

Gloucester City Council

Meeting:	Cabinet	Date:	17 June 2015
Subject:	Affordable Housing Partnership and the selection of preferred Registered Providers for JCS Strategic Sites		
Report Of:	Cabinet Member for Housing and Planning		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	1. Affordable Housing Partnership Terms of Reference 2. Preferred Partner Evaluation Criteria (draft) 3. Consultation Feedback		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 The purpose of this report is to brief Members and seek approval for the creation of an affordable housing partnership and to undertake the selection of preferred Registered Providers to deliver homes in the strategic allocations of the Joint Core Strategy area. The homes to be developed will be within Cheltenham and Tewkesbury's boundaries and will contribute toward meeting Gloucester's unmet housing need.

2.0 Recommendations

2.1 Cabinet is asked to **RESOLVE** that:

- (1) An Affordable Housing Partnership with Cheltenham Borough Council and Tewkesbury Borough Council to oversee the delivery of affordable homes across the Strategic Allocation Sites within the Joint Core Strategy area over the JCS Plan Period be approved.
- (2) Authority be given to the City Council to establish a list of preferred providers of affordable housing for a period of up to 5 years across the Strategic Allocation Sites within the Joint Core Strategy Area jointly with Cheltenham Borough Council and Tewkesbury Borough Council.
- (3) Authority be delegated to the Housing Strategy & Enabling Service Manager to evaluate and select Preferred Providers for the delivery and/or management of new affordable housing on the Strategic Allocation Sites, noting that the selection will be carried out jointly with Cheltenham Borough Council and Tewkesbury Borough Councils and

that the Councils will enter into a memorandum of understanding with the preferred providers.

3.0 Background and Key Issues

3.1 The Joint Core Strategy (the JCS) details the requirement to plan for approximately 30,500 new homes across the JCS areas of Gloucester, Cheltenham and Tewkesbury over the plan period to 2031. This plan includes provision to support the otherwise unmet housing needs of Cheltenham and Gloucester. Specifically, the plan includes a number of Strategic Allocations (as detailed in Part 3 of the Joint Core Strategy) which will contribute towards meeting the housing needs (including the affordable housing needs) of the urban authorities.

3.2 It is proposed that an Affordable Housing Partnership made up of the three Local Housing Authorities across the JCS area is formed to oversee the delivery, allocation and management of affordable housing delivered on the Strategic Allocations. The formation of such a partnership is supported by the Joint Core Strategy at paragraph 4.13.11 (pg.93 of the submission version).

3.3 The aim of the Affordable Housing Partnership will be for the three Authorities to work collaboratively to oversee the delivery of new affordable homes and to agree cross-boundary lettings arrangements. Once agreed these new lettings arrangements will then be brought back to cabinet for approval. The Affordable Housing Partnership's outcomes will be as follows:

1. To maximise the delivery of new affordable housing and to ensure the unmet affordable housing needs of Cheltenham and Gloucester are supported by the Strategic Allocations.
2. To create a framework that enables new communities to become and remain cohesive and sustainable.

4.0 Alternative Options Considered

4.1 Leave it to the open market to decide

An alternative option is to allow RPs, regardless of their track record in housing management and community involvement to make bids to developers on the Strategic Allocations independently of each other or within consortia of their own making. By allowing this the Local Authority would have no influence in determining which RPs are successful in their bids to developers. This is undesirable as it may result in RPs being selected by developers who are strong on the delivery of new affordable housing, but are potentially weak in terms of their housing management and community involvement capabilities.

There is also a potential lost opportunity for strategic alignment and joint working between RPs who are successful with their bids to developers and their local housing authorities

4.2 Select one RP/Consortium for the whole JCS area

This approach may have some advantages in that by having a smaller number of RPs to work with it will be easier for the Partnership to agree on some or all of its priorities. This would however also bring greater risks in that developers are less likely to work with the RP/consortium if there is no other competition within the Partnership.

5.0 **Reasons for Recommendations**

5.1 The rationale for selecting a number of Preferred Providers to deliver and manage the homes and communities within the Strategic Allocations is to 'raise the bar' and prevent a 'free for all' from Registered Providers of any standard competing for the delivery of affordable housing in these areas. Capacity to deliver new affordable housing competitively is important – but equally important is the ability of RPs to invest in developing and sustaining strong and resilient communities both during and after development is complete.

5.2 RPs selected as having Preferred Provider status will have demonstrated to the Local Authorities' satisfaction that they can deliver and manage affordable homes and their communities to an acceptable standard. This will in turn provide the Authorities with confidence that the Partnership's outcomes can be met.

