Committee and Date

Cabinet

7th November 2018

MEETING HOUSING NEED IN SHROPSHIRE

Responsible Officer Mark Barrow
e-mail: mark.barrow@shropshire.gov.uk Tel: 01743 258916

1. Summary

1.1 In conjunction with our work to review the Local Plan and Stock Options Appraisal, officers have undertaken research and investigation into how we might address the unmet housing and development needs of our local communities.

1.2 This work has amongst other things involved a high-level analysis of housing affordability ratios, types of current market supply, and reviewed approaches in other councils. This work constitutes a Strategic Outline Case that suggests the Council should work up a more detailed Outline Business Case for a mechanism to address Shropshire's unmet housing and development needs.

1.3 Early scoping work and advice suggests other local authorities have adopted a more commercial and dynamic approach by creating 'Local Housing Companies' to assist them in achieving a wide-range of goals and aims.

1.4 The purpose of these vehicles can include, acquiring, developing and managing homes. They have been used to help address specific local housing supply issues / market deficiencies and generated income to assist their parent authority to be more financially self-sufficient.

1.5 They have also been used to enable broader public-sector savings; encourage economic growth, employment and skills development.

1.6 In Shropshire, property development by a Council vehicle, would need to be both open market and affordable housing, with accompanying place shaping and community infrastructure projects.

1.7 Any delivery vehicle utilised by the Council would also need to work with private sector partners and Registered Providers to support objectives outlined in the Council's Corporate Strategy, Commercial Strategy and those to be approved in the upcoming Housing Strategy.

1.8 Demographic pressures would need to be considered; with any solution complementing outcomes from the 'Council Housing Stock Options Review' to assist in increasing the amount and quality of affordable housing in the County.

1.9 This would need to include delivering housing to support and empower independence. For example; younger and older people, disabled people, wheelchair users, people with a learning disability, people with a mental health condition, and people with an impairment.

1.10 Any future financial modelling of such property development would be to ensure that there is no cost to the Council, a good income stream can be generated, and major savings can be made to Shropshire Council (and where viable to other public sector budgets).

1.11 Local Authority powers automatically enable provision of housing where there is a statutory duty (social housing) or for emergency housing. However, specialist legal advice has already confirmed that where any form of trading (non-social) is undertaken for a 'commercial purpose' then a company structure would be needed.

2. Recommendation

It is proposed that the Executive Director for Place, in consultation with the Portfolio Holder for Planning & Housing Development, be requested to:

1) Develop a viable Outline Business Case to address Shropshire's unmet housing and development needs.

2) Develop detailed proposals and options for appropriate arrangements to deliver the Outline Business Case: either delivery of housing by the Council itself or; to form a company to undertake this work.

3) Present a report to the 13th December 2018 meeting of full Council for decisions to implement the Outline Business Case.

REPORT

3. Background

3.1 Councils traditionally have developed and managed social housing held by law within the Housing Revenue Account (HRA). Subsequently they are legally required to let homes on Secure tenancies at Social and Affordable Rent levels.

3.2 Council house building had largely ceased from the 1980s until recently. During this period, housing associations (Private Registered Providers) became the main developers of social housing and have evolved to increasingly operate commercially.

3.3 Although HRA Reform in 2011 introduced self-financing principles, enabling long term asset management and capital strategy planning over 30 years, many of the constraints and concerns remain over the development of social housing, such as the tenant's 'Right to Buy' and central government control over rent levels and tenancy types.

3.4 Many councils wishing to have greater place shaping control, and in response to financial pressures, have in recent years sought an alternative solution by creating Local Housing Companies. In effect to attempt to take the best operational elements from the private and public sectors and integrate them. It is currently estimated that over half of all local authorities have either set up or are in the process of creating their own Local Housing Company.

3.5 Whilst council companies have existed for many years, with trading powers set out in Section 93 of the Local Government Act 2003, the recent diversification of new companies was prompted by the General Power of Competence introduced in the Localism Act 2011.

