

# REPORT FOR FAITH IN AFFORDABLE HOUSING

## SCOPING A STRATEGIC PARTNERSHIP



Housing Justice Cymru funded by **the Nationwide Foundation**

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### **AUTHORS**

**Mike Owen** - Perran Consulting Ltd

**Katie Howells** - Associate of Perran Consulting Ltd

**Emily Powell and Caroline O'Flaherty** - Partners at Hugh James

**Steve Partridge** - Savills



# INTRODUCTION

**A**lmost 10 years ago the Archbishop of Canterbury challenged housing associations and churches to work together as partners to build more affordable housing. In doing this he cited their ‘common heritage’. Since the Archbishop made this call, the housing crisis has intensified and the need for collaboration has never been clearer.

Despite the huge efforts made during the Covid 19 pandemic to house homeless people, the tensions in the housing system remain and people are once again sleeping on the streets of England and Wales.

*Housing Justice* has set out a vision of a society where everyone has access to a home that truly meets their needs. This means a secure and genuinely affordable home, in a neighbourhood where an individual can access work and services that enable them to flourish.

Responding to this challenge, Housing Justice Cymru has worked with faith groups across Wales over the last five years, helping them to turn their underutilised land and buildings into 357 new affordable homes.

This report looks at how this work can be built upon with an aim of creating more affordable homes for rent with an ever greater social value.

Section one of this report focuses on Wales. Initially the proposal was to develop a model for a ‘strategic partnership’ between a limited number of housing organisations and Housing Justice Cymru. After consultation with the Welsh housing sector, the strategy has shifted and a new style of ‘housing framework’ is now recommended.

Housing associations and local authorities will be invited to join an open framework, from which a limited number of organisations will be chosen to work more closely with Housing Justice Cymru.

Section two of the report looks at England and whether the success of the programme in Wales can be replicated. There are a significant issues to overcome before a roll out of the Faith in Affordable Housing model could be implemented in England. The report makes a number of recommendations on how these hurdles can be overcome.



# SECTION 1

# FAITH IN AFFORDABLE HOUSING WALES

## 1.0 EXECUTIVE SUMMARY WALES

The initial brief from Housing Justice Cymru (HJC) was to scope and report on the potential for a strategic partnership with Welsh housing associations. After consultation with stakeholders it became clear that a strategic partnership was not the right method to achieve the desired goals. The work then focused on scoping a framework relationship between HJC and Welsh housing associations which could also allow Welsh local authorities the opportunity to join. See page 6 for an explanation of the difference between a strategic partnership and a framework.

### **BACKGROUND ON DEMAND AND SUPPLY OF AFFORDABLE HOUSING IN WALES AND THE ROLE OF HOUSING JUSTICE CYMRU**

Housing Justice was established by faith groups to support households and individuals without access to accommodation through the provision of emergency housing. Housing Justice provides over 170 night shelters in England and Wales. Housing Justice campaigns to end homelessness and for the need for more social housing. Many Welsh churches have begun to seek solutions for their 4,500 underutilised buildings and churches. The Faith in Affordable Housing (FiAH) programme was created to convert this over provision of buildings and land into affordable housing for rent. Working with churches and faith groups of all denominations, the programme worked to make the Christian value of compassion for the homeless an important factor in any decisions on disposing of surplus land and buildings.

In Wales the amount of public land made available for the building of affordable housing has been steadily reducing. Wales is now following the pattern in England with more of the land for building affordable housing coming via the planning process or through the open market.

The land supply enabled by the FiAH programme has frequently been sold at sub market rates and without competition. One senior housing association figure in Wales described the opportunity to buy land pre-market as “very valuable” and the opportunity to buy discounted land as “golden”. A Chief Executive of a developing housing association in England could not remember the last time their organisation had purchased land without competition, never mind at a discount.

The affordable housing programme that they have helped to enable is significant and it saves both housing associations and the Welsh Government money in the lower land costs reducing the total scheme cost of building new housing.

The question in Wales is not “is there a need for more social housing?” It is, instead, “how can supply increase to match the housing need?” All sources of land are important. There is a place for large scale development schemes for social housing, but there is a need for small schemes in the heart of existing communities. The FiAH programme should therefore be recognised as an important contributor to meeting the Welsh Governments targets on affordable and in particular social rented housing.

The costs of the enabling role played by HJC are currently funded by a grant from the Nationwide Foundation.



