

# Working together for more homes

How housing associations and local authorities  
can tackle the housing crisis



<b>Acknowledgements</b>	<b>3</b>
<b>Introduction</b>	<b>4</b>
<b>1. Shared goals in a challenging environment</b>	<b>5</b>
Shared goals	5
Limited resources	6
Increasing commercialisation	7
Provision of supported housing in the future	8
Conclusion: The future of the relationship	9
<b>2. Pathways to collaboration</b>	<b>10</b>
Models of collaboration: a summary	11
Models of collaboration	12
i. Informal collaboration	12
ii. Strategic collaboration	14
Case study 1: Bolton Community Homes	15
iii. Formalised partnerships	16
Case study 2: The Gateshead Regeneration Partnership (GRP)	18
Culturally effective collaboration	19
Conclusion	19
<b>3. An enabling policy environment</b>	<b>20</b>
Affordable housing and national policy	20
Supported and specialist housing	22
Land	22
Case study 3: Essex Housing	23
Working within existing structures: devolved areas	24
Case study 4: The Greater London Authority	25
<b>Conclusion and recommendations</b>	<b>26</b>

# Acknowledgements

---

Thank you to Lucy Terry at the New Local Government Network for writing this report, with valuable input from expert panel members Andy Donald, Karen Dragovic and Simon Latham. Thanks also to Henry Smith at the Town and Country Planning Association for his time and expertise.

We'd also like to extend our grateful thanks to everyone who took part in the research, especially the case study participants at Bolton Community Homes, Gateshead Regeneration Partnership, Essex Housing, the Greater London Authority and Peter Bedford Housing Association.



# Introduction

---

## **There is a major housing shortage in England. We need to build 275,000 homes per year to make up for the shortage and keep up with demand.<sup>1</sup>**

The housing crisis affects people across England in different ways. It is prohibitively expensive for many people in some parts of the country to rent, never mind buy. Across England housing affordability in relation to average earnings has worsened,<sup>2</sup> and house prices in the South East are among the highest in the world.<sup>3</sup> In other areas, the mix of housing doesn't reflect need, whilst challenging market conditions make developers reluctant to build.

The causes are well established. Land is very expensive in some regions, and its rising value can incentivise developers to sit on land rather than build.<sup>4</sup> Land is not always 'development ready', even though there is plenty of it – only 11% of land in England has been built on.<sup>5</sup> Planning departments are under-resourced and as a result there are often delays in the planning process.<sup>6</sup> Builders can often be slow to develop once planning permission is granted. In 2016 planning permission was granted for 460,000 homes that has yet to be implemented.<sup>7</sup> Capacity to build has shrunk. The construction industry is dominated by a few risk-averse builders, and the public sector contribution has drastically reduced compared to the post-war period.<sup>8</sup>

But there is reason to be hopeful. Nationally, there has been a shift in the emphasis and content of housing policy, with a renewed focus on social housing. At the Conservative Party conference, Theresa May announced an additional £2bn investment in affordable housing, and stated that the Government will encourage councils and housing associations to build homes for social rent in parts of the country where the need is greatest.<sup>9</sup> Meanwhile, Labour announced it will undertake a review of social housing policy in the next year.<sup>10</sup>

This presents an opportunity for councils and housing associations to work more closely to help resolve the housing crisis. It is core to the missions of both sectors to ensure people live in safe, quality homes that they can afford. Housing affects people's health, community resilience, safety and the neighbourhood economy. Councils and housing associations both want to develop flourishing, healthy communities – this requires homes that are suitable for residents.

Despite this shared vision, collaboration between the two has become harder in a context of reduced public spending, reduced budgets, and less capacity for building relationships. The relationship between the sectors is changing and continues to shift as both adapt to this new context, ensuring they can thrive by finding new ways to make savings and increase revenue.

But these challenges can be overcome. In partnership, the sectors can make a greater impact and build more and better homes. They share core principles and goals and have complementary skills, and are well placed to develop housing. They can do this by choosing a model of partnership that works best for their area. In the long term, national policymakers should encourage collaboration to achieve greater impact by addressing the barriers to delivering genuinely affordable homes – but in the short term, there are steps each can take now.

## **Research methods**

The main methods used to complete this report were a desk-based policy review, 12 in-depth interviews, a roundtable with senior officers from councils and housing associations, four case study visits and an England-wide survey of councils and housing associations.

There is more information on the case studies in the appendix which is supplied separately and can be downloaded from our website.

<sup>1</sup> Department for Communities and Local Government [DCLG] (2017). Fixing our Broken Housing Market.

<sup>2</sup> Office for National Statistics (2017). Housing affordability in England and Wales: 1997 to 2016.

<sup>3</sup> Fagleman, D. (2015). Devo Home: A double devolution of housing to people and places. Respublica.

<sup>4</sup> Lyons Housing Review (2014). Mobilising across the nation to build the homes our children need.

<sup>5</sup> DCLG (2016). Statistical Release: Local Planning Authority Green Belt: England 2015/16.

<sup>6</sup> RTP1 (2015). Investing in Delivery: How we can respond to the pressures on local authority planning

<sup>7</sup> DCLG (2017). Fixing our Broken Housing Market.

<sup>8</sup> Lyons Housing Review (2014). Mobilising across the nation to build the homes our children need.

<sup>9</sup> DCLG and Prime Minister's Office (2017). £2bn boost for affordable housing and long term deal for social rent.

<sup>10</sup> Barratt, L (27.9.2017). Corbyn announces social housing review. Inside Housing.

# 1. Shared goals in a challenging environment

## Councils and housing associations both aim to provide better homes for people and places.

They have complementary skills and resources, making them an effective partnership to deliver more homes. The current relationship between the sectors is generally positive. There are challenges to the two working more closely, and although they are not insurmountable, they can obscure the importance of collaboration. This chapter will explore the main strengths and barriers of the relationship between the sectors, based on findings from our interviews, case study visits and survey.

### Shared goals

For housing associations and councils alike, the most important reasons to collaborate are to provide affordable housing, supported housing for vulnerable groups, and to regenerate existing areas (see Figure A).<sup>11</sup> Both sectors on the whole agree that affordable housing should be developed by both councils and by housing associations – both independently and in partnership.<sup>12</sup>



Senior officer, housing association

**Figure A: Councils and housing associations’ reasons to collaborate**

Beyond the basic functions (such as allocations), what are your organisation’s main objectives in collaborating with councils/housing associations? Please select the three most important. (Question adapted for both sectors)			
Top five objectives according to council respondents (156 respondents)		Top five objectives according to housing association respondents (120 respondents)	
1. Provide affordable housing	83.3%	1. Provide affordable housing	94.2%
2. Provide supported housing for vulnerable groups	45.8%	2. Provide supported housing for vulnerable groups	43.6%
3. Regenerate existing neighbourhoods	35.0%	3. Regenerate existing neighbourhoods	39.7%
4. Provide mixed tenure sites	29.2%	4. Support tenants more effectively (e.g. into work)	37.8%
5. Provide specialist housing for older people	27.5%	5. Develop an effective housing and spatial strategy for an area	34.6%

<sup>11</sup> Other functions of the relationship include councils having nomination rights to housing association properties.

