

Decision by Portfolio Holder



Report reference: HCS -013-2020/21
Date of report: 17 November 2020

**Epping Forest
District Council**

Portfolio: Housing & Community Services – Councillor H Whitbread

Author: Deborah Fenton (01992 564221) Democratic Services: Jackie Leither

Subject: Additional Preferred Housing Association Partners

Decision:

1. That the scheme be amended to include private Registered Providers who are not housing associations and be renamed Preferred Registered Provider Partners of the Council.
2. That Network Homes, and Legal and General Affordable Homes become Preferred Registered Provider Partners of the Council.

ADVISORY NOTICE: <i>A Portfolio Holder may not take a decision on a matter on which he/she has declared a Pecuniary interest. A Portfolio Holder with a non-pecuniary interest must declare that interest when exercising delegated powers.</i>	
I have read and approve/ do not approve (delete as appropriate) the above decision: Comments/further action required: None	
Signed: Councillor H Whitbread	Date: 26 th November 2020
<i>Non-pecuniary interest declared by Portfolio Holder/ conflict of non-pecuniary interest declared by any other consulted Cabinet Member:</i> None	<i>Dispensation granted by Standards Committee:</i> Yes/No or n/a N/A
Office use only: Call-in period begins: 26 th November 2020	Expiry of Call-in period: 3 rd December 2020

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Democratic Services IMMEDIATELY**

Reason for decision:

The Council operates a Scheme of Preferred Housing Association Partnering. The number of Preferred Housing Association Partners has recently reduced from 6 to 5 as Aldwyck Housing Association has resigned following their merger with Catalyst. This now leaves up to 2 vacancies. In view of the increased affordable housing developments that will arise through increased development once the Council's new Local Plan is adopted, it is important that the Council has a

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sufficient number of Preferred Partners who are committed to work in partnership with the Council to pursue and deliver affordable housing opportunities in the District.

Options considered and rejected:

The main options were:

- Not to appoint additional Preferred Partners
- Appoint a different number Preferred Partners
- Undertake a wide-ranging and extensive appointment process
- Appoint different Preferred Partners

Background

1. In October 2007, the Council adopted a Scheme of Preferred Housing Association (HA) Partnering. The purpose of the Scheme is to work with specific housing associations - that have a proven track record of successfully providing affordable housing in the District and of providing a good housing service to tenants - to identify, pursue and deliver affordable housing developments within the District.

2. The Scheme enables the Council to have a very good working relationship with a relatively small number of housing associations. Preferred HA Partners:

- Have a much better understanding of the District's housing needs and the Council's expectations than other housing associations;
- Are able to influence and improve the affordable housing provision on developments as well as its design, due to their early involvement in schemes;
- Provide very useful advice, guidance and feedback to the Council on affordable housing issues and policies;
- Are investment partners of the Homes England (HE) and are therefore eligible for grant funding;
- Provide a ready-made "select list" of housing associations for developers and (in respect of Council-owned sites available for residential development) the Council to work with;
- Have a rating of at least V2 (for viability) and G2 (for Governance) from the Regulator of Social Housing (RSH) for their latest Regulatory Judgments – so are viable and well-governed
- Are able to continue to increase and consolidate their housing stock within the District, thereby assisting them to reduce their unit management and maintenance costs and to achieve better value for money; and
- Have signed district-wide nomination agreements with the Council, setting out detailed nomination arrangements
- Under the Council's Scheme, each year the Council undertakes an Annual Review of Performance of each Preferred HA Partner.

Current Position

3. The Council's Scheme states that, at any one time, the Council will have up to 6 Main Preferred HA Partners, plus one Rural Preferred HA Partner. Council's Preferred Housing Association Partners comprises of the following Registered Social Landlords (RSL's):

- B3Living
- Chelmer Housing Partnership (CHP)
- Hastoe Housing Association (Rural Partner)
- Habinteg

- Moat Group

4. Following the most recent resignation of Aldwyck Housing from the Partnership, there are now vacancies for up to 2 new partners.

Increasing the number Preferred HA Partners

5. In view of the increased affordable housing opportunities that are now coming forward, as a result of increased interest from developers wanting to develop in the District, together with the increased development that will come forward once the Council's new Local Plan is adopted, it is important that the Council has a sufficient number of Preferred Partners who are committed to work in partnership with the Council to pursue and deliver affordable housing opportunities in the District. It is therefore considered appropriate to appoint an additional 2 Registered Providers (RP's) as Preferred Partners of the Council.

6. One way of appointing the additional Preferred Partners would be to undertake a large-scale appointment process, inviting applications from any housing associations interested in becoming Preferred RP Partners. However, this would involve officers undertaking a time-consuming appointment process that would undoubtedly result in RP's, with no connection with, or any real interest in, the District applying. The differentiation and selection of Preferred RP Partners through such an exercise would be very difficult, and there would be no certainty that those selected would be successful in working in partnership with the Council.

7. It is therefore proposed that it would be more appropriate, and more likely to result in successful outcomes, if the Council appoints 2 RP's that meet the Council's criteria and have confirmed a commitment to work in partnership with the Council to deliver affordable housing within the District.

