REPORT TO CABINET

12 JUNE 2025
REPORT OF SENIOR MANAGEMENT TEAM

CABINET DECISION

Lead Cabinet Member – Regeneration and Housing – Cllr Richard Eglington

Accelerating affordable housing delivery ('A quality home for all')

SUMMARY

A previous report was presented to Cabinet (12.9.2024) which outlined the Governments ambition to increase the delivery of quality affordable and social housing and to bring forward investment to help deliver *"the biggest increase in affordable housing building in a generation",* whilst also acknowledging the role affordable housing has in supporting economic growth and as a key enabler for local leader to manage local housing pressures. The September 2024 Cabinet report also highlighted that the Council, like most local authorities is experiencing increased demand for affordable housing at a time of limited supply and this is impacting on our ability to prevent homelessness and support vulnerable adults and care leavers to secure independent accommodation. Cabinet subsequently agreed to support an option appraisal which would consider the potential opportunities available to the Council to accelerate affordable housing delivery in the borough. This was accompanied by a scrutiny review which was reported to Cabinet in April 2025. This report details the outcome of this appraisal and seeks approval for next steps.

REASONS FOR RECOMMENDATION(S) / DECISION(S)

Both the Stockton-on-Tees Plan and the Powering Our Future programme affirm the Councils commitment to driving economic growth to support community prosperity and well-being. The delivery of good quality, affordable housing in well-connected neighbourhoods is integral to this. Increasing the delivery of affordable housing (both in terms of type and tenure '*a quality home for all*') will not only support the Government housing ambitions it will also enable the Council to address the boroughs' local housing need (current and projected) whilst also addressing some of the budget pressures faced across Adult and Children's services, when appropriate independent accommodation is not readily available.

RECOMMENDATIONS

Cabinet is asked to:

1. Support the outcome of the accelerating affordable housing option appraisal, specifically the **Hybrid Delivery Model** (as detailed in paragraph 11).

2. Approve 'in principle' the initial phase of sites outlined within paragraph 9 and 10 for delivery of affordable housing.

3. Approve the use of S106 commuted sum monies (as detailed in paragraph 16/17) to deliver urgently needed affordable housing (generally smaller self-contained accommodation units).

4. Subject to approval of recommendation 3, delegate approval to the Director of Regeneration and Inclusive Growth in consultation with the Cabinet Member for Housing and Regeneration to

approve the preferred direct purchase model to secure additional affordable homes (as detailed in paragraph 16/17).

DETAIL

Affordable housing – our current challenges

5. Whilst the Council retained a small number of dwellings (predominately park and cemetery lodges) post stock transfer, in essence SBC are a 'non-stock' holding local authority. To address our housing needs the council relies on access to affordable Registered Provider (RP) properties through Nomination Agreements (with properties then advertised through our on-line portal Tees Valley Home Finder) and by increasing the supply of affordable housing in the borough by working with RP's and private developers in our 'enabling role' i.e. influencing a RP who may have developable land in the borough to build homes that meet our local housing needs and by securing additional affordable housing units on sites developed by private house builders through Section 106 Agreements. Whilst the number of new affordable homes delivered in the borough in 2024/25 had increased when compared to previous years, these units (plus those secured via Nomination Agreements) have not kept pace with the boroughs increasing housing need/demand, especially for smaller one bed properties.

6. Looking ahead, faced with constraints such as limited land supply, competing investment needs experienced by RP's (i.e. to invest in their existing stock) and the financial viability challenges of securing affordable housing on private house builder development sites it is difficult to see how this position will improve looking forward.

   Key headlines:

   - *The total number of new affordable homes delivered in 2024/25 = 279 (69% rented homes / 31% affordable homeownership).*
     - Of the 2024/25 new build affordable units there were **no** 1-bedroom properties.
     - The number new build affordable units delivered in the previous 4 financial years averaged 102 units per annum.

   - *At the end of 2024/25, 2960 households had an active Tees Valley Home Finder housing register) account.*
     - An increase of 15% on the previous year.
     - 50% of applicants have a 1-bedroom housing need.

   - *The total number of properties advertised (on Tees Valley HomeFinder) during 2024/25 was 678.*
     - Of these only 14% (95 properties) were general needs 1 bed or studio units.
     - Of the Band 1 (homeless priority cases) requiring accommodation at the end of 2024/25, 49.5% had a 1-bedroom housing need.

7. In summary this headline data highlights that despite the role taken by the Council to encourage the provision of new affordable housing in the borough, it is not sufficient to address the boroughs housing needs, and this is particularly evident in the lack of new build 1 bed properties. A pipeline of 1-bedroom self-contained units (where the occupier has access to separate living, bedroom, bathing/wc and kitchen facilities) is critical to support care leavers, vulnerable adults and homeless households to move through to living independent. Without access to sufficient affordable housing the council will inevitably face increasing budget pressures across these key service areas.