<sup>12</sup> According to our survey, 59.6% (of 161 respondents) of local authorities and 51.6% (of 128 respondents) of housing associations said that affordable housing should be developed by both councils and housing associations.

As well as shared goals, the sectors combined have the resources that make for effective delivery partners. Housing associations bring development and housing management expertise, while councils bring strategic links in to the key elements of the planning process and often possess land assets. Both have strong mandates as community leaders and, on a practical level, can borrow at competitive rates. And the relationship is generally good: survey respondents were largely positive about the relationship between the two sectors. Over 90% rated it as 'good' or 'very good' (see Figure B). Nevertheless, both acknowledged some significant challenges, described below.

### Limited resources

The reduced capacity within councils restricts their ability to build effective relationships. Both councils and housing associations felt that budget cuts had reduced local authorities' capacity to engage (83.1% of 157 council respondents agreed or strongly agreed; 91% of 121 housing associations agreed or strongly agreed). Tight budgets mean that council directors have larger portfolios and less time.<sup>13</sup> There is less time to build external, informal relationships. Overall, this was seen as the most significant barrier to effective relationships.

Limited resources within planning departments are a particular problem. Housing associations told us this is the biggest barrier within the planning process for them (58.6% (116 respondents)). Planning departments can be something of an easy target for ministers to blame for the housing crisis. However, there is a shortage of staff and of skills.<sup>14</sup> This means that planning departments can be slow to resolve delays and are reactive rather than proactive when it comes to development.

Housing associations and stock-retaining councils both face tighter budgets because of the Government's rent reduction,<sup>15</sup> welfare reform and changes to the affordable housing grant funding regime.<sup>16</sup> As a result, senior officers within housing associations need to prioritise their resources and may have less time for partnership activity such as taking part in cross-sector strategic initiatives. Additionally, housing associations may merge on the grounds of efficiency, which can reduce staff time to build networks within each locality.<sup>17</sup>

Figure B: Quality of relationships at a local level (question adapted for both sectors)



<sup>13</sup> Chartered Institute of Housing (2017). Working together to meet housing need: local authority and housing association partnerships in a changing environment.

<sup>14</sup> RTPI (2015). Investing in Delivery: How we can respond to the pressures on local authority

<sup>15</sup> The rent reduction required social landlords to reduce rents by 1% a year from 2016-2020. It applied to supported housing from 2017.

<sup>16</sup> These challenges are discussed more in Chapter 3.

<sup>17</sup> 64% of both sectors agreed that mergers between housing associations affect their link to place (176 respondents).

## Increasing commercialisation

**“In delivering our aims we [housing associations] need to run ourselves like businesses.”**

**Senior officer, housing association**

To compensate for cuts elsewhere, both sectors are adopting a more commercial approach that helps to subsidise their core purpose and activities. While housing associations have more capacity and experience in diversifying income streams, councils are also exploring commercial strategies.

For example, some housing associations build homes for outright sale or market rent to subsidise building affordable homes. The reduction in grant funding and the imposition of the rent reduction means the cost of development needs to be subsidised in another way. But as a result of this change in approach, some councils perceive that in developing market homes, housing associations have not remained true to their mission.

Although not everyone sees it this way. Generating revenue is seen as essential for housing associations to achieve their mission of providing affordable housing, as they cannot rely on grants.



**“It’s the way of the world – they have to cross-subsidise... They are not doing it so they can pay their shareholders.”**

**Senior officer, local government**

Housing associations are more experienced commercially than councils. However, the culture of councils is also evolving, though they still tend to be more cautious and risk-averse than other sectors. For example, the seemingly rigid application of some aspects of the planning process can be frustrating for housing associations. On the other hand, some council officers we interviewed felt that housing associations increasingly act too much like private developers in their language and approach. For example, one interviewee said that housing associations tended to talk about ‘units’, rather than ‘homes’, and that they focus less on community engagement than they used to.

Nonetheless, councils are also exploring commercialism to compensate for cuts in government funding<sup>18</sup> and sustain public services. For example, a significant number of councils are beginning to generate revenue through local housing companies, with the majority building open market homes and a minority delivering affordable housing. 70 (41.4%) council respondents said their organisation had done this, though most were in the very early stages and had not yet built any homes.

Councils increasingly aim for the maximum return for their assets, such as land. Local authorities have historically provided land at ‘nil cost’ in return for housing associations developing affordable housing on that land, as well as nomination rights for the local authority. For some local authorities, this approach is no longer viable due to the financial constraints they face.

However, for housing associations, affordable land is essential to develop affordable homes. 63.8% of housing associations we surveyed (127 respondents) felt that strategic use of public land, with less of a focus on maximising profit, was the most important way to get them to build more homes. For housing associations, being expected to pay the same price for land as a commercial developer and then build affordable homes on that land is an unrealistic expectation.

Commercialism can be a strength rather than a barrier, where it underlines effective collaboration, and can be the basis for closer working. For example, both sectors’ links with communities means that they understand the type of housing that people want and that is likely to be commercially viable. However, where the sectors pursue separate commercial strategies, it will be important to ensure that this doesn’t undermine the potential for future collaboration.

### **Provision of supported housing in the future**

**“Housing associations used to develop supported housing. But now no one wants to touch it with a bargepole.”**

**Officer, local government**

At the time of writing, proposed Government policy risks making it far more difficult for many housing associations to manage and develop supported housing. In some cases, housing associations are already withdrawing from provision because of the uncertainty around funding of this area.<sup>19</sup>

<sup>18</sup> Amin-Smith, N., Phillips, D., Simpson, P., Eiser, D. and M. Trickey Institute for Fiscal Studies (2016). A time of revolution? British local government finance in the 2010s.  
<sup>19</sup> National Housing Federation (2017). Supported and sheltered housing survey: The impact of the Government’s proposed new funding model on housing associations.

The Government had announced proposed changes to the funding of supported and sheltered housing from 2019. Under these plans, the level of housing benefit payable to tenants would be capped at the relevant Local Housing Allowance (LHA) rate, with a 'top-up' fund available to cover housing costs above the LHA rate. One interviewee said that their council was concerned that if housing associations in their area withdraw from supported housing, less experienced private sector providers will fill the vacuum.

The Government are now consulting on new proposals for the future funding of supported and sheltered housing. The main proposals are:

- a system that leaves funding for housing costs in long-term and sheltered housing services in the benefits system
- a 'sheltered rent' for sheltered and extra care housing to keep rent and service charges at an appropriate level
- funding for housing costs for short-term services to be paid through a ring-fenced grant to local government, based on an assessment of need
- implementation to start from 2020

The Government has also announced that it is not taking forward the application of the Local Housing Allowance (LHA) rate to supported and sheltered housing.

