

**West of England Partnership
Planning, Housing & Communities Board
22nd January 2009**

Strategic Review of Affordable Housing Delivery in the West of England

Purpose of report

1. To inform members that the Housing Vision Consultancy was commissioned by the West of England Housing Officer Group to undertake an independent strategic review of the Homes West partnership with two main aims to:
 - learn what steps need now to be taken to achieve a 25% (or greater) increase in affordable housing; and
 - determine whether the existing Homes West partnership, in its current or strengthened form, will be able to deliver significantly increased numbers of affordable homes, or whether an alternative sub regional vehicle is now required

and seek their views.

What is HomesWest?

2. Home West is a strategic partnership consisting of four Registered Social Landlords (RSLs) selected following a rigorous tendering exercise by the four West of England authorities in May 2004 as the affordable housing delivery body of the West of England Partnership and the main means of delivery of affordable housing in the sub region.

Key findings of report

3. Housing Vision has identified a series of key findings, which are:

HomesWest has been successful in meeting the West of England affordable housing delivery objectives and in 2007/8 has significantly outperformed its target affordable housing output. However it is questioned, whether the reliance on quantitative outputs as measures of success are adequate and whether these should be widened to include contribution to quality of life and sustainable communities. (ES4.4–ES4.6 in HV Report)

HomesWest is at a more advanced stage than other comparable sub regional partnerships and delivery vehicles in the UK, particularly in terms of affordable housing output. This is considered to be a strong model for the West of England to move forward with and it is recommended that any new commissioning arrangements should be deferred until at least April 2010 (ES5.1& ES5.10)

The four strategic RSL partners have remained competitors, not all aspects of this approach have been damaging - but some have. A stronger collaborative approach is required by the four strategic RSL partners with greater sub-regional leadership being demonstrated. (ES5.4)

The report identifies operational inefficiencies in the current administration of Homes West and recommends that a WOE Housing Co-ordinator is needed to prepare a sub regional housing strategy and to service an improved Homes West partnership; underpinned by a more formal contractual partnership. (ES5.6)

The Executive Summary of the Report is attached as Appendix A.

Response to report's recommendations

4. The officer's response is to:

Agree, that the West of England Housing, Planning and Communities Programme Board should have ownership of a WOE housing strategy for new affordable housing provision and give strong and visible leadership to HomesWest or any other affordable housing delivery vehicles to support sub regional collaboration and minimise the potential for conflict between different local authority policies and priorities. (ES5.4) We recognise that WOE should build on the fact that each of the local authorities has signed up LAA targets on affordable housing delivery and this provides a good platform for developing a Multi Area Agreement.

Agree, that the Planning, Housing & Communities Programme Board consider in due course whether to seek decision making powers in the same way as Waste and Transport. (ES5.5)

Agree, that subject to the Business Case and budgetary arrangements being agreed, there is a need to appoint a Housing Coordinator to act as housing lead in the WoE office, as no specific housing support exists currently The Housing Coordinator's role would to prepare the WOE housing strategy (which initially would be confined to sub regional housing market assessments and affordable housing delivery), service/facilitate the HomesWest partnership, manage monitoring processes, prepare key commissioning documents and service level agreements. Funding contributions could be sought from Homes West partners as this would benefit all within the partnership, and the Homes and Communities Agency as part of its commitment to build capacity in the sub region (ES 5.6)

Agree that two of the options put forward by Housing Vision be progressed:

- Option 1 - Agree but take until April 2010 to implement.
- Option 2 - Not agreed but will review for new HomesWest tender w.e.f. April 2011.
- Option 3 – Agree to take a step in this direction by developing a housing strategy on all relevant sub-regional issues - but that a definite decision on a WOE Commission is not taken at this stage. It is proposed that officers prepare a report on this proposal during 2009. (ES5.10)

Agree, that there needs to be an early review of the role of local tier RSL partners, with a clear distinction made between the role played by large regional or national local tier RSL partners and the smaller community based RSL partners. However it is considered that the report does not give sufficient emphasis on the importance of local tier RSL partners in delivering sustainable communities and addressing issues of social cohesion.(ES5.7)

Agree, that there needs to be a review of the current transfer arrangements, with the adoption of a 'weighting system', to try and achieve a balanced approach that

ensures that the strategic RSL partners are able to maximise affordable housing output and at the same time ensures that at least 50% of this output is transferred to local tier RSL partners. (ES5.7)

Agree, that is important that the new Homes and Communities Agency is both a signatory and full partner to any revision to the current HomesWest Agreement and takes an active involvement in the establishment of the proposed commissioning arrangements.(ES5.7)

Consultations

5. Full consultations have taken place with the following bodies. Their specific responses are included in Appendix B:
 - Housing Corporation (which became part of new Homes and Communities Agency on 1st December
 - HomesWest strategic RSL partners
 - Local tier RSL partners

Financial implications

6. The proposal to employ of a WOE Housing Coordinator has not been fully evaluated and costed. It is proposed that the costs of employment of this post will be met by pro-rata contributions from all four local authorities. Matching contributions will also be sought from HomesWest RSL partners, the Homes and Communities Agency and other potential Government funding sources.

