



Report to: Communities Committee, 13th March 2024

Report of: Corporate Director – Operations, Homes and Communities

Subject: SIX MONTH UPDATE REPORT - WORCESTER CITY HOUSING ENABLING STRATEGY (2023 – 2026)

1. Recommendation

That the Committee:

- 1.1 Notes the contents of this report, and in particular the progress that has been made as outlined within the Housing Enabling Strategy Delivery Plan at Appendix 1; and**
- 1.2 Notes that a further update report will be presented to this Committee during Autumn 2024.**

2. Background

- 2.1 On 8th November 2023, this Committee received its first 6-month update report, following the adoption of the Worcester City Housing Enabling Strategy and Delivery Plan, and the appointment of the Affordable Housing Delivery Manager.
- 2.2 It is recognised that the demand and need for affordable housing in Worcester continues to increase whilst the supply is not increasing at the same rate. To redress this imbalance in the city, a strategic and co-ordinated approach is required to maximise opportunities to deliver more affordable housing.
- 2.3 The Housing Enabling Strategy (HES) sets this strategic framework and focusses on the actions required to support the delivery of additional affordable housing in Worcester. It compliments other regional strategies including the Worcestershire Homelessness and Rough Sleeper Strategy and Worcestershire Housing Strategy. It sets out 8 strategic goals which are set out in the table below.

Strategic Goals	
Goal 1	Maximise affordable housing provision across all development sites where there is a residential use.
Goal 2	Put in place a strategic housing and enabling function that supports the objectives of the HES.

Goal 3	Ensure that corporate objectives and planning policy and practice support the delivery of new affordable homes.
Goal 4	Build strong relationships with key partners leading to deliverable and quantifiable outcomes.
Goal 5	Maximise resources available from the public and private sectors to investment in affordable housing.
Goal 6	Promote and raise awareness of the benefits of affordable housing in the wider social and economic context.
Goal 7	Shape and action the Council's engagement in land promotion activities.
Goal 8	Establish the Council's appetite and explore the opportunities for joint venture working.

2.4 The Delivery Plan is a dynamic document that sets the actions required to deliver the strategy. Some of these actions may be time limited and some on-going. Actions may also be revised to react to changes in housing market.

2.5 This report provides Members with a summary update on progress against the 8 goals of the Delivery Plan, as well as setting out the proposed areas of focus over the forthcoming 6 months. At that point a further update report will be brought back to this Committee. A more detailed assessment against each action is set out in **Appendix 1**.

3. Affordable Housing Market context since the adoption of the Housing Enabling Strategy

3.1 The Housing Enabling Strategy and its Delivery Plan was approved by Communities Committee on 15th March 2023. The research to support the Strategy was carried out by Ark Consultants in the previous year and was reflective of the market context at the time. Since then, the affordable housing market has changed due to macro-economic pressures, which are outlined below.

3.2 Over the last year, the delivery appetite and capacity of our traditional Registered Provider (RP) partners has diminished. Construction inflation has been high, which has led to increased build contract prices for developing RPs. There is also a risk of contractor and subcontractor insolvencies, leading to increased insurance costs. Thirdly the cost of financing has increased for RPs because of increased interest rates feeding through to bank lending.

3.3 RPs have also more recently focussed investment on their existing stock partly due to the regulatory drivers on damp and mould, fire safety and energy efficiency. These costs of maintenance and improvement have also been subject to inflationary pressures.

- 3.4 All these cost pressures have necessitated reviews of RP business plans often leading to a reduced capacity for development programmes. According to market intelligence obtained, many RPs are not acquiring planning obligation (s106) affordable units from housebuilders and are focusing solely on grant funded units. RPs seem to require a minimum number of dwellings for site development to benefit from economies of scale in relation to fixed costs and overheads. RPs operating locally are also reluctant to consider apartment style development, which often present the main opportunity within a constrained city boundary.
- 3.5 The result of this is that the traditional RP delivery model as the blueprint for increasing affordable housing delivery needs to be reconsidered. This is particularly stark in Worcester given the profile of opportunities within the city. The assessment of alternative delivery models is currently taking place and delivery proposals will be presented to this Committee at a future date.