5.3 As outlined in 3.1 the JCS details the requirement to plan for approximately 30,500 new homes across the JCS area over the plan period to 2031. In order that a balanced housing market is achieved across the JCS area it follows that any future housing provision will also include an element of affordable housing and the JCS sets out a common Affordable Housing Policy (SD13), which seeks 40% affordable housing on sites of 10 or more residential units.

5.4 Given that some of Cheltenham and Gloucester's future affordable housing requirements will be provided on Strategic Allocations falling within Tewkesbury boundaries, it is necessary that a Cheltenham, Tewkesbury and Gloucester Affordable Housing Partnership is established to oversee the delivery, allocation and management of affordable housing on the proposed Strategic Allocations.

The formation of this Affordable Housing Partnership is supported by the JCS at paragraph 4.13.11 (pg.93 of the submission version).

5.5 **The Affordable Housing Partnership (the Partnership)**

The aim of the Partnership is to bring about a collaborative approach to overseeing the delivery of new affordable homes within the Strategic Allocations, and to monitor and review cross-boundary lettings arrangements. The Partnership outcomes are outlined in 3.3 above.

5.6 Registered Providers (RPs) can play a key role in creating communities that are cohesive and sustainable, and it will be expected that RPs will take a

strength-based approach to their work focussing in particular on the following outcomes:

- supporting tenants into education, training and employment,
- promoting financial and digital inclusion
- reducing fuel poverty
- reducing social isolation
- promoting community engagement
- tackling anti-social behaviour
- tackling poor waste management by tenants

5.7 The Partnership will seek to ensure that RPs wishing to deliver and/or manage new affordable housing on the Strategic Allocations can support these outcomes. A key mechanism by which these outcomes can be achieved will be through the proposed Preferred Provider arrangements.

5.8 Preferred Provider Arrangements

RPs with an interest in providing and/or managing new affordable housing within the Strategic Allocations will be invited to bid for Preferred Provider status, and will be selected according to the evaluation criteria detailed in Appendix 2 of this report. This includes but is not limited to evaluating:

- Their capacity to deliver new affordable housing across relevant sites
- The strength of their housing management capabilities
- Their ability to engage and involve local communities so that they can become and remain cohesive and sustainable

5.9 RPs selected as Preferred Providers for the Strategic Allocations will be invited to join the Affordable Housing Partnership and together with the Local Housing Authorities they will work towards achieving the Partnership's outcomes, as detailed within Section 3.3 above.

5.10 Preferred Providers within the Partnership may then (if they wish) chose to enter into consortium arrangements with other members of the Partnership. RPs intending on entering into a consortium arrangement will be given the opportunity to clarify their intentions as part of the Preferred Provider Evaluation Process. It is therefore plausible that the Partnership will be made up of one or more consortia, as well as one or more other RPs working independently and in direct competition other providers within the Partnership.

5.11 Developers will be asked to work with any number of Preferred Providers within the Partnership. This competitive element will ensure that developers will still receive a competitive price for the affordable homes, and this in turn will increase the likelihood of developers agreeing to work with our Preferred Providers.

5.12 There is also a potential lost opportunity for strategic alignment and joint working between RPs who are successful with their bids to developers and their local housing authorities

5.13 Consultation and feedback

The formation of the Affordable Housing Partnership and the proposed selection of Preferred Providers are supported by the JCS Cross Boundary Programme Board, which is made up of Chief Executive Officers from the three Local Authorities.

- 5.14 Consultation has been undertaken with developers and their agents who have an interest in the strategic allocations (See Appendix 3). The one agent (Respondent 9) that provided formal feedback was unsupportive of a preferred provider approach for a number of reasons, some of which related to the robustness of the Strategic Housing Market Assessment - which will be dealt with separately through the Joint Core Strategy Public Examination, whilst other concerns were around their belief that by restricting competition this would by definition affect scheme viability. Advice from the Partnership's consultant who was recruited to consider consultation feedback is this developer's view about scheme viability being automatically affected is without justification. Nevertheless, it is important for the Partnership to find ways of working constructively with all relevant developers, so we will look to modify our approach regarding the recruitment of preferred providers in light of these comments, for example by advertising more widely for expressions of interest. (Please see the Local Authority response to Respondent 9. At the time of writing, contact has been made with two other local authorities, who did pursue Preferred Partner arrangements and the advice provided by them was to keep the process inclusive and not overly bureaucratic. Suggestions have been made to talk to other Local Authorities including Hereford, and so far a response hasn't been obtained, but this will be pursued further ahead of progressing with the preferred partner process).
- 5.15 The Partnership has also received informal feedback from other developers who have been more open to our proposed approach. They have seen the benefits that a preferred provider approach can bring to the long term sustainability of an area and that this can support the saleability of their market housing in later phases.
- 5.16 Consultation has also been undertaken with Registered Providers currently owning or managing stock within in the JCS area. All those who fed back are broadly supportive of our approach, although some have made comments about the draft Evaluation Questionnaire which we will therefore review prior to us inviting expressions of interest.