## CONSTRAINTS OF THE CURRENT OPERATING MODEL

Stakeholders identified a number of inefficiencies in the current FiAH programme. It is mostly based on small scale sites and HJC works with a large number of associations and local authorities across Wales. The model offers no opportunity for scaling up the programme by identifying new sites as there is no income being generated by HJC. There are no opportunities for economies of scale and the model locks in additional costs through inefficiency and administration.

## A NEW 'FRAMEWORK' MODEL FOR THE SELECTION OF DEVELOPMENT PARTNERS

To maximise the benefits of the FiAH programme a strategic partnership between Welsh housing associations and HJC, was initially considered. However, within the housing sector there are a lot of structures that are termed 'strategic partnerships' and as a consequence the term carried a lot of baggage. Stakeholders who were consulted in the drafting of this report were enthusiastic about the opportunities presented but felt that a 'strategic partnership' was not therefore the right definition for the outcomes desired.

The report now recommends the creation of a 'framework' to bring the benefits of working with a narrower group of developers into the FiAH programme. The framework model was discussed with Welsh housing associations and received a substantial level of support and when asked all, subject to the expected queries and clarifications, expected their organisations to seriously consider applying.

Framework tenders are a form of competition where different organisations submit a tender proposal setting out their



▲ An example of a FiAH family house in Llantilio Crossenny.

skills, competence and experience, explaining how they will undertake the work, the added value they will bring to the process and their proposed costs. After consultation with partners at Hugh James, Wales leading legal specialists, the form of framework is being proposed and this is set out in Section 8. This report provides assurance that this framework model can be delivered, that it will meet the expectations of transparency desired by the housing sector and will be robust if it is challenged.

Establishing the 'framework' proposed here will require a competition between willing housing organisations using the following two-part assessment process.

**PART ONE** – Assessment of whether an organisation has the skills, competence, resources and experience to deliver the proposed programme.

**PART TWO** – What additional benefits can they bring to the programme? Housing organisations will be asked to offer several additional benefits from including regeneration training, commitments on rent, housing management, Housing First<sup>1</sup> or a range of other imaginative offers that will improve the outcomes from the programme.

*1. Housing First- the provision of a stable, independent home along with intensive personalised support and case management to homeless people with multiple and complex needs.*

# There are a number of inefficiencies in the current system as the programme is mostly based on small scale sites.

The FiAH programme currently works exclusively with the regulated housing sector in Wales and it is recommended that this continues. Faith stakeholders identified several factors in deciding who they would prefer to work with and in particular they focused on the perpetuity of the housing; that housing was a core business for the provider and (critically) that they were subject to Regulation.

Notwithstanding, the growth of housing providers outside of the regulated sector in England and the potential financial resources they can bring, this report recommends that for this tender period HJC continue to work with the Welsh associations and local authorities who meet the above criteria. It is believed there are between 30 to 40 regulated housing organisations in Wales which are currently building or who are planning to build affordable housing for rent.

The total number of homes enabled through the FiAH programme to date is 357 (includes completions and pipeline schemes) and Section 5 identifies the potential for a much bigger programme. It is recommended that the number of development partners is scaled to match the potential programme. It is recommended

that the programme factors in sufficient flexibility to allow for some regional or specialist lots within the tender process.

In designing a new framework it is recommended to use the three new social housing zones being considered by Welsh Government as part of their social housing grant programme. In respect of the FiAH model, this report recommends that each zone has a minimum of one housing organisation and maximum of two organisations and that the total number of partners in the framework is no greater than 6.

HJC also has identified a strategic aim of creating more affordable housing for young people, who disproportionately are the group without adequate housing. To encourage more provision for this group the evaluation assessment for the framework should reward those organisations that propose working arrangements with specialist providers, such as Llamau<sup>2</sup>, to help meet the housing needs of young people.

With the right financial support from the Welsh Government and the Welsh housing sector it is believed the new framework model could be operational by June 2021.

