

BROMSGROVE DISTRICT COUNCIL

EXECUTIVE CABINET

8th February 2007

PREFERRED PARTNERING IN THE DELIVERY OF AFFORDABLE HOUSING

Responsible Portfolio Holder	Cllr Peter Whittaker
Responsible Head of Service	David Hammond

1. SUMMARY

- 1.1 The purpose of the report is to agree a process for reviewing the partnership arrangements that the Council has with Registered Social Landlords (RSLs) in ensuring that the needs of residents and others wishing and needing to live in the area are addressed.
- 1.2 Existing preferred partnership arrangements with four RSLs (Focus (now known as Midland Heart), Servite Homes, Bromford Housing Group and West Mercia/Nexus) were established over 15 years ago. In more recent years, the Large Scale Voluntary Transfer of housing has enabled the development of Bromsgrove District Housing Trust to come into being as a major partner and contributor to the delivery of affordable housing in the District.
- 1.3 The Council's Housing Strategy Action Plan identifies the need to review the long term partnership arrangements with RSLs to ensure the ongoing delivery of quality housing services and affordable housing to meet the authority's wider policy and strategic objectives.
- 1.4 This report sets out proposals for a process of reviewing preferred partnership arrangements and the Councils partnership relationship with BDHT.

2. RECOMMENDATION

- 2.1 A Housing Partnership Review Panel be set up and granted delegated authority to review and approve the formalisation of new preferred partnership arrangements as detailed in Section 8 of the report.

3. BACKGROUND

- 3.1 Since the 1980's Registered Social Landlords (RSLs) have become the major provider of affordable housing. In the early 1990's, Bromsgrove District Council selected four RSLs to work with on a preferred partnership basis. These were Harden (now Nexus, part of West Mercia Housing Group), Bromford Housing Group, Servite Houses and Focus. Other RSLs such as Rooftop (formerly Evesham & Pershore Housing Association) have not been excluded from developing in partnership with the Council where they have demonstrated good value for money and committed their own resources to development schemes but have not been formally adopted as partners.
- 3.2 In March 2004, BDC established Bromsgrove District Housing Trust (BDHT), specifically set up in accordance with tenant consultation to receive the transfer of its housing stock. Since

its inception, the Council has worked in close partnership with BDHT on the joint commissioning of a number of affordable housing schemes and has forward allocated extensive funding for the provision of an Extra Care Scheme at Charford. BDHT has formed a development partnership with West Mercia/Nexus and has become an important contributor to the delivery of affordable housing in the District working closely with the Council supporting the authority in projects such as the hostel de-commissioning and temporary accommodation for the homeless.

- 3.3 In July 2006 the Council received a 'zero star', poor rating for its Strategic Housing Service with uncertain prospects for improvements. Key weaknesses identified were around poor outcomes for homeless people, a lack of leadership on affordable housing and on diversity and a weak approach to providing private sector housing services. Two particular elements contained in that report that are of particular relevance when considering preferred partner status are as follows:
- “66” There has been little corporate effort to assist in balancing the housing market in Bromsgrove. Officers within strategic housing have been unsupported in using all of the possible options to address concerns about affordability and the limited amount of social housing in the district. Whilst officers have been opportunistic in identifying small scale development sites, the lack of leadership and vision more widely has stifled innovation. This has impacted on the lack of affordable social housing and poor outcomes for people in temporary accommodation or in housing need.
- “67” There is a lack of a common vision for housing at a member level, which would set a clear framework for the future of Bromsgrove. Officers have driven forward the development of the housing strategy despite members, rather than as a result of a common understanding of the way forward. For example, whilst members acknowledge that affordability is the key issue, there is no clear consensus of whether the moratorium on larger scale general needs housing sites should be lifted or is still appropriate. Whilst it is clear that the numbers of homeless households moving into temporary accommodation is increasing there is also no clear direction or leadership being given by Councillors to addressing this issue. This leaves staff and external partners without a clear mandate from Councillors about the future direction of housing in Bromsgrove, and undermines staff efforts to address concerns about affordability.”
- 3.4 The Council fully appreciates, understands and is committed to addressing the above issues (as demonstrated by the extensive improvement plan and the fact that housing is one of the Council’s priorities). The lack of balance in the local housing market is a critical issue to Bromsgrove, as is the supply of temporary accommodation – this makes the selection of preferred partner(s) critical.
- 3.5 Having allowed for a period of re adjustment following housing transfer, and in accordance with Housing Corporation guidance, it is proposed that the Council now reviews the preferred partner RSLs with which it works. Preferred partnership status identifies the RSLs with whom the Council:
- works upon the development of affordable housing
 - directs the authorities own land and grant resources
 - and in partnership with the Housing Corporation jointly commissions affordable housing projects
- 3.6 Where affordable housing opportunities arise under planning powers through Section 106 agreements, developers are normally directed towards the preferred partner RSLs however it is not possible to make this conditional in a section 106 agreement.

