

**Executive**

<b>Report title</b>	Housing Delivery	
<b>Executive Member*</b>	Councillor Lewis Young – Executive Member for Economic Development and Infrastructure	
<b>Chief Executive or Director</b>	Kevin Parkes – Executive Director Growth and Place	
<b>Date</b>	12 June 2018	
<b>Purpose of the report</b>	To seek Executive endorsement for the Council to undertake proactive intervention in the housing market, and seek Executive approval to commence an option appraisal of potential housing delivery models to bring forward the development of high quality, affordable homes and create a place for all.	
<b>Summary of the report</b>	The report will establish the need for the Council to take proactive intervention in the housing market, in order to exert greater control over the pace and quality of housing development. The report will request approval to establish a Shadow Board who would consider a detailed option appraisal, the recommendations of which will be reported back to Executive at a future date.	
<b>If this is a key decision, which key decision test applies?*</b>	Over the financial threshold (£150,000)	
	Amends the Council’s policy framework	
	Affects two or more wards	X
	Non-key	
<b>For the purposes of scrutiny call in procedure this report is*</b>	Exempt under s.12a Local Government Act 1972	
	Urgent	
	Non-urgent	X
<b>If this is a confidential report, which exemption(s) from the Schedule 12a of the Local Government Act 1972 applies?</b>	No	
<b>Decision(s) asked for</b>	That the Executive: <ul style="list-style-type: none"> <li>a) endorses the need for the Council to intervene in the housing market in order to exert greater control over the pace and quality of development;</li> <li>b) approves the establishment of a Shadow Board to consider a detailed option appraisal of housing delivery models; and,</li> <li>c) identifies three members to sit on the Shadow Board.</li> </ul>	
<b>Impact of decision(s)</b>	The decision would require the Council to establish a Shadow Board to consider an option appraisal on potential housing delivery	

## What is the purpose of this report?

1. To seek Executive endorsement for the Council to undertake proactive intervention in the housing market, and seek Executive approval to commence an option appraisal of potential housing delivery models to bring forward the development of high quality, affordable homes and create a place for all.

## Why is this report necessary?

### Context

2. In order to facilitate the development of Middlesbrough as a vibrant, modern growing city, the Council aims to drive the development of high quality, affordable homes and create a place for all. As a result, Middlesbrough is embarking on the most ambitious house building programme in recent history.
3. Reflecting the fact that Middlesbrough is the only local authority in the region with an established Local Plan, the commercial housebuilding market has been particularly buoyant in Middlesbrough, with over 1,500 new homes being completed in the past three years (see below), with ambitions to reach 7,000 new homes by 2029. The Local Plan is currently being reviewed to identify further opportunities for house building and place making. However, Table 1 illustrates that the number of completions has declined in the last two years from a high in 2015/16. There is a real need to continue to look creatively at how housing numbers can be increased to ensure that the long-term targets are met.

Table 1: Housing Completions

Year	Housing Completions
2015/16	668
2016/17	533
2017/18	476

4. Whilst the population of England has increased by about 10% in recent years, for the first time in generations there is population growth in Middlesbrough with people attracted to the opportunities presented in the growing economy. The majority of this growth has therefore been achieved towards the south of the borough, with housing sites performing very well in terms of completion numbers, and sale values. The average sales price for new homes in Middlesbrough is currently £220,000, which ranks as the highest in the Tees Valley by over £30,000.
5. This development of new housing has a positive impact on a number of the Council's strategic objectives. Housing development is key to the physical regeneration of the town, creating places where people want to live and employment opportunities that will contribute towards the social regeneration agenda. Income generated from Council Tax and New Homes Bonus is also central to the Medium Term Financial Plan and the ongoing support of core Council services.
6. Although the growth seen to date has been hugely beneficial to the town, there is, however an affordability issue that is developing, as the average cost of new homes

in the town rises beyond the means of many residents looking to get on the housing ladder. One significant gap identified is for professionals in the 25-35 age category, who are increasingly unable to afford to buy a property, but do not want to rent the older terraced properties that are prevalent in the market. Unless issues such as his are addressed, Middlesbrough risks losing some of its economically active population to other areas.

### ***Taking a Proactive Role***

7. Significant investment has been put in by the Council to facilitate the housing growth so far, both through the development of supporting infrastructure and in preparing for the release of new sites.
8. This investment, and the Council's control over much of the supply of land has enabled a degree of control to be exerted over the number of completions to date. As the market is expected to continue providing the same successful product on the commercially viable sites in the south of the town, there is a need for the Council to exert the same control to ensure that those sites in less commercially viable areas are also developed, and that the affordability, quality and choice of housing provided continues to meet the town's aspirations – even at the more affordable end of the market.
9. The Council is committed to ensuring that future housing growth occurs in a more balanced way and is based on the principles of well-designed neighbourhoods with a sense of place and identity, with access to schools, green spaces, amenities and transport. To ensure this commitment is reflected in the housing product being developed, and to facilitate the sustainable growth of the town there is a need to take a more proactive role in determining what is built, and where.
10. It is envisaged that some form of 'special purpose' housing delivery vehicle would provide the Council with the ability to exert influence over the market, and address the identified gaps.