*2. Llamau-a specialist charity working with young people and vulnerable women who experience homelessness.*

## 2. METHODOLOGY

The objective of this report was to explore the potential for a housing partnership and consider whether a similar model could work in England. The scope of this exercise was to:

- Evaluate the key factors necessary for the strategic partnerships to operate successfully
- Outline the working structure of a strategic partnership model including financial and legal considerations around procurement, operating model and financing models
- Outline a timeline and programme of milestones for establishing the strategic partnership
- Outline a monitoring and evaluation framework for the strategic partnerships
- Assess the advantages, benefits and risks of adopting a strategic partnership model
- Identify the potential barriers to the creation of strategic partnerships and their subsequent implementation and operation
- Consider the issues, lessons and criteria necessary to apply the model in England including a literature review and research into a limited number of case examples of current strategic partnerships in England
- Include stakeholder engagement with organisations representing housing associations (Community Housing Cymru (CHC), National Housing Federation (NHF), local authorities (WLGA and LGA), church denominations, and 'not for profit' housing delivery bodies



▲ The Bishop of Llandaff visiting new homes in Porth.

This was never intended to be an academic study and the report moves from testing a model with stakeholders to designing a model on the basis of their feedback.

A key feature of this project was to co-produce an operational framework with the very stakeholders who would implement it in practice.

As the report progressed, interest in the idea grew and people contacted us with a desire to be part of the process. People also contacted us and wanted to meet and discuss ideas with community led housing organisations and faith groups.





## 3. HOUSING NEED IN WALES

### 3.1 HOUSING DEMAND

There is a demand for a significant increase in all types of new homes in Wales over the next five years. The most recent [Welsh Government Report into Housing Need](#) makes the following key points:-

- During the first five years (2019/20 to 2023/24), it is estimated that between 6,200 and 8,300 additional housing units will be required annually, with a central estimate of 7,400. These figures include an annual average of 1,100 additional housing units to clear those in existing unmet need over the first five years
- The additional annual housing need estimate of 7,400 is split into 3,900 additional market housing units (52% of the additional housing need) and 3,500 additional affordable housing units (48% of the additional housing need) over the next five years (2019/20 to 2023/24).

The Welsh Government's latest central estimate of housing need is for [an additional 114,000 homes across Wales up to 2038](#). The central estimate of housing need does not represent a formal Government target for the number of new homes required to be built in Wales, but does provide clear evidence of the level of housing need to be addressed.

[The Future Generations Report 2020](#) provides some worrying evidence of unmet housing need in Wales, including:

- Over 21,000 households faced or experienced homelessness in Wales in 2018
- 2,139 households were in temporary accommodation in Wales, of which 837 were families

The housing waiting lists across Wales

paint an equally bleak picture. In 2018 a survey of 20 of the 22 Local Authorities found that at least 60,569 households were on housing waiting lists. Pressure has further increased on the Government and housing providers during the Covid-19 pandemic to provide homes for those previously homeless. This is creating a new level of immediate need and inevitably placing further strain on local authority waiting lists.

Julie James, the Minister for Housing and Local Government, commenting on the progress made in housing people without homes during the pandemic, has said *"we have housed over 850 people who were sleeping rough and just over 2200 people in total in emergency temporary accommodation who were in very volatile, unsuitable accommodation, sofa surfing and people who didn't really have anywhere else to go but weren't on the street."* This is really positive but more permanent accommodation needs to be developed if move-on models like Housing First are to make an impact.

Further research is now underway to better understand housing need in Wales following recommendations by the [Independent Review of Affordable Housing Supply](#).

### 3.2 FUTURE GENERATIONS COMMISSIONER

The Future Generations Commissioner for Wales has identified that having a good quality home that meets their needs as a vital part of a person's wellbeing. Further, [The Future Generations report](#)

**2020** makes a compelling case that poor-quality housing is strongly associated with inequality, poverty and limited life chances. The Commissioner recognised the importance of housing and how housing related problems are affecting more people than ever before. Ever increasing housing need compared to supply is compounded by the poor quality of the existing stock in Wales – which is some of the oldest housing stock in Europe. The report outlines how 90% of this stock is predicted to remain in use in 2050.

The report argues that increasing the supply of affordable, adequate, low carbon homes within cohesive communities must remain a policy priority in the long-term. The report supports new innovative solutions to bring empty buildings back into use and to bring forward available land for development.

### 3.3 HOUSING ASPIRATIONS OF THE GOVERNMENT

The Minister for Housing and Local Government has ambitious plans for housing in Wales and this is echoed in its ***National Strategy Prosperity for All***. It identifies housing as one of the main five priority areas which can make the greatest potential contribution to long-term prosperity and well-being. The objective of this strategy is for everyone to live in a home that meets their needs and supports a healthy, successful and prosperous life. Good quality homes are the bedrock of communities and enable individuals and families to flourish in all aspects of their lives.

