



**Report to: Income Generation Sub-Committee, 15<sup>th</sup> June 2022**

**Report of: Corporate Director, Finance and Resources**

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**Subject: LOCAL AUTHORITY HOUSING DEVELOPMENT COMPANY**

**1. Recommendation**

**That the Sub-Committee:**

- 1.1 Note the report of ARK consultancy on options for Council-Led Housing Development and the potential for a Housing Development Company as an appropriate vehicle for progressing these option.**

**2. Background**

- 2.1 At its meeting of 27 January 2021, the Communities Committee approved a proposal to engage specialist housing advice on housing development in the City. The aim was to help the Council identify how it can best intervene in the provision of social and affordable housing within Worcester based on housing need.
- 2.2 The report to the Committee focused primarily on social and affordable housing and set out proposals for work to be undertaken, as follows:
- To update and validate the current data on unmet need across particular social and affordable housing types and client groups
  - To explore whether any Council landholdings would lend themselves to housing
  - To explore how the Council could secure new development sites or work with partners in joint venture delivery arrangements
  - To review best practice use of planning policy and other statutory powers to increase supply
  - To compare and contrast different local authority approaches to intervention and delivery and related financial and risk implications.
- 2.3 Aligned to this work, and in particular strand 3 and 5, is the option to explore how the Council can support the development of private sector housing and properties to let at market rents. Such developments can also form part of wider mixed-use sites, such as a combination of housing and retail assets.
- 2.4 At its meeting of 11 March 2021 this Committee resolved to request that the option of establishing a Housing Development Company be considered as part of the research.

A Housing specialist organisation – ARK – were appointed to undertake the work and the overall findings were presented to the Communities Committee on 8 June. The findings of the research were to be reported to the Communities Committee and the Income Generation Committee.

### **3. ARK findings**

- 3.1 The detailed work undertaken by ARK is set out in the report to the Communities Committee. However, the overall conclusion in respect of a Housing Company is as follows:

#### **E) OTHER MAJOR INTERVENTIONS**

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.**

- 3.2 One of the key areas that Ark were asked to focus on was the potential for the Council to become a direct developer of new homes either through use of its general fund (not exceeding the Housing Revenue Account limit of 200 properties) or via another vehicle.
- 3.3 It is quite clearly the case that the provision of affordable housing in isolation will not provide a return on investment given the subsidy required to sell a home at below market value given the upfront investment particularly in respect of land acquisition. However, it is the case that, in mixed market models, profit from the sale of market housing can be reinvested into the provision of affordable housing which requires significant subsidies to make it viable.

- 3.4 Pages 42 – 55 of the Ark Report go into further detail on such options, that would take the Council into a new and different place in respect of housing delivery. It can be seen, however, that the advice at this stage is that the Council should not progress with developing a special purpose vehicle for direct housing production or entering a long-term joint venture with a private developer or registered provider.
- 3.5 The main reasons for this relates to the limited scope for development within Worcester due to space constraint and the lack of land within the Council's ownership that could be offered as a contribution to offset the Council's costs in setting up either venture. Furthermore, both options would likely require the Council to recruit additional and specialist resources at a time when the medium-term financial plan sets out the requirement to make significant annual savings.

#### **4. Preferred Option**

- 4.1 To follow the advice by ARK and not to proceed to set up a Housing Development Company at this stage but to continue to consider the appropriate vehicle as part of the development of the Housing Enabling Strategy

**Ward(s):** All Wards  
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**Background Papers:** Developing a Worcester CC Housing Enabling Strategy, report to Communities Committee 8 June 2022  
[Worcester City Council - Council & Democracy - Agenda for Communities Committee on Wednesday, 8th June, 2022, 7.00 pm](#)