3.6 Whereas councils could previously only trade their existing activities, this legislation enables a local council to undertake any commercial activity that an individual or private company can lawfully undertake, provided this activity is not explicitly ruled out or constrained for councils by another piece of legislation. This provides for purely commercial trading in services not previously provided by councils, such as building homes for market sale and rent.

3.7 Any housing development solution considered by Shropshire Council would need to address market failure, increase the availability of affordable rented and for-sale housing and to develop housing types that the private sector developers are not building. Underpinning this would be the need for a robust

commercial and financial case to ensure that it assisted the Council to improve its financial self-sufficiency.

3.8 The Shropshire Strategic Housing Market Assessment (2014) set out a range of pressures and challenges. Within Shropshire the ratio of house price to average income is 7.62 against the national average of 6.74 and only 50% of the population can afford private rental values and 32% to own an entry level residence.

3.9 The Council's current social housing waiting list is 5,300 and the average waiting time for a 3-bed social rented house for those successful is 13 months.

3.10 The Local Plan Review of 2017 identified the need to build 28,750 new homes by 2036. Whilst in 2016/17 1,910 new homes were built, private sector developers are focussed on profit maximisation in the 3-5 bed 'for sale' market. The evidence is that the market is not, and will not, build the housing we need to meet the broad future needs of our communities.

3.11 By way of illustration, roughly one third of new household formation is due to the growth in our older population. By 2030, Shropshire will comprise of almost 33% people aged over 65. There is a wealth of research that demonstrates how developing purpose designed housing promotes longer and more productive independent living which is better for residents and helps offset growing pressures in local health and care systems.

3.12 There are also wider strategic objectives to support a detailed investigation into potential housing delivery vehicles and solutions. New homes, property developments, refurbishments, progression of stalled developments, office conversions, all support economic growth, with immediate employment and the longer term associated benefits for local businesses by providing a larger percentage of workers to live in the county.

3.13 Investment in new homes has a multiplier effect in the local economy, with residents working in local businesses and spending in local shops and on local services. It also provides an opportunity to adopt key worker policies to encourage key workers in health, education, social care and other public services to remain or move to the County.

3.14 Local Authority led property development can target where the market is under-performing or failing to provide sufficient housing supply to meet demand. The local context can be evidenced from the sub-regional Strategic Housing Market Assessment which summarises projected levels of housing need and demand, including the required mix between property sizes, bedroom numbers, tenure types and rent levels versus incomes.

4. Financial Implications

4.1 Any future solution would need to take into consideration the current 'Council Housing Stock Options Review' of properties within the Housing Revenue Account.

4.2 Any future recommendation to Cabinet and Council would need to be supported by a business case and business plan identifying any financial investment or resources required to support the recommended delivery model or vehicle. Carried out in conjunction with a review of the Council's land and property assets.

4.3 Projections of potential savings to Council budgets would also be intrinsic to any future business case and business planning.

5. Risk Assessment and Opportunities Appraisal

5.1 A future recommendation would need be supported by a full risk assessment appraisal carried out as part of the business case and business planning process.

5.2 Any future business case would be developed to HM Treasury Green Book Standard outlining the strategic, commercial, financial, economic and management cases. If the preferred model is that of a company, then the business case would need to satisfy the requirements of The Local Government (Best Value Authorities) (Power to Trade) (England Order) 2009.

5.3 Specialist legal and financial advice would be sought as required.

6. Additional Information

6.1 The Council is being assisted by property specialists Savills, who are currently supporting the 'Council Housing Stock Options Review' and have advised many other councils on housing delivery models. Officers have also researched, met and spoken to other councils who have already established alternative housing delivery models.

6.2. Several Members briefings and workshops have been held. If further investigation is approved, a request will be made to the Performance Management Scrutiny Committee, to consider setting up a Task and Finish Group to examine key areas of interest.

List of Background Papers (This MUST be completed for all reports, but does

not include items containing exempt or confidential information)
Cabinet Member (Portfolio Holder) Cllr. Robert Macey
Local Member All Members
Appendix