

# **Working together for more homes**

## **Appendix – methodology and case studies**

### **Methodology**

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

We reviewed policy reports and papers from stakeholder groups, the Government and political opposition, thought leaders and membership bodies.

Themes emerging from the policy reports were used to devise a semi-structured interview schedule, with the flexibility to explore key themes as they emerged. Interviewees were selected to ensure an equal number of housing association officers and council officers, as well as ensuring representation of different regions, stock-retaining and non-stock-retaining councils, and both large and small housing associations. We also spoke to stakeholders with expertise in specific areas, such as planning.

Our survey was designed based on themes from our policy review, early interviews and reviewed by experts from both sectors. We sent separate surveys to housing officers and council officers to ensure the questions were tailored to the audience. However, most questions were the same to enable us to combine and compare responses. Between June and August 2017 the surveys were distributed to contacts from a database of local government and housing association interviewees as well as being circulated through National Housing Federation networks. In total, we received survey responses from 171 councils and 142 housing associations. Responses were representative by region, type of council (excepting upper tier counties, which are not responsible for housing), and whether councils are stock-retaining or not.

## **Case Study 1: Bolton Community Homes: People and Place, and Growth**

### **Background**

Bolton Community Homes (BCH) was incorporated in 1992 as an independent strategic housing, regeneration and service provider. Since its inception, the partnership's focus has shifted in response to the evolving economic and policy environment. The partnership initially focused on social housing supply, and was established as a company to create a social housing delivery vehicle using land gifted from the council, and to purchase and develop land on a commercial basis. As a result of reduced grant rates and the impact of welfare reforms, the partners increasingly focused on maintaining existing stock, and community projects.

### **Area of focus**

The partnership is led by a board of seven directors, made up of directors and chief Executives from Bolton Council and several housing associations, including: Affinity Sutton, Bolton at Home, a stock transfer housing association, Contour Homes, Great Places, Irwell Valley, Mosscares St Vincent's, Places for People and Salvation Army. In total, the partners manage and maintain over 25,000 homes in Bolton.

Today, the partnership is focusing 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 People and Place work stream contains Bolton Council's strategic housing management functions, such as welfare reform mitigation, allocations, homelessness and customer insights. The partners pay membership fees which have been re-invested in new programmes, such as health improvements and financial inclusion, and an integrated pathway for homeless people being discharged from hospital. This stream also contains Money Skills, a financial inclusion service. Additionally, the partners take part in wider place-based initiatives, such as the integration of housing with education, training and employment (ETE) and health, playing a key role in delivering Bolton's priorities.

The Growth work stream focuses on development, including maximising delivery of new housing through the Homes and Communities Agency's Shared Ownership and Affordable Housing Programme (SOAHP), plus land supply, supported housing provision, town centre regeneration, and managing the assets of existing stock. Shared ownership is a relatively new area of focus for the partners in BCH, for whom it is a worthwhile opportunity if the risks are managed appropriately. The Shared Ownership and Affordable Housing Programme runs for five years up to 2021 and will deliver 65 new homes for shared ownership in Bolton. The aim of this programme is to diversify Bolton's tenure mix, which has a large supply of social housing, and provides an alternative option for those seeking to own their own homes and are struggling to get on the housing ladder.

### **Achievements**

The homes under the SOAHP will add to the ongoing supply of homes developed through Bolton Community Homes. This includes 544 new homes between 2006 and 2011, from £30.5m of grants from the Homes and Communities Agency (HCA). In 2011/2012, the partnership secured a further £14.7m HCA grant and started 127 new homes.