While these proposals are still subject to consultation, continuing to fund long-term and sheltered housing through the benefits system gives providers some certainty that schemes will remain viable over a long period. Significant questions remain about whether the proposed local system will provide the same degree of certainty for short-term and transitional services.

Depending on future policy for supported housing, the core partnership between councils and housing associations may change significantly, particularly on short-term and transitional services.



## Conclusion: The future of the relationship

Despite these challenges, the relationship between the sectors has remained very positive, as Figure B on page 6 shows. Still, there are some considerable challenges facing both sectors. Both sectors have faced sharply reduced resources, especially local authorities. Both have adapted to reduced income with commercial strategies which can cause frustration where they are pursued separately to partnership working.

These challenges make it important to re-emphasise the potential of collaboration. Collaboration brings the shared goals, shared values and complementary resources that can deliver the homes communities need. Collaboration helps both sectors to fully understand local need, to complement each other's efforts, and to be more than the sum of their parts. Examples of collaboration across England show that it can be done in the most difficult conditions. The next chapter will delve into how these partners can build really effective relationships.

## 2. Pathways to collaboration

**Both housing association and local authority sectors strive to work together to develop homes that meet their area's needs. They should be ambitious about delivering more and better homes, and the ability to do so is in their grasp.**

We have summarised three models of partnership, addressing each model's strengths, weaknesses and success factors for implementation. A description of each model is outlined later in this section, followed by more detail about each. While they are separated for clarity, they are not necessarily mutually exclusive. Local leaders should consider the form of the partnership that aligns with their local area's priorities and with the local organisational landscape.

This classification emerged from our research process, especially that which explored practical examples of collaboration.<sup>20</sup> At our roundtable, the merits of informal partnerships versus formalised partnerships such as Joint Venture Partnerships (JVPs) were discussed. In survey responses, a third type of collaboration emerged: strategic partnership which aims to find solutions to system-wide barriers to development. We explored practical examples of each type of collaboration in more depth.

It is important to get relationships right in any type of partnership; a culture of collaboration is as important as the form of collaboration. At the end of this chapter, we have proposed a set of principles to underpin effective collaboration in any form. These are based on insights from interviewees and our observation of trends within effective partnerships.



<sup>20</sup> Because of this, they were not replicated exactly in our survey questions.

## Models of collaboration: a summary

	<b>Informal collaboration</b>	<b>Strategic collaboration</b>	<b>Formalised partnerships</b>
<b>Definition</b>	Non-binding flexible partnerships	Problem solving and coordinated approaches	Joint investment in development
<b>How it helps achieve reasons for collaboration</b>	Informal partnerships across England are the basis for developing affordable homes and supported homes	Strategic partnerships help to overcome barriers to developing affordable homes, such as land availability	Particularly effective in developing affordable homes through using local authority land to secure finance and in helping to achieve regeneration initiatives
<b>Strengths</b>	<p>Inexpensive, fast and inclusive</p> <p>Focuses on developing good relationships</p>	<p>Draws on different expertise to address systemic barriers</p> <p>Streamlines processes and so may overcome limited resources and duplication</p>	<p>Strongly impact-focused with precise goals</p> <p>Control over numbers and quality</p> <p>Turns commercialisation into a mutual benefit</p>
<b>Challenges</b>	<p>Could encounter mission drift</p> <p>Dependent on personal relationships</p> <p>Less control over outcomes</p>	<p>Could encounter mission drift</p> <p>Competes with other strategic partnerships</p>	<p>Expensive and timely to set up</p> <p>Financial risk</p> <p>Needs strong skills development and partnership working</p>
<b>Questions to answer before implementing</b>	<p>Are current relationships already achieving desired outcomes?</p> <p>Is either organisation at a key transitional stage, for example a change in leadership?</p>	<p>Are there blockages within the system and an appetite to resolve?</p> <p>Is there duplication of effort by different housing associations?</p> <p>Is there an opportunity to address an issue which affects multiple agencies, such as homelessness or antisocial behaviour?</p>	<p>Are relationships stable and well established?</p> <p>Can all partners commit to a commercial approach?</p> <p>What are the market conditions for development?</p> <p>Are organisations prepared for the long lead-in time?</p>

## Models of collaboration

### i. Informal collaboration

This type of collaboration is the 'default' form of collaboration for housing associations and councils. Most local authorities and housing associations surveyed were in an informal partnership with each other (see Figure C). Under this form of collaboration, partnership is done on an ad hoc, 'project by project' basis.

The legal and financial implications of the partnership are minimal; informal collaboration focuses on relationships between people. There is no formalised partnership between the organisations – no overarching agreement or contract which applies to the partnership itself – and it is not a separate legal entity.<sup>21</sup> Informal collaboration can of course co-exist with other, more formalised partnership agreements, and good relationships should be the starting point for all forms of collaboration.

