

working together – thinking alike:

what do councils and local
enterprise partnerships
expect from housing
associations?

A Smith Institute report by Andrew Heywood





The Smith Institute

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Sovereign

Sovereign Housing Association is one of the largest housing associations in the south and south west of England, owning and managing more than 37,500 homes. We offer and build a wide range of affordable housing options, and invest in our communities and residents to help them achieve their aspirations.

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Foreword

There has never been a greater need for housing associations, local authorities and Local Enterprise Partnerships (LEPs) to work together.

We are facing major challenges in building the affordable homes our communities need: falling public subsidy, rising land and house prices as well as continuing pressure on welfare budgets. This, combined with the planned expansion of Right to Buy to housing association homes – and the financial risk it brings – means we need to be more collaborative and innovative than ever before in order to provide more homes.

To do this we need to continue to redraw our historic relationships with our local authority partners, and to forge new links with the increasingly influential network of LEPs.

We have already started this process and 2015 sees the start of our new three-year strategy. This reaffirms our social purpose with a long-term commitment to building great homes and communities whilst continuing to meet the interests of our residents and partners. We also reinforced the values that are embedded in the way we work – providing great service, effective collaboration, acting with integrity, and being progressive in challenging the way we do things, so we can deliver even more.

I see these same principles and values in the local authorities and LEPs with which we do business in Southern England.

This is not necessarily a new area of focus, both the Elphicke-House Report and the Lyons Housing Review highlighted the importance of housing for local economic growth; the urgent need to address land supply; and the vital role of local agencies. Both emphasised the importance of local leadership, and the role of local partnerships and alliances in ensuring that the efforts of different players are brought together with a clear and effective focus on delivery.

This report from the Smith Institute attempts to get under the skin of those relationships and make practical recommendations on how we can do more together.

Based on interviews with colleagues from local authorities and LEPs, it describes a traditional relationship in transition and new relationships in development. It identifies opportunities to tackle the vital challenge of providing new homes in a part of England where demand is high, and land seems scarce. Crucially, the report provides clear guidance on how key players can collaborate in local communities to ensure that the right homes are built in the right places, and how their work can be supported at a national level.

The report also places the spotlight on how housing associations are working with local authorities to provide housing and welfare services, including supporting vulnerable households and preparing for the introduction of Universal Credit. Against the backdrop of continued austerity and sharp reductions in welfare payments this has not been an easy task. However, the report makes some helpful recommendations on how to strengthen the relationship for the benefit of existing and prospective residents. I hope this report will help those of us working to tackle the housing crisis through local partnerships to understand each other better, and to work together more effectively. Both for people needing a home, and for a nation seeking to consolidate the economic recovery, it feels as if housing has never been more important. I urge everyone involved in addressing the new homes challenge to consider its recommendations.

Finally on behalf of Sovereign, we are delighted to have been able to work with the Smith Institute on this very timely project. I would like to thank all those who gave their time to be interviewed, with a special thanks to those who attended the roundtable event. In particular, we offer a big thank you to the author, Andrew Heywood, whose research is, as always, insightful and thought provoking.

*Ann Santry CBE
Chief Executive, Sovereign Housing Association*

Executive summary

This is a study into the changing relationships between local authorities, housing associations and local enterprise partnerships (LEPs) in the South East and the South West. The work is based on a combination of desk research and 32 semi-structured interviews with senior practitioners and representatives from the three sectors.

The focus of the report is on housing supply and housing services, and includes background information on the various actors and the changing operating environments. The main recommendations are:

Housing associations and local authorities – partnerships in transition

Despite a long history of collaboration, the relationship between local authorities is in transition. Local authorities identified these changes as: a more "commercial" attitude to development among housing associations in terms of both planning and their response to local authority strategic housing needs; a more risk-averse attitude to allocations and local authority nominations; and less willingness on the part of some housing associations to assist local authorities in the discharge of their homelessness duties by accepting the most vulnerable households.

Planning

Most local authorities prefer to deal with housing associations rather than with commercial developers in relation to planning applications. Nevertheless, a significant number of local authorities said they saw housing associations as becoming more commercially minded and embracing the culture and values of private developers. They noted instances of housing associations attempting to negotiate downwards section 106 requirements and of housing associations challenging local authority planning decisions at appeal.

Local authorities offered proposals for making the professional relationship with housing associations work better. They were concerned that planning applications from housing associations were not always of sufficient quality and did not take into account council planning policies.

Housing associations pointed to the lack of staff and resources of local planning authorities as factors that make for a more difficult relationship. Housing associations also said some local authorities were less than wholehearted in their support for new development.

Local authorities indicated that the requirement under the National Planning Policy Framework (NPPF) for local plans to realistically assess housing need and to identify sufficient land for five years of development had made a positive difference.

The traditional sense of common identity between local authorities and housing associations appears to be gradually being replaced by a more professional relationship between independent parties contracting to undertake certain functions.

Recommendation 1: *Housing associations and the National*

Housing Federation should engage with local authorities and their representative bodies to examine how planning applications can better reflect local authority planning policies, while still meeting housing association needs in terms of viability, housing management and other factors.

Recommendation 2: *Housing associations should ensure that they make full use of pre-application processes offered by local planning authorities in order to ensure that planning applications progress more smoothly through the planning process.*

Recommendation 3: *The NPPF requires that local authorities have a robust local plan that fully assesses housing need and identifies five years' supply of land for development. There is a belief among planners and developers that this has shifted the balance in favour of new development. DCLG should initiate an inquiry to ascertain the extent to which this is in fact the case.*

Meeting strategic housing need

All local authorities claimed to consult housing associations over the development of the strategic housing market assessment (SHMA) and their local plan. While some were satisfied with the level of response received from housing associations, others had experienced rather limited feedback. It was suggested that this might be due to housing associations becoming larger and more remote.

Some housing associations believe they have to be selective in terms of which local authorities with which to engage. Certain authorities with very large schemes may still attract the interest of a number of developer housing associations, while a neighbouring authority may find it hard to generate any interest.

Local authorities also suggested that formal consultation should be augmented by housing associations sharing their development plans with local authorities at the earliest possible stage.

Recommendation 4: *Individual local authorities should carefully update contact lists of housing associations to ensure that consultation requests are sent to the correct individuals at the right address. The Local Government Association should investigate whether there is a case for collecting such information centrally and disseminating it to local authorities.*

Recommendation 5: *Housing associations should contact local authority staff preparing strategic housing market assessments and local plans at the earliest stage where new development is contemplated, in order to ensure that local needs are addressed and that local planning takes account of the possibility of such developments.*

Local authority allocation policies and housing associations

Many local authorities have altered their allocation policies in order to give priority to those households with local connections and to support those accessing work or training.

A number of local authorities maintained that housing associations had changed their approach to nominations by

introducing strict affordability criteria, particularly in respect of affordable rent properties. Others showed a greater reluctance to accept nominations from vulnerable households or those with a record of antisocial behaviour or rent arrears.

Both local authorities and housing associations believe the changing attitude to nominations to be a consequence of a changed environment in respect of development funding. Welfare reform is the other major consideration.

Recommendation 6: *Government should reassess the practical impact of its welfare reform policies and cuts in development grant on local authority nominations to housing associations in discharge of their housing duties. The government should then take action to ensure that its own policies do not hinder the proper allocation of social housing to those in need.*

Recommendation 7: *Local authorities and housing associations should work together on ways to improve people's ability to afford a tenancy in advance of being nominated (for instance, helping them to tackle any debt problems).*

Local authorities as developers

Despite the new freedoms, stock-retaining councils have yet to develop at any scale (there were only 130 housing completions by local authorities in 2013/14 in the South East and the South West combined). The majority of local authorities do not believe that their relationships with housing associations have changed much. However, a minority believe that their relationships with housing associations have changed, principally because they are less willing to make development land available.

A significant proportion of development now being undertaken by local authorities may simply be replacing development that housing associations would previously have undertaken on the same land. Some housing associations claim that because of their capacity and capability (especially in areas such as procurement and project management) they can offer better value for money than can councils in regard to new-build.

Recommendation 8: *The Homes & Communities Agency should commission a study to determine the scale of future local authority development aspirations to be implemented both with and without the aid of grant. In addition the HCA should determine how much of this activity is "new" development and how it compares with other social housing providers in regard to value for money.*

Administration of housing benefit

The links between local authorities and housing associations in respect of housing benefit are recognised as being strong and generally positive on both sides. However, local authorities identified a number of areas where problems had arisen as a result of welfare reform, including rent arrears due to the bedroom tax and a shortage of smaller homes. Local authorities commented that welfare reform had contributed to the more conservative response of some housing associations to nominations of vulnerable and financially challenged households.

The local authority involvement in the processing of housing benefit claims will end. Housing associations will have to forge new relationships with a central administration under the auspices of the Department of Work & Pensions (DWP). This may not be easy.

Recommendation 9: *DWP and the National Housing Federation should work to ensure that housing associations build personal and organisational links with the universal-credit administration in advance of the main caseload coming on stream, so that effective working relationships are established in pursuit of efficient administration and processing of claims.*

Homelessness

Local authorities are fairly satisfied with the assistance they receive from housing associations in discharging their duties in relation to homelessness. A specific area of tension is the provision of temporary accommodation, where local authorities said that housing associations could do more.

Local authorities also have concerns about the changing attitude to local authority nominations. Where housing associations are less willing to accept vulnerable households and are more stringent in applying affordability criteria, there will inevitably be an impact on the homeless.

Recommendation 10: *Shortage of temporary accommodation is a problem for local authorities in discharging their duties in relation to homelessness. The National Housing Federation and the Local Government Association should discuss whether there is scope for housing associations to provide more temporary accommodation out of current resources but also engage with the HCA to explore the possibility that development programmes can include new temporary accommodation where this is appropriate.*

Recommendation 11: *The government should recognise that one impact of a changed funding environment for new development (and the simultaneous introduction of welfare reform) has been to make housing associations less able to assist local authorities in the discharge of their homelessness duties in respect of some of the most vulnerable households. The government should reassess the impact of these policies in the context of local authority statutory homelessness duties and make adjustments as necessary.*

LEPs and housing associations

The relationship between housing associations and LEPs is something of a clean slate, and is complicated by the fact that the 14 LEPs in the South East and South West are structured differently and are of different sizes and at different stages of maturity. Expectations are limited on both sides, and few LEPs have fully engaged with housing associations. While significant numbers of housing associations have secured places on LEP boards or have obtained representation on LEP panels/groups there appears to be only limited enthusiasm for LEPs; at this stage probably only a proportion of housing associations would rate building relationships with a local LEP as a high priority.

Nevertheless, most LEPs view affordable housing as important and acknowledge the housing association role in training

and assisting people back into employment. The housing associations' other community roles do not register highly. There is also a perception among some LEPs that open market housing is more important than affordable housing, and that housing associations are not the only developers of affordable housing.

Many of the LEPs' housing aims are also on a large scale and often across local authority boundaries, although funding to LEPs for housing is small compared with transport. Moreover, it is difficult to discern from the LEP economic strategies whether the LEP itself is the delivery agent or "enabler". Housing associations argue that they should have access to a clear statement of what it is realistic to expect from involvement with an LEP in the housing field.

While LEP strategic economic plans often refer to housing as an activity, there are very few references to housing associations. Responses from LEP interviewees suggested that while simple oversight could be a factor, there was in some cases a lack of awareness of what housing associations could contribute.

More than one LEP suggested that contact between LEPs and housing associations could be improved if housing associations

could develop a "collective voice" like a forum, so that an LEP did not have to use limited resources to keep in touch with a large number of different organisations.

Recommendation 12: *There is a need for a clearer statement from government as to what it expects from LEPs in the field of housing and what it is reasonable for housing associations to look for when trying to establish relationships with LEPs.*

Recommendation 13: *In advance of seeking involvement with an individual LEP, housing associations should be clear about how housing fits with the broader growth agenda and how it is represented as sector. Housing associations should also engage with local LEPs and encourage them to put in place broad consultation with the sector when seeking to develop their strategies.*

Recommendation 14: *In order to assist the development of stronger links between housing associations and LEPs, LEPs should consider establishing a regional or national forum to facilitate on-going contact between housing associations and LEPs.*

Introduction

Housing associations and local authorities have a set of established relationships going back decades. They work together to ensure the supply of new affordable and market housing. Housing associations contribute via consultation to the strategic housing role of local authorities, and local authorities nominate households to housing association properties. Local authorities also currently process housing benefit applications from housing association tenants, while housing associations assist local authorities in discharging their duties to the homeless (although some of this is changing as a result of the introduction of universal credit).

Yet the overall relationships between local authorities and housing associations are in a state of transition. Diminishing levels of grant and welfare reform have put pressure on associations to behave and think more like commercial businesses in order to survive. This is particularly true of those with development programmes. Meanwhile, local authorities have been encouraged to be more self-reliant. Under the auspices of the reformed Housing Revenue Account (HRA), some have become developers of new housing in

their own right, albeit on a small scale. This trend is likely to continue despite limits on local government borrowing and further cuts in local government grants.

This research looks at the key relationships that housing associations and local authorities have, and examines how these are developing as a result of policy changes and altered market conditions –including the extent to which local authorities may become competitors to housing associations. It concludes with a set of recommendations aimed at assisting associations and authorities to work effectively together under new conditions.

The research also examines the much newer relationship between housing associations and LEPs, with specific regard to the 14 LEPs in the South East and South West. It considers the responsibilities and activities of the new LEPs and how they fit into the local strategies and plans for housing and growth. The report looks at the specific roles that LEPs play in supporting and providing new homes and considers the potential for greater co-operation between LEPs and housing associations.

Methodology

This research is based on an initial examination and analysis of existing academic and policy literature on the roles and functions of local authorities, housing associations and local enterprise partnerships. Reference is also made to the limited quantity of literature on how these three types of organisations interact in pursuit of their objectives.

This initial literature review was then used to underpin a series of semi-structured interviews with 22 senior local authority representatives, five senior staff of local enterprise partnerships and five housing association staff at director level. The local authority representatives included both senior staff and elected members. All the organisations selected for interview were situated in the South East or South West regions of England. Interviews were conducted on a non-attributable basis to encourage a frank and full response. Where specific responses are detailed or a quotation given, the respondents are referred to simply as a "local authority interviewee", "LEP interviewee" or "housing association interviewee".

1. Local authorities, local enterprise partnerships and housing associations: the key issues

The environment in which housing associations are operating has changed radically since the onset of the financial crash. The past few years have witnessed reductions in support for both tenants (through welfare reform) and housing associations (through falling grant). Local government has faced some of the highest levels of cuts under the government's programme of fiscal consolidation. As a consequence of the reforms, there has been a growing sense within the affordable housing sector that the relationship between housing associations and local government is changing in nature.

Another potentially important change for housing associations has been the abolition of RDAs and the creation of LEPs as the lead drivers of local economic growth. Housing has often featured lower down the pecking order of priorities for economic growth (behind skills and transport), with affordable housing lower still. However, housing associations would be unwise to ignore the trend towards the decentralisation of powers and promises of devolution of additional resources to LEPs. Forming good relationships with these new bodies as they mature (and play more of a role in infrastructure plans) could be important in increasing the delivery of affordable housing.

Given these changes, the research for this report sets out to better understand housing associations' relationships with local authorities and with the relatively new and still evolving LEPs. The focus of the research was on how housing associations are perceived by both LEPs and local authorities as well as offering practical proposals as to how those relationships might be improved. While the principal focus of the fieldwork is on Southern England (the South East and South West regions), many of the conclusions are relevant for most English housing associations.

Housing association partners

Housing associations are multifaceted and complex businesses intervening in the communities that they serve in a variety of ways:

- as providers of new homes for sale or rent;
- as landlords managing the majority of social rented homes in England and significant numbers of shared-ownership and market-rented properties;
- by offering a range of additional services to residents, including training, advice and assistance; and
- as significant employers within a local area.

Housing associations by necessity therefore forge relationships with a range of stakeholders. The nature of what they do means that housing associations need to work particularly closely with local authorities. Now that local authorities are seen as taking a more proactive role again in the planning and development of affordable housing, the importance of a sound relationship is often recognised by housing commentators. One example is provided by the government-sponsored Elphicke & House report, which recommended that local authorities should have an enhanced role as "housing delivery enablers". It continues:

Councils should assess and drive housing activity and housing delivery in their areas and for their local population.

– Elphicke, N and House, K *Review into the Local Authority Role in Housing Supply* (2015)¹

The report, the main recommendations of which have been accepted by the government, states that an important way in which this will be achieved is...

... by working with partners to drive housing delivery actively, for example through local housing organisations.

Labour's Lyons housing review calls for co-operation between local authorities, housing associations and other stakeholders, to form...

... a generation of New Homes Corporations to act as delivery agencies working across housing market areas. Led by local authorities, they will bring together private developers, housing associations and investment partners to use powers and funding to deliver the new homes, with clear and accountable outcomes to local communities.

– Lyons, SM *Lyons Review Final Report* (Labour Party, 2014)²

Again, the perception of housing associations by local authorities would be of importance in determining and implementing partnerships.

The housing association relationship with local authorities covers an exceptionally wide spectrum of activity over the long term, including:

- the council's role as local planning authority;
- the responsibility placed on local authorities to identify housing need within their areas and to take a strategic role in promoting appropriate development;
- the allocation of housing association managed homes to households by local authorities;
- the administration of housing benefit/universal credit and other benefits to housing association tenants, which indirectly provide up to 60 percent of the annual revenue stream of a typical association – although the gradual introduction of universal credit will alter this; and
- housing association involvement in facilitating the local authority responsibilities in respect of the homeless and those in priority need.

The implications of these relationships for both housing associations and local authorities mean that effective partnership should be central to both parties. They are perhaps the most important relationships that housing associations can build. Yet research suggests that some housing associations are critical of the competence and motivation of local authorities in respect of both their planning and allocation policies. This will be explored further below.³ Conversely, a respected housing commentator has recently suggested:

It is striking how unpopular housing associations seem to be with a good many local authorities. Political colours of the councils don't seem to matter – too often councillors and officers can be heard remarking that they don't trust housing associations. They are seen as having their own agendas, which sometimes address the council's priorities but often don't.