6.0 Future Work and Conclusions

Performance management –monitoring and review

- 6.1 The Partnership will meet on a regular basis (initially monthly) to oversee the implementation of its outcomes. The Partnership will undertake an annual review of progress against its outcomes and priorities.
- 6.2 The Preferred Provider arrangements will be reviewed at least every 5 years or as agreed by the Partnership (and subject to Cabinet approval).

7.0 Financial Implications

- 7.1 Up to £3500 has initially been made available from the Housing Strategy & Enabling budget to contribute towards financing the provision of an external consultant to assist in:
1. Evaluating consultation feedback from developers and Registered Providers on our proposed approach to selecting Preferred Providers, and;
 2. Assessing the submissions made by Registered Providers applying to become the Local Authorities' Preferred Providers.

The costs of the consultancy work will be met jointly by the three Local Authorities, with Cheltenham Borough Council and Tewkesbury Borough Council also each contributing a maximum of £3,500.

Registered Providers that are successful in becoming Preferred Providers will also each be required to pay a £500/year membership fee to help contribute towards the costs in setting up these Preferred Provider arrangements along with ongoing running costs. Total costs incurred will be reviewed annually and reported to Preferred Providers via the Affordable Housing Partnership

The Department of Communities and Local Government has also awarded Gloucestershire County Council Capacity Funding, of which £15000 has been made available to Cheltenham and Tewkesbury (in whose area the strategic allocations exist) to assist in the delivery of affordable housing Allocations. It has been agreed with the County Council that this funding will be used by the three Local Authorities to support the delivery of the Affordable Housing Partnership's outcomes.

(Financial Services have been consulted in the preparation this report.)

8.0 Legal Implications

- 8.1 Key points:
The establishment of a list of preferred housing providers is not a procurement which is covered by the Public Contracts Regulations 2015 but the councils will carry out a selection process following their respective contract procedure rules.

The councils will enter into an agreement with the chosen registered providers which will set out the objectives and roles of the registered providers. As the registered providers are not providing a service to the council, a formal legally binding agreement will not be prepared; instead there will be a memorandum of understanding between districts and Registered Providers.

A Partnership Agreement between the three local authorities will be entered into which governs how the partnership will work. The term of the agreement will be until 31st December 2031. It will not be a partnership in law and it will not be a legal entity in its own right.

The council cannot insist that developers work with preferred providers to deliver their affordable housing obligations; developers are able to put forward alternative providers to the council.

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(Legal Services have been consulted in preparation of this report)

9.0 Risk & Opportunity Management Implications

9.1 Two key risks have been identified

1. If the Local Authority evaluates and selects Preferred Providers, then one or more Registered Providers with a strong strategic interest in delivering new affordable housing on the Strategic Allocations may not be selected

Risk reduced as: All RPs who own or manage housing stock within the JCS area have been consulted on the formation of the affordable housing partnership and its approach to selecting its preferred providers. Through this consultation process RPs have helped to inform the approach being proposed

An external consultant has been appointed by the three Local Authorities to advise and assist in the selection of Preferred Providers and to ensure that these decisions can be defended robustly.

The pass mark for selection has been set as 'satisfactory' overall. High performing RPs should therefore be accepted, provided their submissions are undertaken diligently

2. If the Local Authority selects Preferred Providers, then developers may decide not to engage with them and instead award contracts to other Registered Providers

Risk reduced as: all developers and their agents with an interest in the Strategic Allocations have been consulted on our approach to selecting preferred providers. Our proposed approach takes into account the priorities of the developers and seeks to find a common ground that ensures a competitive arrangement is maintained, whilst also ensuring that the key strategic outcomes of the Authority are supported.

A requirement for developers to work with the preferred providers will be sought as part of the s106 affordable housing negotiations

10.0 People Impact Assessment (PIA):

- 10.1 The proposals do not affect any wards in the City directly, although indirectly they will assist the City in meeting housing need in the future which will be beneficial.

- 10.2 In terms of applicants with family connections or disability issues, it might be seen that such allocations into neighbouring district boundaries would create a dis-advantage. For clarification, the intention is for the Choice Based

Lettings (currently Gloucestershire Homeseeker) to still deal with all future allocations, including allocations to any property re-lets or new units that may become available in parallel within the City boundaries. It must be understood that the reason for working across boundaries is that the ability to supply new homes across the city will be less as land availability decreases, although regeneration and re-use of land will still present opportunities.

11.0 Other Corporate Implications

11.1 None directly due to the development taking place within Tewkesbury and Cheltenham boundaries.

Background Documents:

Joint Core Strategy