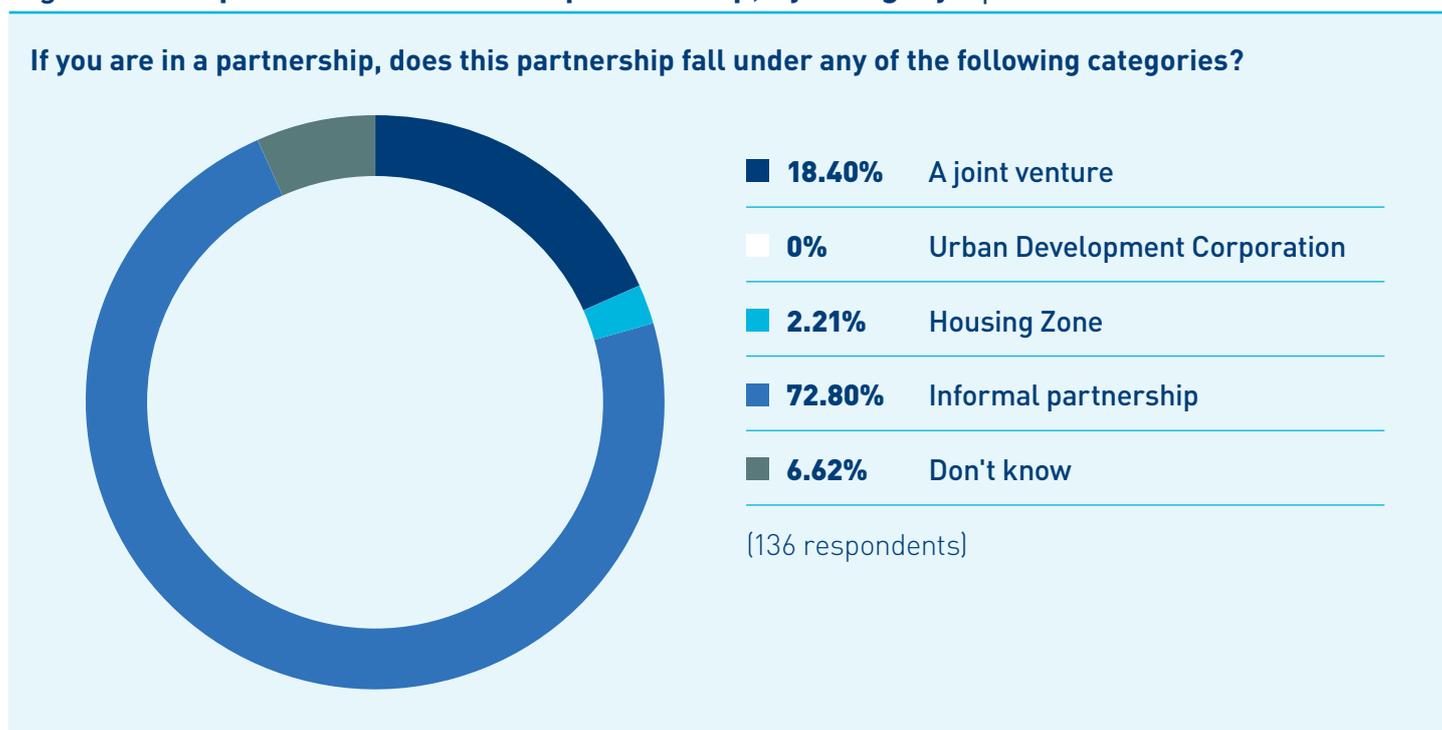
### Efficiency and effectiveness

Informal collaborations can be efficient in that they can evolve quickly to shift in relationship to local priorities. As one roundtable attendee pointed out, it is quick: organisations can just 'get on with it',

rather than ironing out the right structure. It also avoids the expense associated with creating a company or other legal processes. When the priorities and projects are no longer appropriate to organisations, it is easier to move on.

One roundtable attendee felt that informal collaboration could be as effective as formalised partnerships in developing new homes: "there's no need to involve lawyers". However, as others raised, there is a risk of 'mission drift'; there is no formalised system to monitor progress against outcomes. Under informal collaboration, housing associations may well play a key role in meeting the council's affordable housing requirements<sup>22</sup> and in providing supported housing. But which outcomes the partnership achieves will vary according to the priorities of the organisations at the time, and even the personnel involved. This form of collaboration is dependent on effective personal relationships, with no structures to 'force the issue' of collaboration. This could mean that when relationships change, due to personnel changes for example, the partnership will potentially wither and have little impact.

**Figure C: Respondents in a current partnership, by category** (question asked to both sectors)



<sup>21</sup> According to our survey, 13.8% of all partnerships were legal entities (145 respondents).

<sup>22</sup> 60% of informal partnerships in our survey had the goal of providing affordable housing (116 respondents).

### Practical advice for implementation

To successfully build informal collaboration, the partners need to be skilled at building relationships with staff within the respective organisations. Trust that both organisations have shared goals and good intentions is key. In successful informal collaborations such as Coastline and Cornwall Council (see below), both organisations understand why each sector has adapted to a challenging context.

This overcomes some of the cultural and organisational differences identified in Chapter 1.

Senior staff need to commit to the relationship and recognise its value even when time and budgets are under pressure. A 'can do' mentality is vital to progress informal collaboration. Equally, partnerships need to be self-reflective to ensure they are achieving their intended outcomes.



### Cornwall Council and Coastline Housing Association

**Cornwall is a stock-retaining council, owning 11,000 homes managed through an arms-length management organisation. Approximately two thirds of the county's affordable housing belongs to housing associations, one third to the council. Coastline owns 4,100 homes and develops new affordable homes for the county.**

The council and Coastline have a mutual understanding about the demands facing both the local government and housing association sectors. Partners report that the council understands that Coastline and other housing associations are becoming more commercially-minded, while Coastline and other housing associations support the council to develop homes itself.

Coastline, alongside other housing associations in Cornwall, works collaboratively with Cornwall Council to build a genuinely strategic approach to delivering Cornwall's local plan, including negotiating on delivery and devolution deals with central government. For example, Coastline's chief executive led a group to put together a housing devolution deal proposal, which included housing associations, the council, the Homes and Communities Agency, and private developers.

## ii. Strategic collaboration

Strategic collaboration is focused on improving housing management and development processes across a local area. It does this by bringing together different departments and organisations which have shared interests to align their activity and work towards shared goals, and to overcome system-wide barriers. For example, in one area a strategic partnership recognised that housing associations spent a lot of effort in competing for available land, and this also drove up the price of land. The partnership therefore agreed on a strategy to divide efforts across the area, with first refusal given to a housing association with an estate adjacent to a plot of available land (see Case Study 1).

Strategic collaboration can help very different partners meet mutual goals, for example bringing together the landowners of small sites with those who would prefer to develop on small sites. In London, the Greater London Authority works with a group of small housing associations to give them access to small patches of land owned by public sector bodies, making it easier for smaller housing associations to develop on such sites across the capital (see Case Study 4).

The legal implications of strategic collaboration are not necessarily high. However, in one example the partnership had been incorporated as a company, and this helped ensure the engagement of senior officers with decision-making powers. There may, though, be some financial implications. Partners in one successful strategic partnership used their membership fees to fund coordination resources as well as new programmes (Case Study 1) which they felt was important to success.

### Efficiency and effectiveness

As strategic collaboration seeks to find long-term solutions to systemic barriers, the process is not quick. A clear agreement on which specific areas the partnership wants to address will be crucial to success, otherwise partnerships could be at risk of trying to do too much and achieving little.

But strategic collaboration can yield more efficient, more impactful development in the long term. Successful strategic partnerships have had a dedicated manager assigned to land identification, planning, member engagement and public consultation, which partners feel make the process much more efficient. For example, strategic collaboration can make the planning process more effective by including crucial partners such as transport, green space, elected members and other areas. This can overcome some of the challenges within the planning process, as discussed in Chapter 1.

Strategic collaboration also goes beyond development to influence other areas in housing. For example, strategic partnerships are well placed to address homelessness, antisocial behaviour, and even health inequalities.

### Practical advice for implementation

To succeed, strategic collaboration benefits from a specific resource for coordination and project management – for example, a member of staff who acts as the ‘single point of contact’ for linking the partnership with parts of the development process. This person needs to be able to successfully engage the wide range of stakeholders whose input is crucial to successfully overcoming barriers to development. Members of strategic collaborations also need to stay focused on manageable goals, considering what specifically is achievable.