The costs of the two reviews identified in the Report will be met by the WOE Enablers Budget in 2008/9.

Recommend

7. That members:
 - give their views on the proposals detailed in Section 4 of this report
 - note that officers intend a further report on the proposed Commissioning Unit as detailed in para 4.5.

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Date : 9th December 2008

Strategic Review of Affordable Housing Delivery – Executive Summary

ES1.0 INTRODUCTION

ES1.1 The Housing Vision Consultancy was commissioned in April 2008 by Bath and North East Somerset District Council, Bristol City Council, North Somerset District Council and South Gloucestershire District Council to undertake an independent strategic review of the HomesWest Partnership:

- To learn what steps need now to be taken to achieve a 25% (or greater) increase in affordable housing; and
- To determine whether the existing Partnership, in its current or in a strengthened form, will be able to deliver significantly increased numbers of affordable homes, or whether an alternative sub-regional delivery vehicle is required.

ES1.2 Recommended options for the future of HomesWest are summarised at Paragraph ES5.10.

ES2.0 WHAT IS HOMESWEST?

ES2.1 HomesWest is a strategic partnership consisting of four Registered Social Landlords (RSLs) selected by the four West of England local authorities to be the main means of delivery of affordable housing in the sub-region. The partnership was established in May 2004 and went live in April 2005 with the expectation that it would be reviewed during 2009. The HomesWest Partnership is the housing delivery body of the West of England Partnership. The Partnership consists of the four local authority Cabinet members with responsibility for housing, the relevant chief officer from each authority, and a number of social, environmental and economic partners. The West of England Partnership includes a Housing Group (WOEHOG) which exists to:

- Advise and act in support of the Partnership to ensure an adequate supply of housing, especially affordable housing;
- Recommend joint action on housing issues to the Partnership and secure the approved outcomes;
- Advocate responses on housing issues to influence national and regional policy resource allocation;
- Work with other specialist groups of the Partnership on issues of common interest.

ES3.0 STRATEGIC PARTNERSHIPS, LOCAL DELIVERY VEHICLES AND AFFORDABLE HOUSING: A REVIEW OF RELEVANT POLICY AND PRACTICE

ES3.1 This has consisted of three activities:

1. a review of relevant research and policy developments relating to sub-regional, strategic and partnership approaches to delivering affordable housing, including the role of Local Delivery Vehicles; and
2. a case study review of delivery partnerships in action.
3. the identification of a series of Success Factors associated with sub-regional and partnership approaches to the provision of affordable housing, including the contribution of Local Delivery Vehicles.

ES3.2 The key points arising from the review are as follows:

- There is a continuing emphasis from the Government on the importance of sub-regional strategies and governance. This will be intensified in autumn 2008 with further developments on the Treasury-led sub national policy review.
- Although progress has been slower than anticipated on the Government pilots on local housing companies, there is a continuing and growing interest in the use of Local Delivery Vehicles (LDVs).
- There are many types of sub-regional partnerships and LDVs that have been or are being developed, **but no formal evaluations of them have been undertaken.**
- In the current economic slowdown, LDVs as a type of public private partnership (PPP) are regarded as a means of spreading risk between stakeholders so that projects are more likely to be implemented.
- **HomesWest is at a more advanced stage of development than other comparable partnerships and delivery vehicles**, especially in terms of the output of affordable housing achieved. Whilst lessons can be learned from the experience of comparable partnerships and delivery vehicles, this is associated more with process than with the output achieved.
- In terms of process, the West of England Partnership should adopt a radical approach if it is to successfully compete with other sub-regions/city regions.
- A Housing Communities and Planning Partnership Board has now been established which requires decision-making powers in relation to planning and housing.
- The board should have ownership of a housing strategy that forms part of an integrated sub-regional approach. The housing strategy should then be drawn up by a dedicated team of officers employed by or seconded to the West of England Partnership.
- Local Delivery Vehicles should be developed to deliver the key components of the sub-regional housing strategy. These could include the proposed Bristol local housing company. There should, in addition, be close collaboration with existing Public Private Partnerships such as Local Improvement Finance Trusts (LIFTs) and Building Schools for the Future (BSF) initiatives. This will help to ensure that the focus of delivery is on sustainable communities and neighbourhoods.