Horizontal networks link partners with local members, residents, developers, and officers from environment, planning, highways, health, and education. The partnership manages competition

between housing associations during the disposal of public sector land through an agreed protocol. This dampens land-value inflation and ensures viability, and a pipeline of land supply for affordable housing. Competition was initially managed by a zoning system, in which first refusal on public land in a certain zone was given to the provider with the greatest level of stock in that zone. Today, first refusal is given to the housing association with an adjacent estate, as a result of the council's stock transfer in 2011, which altered the dynamics for development within the partnership. This is largely because Bolton at Home's (LSVT) stock is distributed throughout the locality rather than concentrated in one zone. The partnership has a healthy culture of collaboration that recognises what makes sense for businesses, and avoids 'territorial' approaches and duplication whilst ensuring a 'best for Bolton' approach.

The partnership has also led to the involvement of senior housing officers in establishing closer links with other organisations, for example linking with the Homes and Communities Agency (HCA). This has helped the partnership secure influence and funding. More recently, partners have forged networks with the Greater Manchester Combined Authority (GMCA). The GMCA has responsibility for metro-level spatial planning and other decentralised policy areas, such as health and social care, and transport. These networks have ensured the partnership benefits from second stage decentralisation, when programmes such as health and fire safety are passed from the metro to local level. There is also an opportunity to learn wider lessons from Greater Manchester, whilst maintaining a focus on Bolton.

### **Success factors**

The partnership has remained relevant and effective for over two decades due to several critical success factors. The incorporation of the partnership as a company has ensured the ongoing engagement of senior officers with decision-making powers. This has been achieved by giving them seats on the partnership's board as directors of the company. Over time, these individuals have developed relationships and a culture of delivery. Partners report that the partnership is open and transparent, with a strong clarity of purpose. The financial contribution in the form of a membership fee also ensures all the organisations involved keep a focus on impact and outputs.

The partnership has a small dedicated team which provides a single point of contact to simplify the development and planning process for partners. 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.

### **Challenges and how they are overcome**

BCH's partners have faced several challenges relating to national policy and local land, and housing market factors. National policy has necessitated the large-scale transformation of Bolton Council through restructuring as a result of savings and efficiencies. However, the council has continued to recognise the importance of the BCH partnership and the contributions it makes to delivering priorities. The partnership's housing associations have also been affected by a reduction in government grants, welfare reform and the 1% rent reduction. The partnership has worked hard to maintain and develop new relationships to ensure it continues to deliver, whilst recognising the pressures on individual members and collectively to make savings.

Locally, the availability of public sector land for development is limited. Many available sites are brownfield, requiring high cost remedial work due to the historic use of the sites. Construction costs are the same as they are in Manchester, but the returns on investment are lower. High cost remedial work and construction costs, coupled with lower house prices, make many sites too expensive to develop, even with cross-subsidisation from higher value sites within Bolton. As such, there is growing interest in metro-level solutions. New models of delivery are being explored that would ensure the development brownfield sites.

## **Wider lessons**

The Bolton Community Homes case study provides several lessons for council and housing associations collaborating:

- Housing supply is complicated, requiring the engagement of multiple organisations (e.g. residents, planners, developers, etc.) at multiple levels (council, metros, HCA, Government, etc.). Through a single point of contact, BCH brings these stakeholders together to increase housing supply.
- Strategic collaboration benefits from a formal structure, which ties together senior staff with decision-making powers, and ensures ongoing engagement.
- Strategic collaboration should draw on place-based services ensuring that the expertise and values of housing associations are reflected in the development of place-based strategies and initiatives.
- Strategic collaborations can also involve senior housing officers in the networks of decentralised public services, such as Health and Wellbeing Boards and Clinical Commissioning Groups. As such, it provides a voice for smaller housing associations in the increasingly complex governance of localities.
- Moreover, strategic collaboration links together local council and housing association staff with metro and national-level programmes. Establishing closer links with a wider range of organisations can help to ensure that housing providers benefit from national and decentralised programmes that are likely to increase in both the short and medium term.

