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GUIDE SUMMARY

# BUILDING BRIDGES

A guide to better partnership working between local authorities and housing associations.



Advisers



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# Guide Statement

**The housing crisis is as serious as it has ever been and the economic, social and political landscape remains unstable and unpredictable.**

In such an environment the pressure on local authorities and housing associations is profound, and effective joint working is crucial to make sure people in our communities receive the housing support they need.

Both sets of organisations share a strong common vision and purpose to provide much-needed affordable housing- and this guide highlights key areas to focus on to help them maximise what they can achieve together.

The recession and subsequent cuts to local authority funding leading to housing organisations taking on services traditionally provided by

councils, the proposed sale of high value assets, the increasingly challenging funding environment - all of these things and more have put the relationship between local authorities and housing associations under a significant degree of pressure at a time when the need for a positive working relationship is vital.

Meanwhile the government has recognised the need for all organisations to play a part in solving the housing crisis and the need for local authorities and housing associations to work together to deliver its vision to fix the broken housing market.

We think this is a crucial time to establish what the key challenges to the relationship between local authorities and housing association are, how changes in policy and practice could improve this and, crucially, to showcase best practice examples of these organisations working together.

It is very clear from the guide that the landscape remains a challenging one and that there are things that the government can consider to ease the pressure.

But the guide also showcases some innovative and extremely successful examples of partnership working and highlights the potential of this work to meet housing need, in spite of the many challenges both sets of organisations face.

Thank you to the many people from across the housing sector who played a part in putting the guide together- your expertise, honesty and willingness to share your work made this guide possible.

We hope you find Building Bridges informative and useful.

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# Introduction

Local authorities and housing associations share a common purpose: to ensure that the communities they serve have access to good quality, affordable housing. By working together effectively, they can achieve far more.





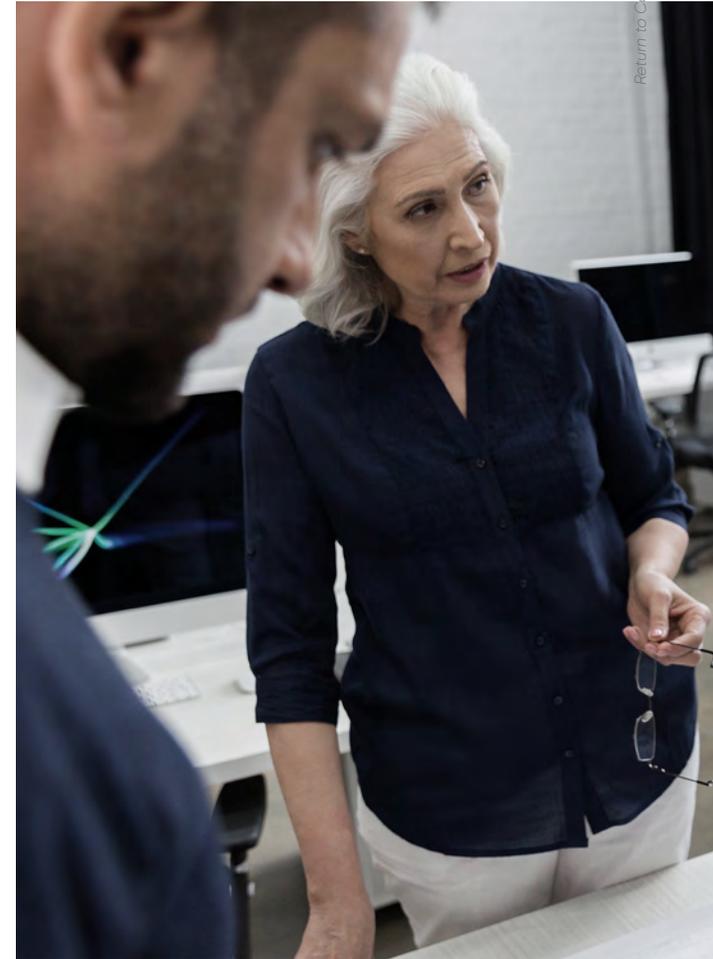
This guide summary sets out the main findings from *Building Bridges – A guide to better partnership working between local authorities and housing associations*. It summarises the operational context for, and the challenges facing, effective partnership arrangements. It then sets out recommended action points covering four key areas which, our research indicates, determine whether relationships work well:

- leadership and partnership culture
- land and housing supply
- allocations and homelessness
- affordability and rents.

