



**Report to: Communities Committee, 8<sup>th</sup> June 2022**

**Report of: Corporate Director, Operations, Homes & Communities**

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**Subject: DEVELOPING A WORCESTER CITY COUNCIL HOUSING ENABLING STRATEGY**

**1. Recommendation**

**That the Committee:**

- 1.1 Note the contents of this report and in particular the ARK Consultancy Options Appraisal Report for Council Led Housing Development and for Fully Utilising Housing Enabling at Appendix 1; and**
- 1.2 Endorse the development of a Worcester City Council Housing Enabling Strategy with a draft strategy to be presented back to this Committee in November 2022 for approval.**

**2. Background**

- 2.1 In January 2021 this Committee received a report on [Council Led Housing Development](#) in recognition that housing development, and in particular affordable housing development was not keeping up with local demand.
- 2.2 This Committee and the Council's Income Generation Sub Committee approved funding of £40,000 (£30,000 from Affordable Housing Reserve and £10,000 from the Income Generation Fund) in order to engage specialist strategic housing advice to work with the Council in order to identify how it could maximise its effectiveness as an enabler of housing locally.
- 2.3 Housing enabling means:
  - 1) increasing the supply of new housing (usually in affordable housing tenures) to meet a range of identified needs;
  - 2) co-ordination, promotion and support for the policy and delivery framework; and
  - 3) more direct intervention where necessary, especially to address dysfunction in the operation of the housing market, especially on the supply side.
- 2.4 In line with the delegation approved by Members, Ark Consultancy were engaged via a procurement exercise against a specification consulted upon with the Chair and Vice Chair of both Committees referred to in para 2.2.
- 2.5 Ark commenced this piece of work in November 2021 and attached at **Appendix 1** is their '*Options Appraisal Report for Council Led Housing Development and for Fully Utilising Housing Enabling*'.

2.6 The purpose of this report is to present the Ark report to this Committee, to outline its key findings, conclusions and options appraisal and to set out next steps in terms of turning this piece of work into Worcester City Council Housing Enabling Strategy.

### **3. Summary**

3.1 The Ark Report has identified the growing unmet need in respect of affordable housing across Worcester and it is useful context to set out, for the remainder of the report, what that unmet need looks like.

3.2 Worcester City has a newly arising (Updated Strategic Housing Market Assessment (SHMA) 2021) 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.

3.3 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.

3.4 The SHMA provides analysis of health-related housing need to establish the likely requirement for specialist or adapted housing. Across the City 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 not all of these people 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.

3.5 Ark have reaffirmed the challenging operating environment that the Council faces in influencing the housing market and in particular affordable housing. Their main findings are listed below –

*a) Worcester is a relatively small city and is very much constrained in terms of new development by tight geographical boundaries. The land market in Worcester is very competitive, with a number of landowners currently very active.*

*b) The Council transferred its housing stock in 2004 to a newly formed Housing Association and retained the role of administering the affordable housing allocation system, with its role in the provision of new affordable housing driven by its housing strategy, enabling and planning functions.*

*c) The balance of resources in the Strategic Housing Service team are heavily tilted towards the housing allocations and homelessness function rather than enabling interventions.*

*d) South Worcestershire Development Plan 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.*

- e) *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.*
- f) *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.*  
*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.*
- g) *As the Affordable Homes 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".*
- h) *The Council does not currently have a Housing Strategy or Housing Enabling Strategy and affordable housing doesn't feature as a clear priority within the Worcester City Plan 2022 – 2027*
- i) *Affordability is real challenge for many households 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.*
- j) *Affordability of market housing also a real challenge for many in Worcester, with a household with a lower quartile income requiring seven times their income to purchase a lower quartile priced property in 2020.*

- 3.6 The Ark Report has identified a wide range of options and recommendations (short, medium and long term) that they feel the Council should consider and progress if it is to improve its effectiveness as a Housing Enabler and influence the volume and pace of housebuilding across Worcester and the urban extensions.
- 3.7 Options and recommendations have been grouped into themes that include *Attitude, Mindset & Culture, Strategy & Policy Framework, Organising & Resourcing Enabling, Land Supply & Planning, Other Major Interventions, Other Enabling Initiatives, and Partnership & Communication.*
- 3.8 This report does not intend to duplicate what is included within the Ark Report but it is important for Members to note the actions that are deemed as quick wins, low risk and low cost, and that officers intend to progress with immediate effect in order to build momentum in this area of work. These will include –
- **A2** - establishing 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

- **B1** – set 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** – Subject to B1, the need 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.
- **C1/C3** – review and redefine the Housing Strategy and the Housing Enabling functions/roles, and increase the amount of dedicated staff resource to housing enabling to a minimum of 1.5 full-time equivalent posts and ideally to 2 full-time equivalent posts
- **C4** - establishes a brief for the appointment of a retained specialist external advisor to support the housing enabling function.
- **F1** – undertake further work to understand the reasons for the significant reduction in applicants registered on the council’s housing register
- **F3** - 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
- **F5** - devote greater resource to fully engage in the affordable housing delivery arrangements for the SWDP urban extension sites
- **G1** - Re-establish 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)** Develop 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.

