

Cheltenham Borough Council
Cabinet – 16 June 2015
Affordable Housing Partnership and Preferred Providers

Accountable member	Cabinet Member Housing, Councillor Peter Jeffries
Accountable officer	Martin Stacy, Lead Commissioner – Housing Services
Ward(s) affected	Swindon Village, Leckhampton, Warden Hill
Key	Yes
Executive summary	<p>The Joint Core Strategy (JCS) as submitted for examination, 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 Parts 3 and 6 of the Joint Core Strategy) which will contribute towards meeting the housing needs (including the affordable housing needs) of the urban authorities.</p> <p>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. (Please see Appendix 2 of this report for the draft Terms of Reference). The formation of such a partnership is supported by the Joint Core Strategy at paragraph 4.13.11 (pg.93 of the submission version).</p> <p>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:</p> <ol style="list-style-type: none"> 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. <p>In order to support these outcomes, it is envisaged that Registered Providers with an interest in delivering and/or managing new affordable housing within the JCS area's Strategic Allocations will have to demonstrate to the Affordable Housing Partnership's satisfaction that they meet minimum acceptable standards in delivering services such as housing management</p>

and community involvement.

It is proposed that these Registered Providers will be assessed in accordance with the evaluation criteria outlined in Appendix 3.

Developers will be urged to work with our Preferred Providers on the delivery of new affordable housing across the Strategic Allocations through our s.106 negotiations.

The decision whether to continue to have a Preferred Provider list will be reviewed every 5 years by Cabinet (or sooner if requested by the Affordable Housing Partnership). If the decision is to continue with the list, the Affordable Housing Partnership will carry out a further exercise to appoint Preferred Providers.

Recommendations

- 1. To approve the Authority establishing an Affordable Housing Partnership with Gloucester City 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.**
- 2. To approve the Authority establishing 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 Gloucester City Council and Tewkesbury Borough Council**
- 3. Delegate authority to the Lead Commissioner, Housing Services 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 Gloucester City and Tewkesbury Borough Councils and that the Councils will enter into a memorandum of understanding with the preferred providers**

Financial implications	<p>Up to £3,500 has been made available from the Authority's Homelessness Prevention Fund grant income to contribute towards financing the provision of an external consultant to assist in:</p> <ol style="list-style-type: none">1. Evaluating consultation feedback from developers and Registered Providers on our proposed approach to selecting Preferred Providers, and2. Assessing the submissions made by Registered Providers applying to become the Local Authorities' Preferred Providers. <p>The costs of the consultancy work will be met jointly by the three Local Authorities, with Gloucester City Council and Tewkesbury Borough Council also each contributing a maximum of £3,500.</p> <p>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.</p> <p>The Department of Communities and Local Government has also awarded Gloucestershire County Council £15,000 Capacity Funding to assist in the delivery of affordable housing across the Strategic Allocations, with potential further amounts to be awarded, subject to approval. 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.</p> <p>Contact officer: Sarah Didcote, sarah.didcote@cheltenham.gov.uk, 01242 264125</p>
-------------------------------	---

<p>Legal implications</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Contact officer: Donna Ruck, donna.ruck@teokesbury.gov.uk, 01684 272696</p>
<p>HR implications (including learning and organisational development)</p>	<p>None as a direct result of this report</p> <p>Contact officer: Richard Hall, Richard.hall@cheltenham.gov.uk, 01242 774972</p>
<p>Key risks</p>	<p>As set out in the risk register</p>
<p>Corporate and community plan Implications</p>	<p>This decision will support our corporate objective of people living in strong, safe and healthy communities</p>
<p>Environmental and climate change implications</p>	<p>None as a direct result of this report.</p>
<p>Property/Asset Implications</p>	<p>As Cheltenham Borough Homes are contracted to deliver and manage Cheltenham Borough Council homes on the Council's behalf, the Council will be unable to acquire and manage new affordable homes on the Strategic Allocations if Cheltenham Borough Homes does not become a Preferred Provider.</p> <p>Contact officer: David Roberts@cheltenham.gov.uk</p>

1. Background

- 1.1** The Joint Core Strategy as submitted for examination (the JCS) details the requirement to plan for approximately 30,500 new homes across the JCS area 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 Parts 3 and 6 of the JCS and at Appendix 2 of this report) which will contribute towards meeting the housing needs of the urban authorities.
- 1.2** 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.
- 1.3** 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.
- 1.4** The formation of this Affordable Housing Partnership is supported by the JCS at paragraph 4.13.11 (pg.93 of the submission version).

2. The Affordable Housing Partnership (the Partnership)

- 2.1** 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 establish, monitor and review cross-boundary lettings arrangements. Once agreed these new lettings arrangements will then be brought to Cabinet for approval. .
- 2.2** The Partnership's main outcomes are twofold:
 - 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.
 - To create a framework that enables new communities to become and remain cohesive and sustainable.
- 2.3** 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 strengths-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
- 2.4** 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.

3. Preferred Provider Arrangements

- 3.1** 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

3.2 RPs selected as Preferred Providers for the Strategic Allocations will be invited to work with the Affordable Housing Partnership and together with the Local Housing Authorities they will work towards achieving the Partnership's outcomes, as detailed within Sections 2.2 and 2.3 above.

3.3 Preferred Providers may then (if they wish) chose to enter into consortium arrangements with other Preferred Providers. 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 preferred providers working with 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 preferred providers.

3.4 Developers will be asked to select a number of Preferred Providers from the approved list. 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.

4. Reasons for recommendations

4.1 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.

4.3 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. Alternative options considered

5.1 Leave it to the open market to decide

5.1.1 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 stronger on the delivery of new affordable housing, but are potentially weaker in terms of their housing management and community involvement capabilities.

5.1.2 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

5.2 Select one RP/Consortium for the whole JCS area

5.2.1 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.

6. Consultation and feedback

- 6.1** 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.
- 6.2** Consultation has been undertaken with developers and their agents who have an interest in the strategic allocations. The one agent 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 that 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.
- 6.3** 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.
- 6.4** 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.
- ## 7. Performance management –monitoring and review
- 7.1** 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.
- 7.2** The Preferred Provider arrangements will be reviewed at least every 5 years or as agreed by the Partnership (and subject to Cabinet approval).

Report author	Contact officer: Martin Stacy, Lead Commissioner – Housing Services Email: martin.stacy@cheltenham.gov.uk, Tel: 01242 775214
Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Affordable Housing Partnership Terms of Reference 3. Preferred Partner Evaluation Criteria 4. The Joint Core Strategy Strategic Allocations
Background information	

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	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	Martin Stacy	24.4.15	3	3	9	Reduce	<p>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 (see section 6 of the report)</p> <p>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.</p> <p>The pass mark for selection has been set as 'satisfactory' overall. High performing RPs should therefore be accepted, provided their submissions are</p>	31.8.15	Martin Stacy	

	<p>If the Local Authority selects Preferred Providers, then developers may decide not to engage with them and instead award contracts to other Registered Providers</p>	Martin Stacy	24.4.15	3	4	12	Reduce	<p>undertaken diligently.</p> <p>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.</p> <p>Developers will be encouraged to work with the preferred providers as part of the s106 affordable housing negotiations</p>	Ongoing	Martin Stacy	
	<p>If Registered Providers do not bid to become Preferred Providers then the Local Authority's ability to achieve its strategic outcomes will be compromised</p>	Martin Stacy	24.4.15	3	1	3	Accept	<p>The Council's approach to selecting Preferred Providers has been soft market tested with Registered Providers, and they are broadly supportive of our approach</p>	31.8.15		