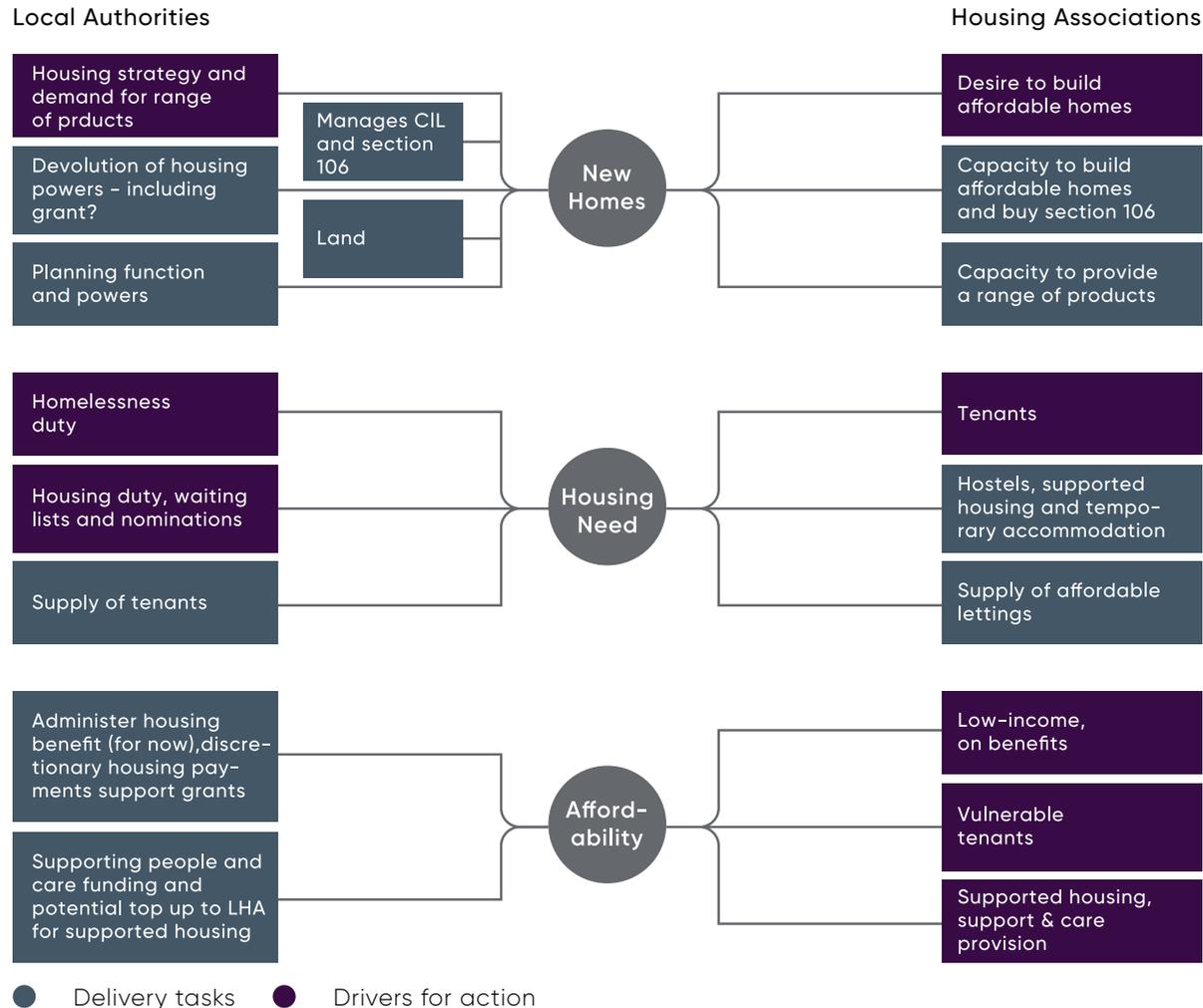
This summary report and the full guide draw on multiple good practice case studies, extensive discussions with practitioners and new proposals developed by the authors. They follow CIH's recent regional roundtables with leaders from both local authorities and housing associations, reported in *Working together to meet housing need* (June 2017).