- Overall, the key conclusion is that the sub-regional governance arrangements must be altered so that there is a 'golden thread' linking strategic policy and decision making with the delivery of new sustainable neighbourhoods.

ES3.3 Whilst no formal reviews have been undertaken of the effectiveness of sub-regional approaches to the delivery of affordable housing, including LDVs, the following Success Factors have been identified:

At the strategic level:

- SF 1: Effective and underpinning sub-regional policy making and strategic frameworks;
- SF 2: Visible and effective leadership, with an appetite for creativity and innovation;
- SF 3: Shared ambition and vision, aims and objectives;
- SF 4: Strong commitment from officers/members, which might include the pooling of resources and a movement away from traditional decision-making structures to achieve co-operation across functional areas;
- SF 5: Robust (and shared) governance to drive delivery, with clear lines of accountability, including statutory backing where necessary; and
- SF 6: A strategic enabling role, but with effective delivery vehicles.

At the operational level:

- SF 7: Relative autonomy in decision-making and intervention;
- SF 8: Adequate resources enabling effective intervention;
- SF 9: Dedicated technical officer teams;
- SF 10: Capacity building and relationship development, including gaining trust across boundaries;
- SF 11: Effective joint working that balances collaboration and competition between stakeholders; and
- SF 12: A focus on added value, avoiding overlap and duplication.

ES4.0 HOMESWEST: ACHIEVEMENTS AND PERFORMANCE

ES4.1 The performance and the achievements of the HomesWest Partnership have been evaluated against two fundamental questions.

ES4.2 In relation to performance: how has the HomesWest Partnership performed as a single body regarding:

- The partnership environment, including staffing, capacity and motivation;
- Resources, including meeting the Housing Corporation's Efficiency agenda;

- Decision making powers in the Partnership;
- The competitive environment, including the requirement on RSLs to “act as developers”; and
- Performance monitoring and reporting, including securing a 255 increase in affordable housing output.

ES4.3 In relation to achievements: what has the HomesWest Partnership achieved in terms of output and in the associated process of delivering affordable homes?

ES4.4 To provide a context for understanding the achievements of HomesWest, the output of affordable housing from all sources for the period April 2004 to April 2008 has been reviewed. This shows that overall output increased by 38% (262 units), ranging from 48% in Bath and North East Somerset to 110% in North Somerset and 169% in South Gloucestershire.

ES4.5 Regarding the achievements of HomesWest:

- The HomesWest Partnership has met the objective of delivering more units than might have resulted from developers being required to deliver Section 106 properties as a pre-requisite for being granted planning permission. In 2007/8 this objective was significantly ahead of expectations of projected delivery.
- There has been a steady increase in ‘Additional’ over ‘Baseline’ completions, from 29 in 2005/06 to 145 in 2007/08;
- ‘Additionality’ of 47.7% has been achieved over the three years 2005/06 to 2007/08 which is almost double the 25% target;
- Applying the ‘Additionality’ percentage from the units completed and under construction to estimate the additional units from pipeline schemes implies an additional 1,815 units to 2011, but this estimate is unpredictable, especially in the context of a changing housing market;
- If this estimate proved to be accurate, an ‘Additionality’ percentage of 41.44% would be achieved, potentially, 16.44% above the 25% target.

Es4.6 RSLs have made a series of operational changes to achieve the delivery of affordable homes within the HomesWest Partnership or as a consequence of it.

ES5.0 CONCLUSIONS AND RECOMMENDATIONS

ES5.1 The HomesWest Partnership is in the lead in terms of having succeeded in accelerating the delivery of affordable housing and is in a strong position to move forward. Concerns expressed during the course of the review that HomesWest was underachieving have proved unfounded. HomesWest is ‘ahead of the game’ and can act as an example to others.

ES5.2 However, the review has also been able to identify a number of areas where performance could be improved, and by association, its achievements.

ES5.3 In terms of the steps which need now to be taken to achieve a 25% (or greater) increase in affordable housing, we have identified a series of actions which we believe

would enable the existing Partnership to improve its performance and by association, its ability to deliver an increased number of affordable homes.