## Bolton Community Homes: People and Place, and Growth

**Bolton Community Homes (BCH) has been a strategic partnership since 1992. It is led by a board of seven directors, made up of directors/chief executives from Bolton Council and housing associations including Affinity Sutton, Bolton at Home, Contour Homes, Great Places, Irwell Valley, Places for People, Mosscafe St Vincent's and Salvation Army. In total, the partners manage and maintain over 25,000 homes in Bolton.**

The partnership initially focused on affordable/social housing supply. As a result of reduced grant levels and the impact of welfare reforms, the focus shifted to maintaining existing stock and community projects. Today, the partnership is beginning to focus on development again, as part of its ambition to make Bolton an attractive place to live with good quality homes that meet the needs and aspirations of its residents. This vision is delivered by two work streams: People and Place, and Growth.

The partnership has a small dedicated team that provides a single point of contact to simplify the development and planning process. This allows the partnership to oversee and coordinate all aspects of development from the identification of need, pre-planning applications, consultation with residents and elected members, planning permission and financing. The partnership manages competition between housing associations during the disposal of public sector land through an agreed protocol. First refusal is given to a housing association with an adjacent estate, as Bolton's stock is distributed throughout the locality.

The incorporation of the partnership as a limited company has ensured the ongoing engagement of senior officers with decision-making powers. Over time, these individuals have developed effective relationships, ensuring that they share a common aim of 'what's best for Bolton'. Ongoing engagement has also been achieved by the partnership's ability to generate reserves from membership fees that have been re-invested in new programmes, such as health improvement and financial inclusion.

### iii. Formalised partnerships (JVPs)

Formalised 'joint venture' partnerships (JVPs) are a form of collaboration with concrete development goals. They are an underused form of partnership to date: 18.4% of survey respondents were in this kind of partnership (Figure C). They are focused on specific projects – for example, delivering a certain number of homes, within a specific period for a particular area. Most JVPs are jointly-led, following a tender process administered by the local authority. They can be set up to deliver affordable homes, mixed-tenure homes, or regeneration to improve the quality of housing in an area.

This form of collaboration brings together different organisations' skills, assets, resources, capacity and experience. Councils bring land assets, planning responsibility and knowledge of a locality. Housing associations bring experience of development and stock management of affordable rent and shared ownership properties (see Case Study 2). A JVP also shares the risks and rewards of development among several partners.

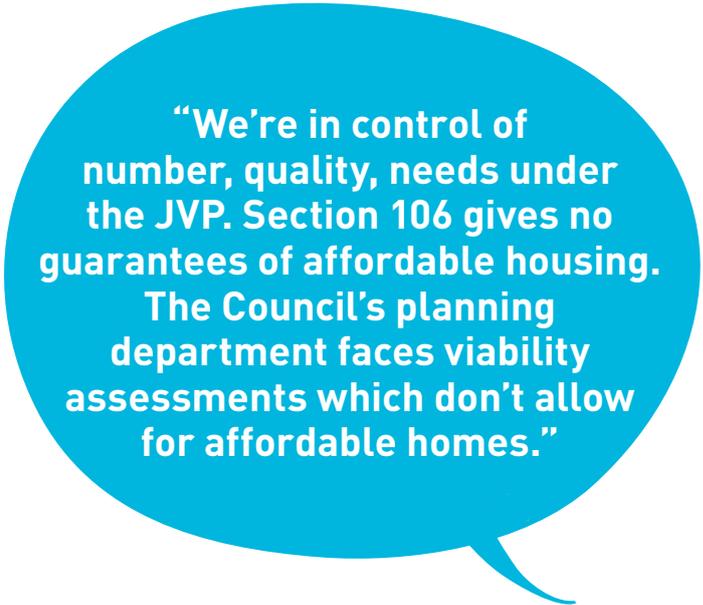
Entering into a JVP has high financial and legal implications. Even entering into the tendering process for a JVP is extremely expensive for a housing association, with no guarantee of success. Once underway, JVPs are separate legal entities and involve financial commitment from the local authority, housing association and other key partners involved (for example, construction firms). Often, the financial model is based on the local authority's land assets being put forward to enable the partners to secure private finance. Councils do not receive an upfront land receipt but will receive ongoing payment through revenue returns. A JVP can be fairly characterised as high risk, and high reward.

#### Efficiency and effectiveness

This form of partnership is the most focused on actually developing homes, and so the potential for long-term impact is high. It is an effective mechanism to increase the development of affordable homes, in part because JVPs can address the barriers to getting affordable land. Councils often own land, but as outlined in Chapter 1, they need to balance maximising financial return for this land with enabling development of affordable homes. As noted above,

JVPs provide local authorities with a return for their land assets but on a deferred payment basis, which is more realistic for developer partners.

This model provides local authorities with more control over outcomes than they may have through the traditional development process. For example, councils can build in requirements for a certain quality of design or numbers of affordable homes from the beginning, balancing this against viability.



**“We’re in control of number, quality, needs under the JVP. Section 106 gives no guarantees of affordable housing. The Council’s planning department faces viability assessments which don’t allow for affordable homes.”**

**Senior officer, local government**

JVPs can also improve the quality of housing through regeneration. They can be particularly helpful in challenging markets where developers are sometimes reluctant to build. So-called low value sites provide little reward for developers, and are a financial risk. Yet it is often the low value areas which are most in need of better quality housing. Some JVPs working in low value areas have overcome this challenge through 'bundling' (see Case Study 1). Bundling involves the council packaging together high value sites with low value sites in a 'bundle' of sites for developers to build upon, so the former can subsidise the latter and the risk is lower. Where appropriate, this could even happen on a sub-regional scale as the opportunities to package together high value sites with low value sites may be far greater. As one interviewee bluntly put it, *“if you can do this in tough northern towns, it should be a breeze in other sites.”*

JVPs can also meet wider social outcomes such as employment and skills, through the procurement and construction process (see Case Study 1).

In terms of efficiency, there is a long lead-in time which consumes a high level of resources. This needs to be set against the potential long-term gains. For developers, JVPs are likely to be time consuming at the beginning of the project and during the tender process, but they provide a guarantee of ongoing work, especially where they build a series of projects rather than a one-off development site.

### Practical advice for implementation

JVP participants need to be prepared to put in the time to overcome organisational differences, so they can move towards acting for the benefit of the partnership, rather than defending sector interests. To succeed in a JVP, partners must strive to act as a single entity rather than trying to accommodate two or three organisations' perspectives: *"leaving our day jobs back in the office and trying to think collaboratively as a partnership"*. For this reason, partners who already succeed in collaborating informally are likely to succeed within a JVP.

To manage risks, JVPs need to develop a cultural tolerance for risk, and expertise in managing it. In particular, councils which are not experienced in development may need to buy in commercial expertise at the beginning of the process. JVPs can start at a very local level, so they really understand the degree of demand for different types of housing. Of course, this is mitigated because the risks (and the rewards) are shared across two or more partners (many JVPs between housing associations and councils also include private firms).