# The challenges for partnership working

Local authorities and housing associations vary in size, operation, and geography. They face different challenges and work in different ways to overcome them. The range of inter-related activities on key housing issues is set out in the chart. In addition, many housing associations support local authorities' place-shaping, economic development, public health and social care roles.



Key housing interactions between local authorities and housing associations



Successful and sustained partnerships between local authorities and housing associations were common in the decades before the financial crash ten years ago. Since then, changes in government housing policy have created a more challenging operational environment and, in some cases, relationships have become more strained. Funding for and investment in housing has declined. The smaller pots of housing investment available have been redirected towards new build at higher rents or for homeownership. While many housing associations have continued to supply housing at social rents through cross-subsidy from their surpluses and from market sales, there has been a significant change in the balance of new supply they deliver.

The result has been a growing gap between local authorities' responsibility to house people in the greatest housing need and the ability of housing associations to build or let at rents that those in need can afford. This has forced many local authorities to rely more heavily on the private sector in homelessness prevention cases or for temporary accommodation.

Cuts in day-to-day services have also created some tension. Both sectors have seen reductions in income because of government austerity policy and have had to reduce services in response. Local authority cuts have affected the key planning and enabling functions on which housing associations depend to deliver new development. This has caused frustration among those keen to boost housing delivery.

Relations have been further challenged by government-led initiatives such as the conversion of social rent lettings to higher Affordable Rents, welfare reforms affecting tenants' ability to afford social housing and the current proposal to fund the voluntary right to buy by the sale of higher-value council assets.

Housing associations have a strong ambition to build and have succeeded in sustaining overall housing supply. In doing so, they make a significant contribution to meeting a new and growing type of housing need – from working and middle-income households

increasingly frozen out of homeownership. While housing associations enjoy more financial freedom and have options to work in areas more favourable to their businesses, local authorities are more constrained financially and geographically. One response has been the drive towards devolution, which enables councils to work in partnership across wider areas such as city regions.

Another has been a more commercial outlook among local authorities. They increasingly seek to sweat their asset portfolio, for example via long-term joint ventures where they share risk and reward, lease land rather than sell it, share the benefit of rising land and property values, and generate a revenue stream to compensate for reduced government revenue funding. Over 100 local authorities have set up local housing companies (LHCs) to add to new supply and, in many cases, to secure a revenue return from new housing.

Some associations are concerned that local authorities will in future direct much of their (limited) development land and planning gain arising from private housing development to their own commercial ventures, rather than to their traditional housing association partners. Councils fear that the gap between the numbers of genuinely affordable homes they need and what housing associations supply will grow still further given that housing associations are themselves exploring new markets.

In a number of areas, close working relationships have been undermined, creating tension and in some cases a loss of trust between local authorities and housing associations. There are also many examples of effective partnerships and innovative ways to address the challenges which work for both parties. These are the focus of the guide, which argues that authorities and associations can manage and mitigate current difficulties and cultivate the new era of partnership working that the housing crisis demands.