– Greg Campbell in his post "Housing Associations and Local Authorities – Time to Work Together" on the Campbell Tickell blog, 3 February 2015⁴

In the case of LEPs the situation is rather different. The 39 LEPs across England are newly created voluntary (business-led) bodies; most of them only recently published their first strategic economic plans (SEPs). According to the LEP Network, their principal purpose is to support private-sector growth:

The role of LEPs has always been to create the conditions for the private sector to be more productive. Every LEP continues to be committed to this being their core focus and rationale for being. This is what keeps the private sector engaged and around the table.

– LEP Network *Growth and Devolution: Thought Piece Summary* (2015)

Housing is a strategic priority for most LEPs, and many have ambitious plans to promote new affordable housing in the interests of their wider economic growth agendas. However, as voluntary bodies they have no strategic planning powers, although it is worth noting that councils do have a duty to consult LEPs under the NPPF.

The LEPs' funding bids under the latest £2 billion Regional Growth Fund and the smaller Growing Places Fund have been on transport (mainly roads) and skills training projects. Housing is estimated to account for under 5 percent of all LEP funding – even though some £400 million from the New Homes Bonus scheme is in the Single Growth Fund for LEPs (roughly 25 percent of the total).

The level of LEP engagement with housing providers also varies from place to place and is connected to the relationship between the LEP and the local authority. In some cases the LEP's housing ambitions are aligned with the council's local plans. In others where the LEP's economic geography spans several local authority boundaries, the housing plans are less well aligned.

Examination of those SEPs suggests that awareness of the role and significance of housing associations may not always be fully developed; housing associations rarely receive specific mention. Similarly, anecdotal feedback from some housing associations suggests that their potential as sponsors of new affordable housing has not always been fully understood, in spite of the publication of good-quality briefing material setting out the potential scope of LEP/housing association relationships by the National Housing Federation.⁵

LEPs are going through a rapid and dynamic process of evolution, and it is worth considering whether they are yet always fully aware of the potential of housing associations to facilitate their own housing aspirations and whether their perceptions of housing associations are positive and realistic.

Dysfunctional housing markets: a strong incentive to work together

The housing markets of Southern England offer a particularly stark reminder of the strong incentives for local authorities, housing associations and LEPs to co-operate to promote the supply of new affordable and market housing for sale and/or rent and to administer the existing stock as effectively as possible.

The markets of both the South East region and the South West are dysfunctional when viewed from the perspective of new supply, availability and affordability. While a full analysis of those markets is beyond the scope of this report, the following data illustrates the extent of the issues faced by local authorities, housing associations and LEPs.

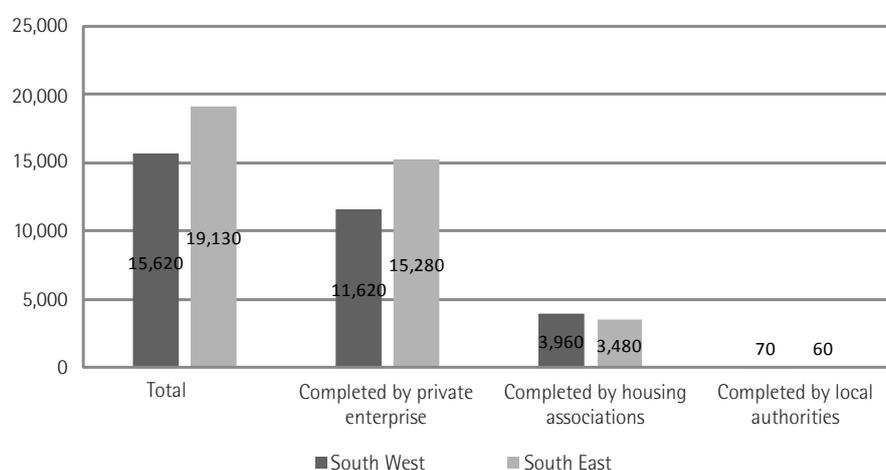
Inadequate supply

England as a whole has a serious and chronic shortage of new housing supply. According to the 2011–2021 Household Projections research undertaken for DCLG, England requires an average rate of housing completions of 220,500 per year for the period 2011–21 simply to keep up with the increasing number of households, without taking into account the backlog and the need to replace unfit dwellings or those situated in the wrong locations, of the wrong size or type etc. Since 1991/92 completions have always fallen far short of this figure, and they have slumped since the onset of the banking crisis in 2007–08. In 2013/14, total completions for England were 112,400.

For Southern England, where the fieldwork for this research took place, the situation is similar. For the South East region the Household Projections imply an average rate of completions of 38,400. In 2013/14 the region actually saw a total of 19,130 completions. The South West also had a significant, although less serious, shortfall, with 15,620 completions against the Household Projection figure of 21,600 a year.

The breakdown of completions by tenure is set out in the chart below:

Figure 1: Housing completions by tenure, South East and South West, 2013/14



Source: DCLG

While the housing association proportion of completions is significant, that of local authorities remains very small and is dwarfed by right-to-buy sales in both regions (in 2013/14 there were 1,229 right-to-buy sales in the South East region alone). This reinforces the importance for local authorities of strong relationships with developing housing associations if they are to achieve affordable housing targets commensurate with housing need.

Prices: rising rapidly

As the chart below demonstrates, prices in both the South East and South West are rising rapidly. In the case of the South East, house prices have been accelerating away from the trend for the country as a whole.

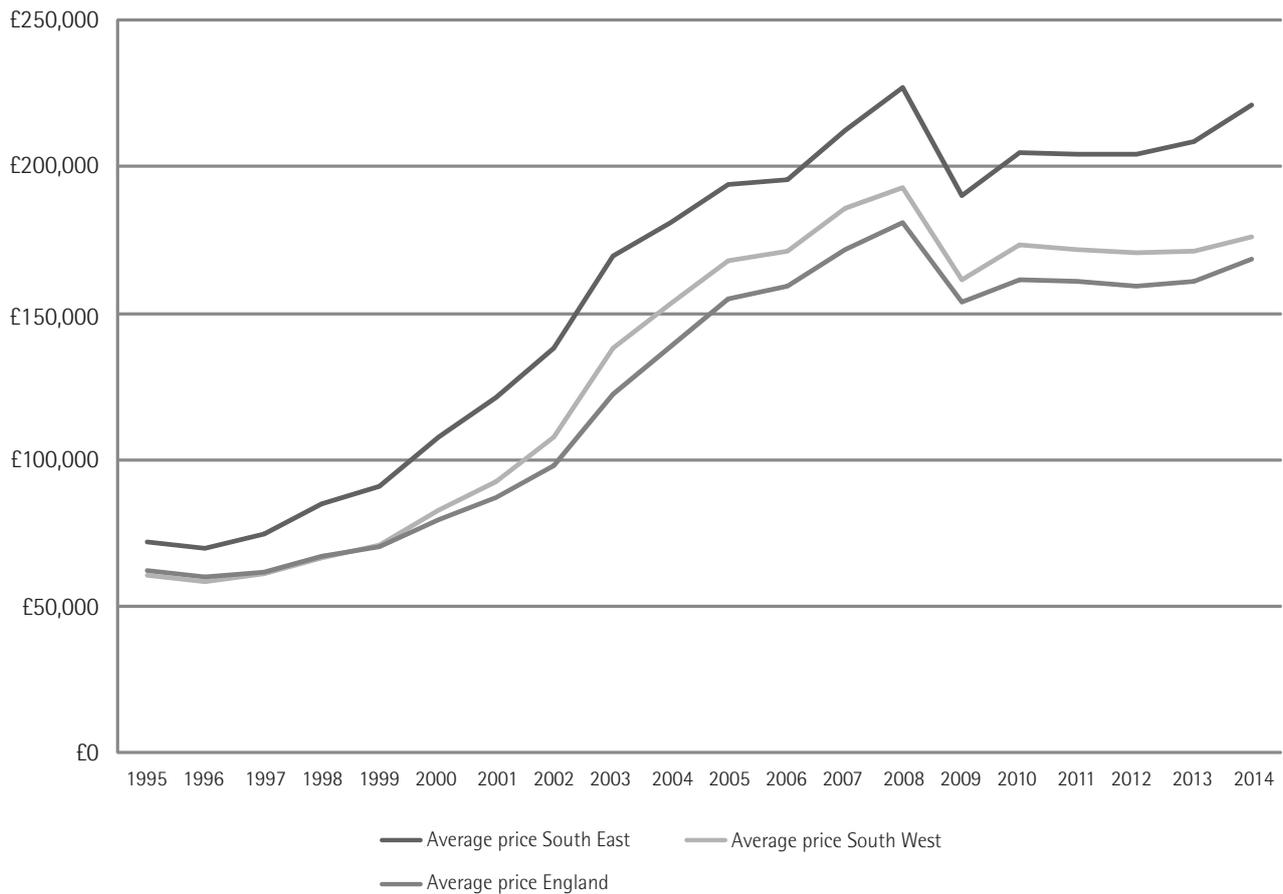
By December 2014 the average house price in England and Wales was £177,776, still below the level of £180,244 in September 2007 at the onset of the financial crisis. The average price in the South West had reached £182,968, still below the September 2007 level of £193,739. In the South East in December 2014 it was £240,987, well above the September 2007 level of £223,873.

Affordability

Affordability is significantly worse in both the South East and South West than in England as a whole. Taking the ratio of median house prices to median annual earnings as a yardstick, the ratio for England was 6.72 in 2013. For the South West, ratios ranged from 5.08 in Swindon to 11.60 in the Cotswolds. For the South East, the position is worse, ranging from 5.62 for Portsmouth to 14.30 for Elmbridge – the highest ratio for any authority outside London.

These figures are of particular concern when it is considered that in the third quarter of 2014 only 4.35 percent of new mortgage loans in the UK had a loan-to-value ratio (LTV) greater than 90 percent, while only 3.1 percent were issued with a combination of an LTV over 90 percent and a loan-to-income ratio of over 3.5 times a single income (or 2.75 times a joint income).⁶ It is not surprising that many LEAs cite poor affordability as a reason for intervening in the housing market, while local authorities interviewed in the South East in 2014 were clear that affordability was a major issue for them.⁷

Figure 2: House prices in England, South East and South West, Jan 1995-Jan 2014



Source: Land Registry

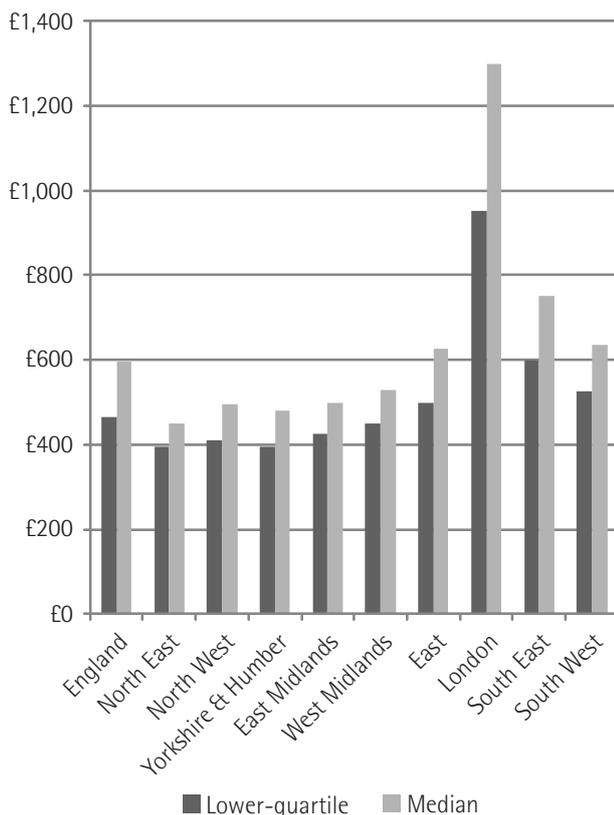
Market rents

As can be seen from the chart below, the South East and South West have the highest median and lower-quartile rents outside London.

The median monthly rent for a two-bedroom property now stands at £895 in the South East and at £750 in the South West.

Although the figures above do not represent a full analysis of homeownership or rental markets in Southern England, they illustrate that the case for increasing the supply of affordable housing is urgent and that the incentive to manage existing housing association stock is strong. In this context, the importance of understanding whether and how relationships between housing associations, local authorities and LEPs work is reinforced. Local authorities have a major role in facilitating and promoting housing association affordable development and in allocating existing stock. LEPs, as will be seen, have the potential to play a significant role in promoting affordable development at a strategic (cross-boundary) level.

Figure 3: Median and lower-quartile private rents by region, 2013/14



Source: VOA

Housing associations and local authorities: a complex relationship

For purposes of analysis, the relationship between housing associations and local authorities will be broken down into key elements, including:

- planning and development;
- the allocation of housing association managed homes;
- the administration of housing benefit and the impact of welfare reforms; and
- council nominees of the boards of stock transfer associations.

Planning and development

Planning is a fundamental housing role for district and unitary authorities. Nationally, in 2013/14 local authorities took 426,000 planning decisions on planning applications, of which 88 percent were granted. Housing applications were in the minority; 54,083 planning decisions on housing matters were taken in 2013/14.⁸

In 2013/14 there were 9,752 housing-related planning decisions in the South East region, and 7,950 in the South West. This implies an average of 170 planning decisions per local planning authority for the South as a whole. However, the level of planning activity varies widely; Cornwall took 368 decisions during the year while Tandridge took 18 decisions. Such widely varying levels of activity raise questions as to how easy it may be for some authorities to maintain the requisite skills and experience when throughput is relatively low. In the current climate of austerity, a number of authorities have reported having to take difficult decisions over resources, and developers have commented on varying levels of competence among local authorities.⁹

DCLG has collected statistics on the speed and quality of planning decisions taken during the 24 months to the end of September 2012. The percentage of major decisions taken within a 13-week target is recorded. The national average is 54 percent. Again, performance varies widely; authorities such as Mid Sussex, Plymouth and Bournemouth processed over 78 percent of such applications within 13 weeks while others, such as Tandridge, Cherwell and Horsham, took less than 30 percent of major decisions within the same period.

In terms of quality, DCLG records the percentage of planning decisions overturned on appeal. Nationally, 35 percent of local planning authorities have no decisions overturned. Again, there were widely varying levels of performance: many authorities, including Brighton and Hove, Dartford and Dartmoor National Park, had no decisions overturned, while a small number, including Purbeck, Tandridge and Elmbridge, had over 5 percent of decisions successfully challenged.¹⁰

The above statistics on speed and quality should be treated with some caution; DCLG launched an inquiry to ascertain the impact of setting targets in this area after academic research suggested that targets could create "perverse incentives". Nevertheless, this data does suggest that the experience of some developers,

including housing associations, may be less positive than that of others, and that relationships with local planning authorities may suffer when decisions cannot be taken quickly, or are subject to appeal.

There have long been issues of trust and mutual understanding between planning authorities and developers, of which housing associations are a subset. These can be aggravated by the relative lack of resources at the disposal of planners compared with some developers and by differences in culture. A planning officer interviewed around 2007 summed up the issues:

*It is easier to believe a developer and their legion of staff with their sharp suits and nice spreadsheets and presentations than your own officers. In most section 106 negotiations it will be me sat against three or four developer staff who won't be on less than £70,000 salary and there is an expertise and a manner that comes with that. It can be difficult for members to stand up against that.*¹¹

Previous Smith Institute research has noted that planners frequently saw some developers as unwilling to engage early in the process, as being unable to provide clear information (such as about development scheme viability) and as unwilling to recognise the wider responsibilities of local planning authorities to their communities. There was concern about the quality of schemes submitted and a view that some developers were cynical in their engagement with the planning process. Although the focus of this work was on commercial developers, there must be a question about the extent to which such negative perceptions may extend to housing associations in their role as developers.¹²

The planning landscape has changed significantly since 2013, with the introduction of the National Planning Policy Framework. In the face of chronic undersupply of new homes and suggestions that nimbyism was leading to negative planning decisions, the government used the NPPF to create a "presumption in favour of sustainable development". Local authorities should positively seek opportunities to meet the development needs of their area, with local plans being constructed to meet those needs, unless the adverse impacts of doing so would demonstrably outweigh the benefits.

The NPPF states that within this context, development proposals should be approved in accordance with the local development plan without delay and that decisions not adequately covered by the plan should normally involve granting planning permission.¹³ As part of this shift in planning authority responsibilities, "Relevant policies for the supply of housing should not be considered up-to-date if the local planning authority cannot demonstrate a five-year supply of deliverable land."¹⁴ In fact local planning authorities must also demonstrate the existence of a "buffer" over and above five years' supply.

Following the move towards a "presumption in favour of sustainable development", local planning authorities were seen by developers as taking a more realistic (positive, from a developer perspective) attitude since simply blocking new development to appease local opposition had become more difficult. Planners saw themselves as becoming more proactive in their relationship with

developers and more focused on producing robust assessments of housing need to underpin local plans.¹⁵ This raises the question as to the extent to which relationships between and mutual perceptions of local planning authorities and housing associations/developers may have recently improved.

First introduced by the Town and Country Planning Act 1990, section 106 agreements had by the beginning of the new millennium begun to assume growing importance for the supply of affordable housing. The scale of developer contributions was significant, rising from £2 billion in 2003/04 to £5 billion in 2007/08, with an average of 30 such agreements per local planning authority each year.¹⁶ It has been calculated that £561 million was paid to local planning authorities in direct payment obligations in 2007/08.¹⁷ Although the number of new section 106 agreements has declined since 2007, they remain a crucial source of affordable housing for housing associations.

