogue with Sanctuary Housing about the latter's expressed interest in increasing its investment in Worcester and especially in the city centre. Ultimately, ARK feels that this could, and probably should, manifest itself in a specific JV arrangement where both parties make a significant and broadly equivalent contribution to a development proposal and where the returns are shared fairly. Ideally, the returns should include good levels of affordable housing production. There are major public procurement issues associated with a project based JV arrangement and WCC will need to be cautious about procurement implications as dialogue proceeds. Ideally, ARK believes that the scope of a JV with Sanctuary should connect to city centre initiatives linked to Future High Street funding.**
- E2) ARK recommends that JV approaches by the council be confined to projects rather than programmes but that WCC is open-minded about JV approaches to scheme development, especially where sites come forward via the new dedicated land promotion function/vehicle or where the council might consider infrastructure or site remediation investment as part of its JV contribution. In ARK's view, the council should be open to JV investment with either private developers or RPs dependent on circumstances.**

## F) OTHER ENABLING INITIATIVES

12.10 There are some other changes and improvements to WCC's enabling approach which have emerged from the policy and document review ARK has undertaken and also as a result of our discussions with staff.

- F1) ARK recommends that WCC ensures that it fully understands the reasons for the significant reduction in applicants registered on the council's housing register. WCC should make sure that future assessments of housing need take into account that reductions in recorded housing need could be a result of changes to the eligibility and recording of applicants on the housing register system and not a reduction in actual need.**
- F2) ARK recommends that WCC should consider whether it is providing a robust enough challenge where planning applicants are presenting viability arguments that challenge affordable housing planning policy and seek to reduce the amount of affordable housing provided on a site. This should include determining whether WCC is satisfied with the advice and strength of the recommended rebuttal from any external advisers it employs to assist in this area.**
- F3) ARK recommends that a framework and decision-making process should be established to enable the comprehensive assessment of the suitability of all appropriate council assets, which are surplus to requirements or are able to be utilised for a different purpose, to assist in affordable housing delivery. The frameworks should include an options appraisal for each asset, including viability, planning and identifying constraints and opportunities in relation to its ability to deliver and prioritise affordable housing.**
- F4) ARK recommends, (linked to F3) that WCC should be prepared to accept a reduced capital receipt for sites it owns, where in doing so, affordable housing output could be increased materially. To enable this, WCC should satisfy itself that it has in place a process (including suitable governance arrangements) for considering whether such a disposal would contribute to the promotion or improvement of the "economic, social or environmental" well-being of its area. It should also satisfy itself that any disposal complies with Government directives.**
- F5) ARK recommends that WCC devotes greater resource to fully engage in the affordable housing delivery arrangements for the SWDP sites. It should ensure that these sites are properly addressing Worcester's needs and ideally work in a more structured partnership style with Malvern and Wychavon. That structured joint working needs to include housing enabling as well as planning.**

## G) PARTNERSHIP AND COMMUNICATION

12.11 Much of what is included in earlier recommendations revolves around improved partnership working. The recommendations included under this heading are additional to partnership enhancements implicit in earlier recommendations.

- G1) ARK recommends that WCC re-establishes a RP liaison group as part of its housing enabling activity. A regular cycle of meetings should take place, probably bi-monthly or possibly quarterly. Those meetings should foster exchange of information, ideas and programme outturns and allow WCC to demonstrate its strategic leadership and pro-activity and create better momentum for delivery.**
- G2) ARK recommends that WCC should formulate a Communication Strategy associated with its Housing Strategy and Housing Enabling functions which identifies your target audiences and the most effective means by which you can communicate the right messages and market intelligence and at the right frequency.**
- G3) ARK recommends that WCC should aim to develop an effective market intelligence or information hub for stakeholders in the affordable housing delivery sphere. Housing needs and demand information, strategic priorities and project progress are obvious sources of useful information but ideally, over time, more guidance on affordability, on funding support, on planning frameworks or on infrastructure development would also be extremely helpful for stakeholders. Again, this function and resource will emphasise the council's central role in delivery and its leadership.**