## The 'state of play'

Local authority and housing association partnership working sits in a complex and shifting operational context, which includes:

- Housing supply – supply of new build is failing to keep pace with demand – to do so, production must exceed current central government targets by 50%.
- Insufficient investment in homes affordable for the lowest income groups – 79% of government housing investment is currently directed towards the private market.
- Decline in new lettings at social rents – due to the combined impact of right to buy, demolitions and conversions of existing lettings to higher Affordable Rent.
- Increases in homelessness, rough sleeping and destitution – councils face pressures to find temporary accommodation and to intensify their efforts to prevent homelessness.
- Affordability as a worsening problem for all renters – both private and social.
- Social rent cuts – have marginally improved affordability for tenants not claiming benefits but have led to reduced forward investment, especially by local authorities.
- Welfare cuts – low-income households, especially under-35s and lone-parent families, face increasing difficulties in meeting their housing costs even in the social housing sector.
- Private renting fills the gap – but is much less affordable and the loss of a private rented tenancy is the fastest-growing source of homelessness.

# Leadership and partnership culture

Partnership working is fundamental to meet and manage housing need and demand. Successful partnerships depend heavily on good relationships between key leaders in local authorities and housing associations, and amongst their staff. A common view among those consulted for this research is that 'if the leadership is effective, problems can be solved and new opportunities secured'. For this reason, we address partnership-building and leadership as a single topic that underpins the action needed to tackle the other issues covered.

Recent sector changes have affected partnership working. Many housing associations are now larger bodies, working across multiple local authorities and having to prioritise their business plans and lender requirements, with less capacity and focus on engagement with partner

authorities. At the same time, councils may have absorbed housing functions into corporate directorates, with fewer specialist and knowledgeable staff. Partnerships are harder to achieve in this context but are essential if wider housing issues are to be successfully tackled.

## Key recommendation to the sector 1:

*Local authorities and housing associations should increase their level of engagement in fostering good working relationships.*

Our research found the common features of an effective working relationship are:

- Visibility, clarity, and accountability. This requires visible commitment to joint working, at the highest level. Regular, planned and well-structured meetings between leaders are essential, as are specific named senior contacts available to act as ‘trouble shooters’ when things go wrong at a local level.
- Empathy and joint problem solving. Councils often know little of the pressures on housing associations, and vice versa. Where parties do not understand each other’s challenges in-depth, actions may appear inexplicable or hostile. Ongoing bilateral work at senior and middle management levels can remedy this difficulty and is best focused on tackling issues of mutual concern – such as allocations, rent affordability, managing the impact of welfare reform and so on.
- Compromise and flexibility. Joint problem-solving will involve negotiation in which each party will need to protect its interests. Frank and honest (and sometimes difficult) conversations, leading to mutual compromise and trade-offs underpin all successful partnerships.
- Pooling and sharing resources. Both councils and housing associations have limited resources relative to the demands upon them. Sharing resources can, for example, involve joint funding of local authority enabling posts, shared technology, data, market analysis, regional land availability studies, and so on.
- Closer working relationships between local authorities, and between housing associations at a local authority or sub-regional level. This can, for local authorities, involve city region combined authorities, sub-regional planning strategy, infrastructure provision and so on. For associations, it can involve

combined regeneration bids, sub-regional lobbying and research and the sharing of development capacity.

- Shared sense of purpose. This needs to involve councillors, council staff, tenant representatives, housing association board members and staff – and where possible external agencies such as the DCLG, HCA, GLA, NHS and so on. A shared sense of strategy is a good place to start.



Good practice case studies demonstrating effective and innovative partnership working are featured throughout the main guide.

The key issues that leaders will wish to focus on are land and housing supply, allocations and homelessness and affordability and rents which are set out in the sections below.

# Land and housing supply

Although housing shortages vary around the country, all local authorities need to secure an increased supply of new housing. Some of this will be for market rent or sale, or low-cost homeownership, but in most areas the greatest need is for low-cost rented housing.





*What are the constraints on delivering more homes?*

The first is land. Planning and enabling functions in many authorities are not delivering private or public land at the pace or price required to meet demand. Access to private land is getting harder, local authorities' own land may be insufficient and the use of other public land is not straightforward.