An important change to the section 106 regime of planning obligations was the announcement in the government's housing strategy that it intended to offer developers the option to have section 106 obligations in respect of affordable housing reassessed by planning authorities on grounds of viability and to appeal if necessary.¹⁸ The proposals were enacted in the Growth and Infrastructure Act 2013. The extent to which this measure has made a difference to planning practice has yet to be fully assessed. However, the Local Government Association claims that most planning authorities are willing to flexibly renegotiate such agreements.¹⁹

Nevertheless, these issues are potentially contentious and for housing associations may involve difficult and sometimes conflicted appraisals of the viability of new development schemes and the levels of affordable housing that may be available as part of the section 106 agreements. These issues and their impact on the local planning authority's attitudes towards housing associations are explored later.

A number of other planning-related measures to encourage local development initiatives were referred to in the government's housing strategy.²⁰ Of these, the community empowerment measures, introduced as part of the localism agenda, have been highlighted as potential areas where housing associations can intervene to support local communities:

- **The community right to build**
This is designed to give local communities "freedom to build new homes, shops, businesses or facilities where they want them without going through the normal planning application process". Any proposal must have the support of 50 percent of voters in a referendum and must meet some minimum requirements in terms of national planning policies and strategic elements of the local plan.²¹
- **Neighbourhood planning**
Communities can choose where they want new houses, shops and offices and grant planning permission for these. However, the proposals must be incorporated into neighbourhood plans drawn up by parish or town councils, or neighbourhood forums, with the support of local planners. These plans must themselves be subject to independent examination and a referendum.²²

- **Community right to reclaim land**

In respect of land owned by local authorities and certain other bodies, anyone can send a request to the secretary of state claiming that the land or property is underused or vacant, that there are no suitable plans for its use and that it should be disposed of to bring it back into use.²³

Local planning authorities have indicated some ambivalence towards the above measures, and it is not clear how widely they have yet been used. Nevertheless, they may prove to be another aspect of the housing association/ local planning authority relationship, an issue raised with planner interviewees in the report.

Matters relating directly to local planning decisions do not exhaust the facets of the housing association/local planning authority relationship in respect of new development. As the strategic housing authorities, local authorities identify housing need and develop their strategic housing market assessments – which in turn inform the local plan. Little is currently known about how much housing associations engage with strategy development by local authorities or how authorities perceive them as actual or potential partners.

Local authorities also see themselves as active partners in promoting new affordable development. Local Government Association survey evidence suggests that 80 percent plan to work in partnership over the next five years.²⁴ The question of how they perceive housing associations as partners in this context is clearly important.

Housing associations frequently refer to local authorities as a potential source of land for new development. Survey evidence from the Local Government Association from 2012 suggests that the vast majority (87 percent) of local authorities expect to release land (within the local plan) for new housing development during the next five years.²⁵ In spite of exhortations from government and developers, including housing associations, local authorities are constrained in terms of land they believe they should release.

First, they have a duty to achieve "best consideration" for their assets. Although *Planning Policy Statement 3* allows public bodies flexibility where there is "community benefit", the process of disposal on this basis is bureaucratic and may mean that some land is sold commercially to developers rather than released to housing associations.²⁶

Second, in addition local authorities face competing demands for land to meet non-housing purposes such as provision of schools. Previous interviews with local authorities have indicated some dissatisfaction around a perceived lack of housing association understanding of these demands.²⁷ This area is explored in local authority interviews later.

Finally, a number of local authorities are now developers of affordable housing in their own right. The number of new homes is small: a total of 130 completions in the South in 2013/14. Nevertheless, acting as developers could affect the relationship that authorities have with commercial developers and with housing associations in two ways:

- Local authorities may exhibit greater understanding of and more sympathy for the needs, problems and priorities of developers (including housing associations), although commercial developers have shown some scepticism about this in interviews.²⁸
- As developers, local authorities may wish to retain land rather than release it for development by others.

Some housing associations claim that because of their capacity and capability (especially in areas like procurement and project management) they can offer better value for money (such as more housing per pound of public investment).

Overall, as the analysis above shows, the interaction between local authorities and housing associations in respect of planning and new development is a multifaceted one, which perhaps has the greatest implications for the council/housing association relationship.

Allocation of housing association managed homes

An important source of long-term interaction between local authorities and housing associations is the nomination rights of authorities over housing association stock and councils' role in administering local "choice-based lettings" schemes. These allow councils to use their allocation policies to place households in association properties.

Local authority allocation policies are embodied (and set out) in their allocation schemes. Traditionally, allocation has focused principally on offering "reasonable preference" to those in greatest housing need. However, the Localism Act 2011 allows local authorities greater flexibility in terms of who is allocated accommodation, by allowing councils to "prioritise local needs and local circumstances and encourage work and mobility".²⁹ Among other changes (such as excluding certain categories of people from abroad), the act enables local authorities to:

- cut waiting lists by determining which applicants for housing do or do not qualify for an allocation of social housing, thus excluding those with little chance of obtaining a home;
- make it easier for existing tenants to move; and
- change the definition of a "qualifying person" and offer higher priority to certain groups, such as those with a local connection and those who are in work, seeking work or making some other contribution to their community.³⁰

Although there has been little if any focused research on the impact of these changes, or indeed on the broader allocation/nomination relationship, there is evidence that there can be tensions. Interviews with local authorities from the South East in 2014 suggested that a high proportion have changed their allocation policies in favour of households with a local connection and that a significant number have also changed them in favour of those who are in work, seeking work or making a community contribution.

These changes raise questions about how households wishing to exercise "reasonable preference" are now being housed in

the private rented sector and about the degree to which those households can be successfully supported in that sector. Private landlords in the South East expressed serious doubts in interviews about their capacity to support those in serious need, as did the region's housing associations.

One on-going source of tension between housing associations and councils has been allocation to affordable rent properties. These have rents of up to 80 percent of market rent. Housing associations interviewed in London in 2013 and in the South East in 2014 complained that local authorities consistently allocated affordable rent properties to non-working households. In some cases these households were subject to the household benefit cap introduced in September 2013.³¹

The cap is set at £350 per week for a single-person household and £500 per week for larger households.³² This amount is not updated for inflation and the government has intimated that it intends to reduce it. Currently, the cap is implemented via restrictions on housing benefit payments.

Housing associations have voiced concern that the benefit cap is more likely to cause rent arrears for workless households in affordable rent properties on account of the higher rents, and see larger households as particularly vulnerable. Clearly, this affects the income stream of housing associations and increases rent collection costs. As a result of the changes, rents for larger properties have been set at a lower percentage of market rent in order to avoid the cap. Housing associations have stated that another consequence is that they are building fewer large homes under the Affordable Homes Programme.³³

There is evidence from the South East that changes to local authority allocation policies are having a limited impact in increasing the proportion of working households in affordable rent properties. However, there are serious questions about whether local authorities believe that housing associations understand their changing priorities in terms of allocation and whether the changes above, including the benefit cap, have affected the relationship between councils and housing associations.

Local authorities have also been using their new flexibility to change allocation policies to favour under-occupying households wishing to downsize to avoid the so-called bedroom tax (see next section). As discussed in the following sections of this report, this has predictably had an effect on the relationship between councils and housing associations.

Administration of housing benefit and impact of welfare reform

Administration of housing benefit puts councils in continuous and close contact with housing associations, which usually receive housing benefit directly on behalf of their tenants. There are, however, frequent delays in housing benefit payments.³⁴ Even though only some of the delays are the fault of the administering authority, this can be a source of tension between authorities and the housing associations that incur rent arrears as a result.

The government's welfare reform programme has added a further dimension to the housing benefit relationship. For the purposes of this study the key elements of the reforms are:

- the benefit cap (see previous section for details);
- removal of the spare room subsidy (this reform is also known as the bedroom tax – the social-sector size criteria introduced under the 2013 housing benefit rule changes), by which benefit is deducted from those deemed to be under-occupying their homes;
- introduction of universal credit, which will be administered centrally and paid direct to tenants in the majority of cases;
- abolition of council tax benefit and substitution of local schemes to provide assistance with council tax – this includes localisation of the social fund;³⁵ and
- use of discretionary housing payments to deal with difficult cases created by other welfare reforms, notably the bedroom tax.

The removal of the spare room subsidy has had a significant effect on a range of tenants. According to DWP, at the introduction of this policy on 1 April 2013 the affected tenants numbered 547,342, and that figure had fallen by only 25,000 by August 2013. Nationally 11.7 percent of all social tenancies were affected by removal of the subsidy, and housing associations have deployed very significant resources to assist these tenants. The vast majority of landlords (87 percent) believed that they had identified over 95 percent of those affected, half (53 percent) stated they had visited at least 90 percent of those tenants, while over two-thirds (70 percent) indicated that they had made telephone contact with at least 90 percent of affected tenants. It appears that the majority of affected tenants had not moved and were not planning to do so. At the end of six months, 4.5 percent had downsized and a further 19 percent had registered to do so.³⁶

The evaluation reported that five months after the introduction of the change, only 41 percent of tenants had paid the full shortfall in rent while 39 percent had paid "some". Overall, rent arrears had risen 16 percent since the removal of the subsidy, although it was not clear to what extent this could be ascribed to the impact of that measure.

The removal of the subsidy was also affecting demand. Some 41 percent of landlords reported difficulty in letting larger (three-bed or more) properties. Around a third of developing housing associations reported that they were building more one-bed and fewer three-bed homes.³⁷ In addition, there was evidence that in the South East at least, housing associations were moving towards developing more market products such as shared-ownership and homes for open market sales, and leaning away from development of homes for affordable rent.³⁸

The bedroom tax has influenced some local authorities to change their allocation policies. According to the DWP evaluation, discretionary housing payments (DHP) have also been used by councils to assist tenants affected by the bedroom tax. The evaluation identified significant uncertainty among landlords

about how long DHP would be used in this way, since this depends in part on enhanced government funding – a further source of concern for both tenants and landlords.³⁹

The localisation of council tax benefit has also become a potential area of tension between local authorities and housing associations. Briefing material from the National Housing Federation points out that housing association rent arrears may increase if tenants find themselves under increased pressure owing to inadequate support in some local authority areas.⁴⁰

Overall, the day-to-day administration of housing benefit by councils, alongside the government's welfare reform programme, together raise a number of questions, explored later in the report, which have a bearing on how local authorities and housing associations perceive each other:

- Do housing associations understand the pressures and constraints under which local authorities operate in administering housing benefit?
- Do local authorities believe that housing associations have made sufficient practical preparations for the transition to universal credit?
- How do local authorities believe that housing associations have handled the issues of tenant support in respect of the benefit cap and the bedroom tax?
- Are local authorities comfortable with the response of housing associations to the benefit cap and the bedroom tax in terms of adjustments to their development policies

- away from larger properties and affordable rent? Has there been consultation with councils as the strategic authorities? Should there be consultation?
- Is the current use of discretionary housing payments to subsidise tenants affected by other welfare reform measures satisfactory and sustainable? Should housing associations be doing more to support tenants in other ways?

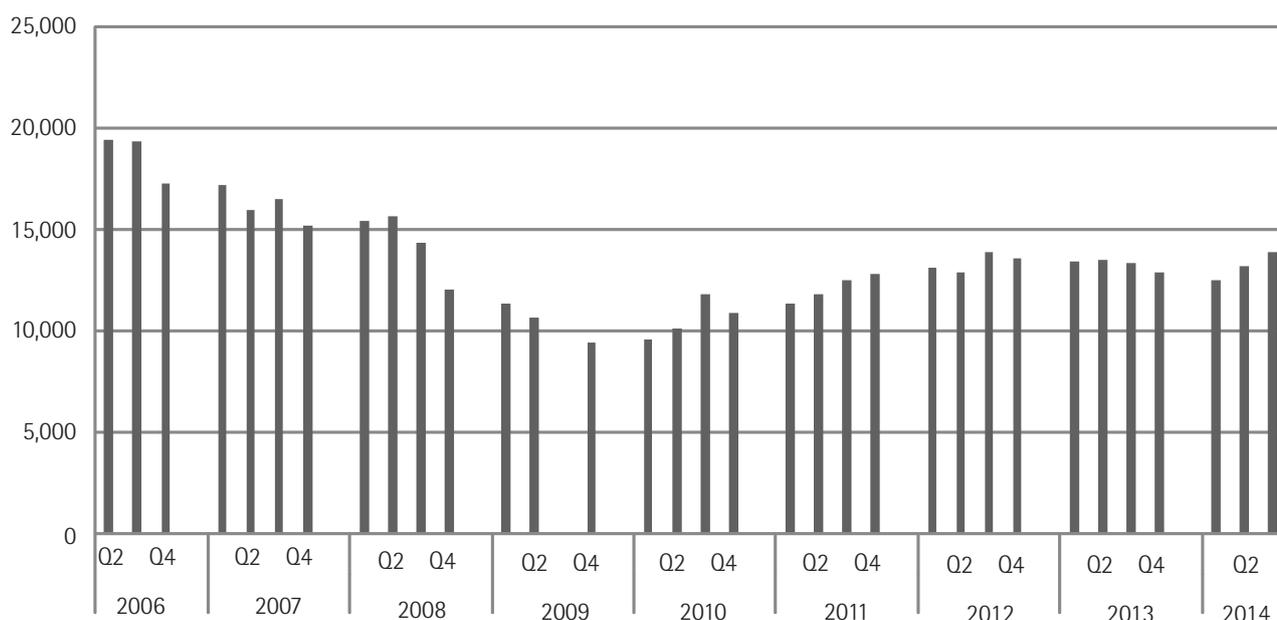
Housing benefit is to be part of the universal credit system and is being introduced in stages around the country. It will be a single, monthly payment (including eligible housing costs) paid direct to claimants (as is the case in the private rented sector). According to DWP, "there will be improved protection in place for landlords and tenants against arrears under universal credit". Despite these assurances, some associations are concerned that the new arrangements may lead to rent arrears – especially in places with less generous payments (see later sections).

Homelessness: local authorities and housing associations working together?

Local authorities have a duty to secure accommodation for those who are both homeless and in priority need. Nationally, the number of those experiencing homelessness and in priority need fell between 2006 and 2009, but has been slowly increasing since then.

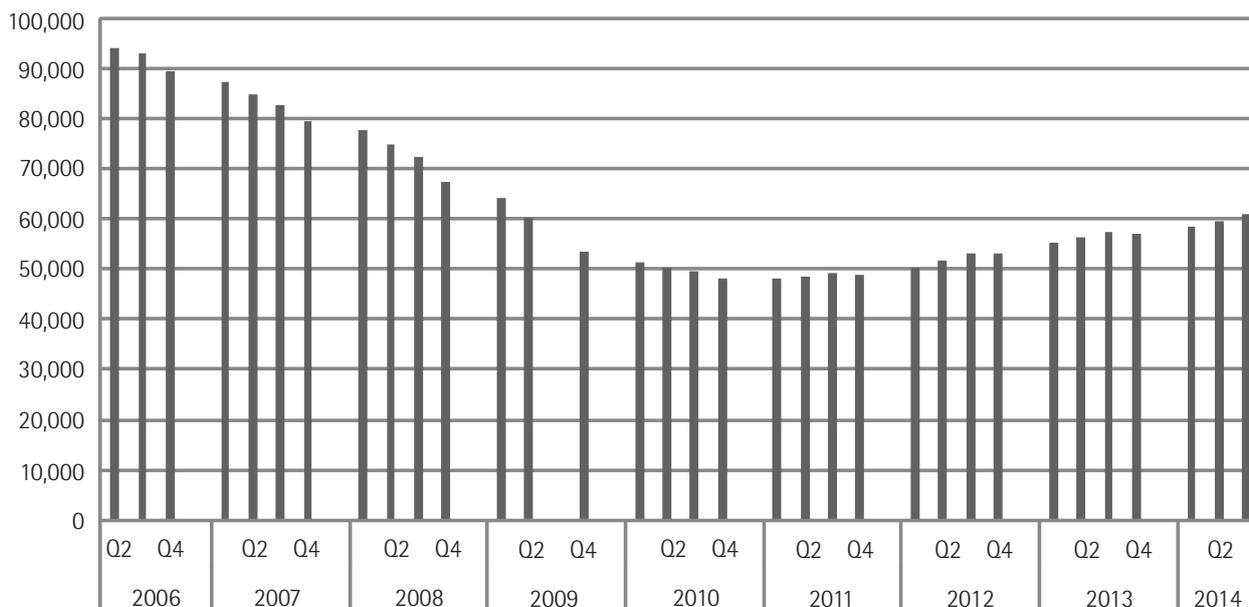
Within these national figures there are significant regional variations, with London accounting for the largest percentage of total homelessness acceptances by far. Numbers of households in temporary accommodation at the end of each quarter also show a fall followed by a subsequent rise.

Figure 4: Number of households accepted as homeless and in priority need in England, 2006–14



Source: DCLG

Figure 5: Households in temporary accommodation at end of each quarter in England, 2006-14



Source: DCLG

Around 60 percent of households accepted as in priority need are placed in temporary accommodation, with 20 percent of these being placed in local authority or housing association stock and up to 70 percent accommodated in the private rented sector. Of those leaving temporary accommodation, around 70 percent end up in local authority or housing association accommodation, while around 4 percent are now accommodated in the private rented sector.⁴¹

Delivering their responsibilities in relation to homelessness is another area where local authorities and housing associations work together. Indeed, where there have been stock transfers, some councils contract out their homelessness services to housing associations. It has been reported that there are sometimes tensions over this contracted-out role. For instance, housing associations sometimes see local authorities as taking little further interest once they have contracted out the service.⁴²

For other local authorities, housing associations can play an important part in providing both temporary and permanent accommodation, even with the freedoms that councils have to make greater use of the private rented sector.⁴³ Some local authorities also place households outside their own area. In the South East, for instance, there is evidence that a significant number of authorities in areas where housing is expensive place priority-need households in the east of the region and along the coastal strip, where house prices and rents are lower and where savings in costs can be made. In at least one case, households were being moved as far away as Wales.⁴⁴ The National Housing Federation reported that 75 percent of surveyed councils nationally said that they had placed households in another borough.⁴⁵

There is a need for more focused research on the interaction between local authorities and housing associations over homelessness. It is an area that carries reputational risks for both parties and where the stakes for those in housing need are high. Given the overall shortage of social housing and the pressure on councils to find accommodation, there is the potential for relationships to become strained. The local authority interviews for this report explore the council/housing association relationship around the issue of homelessness.

