



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Companies Committee

21 October 2020

Report of: Councillor Barry Dobson

Deputy Leader of the Council



Update on Housing Delivery Partnership

This paper sets out the latest position with regards to a proposed housing joint venture and sets out the recommended next steps to stimulate housing delivery in the District.

Report Author

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Corporate Priority:	Decision type:	Wards:
Growth	Key	All Wards

Reviewed by:	Richard Wyles, Interim Director of Finance	9 October 2020
Approved by:	Karen Bradford, Chief Executive	12 October 2020
Signed off by:	Councillor Barry Dobson, Deputy Leader of the Council	13 October 2020

Recommendation (s) to the decision maker (s)

1. That Companies Committee notes the contents of this report and that a housing partnership is not pursued at this time, but that the development of a partnership is considered in the future as part of the Council's annual review process
2. That Companies Committee notes that the Council intends to build on the positive relationships developed with partners in the housing market to stimulate ongoing delivery in South Kesteven

1 Background

- 1.1 On 7 January 2020 a report was presented to Companies Committee that set out the Council's intention to explore the development of a joint venture with the intention of both directly delivering and stimulating housing delivery in South Kesteven. Companies Committee approved the recommendations within the report and recommended the commencement of a partner selection process (noting the decision to commence the process was a Cabinet decision).
- 1.2 Companies Committee asked to receive feedback on progress in April 2020, however the meeting scheduled for that date was postponed, therefore this report sets out the current position and proposed next steps:
- Since the decision of 7 January, a number of factors, both national and local, have necessitated a change of direction. The Covid-19 outbreak created uncertainty in the housing market, partners were cautious to commit to major new developments during the initial Covid-19 outbreak. In addition, a number of the potential partners' staff members responsible for growth and new developments were placed in furlough or redeployed on to other business
 - The Chief Executive and Leader of the Council agreed the need to develop a Corporate Plan to effectively prioritise developments and Covid-19 response plan (with subsequent work refining how these interlinked). The adopted Corporate Plan now provides an integrated approach to the housing priorities in South Kesteven, addressing both HRA and market housing issues
- 1.3 Throughout the development of the proposed housing partnership, the Council has formed strong relationships with players in the housing market, including Homes England, housing associations, land owners and developers. These relationships can be built upon to deliver a range of approaches to support the District in meeting its housing needs and development aspirations as approved in the South Kesteven Local Plan.

2 Strategic Context

Context - Corporate Plan

- 2.1 A Corporate Plan has been developed, setting out the vision and the five priorities of the Council, alongside key actions that will deliver these. The Corporate Plan was commended by Cabinet on 8 September 2020 and approved at Full Council on 1 October 2020. While delivering appropriate housing in the District remains a priority (including affordable provision), developing a housing partnership is not considered a key priority at this time. Many other key actions and interventions identified within the Corporate Plan require significant capital commitment (such as the Leisure Investment Programme), therefore restricting the ability for the Council to invest in a long-term housing partnership at this time.

Context – Covid-19

- 2.2 Since the last report, the Covid-19 pandemic resulted in a national lockdown causing significant contraction in the economy across the UK. There is currently further activity underway to put in place processes to enable an effective response to a second wave. Priorities for the Council have been adjusted to reflect the new reality and a significant refocus is upon support to residents and local businesses.
- 2.3 It is worth noting that the Government has stated that it will be prioritising building and infrastructure as a way to re-start the economy. Therefore, it is important that any approach South Kesteven District Council develops enables 'oven ready' projects within the District to access external Government funding. It is anticipated that a new infrastructure and

investment programme to stimulate house building will be announced by Government before the end of 2020 and the preferred option outlined in this report is likely to put SKDC in a strong position to respond to any new Government investment programme.