The second is the limitations of the current statutory planning system, most particularly:

- Current weaknesses of section 106 and the Community Infrastructure Levy inhibit councils and associations from maximising and accelerating the production of affordable housing

- A substantial number of authorities have been slow in producing Local Plans compliant with the National Planning Policy Framework (NPPF)
- Shortages of staff and other resources affect planning and housing enabling departments, in particular.

Local authorities need housing delivery, and the contribution of housing associations continues to be vital. At the same time, associations need development opportunities or they will fail to deliver government supply targets: to gain them they need help from local authorities.

How can local authorities and housing associations work together to achieve more housing supply?

## Key recommendation to the sector 2:

*Planning should be reframed and re-energised to effectively deliver more genuinely affordable homes in partnership. To do this the following actions need to be taken:*

- All planning authorities should produce Local Plans compliant with the National Planning Policy Framework (NPPF) - to facilitate new housing and equip the authority to resist inappropriate development.
- Planning authorities should manage section 106 and Community Infrastructure Levy (CIL) more proactively to secure more genuinely affordable housing – and housing associations should cease to compete with each other over section 106 opportunities, so as not to drive up development costs.
- Strategic Housing Market Assessments (nationally) and viability assessments (regionally) should be standardised.
- More joint plans are needed between planning authorities to address:
  - variation in land capacity even between adjoining local authorities
  - economic/housing markets that straddle authority boundaries
  - provision of infrastructure, commercial centres and so on with cross-boundary impacts.
- Councils with different appetites for development need to reach agreement when producing joint strategies to address the housing/ infrastructure needs of a region or sub-region.
- Housing associations should provide resources to support the local authority planning and enabling functions – for example by sharing viability assessment skills, digital tools for mapping site availability and research on housing market affordability, or joint funding of enabling posts.
- Authorities should be more active in assembling sites and commissioning masterplans and more prepared to use CPO powers to do so.

- Authorities should invest more in partnership activity, and – to improve rent affordability – be flexible on sale of land at undervalue and how they extract a return from joint ventures.



### *Key recommendation to the sector 3:*

*Housing associations should flex their new supply offer to make it more relevant to local authorities – embracing competition from new local housing companies in a positive manner. They should:*

- Increase the level of cross-subsidy from rental surplus or sales income to improve the supply of housing affordable to low-income households.
- Engage proactively with authorities on long-term joint ventures that share risk and reward.
- Intervene to improve the supply, quality, and affordability of the local private rented sector – with councils also encouraging market entry by institutional investors.

To achieve higher levels of supply at genuinely affordable rents, local authorities and housing associations also need the support of government in two key areas: land disposal and housing grant.

## Key recommendation to government 1:

*Amend the constraints on disposals of local authority land so that councils have more freedom to facilitate affordable housing supply.*

How should this be done?

- Broaden the scope of what a local authority can determine to constitute 'best consideration' for the purposes of section 123 Local Government Act 1972 in relation to the disposal of General Fund land, where the relevant disposal is to be used to facilitate housing development; and/or
- Widen the applicable general consent regimes, for disposals of HRA and General Fund land, to allow local authorities more flexibility to contribute land to development projects.
- Specific consent for General Fund land should, in this context, only be required where the disposal is within the highest decile of site values.





## Key recommendation to government 2:

*Re-align current government housing budgets and the HCA's programme to increase the proportion invested in affordable housing and review grant rates, so that more homes with genuinely affordable rents can be provided.*

How should this be done?

- Re-balance grant resources so new homes can be built at lower rents. Up to 2021, almost four-fifths of government housing investment is allocated towards support for the private market; there is scope to provide higher grant levels for social housing by redirecting part of this wider funding so that overall supply is not reduced.
- The HCA should offer grant for social rented homes, following the lead of the GLA, via such a reallocation of government funding.
- Grant levels for social rent outside London should be set at an indicative level of £40,000 per unit, but with some flexibility to increase or decrease this to take into account land costs, scheme mix, and opportunities to cross-subsidise.
- As a corollary, the HCA should follow the GLA's lead in ending re-let conversions from social to Affordable Rent.