Council nominees on the board of stock transfer associations

The relationship between councils and housing associations can run deeper than individual activities or even shared objectives, when housing associations include council members on their boards. While this is by no means a universal practice, the boards of housing associations formed via large-scale voluntary transfer were normally structured so that a third of board members were nominees of the transferring council (with independent and tenant members each also making up a third of the total). There has been little research on the relationship that this implies.

However, in a report published in 2003, Pawson and Fancy suggested that 73 percent of large-scale voluntary-transfer housing associations believed they had a "special relationship" with the nominating council. There was also evidence that this relationship grew weaker over time, with council nominees increasingly seeing themselves as individuals rather than as representatives of the council.⁴⁶ Whether these relationships have much significance in 2015, a dozen years after the above research and 27 years after the first large-scale voluntary transfers took place, is an open question.

Local enterprise partnerships: new opportunities for housing associations?

Establishment and evolution

Unlike local authorities, which are long-established bodies whose role and functions are widely understood, local enterprise partnerships (LEPs) are new and less well known, at least in the affordable housing world. Since LEPs were established only recently and have evolved quickly, there has been limited research on their housing role.

First established in 2011 following the abolition of the regional development agencies, LEPs are voluntary partnerships, mainly between local authorities and businesses. They vary in size and type, with differing governance arrangements (although all place responsibility for public funds with a local authority board member). The aim was to better mirror functional economic geographies. LEPs therefore normally involve a number of local authorities, but cover smaller areas than the regional development agencies (RDAs).

The overarching role of the LEPs is to "help government and business deliver economic growth across England",⁴⁷ with a focus on improving private-sector productivity and enabling local growth. In contrast to the RDAs that preceded them, LEPs do not see their remit as covering social regeneration/anti-poverty work, although most are involved in job creation and skills training.

The aims of an individual LEP resolve into a set of priorities to achieve growth. These priorities underpin a range of activities, ranging from business support to connectivity, but always linked by an overarching commitment to growth. Enterprise M3, for instance, sees its vision as:

To be the premier location in the country for enterprise and economic growth balanced by an excellent environment and quality of life.

– Enterprise M3 *Strategic Economic Plan March 2014* (2014)⁴⁸

This vision is then further defined in terms of interventions in the fields of enterprise and competitiveness, innovation, promotion of high-value industries and skills development. These also require intervention in the fields of "physical infrastructure and place making". The scope for housing as a component of LEP intervention can already be glimpsed.⁴⁹

LEPs decide on and set their own priorities for investment within their areas in order to achieve economic growth and job creation. They are governed by voluntary boards made up of individuals drawn from both the public and private sectors. There are 39 LEPs covering England in its entirety and 24 of these have successfully applied to form enterprise zones, which offer incentives to business including business rate discounts and simplified planning procedures. Most of the LEPs also run local growth hubs, which act as a single point of contact for business support.

Lord Heseltine's report, *No Stone Unturned: In Pursuit of Growth*, argued that LEPs should be at the heart of the government's

agenda for rebalancing the economy and driving economic growth. It recommended that all LEPs should publish strategic economic plans (SEPs) and that they should move towards a single source of public funding from 2015/16.⁵⁰ The report also suggested that LEPs should be the principle delivery vehicle for European funding.

By the end of 2014 most LEPs had published their SEPs as part of their submissions to the Local Growth Fund, making their future intentions in terms of priorities and proposed intervention much clearer.⁵¹ The SEPs set out the priorities of the LEP for their area in terms of sustainable economic growth. They also inform the LEP bids for EU funding (worth some £5.3 billion between 2014 and 2020).

LEPs have achieved cross-party support and have the backing of the main business groups, such as the chambers of commerce. However, they have not been universally popular. Critics have pointed to their lack of democratic accountability, which may become more of an issue if funding levels to LEPs are increased. The Public Accounts Committee expressed concern on the "lack of transparency of LEPs"⁵² and the National Audit Office report on the LEPs in 2013 questioned whether the LEPs were capable of delivering value for money.

There has also been some concern about the LEPs being under-powered and under-resourced. Others claim the LEPs lack resilience and are not predisposed towards addressing longer-term priorities, especially connecting deprived areas to areas of opportunity.⁵³ There has also been some concern about how LEPs interact with the planning system.⁵⁴

However, there is little appetite for abolishing the LEPs.⁵⁵ Independently of government, LEPs are themselves evolving. The trend towards combined authorities (and sharing services) means that some LEPs within metropolitan areas are becoming de facto agencies working on behalf of the councils for delivering jobs and growth. According to research by the Spatial Economic Research Centre, the LEPs that are engaged with a combined authority are often better resourced and connected, with a wider policy remit:

*The relatively better endowed [combined authority and city-region] LEPs have access to Enterprise Zones, Regional Growth Funds, Growing Places Funds and other programme funding, as well as some independent sources of local revenue. Less well-endowed [smaller] LEPs are restricted effectively to government core funding.*⁵⁶

Moreover, the combined authorities have a much closer relationship with the LEPs, not only because they are the accountable body for funding but also because the LEPs are engaged in cross-boundary activities such as transport and housing.

LEPs in the South of England

Both the South East and South West local authority areas are fully covered by LEPs. The two regions have a total of 14 LEPs (see below), which vary widely in terms of their size, population,

number of local authorities included within each area, urban/rural balance and, importantly, the scale and nature of current economic activity.

Table 1: LEPs and their chairs

LEP	Chair
GFirst (Gloucestershire)	Dr Diane Savory (former chief executive of Super-Group)
West of England	Colin Skellet (executive chairman of Wessex Water)
Swindon & Wiltshire	Barry Dennington (former vice-chair of Philips Semi-Conductors)
Dorset	Gordon Page (former chair Cobham plc)
Heart of the South West	Steve Hindley (chairman of Midas Group plc)
Cornwall & Isles of Scilly	Chris Pomfret (chair of the CBI Construction Council)
Hertfordshire	John Gourd (services director of Johnson Matthey)
Buckinghamshire Thames Valley	Alex Pratt (Serious Brands)
Oxfordshire	Adrian Shooterm (former chair of Chiltern Railways)
Thames Valley Berkshire	Steve Lamb (director of Oracle Corp)
Enterprise M3 (Hampshire & Surrey)	Geoff French (former chairman of Scott Wilson)
South East	Peter Jones (former investment banker)
Coast to Capital (West Sussex and Surrey)	Tim Wates (formerly at Wates)
Solent	Gary Jeffries (managing director of Hughes Ellard)

Funding

In addition to the £10 million per year offered by the government for capacity building, LEPs have tapped several sources for funding, including the £750 million Growing Places Fund. However, the principal source of funding is the Regional Growth Fund (RGF). According to the sponsor department, the Department for Business, Innovation & Skills, the fund has so far allocated £2.9 billion in support to businesses and intermediaries, which is projected to deliver 573,000 jobs and generate £16 billion in private investment.

LEPs also receive funding from the Growing Places Fund in respect of infrastructure. In addition, LEPs are the delivery vehicle for the EU Structural and Investment Fund for 2014–2020,⁵⁷ worth around £5 billion – with the largest shares allocated to Cornwall & Isles of Scilly, London and the North East.

Although various funding streams are available to help deliver projects, a common concern among LEPs is the low level of revenue they receive to cover their running costs. As more money passes through LEPs to facilitate projects, it seems likely that additional funds will be needed to retain and recruit staff able to undertake project appraisals and due diligence on bids. At present, the average LEP has fewer than 10 members of staff.

Table 2: Growth deal awards by LEP (£m)

	Initial allocation, July 2014	Additional allocation, January 2015	Total
South West			
GFirst (Gloucestershire)	62.5	15	77.5
West of England	212.6	18.1	230.7
Swindon & Wiltshire	129.3	11.5	140.8
Dorset	66.4	12.6	79
Heart of the South West	103.2	65.2	168.4
Cornwall & Isles of Scilly	48.9	11.3	60.2
South East			
Hertfordshire	199.2	22.3	221.5
Buckinghamshire Thames Valley	44.2	8.8	53
Oxfordshire	108.5	9.9	118.4
Thames Valley Berkshire	96.6	10.2	106.8
Enterprise M3 (Hampshire & Surrey)	118.1	29.9	148
South East	444.2	46.1	490.3
Coast to Capital (West Sussex and Surrey)	202.4	35.8	238.2
Solent	124.8	27.1	151.9

Source: Ward, M *Local Enterprise Partnerships* (House of Commons Library, 2015)

Current LEP priorities

An LEP's growth agenda underpins and determines the high-level priorities for intervention. These can vary significantly, and the overall position is complicated by the very different format and structure of different SEPs. Nevertheless, there are common themes that tend to run through SEPs. These include:

- development of skills and training;
- promotion of a knowledge-based economy;
- improving connectivity/transport;
- introducing superfast broadband; and
- improving communities in order to promote economic growth.

It is within the "communities" agenda that housing initiatives tend to sit, although they may be subsumed within a broad industrial/growth strategy. In Dorset, for instance, the LEP is bidding for £600 million of local growth funding and its SEP, *Transforming Dorset*, highlights skills development, tourism and connectivity as key areas for intervention, while making a commitment to the construction of 7,239 homes by 2021. These ambitions sit within a local industrial strategy that encompasses a wide range of sectors and activities, from healthcare to financial services. Gloucestershire's LEP places housing within the concept of "enablers for growth", which covers projects that "support and complement rather than directly contribute to growth".⁵⁸

LEPs and housing

In the early days of LEPs it was by no means clear how committed they would prove in terms of intervening to improve local housing provision. Indeed, one commentator opined that:

Interestingly, very few [LEPs] are focused on housing, despite the government's emphasis on this as a means of kick-starting growth.

– Ward, M, Hardy, S (eds) *Where Next for Local Enterprise Partnerships?* (Smith Institute, 2013)⁵⁹

However, housing features in all the SEP documents – usually in the context of unlocking growth potential or meeting broader regeneration or development objectives. Indeed, the plans of the Southern LEPs are frequently ambitious:

A priority area for the short term is to unlock growth in key towns in Cornwall through targeted investment in infrastructure. Our LGF fund will unlock and accelerate delivery of over 6,394 houses by the end of 2017 and act as a stepping stone to bigger ambitions.

– Cornwall & Isles of Scilly LEP *Economic Growth Strategy 2012-2020* (2013)⁶⁰

Coast to Capital LEP is aiming to create 26,000 additional homes over six years, completed at the rate of more than 4,000 per year, within the context of an SEP that aims to use £550 million of public funding to lever in £2.78 billion of private-sector funding.⁶¹

Buckinghamshire Thames Valley LEP aims to "achieve a better balance between housing availability and local jobs".⁶² Dorset LEP refers to the Port of Poole and Poole regeneration area where...

*Leveraged investment will provide a mixture of office, retail and housing developments and create 5,000 jobs and 2,000 homes.*⁶³

While the Oxfordshire SEP intends to...

*Accelerate the delivery of 7,500 homes across the county; and recognise that the provision of quality housing will be fundamental to the delivery of innovation-led growth.*⁶⁴

Overall, the picture is one of substantial commitments to promote housing. These plans are, of course, still to be implemented, assuming that bids to the RGF are successful. Nevertheless, LEPs are clearly intending to be significant stakeholders in enabling housing growth.

LEPs and housing associations

While LEPs plan to support local housing markets, the extent to which housing associations have a role in their proposed projects is far less clear. While housing is normally featured in LEP SEPs, housing associations are referred to far less often and it is often not obvious what part the LEP envisages housing associations as playing in delivering their plans. There are occasional references; Gloucestershire's LEP refers to "affordable housing providers" with the observation that they spend £91 million a year in the county.⁶⁵ South East LEP appears to be aware of housing association activity and supports more flexibility for housing associations in setting rents. Nevertheless, the extent of housing association involvement in practice is often opaque.

In its 2013 briefing for housing associations, *Engaging with Local Enterprise Partnerships*, the National Housing Federation says it sees real potential for housing associations to gain access to funds and partnership opportunities. The briefing suggests that associations' engagement with LEPs should centre on new development, skills and employment, and green retrofit of affordable housing. LEPs could be a source of match funding for housing associations and have an interest in the utilisation of surplus and redundant public-sector assets. It refers, as an example, to £2.5 million of funding from Enterprise M3 to aid the development of 600 homes in north Hampshire by Sentinel Housing Association.

However, the relationship between housing associations and LEPs has not been explored in great detail, and there are broad questions which the interviews with LEP representatives for this report aimed to explore, such as:

- How high a priority is housing in practice?
- How does the engagement of the LEP in housing projects work in practical terms and is there room for housing association engagement?
- Do LEPs view housing associations positively and do they see them as actual or potential partners?
- To what extent are LEPs aware of and in dialogue with housing associations?
- How do LEPs see housing associations engaging with their plans?

2. A new type of relationship: local authority views of housing associations

Local authorities and housing associations have a long history of working together. Not only do they work together to deliver new (affordable) housing, but also councils nominate households to housing associations, process housing benefit and often discharge homelessness duties. However, as outlined in the previous section, welfare reform, a changing grant regime and severe cuts to local government suggest that this relationship might be changing. The interviews for the report, the findings of which are set out in this chapter, seek to better understand how these changes might be affecting the relationship and what actions could be done to strengthen them.

Local authorities

Interviewees suggested that local authorities did maintain relationships with a significant number of housing associations operating within their area. The number of housing association with which each local authority engages varied between around nine and up to 30, although not all these relationships were close. Local authorities had more dealings with housing associations that had more stock in their areas or were particularly active, usually in the field of development. Some local authorities had transferred their stock via large-scale voluntary transfer (LSVT), and relationships with LSVT housing associations were sometimes closer than with other housing associations – in spite of transfers having often happened a number of years previously.

"Our other LSVT is aligned with us."

– *Local authority interviewee*

However, the persistence of close relationships with LSVT associations was not universal and some local authorities were content to build similar relationships with other housing associations rather than rely on residual ties. This extended to a reluctance to perpetuate a council-nominated presence on LSVT housing association boards.

Components of a strong relationship

Local authorities were asked what the key components of a successful relationship with a housing association would be. Most responded that shared objectives and understanding of each other's needs were very important.

Some comments by local authority interviewees:

- "Shared objectives and outcomes."
- "Regular dialogue, sharing the ambitions of the housing associations – they do differ."
- "We need aligned interests."
- "That long-term commitment to the council and being prepared to engage proactively and understand our corporate objectives."

Some councils saw it as essential that housing associations understood and aligned themselves to the objectives of the council and the constraints under which their local authority operated. Others recognised that housing associations also had corporate objectives and that they too operated under

constraints imposed by their business models and by the funding regime for affordable development. Although the question about relationships was asked in general terms, some local authorities were keen to point out that, as they saw it, housing associations were not always as understanding of local authority objectives as they could be:

"I think openness and honesty and the ability of the housing association to understand what the strategic priorities of the council are. I sometimes find that lacking."

– *Local authority interviewee*

It is interesting to note that interviewed housing associations also believed that aligned objectives and understanding were important:

"Establishing a common understanding about the opportunities for both partners and a non-conflictual view about new development"

– *Housing association interviewee*

Similarly, housing associations also recognised that not all local authorities shared their objectives, and they valued relationships with certain authorities above those with others. Local authorities believed that achieving good communications and building strong personal relationships were very important in cementing a positive and productive relationship. However, some suggested that housing associations had become more remote as they had become larger and operated over a wider area.

Some comments by local authority interviewees included:

- "Good communication and named individuals to build a personal relationship and a local focus.... There is a general feeling that as housing associations have got bigger the local focus has been watered down."
- "We appreciated a housing association CEO who used to take time to come to an annual meeting. We do not get that now."
- "The last few years have changed – housing associations have gone in a different direction because of less public funding, and are less aligned with what local authorities want to achieve.... They want to keep lenders happy more than local authorities."

Not all local authorities saw their relationship with housing associations changing in this way, but these perceptions were reflected to varying degrees by the majority of respondents. Interviewed housing associations also saw their relationships with local authorities as becoming more selective; larger housing associations in particular had built stronger relationships with local authorities in whose areas they had more stock or where there were development opportunities.

Overall, the emerging picture is one where shared understanding and aligned objectives were seen as key to a good relationship. In addition, local authorities believed that good communications

and strong personal relationships were also important. However, there was a perception that because of the changing business culture of housing associations and their growing size, relationships were not as strong as they once had been. The idea of local authorities and housing associations as organisations with a closely shared set of objectives and values was seen as less self-evident. This view was reflected in the attitude of housing associations also; they saw their relationships with local authorities as selective and of variable quality.

Where they considered relationships to be lacking, local authorities tended to believe that housing associations should make more effort to improve them (although there was some realism about the degree to which a large association operating across a number of local authority areas could achieve this). However, on occasions there was a recognition that relationships were two-way affairs:

"We do not always agree and are often frustrated with each other ... but you have to make it work – identify the common interests."

– *Local authority interviewee*

Most important relationship

Local authorities were asked what they considered to be the most important relationship with housing associations for them, choosing from a number of possibilities that reflected the facets of the relationship:

- as developers seeking planning decisions;
- as providers of new affordable and/or market housing;
- as landlords affected by local authority allocation policies;
- as landlords whose tenants may receive housing benefit;
- as landlords who may assist in the fulfilment of the council's responsibilities in respect of homelessness; or
- other.

By far the most important role from the perspective of the majority of local authorities was that of provider of new affordable housing. The housing association role as developers seeking planning permission was also seen through this lens.

Comments by local authority interviewees:

- "From my perspective – as providers of new affordable housing, [and secondly as] developers seeking planning decisions."
- "For me it is a provider of new affordable housing – I see this as their role... core mission and core business."