4. Delivery

- 4.1 Section four of the report will outline progress against the Delivery Plan goals, focussing on the last six months.

Goal 1	Maximise affordable housing provision across all development sites where there is a residential use.
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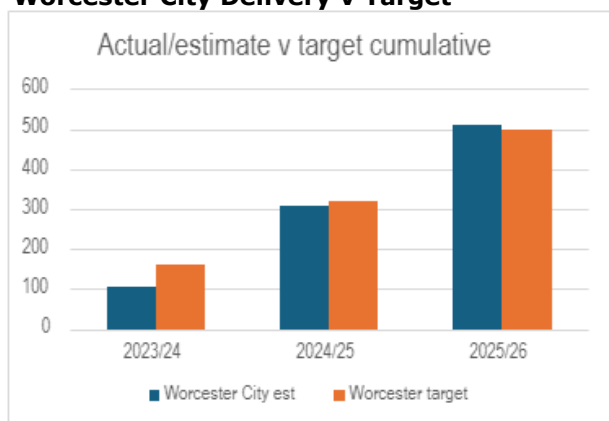
- 4.2 Goal 1 is the headline goal for the Strategy and its Delivery Plan, as it sets the targets for the delivery of affordable housing during the lifetime of the Strategy. An ambitious and challenging target has been set of delivering 1,100 homes across the 3 years of the strategy comprising of 500 homes within the Worcester City and a further 600 homes across the urban extension sites governed by the Housing Accord (where the Council has nomination rights).
- 4.3 For 2023/24, a combined target of 360 homes was set for delivery across the city and urban extension sites. It is anticipated that circa 200 affordable housing units will be completed. Of these, 105 within the city have been completed to date. A further 40 units at Broomhall Way have been completed, but there are outstanding highways work which has delayed the handover of these units until 2024/25. It is projected that 92 affordable units will be delivered in the urban extension sites in 2023/24 with 87 already complete.
- 4.4 Although delivery numbers for 2023/24 will be short of target, the table below illustrates an upward progression in delivery of affordable housing units compared to the previous 5 years. A detailed breakdown of delivery in 2023/24 is included at **Appendix 2**.

Affordable housing delivery (2018/19 to 2023/24)

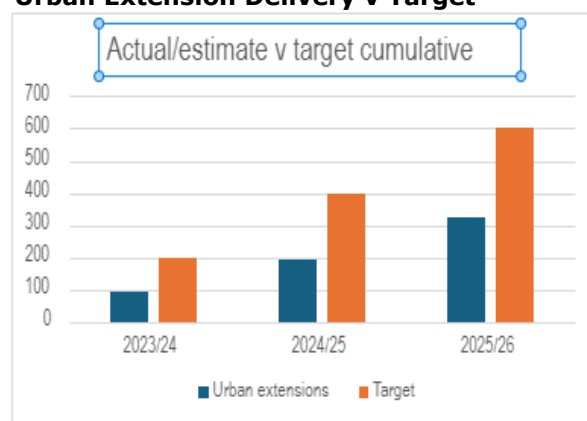
Year	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19
Outturn Worcester City	105 (forecast)	87	148	109	44	101
Outturn Urban Extension	92 (forecast)	99	4	40	112	0
Total	197	186	152	149	156	101

- 4.5 The graphs below outline the delivery to date (actual) and the estimated delivery of affordable housing (blue column) against the targets (orange column) as set out in the Delivery Plan.
- 4.6 The delivery target for affordable units to be completed in Worcester City is 500 over the 3 years of the strategy and forecasts indicate that this number is likely to be exceeded (**Worcester City Delivery v Target**).
- 4.7 In contrast a significant deficit is forecasted against a target figure of 600 affordable units within the urban extension sites over the 3 years of the strategy (**Urban Extension Delivery v Target**). This results in a forecasted deficit against the overall target of 1100 affordable units set out in the Delivery Plan (**Total Delivery (Worcester City & Urban Extension) v Target**).
- 4.8 It is positive to note that the Council is likely to exceed its target of affordable housing completions within the city over the 3-year life of the strategy, where it has the greatest influence. It should also be noted that these estimates do not account for any further interventions that the Council will seek to make between now and the end of the strategy to increase supply.