# Allocations and homelessness

Local authorities need the support of housing associations to meet housing demand and tackle homelessness. Given that new build only supplies 12% of new lettings annually, management of lettings of current stock is crucial in addressing needs. Yet the traditional model for allocation and letting of social housing – with housing association lettings being largely via local authority nominations of applicants – is under strain. Existing partnership arrangements are struggling to cope with the misalignment of need and supply and the widening range of ‘products’ on offer because:

- Statutory housing registers are geared towards allocating applicants to social rented housing, whereas applicants’ requirements might be met by a wider range of products and services.
- Housing registers are in most areas limited to the relevant local authority area, whereas applicants may view their housing market in wider terms.
- The criteria used in operating registers focus largely on acute housing need and do not necessarily aid mobility or the creation of sustainable communities.
- Housing registers in their current form do not provide a useful tool for applicants, councils, and associations to match people with homes or housing solutions (such as advice and support), or for the best use of stock (e.g. streamlined letting of lower demand stock or incentivised downsizing).
- As a result, direct lettings by associations are more prevalent in many areas than five years ago.

To address these issues, we recommend an innovative solution.

#### Key recommendation to the sector 4:

*Authorities and associations should work together at a local or sub-regional level to develop a new and more dynamic system for managing allocations and lettings. A new system, using recent IT developments, could provide separate but interlinked registers for social rent and Affordable Rent, and for low-cost homeownership, and market sale or rent.*

For the new system to be effective:

- Multi-agency letting schemes should be refocused to tackle job mobility, downsizing and overcrowding, including through identifying and facilitating chains of moves.
- Authorities and associations should work together to act as a gateway to other tenures e.g. into the private rented sector.
- The new, reshaped housing allocation system should:
  - Interface with the local authority statutory register or subsume it.
  - Secure a steady stream of suitable applicants for different products.
  - Match allocation schemes and local letting plans more closely to available property.
  - Make more efficient use of existing stock.
- Reduce risk of tenancy failure or arrears.
- Help to meet demand for products such as market sales/rent and shared ownership.
- Housing associations should share the cost of this new system with partner authorities and could offer to manage the new system where authorities lack the capacity to do so.

For local authorities faced with growing housing demand, the reduction in their access to affordable housing has occurred at the same time as increased difficulty in securing temporary accommodation to meet homelessness obligations, dealing with changes such as the government's plan to cap benefit for under-35s, responding to pressures to reduce rough sleeping, house refugees, and assist other marginalised groups.

#### **Key recommendation to the sector 5:**

*Local authorities and housing associations should work more closely to address and prevent growing levels of homelessness, by doing the following:*

- Jointly collect data on street homelessness and increase their engagement with agencies that support vulnerable homeless people, migrants, and refugees.
- Pool resources to provide more local emergency accommodation.
- Increase and share investment in tenancy sustainability schemes.
- In addition, housing associations should train staff on homelessness prevention and how to advise direct applicants on housing options.

# Affordability and rents

Many of the challenges faced by councils and associations are rooted in issues of affordability: the ability of customers in all tenures to meet their housing costs without undue pressure on their household finances. Yet there is very little joint working between them on this vital question, even though a shared understanding of how affordability is to be defined and achieved is crucial to successful partnerships.

This is not an easy task. Achieving affordability without tenants having to depend on benefits would be ideal. However, councils and associations both have business plans to fund. Associations, to stay financially robust and remain credible to

lenders and investors, must be alert to their loan covenants. Delivering affordability therefore requires a balance between the needs of the provider and the consumer, and must respect the fiduciary responsibilities of association boards.