Context – Housing Delivery

- 2.4 The Council has a strategic aim to grow the local economy and deliver sustainable communities. In order to achieve this ambition, the District would need to see a greater number of new homes being built, importantly, including affordable provision. The key challenges faced in supporting housing growth in the District are:
- The Council has very little General Fund land on which to deliver its own market housing
 - There is a limited number of landowners in the district that own a relatively large proportion of land suitable for housing development – thus, restricting supply.
- 2.5 The viability of Grantham for housing projects is very limiting in the private sector and at present the sales absorption rate per annum is very small with weak demand. The model developed shared risk with a long-term housing development expert in return for sharing the investment required. With the uncertainties created by Covid-19 the returns are less certain, and rents and house prices may decline while land retains its value in the area (due to the limited number of landowners). It is possible that a partnership could be developed and not be able to find viable sites to develop, albeit several potential housing experts are still interested in partnering in this environment and willing to share the investment risk.
- 2.6 Over the past two years housing delivery in South Kesteven has exceeded the annual target of 650 set out in the South Kesteven Local Plan 2011-2036, with 729 homes being completed in 2019/20 (the highest number in over a decade), with growth particularly strong in the south of the District. It should be noted that, in line with national trends, the impact of Covid-19 means that the number of completions in 2020/21 is anticipated to be much lower.

3 Consultation and Feedback Received, Including Overview and Scrutiny

External Consultation

- 3.1 The Council has maintained a dialogue with Homes England, which is keen to support housing delivery in the region and particularly around Grantham. It has praised both the Council's ambition and recognised that qualities (infrastructure links, access to green space and relatively inexpensive housing) are strong positive aspects that could fuel demand for housing in the area. In addition, an emerging opportunity has been identified related to the changes in working practices and greater adoption of home working - which could increase the desirability of Grantham as a place to live in the future.
- 3.2 The officers working on the project have communicated regularly with potential partners and have informally given an indication that the Council may not wish to pursue a housing partnership in 2020. Feedback from potential partners has been that they although they would be disappointed if the Council chose not to continue with this approach, there is an understanding of the change of context and the need for South Kesteven District Council to prioritise resources differently in the light of the impact of Covid-19. Many have also indicated a keenness to work with SKDC in other ways in the near future and explore, alongside the Council, future opportunities that present themselves.

Internal Consultation

- 3.3 As part of developing this report, the Covid-19 response and the Corporate Plan, there have been ongoing discussions with officers and Members.

4 Available Options Considered

Option 1 – Do Nothing

- 4.1 The Council could choose to withdraw from proactive approaches to work with the housing market. However, this would not fit with the ambition of the Council set out in the adopted Corporate Plan and is highly likely to lead to South Kesteven failing to deliver the number and type of homes the District requires. Therefore, this option is discounted.

Option 2 – Continue with the selection process for a preferred partner

- 4.2 The selection process could be continued, and a decision made as to whether to formalise the partnership after proposals are returned. Although this would provide the Council with more information about the specifics of such a partnership before committing to an investment, it would involve considerable cost for both the Council and potential partners in undertaking a selection process. It would also have a negative reputational impact if the Council chose not to pursue the partnership at a later point. Positive feedback from informal discussions with potential partners was that a firm 'go/no-go' decision should be made at this juncture. Therefore, this option was discounted.

Option 3 – Work proactively with the housing market to pursue other approaches

- 4.3 This option builds on the positive relationships that have been developed across the sector to work proactively with organisations in the housing market to meet South Kesteven's housing needs. This option will enable the Council to consider a range of options to stimulate delivery, such as: further developing the Special Projects function in the Growth team, facilitating the development of partnerships between other players in the housing market (e.g. landowners, developers and housing associations) and entering into agreements on a site-by-site basis (either via the General Fund or Housing Revenue Account). In addition, the Council can seek to access external infrastructure investment to support the viability of schemes.
- 4.4 This approach would avoid creating upfront investment costs and provide further information and opportunities to re-consider a longer-term partnership at a future point. This is the preferred option at this point in time.

5 Preferred Option

- 5.1 The optimal option at this point in time is option 3, as this provides the opportunity to continue to build on positive relationships within the housing market and stimulate housing delivery within the District, while avoiding the need to commit to significant, long-term investments at this point in time.
- 5.2 There will be an opportunity to review the Council's position once there is a greater degree of certainty around the economic recovery from Covid-19, with the potential to re-prioritise the delivery of a long-term housing partnership. It is proposed that this is considered as part of the annual review of the Corporate Plan.

6 Lessons Learned

- 6.1 The key lessons learned are as follows:
- Prioritisation of strategies – the Council has numerous ambitions, many of which require investment. The development of the Corporate Plan now provides a framework for directing resources to support the achievement of the highest priorities and the annual review process will enable this to respond to changes in internal and external conditions.