Although provision of market housing for sale and/or rent was seen as a legitimate role of housing associations, it was the role of affordable housing provider that was seen as important. Nevertheless, local authorities did, on occasion, refer to the need to generate cross-subsidy in a low-grant environment. Local authorities were in general well aware of the changing funding environment for affordable housing and saw it as one of the key drivers of their changing relationship with housing associations, as will be seen below.

While the majority of local authorities saw affordable development as representing the key role for housing associations, a number believed that their role as significant social landlords was the most important. For some councils, this was because they had no stock of their own:

"A housing association has to fulfil the job as a landlord that we cannot."

– *Local authority interviewee*

For other local authorities, it was simply a recognition of affordable housing allocation as one of their key roles and housing associations as an important recipient of nominations. Often, the housing association landlord role was also seen as enabling them to assist in the discharge of a council's homelessness duties, which councils saw as an important aspect of their own role.

Housing associations and planning

Local authorities were asked to consider their role as local planning authorities and to assess the relationship with housing associations in a planning context. They were specifically asked to compare housing associations and commercial developers in this respect. Some authorities said they considered housing associations to be allies in the development of affordable housing and to be fundamentally different from commercial developers in respect of their values and approach.

Comments by local authority interviewees:

- "Associations are our partners and we prefer to work with them – we have the same objectives"
- "I prefer to deal with housing associations because they try to work collaboratively"
- "Housing associations are more honourable and do have a sound objective. Usually they are more straightforward to deal with."
- "There is a dramatic difference because housing associations are not-for-profit and developers are out to make a profit."

These local authorities were of the view that housing associations had a common cause with them in the provision of affordable housing and were clear that they would rather deal with housing associations than with commercial developers. However, this was not a universally held view. A number of local authority respondents were critical of housing associations and in some cases saw them as little different from commercial developers.

Comments by local authority interviewees:

- "These days we do not see much difference at all really."
- "Less difference than there need be because housing associations are more commercial. We have to treat them the same... We have had housing associations trying to reduce section 106 obligations (eg in respect of education) in the same way as commercial developers"
- "Housing associations have moved much more towards commercial activities now; much more like commercial organisations – disappointing."

- "In terms of similarities – the decisions housing associations take are often based on a limited viability assessment like commercial developers and over the same timescales.... Housing associations have become more risk-averse since the credit crunch."

As planning authorities, local authorities are required to deal with applications on their merits, whether those applications come from developers or from housing associations – a point that local authority representatives were keen to make. Nevertheless, among a significant group of authorities there was a sense that the differences that once existed between commercial developers and housing associations were blurring. In the view of these local authorities, housing associations have become more "commercial" in their approach and less willing to accommodate council requirements such as the siting and quality of affordable development. In addition, these councils saw housing associations as less willing to accede to section 106 planning obligations.

Interviewed housing associations corroborated the perception that relations with planners were not always good, but with difficulties felt to be a result of procedural issues or the level of local authority resources rather than differences in objectives or culture.

Comments by housing association interviewees:

- "We do not have poor relationships with local authorities about planning.... We do a lot of pre-application work."
- "It depends on the personal relationship and the level of resource in local authorities – some are struggling."
- "Our experience is very mixed."
- "The majority understand our business model because they are creating a cross-subsidy model themselves."

One housing association said that some local authorities were "anti-development" due to nimbyism among the local electorate, which resulted in negative attitudes towards development (particularly affordable development) among elected members.

Neighbourhood planning presented a useful example of differing perspectives. Introduced as part of the localism agenda, neighbourhood planning offers local communities the opportunity to generate local proposals for development.⁶⁶ While councils had so far experienced varied levels of take-up of neighbourhood planning, there was broad agreement that it offered housing associations an opportunity to become engaged with communities, particularly in rural areas. Nevertheless, some local authorities were sceptical about the willingness of housing associations to offer community engagement at the local level. Housing associations were less positive about the potential opportunities. One said it saw neighbourhood planning as essentially a device to thwart development, while others believed that sites offered were likely to be too small to be of interest. This view is consistent with the perception of those local authorities that believed housing associations to be operating now on a larger, less locally focused scale and with greater emphasis on commercial objectives.

Overall, while many instances of positive relationships between local planning authorities and housing association developers exist, there does appear to be some disconnection between the perceptions of local authorities and those of housing associations. For a number of local authorities, the relationship had deteriorated from one of partners with shared aims to that of a more conventional planner/developer relationship. Local authority interviewees highlighted examples of housing associations appealing planning decisions and challenging section 106 (planning gain) provisions as instances of housing associations failing to act in the spirit of partnership to promote affordable housing.

Housing associations, by contrast, saw the relationship essentially in practical terms, with their development plans assisted or hindered by the level of local authority competence, understanding of financial constraints and resourcing. From a housing association perspective, the relationship is and should be essentially two sets of professionals engaged on a project from different but reconcilable perspectives, rather than a relationship of partners in an important social enterprise. As one local authority interviewee put it: "I think they understand our priorities but do not necessarily agree with them."

Local authorities were asked how the relationship with housing associations around local planning authorities could be improved. Some were of the opinion that relationships were already good. Others believed that a planning authority should maintain a level of independence from all applicants, including housing associations. One local authority interviewee said: "It should not be too easy."

However, the majority considered that changes for the better could be made. Although the critics of the relationship between local authorities and housing associations suggested that the issues between them were cultural, the proposed solutions were mainly procedural, perhaps implying recognition that issues associated with commercialisation and changing welfare and funding models could not be addressed locally. One council suggested that housing associations should study local authority planning policies in order to understand better what is required. Another pointed out a need for regular liaison: "Often the first contact is when they want planning permission."

On the same theme, another local authority suggested that they might provide a liaison officer who would build on-going relations with housing associations. Early engagement when a project was in view was suggested by a number of councils. They believed that local authorities should take the pre-application process more seriously and engage in "collaborative strategic thinking". This echoes suggestions made by local authorities in respect of commercial developers.⁶⁷

Other councils believed that the quality of housing authority planning applications could be improved. One local authority interviewee said: "My planning colleagues would say the quality of housing association planning applications is nowhere as good as it could be," attributing this to too much reliance on consultants of inadequate quality. Another urged that housing

associations should: "Put in good-quality planning applications that are complete!"

These suggestions are positive and would almost certainly be echoed by other local authorities in respect of all developers. However, they are concerned with effective engagement by different sets of professionals seeking common ground. This is undoubtedly an effective approach for securing practical and functional relationships between the parties. What it does not address, however, is the perception of a significant number of local authorities that in recent years there has been a divergence of culture and values between themselves and housing associations in relation to development. The above suggestions would contribute to rebuilding the council/housing association relationship on "professional lines". Barring a long-term shift in the operating environment experienced by housing associations, it may be inevitable that there is a process of rebuilding and recalibrating the relationship rather than resuscitating the old one.

A question about the importance of housing associations as providers of affordable and market housing produced an encouraging response from a housing association perspective, with housing associations seen as the key provider of affordable housing by all but one local authority. Local authorities were also supportive of efforts to build shared-ownership properties and homes for market sale and rent. This was true whether or not councils had their own development programme or were planning to embark on one:

- "We could do more shared ownership."
- "We have launched our own building programme but housing associations still have a key role."
- "As a local authority we will not be developing again so we rely on housing associations."

Thus, even if the type of relationship that developing housing associations have with councils may be changing, the need for a relationship geared towards the development of new affordable and other housing has not diminished in the eyes of local authorities.

Meeting strategic housing need

Two vital elements in the local authority assessment of housing need and in their strategic planning are the strategic housing market assessment (SHMA) and the local plan. A number of authorities consulted were revising their local plan, in order to ensure that they met the requirement to identify five years' land supply and thus avoid having unwelcome development thrust upon them via planning appeals as indicated by the NPPF guidance.⁶⁸ While local authorities were confident of their ability to identify housing need, they were understandably less confident about being able to meet it:

"We can never meet the housing need that has been identified – we do what we can and so do they [housing associations] – it is about sites and money."

– *Local authority interviewee*

Local authorities were asked whether they specifically consulted

housing associations over the development of their SHMA and local plan. All but one council did so. Some simply sought written responses from housing associations that were part of a list of consultees. Others went further, and included housing associations and developers on "reference groups". At least one local authority aimed to involve housing associations in the process of disseminating outputs too: "Housing associations are part of a wide consultation process; we share the outcomes of the SHMA with them."

When asked whether they received feedback from those housing associations consulted, the response from local authority interviewees was more equivocal:

- "We tend to get responses from housing associations."
- "We do not get a lot of feedback."
- "What we get back is variable. Some are proactive, others less so."
- "We feel that some housing associations are slow to understand that what comes out of the SHMA affects what they build in the future."

Local authorities speculated that on occasions they might be contacting the wrong people within housing associations. Others believed that housing associations had become more remote as they became larger. One local authority commented that its local LSVT association, owning 80 percent of the social rented stock in the authority, normally responded but others were less likely to do so. This, again, supports the supposition that housing associations are more likely to respond where there is a local connection.

Housing association interviewees confirmed that they felt it necessary to be selective about responding: "We do not necessarily respond on all of them – only really five or six key ones," said one.

Another housing association said it had reduced the number of local authorities with which it maintained relationships to around 20. This illustrates the problem for a large housing association operating across many local authority areas. Housing associations were clear that they had to prioritise those local authorities where they had more stock or where there were development opportunities.

Local authorities were also asked how housing associations could more effectively assist local authorities in identifying and meeting strategic housing need. Local authorities were clear that in this regard housing association involvement was key to success:

"We do regard our housing strategy as a partnership document and we want all our housing associations to be part of it."

– *Local authority interviewee*

A number of authorities felt that housing associations were doing a good job in this area and that the relationship was working as well as it could. However, some had suggestions for further improvement:

- "They could talk to us at the earliest possible point about their development plans"

- "Be flexible and taking reasonable risks, having a local focus, good quality design, co-operate over nominations and homelessness."
- "Do what we ask them to do; be more responsive to our requirements rather than their business requirements."

The point about early discussion of development plans tied in with the earlier discussion of housing association planning applications and the need for early engagement. Similarly, the perceived need for a local focus and understanding of local authority policies had already appeared in the context of the discussion of housing association planning applications and development practice. Sometimes, local authorities did recognise that, for practical reasons, housing associations would have to adopt policies with which the council did not agree:

"We have not gone for affordable rent or fixed-term tenure, but housing associations have – although we would prefer them not to. But we understand why."

– *Local authority interviewee*

There was an understanding among local authorities that the operating environment for housing associations had changed and that if they were to remain viable and to continue to develop new affordable homes they would have to respond, notably over allocations (see below).

The consequences of having to respond to changing operating conditions was something that housing associations noted about local authorities also. There were suggestions that local authorities were not always prepared to put the need for affordable housing above the desire to maximise receipts when disposing of land:

"They could work more closely to develop land in partnership [with us] – rather than leave it to commercial developers.... Sadly they leave it to developers and get frustrated about quality."

– *Housing association interviewee*

Local authorities have typically responded to such charges by pointing to their statutory duty to achieve best value on their assets and to the need to safeguard their asset base in order to meet a number of competing priorities, not all of them housing-related.⁶⁹ Nevertheless, land disposal by councils remains a source of tension with housing associations. The fact that some local authorities now have their own development programmes can also be a complicating factor in some cases.

Local authority allocation policies and housing associations

Housing association interviewees thought that local authorities did not take account of the higher rents charged for affordable rent properties and continued to nominate workless and vulnerable households who would have greater difficulty in meeting those rents, particularly if they were "caught" by the overall benefit cap. Housing associations were also concerned about the implications of direct payment of rent to these households as universal credit rolled out across the country.

Local authority interviewees confirmed that in many cases they had revised their allocation policies in favour of applicants with

local connections. However, far fewer interviewees stated that policies had been revised to offer higher priority to those seeking work or training.

Local authorities generally believed that they had a strong relationship with housing associations in respect of allocations and that their recent changes had been understood. They described their relationships with housing associations in positive terms:

- "A strong relationship."
- "Pretty good."
- "We do not have that much conflict; we have a consistent policy and people do not have a problem with that."
- "It was strong for a while, but may have fallen away a bit since."

Housing associations also said that they understood the priorities that lay behind local authority allocation policies, and recognised the pressures that councils were under in allocating scarce resources.

Nevertheless, there was evidence that a significant number of local authorities believed that housing association attitudes had changed in response to different operating conditions. Local authority interviewees commented:

- "Housing associations have a conflict of interest. The staff are keen to work with us – on the other hand they need to be efficient and generate surpluses so they want reliable tenants"
- "It is due to the financial situation – they are more highly geared and cannot afford arrears"
- "They are becoming quite picky about tenants with a previous history or with a challenging financial situation."
- "We believe affordable rents are unaffordable."

Local authorities referred to instances of housing associations introducing stringent affordability criteria and rejecting prospective tenants on affordability grounds. They also noted that some housing associations had begun to refuse households with a history of previous rent arrears or antisocial behaviour. These local authorities did not, in general, blame housing associations for what they perceived as a hardening attitude towards the vulnerable. They usually recognised that housing associations were attempting to develop new supply in a more challenging economic and financial environment and that the need to manage and mitigate risk was consequently higher. Similarly, they accepted that the need to maintain viability and manage risk meant that housing associations had a strong interest in seeking reliable tenants and minimising rent arrears. However, they perceived that this changed attitude on the part of some housing associations posed problems in terms of their own housing responsibilities in relation to the most vulnerable households.

It is noteworthy here that the concern in general was mostly about vulnerability to arrears, rather than about a desire to make sure that tenancies (and communities) were resilient and sustainable.

Councils without housing stock of their own were concerned that they could find some households increasingly difficult to place and that their responsibilities would therefore remain undischarged. Those that did have some social rented stock of their own were more concerned that if housing associations became more selective then their own stock would become further residualised, as the poorest and most vulnerable households increasingly became local authority rather than housing association tenants.

The majority of housing association respondents confirmed that their attitude towards local authority nominations had changed. One indicated that the housing association concerned now had affordable rent developments where it did not want to house too many vulnerable households, remarking: "We are more picky."

Another housing association interviewee believed that local authority allocation policies did not work and that the outcomes were unsatisfactory:

"We have voids; we get too many vulnerable people in one place. We are trying to fix it but at present it does not work.... We are trying to make sure people can afford the rent and want working families in certain developments"

Housing associations did not simply see the problem in financial terms, although this was an important factor. There was also a desire to promote balanced and sustainable communities, particularly in new housing. There was also a perception that local authority allocation policies, by leading to a stream of nominations of needy and vulnerable households, could jeopardise what was seen as a legitimate aspiration.

Overall, it appears that housing associations and local authorities work successfully together in the development of allocation policies and that policies are implemented without conflict in many instances. However, it is clear that there are real tensions between the council's responsibility to house those in most need and the desire of housing associations to limit rent arrears, particularly in affordable rent properties and to promote mixed communities.

It was said that the situation was a direct result of government policies. On the one hand, government continues to place a responsibility to house those with "reasonable preference" on local authorities. On the other, the government continues to encourage housing associations to develop new affordable housing with less and less grant using affordable rent and cross-subsidy from market sales, both of which expose housing associations to new risks. In addition (as already mentioned), welfare reform has increased the risk of rent arrears.

"I think they [housing associations] do understand but they are businesses at the end of the day so they look at the costs. They want stable tenants with the smallest amount of fuss – we want to house the most vulnerable."

– *Local authority interviewee*

Local authorities as developers

Some local authorities have opted to use new financial freedoms

following reform of the Housing Revenue Account to launch their own development programmes. So far results have been very modest, with only 130 completions across the South East and South West regions in 2013/14.⁷⁰ For the 2015-18 Affordable Homes Programme, local authority bids have been accepted for 487 homes for the two regions.⁷¹

Nevertheless, it does appear that a number of local authorities interviewed for this report have launched, or intend to launch, a development programme, and not always using grant from the HCA (11 out of 23 claimed to have already launched, or be about to launch, a development programme – while some of these programmes were very small, several local authorities were planning to develop between 50 and 90 units per year).

Local authority interviewees who were critical of housing associations cited a number of factors as contributing to what they saw as a changing focus in housing association development activity:

- a more "commercial culture" within housing associations in which they had embraced the values and ethos of private business;
- the reduction in grant for affordable housing, which forced housing associations to maximise cross-subsidy through shared ownership and market sale or rent and led to a more commercial approach to profitability – within this context the enhanced importance of private finance was seen as contributing to a greater need to meet commercial development objectives;
- the introduction of affordable rent, which focused housing authority development on viability; and
- the government's welfare reform programme, which put pressure on housing association rental income and which therefore encouraged them to be less flexible and more risk-averse in their approach to affordable housing.

Local authority interviewees from developing authorities were asked how having a development programme might have changed their relationship with housing associations. Responses were mixed. Some authorities believed that the relationship had not significantly changed:

- "We have started our development programme. We are land constrained in this authority – we have given away our sites to housing associations and do not anticipate issues over the small sites. We will carry on with section 106 partnerships with housing associations and our development programme is funded from the HRA so there is no conflict"
- "I do not think it affects our relationships"
- "It does not change the relationship and has not hurt it"
- "We are hoping it will not change our relationship with housing associations – we are meeting them to explain what we are seeking to do."

These authorities saw the potential for conflict over making their land available for affordable development in some circumstances, but felt that it was not significant. Either they had very little

land to make available, whether for themselves or for housing associations, or there was enough to satisfy both parties. Some local authorities believed that their own programmes would focus on smaller sites that would be of little interest to housing associations.

Other local authorities did believe that their new development role did change the relationship. One interviewee opined that the relationship had improved in that local politicians were now more positively focused on development. Comments by other local authority interviewees included the following:

- "We can't release sites for £1.00 anymore!"
- "We now only release land for our own developments."
- "Land is a topic of tension."
- "The reality is that land we might once have provided to housing associations is less available."

One council interviewee believed that the relationship with housing associations had changed fundamentally and not primarily in terms of land availability: "It changes the relationship – they have less grant and we have more money to develop."