## 13 NEXT STEPS

- 13.1 From dialogue with council officers, ARK is aware that WCC intends to present ARK's recommendations for new and improved enabling measures to council members in stages during May 2022.
- 13.2 Following completion of that process, and assuming that members are broadly in agreement with ARK's recommendations, these will then form a council strategy and action plan for its housing enabling activities.
- 13.3 Inevitably, new and improved measures will have differing implementation timescales dependent on their complexity and resourcing challenges. WCC is keen to see the measures set out as short, medium and longer term improvements so that the programme of implementation work is sensibly grouped and prioritised.
- 13.4 Amongst the short-term implementation goals will be a number of improvements or initiatives which can be regarded as 'quick wins' and can establish a momentum for the change process and be a statement of intent by the council.
- 13.5 All of the recommendations we have made are regarded by ARK as important and worthy of implementation by the council. In our view, it is the actual delivery timeframes of tasks that creates a natural sub-division into short, medium and longer term improvements. So, as far as possible, we are advocating that the council should try to move forward on a range of fronts as soon possible.
- 13.6 If we consider the nature of the suggested improvements and organise these into tasks with realistic implementation timescales, we would suggest to the council the following subdivision:

### SHORT TERM 'QUICK WINS'

- A2 - Establish a Housing Delivery Group
- B1- Decide on whether to continue participating in the county-wide housing strategy process
- B2- Ensure timely introduction of a new housing strategy
- E1- Open dialogue with Sanctuary about shared investment in Worcester, particularly in city centre opportunities
- F2- Review arrangements for assessing viability arguments relating to affordable housing planning obligations
- G1- Re-establish a RP liaison group

## OTHER SHORT TERM IMPLEMENTATION OBJECTIVES

- A1- Corporate prioritisation of affordable housing
- B3- Alignment of corporate plans around prioritising affordable housing
- C1- Review the Strategic Housing function including team roles and balance
- C2- More emphasis in enabling role/s on early intervention and pro-activity
- C3- Increase dedicated enabling resourcing to between 1.5 and 2 full time equivalent posts
- F1- Review and recognise the reasons for the significant reduction in applicants on the housing register
- G2- Formulate a Communication Strategy for housing strategy and enabling functions

## MEDIUM TERM IMPLEMENTATION OBJECTIVES

- C4- Establish a brief for external specialist support for housing enabling and procure the service
- D1- Commit to establishing a land promotion function or vehicle
- D3- Open dialogue with RP partners to explore joint working potential on the land promotion function/vehicle
- D4- Develop a business plan/case for the agreed structure for the land promotion function/ vehicle
- F3- Establish a framework for assessing surplus council property assets for their suitability to support affordable housing delivery
- F4- Define a policy position on accepting reduced capital receipts in return for affordable housing
- F5- Agree a mechanism for devoting more resources and being more involved in the delivery of affordable housing for strategic sites in neighbouring districts

## LONGER TERM IMPLEMENTATION OBJECTIVES

- B4- Develop a plan for updating the affordable housing SPD in line with the SWDP update

- D2- Be prepared to deploy CPO powers in support of land assembly and promotion for affordable housing
- D5- Develop planning briefs for significant sites with potential for delivering high levels of affordable housing
- E2- Be open-minded about JV approaches to some development opportunities but confine these to contractual JVs only
- G3- Develop a market intelligence hub for affordable housing

**ARK Consultancy Limited**  
**March 2022**

**APPENDIX A – CASE STUDY AND COMPARATOR PROFILES**

**APPENDIX B – BRIEFING PAPER FOR COUNCIL MEMBERS**

**APPENDIX C – CLT SESSION SLIDES**

**APPENDIX D – STAFF CONSULTATION NOTES**

**APPENDIX E – STAFF WORKSHOP SESSIONS – SLIDES**

**APPENDIX F – CONSULTATION MEETING NOTES WITH RPs**

**APPENDIX G – STRATEGIC HOUSING STAFF STRUCTURE**