## The Gateshead Regeneration Partnership (GRP)

**Like many parts of the North East, Gateshead has suffered from a surplus of small, poor quality homes, mainly in the private rented sector. For the council, the driving force of the GRP was providing good quality homes suitable for families.**

The Gateshead Regeneration Partnership (GRP) is made up of Gateshead Metropolitan Borough Council, Home Group (a housing association) and Galliford Try (a construction firm). The council provides land on a deferred payment basis, Home Group manages the affordable rent and shared ownership programme, and Galliford Try oversees construction and sales. The financial model is based on the council putting forward its land assets to enable the partners to secure private finance.

The model provides a mixture of shared ownership, outright sale and affordable rent properties. It will deliver over 2,000 homes across 19 sites and has already built over a hundred. The partnership uses a cross-subsidy model, in which high value sites which provide high returns on investment are 'bundled together' with so-called low value sites where developers would normally be cautious about building due to concerns about viability.

The GRP improves the quality of housing. All homes meet Lifetime Homes space standards and are designed to far exceed current building regulations, meaning that homes have good natural light, private gardens, and are highly energy efficient, reducing fuel costs for residents. The GRP also provides local jobs by requiring that 25% of workers are from the local area.

JVPs are vulnerable to market conditions and shifts in demand. However, the GRP works at a very local level and the council officers and politicians overseeing the work have an in-depth understanding of local demand for different types of homes. The GRP builds homes that are good quality and meet people's needs. In one area, a third of the people who view show homes end up reserving or making an offer.

The GRP has combined three very different organisations' strengths into one entity. The council brings land, political connections, a link to the community, and a positive planning process. Home Group brings experience of long-term stock management and shared ownership. Galliford Try brings knowledge of building costs, marketing and the construction process. An officer works across the partnership to sustain good relationships and acts as the 'conduit' to overcome blockages to delivery.

## Culturally effective collaboration

There is no 'one size fits all' partnership and no single 'best' way to collaborate. However, there are plenty of ways collaboration can go wrong. One of the ways it can go wrong is a dysfunctional culture of collaboration. Interviewees in successful partnerships acknowledged that coming out of silos was difficult and there is a need to develop an effective relationship between partners.

To ensure all models are effective, we propose a set of principles for effective collaboration based on insight from interviewees and our observation of trends across effective partnerships. They are focused on how to achieve outcomes, whatever the specific goals and form of the partnership.

## Principles for effective collaboration

### Partnerships should:

Be ambitious and impact-focused

Respond to local need

Recognise mutual strengths

Focus on the present and future

Take a place-based approach to outcomes

Engage the community effectively

Solve system-wide problems



## Conclusion

The three models outlined have considerable strengths and weaknesses. Councils and housing associations must decide the best option based on their local priorities, and whether partnerships are delivering homes that meet local people's needs and that people can afford.

Informal collaboration is already delivering these homes in many cases. Where relationships are well-established and high-functioning, it may be the best model locally. But there are other options. Strategic collaboration can accelerate and facilitate the development of homes, where system-wide barriers have been identified, and there is a willingness to overcome these. Joint Venture Partnerships (JVPs) can be the most effective way to get homes built, including where there is a paucity of available, affordable land or challenging market conditions. Finally, all forms of collaboration must consider culture as well as structure. Effective relationships drive impact on the ground.

## 3. An enabling policy environment

---

**Collaboration on the ground can succeed without any policy change. Examples of effective collaboration show it is possible to deliver meaningful change in today's policy environment. But in the long term, national policy could provide a more stable context for partners to operate within. Some of the most significant challenges for these sectors are funding for affordable housing, land, and supported housing.**

The Housing White Paper of February 2017 addressed some of the policy challenges and clearly acknowledged that the housing market is 'broken'. And at the time of writing the Government had announced funding for social rents in areas where there is a need for it.<sup>23</sup> Nevertheless, housing associations and local authorities are still concerned about whether the policy environment sufficiently supports partners to collaborate to develop homes that communities need. Whilst recent developments are encouraging, some of the announcements in the White Paper were subject to further consultation and, as civil service resources are devoted to Brexit, there is a risk that some significant issues will fall off the agenda.

However, policy mechanisms also exist at the local and sub-regional level. As well as ensuring the national policy environment facilitates closer collaboration, there are also opportunities to work with local leaders on areas such as land policy.

### **Affordable housing and national policy**

Reduced rental income has reduced the sectors' confidence and capacity to build even more affordable housing. The 1% social rent reduction (2016-2020), which applies to housing associations and stock-retaining councils, has been a significant concern especially combined with welfare reform. Reduced income makes developing affordable homes harder and affects borrowing capacity. However, the Government has confirmed that after 2020 social rents will rise to CPI (consumer price index) plus 1% for at least five years.<sup>24</sup>

Both sectors need access to finance in order to develop affordable housing in sufficient quantities. But some councils we spoke to could not build any further council housing unless the cap on local authority borrowing is raised.<sup>25</sup> And additionally the successful Affordable Homes Guarantees Programme, in which the Government acted as guarantor for housing associations' debt thus enabling access to lower-cost finance, has ended.<sup>26</sup>

National housing policy should encourage and enable genuinely mixed tenure development which accurately reflects local housing need. Both local authorities and housing associations responding to our survey thought that provision of more housing should primarily focus on mixed tenure housing, followed by affordable housing (see Figure D). In London and the South East, the affordability crisis means priorities are different; housing associations and councils in these regions said respectively that provision of housing should primarily focus on social rent and affordable homes.

<sup>23</sup> DCLG and Prime Minister's Office (2017). £2bn boost for affordable housing and long term deal for social rent.

<sup>24</sup> DCLG (2017). Fixing our broken housing market.

<sup>25</sup> Chartered Institute of Housing (2014). Why is it important to change local authority borrowing rules?

<sup>26</sup> DCLG and HCA (2013). 2013-15 Affordable Homes Guarantees Programme Framework.

**Figure D: Priorities for more housing** (question asked to both sectors)

<b>In your opinion, provision of more housing should focus primarily on:</b>		
<b>Answer choices</b>	<b>Councils' responses</b> (161 respondents)	<b>Housing associations' responses</b> (127 respondents)
<b>Mixed tenure</b>	<b>39.1 %</b>	<b>35.4 %</b>
<b>Affordable housing</b>	<b>33.5 %</b>	<b>30.7 %</b>
<b>Social rent housing</b>	<b>18.0 %</b>	<b>26.8 %</b>
<b>Other *</b>	<b>8.07 %</b>	<b>7.09 %</b>
<b>Market rent housing</b>	<b>1.24 %</b>	<b>0.00 %</b>
<b>Increasing home ownership</b>	<b>0.00 %</b>	<b>0.00 %</b>

\*Answers not covered in the categories included housing for young people, specialist housing, and 'all of the above'.

No respondents from either sector agreed that housing provision should primarily focus on increasing home ownership or market rent housing. Demand-side interventions such as Help to Buy have not helped to drive down house prices or increase supply<sup>27</sup> and do not reflect the urgent need for development which alleviates homelessness and sustains local economies.