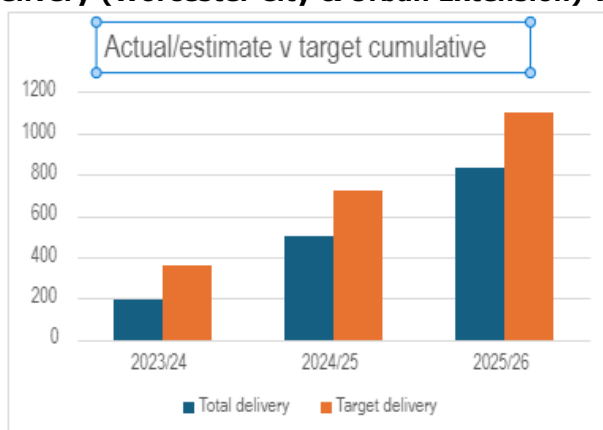
Worcester City Delivery v Target



Urban Extension Delivery v Target



Total delivery (Worcester City & Urban Extension) v Target



Goal 2

Put in place a strategic housing and enabling function that supports the objectives of the HES.

4.9 In respect of Goal 2, an Affordable Housing Delivery Manager has now been appointed and the postholder is leading on delivery of the programme, including the authoring of related reports.

4.10 The key focus of the enabling team, which consists of the Affordable Housing Delivery Manager and the Housing Solutions and Enabling Officer, over the next 6 months is as follows:

- Continue to work with traditional partners and funding bodies to progress and maximise on-going projects
- Work with neighbouring local authorities to negotiate affordable housing on strategic sites identified through the South Worcestershire Development Plan (urban extension)
- Review and initiate alternative delivery models
- Progress actions within the Worcestershire Housing Strategy
- Develop delivery partnerships with key worker employers.

Goal 3	Ensure that corporate objectives and planning policy and practice support the delivery of new affordable homes.
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4.11 In response to Goal 3 the Affordable Housing Development Group has now been re-established, meets monthly and has representation from services across the council. This includes planning, housing, finance, property and legal. Site opportunities across the city are brought forward to discuss options and to seek a collaborative approach to enabling and supporting delivery.

4.12 The Worcestershire Housing Strategy was adopted by Full Council on 26th September 2023. The development of a Worcester City Action Plan is on-going. This will feature the delivery of affordable housing as a key priority. A joint Housing Strategy workshop took place on 1st February. Two workstreams have been created and officers from the Council will support these to bring forward innovative housing solutions linking to health outcomes and wider welfare issues.

4.13 The South Worcestershire Development Plan Review was submitted on 27th September 2023 to the Secretary of State for independent examination with Planning Inspectors appointed on 10th October 2023. This will involve the identification of new sites, growth targets and a new Supplementary Planning Document for Affordable Housing.

4.14 A needs assessment for the provision of temporary accommodation has been undertaken. Additional units of temporary accommodation have been acquired to provide additional council owned accommodation, namely Sheffield Close (2 bed house), and Park Street (7 x 1 bed units, 1 x 2 bed unit). This adds to existing council units at Bromyard Road and 4 x 3 bed roomed houses leased from Platform Housing, as well as accommodation provided by external partners. Once the council's portfolio is fully operational, we will further review whether there is sufficient accommodation to meet future needs.

Goal 4	Build strong relationships with key partners leading to deliverable and quantifiable outcomes.
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- 4.15 Goal 4 has seen a new Registered Provider Liaison Group being established meeting quarterly. This group discusses opportunities for the delivery of affordable housing in Worcester as well as exploring opportunities for collaboration, identifying barriers to delivery and how these may be overcome.
- 4.16 Through these liaison meetings, the strategic priority of the Council surrounding the delivery of affordable housing has been clearly outlined and has helped to inform partners of the challenges and barriers to increased provision and development within the city. Challenges include the lack of land opportunity, the scale of sites that are available as well as their level of complexity, and the operational challenges surrounding the management of high density and medium/ high rise developments. The challenges have increased more recently.
- 4.17 Individual meetings have also been held between the Corporate Director of Operations, Homes and Communities, the Head of Homes and Communities and senior leadership with key Registered Providers to further explore opportunities to increase the development and delivery of affordable housing. This has been continued by the Affordable Housing Delivery Manager and Strategic Housing (Enabling) Officer.