## **Case Study 2: The Gateshead Regeneration Partnership**

### **Background**

Like many parts of the North East, Gateshead has suffered from a surplus of small, poor quality homes, mainly in the private rented sector. In the urban core, the 'Tyneside flat' model prevails – two-storey Victorian terraced homes split into two small flats. In certain neighbourhoods, private rented sector properties dominate, with 'absent landlords' failing to manage or address problems, and little housing choice for growing families. Due to reduced government grants and the cap on public sector borrowing, the council had to find an innovative solution to overcome housing market failure and provide the homes Gateshead needs.

### **Area of focus**

The Gateshead Regeneration Partnership (GRP) responds directly to the challenge of providing affordable, quality homes that retain people in the area. Regenerating specific sites is the driving force for the council and the Joint Venture Partnership (JVP) model was thought to be particularly beneficial to achieve this. The JVP is made up of Gateshead Metropolitan Borough Council, Home Group (a national housing association) and Galliford Try (a construction firm). The board is made up of eight members – four from the council, two from Home Group and two from Galliford Try. The Council provides land on a deferred payment mechanism, Home Group manages the affordable rent and shared ownership programme, and Galliford Try manages 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. 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. The first bundle is made up of three sites: Saltwell, Deckham and Birtley Northside. 16 affordable rent homes in Deckham have already been built; 99 homes in Saltwell are due to finish this year; and 194 homes on Birtley Northside will finish in 2020. All affordable homes in Saltwell are currently occupied.

### **Achievements**

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 homes are tenure-blind; affordable rent homes sit adjacent to market properties and are built to exactly the same standards. Each area also has a small budget for art.

Providing homes suitable for families has encouraged people to return to certain areas that had limited housing choice, and the design quality and space standards have helped attract people to areas previously seen as deprived. One third of the people who view homes end up reserving or making an offer. Through diversifying the tenures within an area, the GRP is increasing spending power for the local high street, giving shop owners confidence to invest in their businesses, bringing in council tax revenue and increasing diversity. A further benefit to Gateshead is that the GRP improves employment and skills by providing a long-term pipeline of jobs, requiring that 25% of workers and 25% of the supply chain are from the local area.

## **Success factors**

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 and pragmatic approach to the regulatory planning process. A dedicated officer works across the partnership to sustain good relationships and provide the 'conduit' to overcome blockages within the process. Home Group brings long-term stock management experience and experience of shared ownership. Galliford Try brings knowledge of site viability and delivery issues, building costs, the construction process, subcontracting, and management and sales through its Linden Homes brand. Although all partners are very different, the JVP approach means any problems are resolved quickly due to each partner having a stake in its success.

The bundling model is important to make the cost of regeneration viable in areas that have high need for good quality homes. The JVP acknowledges that the bundles are a work in progress and have needed rearranging to ensure there are sufficiently high value sites that can cross-subsidise lower value sites. For the council, the regeneration is just as important as a revenue return.

The JVP provides a pipeline of work across 19 sites which is attractive to developers, as it provides certainty through 'longevity'. This also means that the overheads are lower, with less work in finding sites for new developments. The lower overheads compensate for the relatively good-value-for-money nature of the homes. This also means higher levels of recruitment and retention.

## **Challenges and how they were overcome**

Entering a JVP always comes with a series of risks which must be managed appropriately. Council members work closely with officers in order to hold the developers to account on their progress, while also being pragmatic and solution-focused. JVPs are also vulnerable to market conditions and shifts in demand. However, the JVP works at a very local level and both council officers and politicians have an in-depth understanding of local demand for different types of homes, meaning the GRP builds what families need.

The homes are all built on brownfield sites but the JVP did encounter significant issues with land contamination – Victorian utilities and the area's industrial heritage. The scale of land contamination was not fully understood at first, and shows the need for a rigorous survey ahead of any binding financial commitment.

In Saltwell, persuading the community of the need for this scheme was a challenge for the council, especially because of the connotations of the word 'demolition'. The council indicated that engagement through large public meetings can be difficult; local opposition can intensify during public meetings, where rumours can spread rapidly. Providing residents with precise information about the nature of the scheme on a one-to-one or small drop-in basis across a range of venues sensitive to cultural requirements can be more constructive. Latterly, the partners can report that the JVP provides positive outcomes for the community by requiring that at least a quarter of its jobs go to Gateshead residents, and the developers reach out to schools and community groups.