Housing association interviewees confirmed that the relationship had changed from their point of view where local authorities had a development programme, but were sceptical of local authority capacity to develop on a scale that would even partially replace the efforts of housing associations. One housing association interviewee commented: "The desire to build council housing is creating a dream."

With a significant number of local authorities already engaged in development (or planning to do so), there is clearly scope for tension, particularly over land that those local authorities might otherwise have made available to housing associations. However, such tensions seem in overall terms the exception rather than the rule.

Administration of housing benefit

For many years local authorities have administered housing benefit payment to both private tenants and housing association tenants. That caseload is very significant indeed; in February 2013 local authorities had a caseload of 5,078,523 housing benefit claimants. Of these, 3,401,023 were tenants in the social rented sector and 1,673,465 were tenants in the private rented sector.⁷²

Not only is the administration of housing benefit claims a major activity in itself, it is also an important aspect of the local authority/housing association relationship. Housing benefit typically makes up the majority of social rent receipts. Unlike benefit to the private rented sector, it is normally paid directly to the landlord rather than the tenant and thus makes up a very significant part of the housing association's income stream (two-thirds of social tenants are in receipt of housing benefit). There is thus every incentive for housing associations to work with local authorities in ironing out delays to ensure that claims are successfully processed.

As mentioned, housing benefit is due to be replaced by universal

credit. Local authority administration of housing benefit will thus be gradually superseded by a centralised administration. As universal credit is rolled out, it will mark a major shift for social landlords, who will see most claims for rent support paid directly to the tenant rather than the landlord. As already noted, this has been a cause for concern across the housing association sector. Housing associations have spent considerable sums in additional support for households who will be responsible for paying the rent themselves.

The introduction of universal credit was cited by both local authority and housing association interviewees as a reason for the more conservative attitude of some housing associations towards vulnerable households and those with a history of rent arrears.

Because of the current importance of the administration of housing benefit and the issues raised by welfare reform, local authorities were asked whether they had strong links with housing associations in relation to this aspect of their activity. The response of local authority interviewees was generally positive:

- "We have a liaison group – not as strong as it was perhaps because of moving towards universal credit."
- "Yes, we do – we have regular engagement with them, eg forums and workshops."

Local authorities were nevertheless aware that this was one relationship where housing associations would be looking for results in terms of efficient processing and payment of claims:

- "[Our] speed at processing determines the quality of the relationship."
- "I would not describe the relationship as strong, but it is adequate for getting housing benefit delivered."

Although one council did speak of the importance of engaging at a strategic level, the relationship appeared to be essentially process-driven from a local authority perspective. Contact between local authorities and housing associations was made primarily to facilitate smooth running of the administrative service provided. As a relationship it was relatively low-key and usually driven by operational or front-line staff on both sides.

The introduction of welfare reform had led to more activity. A number of local authorities had seen liaison strengthen in order to overcome problems that arose as benefits and systems changed:

- "We have an awful lot of work over welfare reform."
- "We have done a lot of work with housing associations on welfare reform."
- "We piloted direct debit payment of rent a couple of years ago. Housing associations later dropped out because of lack of geographic focus – we wanted the same system across all their areas."

Local authorities were asked about the impact of the implementation of wider welfare reforms. They identified a

number of issues that had arisen as a result of welfare reform:

- rent arrears due to the bedroom tax and shortage of smaller homes;
- problems for a small number of social-sector households through the introduction of the overall benefit cap;
- abolition of council tax benefit and substitution of local assistance;
- phased introduction of universal credit; and
- temporary use of discretionary housing payments to assist "hard cases" with uncertainty about the future availability of this benefit.

The majority of local authorities felt that welfare reform as such had not adversely affected their relationships with housing associations. They believed that housing associations understood that issues resulting from welfare reform were not caused by local authorities themselves but were a result of government policies to which both parties were having to respond:

- "We have had a good relationship and have found housing associations pretty co-operative."
- "Some housing associations have adopted good practice to help people with reforms which we have adopted also."
- "We understand each other's issues."

Nevertheless, a number of local authorities reiterated that welfare reforms and the prospect of universal credit had an impact on housing association attitudes that could create tension over allocations:

- "Universal credit is the elephant in the room"
- "Housing associations have more rigorous affordability assessments than they used to."
- "Welfare reform has made housing associations much more risk-averse about what they are prepared to develop and the type of tenants they want"
- "Housing associations need to calm down a bit."

Local authorities were also asked whether there was more scope for a common approach with housing associations over welfare reform in general and universal credit in particular. Views on this were mixed. The majority believed that they were working successfully with housing associations in any case and believed this should continue. Local authorities were also aware that their involvement with housing benefit would cease with the rolling out of universal credit, so that the scope for co-operation was time-limited. One local authority pointed to the need for housing associations to forge closer links with DWP over universal credit, but was sceptical about how easy this would be as universal credit is administered centrally rather than through a series of local offices able to respond to local conditions.

Housing association interviewees broadly agreed with the assessment of their local authority peers. They confirmed that relationships usually worked well but also referred to their concerns over welfare reform and specifically universal credit:

"Universal credit is a big risk for us."

– *Housing association interviewee*

One housing association believed that the centralised approach to administration under universal credit could bring longer-term benefits in terms of consistency and efficiency but also conceded that there was a "long, hard road" ahead in the meantime. It was said that housing associations would need to build strong relations with the new DWP administration as early as possible.

Overall, the relationship between local authorities and housing associations with regard to the administration of housing benefit works well. It has the characteristics of a practical relationship driven by operational staff and concerned with addressing practical problems and ensuring that housing benefit claims are processed as efficiently as possible. The relationship is characterised by mutual respect and understanding of the other party's perspective. Clearly some local authorities and housing associations have built better relations than others. Local authorities may have up to 30 housing associations with stock in their area, and this inevitably leads to some selectivity, with stronger relations being built where a housing association has a larger stock. Local authorities seemed to regard forums and workshops as a particularly useful way to build solid practical relationships.

Welfare reform has led to greater contact and mutual efforts to deal with the issues that had arisen. There was no sense of tension about the practical issues that had arisen as a result of reform. However, there were often tensions where the housing association response to welfare reform and risks of rent arrears had been to become more restrictive about the type of tenants they would accept and more rigorous in assessing affordability. These tensions mirror those in regard to local authority allocation policies and nominations.

Homelessness

Local authority interviewees were asked what role housing associations played in the discharge of their duties in relation to homelessness, and also how relations with housing associations in this field could be improved. For all councils, but particularly those without any housing stock of their own, the relationship with housing associations was crucial to their ability to discharge their homelessness duties. This is hardly surprising; local authorities have nomination rights over housing association properties and, as social landlords, housing associations are seen by local authorities as an appropriate landlord for households with a range of vulnerabilities.

Local authority interviewees commented:

- "Housing associations' role in regard to homelessness is very important."
- "Yes, housing associations play a big part because we have nomination rights to their properties."

Local authorities were fairly satisfied with the contribution made by housing associations, but a number referred to emerging difficulties in relation to housing association attitudes to homeless households:

- "It varies, but the key housing associations contribute

effectively."

- "They are a key player but it is an area we have some difficulties with."

In spite of the key role of housing associations in addressing homelessness, there did appear to be a move towards placing more households within the private rented sector (PRS). The sector was seen as a source of both temporary and permanent accommodation. Several local authorities saw increased private-sector involvement as unproblematic, but others were concerned about standards and costs. There was a belief among local authority interviewees that housing associations could do more in this area, particularly in relation to temporary accommodation:

- "They [housing associations] do take some homeless families, but it tends to be less rather than more and we do discharge into the PRS."
- "They [housing associations] provide a couple of hostels. One was of a very poor standard. The other kept no proper records of how long people stayed."
- "Warm words but little action [in relation to providing more temporary accommodation]."
- "[Housing associations could be involved in] improving the provision and quality of temporary accommodation."

There was a strong demand from local authorities that housing associations should do more to offer, and if necessary build, additional temporary accommodation. Only one interviewed association claimed to offer temporary accommodation currently. It is clear that temporary accommodation is one area where greater housing association involvement would be valued by local authorities.

A number of councils said they suspected housing associations were changing their attitude towards "riskier" cases and were more willing to evict:

- "Housing associations want reassurance and risk covering by the local authority; underwriting voids and rents for instance."
- "Housing associations need to be prepared to share the risks"
- "We feel some housing associations believe that if there are issues the local authority will pick them up. So they evict rather than work to prevent eviction."
- "The homelessness caseload is becoming even more problematic.... Housing association commercial aims can be at odds with that."
- "Housing associations need to retain a social conscience in assisting local authorities with their statutory responsibilities."
- "The risk is that less 'desirable' tenants end up in local authority properties."

Local authority concerns over homelessness bore a striking resemblance to their wider concerns about changing housing associations' attitudes towards allocations. There was a belief that housing associations were becoming more commercial in their approach and were increasingly preoccupied with managing

the risk of rent arrears and antisocial behaviour. This changing perspective was seen in a reduced willingness of housing associations to accept nominations from vulnerable homeless households.

One housing association interviewee, questioned as to whether housing associations contribute effectively to the homelessness agenda, responded frankly: "If I am honest – no.... We have become more mainstream." The same respondent was doubtful that the situation could be easily reversed: "I am not sure we would go back to how we used to work... without a stronger revenue stream to do it."

The picture that emerges is one where housing associations are finding it harder to maintain the same level of commitment to alleviating homelessness in the face of their need to respond to a changing operating environment and a changed pattern of risks in relation to both new development and securing a stable rental income stream. It does not appear to be a case of a subjective lack of social conscience. Instead, the retreat from some of the "non-core" activities is born out of a need to maintain viability in the face of lower grants, more housing market exposure and welfare reform.

Government, and the housing association movement itself, should consider carefully the broader implications of policies that make it more difficult for housing associations to fulfil aspects of their traditional social role. In particular, government must consider who is to act as landlord of last resort for the most vulnerable households. Local authorities do not have the resources or, in the majority of cases, sufficient stock. If the plight of vulnerable households is not to gradually become more desperate, a radical rethink of policy is needed.

Council nominations to housing association boards

Where a council transfers its stock to a new LSVT landlord, it is normal for that authority to retain nomination rights to place councillors on the board of the new LSVT housing association. The usual makeup of these boards immediately post-transfer comprised equal proportions of councillors, tenant members and independent members.

Some LSVTs have chosen no longer to have nominated councillors on their boards, and it is fair to say that the practice is viewed less positively than it once was. Concerns about the need for housing association independence of decision making are common, particularly where councillors appear conflicted as to whether they are representing the council on the association's board or the LSVT housing association itself.⁷³

The local authority interviewees reflected the shifts in opinion on this matter. A significant minority supported the idea of the council nominating councillors to housing association boards. One commented on this practice: "Very important; there is added value for everybody."

The view of supporters was that nomination would help to ensure that the policies and practice of the housing association would be aligned with those of the authority.

However, the majority of local authority interviewees did not support the nomination of councillors to boards. Some were forthright in opposing the practice:

- "I am getting two councillors off my housing association board."
- "Absolutely not."

Opponents of local authority nominations to boards were concerned about potential conflicts of interest, with resulting confusion about respective policies and roles. Comments by local authority interviewees included:

- "No, you do not need to politicise; also it would have to be the right councillor."
- "It confuses the relationship."

Other opponents believed that councillors were likely to lack relevant skills for board membership, particularly commercial skills. One local authority interviewee asserted: "We do not support council nominations – believe that a skills-based board is the way to go."

Other interviewees believed that there were more effective ways to build relationships between local authorities and housing associations than through nomination.

Overall, granting nomination rights was not seen as a way to improve relations between local authorities and housing associations or to increase mutual understanding. The housing association view was that such practices were more relevant to the past, when the promise of nomination rights could sweeten the pill of stock transfer for a local authority. It seems that the majority of the local authorities share this view.

3. Forming a relationship: LEPs and housing associations

The LEPs are viewed by government (and much of the business community) as lead agencies for local growth. As already mentioned, despite some criticism the LEPs have garnered cross-party support and are unlikely to be abolished. Local and national politicians' expectations of them have grown rapidly. With devolution firmly on the agenda, many of the LEPs expect that their powers and funding could well increase, particularly in regard to shaping infrastructure investment. This could mean that housing associations would need to form closer relationships with LEPs.

Making even a modest assessment of the relationship between LEPs and housing associations raises some difficult issues that do not arise when considering the relationship between local authorities and housing associations. For instance, the latter two have worked together for many years and there is a legal dimension to some areas in which they interact, such as allocations and nominations.

The situation with LEPs is rather different. Created less than five years ago and still in a period of rapid evolution, they are only just beginning to dispense funding and achieve results on the ground. The focus of most LEPs has been on drawing up strategic economic plans and bidding for project funding. The housing dimension is sometimes explicit and complementary to the housing plans of the local authorities in their area, but it is often unclear what areas of activity (such as affordable housing or market housing) should bring LEPs and housing associations together, or how close such relationships should be.

Staffing and scope

Despite some of the bold ambitions in their SEPs, LEPs have had relatively little resources to recruit staff – some having little security over revenue to fund running costs over the medium term. This was reflected in the LEP interviews. One of the LEPs concerned had 20 staff and another 15, but the others each had between five and seven staff. In some cases, staff were on secondment from local authorities.

However, some of the LEPs were confident that they would receive more core funding (for management and administration) and be able to expand their staffing levels. Others were less concerned.

These two points highlight the difficulty in establishing a counterfactual for many LEP ambitions. To what extent are LEPs adding to the sum and range of economic activity (including housing development) and how much of this activity would have occurred in any case? This is an important question for a housing association contemplating an investment of time and resource into a LEP, and it is hard to answer. Certainly there are instances where LEPs appear to have made a difference through providing funding or by bringing different partners together. However, it remains a difficult area.

Housing as a priority for LEPs

The LEP interviewees were asked to what extent housing figured as a priority for their organisation. Four out of five claimed that

housing was a priority for them, but one mentioned having plans that were "very, very light on housing". The same interviewee also stated: "We have no housing initiatives at all... [Housing is] in the hands of local authorities to achieve through their own devices."

Another LEP interviewee was more positive and demonstrated a level of housing association involvement also: "Housing is a priority for us. We have two board members who work for housing associations."

Yet another offered a qualified interest: "The LEP sees housing growth giving appropriate choice for the workforce rather than as a driver of economic growth. However, our construction and development group would recognise the growth driver potential of housing."

LEP interest in housing development varies and reflects the importance of new supply in a particular area. Most LEPs see affordable housing not necessarily as a headline priority but as a contributor to local growth. It seems to sit within broader themes of LEP activity, such as "infrastructure for growth" or "place and infrastructure".

LEPs and housing associations

Nevertheless, some LEPs are engaging with the housing agenda. One LEP claimed to be working on housing with the Homes & Communities Agency (HCA) and with local authorities. The LEP had obtained a list of 18 blocked residential development sites and had engaged the HCA in discussions about providing funding to unblock them. Those negotiations had not yet reached an outcome.

Another LEP had a "construction and development group" and another had a "construction and infrastructure group". Both these groups had a housing association representative. However, in one case the interviewee stated that the association "represent themselves" rather than attempting to represent the housing association sector.

LEP contact with housing associations is usually confined to one or two associations, and it is not always clear whether that contact was initiated by an LEP or by the housing association concerned. The following comment was typical:

"It is fairly strong; we could still do more. Housing associations are huge businesses in their own right. So far we only have on-going contact with two [on the LEP board]. We did go to a dinner with SW HAILO.⁷⁴"

– LEP interviewee

LEP interviewees appeared to be unsure of how much interaction they had with housing associations, beyond one or two core housing association contacts who tended to be on the LEP board or panel. One LEP was more positive, however: "We have a really positive relationship. We have a housing delivery panel which has both large and small housing associations on it."

One LEP claimed to have consulted "more than one" housing association on the development of the SEP. Another had organised a meeting with four housing associations, while a third had maintained contact with a large association that had applied for growth funding.

LEP interviewees clearly valued the individual contacts that they did have with housing associations and conceded that there was more to be done in involving the housing association sector. Said one: "Wider relationships have formally still to evolve; but informally there is a network."

LEP strategic economic plans

While housing as an activity is referred to often and at some length in the SEPs drawn up by LEPs, they contain very few references to housing associations. LEP interviewees suggested that this was not intentional, and more of an oversight.

"I don't know why we don't connect more with housing associations. It may be a lack of awareness of what the offer is from housing associations."

– LEP interviewee

Other LEP interviewees suggested that the reason for the lack of contact could be to do with the status of SEPs as essentially "bidding documents", which were at least as much about securing local growth funding as about making concrete proposals for action:

- "I would say it is about defining the bidding by type of house rather than the supplier."
- "SEPs are bidding documents and how much money you get depends on how ambitious you are – deliverability is also a criterion."

Another interviewee suggested that LEPs badge existing activity in SEPs, rather than develop/deliver themselves. It was also said that the "bids" in SEPs tend to be much higher than the sums actually available from growth funds (around £160 million per LEP on average).

One local authority interviewee suggested that the problem could in part be a lack of clear lines of accountability and representation, describing LEPs as "unelected people allocating funds. Members who go on to LEPs find it difficult to represent properly"

For other LEPs that were interviewed, the lack of reference to housing associations in SEPs appeared to be due to them being seen as less important than other developers:

- "Open market housing is probably considered more important because of pressure and force of numbers – that is the reality"
- "Housing associations are one route to affordable housing provision, but not the only route."

LEP interviewees were also asked whether they had consulted housing associations as part of the process of developing their SEPs. The response was mixed:

- "We did through the board; otherwise we did not do formal consultations, but made people aware of what was happening."
- "Yes, we had direct consultation with individuals from the sector and consulted widely in general terms... The input we got was a mood rather than of substance – a mood to be engaged."
- "We did – a series of conference-style events and working through our action groups – not specifically for housing associations."
- "We have had a couple of meetings with housing associations to get their thoughts on particular housing needs."

It appears that engagement with housing associations has been rather limited. One LEP interviewee suggested that housing associations could influence strategic planning more effectively if they were to approach the LEP collectively. This may be true, although given the numbers of housing associations holding stock or developing in each LEP (and with larger housing associations operating across several LEPs), it may not be practical.