The role of affordable housing (rented and affordable home ownership) – 'a quality home for all'

8. Whilst the provision of affordable housing is vital to addressing the boroughs housing needs, it also plays a pivotal role in supporting the council deliver its' wider economic and regeneration

ambitions and in improving the boroughs health and inequality disparities. Not only will new build, affordable housing bring significant inward investment into the borough it will be a key contributor to the Councils wider residential-led regeneration ambitions (the Central Stockton and North Thornaby Blueprints, Billingham town centre and the Tees Valley Care and Health Innovation Zone). In addition, a mixed tenure affordable housing offer (shared ownership and rent to buy) will support in attracting an economically active population back into our revitalised town centres. Recent examples of this include Thirteen Housing Group's affordable homeownership offer at North Shore and the inclusion of affordable homeownership units in The Sycamores developments, where, in both instances demand outstripped supply.

9. Good quality affordable housing in well-connected communities (close to work, education and local services) impacts positively on our resident's health and well-being and helps to address the boroughs health and poverty inequalities. Our poorest households are often those living in poor quality housing who will be spending more than 40% of their household income on housing costs (whilst also living in fuel poverty). Quality, affordable, rented housing is not only financially 'affordable', but also energy efficient, reducing a household's expenditure on heating costs, supporting better health outcomes, and will provide facilities that are modern and accessible for a range of households.

Accelerating Affordable Housing Option Appraisal

10. A scrutiny review (undertaken by Place Select Committee) has recently concluded, which explored the challenges faced by the council in addressing the boroughs housing need. Place Select Committee also identified that the demand for affordable housing far exceeds demand, and that the trajectory of future new build affordable housing will not address the boroughs housing needs (both the numbers and type of housing required). Select Committee also considered the optional appraisal work and recommended to Cabinet in its final report (presented to Cabinet in April 2025) that the outcomes of the affordable housing option appraisal be supported.

11. An extensive range of potential options to accelerate affordable housing delivery were considered. Following an initial assessment each option was then 'tested' through a preliminary market engagement (PME) exercise. Through this process, feedback on potential delivery options (i.e. interest from a potential partner / risks / financial requirements / deliverability etc) was secured from a range or organisations including Registered Providers, large housebuilders, smaller SME developers and SME contractors, special needs housing providers and investor developers. The outcome of this exercise highlighted that to secure the Councils affordable housing ambitions there was no one size fits all option, rather we should pursue a **Hybrid Delivery Model** i.e. as each potential development site comes forward that it is considered against 3 delivery options:

    (i) **Enabling**: The Council would dispose of a site and secure the required housing through its enabling functions. In this example whilst the Council would not fund the development of the site, nor take ownership of the units post development, however we would *strengthen* our enabling approach to ensure our specific needs are meet (in terms of determining the specification, type and tenure of units developed).

    (ii) **Direct Delivery**: The Council would directly intervene in the market, developing out its own housing stock with the desired quality, housing type, specification and tenure. In this instance the Council would fund the development of the site and take ownership of the units of development. The direct delivery model would be via Local Housing Company and/or Limited Housing Revenue Account (HRA*) model.

    (*currently the threshold at which councils must set up a separate financial management account for recording expenditure and income of running their own housing stock and closely related services/facilities - known as the HRA - is 200 units. However, there have been recent consultation meetings with non-stock holding LA's by Government to

understand their appetite for development and the potential of uplifting the HRA stock limit).

(iii) **Partnership structure:** The Council would enter into a partnership or collaboration agreement to deliver the required mix of housing. The Council would share the financial risk of developing the site(s) with an experienced development partner. A partnership structure could involve a single partner or several partners (which may include RP's, private sector partners, build-to-rent companies, institutional investors. This could be undertaken with the involvement of Tees valley Combined Authority and Homes England.

12. Cabinet are asked to approve the principle of the **Hybrid Delivery Model**. As each site comes forward for delivery (regardless of specification, size and tenure) a detailed business case will be developed and considered against each of the options detailed above. Following this exercise a further report would then be presented back to Cabinet seeking approval for the preferred delivery option (and detailing the business case for delivery).

Affordable housing sites (initial phase)

13. The provision of a mixed tenure affordable housing offer (which will provide '*a quality home for all'*) will be considered as an integral part of the Councils regeneration ambitions across Central Stockton, North Thornaby, Billingham Town Centre and the Care and Health Innovation Zone). However potential sites will also start to come forward through the ongoing work to rationalise council building/assets (as referenced in paragraph 15). Given our current housing needs and the limited additional units projected to come forward via third parties in the immediate future, it is imperative that we move forward with the **Hybrid Delivery Model** as quickly as possible. On this basis Cabinet are asked to approve 'in principle' an initial phase of smaller sites for the purpose of affordable housing delivery these are:

(a) Raleigh Road (vacant potential in-fill site)
(b) Londonderry Road (vacant potential in-fill site)
(c) Stirling House (once vacant)
(d) Parkside House (once vacant)
(e) Thornaby Baths (once vacant/following the opening of the Thornaby Pavilion & Pool)

14. It is estimated that the release of the above sites for affordable units would deliver an initial phase of between 67-114 new homes. Subject to Cabinet approval, work will commence to explore the quantum of the affordable housing that can be delivered on each site (in terms of specification, type, tenure and density), site feasibility work and engagement with potential partners. This will inform which of the Hybrid Delivery Models is best placed to successfully bring the site forward.