Goal 5	Maximise resources available from the public and private sectors to investment in affordable housing.
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- 4.18 Progress with Goal 5 has included regular meetings being held with officers from across the council with the Department for Levelling Up, Homes and Communities (DHLUC) and Homes England. These meetings provide an opportunity for officers to articulate the growing demand for affordable housing within the city, the current shortfall in supply and the challenges being faced in delivery. As a result of this engagement, Homes England have identified Worcester as a priority delivery area for the Affordable Homes Programme.
- 4.19 Recently meetings have been held with investors surrounding key development sites within the city to outline the role of the authority in supporting and enabling delivery of affordable housing.

Goal 6	Promote and raise awareness of the benefits of affordable housing in the wider social and economic context.
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- 4.20 For Goal 6 proactive steps have been taken to directly engage with key stakeholders involved in the delivery of affordable housing. This includes Registered Providers, developers, and Government Departments. More recently officers have engaged with recently formed institutional investment backed Registered Providers.
- 4.21 Further actions include the development of a communication strategy and market engagement hub for stakeholders whereby key information surrounding housing need, funding arrangement and development opportunities can be promoted. This is currently progressing through a refresh of the housing development/affordable housing sections of the Council's website which will provide the conduit for information sharing.

Goal 7	Shape and action the Council's engagement in land promotion activities.
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- 4.22 Progress with Goal 7 will be challenging as there are limited available land options within the city. There are wider regeneration options identified within the city centre masterplan, but these will take some time and capacity to bring forward. Future options are also dependent upon future Government capital funding programmes. Consideration will be given as to whether firmed up delivery plans to support the masterplan will place the Council in a more advantageous position to attract capital funding.
- 4.23 Due to the contextual considerations set out in section 3, a review of possible alternative delivery models will be carried out to inform whether a business case may be developed for consideration by this Committee at a future date.

Goal 8	Establish the Council's appetite and explore the opportunities for joint venture working.
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- 4.24 Given the current market situation, there is a risk that there will be limited appetite for joint ventures from traditional RP partners. The council's position is compromised by its lack of land and/or capital to bring to the table. Joint venture vehicles involving the public sector are usually structured around the public sector partner bringing land or capital to facilitate land assembly. Private sectors partners bring development and construction expertise.
- 4.25 Recently officers have engaged with recently formed investment backed Registered Providers and have discussions planned with Build to Rent providers.
- 4.26 Officers have also been engaging with NHS Trusts to explore how the council could facilitate the accommodation needs of their incoming staff.

5. Future Actions

- 5.1 It is recognised that many of the actions assigned to the Delivery Plan were developed prior to the macro-economic context within which affordable housing is currently delivered.
- 5.2 In order to progress affordable housing delivery the council must understand that profile and scale of opportunities that present themselves in the city will not necessarily dovetail with the development priorities of our traditional RP partners.
- 5.3 It is important that we review our traditional approaches to delivery and officers will be working to consider alternative approaches to affordable housing delivery, which will include delivery by way of partnership and direct delivery by the council. There are current options actively being explored which will facilitate additional delivery. Recommended options will be brought before the relevant committees as and when developed.
- 5.4 Officers will be working with colleagues in Wychavon District Council and Malvern Hills District Council on the affordable housing allocations for the Worcester City on

the strategic site allocations identified within the emerging South Worcestershire Development Plan. Officers will be participating in the two workstreams originating from the Worcestershire Housing Strategy.

- 5.5 A report will be presented to this committee during Autumn 2024 to further update Members on progress against the strategy and delivery plan.

Ward(s): All

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Background Papers: Appendix 1- Worcester Housing Enabling Delivery Plan
Appendix 2- Detail of anticipated 2023/24 delivery of Affordable Housing