## **Wider lessons**

The experience of the partners provides some significant lessons for councils and housing associations and all partners who may be involved in a local authority-backed JVP:

- The council's achievement shows the opportunity of a JVP to improve the quality of homes for people and to build in the wider social outcomes from the start. It recognised that using its land assets had wider value, beyond the upfront value.

- JVPs are an opportunity to build in quality and community need from the start in areas that have historically been deprived. Housing is not just about numbers, but quality too.
- There is a need for a rigorous survey before financially committing to development on a site, otherwise land contamination is a considerable risk, which can delay a project significantly and incur more cost.
- An important asset for the GRP has been an officer who coordinates relationships across the partnership and helps to overcome blockages within the planning process.
- The council has several 'lessons learnt' when it comes to community consultation. This can be more effective through a one-to-one drop-in approach, rather than a large group meeting. Being honest and providing information about the intentions of development is key to win over local opponents.

**For housing associations and other developers:**

- Although JVPs are not always as profitable as other developments, this is compensated by long-term contracts and a reduction in overheads.
- All partners need to have realistic expectations about the time it takes to go through the planning process and start development.
- Developers should be aware that the planning process will not be less stringent because the council is involved – if anything, it will be more comprehensive.

**On branding and 'image':**

- The regeneration was, at its core, about improving quality in a substantial way. However, branding was a consideration when it came to promoting the new builds. As such, the council logo does not appear anywhere on the promotional material or the sites themselves.
- All partners felt they could do better in publicising how the GRP and its partners hold a strong sense of social responsibility by shouting louder about its role in employment and skills development.

## **Case Study 3: Essex Housing: Expanding the definition of best value**

### **Background**

Essex Housing recognises that housing is a cross-cutting issue that transcends multiple policy areas including health, social care, police and probation. The organisation also feels that all of these benefit from the availability of safe, secure and suitable homes for the most vulnerable. However, a common barrier to providing affordable and specialist housing is the availability and affordability of land – and this has become a focus of their work.

### **Area of focus**

Essex Housing is a new function, which has been operational since April 2016. It is hosted by Essex County Council on behalf of a range of public sector partners. The Essex Housing model was developed through the Housing and Public Sector Land Project (HPSLP), which originated as a flagship project within Essex's Community Budget programme in 2013. The project was driven by involvement and engagement with public sector partners who were aware that more can be done with their assets by taking a stake in the development process and keeping more control.