- 3.7 The guidance in DETR Circular 6/98 states that "Local planning authorities should not prescribe which partners developers should use to deliver the affordable housing, but rather should aim to ensure that arrangements will deliver the objectives of the policy as set out in the local plan." Many developers consider that they can most efficiently deliver affordable housing on S106 sites if they work with a relatively small number of RSL partners with whom they have established good working relationships, have the potential to secure significant efficiencies through continuity, increased standardisation and improved procurement processes. There is therefore sometimes conflict as Local authorities will often prefer to work with RSLs who have a commitment to the area and which are following policies on issues such as rents, services to tenants and housing stock management which they are happy with. It is likely that future gains through Section 106 agreements in the Bromsgrove area, prior to 2026, are very unlikely unless the West Midlands Regional Spatial Strategy produces growth in the local housing market (which is currently felt to be unlikely).
- 3.8 However, where it is proposed that the Section 106 affordable housing scheme should receive some top up funding through Social Housing Grant provided through the Housing Corporation Approved Development Programme, the Corporation does have a legitimate interest in the selection of the RSL and will normally only wish to fund RSLs which have the endorsement of the local authority.
- 3.9 Turning to 100% affordable housing schemes (not provided through Section 106 agreements) the Housing Corporation favours schemes being jointly commissioned with groups of local authorities reflecting social housing market areas. The Corporation's view is that by working with local authorities to jointly commission social housing programmes from Registered Social Landlords (RSLs) it will be possible to improve the strategic planning and development process, improve the allocation of resources, reduce the time and effort associated with the bidding process and achieve added value for money.
- 3.10 Joint commissioning works by the local authority and the Housing Corporation working together to agree a joint approach to the allocation of Social Housing Grant to RSLs. Strictly speaking this could be any one RSL or any group of RSLs chosen by competition open to all. Joint commissioning has, however, come to be associated with the idea of preferred partners, where a relatively small group of RSLs have exclusive access to most or all of the sites, projects and grant funding in a local authority area.
- 3.11 Over recent years, the Housing Corporation has selected certain 'Approved Development Partners'. These are RSLs to whom the Housing Corporation guarantees development funding on a regional basis and to whom at least 80% of their grant programme is allocated. Accordingly, it is important that when a local authority selects RSLs as its local preferred partners they hold investment partner status with the Housing Corporation or have a development partnership agreement with an RSL that does.
- 3.12 All four of the Bromsgrove's existing RSL partners (Nexus/W Mercia, Focus, Servite and Bromford) have full Investment Partnership with the Housing Corporation. Whilst BDHT as a relatively young organisation does not hold this status, they have developed a development partnership with Nexus / West Mercia Housing Group (who do) that enables Housing Corporation grant to be allocated to the BDHT development programme.

4. DEFINING PREFERRED PARTNERS

- 4.1 A defined group including a limited number of RSLs who engage as a group in discussion with the local authority on issues relating to development in a regular forum and

who are given preference in some way when sites and grants are allocated.

- 4.2 The advantages of the preferred partner joint / commissioning approach are as follows:
- It is a flexible approach that can evolve with the changing housing agenda.
 - It reduces unnecessary competition as endless 'beauty contests' are time and resource consuming.
 - Developers know who to approach.
 - It limits the opportunities for developers to "bid up" prices.
 - RSLs are more committed to the local authority area.
 - It provides a framework around which other common issues can be discussed e.g.:- Energy efficiency, Egan Compliance, Regeneration partnerships and Local strategic partnerships.
 - It can provide additional resources: e.g. if there is slippage elsewhere in grant spending, a well organised joint commissioning set up with a defined forward programme can attract extra funds.
 - It provides RSLs with more security as it limits the ability of predatory RSLs to "muscle in" and it encourages partner RSLs to spend time and resources in developing longer term opportunities.
 - A longer (usually 3 year) planning cycle helps with the development of more complex, longer term projects e.g. regeneration schemes, resettlement of vulnerable needs groups.
 - Makes it more likely that projects will be appropriate and sustainable.
 - Gives time to build effective links with Health Authorities and Social Services Departments.
 - Provides tighter programme management and focus for monitoring programme delivery.
 - Streamlines the bidding process – bids are supported by all parties and a single programme supported by all key stakeholders.
 - Ability to develop common performance standards on development housing management and maintenance
 - **But overwhelmingly the main benefit for everyone is a more positive relationship between the partner RSLs, the local authority and the Housing Corporation – more openness, honesty and commitment – and probably most importantly delivery of an improved final product.**

- 4.3 The disadvantages of the preferred partner joint / commissioning approach are as follows:
- Partners may not perform and may need to be removed from the partnership
 - Outsider RSLs may have access to sites and other resources which may be lost (this can be overcome by not granting total exclusivity).
 - Possible loss of innovation if the group is too small.
 - In some cases open competition may maximise the chances for development.