In order to ensure the delivery of this national strategy, the Government has committed to delivering 20,000 affordable homes over the period 2016-21; with a more ambitious target expected for the next five years. The Government has provided an additional £133m in the most recent budget



▲ New houses built on the St Lukes Church in Porth.

to support the delivery and improvement of social housing, bringing the total budget for social housing grants to £223m. The plan to build affordable housing has included a programme of innovative housing; setting new thresholds for offsite manufacture and eco standards, rural and cooperative housing.

The Minister for Housing and Local Government has committed to permanently house those people without access to accommodation that were supported through the Covid-19 pandemic and has also campaigned for access to housing to be recognised as a Human Right and has committed to working towards this in principle.

## COMMENT

Whatever source material or methodology is used to measure whether there is a future demand for affordable housing in Wales it is unquestionable that there is a demand, which will not be met without an increase in supply.

The Welsh Government has demonstrated a commitment to developing more homes by providing additional capital resources. Welsh Government is also using a range of different levers to increase the supply of affordable housing including; higher grant rates than elsewhere in the UK and by targeting grants for innovation, co-ops and rural schemes.

Senior staff in the Welsh Government's Housing Division have also participated in the production of this report.

The Minister for Housing and Local Government has ambitious plans for housing in Wales and this is echoed in their National Strategy Prosperity for All.

## 4. THE SUPPLY OF LAND FOR AFFORDABLE HOUSING IN WALES

### 4.1 BACKGROUND

*The Independent Review of the Supply of Affordable Housing* included an extensive review of the funding of affordable housing. The Welsh Government has responded to that review with changes to its grant and funding mechanism in an attempt to increase the numbers of homes delivered through their programmes. This report does not comment on the funding mechanisms but concentrates on the supply of land available for affordable housing.

### 4.2 LAND SUPPLY FOR AFFORDABLE HOUSING

The development of affordable housing in Wales has been following the English experience for a number of years with the procurement of land from the open market becoming an ever bigger part of delivering the new build social housing programme. *The table below is from Welsh Government statistics.*

Historically, local authorities and other public bodies sometimes sell land direct to Welsh housing associations without competition. They do so to support the authorities strategic housing enabling role. On occasions, land has been provided free

Source of Land Supply	2016/7		2017/8		2018/9	
	Total number of homes	Expressed as a % of the total programme	Total number of homes	Expressed as a % of the total programme	Total number of homes	Expressed as a % of the total programme
Additional housing delivered through the planning process	932	37%	773	33%	604	23%
Land made available from public sources	689	27%	531	23%	650	25%
Rural exception sites	33	1%	49	2%	52	2%
Land delivered through other sources	892	35%	963	42%	1286	50%
Total new build housing programme.	2,546	100%	2,316	100%	2,592	100%



▲ Architects Impressions of the housing proposed at Northop Flintshire.

for very expensive schemes like hostels or at sub market land values for social rent housing<sup>3</sup>, affordable rents and mixed tenure.

Bringing public sector land forward for development has not been an easy process and frequently has a long lead in time. In England, the One Public Estate programme was established in 2013 to regenerate and make better use of the public estate in England. ***Yet by 7 March 2018 only 303 homes had been built.*** Further housing developments were in the pipeline and other outcomes had been achieved. This demonstrates how difficult it is to get the whole public sector to follow one objective and release land for housing.

The declining availability of local authority and public sector land to support social housing was recognised by the Housing and Local Government Minister Julie James who made ***this statement*** to the Senedd following the Affordable Housing Supply Review *“the public sector needs to be more sophisticated in the way we use public land to support the widest range of objectives than simply generating the highest capital receipt.”*

In England, consultees reported that in most new build development land

acquisition now occurs almost entirely through the open market. Reviewing the Brownfield Register of Land<sup>4</sup> in a number of areas, the amount of public land available is relatively low across England. For example in ***Bristol it is only 14.5% of the total land on the register.*** Reflecting greater public land availability in the North of England, ***the figure for Leeds is 39.6%.***

Land acquired through the planning process still remains significant<sup>5</sup>, accounting for over 23% of new social housing delivered in 2018/19 in Wales and 49% in England. The National Housing Federation in England believes that this source of new build development will reduce further as result of the recent ***UK Government announcement*** on deferral of the Section 106 commitments in England.

By 2018/9, almost half of the land used for building affordable housing in Wales came from the following sources:

- Procurement through competitive bidding in the open market
- A direct purchase between a housing association and a vendor, facilitated by a land or estate agent. A site with planning or outline planning permission will of course command a higher sale value and with it a higher agents fee

3. Land value discounts tend to be higher where social rent housing is to be developed than where affordable rent and mixed tenure housing is to be provided.