ES5.4 In relation to the partnership environment (Success Factors 1 to 6) there is a need for:

- More visible and effective leadership, with a 'one voice' message in relation to the aims and objectives of HomesWest.
- Stronger direction from the West of England Partnership as the sub-regional sponsor and to reduce the potential for conflict with local authority policies and priorities.
- The West of England Housing Officers Group to consider assuming a more active role in encouraging more effective sub-regional working.
- Clarification and formalisation of the terms of reference, roles, relationships and communication channels between local authority partners, strategic and local tier partners.
- Greater clarity via the 'formalisation of process' supporting a more contractual agreement.

ES5.5 In relation to decision making powers (Success Factors 2 and 7) there is a need for:

- Clear and structured leadership and a one-voice approach to ensure the profile of the Partnership is raised to a level that supports delivery partners and maximises the potential of sub-regional collaboration.
- Decision-making powers to be formalised, with clear lines of authority and accountability established within the Partnership and in relation to each partner's organisation.
- Housing and increasing the provision of Affordable Housing to be placed on a par with the other strategic issues being addressed by the West of England Partnership and not subordinate to them.

ES5.6 In relation to resources (Success Factors 8 and 9):

- Whilst a Compliance Statement has been established, there is a need to progress towards achieving a Service Level Agreement between the HomesWest local authorities and the RSL strategic partners governing the enabling services provided; and
- There is an urgent need for a dedicated HomesWest co-ordinator to be appointed to manage information, communication and monitoring processes.

ES5.7 In relation to the external environment (Success Factors 10 and 11):

- The Partnership to review the indicators of success, for example, contribution to quality of life and/or sustainable communities.
- A review of the local tier partners to ensure that they conform to the original intentions of the Partnership Agreement.

- A review of the cost of transfers to local tier partners and of the respective roles, responsibilities, expectations and aspirations of all partners.
- Conflict to be resolved between supporting the sustainability of smaller local tier partners and producing the maximum number of 'additional' units required with due consideration to be given to the effectiveness of post-transfer housing management arrangements.
- The Homes and Communities Agency (HCA) to become a signatory and full partner to the HomesWest Agreement.
- The original expectations of the levels of land banking from RSLs to be reviewed and revised given market conditions, the competitive environment and RSLs' fiscal priorities and duties. It is accepted that in current market conditions, RSLs are unable to act as developers but in the longer term, this continues to be the aspiration for a sub-regional development partnership or vehicle.
- Policies are required within local authorities to take account of the contribution of affordable housing against other planning requirements, and in relation to local authority owned land, of the value of affordable housing against maximising capital receipts.

ES5.8 In relation to performance monitoring and reporting (Success Factor 12) there is a need for:

- Accurate, timely and appropriate monitoring and reporting of performance, and a review of the frequency and responsibility for monitoring and follow-up of actions.
- The monitoring of efficiency savings through the HomesWest Partnership to be established.

ES5.9 Whilst, on the basis of its performance to date, we believe that the actions identified above would enable the HomesWest Partnership to achieve a significantly increased output, we believe that a more radical approach is more likely to secure this as follows:

- As a baseline position, the West of England Partnership should adopt a more radical approach if it is to successfully compete with other sub-regions and city regions.
- The board should have ownership of a housing strategy that forms part of an integrated sub-regional approach. The housing strategy should be drawn up by a dedicated team of officers employed by or seconded to the West of England Partnership.

ES5.10 In terms of the future of HomesWest, we have identified a continuum of options which offer a spectrum of change from enhancing the current arrangements to developing a more radical commissioning approach. The first two options are focused at achieving improvements over the period to 2010, and the third recommends a step change in approach from 2010.

- Option 1: New HomesWest: The current HomesWest Delivery Vehicle in partnership with RSLs which has adopted the recommendations for change made above.

- Option 2: the HomesWest Consortium: A development from Option 1 which would provide an enhanced delivery vehicle consisting of the existing RSL strategic partners acting as a consortium, but enhanced to include their existing developer partners. This development would introduce private sector developer expertise into the consortia for the remaining HomesWest term, and would create a strengthened HomesWest delivery vehicle which would be able to bid against future commissions beyond 2010.
- Option 3: the West of England Affordable Housing Commission: This is a more radical and step change option consisting of a professional unit of appointed officers who would create/commission and contract bespoke Delivery Vehicles and/or consortia on a project and/or sub-regional basis according to the schemes to be delivered, for example, in relation to rural housing/peripheral estates/urban extensions, etc. The preparations required to create this body would need to begin early in 2009 to ensure that it is able to have arrangements in place to succeed the HomesWest Partnership in 2010.

ES5.11 We would recommend the implementation of Option 1 i.e., actions to improve the operation of HomesWest, within the next six months, and that discussions with the Strategic RSL Partners should be undertaken as soon as possible to enable Option 2, the consortium approach, to be introduced at the earliest opportunity.