8. Accordingly, Council officers have held discussions with two such Registered Providers, Network Housing Association and Legal and General Affordable Homes (LGAH). Subsequently, both providers have submitted formal applications. Officers have assessed that both organisations would make good partners, meet the criteria and would be a good fit for the Council's future plans for affordable housing development. Both organisations have the financial capacity and development ambitions to potentially make a significant contribution to the range of affordable housing schemes planned in the District through the Council's new Local Plan.

Network Housing Association

9. Network Homes have been established for 45 years and have been developing homes for 40 years. They own and manage over 20,000 homes across London, Hertfordshire and the South East. They develop homes for a variety of affordable tenures including social, affordable and intermediate rents, shared ownership and rent-to-buy products such as London Living Rent.

10. Network Homes do not currently own or manage any homes in the Epping Forest District. However, the District is a target growth area for them and they are actively seeking development opportunities. Furthermore, geographically Epping Forest represents a good expansion area taking account of the location of their existing stock. For example, Network Homes has a significant stockholding in neighbouring East Hertfordshire totalling almost 4200 homes supported by dedicated, locally based management teams. They have offices in close proximity to the District in Hertford.

11. Network Homes have an active development pipeline and their growth strategy aims to commence 1000 units a year for the next five years. In total, Network Homes has access to over £1.5 billion of funding. Network is an investment partner of both Homes England and the GLA and they have a strong track record of received grants and low-cost loans from government for

development. They are also part of a strategic partnership with Southern Housing Group with access for Homes England funding for developments outside of London.

12. The latest regulatory judgement on Network Homes gives them a G1 rating for governance and V2 rating for viability. They received an in-depth assessment (IDA) by the RSH in September 2019, and its regulatory judgement was unchanged from the previous year. In relation to governance, the regulator assessed that Network's governance arrangements enable it to control the organisation and continue to meet its objectives. The regulator also confirmed that the business complies with the financial viability element of the Financial Viability Standard, and that their financial plans align with their financial strategy. However, the regulator noted that Network needs to manage the risks arising from their sales strategy to ensure continued compliance. The V2 rating means that the provider meets the Regulator's viability requirements, has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage the identified risks to ensure continued compliance.

Legal and General Affordable Homes

13. LGAH was established in 2018 and is a private, Registered Provider (RP). The implementation of the Housing and Regeneration Act 2008 allowed profit-making organisations to be registered with the social housing regulator. This will be the first private, profit-making RP to join the Preferred Housing Association Partnering Scheme and this report recommends that private RP's are allowed to join the scheme, in line with current legislation.

14. They have currently secured 2000 affordable housing units across 50 projects nationally and have exchanged contracts on 1120 of these to date. Their business plan aims to deliver 3000 new affordable homes per annum by 2022. Currently LGAH do not have any properties under ownership or management in Epping Forest. However, as a new and expanding RP they are seeking new development opportunities within the District. They are currently bidding for potential s106 sites within the District.

15. Legal and General are the largest property investor in the UK and the 7th largest housing developer. LGAH have so far have approved circa £500m of investments in affordable housing developments. They are a Homes England Investment Partner and have secured £5.3m from the Shared Ownership and Affordable Homes Programme across the South East/South West regions. They are also in the process of agreeing another £3.4m under this programme.

16. LGAH, as is common with private RP's, do not manage their properties directly. They have partnered with 2 management providers to deliver housing management services on their behalf. These are CHP and Stonewater. They have agreed that their initial developments in the District will be managed by CHP, who are already a Preferred Partner of the Council and are based in Chelmsford. In addition, LGAH have Customer Care staff to ensure that customers receive a good experience at key points of their customer journey. If a customer complains about customer service, LGAH will handle the complaint directly should the management provider not respond to the customer's satisfaction.

17. LGAH has less than 1000 homes under management currently and is not yet under the RSH's full regulatory regime. They will not be given a formal rating until an IDA is carried out when they have more than 1000 homes under management and they currently predict that this will take place in early 2022. Their Executive Team meet regularly with RSH and they have been complimentary about LGAH's approach, governance structure and risk control framework. Their aim is to achieve a G1, V1 rating and they believe there is nothing to suggest that we won't achieve this. It should also be noted that LGAH forms part of the wider Legal & General Group which is regulated by the Financial Conduct Authority and the Prudential Regulation Authority, and consequently already have a rigorous approach towards regulation. However, the RSH ratings will be reviewed though the Annual Reviews of Performance.

Resource Implications:

None

Legal and Governance Implications:

Both organisations are Registered Providers of Housing with Homes England and the Regulator of Social Housing. The implementation of the Housing and Regeneration Act 2008 allows profit-making organisations to be registered with the social housing regulator.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

None

Background Papers:

Detailed submissions from Estuary Housing Association and B3 Living applying for Preferred Housing Association Partner status with the Council.

Impact Assessments:

None

Risk Management:

The risks to the Council are minimal, especially since both organisations are Registered Providers with Homes England and overseen by the Regulator of Social Housing.

Each organisation will be responsible for managing their own risks in respect of any developments undertaken in the District. Any risks associated with any developments in which either organisation works in partnership with the Council will be assessed at the time.

Any concerns that either organisation is not meeting the Council's expectations regarding delivery performance will be identified and discussed through the Annual Reviews of Performance.

Key Decision Reference (Y/N): N

Equality Analysis:

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided as an Appendix to the report.

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