Affordability would improve if the government, and specifically the DCLG, HCA and DWP, were to recognise that it should be explicitly considered when making policies on rents, grant rates, conversions to Affordable Rent and welfare reform. The key test is against the actual incomes of households at local or sub-regional level and whether rent levels and (if necessary) benefit support allow them to meet their housing costs and still have sufficient left for their housing budgets.

In addition to the realignment of resources and higher grant rates called for above, the support of government is needed in two key areas: rents policy and welfare reform.



### Key recommendation to government 3:

*Adopt a primary housing policy objective that rents should be genuinely affordable to those on low incomes.*

How should this be done?

- Affordability should be a central aim of rents policy.
- Government should set principles for genuinely affordable rent levels:
  - that they take no more than one-third of earnings from those on below-average incomes, as assessed for local housing market areas
  - that, wherever possible, rents should be at levels payable by all working households without needing to claim housing benefit.
- A new rents policy should restore the long-term financial stability promised to social landlords in 2012 and which also underpinned the local authority housing finance settlement.
- As well as assessing overall housing need at national level, government should assess the proportion of the total needed for affordable housing for households that cannot pay market prices (whether to buy or to rent).
- Government should promote and support the development of Local Housing Affordability Frameworks (see below for explanation) at a local or sub-regional level

**Key recommendation to government 4:**

*Ensure that welfare reform measures align with housing policy on affordability, and particularly that they do not prevent low-income households from having access to sub-market housing.*

How should this be done?

- Government should urgently review the effects of the benefits cap on the ability of non-working tenants to pay rents.
- Government should not proceed with the planned application of the LHA cap to social sector rents from April 2019.
- For private sector rents, the LHA should be based on true local rents (ie the level which represents the lowest 30% of today's market rents).





In the meantime, councils and housing associations can act together at local or sub-regional level to achieve a better understanding of affordability and agree output targets (numbers of homes and range of charges) for each tenure. We recommend they do this via a new and innovative mechanism.

## Key recommendation to the sector 6:

*Local authorities and housing associations should work in partnership to develop a Local Housing Affordability Framework (LHAF) to cover new lets and relets, homeownership products and referrals to the private rented sector. In order to do this:*

- The LHAF should identify the required tenure/product mix and agreed output targets, both numbers of homes and range of charges, for each tenure - considering available resources (e.g. grant, cross-subsidy from sales, cross-subsidy from rental surplus, discounted land, recycled capital receipts, borrowing capacity).
- The LHAF should be an active partnership between councils (individually or sub-regionally) and their partner housing associations with costs shared accordingly.
- Each LHAF should provide:
  - An agreed, common definition of affordability to which all partners strive to work, based on local household incomes - not a percentage of market prices/rents.
  - Affordability assessed by tenure or product, including service charges where appropriate.
  - A mutually-agreed framework for affordability assessments of applicants.
  - A review of the required tenure/ product mix – including relets – to identify:
    - a target range of incomes that each tenure should meet
    - numbers of households with unmet need in each target group
    - the extent to which current products meet the target income ranges
    - ideal target costs for each tenure/ product.
  - Agreed output targets (numbers of homes and range of charges) for each tenure, taking into account available resources
  - An agreed tool which is embedded into local planning and housing policies, and other areas of local decision-making (e.g. Discretionary Housing Payments), and then implemented consistently and robustly on a voluntary basis.

# Conclusion

This guide summary captures the key themes of *Building Bridges* – the most extensive study to date of local authority and housing association relationships. We recommend that readers should now refer to the full guide for a detailed practical explanation of the issues and recommendations set out above – and a range of case studies that show how better partnerships can work in practice.

Now is the time for local authorities and housing associations to overcome the difficulties that have in many (but not all) cases impaired the effectiveness of their partnerships in recent years. There are new homes to be built, different products to produce to meet the housing needs of the unemployed, struggling working families and aspirant young professionals at rents or prices that are genuinely affordable. As this summary and the full guide demonstrate, by working together, local authorities and housing associations can achieve far more.



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