With regard to the possible loss of innovation this could be countered by the view that innovation requires investment; with security comes confidence to invest at risk. Some reports into 'partnering' cite one of the key advantages as being accelerated innovation resulting from close collaborative working. Competition achieves the lowest initial price whereas innovation brings the lowest cost and the highest value.

4.4 Best Value requires an appropriate level of competition to ensure the provision of value for money, quality services and products. But Best Value is also based on quality management approaches which emphasise partnering and co-operative working.

5. GETTING THE NUMBER OF PARTNERS RIGHT

5.1 Housing Corporation Guidance states that there is no one right answer to the number of partners a local authority should look to choose. The number chosen will depend on:

- The size of the programme – RSLs will, reasonably, not be prepared to put effort into a partnership where the rewards are small or uncertain.
- The variety in the programme – RSLs bring different expertise to the table, the more varied the programme the more likely it is to need more RSLs with different areas of expertise.
- The level of co-operative working required – long term complex regeneration schemes need a high level of collaboration which would be difficult to achieve with more than two or three partners.
- Land supply (a particular issue for Bromsgrove)

5.2 Whatever the number of RSLs initially decided on, local authorities will need to keep open the option of adding to the pool in future to cater for any possible failure to perform to agreed standards or meet agreed targets and objectives. Partners may also merge with other RSLs both within and outside the partnering arrangements thereby altering the balance within the partnership. Or more specialist expertise may be required for a specific project in the future. Failure to do this could lead to the development of a cosy and anticompetitive cartel.

5.3 For Bromsgrove, whilst it is important to have a contained number of RSLs in the partnership that reflects the limited opportunities for development, it is important that the partnership is not limited to the extent that it restricts the availability of:

- Innovation.
- Development expertise and experience.
- Access to Housing Corporation funding.
- Inward investment through RSLs own resources and Recycled Capital Grant from the sale of RSL dwellings or shares in shared ownership dwellings.

It is worth noting that the level of investment (financial and land) that the Council can bring to bear is limited due to financial constraints and a number of other competing priorities. With this in mind it is essential that the Council selects the right preferred partner(s).

5.4 The more limited the partnership the greater the risk to the authority of not being able to carry out its statutory housing function. On the other hand, the more compact the partnership is, the greater is the incentive for the partner RSLs to invest in investigatory and preparatory work, at risk, to help bring about affordable housing within the authorities area.

6. THE SELECTION PROCESS

6.1 For RSLs, in particular, the way in which preferred partners are selected, is one of the major issues in joint commissioning. A clear, fair and transparent process is therefore important as the consequences for an RSL being excluded, particularly from their "home patch", can be very serious.

- 6.2 The Housing Corporation recommends implementation of an accountable selection process in which all key stakeholders are involved including important and meaningful criteria looking at housing service delivery, local community involvement and customer feedback as well as development criteria.
- 6.3 The criteria used by local authorities varies depending on local circumstances and the type of programme that is likely to be commissioned. In general most of the following criteria would be included:
- involvement in local authority strategy development,
 - track record in development and in housing management,
 - commitment to or experience of joint or partnership working,
 - tenant participation and consultation,
 - financial position,
 - efficiency and programme delivery.
- 6.4 Other criteria that can be used includes:
- Performance indicators
 - developmental capacity
 - standards or quality of development
 - having an adequate complaints procedure
 - experience of S106 agreements
 - Local priorities such as:
 - Providing better temporary accommodation for the homeless
 - local management presence
 - commitment to Bromsgrove.
- 6.5 Where partnership arrangements are already in place it may be appropriate for the authority to consider a review / refresh of the existing partners to ensure that the arrangements provide an appropriate supply of expertise, innovation, enthusiasm and access to resources.
- 6.6 Whilst a review process may not be as extensive as the full process set out in the Housing Corporation guidance, the criteria based approach can still be implemented allowing for disinterested or less appropriate partners to be de-selected and new players exercising appropriate qualities to be included.