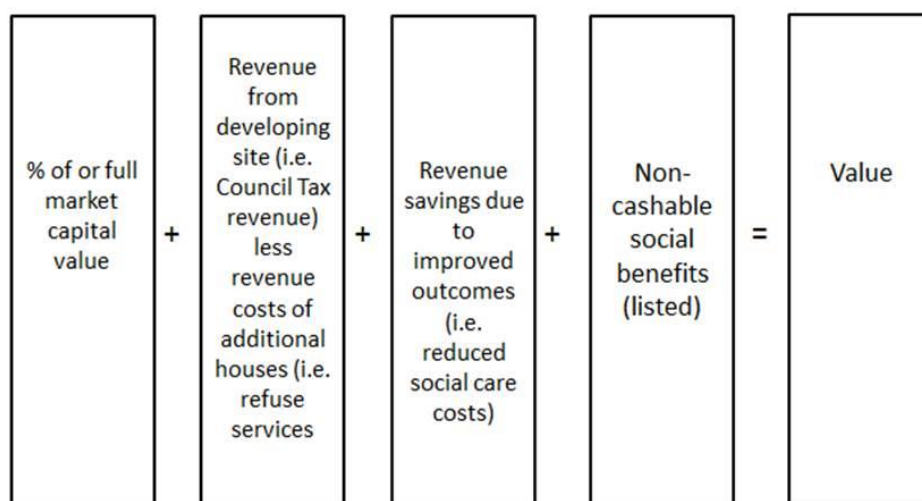
### **Achievements**

One year in, Essex Housing is delivering 12 live schemes (detailed design and development) which will result in around 450 new homes. The function develops a mixture of specialist accommodation which includes provision of appropriate housing for older people and people with learning disabilities, and private housing for market sale or rent. It focuses on sites which are either already vacant, or under-utilised publicly-owned assets. Given that many of the sites are in public ownership it is important that best value is achieved.

Essex Housing manages the entire end-to-end development process, starting at the point of land identification. It undertakes design, secures planning permission, oversees contractor build, and oversees the sales and marketing of completed schemes. Some sites are sold outright as market homes to generate capital receipts, while some are specialist units which are disposed to providers whilst retaining nomination rights into the schemes. This allows public sector partners to target the schemes at those who are often in expensive accommodation which does not best meet their needs. This has the combined effect of improving outcomes for residents whilst potentially generating revenue savings to service delivery budgets.

### **A holistic approach to land value**

Essex Housing facilitates savings across different services through taking a holistic approach to value (demonstrated in the below table). In using land to provide specialist housing for older people and those with learning disabilities, Essex Housing generates savings against the county council's social care budget. If it could not provide people with homes appropriate to their needs, the council may have to place people in 'high need' accommodation that is not right for them, or house them out of the county. Both options are less beneficial for individuals, and expensive for the county.



Outline of the value model, courtesy of Essex Housing

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. Reducing reoffending is strongly associated with stable housing. The example of Essex Housing shows local public services should consider the wider holistic value of land rather than selling it outright on the open market.

For housing authorities in Essex, the project provides an opportunity to address their housing responsibilities and generate an ongoing revenue stream through rental income. On the other hand, some partner authorities may decide it makes more sense for them to hold onto land and wait for it to rise in value.

### **Success factors**

It is important to engage local decision makers on the benefits of this approach. It is key to balance the need to generate funds in the short term against taking greater risks for greater returns later on. However, selling land is not always straightforward. In some cases, organisations may try to sell land for many years and even when sites are sold subject to planning permission, the process often takes time to achieve.

### **Challenges and how they were overcome**

A more direct involvement in housing development is a new area for Essex as a county council. However, Essex Housing has appointed a team with extensive private sector development experience. This experience helps to mitigate the challenges of the development process that could slow the whole process down, such as ecology issues on sites and public objections.

While some of the specialist housing may make a capital loss (viewed through their profitability as homes alone), the annual revenue saving for social care alone could be significant. Revenue savings and scheme surplus need to be considered together to provide the genuine scheme value.

## **Wider lessons**

- The example of Essex Housing shows how councils and other local public services should consider the wider holistic value of land as well as its value on the open market.
- Local authority and combined authority leaders should encourage other public sector bodies that own land to consider the benefits of adopting this approach.
- Local authorities should consider the benefits of involving housing associations, who can offer expertise on supported housing management and outcomes.

## **Case Study 4: Greater London Authority: Small Sites, Small Builders initiative**

### **Background**

The Greater London Authority (GLA) plays a key role in housing supply with powers over land, planning and housing investment. Typically, these powers focus on the larger sites that can deliver large numbers of new homes. However, the GLA is also seeking to ensure the development of small, publicly-owned sites, such as garages, disused buildings and land adjacent to stations or road schemes.

Many small sites are owned by public bodies such as councils, the NHS, the police, and, in London, Transport for London. However, public landowners have limited resources, and these resources often focus on the development of larger sites with elaborate development agreements with partners procured through an Official Journal of the European Union (OJEU) process. Given the complexities of this, there is a temptation to dispose of small sites through auction, which requires very little resource, but provides very little control over the buyer, and the quality or rate of any development. As such, small sites are sometimes 'banked' or traded repeatedly before they are developed.