- Regular and robust project oversight by member-level project boards should be established, in order to regularly review major projects at appropriate times in their project lifecycles, to minimise abortive costs.

7 Reasons for the Recommendation (s)

- 7.1 It is recommended that the Companies Committee notes that the strategic partnership to create 'HomesSK' is not pursued at this time, due to a number of other competing priorities for capital investment and the impact of Covid-19 on the viability of long-term housing investment partnerships.
- 7.2 Companies Committee is also asked to note the commitment of the Council to build on the work to date and positive relationships developed with players within the housing market to stimulate the long term, sustainable delivery of the homes South Kesteven needs as it is felt that this is currently the most effective way of stimulating delivery.

8 Next Steps – Communication and Implementation of the Decision

- 8.1 The decision not to pursue the housing partnership at this time will be communicated formally to Homes England and potential partners. As part of that communication, potential partners will be invited to meet with senior representatives from South Kesteven District Council to discuss the opportunity to build on the positive relationships developed, and work together in different ways to secure the ongoing delivery of homes in South Kesteven.

9 Financial Implications

- 9.1 Council has approved specific resources to support this proposal and during 2019/20 salary costs of £163k were allocated and £176k for 2020/21. These costs were funded by the HRA reserve which allocated £250k for each of the two financial years
- 9.2 In the last financial year a total £239,000 was charged to the Housing Revenue Account, against an approved budget allocation of £250,000. To the end of August £76,000 has been incurred. The expenditure is broken down as follows:

Category	2019/20 Amount (£000's)	2020/21 Amount (£000's) – to date (up to end August 2020)
Employee Costs *	224	75
Expenses	2	1
External Fees (Legal, Treasury Management and Housing Advice)	13	0
TOTAL	239	76

* This includes a £30k contribution to the planning team

- 9.3 There is currently a further allocation of £250,000 for 2020-21. Due to the impact of Covid-19, officers working on this project have been primarily focussed on supporting the response. All other costs associated with the project have been deferred.

Financial Implications reviewed by: Richard Wyles, Interim Director of Finance

10 Legal and Governance Implications

- 10.1 No legal commitments have been entered into with any partners, and so there are no legal implications from aborting the project at this stage.

Legal Implications reviewed by: Shahin Ismail, Director of Law and Governance

11 Equality and Safeguarding Implications

- 11.1 Pausing this project has a neutral impact on protected groups.

12 Risk and Mitigation

- 12.1 Relationships with the housing sector – there is a risk not pursuing the housing partnership at this time could impact on relationships with the housing sector. However, this risk is being mitigated by ongoing, positive communication with the sector (at both political and officer level) and a commitment to building on positive relationships to meet South Kesteven District Council’s housing ambition for the District. The preferred option outlined within this report provides significant scope for working successfully with land owners, developers and housing associations in achieving housing delivery.
- 12.2 Homes England partnership work – the Council has developed a very positive relationship with Homes England and engaged them strongly in the housing ambition for the District, there is a risk that it could be perceived that the Council’s ambition for housing is reducing. However, this is being strongly mitigated by the recent creation of a senior officer working group between South Kesteven District Council and Homes England to unlock growth within the District (particularly in Grantham) - reaffirming SKDC’s commitment to delivery. This group is focussing strongly on optimising delivery (and learning from best practice elsewhere) via the routes outlined within this report.
- 12.3 Housing Targets within the Local Plan – there is a risk that not pursuing a housing partnership could impact on the delivery of housing targets. However, the preferred option outlined within this report sets out a number of ways in which South Kesteven District Council can positively interact with the housing market to secure ongoing delivery. In addition, there is an opportunity via the annual review of the Corporate Plan to consider pursuing a longer-term housing partnership at an appropriate time.

13 Community Safety Implications

- 13.1 There are no community safety implications arising as a result of this report.

14 How will the recommendations support South Kesteven District Council’s declaration of a climate emergency?

- 14.1 Pausing the project has a neutral carbon impact.

15 Background Papers

- 15.1 Housing Delivery in South Kesteven – Companies Committee 7 January 2020
<http://modern.gov.southkesteven.gov.uk/documents/s24518/Housing%20Delivery%20in%20South%20Kesteven.pdf>