7. HOUSING CORPORATION GUIDANCE - CONCLUSION

- 7.1 All joint commissioning partners need to be clear about the nature of the partnership, who will be responsible for what and the processes which will apply. It is in the nature of a new and developing partnership that not everything will be or should be decided at the beginning. It is important however to make it clear what is already decided and what the framework will be for developing the partnership. The guidance states that, there is no right answer on how this should be done. Looking nationally, some partnerships have formally signed more or less detailed agreements; others have opted for terms of reference or protocols. Experience seems to show, however, that the more detailed, formal and "legal" the document is seen to be, the more time and money is expended by all parties before the agreement is finally signed. A more informal, flexible document, which is nevertheless clear about key issues, seems a better option. The partnership, however, lies not in the documentation but in how partners behave towards each other in practice.

8. DEVELOPING A PROCESS FOR SELECTING RSL PREFERRED PARTNERS

8.1 It is recommended that:

8.1.1 Considering the limited resources / landholdings that the Council has to offer and the land supply and planning constraints that exist, that the proposed partnership be limited to a maximum of four RSLs who have Housing Corporation Development Partnership status or a formalised development partnership with an RSL that does.

8.1.2 The four RSLs with whom the Council has existing Preferred Partnering arrangements and the Council's LSVT organisation (BDHT) be invited to make a bid submission to be considered under the review.

8.1.3 An Officer / Member Housing Partnership Review Panel be formulated to firstly consider the bid submissions and secondly receive a presentation from each of the RSL organisations who have submitted a bid. It is proposed that the panel consists of:

- The Portfolio Holder for Strategic Housing
- The Portfolio Holder for Planning
- The Council's Acting CEO
- The Corporate Director (Services)
- The Strategic Housing Manager

8.1.4 The Housing Partnership Review Panel be granted delegated authority to approve the formalisation of new preferred partnership arrangements with a compact group of up to a maximum of four RSL partners that is:

- small enough to focus and encourage commitment from the partners and encourage clear joint working practices.
- sufficient in size and scope to supply appropriate skills and expertise and harness inward RSL investment as well as Housing Corporation resources.

8.1.5 Within this process, there is scope for the new partnership agreement to consider the priority of BDHT as the primary organisation within the group for the receipt of financial support from the Council. If chosen as one of the preferred partners, the review panel may consider that priority for the allocation of BDC Grant and land resources be made to BDHT to reflect the strategic support BDHT provides to the Council on Homelessness and other services and the support they require (as the organisation charged with sustaining the former Council Housing), to maintain stock levels and remain a strong and viable operation i.e., that BDHT become "first amongst equals".

8.1.6 With appropriate support from Planning and Strategic Housing Officers the proposed revised preferred partnership arrangements will be better placed to promote a closer working relationship to address the many challenges the Council faces in delivering affordable housing in the District and maximise the benefit from opportunities that arise.

9. FINANCIAL IMPLICATIONS

9.1 The formulation of preferred partnering arrangements that contribute the provision of appropriate skills, expertise and access to inward investment are fundamental to improving the Council's strategic planning and development process, the allocation of Housing Corporation resources to the authority and achieving added value for money from the application of the local authority's resources.

10. LEGAL IMPLICATIONS

- 10.1 The revised preferred partnership arrangements would be formalised through legal documentation.

11. CORPORATE OBJECTIVES

- 11.1 The formulation of preferred partnering arrangements are fundamental to all four of the Council's objectives including the delivery of affordable housing under CO1 including the Town Centre and Longbridge, the delivery of environmental improvements under CO2, through consultation and provision of housing to assist community wellbeing under CO3 and in improving performance upon the delivery of affordable housing under CO4.

12. RISK MANAGEMENT

- 12.1 Risk management is a key issue in deciding upon the number of preferred partners who are included in the arrangements. A too smaller partnership could lead to the Council being constrained in its ability to deliver against its Housing Strategy if any of the organisations were to fall into financial or regulatory difficulties.

13. OTHER IMPLICATIONS

Procurement Issues Transparent process of appointing RSL partners.
Personnel Implications None.
Governance/Performance Management Delivery of affordable housing against targets.
Community Safety including Section 17 of Crime and Disorder Act 1998 None
Equalities and Diversity Consideration of the suitability of the policies of partner RSL's,

14. OTHERS CONSULTED ON THE REPORT

Please include the following table and indicate 'Yes' or 'No' as appropriate. Delete the words in italics.

Portfolio Holder	Yes
Acting Chief Executive	Yes
Corporate Director (Services)	Yes
Assistant Chief Executive	Yes
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal & Democratic Services	Yes

Head of Organisational Development & HR	Yes
Corporate Procurement Team	Yes

15. BACKGROUND PAPERS

None

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