Criteria for a strong relationship with housing associations: the LEP perspective

LEP interviewees were asked which housing association roles and functions they considered to be most important.

All referred to delivering affordable housing as the most important or very important. The other role that was considered important was the housing association role in training and assisting people back into employment. One LEP had granted an association £50,000 to support a programme to assist 15 individuals back into work. Another stated: "We need to get more involved with housing associations on training/skills"

More than one LEP referred in general terms to the importance of housing associations as major employers. Nevertheless, the other community roles of housing associations did not register highly.

When asked directly what they considered to be the criteria for a strong relationship between LEPs and housing associations, LEP interviewees stressed the importance of shared priorities and mutual understanding of each other's needs. A variety of other criteria were also advanced:

- "Shared strategic understanding of the imperatives of the area concerned"
- "It is really important that it is mutually beneficial"
- "Meaningful engagement at appropriate times and levels"
- "Really good communications. I am not sure we have that at the moment"
- "We have developed relationships over time based on real objectives, eg our investment programme"

The fact that these criteria were expressed in quite general terms is perhaps another indication that the LEPs' understanding of housing associations is still relatively limited. It may also reflect the differences of views between LEPs, with some seeing themselves as concerned with delivery and some not. One LEP

pointed to the housing delivery panel as an important focus for housing associations involvement, while others were specific that delivery was not on their agenda. One LEP interviewee spoke of funding opportunities, while another suggested that to seek funding was to misunderstand the LEPs' "strategic" role.

On the basis that understanding of LEP needs and priorities is important if housing associations are to engage effectively with them, LEP interviewees were asked how well they thought housing associations understood and supported LEP objectives and priorities. Responses included:

- "Locally they do. I have read that in other areas they see LEPs as a source of funding and do not fully understand the role.... Everyone wants to be on the board."
- "I do not think they do.... They only have one representative in the LEP"
- "The people I have met understand this well, but that is only a few who had a reason to approach us"

Comments from the housing associations interviewed suggest that some did indeed see LEPs as a source of funding. Indeed, some housing associations had received funding, albeit in small amounts.

Ultimately, it seems that strong relationships between housing associations and LEPs will be built on the basis of a clear statement of LEP aims and purposes and much greater and more systematic contact.

Housing associations, local authorities, commercial developers and LEPs

In assessing the strength of relationships between housing associations and LEPs, it is helpful to look at how important housing association involvement is from the perspective of LEPs, and whether the relative strength of the association/LEP relationship is outweighed by the relationships LEPs enjoy with local authorities and/or commercial developers.

While LEP interviewees were clear that housing associations had an important role in the provision of affordable housing, they were also careful to qualify such statements by making it clear that commercial developers and local authorities also had a role, and that housing associations, even as affordable developers, were only "part of the picture".

LEPs were divided as to whether their relationships with commercial developers were stronger than those with housing associations:

- "I would not see it as a key role.... The key roles go to developers.... We have much closer links with local authorities."
- "We are more engaged with commercial developers than housing associations at present, and they are more interested in looking at funding opportunities"
- "Definitely, yes, [commercial developers are more important] because there are far more on the construction and infrastructure group than housing

associations [only one]."

- "Both are on the board – so it is equal!"

Interestingly, one LEP equated housing associations with commercial developers: "Housing associations are commercial anyway – otherwise they would not survive – just a different business model."

Unlike the relationship between local authorities and housing associations, there are no residual allegiances between housing associations and LEPs, nor are there shared aims and values beyond a very general commitment to local growth and housing as a component of that growth. The relationship between housing associations and LEPs is therefore likely to develop on far more pragmatic lines. To the extent that commercial developers operate on a larger scale than housing associations and generate affordable housing through planning obligations, they may well be seen as more important by a LEP.

However, the council representatives on the LEP boards may take a different view of the housing association role, especially in regard to affordable housing. LEPs said that their relationships with local authorities were stronger than those with housing associations. This was seen as a consequence of the strong institutional ties that exist between the two. However, even here there were opportunities for housing associations. One LEP interviewee commented that it would be easier to deal with one large housing association than with 17 local authority housing departments!

More than one interviewee suggested that housing associations would have more influence if they could develop a collective voice (perhaps through a forum), which would make it easier for the LEP to relate to them since their staff resources were so stretched. This is a suggestion worth considering in order to facilitate initial contacts between a number of housing associations and an LEP. This was a view also supported by one housing association, with this comment: "Housing associations need to work together to influence LEPs."

However, it is likely that bilateral discussions would be found to be more useful when partnership or co-operation on specific projects was under consideration.

On a positive note, the majority of LEPs believed that the relationship with housing associations would become more important over time:

- "I think it will be, particularly given our housing focus and as EU funding comes on stream."
- "I would like to think the relationship is evolving."
- "We had a good relationship to start with, but having the clarity about what we are trying to achieve to shape priorities – the SEP has helped.... The HCA could create more understanding about national priority and funding streams."

One housing association added a cautionary note, however: "I think it is contingent on the trajectory of LEPs after the general election."

LEPs: a priority for housing associations?

LEP interviewees were asked whether they believed housing associations in their area saw forging relationships with LEPs as a high priority. Earlier questions had established that knowledge of housing associations among some LEPs was probably limited. Nevertheless, the answers were broadly positive, at least in respect of the housing associations with which contact had been established:

- "It is down to whether housing associations see the benefit in building a relationship."
- "The LEP offer is not widely understood."
- "I think those that I have worked with see it as a priority, especially as funding becomes scarcer. We need to engage more on the benefits."

One LEP interviewee, who had already indicated that his LEP had only

a limited interest in housing, did not expect housing associations to forge strong direct relationships: "Housing associations deal with the local authorities – we leave them to that to a large extent."

Interviewed housing associations had, in the majority, established links with at least one LEP, usually by taking board membership or membership of a panel. However, housing associations were divided on how important the LEPs would be in the future, especially in regard to affordable housing. Analysis of responses from LEPs and housing associations suggest that the limited degree of enthusiasm for LEPs among housing associations may be due in part to the limited outcomes they have seen, particularly when judged against the ambitious targets in some of the SEPs. It may also be because there is a lack of clarity about which outcomes it would be appropriate to look for and to judge engagement by.

4. Conclusions and recommendations: strengthening partnerships in a changing environment

The dynamic between housing associations, LEPs and local authorities in respect of housing in the South East and South West is varied and still evolving, and especially so with the new, business-led LEPs, which operate on a different geography from the local councils and have a wider remit to promote local growth. However, what was also apparent from the interviews was a willingness among the different parties to work together. There are clearly tensions between local authorities and housing associations and between local authorities and the LEPs, but the mood was one of "getting things done" and "making things happen".

Against a backdrop of continuing fiscal austerity, local authorities in particular need to work with housing associations to meet their housing duties and provide affordable housing. The LEPs arguably need the housing associations less, although in some places they may struggle to meet their strategic housing objectives without housing association involvement. Housing associations meanwhile will need to work with the LEPs and local authorities to ensure that the planning and enabling investment is right. The likelihood of the LEPs taking on extra responsibilities for transport, while local authorities perhaps would have more local financing powers, makes the housing association relationships all the more important.

The following conclusions and recommendations draw on the findings from the interviews. They aim to offer practical thoughts on how the relationship between local authorities and housing associations could be improved in a changing environment, and how they might be formed and improved with the relatively new LEPs. For ease of reference, the conclusions and recommendations have been divided into two sections. The first deals with the relationship between local authorities and housing associations in its various facets. The second section sets out the conclusions and recommendations concerning the relationship between housing associations and LEPs.

Local authorities and housing associations

It is clear that for the majority of local authorities, the housing association role as provider of new affordable housing supply remains the most important, although their roles in developing market housing for sale or rent are recognised and valued. For some local authorities, particularly those without their own housing stock, the role of housing associations as social landlords is the most important, enabling local authorities to implement their allocation policies and to discharge their homelessness duties. Other facets of the council/housing association relationship such as administration of housing benefit are seen as subordinate, although they are recognised by both parties as significant.

However, the relationship with local authorities is in transition, in part due to welfare reform. That transition and the impact it is having on the operating environments of housing associations and local authorities is likely to continue causing tensions. Further spending cuts will make it ever harder for local authorities to

fulfil the full range of their roles and functions, especially in areas like temporary accommodation for the homeless.

Perhaps the one piece of good news for local authorities has been that HRA reform has given stock-retaining councils the freedoms to borrow and build. However, constraints on borrowing mean that although some are developing, the numbers of homes involved remain very small. Indeed, local authority development proposals (as they stand in the South and South West) do not at present change the fundamental picture. Instead, as has been the case for nearly 30 years, local authorities remain dependent on housing associations to provide almost all new affordable housing stock. Similarly, councils rely heavily on housing associations as social landlords in order to fulfil their role in allocating social housing and discharging duties to the homeless.

Housing associations have seen major shifts in their operating environment and consequently in their culture. Social housing grant rates have been falling for over a decade, leaving housing associations more exposed to development risk. As a consequence housing associations need to produce ever-greater cross-subsidy from commercial activities (market rent and open market sales). The introduction of affordable rent and the prospect of universal credit have only exacerbated those risks. The fear among some housing associations is that universal credit (with its provisions for direct payment of benefits to tenants rather than landlords) will increase rent arrears and increase risk still further.

In parallel to the changes to development funding and the benefit system, housing associations have been encouraged by government to be more commercially minded, although the social housing regulator (the HCA) has expressed concern about asset sweating. Associations have been expected to take on more development and market risk in the interests of promoting new housing supply and are expected to "sweat their assets". They have been subject to a more stringent efficiency agenda.

The result has been a shift in the culture of housing associations, particularly the larger associations with significant development programmes. Local authorities have reported a move away from a relationship based on shared allegiances and commitment towards a more professional and in some respects commercial relationship, based on the provision of services. This changing relationship has been manifested across the different roles and functions where local authorities and housing associations interact. They include:

- a more "commercial" attitude to development among housing associations in terms of both planning and their response to local authority strategic housing needs;
- a more risk-averse attitude to allocations and local authority nominations – local authorities report less willingness on the part of housing associations to accept nominations of vulnerable tenants or those whose financial circumstances are less stable or who may have a history of or current rent arrears (the position has been exacerbated by welfare reform);

- less willingness on the part of some housing associations to assist local authorities in the discharge of their homelessness duties by accepting the most vulnerable households (either for permanent rehousing or for temporary accommodation).

Components of a strong relationship

Local authorities were asked what they considered to be the most important aspect of their relationship with housing associations. In order of importance to them, local authorities identified the key facets of the housing association relationship as follows:

- as providers of new affordable and/or market housing;
- as developers seeking planning decisions (seen as a consequence of the role as provider of new housing);
- as landlords affected by local authority allocation policies;
- as landlords who may assist in meeting homelessness duties; and
- as landlords whose tenants may receive housing benefit.

Developing affordable housing was seen as a far more important activity than developing housing for sale or market rent, although this role was seen as legitimate and necessary to generate cross-subsidy. The housing association landlord role and the (related) role in relation to homelessness were seen as the most important by a minority of authorities; usually those who had no social rented stock of their own.

Housing associations and planning

In their role as local planning authorities, the large majority of local authorities still preferred to deal with housing associations rather than with commercial developers in relation to planning applications. Local authorities believed that housing associations still tended to be more committed to affordable housing provision than other developers and had more understanding of council policies and housing needs. The not-for-profit ethos was also considered to be important.

Nevertheless, the picture is changing. A significant number of councils saw housing associations as becoming more "more commercial" and embracing the culture and values of private developers. These councils saw housing associations as becoming more concerned with viability and less with innovation in the social housing field. They had noted instances of housing associations attempting to negotiate down section 106 requirements or challenging council planning decisions at appeal. Local authorities ascribed these changes in attitude to a number of other factors, such as:

- a lower grant environment with the consequent need for housing associations to concentrate on market sales to generate cross-subsidy;
- the increased size of housing associations and consequent remoteness from individual local authorities; and
- the greater financial risks created by welfare reform, which made scheme viability more important.

These new drivers of the council/housing association relationship were generally not seen as easy to change or reverse. Nevertheless,

most local authorities had developed proposals for making the professional relationship with housing associations work better – and wanted to improve the quality and suitability of housing association applications. Some local authorities also pointed to the need for more informal early engagement by housing associations and stronger participation in the pre-application process.

Housing associations pointed to the lack of staff and resources of local planning authorities as factors making for a more difficult relationship. This lack of resources was confirmed by local authorities themselves. In addition, housing associations were still finding some local authorities to be less than wholehearted in their support for new development, with "nimbysism" still a problem. Local authorities for their part indicated that the requirement under the NPPF for local plans to realistically assess housing need and to identify sufficient land for five years of development had made a positive difference in this respect. A comprehensive review of the impact of the NPPF seems, however, overdue.

Recommendation 1: *Housing associations and the National Housing Federation should engage with local authorities and their representative bodies to examine how planning applications can better reflect local authority planning policies, while still meeting housing association needs in terms of viability, housing management and other factors.*

Recommendation 2: *Housing associations should ensure that they make full use of pre-application processes offered by local planning authorities in order to ensure that planning applications progress more smoothly through the planning process.*

Recommendation 3: *The NPPF requires that local authorities have a robust local plan that fully assesses housing need and identifies five years' supply of land for development. There is a belief among planners and developers that this has shifted the balance in favour of new development. DCLG should initiate an inquiry to ascertain the extent to which this is in fact the case.*

Meeting strategic housing need

Virtually all local authorities claimed to consult housing associations over the development of the strategic housing market assessment and their local plan. While some were satisfied with the level of response received from housing associations, others had experienced rather limited feedback. On occasions local authorities believed that they might have contacted the wrong person in the organisation or even the wrong office. Clearly, this is becoming more of a risk as housing associations grow larger and cover greater geographical areas. It is highly likely that there will always be smaller housing associations with a strong local focus, but the input of larger housing associations is clearly of real importance, particularly in relation to new development.

Another area of concern identified by local authorities, and confirmed by housing associations, was that the larger housing associations now cover a number of local authorities; one housing association had reduced to 20 the number of local authorities with which it maintained regular relations. In these

circumstances, those larger housing associations believed that they had to be selective and suggested that a response was appropriate where they held significant stock levels or where there were development opportunities. This may be a situation in which local authorities must adjust their expectations to meet a new reality.

Nevertheless, there may be a case for larger housing associations to contact their neighbours at intervals and to agree which authorities they would each respond to, so that as many local authorities as possible receive housing association input but without unnecessary duplication. This would never be easy to achieve, if only because the geographical focus of a housing association may change over time as development opportunities arise. Certain authorities with very large schemes may still attract the interest of a number of developing housing associations, while a neighbouring authority may find it hard to generate an interest in its strategic planning.

Local authorities also suggested that formal consultation should be augmented by housing associations sharing their development plans with councils at the earliest possible stage to assist councils to improve strategic planning. This suggestion is distinct from early engagement with local planning authorities at the point that a planning application is contemplated (see recommendation two). It should benefit local strategic planning but also assist housing associations in developing plans that meet local needs.

Recommendation 4: *Individual local authorities should carefully update contact lists of housing associations to ensure that consultation requests are sent to the correct individuals at the right address. The Local Government Association should investigate whether there is a case for collecting such information centrally and disseminating it to local authorities.*

Recommendation 5: *Housing associations should contact local authority staff preparing strategic housing market assessments and local plans at the earliest stage where new development is contemplated, in order to ensure that local needs are addressed and that local planning takes account of the possibility of such developments.*

Local authority allocation policies and housing associations

Local authorities were generally positive about their relationships with housing associations over allocation policies. Many councils have altered their policies in the wake of the Localism Act 2011 to give priority to those households with local connections and to support those accessing work or training. Local authorities also believed that implementation of allocation policies via nominations worked well in the main. However, there are clearly areas of tension and some housing associations (notably in rural areas) are reported to be unable to let properties through choice-based letting schemes because people in "low need" have been removed from the registers.

A number of local authorities maintained that housing associations had changed their approach to nominations:

- by introducing strict affordability criteria, particularly in respect of affordable rent properties; and/or
- by exhibiting greater reluctance to accept nominations from vulnerable households or those with a record of antisocial behaviour or rent arrears.

Housing associations confirmed that they had become more "picky", as one housing association respondent put it. Both local authorities and housing associations believed the changing attitude to nominations to be a consequence of a changed development funding environment, which made considerations of viability more pressing. Welfare reform was the other major consideration, with the bedroom tax having already pushed up rent arrears and universal credit looming.

Overall, it seems that government has developed its welfare policy with insufficient regard to the consequences for local authorities, which are still expected to allocate properties to housing associations and discharge their housing duties. In addition, some housing associations are facing increased arrears and a less favourable development environment. They are being forced to balance risk mitigation and viability against pursuit of social objectives. This is not a problem that can be solved at a local level.

Recommendation 6: *Government should reassess the practical impact of its welfare reform policies and cuts in development grant on local authority nominations to housing associations in discharge of their housing duties. The government should then take action to ensure that its own policies do not hinder the proper allocation of social housing to those in need.*

Recommendation 7: *Local authorities and housing associations should work together on ways to improve people's ability to afford a tenancy in advance of being nominated (for instance, helping them to tackle any debt problems).*

Local authorities as developers

While a significant number of local authorities have taken advantage of their new powers to initiate development programmes in their own right, the results so far appear to be modest. There were only 130 housing completions by local authorities in 2013/14 in the South East and South West regions combined. Nevertheless, there are signs that councils may be planning to increase the scale of their programmes, with and without assistance from grant.

The move of some local authorities to becoming developers has led to speculation about whether this would change the relationship with housing associations, in particular whether it would lead to local authorities retaining land for development rather than making it available to housing associations.

A significant proportion of local authorities do not believe that their relationships with housing associations will change as a result of their development aspirations. Some have very little land to develop, while others believe that their sites are usually too small to interest housing associations – which, they believe, are usually interested in sites supporting 15-20 units or more.