3.9 In addition, all the options identified by Ark have been appraised and the appraisal matrix is included at **Appendix 2** for ease of reading.

3.10 Many of these options are intended to be progressed by the Council but it is felt they need to form part of a Housing Enabling Strategy, given they are medium- to long-term, likely to involve liaison or engagement with key stakeholders and have a cost or other type of resource impact attached to them. It will be important to provide clarity around them and how and where they fit in to the Council’s aims in respect of affordable housing provision, and furthermore help the Council to provide clarity around the role it can play.

3.11 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. This was supported by the approval of £10,000 from the Income Generation Fund by the Income Generation Committee.

- 3.12 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 a 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.
- 3.13 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 developing a special purpose vehicle for direct housing production or entering a long-term joint venture with a private developer or registered provider.
- 3.14 The main reasons for this relate 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 resource at a time when the medium-term financial plan sets out the requirement to make significant annual savings..

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

- 4.1 It is important that in addition to progressing the 'quick wins' identified within the Ark Report, that it is also used in a strategic manner to drive the Council's work over the next few years.
- 4.2 That is why the preferred option refers to the development of a Worcester City Council Housing Enabling Strategy that will set out this direction both for the Council, but as important key stakeholders such as registered housing providers, private developers, commissioners, other public bodies, and Homes England.
- 4.3 It is also considered important to bring a draft strategy back to Committee for debate, scrutiny and consideration, as this is a critical area of work for the City moving forward.

#### **5. Alternative Options Considered**

- 5.1 The only alternative option considered, was the option to progress the actions and recommendations contained within the Ark Report without the strategic document or supporting framework to drive, monitor and review its effectiveness.
- 5.2 This option has been discounted as it is an area of work to many that is both complex and technical. Therefore, producing a Housing Enabling Strategy that distils the key information, outcomes, aspirations and aims from the Ark Report into an 'easy to read' strategy document with a supporting action plan will assist the Council in setting out a clearer direction for its staff and Members, and equally as important will set out to key stakeholders what role the Council intends to play and what it is seeking to achieve.

## 6. **Implications**

### 6.1 Financial and Budgetary Implications

There are no financial implications in respect of this report, but it is likely that in developing a draft Housing Enabling Strategy that there will be a need to utilise existing allocations specified for housing which can be clarified at that stage.

The Council has the following reserves set aside for housing-related projects and which will be considered in developing a Housing Enabling Strategy should funding be required:

<b>Reserve</b>	<b>Balance at 31/3/22 £</b>	<b>Known commitments £</b>
Affordable Housing Bid Process	226,936	51,605
Housing for vulnerable tenants	514,583	154,569
Flexible Housing Grant	1,049,913	648,932

### 6.2 Legal and Governance Implications

There is no legal requirement for a Housing Authority (the role Districts play in 2 tier areas) to produce a Housing Enabling Strategy, instead it is something that has been identified as being very important if the Council is going to improve its effectiveness as a Housing Enabler.

### 6.3 Risk Implications

Developing a Housing Enabling Strategy and progressing our work in this area in line with the strategy, will provide the Council with much further opportunity to affect the volume and pace of affordable house building in Worcester City.

Without such a strategy, there is a significant risk that our current approach and level of activity will not bring about the outcomes required to start to bridge the growing gap between the number of affordable homes required each year and the number of affordable homes being built each year.

### 6.4 Corporate/Policy Implications

The Worcester City Plan 2022 – 2027 has as one of its themes, 'Stronger and Connected Communities'. Within this theme the Council commits to 'having a wide mixture of good quality housing provision to suit the full range of needs'.

Developing a Housing Enabling Strategy will provide the building blocks to achieve this and send a clear message out to key partners about the Council's intentions and aspirations.

### 6.5 Equality Implications

Subject to approval of this report, the development of a Housing Enabling Strategy would include the carrying out of an Equalities Impact Assessment.

At this stage of the process there are no equality implications identified, and as a Council we are sighted on the emerging housing market assessment, particularly in respect of housing for older people and those living with disability.

### 6.6 Human Resources Implications

There are no human resource implications associated with this report.

6.7 Health and Safety Implications

There are no health & safety implications associated with this report.

6.8 Social, Environmental and Economic Implications

Increasing the supply and quality of affordable housing will undoubtedly have a positive impact socially, environmentally and economically.

At present there are approximately 2600 households who have applied for social housing for a variety of reasons. The majority of these residents will be living in non-social rented housing which is likely to be more expensive in terms of rent and running costs and less secure from a tenancy point of view.

The provision of more quality affordable housing would provide many more residents with an opportunity to live in a more tenancy secure home, with lower rent and running costs. Providers of social rented homes also need to ensure that homes meet the 'decent homes' standard and many new social rented homes are being built to a higher standard economically such as those developments planned for Sansome Walk (Sanctuary Housing) and Broomhall Way (Rooftop Housing).

The combination of more security of tenancy, a home that costs less to live in, and the support of a registered housing provider, can play a significant part in adult members of households being more confident and able to be economically active and also provide the more stability for children and young people to do better educationally.

**Ward(s):** All

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**Background Papers:** [Worcester City Strategic Housing Market Assessment \(2019\)](#)