4. Brownfield land registers provide up-to-date information on sites that local authorities consider to be appropriate for residential development.

5. Land acquired through the planning process is also a competitive process between housing associations and occasionally a competition between housing associations and not for profit organisations.



- Housing associations directly employing their own land agents find land that they can then buy direct from the owner. Larger housing associations will frequently employ a number of land agents to ensure a forward supply of land for their development programme
- A house builder/developer bringing a proposed housing scheme direct to a housing association with either outline or full planning permission and then seeking to dispose of the site linked to a contract for the developer to build out the homes

This is increasingly common form of land procurement and ultimately new build development. Prime sites are often developed direct for market sale and this model frequently operates counter cyclical to the market. When house sales in the private sector slow down developers then look to this model to build out potential sites. Conversely, as more private sector developers build out sites for the open market there are greater gains in affordable housing through the planning system.

The other small but important contributor to the supply of land for affordable housing is through rural exception sites. As the name suggests, these should be an exception to normal planning guidance. The majority of Local Development Plans<sup>6</sup> in Wales include a policy on rural exceptional sites. The number of properties delivered through this route is relatively small, at no more than 50 per year, as it requires legislation, specific guidance, policy commitments in Local Development Plans and a considerable amount of activity from both planners and Rural Enablers working for local authorities and the Welsh Government. The need for this level of public expenditure to achieve 50 additional properties clearly demonstrates how hard it is to build housing and in particular build social housing in rural areas.

The majority of local development plans in Wales include a policy on rural exceptional sites.

6. *Local Development Plan* - Since 2004 each local planning authority in Wales has been required to produce a *Local Development Plan* that sets out each local planning authority's proposals for future development and use of land in their area.

## 5. LAND OPPORTUNITIES

### 5.1 BACKGROUND

Churches and faith groups own approximately 4500 buildings in Wales (churches and community buildings). Many will be well used with thriving congregations and active community organisations. However, a number are being considered for redevelopment for a variety of reasons:

- Reduced congregations and the rationalisation of churches to operate over a wider area. Figures are difficult to quantify but it is estimated that between 10 and 20 churches a week have been closing in Wales
- Community Buildings may be under used or need significant repairs
- Churches and community buildings may be energy inefficient and need to be replaced with new and easier to maintain buildings

This direction of travel has been accelerated by the global COVID-19 pandemic. The restrictions on worship, weddings and funerals have all had an effect on the income and viability of churches. Church services have moved online and, like town centre offices, the rationale for having an expensive to operate church building is diminishing. Community buildings and church halls have also suffered as result of the pandemic. Clubs and activities that have used the venues and paid rent, such as toddler and OAP groups and yoga and keep fit classes ceased to do so for a substantial part of this year. Many have not reopened and some may never do so.

Even the disposal of 10% of the land holdings of churches could free up 450



▲ A community hall in Merthyr Tydfil being considered for affordable housing.

potential development opportunities. It is also important to consider that land and buildings owned by the churches and faith groups are frequently in areas where housing is most needed. In the context of enabling rural housing, the buildings and church halls in these areas are all located inside the settlement boundaries and therefore avoid the cost and complexity of turning a green field site into new build housing. Sites developed in urban areas have also been part of the renaissance of towns and cities, transforming empty and occasionally derelict buildings into high quality housing. Local Planning Authorities ***recognised the importance of community consultation in bringing forward rural exception sites.*** As community organisations, churches can be a positive force in the planning process. If their members support the proposed change of use it helps reduce the friction of that can occur when building social housing in some communities.

## 5.2 IS THE ENABLED LAND VALUE FOR MONEY?

When a faith group follow their social conscience and sell land based on a valuation rather than open market tender it has a financial benefit to both the Government and the housing association. Excluding the fact that without this support the housing might not be built, and even with the Welsh Government's move scheme specific a viability grant rate<sup>7</sup>, the viability of the scheme is always improved by the sub market valuation and sale of land.

To comply with Charity Commission

requirements an independent valuer must support the valuation. However, this does not have to be via a tender or a full market offer. This allows a consideration of best value.

In 2017/18, Welsh housing associations spent £56.8m on land acquisitions. With Welsh Government social housing grants averaging 58% of scheme costs this means that the Welsh Government contributed around £32m towards the cost of land acquisition.