Other local authorities indicate that they would still make some land available to housing associations. Some believe that their relationships with housing associations have changed, principally because they are less willing to make development land available to housing associations.

More than one housing association expressed scepticism that local authorities would be able to fulfil their development aspirations in the light of their lack of skills and experience. In any case, it would appear that there could be a risk that a significant proportion of development now being undertaken by local authorities may simply be replacing development that housing associations would previously have undertaken on the same land.

Some housing associations claim that because of their capacity and capability (especially in areas such as procurement and project management) they can offer better value for money (for instance, more housing per pound of public investment).

Recommendation 8: *The Homes & Communities Agency should commission a study to determine the scale of future local authority development aspirations to be implemented both with and without the aid of grant. In addition the HCA should determine how much of this activity is "new" development and how it compares with other social housing providers in regard to value for money.*

Administration of housing benefit

The relationship between local authorities and housing associations in respect of the administration of housing benefit received less attention than other links, but it is important. Nationally, local authorities are responsible for over 3 million claimants from the social rented sector at any one time. Housing benefit represents the single most important income stream for housing associations and is usually paid direct to the landlord, thus minimising administration and collection costs and reducing rent arrears. This is set to change if (and when) universal credit is further rolled out.

This study found that the links between local authorities and housing associations over housing benefit were recognised as being strong and generally positive on both sides. Unlike some other relationships, they function at the level of operational and front-line staff, rather than at a strategic level.

The quality of the relationship is, from a housing association perspective, very much driven by how efficient they see the council to be in administering housing benefit. Local authorities recognised that they were essentially providers of a service and considered it legitimate that they, as service providers, should be judged in this way.

Welfare reform had increased the contact between councils and housing associations. Local authorities identified a number of areas where problems had arisen:

- rent arrears due to the bedroom tax and shortage of smaller homes;
- problems for a small number of social-sector households

- through the introduction of the overall benefit cap;
- abolition of council tax benefit and substitution of local assistance;
- phased introduction of universal credit; and
- temporary use of discretionary housing payments to assist "hard cases" with uncertainty about the future availability of this benefit.

In spite of the seriousness of these problems from the perspective of housing associations and their tenants, local authorities and housing associations confirmed that there had been little tension as a result. Local authorities were confident that housing associations recognised they were not responsible for government welfare policies, and housing associations confirmed this. However, local authorities were in a number of cases aware that welfare reform had contributed to the more conservative response of some housing associations to nominations of vulnerable and financially challenged households, as noted in previous sections.

Because housing associations can have stock in as many as 30 different local authorities, the strength of relationships was inevitably dependent on the amount of stock a housing association had within a particular authority. Nevertheless, overall these practical relationships were characterised by mutual respect and understanding.

However, the council's involvement in the processing of housing benefit claims will end. Comments from both housing associations and local authorities were a timely reminder that universal credit will demand that housing associations forge new relationships with a central administration (which is the DWP). Some reports suggest that forging such relationships may not be easy, and there appears to be a lack of confidence that a central administration will be able to offer the flexibility and continuity of the council/housing association personal working relationships that have contributed to housing benefit administration to date.⁷⁵

Recommendation 9: *DWP and the National Housing Federation should work to ensure that housing associations build personal and organisational links with the universal-credit administration in advance of the main caseload coming on stream, so that effective working relationships are established in pursuit of efficient administration and processing of claims.*

Homelessness

Local authorities expressed themselves as fairly satisfied with the assistance received from housing associations in discharging their homelessness duties. Because of council nomination rights, housing associations remain a key resource in this area, although local authorities reported that use of the PRS was increasing.

A specific area of tension was the provision of temporary accommodation. Temporary accommodation costs are high and rising, and local authorities suggested that housing associations could do more to provide temporary accommodation, including making provision for temporary accommodation in development plans.

Local authorities also expressed concerns about the changing attitude to nominations discussed in relation to allocation policies and welfare reform mentioned above. Housing association attitudes have been changing as a result of the low-grant development environment, the introduction of affordable rent and welfare reform, which have speeded up long-term trends towards a more "business-like" culture. While local authorities accept that the more conservative attitude to nominations is in large measure due to the changing operating environment of housing associations, there are consequences. Where housing associations are less willing to accept vulnerable households and are more stringent in applying affordability criteria, there will inevitably be an impact on the homeless. There is also an impact on the council's stock, which some authorities fear will as a consequence become more residualised (a greater concentration of lower-income/more disadvantaged households in social housing). This is an area where a number of local authorities felt strongly, but as it is a consequence of central government policy it is unlikely to be resolved locally.

Recommendation 10: *Shortage of temporary accommodation is a problem for local authorities in discharging their duties in relation to homelessness. The National Housing Federation and the Local Government Association should discuss whether there is scope for housing associations to provide more temporary accommodation out of current resources but also engage with the HCA to explore the possibility that development programmes can include new temporary accommodation where this is appropriate.*

Recommendation 11: *The government should recognise that one impact of a changed funding environment for new development (and the simultaneous introduction of welfare reform) has been to make housing associations less able to assist local authorities in the discharge of their homelessness duties in respect of some of the most vulnerable households. The government should reassess the impact of these policies in the context of local authority statutory homelessness duties and make adjustments as necessary.*

Council nominations to housing association boards

While relations between local authorities and housing associations are normally between organisations with independent governance arrangements, the case of LSVT housing associations is a distinct one. As part of the transfer process, it has been usual to grant the council that is transferring its stock nomination rights of up to a third of places on the board of the new, receiving housing association.

Some transfer housing associations are now over 25 years old, and over time there have been moves to remove or reduce these council nomination rights. Nevertheless, they still exist for many LSVT associations.

As part of the broader assessment of the council/housing association relationship, local authorities were asked whether they believed council nomination rights over housing association boards contributed positively to understanding and co-operation between the organisations concerned.

While a minority of local authorities believed that the presence of councillors on housing association boards could promote greater understanding and align the policies of the association with those of the council, the majority disagreed.

There was a belief that nomination rights were not appropriate. It was felt that they undermined good governance in several ways:

- Councillors could have conflicts of interest and loyalty in relation to the council and the housing association. Other research confirms that this has been identified as a problem.
- Councillors may bring a political bias, which is not appropriate in the governance of a significant social business.
- Councillors may lack relevant skills and experience in business or in governance practice.
- The broader principle that boards should be composed of the right balance of skills and experience to facilitate effective running of the housing association could be compromised.

The practice of councils nominating to LSVT boards appears to be declining, a process already noted by the National Housing Federation and others.

A relationship in transition

The analysis within this section suggests that the relationship between local authorities and housing associations is in transition. Local authorities have found themselves ever more constrained financially. Even the long-heralded freedom to develop new stock has so far produced results that are marginal to the overall supply of affordable housing, and which are in any case dwarfed by right-to-buy sales. Nevertheless, the development role of local authorities has in some instances led to competition for land with housing associations.

Local authorities are dependent on housing associations for fulfilling their strategic housing functions and for implementing their policies and duties in relation to allocations and homelessness. Housing associations are key delivery partners in helping authorities do this, but increasingly have to survive as independent organisations with a strong focus on viability and risk mitigation.

The housing association sector also continues to consolidate into larger associations, a trend driven in large part by the pressures to boost efficiency and viability in an operating environment that is far less benign than a decade ago. Thus while many local authorities continue to see housing associations as part of a common social rented sector with shared values, housing associations are increasingly under pressure to see themselves as independent social businesses with development and landlord functions. In these circumstances, local authorities can be disappointed at what they see as a failure by housing associations to embrace wholeheartedly a range of roles in areas such as allocations and homelessness in the way traditionally expected.

Housing associations on the other hand may see some local authorities as unrealistic and uninterested in the very real constraints placed upon housing associations by fundamental changes to their operating environment. Not least among these are the changes flowing from government policies that have increased rents and market exposure while simultaneously eroding rental income streams through welfare reform.

The relationship between local authorities and housing associations is in transition. A traditional sense of common identity is gradually being replaced by a more professional relationship between independent parties contracting to undertake certain functions. This transition has so far been largely unacknowledged and little discussed.

Local enterprise partnerships and housing associations

An assessment of the relationship between LEPs and housing associations poses different challenges to those posed by analysis of the relationship between local authorities and housing associations. The concept of LEPs was launched five years ago and individual LEPs have evolved rapidly since. Most strategic economic plans were not published until 2014.

The relationship between housing associations and LEPs is something of a moveable feast. Expectations are limited on both sides, and there appears to be significant room for discussion as to what relationships should focus on and the level of resource appropriate to make them work. From the perspective of both sets of organisation, there may be opportunities to be derived from working together but no clearly defined obligation or necessity to do so. Individual LEPs differ in terms of economic sectors to prioritise, the degree to which they intervene in housing, and the type of interventions that they consider to be appropriate.

Staffing and scope

According to their strategic economic plans, LEPs have huge ambitions to promote sustainable economic growth within their areas. Their housing aims are in many cases also ambitious. In these circumstances, one might expect that LEPs would be large-scale organisations employing significant numbers of staff with relevant skills and experience, including in housing.

Some LEPs are strategic, commissioning bodies and claim to leverage in significant private investment, while others are more focused on co-ordinating and partnership working. Most, though, have fewer than 10 staff and rely on the resources and back-office support of local authorities and other partners. The LEPs consider themselves to be under-resourced for the work they do and are seeking an increase in core funding (as well as more powers).

While it is right that individual LEPs should respond to the specific economic needs of the areas that they cover, housing associations argue that they should have access to a clear statement of what it is realistic to expect from involvement with an LEP in the housing field. Is it access to funding? Is it the opportunity to become a partner in development schemes that would otherwise have been out of reach? Is it support for existing residents of housing association communities in the fields of training and

employment? The National Housing Federation has made efforts to alert housing associations to the opportunities offered by LEPs, but in many cases there is a lack of clarity about the offer itself.

Housing as a priority for LEPs

Most LEPs rate housing as a priority, although one LEP interviewee claimed that their organisation had no housing initiatives at all. However, all 14 SEPs in the South of England make significant mention of housing, although it is usually placed within a broader strand of economic activity such as "infrastructure for growth" or "place and infrastructure". These two strands exemplify two common ways in which LEPs view housing development:

- as part of a "place" agenda, where promoting affordable housing will improve the ability of employers to attract skilled workers and to retain them; and/or
- as a driver of economic growth.

These are not mutually exclusive; a single LEP may promote both these ambitions for housing via different groups within it. LEPs commonly have groups or panels representing particular sectors or activities. One LEP had a "construction and development group" while another had established a "construction and infrastructure group". Both of these groups had a housing association representative as a member. However, in another case an important output from housing association involvement had been a grant to that association to promote training and employment among its residents.

It is important for housing associations to engage with LEP staff in order to gain an understanding of the status of housing within the strategic and organisational framework of an LEP, prior to expending time and resources with the aim of establishing closer links.

Regular contact with housing associations among LEPs usually appears to be confined to one or two associations that operate within its area, with on-going contact via membership of the LEP board or of one of its groups or panels. One LEP had a housing delivery panel on which both large and small housing associations were represented, but this was exceptional.

Strategic involvement with housing associations in the formulation of their SEPs was very limited. One LEP reported having consulted "more than one" housing association on the development of the SEP, and another had organised a meeting with four housing associations, while a third had maintained contact with a large association that had applied for growth funding.

There had been involvement with LEPs among housing association interviewees, but this had been via membership of boards or panels/groups. While this is probably not a satisfactory position from the perspective of housing associations in general, it does present opportunities for individual housing associations to forge links that could prove valuable. LEP interviewees clearly valued the individual contacts that they did have with housing associations, and conceded that there was more to be done in involving the housing association sector.

Recommendation 12: *There is a need for a clearer statement from government as to what it expects from LEPs in the field of housing and what it is reasonable for housing associations to look for when trying to establish relationships with LEPs.*

LEP strategic economic plans

While housing as an activity is referred to often and at some length in the SEPs drawn up by LEPs, they contain very few references to housing associations. Responses from LEP interviewees suggested that while simple oversight could be a factor, there was in some cases a lack of awareness about what housing associations could contribute. In addition, LEP interviewees pointed out that the dual purpose of SEPs as "bidding documents" as much as conventional strategic plans could be a reason for the failure to discuss delivery and delivery agents. It was suggested that the claimed output was more important than the supplier, and that for SEPs "how much money you get depends on how ambitious you are – delivery is also a criterion". It was suggested by another LEP interviewee that in some cases LEPs simply "rebadge" existing activity rather than fund or develop additional homes.

The suggestion that some SEPs may overstate what the LEP can achieve in the housing field in order to attract funding is a concern, because it could lead to uncertainty among housing associations and others about what they might realistically expect from engagement in relation to new development or other initiatives. This concern may be reinforced when it is considered that the "bids" in SEPs tend to be much higher than the sums subsequently made available from growth funds. Other LEP interviewees justified the lack of reference to housing associations in SEPs as being due to the LEP's perception that open market housing was more important than affordable housing and that housing associations were not the only developers of affordable housing.

Given that housing associations are the principal delivery vehicle for affordable housing, and also build significant numbers of open market homes, it may be that housing associations could achieve more influence by making contact with LEPs and engaging in dialogue about what housing associations actually do.

Some LEPs seemed to have undertaken very little external consultation in the preparation of their SEPs – whether of housing associations or other organisations. However, even where consultation took place, it appeared that engagement with housing associations was rather limited. One LEP interviewee suggested that housing associations could influence strategic planning more effectively if they were to approach the LEP collectively. Such an approach would almost certainly have to be initiated and co-ordinated by the LEP itself, but could have value.

Recommendation 13: *In advance of seeking involvement with an individual LEP, housing associations should be clear about how housing fits with the broader growth agenda and how it is represented as sector. Housing associations should also engage with local LEPs and encourage them to put in place broad consultation with the sector when seeking to develop their strategies.*

Criteria for a strong relationship with housing associations; the LEP perspective

In assessing their criteria for strong relationships with housing associations, all LEP interviewees referred to the housing associations' role in delivering affordable housing. Most saw this as being the most important or very important. The other role that was considered important was the housing association role in training and assisting people back into employment.

LEPs considered the status of housing associations as major employers to be important. Nevertheless, the other community roles of housing associations did not register highly.

From an LEP perspective, shared priorities and mutual understanding of each other's needs were important in building a strong LEP/housing association relationship. In addition, LEPs believed that there should be shared strategic understanding of the needs of the area. Relationships also needed to be mutually beneficial and good communication was important, although not all LEPs felt that communication with housing associations was as good as it could be.

That these criteria were expressed in quite general terms is perhaps another indication that, within LEPs, understanding of housing associations is still relatively limited, which reinforces the need for greater and more systematic contact. Similarly, LEPs were not confident that in general housing associations understood and supported LEPs' objectives, citing insufficient contact as a reason.

Overall, it appears that there has been too little contact and certainly insufficient or inadequate dialogue about LEP aims and objectives. However, a further difficulty is the apparent vagueness among LEPs themselves about their exact role in regard to housing. A relevant example here of these differing attitudes is whether housing associations should approach them for funding. One LEP spoke of funding opportunities, while another suggested that to seek funding was to misunderstand their role. The feeling was that the relationship with the LEPs was very much "horses for courses", in part shaped by the size and scale of the LEP and its housing and infrastructure plans.

Ultimately it would seem that strong relationships between housing associations and LEPs could be built on the basis of a clear statement of LEP aims and purposes and much greater and more systematic contact. Such contact should involve greater opportunities for dialogue and information sharing about mutual aims, strategy and purposes.

Housing associations, local authorities, commercial developers and LEPs

Although LEPs see their relationships with housing associations as important, for some the importance of commercial developers outweighed that of housing associations. Some LEP interviewees saw commercial developers as operating on a larger scale and as being more assertive in seeking funding opportunities from the LEP. They were also better represented on LEP boards and groups. This perception about the relative importance of commercial developers may in part be due to the greater on-going contact that developers have enjoyed with LEPs. LEPs believed that they

had stronger links with local authorities than with housing associations. This was not surprising, considering that local authorities are an integral part of the LEP structure.

More than one LEP suggested that contact between themselves and housing associations could be improved if housing associations could develop a "collective voice" (such as a forum), so that an LEP did not have to use limited resources to keep in touch with a large number of different organisations. This suggestion may have advantages in facilitating the exchange of information about strategic aims, priorities and key activities. However, the LEP would have to provide basic secretariat functions in relation to such a forum. If, as LEPs suggested, the importance of the LEP/housing association relationship is set to rise over time, then providing support to a housing association forum could prove a worthwhile investment.

Recommendation 14: *In order to assist the development of stronger links between housing associations and LEPs, LEPs should consider establishing a regional or national forum to facilitate on-going contact between housing associations and LEPs.*

LEPs: a priority for housing associations?

While significant numbers of housing associations have secured places on LEP boards or have obtained representation on LEP panels/groups, there appears to be only limited enthusiasm for LEPs; at this stage probably only a small proportion of housing associations would rate building relationships with a local

LEP as a high priority. There are a number of reasons for this:

- Measurable results from contacts between LEPs and housing associations have so far been quite limited.
- There is a lack of clarity coming from LEPs as to what their role in housing is in practice.
- It is not clear that LEPs yet recognise the importance of housing associations as both providers of new affordable housing and a source of knowledge and experience in this sector.
- The resources of LEPs in terms of both staff and funding are quite limited when spread across the very wide spectrum of economic sectors across which LEPs operate.

There are undoubtedly some opportunities to be gained by housing associations from building relationships with LEPs. In some cases they may be able to access funds, and in others they may be able to form useful partnerships and assist in the development of subregional economic strategy.

However, there are two preconditions for real improvement in the housing association/LEP relationship. First, individual LEPs must communicate clearly what their role in housing is in terms of strategy, funding, delivery and what a housing association might expect to gain from closer contact. Second, housing associations will need to be proactive in establishing contacts with LEPs and in improving awareness of what housing associations have to offer as providers of new housing and as major social businesses.

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