

Supporting Housing Investment

For discussion and direction.

Summary

This paper provides an update on LGA support activity to highlight opportunities for local authorities to attract and sustain investment in housing. A draft publication will be shared at the meeting for the Board's consideration.

Recommendations

That the Board:

1. **comment** on the draft Housing Investment Case Study Guide outlined at paragraphs 6 and 7 and the draft tabled at the meeting;
2. **suggest further examples** of innovative practice, partnership working and leveraging investment that could be featured in the work; and
3. **note** the update on the work being led by Improvement and Innovation Board to develop an institutionally funded housing offer for local authorities as outlined in paragraphs 8 – 10.

Actions

As directed by the Board.

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Supporting Housing Investment

Background

1. The Board agreed at its meeting in September 2013 to support councils to secure increased investment in housing for their areas. This includes work with councils and investors to collate examples of investment partnership models and develop proposals to support councils to attract and sustain investment in housing.
2. The LGA has worked with a range of local authorities that are working to attract housing investment through differing approaches, partnership models and financial products. This paper provides an update on this project and a list of those councils is detailed at **Appendix A**. In line with the agreed board priority the LGA will publish a good practice case study report in early 2014 and a draft of the report will be tabled at the board meeting for Members' views in advance of publication.
3. At the meeting in November 2013, the board also considered a proposed project, led by the Improvement and Innovation Board to develop an institutionally funded housing offer for a group of local authorities. Section B of this report provides an update on this work and seeks the Board's views to feed into this emerging project.

Section A: Case study guide to support councils to attract and stimulate investment

4. The final report will examine the range of investment models and key issues for councils to consider and showcase the work of councils through case studies and examples. The LGA is also working closely with the Homes and Communities Agency and Local Partnerships to signpost to existing support and advice within the report.
5. Key themes and issues that emerged from work with councils and which will be featured in the report are as follows:
 - 5.1. The crucial role of elected members in ensuring strong leadership and a clear and effective vision.
 - 5.2. Council's role as mediator or 'ring master' of partnerships including a number of public and private interests, ensuring effective communication channels between public and private sector partners.
 - 5.3. Partnership working and the transfer of risk. Retaining some of the risk with the public sector may be necessary to make projects attractive to private sector partners.
 - 5.4. The variety of partnership models. Each council will have a different set of requirements and opportunities.
 - 5.5. A new entrepreneurial and enabling role for the traditional housing management function. Officers and members may need to learn new skills and adopt different ways of working as part of this process.

- 5.6. Creative use of land and assets, and working with partners to unlock sites through planning permission and investment in infrastructure.
 - 5.7. New routes to delivery through HRA self-financing and responding to local housing needs by providing new housing of mixed tenure.
 - 5.8. Investment in housing as part of a longer term strategy to create income for councils to invest in further housing activity, and become more resilient to reductions in grants and central government funding.
6. A draft report will be tabled at the board meeting for the Board's comments. Members are asked for any additional examples of innovative practice, experience of partnership working and leveraging investment locally to feed into the report.

Section B Developing an institutionally funded housing offer

7. The board considered a proposed project, led by the Improvement and Innovation Board at their meeting in November 2013 to develop an institutionally funded housing offer for a group of local authorities. This will be informed by the research carried out for the Environment and Housing Board.
8. The intention of the Improvement project is to form a consortium of local authorities who have land and housing need, and who wish to access significant development funds. An Expression of Interest (EoI) will be issued to all local authorities in January asking them to respond in general terms if they wish to access significant funds for new housing development. The EoI will seek to identify authorities who:
 - 8.1. have land suitable for housing development, preferably for around 500 – 1000 homes over a four or five year period;
 - 8.2. want access to development funds at competitive rates; and
 - 8.3. who potentially wish to develop additional homes outside the constraint of their HRA borrowing cap.
9. In parallel, discussions will be held with various funders, fund managers, other specialists in the field, and including with those LGA officers working on the development of the Municipal Bonds Agency. Whether the eventual funding comes from Pension Funds, Bonds, banks, the PWLB, or even a mix of these sources will depend upon a competitive process. Updates will be taken to the Lead Members meeting, and if the programme proceeds, a report will likely be necessary to both the Finance Panel and possibly the Leadership Board.

Financial Implications

10. Activity set out within this report can be delivered within existing budgets.

Appendix A

Case study sites	Investment model
London Borough of Barking and Dagenham	Model of private investment and council land – no public subsidy
Oxford	Model of development at Barton. Joint venture between council and private sector co-investor
Kirklees	PFI partnership “Excellent Homes for Life” building new council homes including extra care units
Gateshead Subject to agreement by the Council	Model of regeneration and investment through Galliford Try.
Preston	Housing Growth through City Deal and joint governance of land assets with the HCA
Ashford	Special purpose vehicle using council investment to build new homes
Hillingdon Subject to agreement by the Council	
South Cambridgeshire Subject to agreement by the Council	
The report will include a set of shorter case studies including:	
Rugby	Regeneration of Rugby Gateway Site
Eastleigh	Underwriting development and SPV with housing associations and neighbouring

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	councils
Mansfield	Mixed approach to increasing housing supply using private and public investment
Thurrock	Wholly owned council company Gloriana Essex
Plymouth	£50 million fund to build new houses
Sheffield	Local Housing Company, a partnership between the City Council Keepmoat and Great Places