Over the last decade, output from small sites has declined by 50%, and the number of small developers by 66%. Yet the GLA estimates that small sites could provide up to 25% of housing capacity in London. The development of smaller sites suit the needs of smaller developers including small housing associations, who often have an appetite to develop but lack the capacity to secure land in a competitive market, or engage in complex public sector procurement processes.

### **Area of focus**

The GLA's 'Small Sites, Small Builders' initiative is a new collaborative approach to small site development that will increase housing supply through working with smaller developers. Small housing associations with latent power of development have a significant role to play. This initiative is a new approach that aims to increase housing supply by helping small developers, housing associations and community-led organisations to overcome these barriers.

The GLA's Small Sites initiative has four key elements:

#### **Competitive disposal incentivising development**

The new approach seeks to balance the convenience of land auctions with the control of a development agreement. The competitive disposal of land ensures that landowners receive a good price on land sales while drawing on innovation in the market. Indirect influence over development quality and delivery is achieved through the sale of long leaseholds. This allows 'restrictive use covenants' to be inserted that limit what the new landowner can do with the land. In this case, a restrictive covenant could include using the land for at least 50% affordable housing, which will inevitably lower the value of offers received for the site, and require disposal at 'less than best consideration'. There are also provisions for the public landowner to terminate the lease and take the land back if development has not reached a certain milestone by an agreed date.

#### **Surveys and constraints**

The GLA's initiative can help public landowners and small developers through the provision of technical services and capital funding. The GLA can achieve economies of scale by commissioning a full range of technical surveys on behalf of London's public landowners. A clear understanding of site

constraints reduces uncertainty and risk for small developers, and encourages more realistic offers, making delivery more likely.

The GLA's initiative can also help to 'unlock' sites through the provision of capital funding where surveys have uncovered constraints or a need for remedial work that could make the site unviable.

### **Standardised contracts**

The GLA can help to ensure the development of smaller sites through marketing and the provision of clear, standardised contracts that reduce the need for lengthy site-by-site negotiations. Offers are made 'subject to planning'. The full lease is not given until the developer secures planning permission and demonstrates finance. This means that the landowner retains the site until there is a good chance of development coming forward, and this also reduces some risk for the developer who does not need to pay for the site up front.

### **Site identification**

The GLA can help public landowners to map and evaluate their land holdings, and aims to encourage Londoners to suggest potential sites using an interactive map. The latter initiative seeks to tap into community-led housing groups and engage YIMBYs (Yes in My Back Yard). YIMBYism is a growing movement that opposes the better known NIMBYs by supporting new housing, typically in cities where housing has become unaffordable.

### **The role of smaller housing associations**

The GLA and members of the g320 group of London's smaller housing associations are collaborating to increase the supply of general needs and supported housing in London. Historically, the GLA's Housing and Land service has concentrated on large sites and grant distribution at the expense of smaller sites and smaller providers. Consequently, the GLA has not always been aware of the potential of small sites and small housing associations.

At the same time, smaller housing associations have been sitting on a latent capacity to develop owing to their ownership of stock, low debt levels and ability to borrow. Smaller housing associations are also increasingly committed to housing development as a means of ensuring their ongoing independence through a strengthened income base and managed growth that will retain their ethos. As there is not a steady stream of development opportunities, smaller housing associations rarely have the necessary skills to develop in-house, and require the outsourcing or collaborative sharing of these functions with housing associations.

### **Wider lessons**

- Similar initiatives could be rolled out in other combined authority areas to unlock the potential of small sites and small developers nationwide.
- The GLA's Small Sites initiative provides a blue print for how local and combined 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.

- The initiative shows a constructive way to engage the public on development and harness the influence of YIMBYs, by encouraging the public to identify potential sites for development.
- Government could consider integrating the principles of the Small Sites initiative into national programmes, such as One Public Estate.