15. The principle of using council land for the delivery of housing is set out in the Strategic Asset Management Plan which was agreed by Cabinet in December 2024 (decision record CAB77/24). The Strategic Asset Management Plan sets out the decision making framework for all vacant council assets and establishes housing as a priority consideration. Not all sites will be suitable for housing and there are competing priorities for the development of land for economic, community or council use. As noted in paragraph 13 the acceleration of the delivery of housing is a key objective of the Council's wider regeneration ambitions and the delivery of blueprints for North Thornaby, Central Stockton and Billingham. The Council will continue to promote residentially driven town centre regeneration using council land, working with public sector partners and with private sector developers to ensure that growth across the borough delivers mixed tenure, good quality housing which meets the needs of our residents. This includes increasing the number of affordable homes delivered but also needs to consider affordability for people across a wide range of income brackets (delivering a 'A *quality home for all'*).

Commuted sum monies

16. As part of the planning process, the council as Local Planning Authority (LPA) negotiates for the delivery of affordable housing (20% on site) as part of any new build private house builder scheme of more than 10 dwellings. However, there are limited occasions when this is not a viable option and on these occasions the LPA accepts a S106 commuted sum, in lieu of on-site delivery. Such monies are paid to the Council on a phased basis and are then ring-fenced to support alternative affordable housing delivery anywhere in the borough. We are currently in receipt of S106 monies which are time limited, and given our current housing challenges are seeking Cabinet approval to these ring-fenced monies to support:

    a) ***As an immediate priority*** to use these monies to facilitate the acquisition of properties from the open market (potentially a mix of both resale and new build units) to specifically address the shortfall in single person accommodation (which will directly support the budget pressures across Adult and Children's services).

    b) To fund feasibility works on sites referenced in paragraph 14.

    c) Where a financial case has been demonstrated, bridge a funding gap on a private sector and/or Registered Provider development if it can be evidenced that this is the only means available to deliver affordable housing to the specification, type and tenure required by the Council.

17. Given the current urgency to secure access to smaller units (and the time restraints in delivering new build housing), preliminary engagement has commenced to determine which of the hybrid delivery models would be the most viable to deliver a direct purchase option in terms of enhancing numbers and pace of delivery (i.e. could S106 monies be stretched by partnering or through grant funding). Subject to approval of the use of commuted sums as detailed in paragraph 15, Cabinet is asked to delegate approval to the Director of Regeneration & Inclusive Growth in consultation with the Cabinet Member for Housing and Regeneration to approve the preferred direct purchase model once the ongoing appraisal and business case is complete.

Conclusion and next steps

18. Work undertaken by Place Select Committee and the Affordable Housing Option Appraisal has identified that the market is not at this time responding to address the boroughs housing needs (in terms of the number, specification, type and tenure of affordable housing units being delivered). Given the councils landownership and economic & regeneration ambitions there is an opportunity as outlined within the body of the report to step into this space and ensure the delivery of a pipeline of affordable units (type, specification and tenure) which directly addresses our housing need, which is not reliant on a third party. The delivery of affordable units would also make a significant contribution to the Councils residential and town centre regeneration ambitions and our annual housing planning target.

19. In addition to the next steps detailed within the report, we are also forging relationship with both Homes England and the Tees Valley Combined Authority to ensure we are best placed for future funding as/when announcements are made.

EQUALITY AND POVERTY IMPACT ASSESSMENT

20. An Equality and Poverty Impact Assessment (EPIA) has been completed to ensure that the Council is following its legal duty to consider equality and diversity during the decision-making process. The conclusion of the EPIA is that the proposed Hybrid Delivery model will have a positive impact on those who are affected by poverty and those who have experience of care. The assessment has determined that no specific group or protected characteristic will be negatively impacted by the proposal.

CORPORATE PARENTING IMPLICATIONS

21. As detailed within the body of the report, the provision of additional affordable 1-bedroom self-contained units will directly support young people in the care of the Council, who are ready to transition into appropriate, independent living accommodation and affirms the Councils Corporate Parent commitment to provide the best possible care and safeguarding for the child who are looked after by us.

FINANCIAL IMPLICATIONS

22. The use of S106 commuted sums is detailed within the body of the report (paragraph 15/16). The agreement to hold sites Parkside and Stirling House for the provision of affordable housing will result in higher 'holding costs' than originally anticipated (i.e. for the period the property becomes vacant to the time new affordable housing units are delivered/occupied). The provision of these costs will be considered within a future MTFP report.

LEGAL IMPLICATIONS

23. Subject to Cabinet approval of the report recommendations, legal advice will be sought on each affordable housing delivery project to ensure each is compliant with the Council's requirements (governance / procurement /financial etc.).

RISK ASSESSMENT

19. A project risk register will be prepared for each of the affordable housing delivery projects and will be managed within the existing risk management systems and daily routine activities.

WARDS AFFECTED AND CONSULTATION WITH WARD/COUNCILLORS

20. As noted within the body of the report Place Select Committee has recently undertaken a review of affordable housing.

BACKGROUND PAPERS

None.

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