Although Section 106 is an important mechanism to develop affordable housing, it does come with challenges, such as when private developers rely on viability assessments to challenge affordable housing requirements – and local authorities lack the resources to interrogate the veracity of these.

There is a need for a flexible grant regime which facilitates the supply of genuinely affordable homes to rent. The 2016 Autumn Statement and the Housing White Paper announced that the 2016-21 Affordable Homes programme will move away from emphasising largely affordable home ownership in favour of greater flexibility to build homes for affordable rent too.<sup>28</sup> And following on from this, there was an announcement of a £2bn investment in affordable housing, including social rent. It is important to ensure that areas which need affordable homes can provide them in sufficient numbers – and that these are affordable to people on the lowest incomes.

<sup>27</sup> Hilber, C. (2015). UK Housing and Planning Policies: the evidence from economic research. Centre for Economic Performance.

<sup>28</sup> DCLG (2017). Planning for the right homes in the right places: consultation proposals.

## Supported and specialist housing

At the time of writing, both sectors were very concerned about the future of supported housing. The Government had planned to reduce the level of housing benefit available to tenants to the relevant Local Housing Allowance (LHA) rate, supported by a top-up administered by the local authority.<sup>29</sup> The potential effect is serious:

**“No one, including housing associations, wants to build houses with support in them.”**

**“It’s going to die... the very vague top-up fund will be an issue.”**

**Officers from housing and local government**

The main concerns over the long-term viability of new and existing supported and sheltered schemes have now been addressed by dropping the proposal to introduce the Local Housing Allowance (LHA) rate and continuing to fund them through the benefits system. However, there is an urgent need for clarity on how the proposed system for short-term and transitional services will provide the certainty required for the continuing provision of these critical services that are so crucial to improving the lives of vulnerable and marginalised people.<sup>30</sup>

If the proposals for short-term service are taken forward, the commissioning relationship between housing associations and local authorities will be critical in ensuring the need for these services can be met in the long term.

## Land

To resolve the housing crisis, we need sufficient quantities of affordable land. Land availability was the second most important solution for all survey respondents (43.4%, (288 respondents), followed by land affordability. For housing associations alone, land availability was the most important solution (56.7%, (127 respondents).

A scarcity of land is a barrier to developing more homes across England – but this is artificial, as only 11% of land in England has been built on.<sup>31</sup> Local authorities are responsible for sourcing land, but interviewees discussed the barriers to using this land for development. These include the high cost remedial work; a lack of infrastructure, which requires long-term funding of areas such as transport and utilities; and green belt protection regulations.

**“‘Best consideration’ can include social outcomes and wellbeing as well. We get less money than we would selling the land to a private developer but we want to meet that need for affordable housing.”**

**Officer, local government**

Land is also a highly tradable commodity in London and the South East. Affordable home providers compete with market home providers for the same land, yet the market providers can pay more as they expect a higher return.<sup>32</sup> However, council landowners and other public sector bodies with surplus land play a role here. For example, they should consider using surplus land to achieve wider socio-economic outcomes that represent good value in the long term, rather than selling it at market value. Where public sector land is used to provide specialist or affordable housing, it could generate savings in areas such as social care or temporary accommodation.

<sup>29</sup> National Housing Federation (2016). Future Funding of supported housing.

<sup>30</sup> National Housing Federation (2016). Future Funding of supported housing.

<sup>31</sup> DCLG (2017). Fixing our Broken Housing Market.

<sup>32</sup> Walker, C. (2014). Freeing Housing Associations: Better Financing, More Homes. Policy Exchange.

Some councils are already doing this. Essex Housing (see Case Study 3) is a good example of what this looks like. The Government's proposal to extend councils' flexibility to dispose of land at 'less than best consideration' is welcome. Sector-wide guidance on what councils can do now, in line with their fiduciary duty to obtain best consideration, would also be helpful.

Councils have a statutory role to identify land for development. A significant number of local authorities do not have an up-to-date, post-National Planning

Policy Framework, Local Plan, and have not identified an up-to-date five-year land supply or ensured their Local Plan housing targets reflect their objectively assessed housing need.<sup>33</sup> Some of these issues are due to squeezed capacity within councils and planning departments especially. The Housing White Paper has addressed some of these barriers. For example, it announced that local authorities will be able to increase nationally-set planning fees by 20 % from July 2017, provided they re-invest the additional income in their planning department.<sup>34</sup>



## **Essex Housing: Expanding the definition of best value**

**All policy areas are affected by housing provision. Health, social care, police and probation all have a vested interest in ensuring the availability of safe, stable homes for the most vulnerable.**

Essex Housing reflects this. It works on behalf of public sector partners across the county, including housing authorities and public sector bodies, which have surplus and underutilised land that is available for development. Essex Housing oversees the end-to-end development process, identifying opportunity sites, managing design and planning and overseeing contractor development. Essex Housing currently develops a mixture of specialist accommodation for older people and those with learning disabilities; and affordable housing and private housing for market sale or rent.

### **Achieving outcomes across the system**

Essex Housing facilitates savings across different services by taking a holistic approach to value. In using land to provide specialist housing, it generates savings for county council services including social care – an area with significant demand and cost. In providing specialist accommodation which meets the needs of individuals, the council can promote independence and better outcomes whilst also avoiding use of alternative provision which may be less suitable, but cost more.

While some specialist schemes may make a capital loss, the annual revenue saving for social care alone could be significant. Revenue savings and surplus therefore need to be considered together. This logic applies to other public service areas. For example, the NHS has an interest in providing appropriate accommodation for people with mental health needs, and can save considerable amounts on inpatient care in doing so.

The example of Essex Housing shows that councils and other local public services should consider the wider holistic value of land as well as its value on the open market.

<sup>33</sup> According to research elsewhere, 27% of councils in England (except London) have not published a five-year land supply. Savills (2017). Policy Response: Housing White Paper 2017.

<sup>34</sup> National Housing Federation (2017). Briefing: The Federation's response to the Housing White Paper.

## Working within existing structures: devolved areas

Combined authority leaders and elected mayors have a key role in facilitating development. Local councils and housing associations can work in partnership with these figures to overcome barriers to development.

For example, they can help to generate public support for housing. They are well placed to make the case for development to their communities, explaining the scale of the housing crisis, why we need to act and how development is meeting community needs.

Leaders of devolved areas can help to increase access to land. As visible leaders who hold responsibility for a large area, they are in a good position to coordinate different public sector bodies' land availability.

They can go beyond just council land and involve public sector partners who often own a lot of land, including transport authorities, the NHS and police. They can make opportunities for development visible through a database of available land sites, including and especially small sites (see Case Study 3).