ES5.12 In relation to Option 2, our recommended approach to developing the consortium as speedily as possible would be for the current RSL strategic partners to utilise their existing links to determine which developer(s) are invited to work with them, rather than setting up a separate and time consuming selection process. It is also anticipated that this widening of the strategic partner group to include developer expertise will encourage RSL Partners to collaborate more closely in conformity with submissions made at the initial selection process.

ES5.13 Option 3 is based around the newly formed sub-regional Programme Board creating a West of England Affordable Housing Commission operating as commissioning agents on their behalf. It would constitute:

- a sub-regional West of England Programme Board for sustainable communities involving a wide range of key partners including councils, RSLs and the private sector. This would establish the policy and strategic priorities for functions including transport, waste management **and housing**;
- the creation of a new unit, the West of England Affordable Housing Commission, which might constitute one section of a wider Sub-regional Delivery Company handling the client function for the three sub-regional policy priorities, and which commissions Delivery Vehicles appropriate to the nature, scale and complexity of the task. The function of this Delivery Vehicle, involving public and private sector partners, would be to develop sustainable communities and neighbourhoods in the sub-region;
- Bespoke Local Delivery Vehicles would be developed to deliver the key components of the sub-regional housing strategy. These could include the proposed Bristol local housing company. There should, in addition, be close collaboration with existing PPPs such as LIFTs and BSFs which will help to ensure that the focus of delivery is on sustainable communities and neighbourhoods;

- In terms of introducing the third option, the Programme Board would need to ensure that a new West of England Affordable Housing Commissioning Body is created in sufficient time to enable a new commission to deliver affordable housing to come into effect from 2010. The HomesWest Consortium would be invited to apply and its performance and achievements might constitute a 'yard stick' against which any other applicants could be assessed.

1 CONSULTATION WITH THE HOUSING CORPORATION

The Housing Corporation, has been consulted in advance of the Homes and Communities Agency (HCA) commencement as the new investment agency. It is understood that the new agency would make a similar response. The Housing Corporation did not consider that the four strategic RSL partners had sufficient capacity to meet the challenge in the West of England area and therefore would welcome Homes West being extended to include other affordable housing providers, (in the period up to April 2011).

The Housing Corporation further considers that all the local tier RSL partners should be local based or specialist affordable housing providers focused on the delivery of high quality management services for tenants and residents.

2. CONSULTATION WITH HOMES WEST PARTNERS

HomesWest RSL partners broadly welcome broad conclusions of report and the recognition that "Homes West is in the lead in terms of having succeeded in accelerating the delivery of affordable housing and is in a strong position to move forward." (ES 5.1) However they do not consider that the Report sufficiently recognises the impact of the present financial and economic crisis on housing supply.

Homes West consider that continuity of arrangements with the present partners is vital if there is to be any likelihood of achieving our joint aspiration to deliver sufficient affordable homes. They believe a major change in commissioning arrangements in the present environment would represent a significant degree of risk for the local authorities and suggest a longer timescale than envisaged in the report. (see para 4.4)

Homes West support the proposals for addressing the operational issues in administering the partnership as they believe it will make it even more successful and provide the building blocks for the new commissioning arrangements.

Homes West would encourage the West of England Partnership, working with them, to seize the opportunity of developing a strong relationship with the Homes and Communities Agency (HCA) and seek a greater commitment from HCA to Homes West under the new investment arrangements, than hitherto experienced with the Housing Corporation.

Support the proposal for a review of local tier partners to ensure firstly that locally based associations that wish to grow can continue to do so and secondly that large national or regional associations use their funding streams when appropriate

3. CONSULTATION WITH LOCAL TIER PARTNERS

At a consultation event on 26th November, the following issues were raised by Local tier partners:

Some RSLs questioned the methodology used by Housing Vision to determine whether Homes West had been successful in delivering increased numbers of affordable homes, doubting whether there had been a significant increase of 'additional' homes over and above 2003/4 affordable housing returns. Others supported the reports finding that this measure of success was too narrow.

RSLs raised concerns about how the final draft of the Report described local tier RSL partners. They were disappointed that their independent development role for which they had been appointed in 2004 had not been acknowledged and that the report seemed to emphasise the difficulty of strategic partners making transfers to local partners. One smaller community based association acknowledged that Homes West had enabled the association to gain considerable numbers of units through transfers – which had required some continuing development capacity.

A larger regionally based RSL expressed concerns that the Report had not recognised the role that RSLs of their size and capacity could play in the sub region. They also considered that the proposals for the continuation of Homes West and future arrangements were too restrictive and contrary to Housing Corporation advice.