### ***Delivery Options***

11. To explore the potential for the Council to proactively affect the housing product on offer, and achieve greater control over delivery through its own land holdings, work has been commissioned to explore potential options, and the actions being taken by local authorities across other parts of the country.
12. In commissioning the work, the Council identified the following four key objectives that would be important in any delivery solution:
  - a. maximise income streams to the Council in terms of the capital receipt, Council Tax, New Homes Bonus, rental income and house sales;
  - b. increase the pace of housebuilding to ensure that the Council maintains a high level of housing growth that both supports population and economic growth;

- c. assist in delivering the Council's Social Regeneration agenda, ensuring a steady supply of affordable housing to meet the needs of its emerging and aspiring population; and,
  - d. set the design bar for other housebuilders, creating quality places where people want to live, and act as a catalyst for further regeneration and investment.
13. Since the Council transferred its housing stock to Erimus Housing in 2004, the principal delivery route for the large scale development of housing has been via the traditional route of the disposal of land to a Registered Provider of Social Housing (RP) or to a developer for a capital receipt. This approach has contributed greatly to the housing numbers identified above, but has meant that the new housing product being provided in Middlesbrough has been determined more by the market than by population needs – a situation replicated in most areas of the country.
  14. Following the introduction of the Localism Act 2011 and the 2012 Housing Revenue Account (HRA) self-financing reforms, the work identified that almost all local authorities have been pursuing alternative methods of housing delivery that unlock their financial strength and give greater control over the pace and quality of delivery.
  15. The methods of delivery adopted by other authorities range from entering into joint venture vehicles with development partners, through to the creation of wholly owned housing companies, which could deliver the desired level of housing over a range of tenures. The research undertaken to date suggests that the majority of local authorities are pursuing wholly owned companies (to date over 150 have developed their own company), and that Middlesbrough would be well placed to consider this option strongly, as it offers the greatest scope to meet the Council's objectives.
  16. Whilst the research has provided the confidence that the need to be proactive is well founded, confirming the right delivery model would however be quite an involved process, as not only would the nature of the model need to be identified, but the governance, management and financial arrangements for its operation would also need to be identified. As a result, further analysis and consideration is required.
  17. The extent to which any new model of delivery is utilised would also need consideration, as the intention is not to replace commercial housebuilding, but to complement existing market provision, and to take a more proactive role where the market would be unwilling to act.

### ***Shadow Board***

18. In order to undertake the necessary consideration of options at the Council's disposal, and the subsequent consideration of governance, management and financial arrangements, it is proposed that a shadow board be established. The board would comprise three officers (covering the areas of housing delivery, legal and finance), and three members to be nominated by Executive. The shadow board

would engage with relevant internal and external expertise to ensure a robust consideration of the issues, before reporting back to Executive with firm proposals.

19. The shadow board would also consider how Section 106 funding could be proactively used to accelerate the provision of affordable housing through such a model.

### **What decision(s) are being asked for?**

20. That the Executive:
  - a. endorses the need for the Council to intervene in the housing market in order to exert greater control over the pace and quality of housing development;
  - b. approves the establishment of a Shadow Board to consider a detailed option appraisal of potential housing delivery models; and,
  - c. identifies three members to sit on the Shadow Board.

### **Why is this being recommended?**

21. The Localism Act 2011 and the 2012 Housing Revenue Account (HRA) self-financing reforms have afforded local authorities the opportunity to adopt a number of delivery models to develop new housing. The issues being identified in Middlesbrough around the provision of affordable, quality homes have led to consideration of how such models could be applied locally.
22. Developing a shadow board to explore the different options, governance and management arrangements, would enable a robust decision to be taken at a future Executive meeting around the nature of the proactive role being taken by the Council.

### **Other potential decisions and why these have not been recommended**

23. The shadow board will be responsible for considering the different models of delivery, and the implications for the Council in terms of governance and finance. Prior to the establishment of the shadow board, the only other option available for consideration would be to continue the existing approach. As this approach is not currently addressing the identified gaps, it is not being recommended.

### **Impact(s) of recommended decision(s)**

#### ***Legal***

24. Legal and Democratic Services will be consulted throughout the process of looking at options, and would be represented on the Shadow Board. The governance issues inherent in any new model of delivery would obviously be a major focus, and detailed legal expertise would be required.

## ***Financial***

25. There are no direct costs associated with the implementation of the decision but assessing how the different models of delivery would fit in Middlesbrough would require input from Financial Planning and Support, as would consideration of the impact on the MTFP.
26. Once the shadow board are ready to recommend a particular model, a detailed financial plan would need to be developed, and the appropriate funding arrangements explored to ensure it is deliverable.

## ***The Mayor's Vision for Middlesbrough***

27. The decision is aligned to the Mayor's Vision for a Fairer Middlesbrough as it would assist with the provision of fair access to high-quality homes. The decision would also contribute towards the priority to strengthen our city through bold and innovative regeneration and help create a Stronger Middlesbrough. The decision is also aligned to the Council's Strategic Plan as it would enable both physical and social regeneration.

## ***Policy Framework***

28. In addition to the Mayor's Vision and the Council's Strategic Plan, the decision is aligned to the Medium Term Financial Plan as the proposed housing development will generate income from New Homes Bonus and Council Tax.

## ***Wards***

29. The proposed delivery models would have the potential to stimulate new housing across the town, although the primary focus would naturally be in areas where housing sites are of less commercially interest.

## ***Equality and Diversity***

30. The attached IA (Appendix 1) has concluded that the appointment of a Shadow Board to undertake the next stage of work would not have any disproportionately negative impacts.

## ***Risk***

31. There are no inherent risks associated with the proposed next steps. The consideration of different types of delivery model, and how they could be utilised in Middlesbrough would need to include a robust assessment of the risks. These would need to be reflected to Executive in the report compiled by the shadow board.

## ***Actions to be taken to implement the decision(s)***

32. The following actions will be undertaken to implement the recommended decisions:
  - a. Establish Shadow Board - June 2018

- b. Consider delivery models, governance, management and finance options – July 2018
- c. Executive report on preferred delivery model – September 2018

## **Appendices**

Appendix 1 - Impact Assessment

## **Background papers**

No background papers were used in the preparation of this report.