As we discussed in the previous chapter, they can bundle together high value sites with low value sites to subsidise the latter and ensure it can be developed on. In some areas, devolved structures will not apply. However, where they do exist, these sub-regional leaders can be effective in overcoming market issues (see Case Study 1) or providing an economy of scale (see Case Study 3).



## Conclusion

There are some important policy challenges which hold back the collaboration between the two sectors from achieving its full potential.

At the time of writing, the environment for developing more affordable and supported housing is insecure, with an urgent need for clarity on funding supported housing.<sup>35</sup>

There is a paucity of development-ready, affordable land. Local leaders do have some options to address the land issue, whilst national guidance on best consideration would help. Land is also something that can be addressed effectively by leaders of devolved structures.

Finally, national policy's previous emphasis on home ownership and the private rented sector failed to grasp the scale and urgency of the unaffordability issue. There are encouraging signs of a shift away from home ownership, but more can be done to ensure homes are affordable for those on the lowest incomes.

<sup>35</sup> See footnote 32



## The Greater London Authority: Small Sites, Small Builders initiative

**The Greater London Authority (GLA) estimates that the development of small sites could provide 25% of housing capacity in London. Its Small Sites, Small Builders initiative is a new approach that aims to increase housing supply through working with smaller developers, including housing associations, such as those in the g320 group of London's smaller housing associations.**

Public landowners have limited resources, and these resources are often focused on bringing larger sites forward with development agreements. Public landowners often dispose of small sites through auction, which provides little control over the quality or the rate of development.

Meanwhile, small housing associations with latent development capacity have an appetite to develop but lack the resources to secure sites on the open market or engage in complicated public sector procurement processes.

The GLA initiative seeks to find a path between the two, providing a simple and efficient way to bring small sites forward, whilst retaining a proportionate degree of influence. It will procure technical surveys for landowners with an economy of scale, formulate model contracts that help small housing associations secure sites and finance development, and encourage the public to support the development via the identification of new sites. The initiative can also help to 'unlock' sites through funding where surveys have uncovered constraints that make the site unviable.

The GLA's Small Sites, Small Builders initiative provides a blueprint for how metro-level authorities can ensure small sites are included in their spatial strategies, and establish collaborative relationships with small housing associations. Metro-level authorities can also use the GLA experience to lobby for powers to implement and develop similar schemes where such powers do not exist.

# Conclusion and recommendations

---

**There is potential for housing associations and councils to achieve a collaborative future. They face a challenging context, but examples of effective collaboration show it is possible to overcome these barriers and focus on the ambition to deliver more and better homes. Both sectors are driven by a core purpose to help local communities, employers and economies to thrive. Housing is crucial to this and both agree that affordable housing should be built by both sectors.**

The different collaborative models gives leaders guidance on how they can approach collaboration and start delivering homes today. Whether partners choose informal collaboration, strategic collaboration or formalised partnerships is dependent on what will work for their organisation and their place. Overarching principles of collaboration can be applied to all models, reflecting the importance of constructive, ambitious partnerships.

There is plenty that these sectors can do in their own right – and they can start today. However, addressing some major policy challenges would help these sectors deliver more homes that people need, and make a real dent in the housing crisis.

## Recommendations

### Councils and housing associations

Local leaders from both sectors should decide the most appropriate form of partnership. It is important that all partners focus on the shared, ultimate goal of more and better homes for places and people.

### At a local level, we recommend that:

- Housing associations and councils invest more time and resource in realising the benefits of closer collaboration and partnership working.
- Housing associations and councils consider joint bids for funding through the expanded Affordable Homes Programme.
- Partnerships should deliver housing based on a robust assessment of what communities need, providing supported housing for people who need it and homes that local people can afford. Housing associations should support councils by sharing resources on viability, housing need and affordability.
- Councils, alongside housing associations, cost and promote the holistic value of publicly-owned land, reflecting the potential savings made through developing affordable housing.
- Local authorities' planning departments prioritise partnership, especially following increased resources from central government. Partnership before and during the planning process has the potential to both accelerate development and ensure quality.
- Where there is an ongoing opportunity for development, councils and housing associations should seriously consider entering into a formalised partnership, such as a JVP, and be flexible in sharing the risks and returns.
- Housing associations and councils use the models and principles presented in this report to develop a tailored and effective form of partnership right for their area.
- Housing associations are invited to play a more active role in place-based strategies in recognition of the role they play in areas such as health, employment, and community resilience.

## Councils and devolved areas

Local leaders can improve land availability and affordability, bringing together public sector bodies which own land that can be used for development. In some cases, combined authority areas are best placed to play this coordinating role, while in others it will be councils.

### **We recommend that local and combined authority leaders and elected mayors:**

- Have an up-to-date, post-National Policy Planning Framework, Local Plan in place, alongside an up-to-date and regularly reviewed five-year land supply.
- Work with housing associations to better understand the viability and deliverability of sites.
- More proactively assemble and package up publicly-owned sites in 'bundles' for development across a city or area, with the view to driving quality development in areas which have traditionally suffered from low quality housing.
- Adopt a wider definition of 'best consideration' when selling public land, to ensure a more holistic approach is taken to land value, which allows public bodies to meet their fiduciary duty but also supports higher levels of affordable housing.
- Bring together groups of housing associations to engage with local and combined authorities strategically and across boundaries.
- Appoint a resource to help public landowners of small sites to sell their sites to small housing associations and other small developers.

## Central government

Central government policy must reflect the crucial role housing associations and councils play in resolving the housing crisis. National policymakers should ensure that the policy and operating environment for both sectors provides certainty and stability, enabling collaboration and removing barriers where they are identified.

### **We recommend that, on a national level, central government:**

- Continues to implement the proposed rent policy (and increase) of CPI + 1% for social and affordable rents from 2020, as per the initial rent settlement, to allow housing associations and councils to invest in new homes with confidence.
- Commits to exploring how future rent policy, post-2020, could deliver better outcomes for all stakeholders to working, if housing associations and councils were able to set their rents.
- Provides a clear and sustainable funding solution to supported housing as a matter of urgency, with a supported housing allowance set at a higher level than the LHA and sheltered accommodation removed from the proposed policy changes.
- Places greater emphasis on improving affordability for all by building more homes of all tenures and making grant funding available for social rented housing.
- Enables greater capacity to borrow for both sectors by reconsidering the borrowing cap and re-introducing the Affordable Homes Guarantee Scheme.

The National Housing Federation is the voice of affordable housing in England. We believe that everyone should have the home they need at a price they can afford. That's why we represent the work of housing associations and campaign for better housing.

Our members provide two and a half million homes for more than five million people. And each year they invest in a diverse range of neighbourhood projects that help create strong, vibrant communities.

National Housing Federation  
Lion Court  
25 Procter Street  
London WC1V 6NY

Tel: 020 7067 1010  
Email: [info@housing.org.uk](mailto:info@housing.org.uk)  
Website: [www.housing.org.uk](http://www.housing.org.uk)

Find us or follow us on:   