Benefits to the Government of land sales based on a valuation rather than open market disposal	Benefits to Housing Associations of land sales based on valuations rather than open market disposal
A direct saving of social housing grant as a result of the lower land price in the total scheme cost	A lower cost scheme means that housing associations are using less of their capital to support a scheme. As a consequence, less revenue is required to service debt
Unused grant can be used to provide additional social housing	Lower volumes of borrowing mean lower interest cover
Savings on future Housing Benefit on the lower social rent compared to higher market rent	Negotiated sales reduce risk and the cost of tendering that includes all abortive preliminary works

<sup>7</sup> A viability grant rate is one designed to meet the gap funding between a schemes cost and the net present value of future rent income.



## 6. ENABLING NEW SITES

### 6.1 BACKGROUND

A number of churches and faith groups in Wales have positive policies where the support for providing affordable housing is seen as a 'Christian duty'. At a national level, most denominations now have strong and supportive principles, but as one church asset manager put it "people might be Christians but they do not always show Christian values when it comes to wanting social housing in the neighbourhood on land they own".

HJC currently operate in this space between national Governments and national faith bodies and local denominations making a positive choice to dispose of assets to support affordable housing. The text below provides a summary of the five phases of this work.

#### PHASE ONE IDENTIFYING THE OPPORTUNITIES

- An approach is made by a church denomination or their appointed agent/ advisor as to a potential opportunity
- HJC itself identifies a potential opportunity for discussion with a denomination

#### COMMENT

*Site identification is an area where HJC needs more resources, including field staff and publicity, are needed to ensure a faith group thinking about asset management consider a sale for affordable housing.*

*Creating closer links at this stage with the Welsh Government Enabling Team could produce additional benefits.*

#### PHASE TWO AN INITIAL ASSESSMENT

- HJC will undertake an initial assessment of the opportunity. This will include a site visit to assess physical condition of the property and a Land Registry search to ascertain the nature of any covenants, restrictions or reversion clauses
- HJC will give examples of other successful schemes and appraise the group of probable Charity Commissioners views of the proposals
- A short technical assessment in terms of planning policy context, ecology and flood risk
- Finally, a meeting will be held with the church to discuss whether it is to be a simple disposal or whether the church requires a retained interest in the completed development

#### COMMENT

*HJC could undertake better financial viability assessments if they created an appraisal model which had access to Welsh Government data from social housing grant submissions.*

#### PHASE THREE LOCAL AUTHORITY LIAISON

- HJC works with the local authority to identify housing need and any specialist requirements that the authority may have for a site
- HJC review funding opportunities from Welsh Government with the local authority

## COMMENT

*In rural areas, the phase 3 work of liaising with local authority is a role that could be undertaken by the Welsh Government's Rural Enabling Team.*

## PHASE FOUR IDENTIFICATION OF A DEVELOPMENT PARTNER

- HJC will ask the local authority to identify which housing association to work with or whether the authority wishes to build on the site themselves
- If there is no local authority view on a specific developing housing association then HJC identifies a suitable developing housing association to develop the opportunity, following a standard protocol that it has developed
- HJC propose the scheme to the housing association and manage relations between the faith group and the housing association

## COMMENT

*It is recommended to replace this stage of the process with partners from the framework being used to appraise the opportunity. If the new operation model proposed in this report is adopted the organisation chosen to develop the scheme could carry out the appraisal.*

## PHASE FIVE CONTINUED LIAISON WITH FAITH GROUP

- HJC continues to work with the faith group until the scheme is completed

## COMMENT

*In rural areas this liaison role could be taken on by the Welsh Government Enabling Team keeping in contact with the group through the planning and development phase.*

## 6.2 THE ADDED VALUE OF HOUSING JUSTICE CYMRU

The process of building affordable housing on faith owned land is complex. The focus groups identified several reasons why the role of HJC has been uniquely important in enabling social housing:

- **Honest broker** - HJC is seen as honest broker between the housing associations and the faith group
- **Faith to faith relationship** - It has been easier for HJC to present a faith based rationale that the provision of land for social housing is a Christian duty than a non-faith based organisation could
- **Continuous commitment to affordable housing** - HJC has been unwavering in its commitment to social housing and have been able to steer faith groups towards this outcome and away from straight commercial disposal
- **Success of other schemes** - HJC has a track record of successful schemes across Wales providing proof that well managed and well designed social rented housing can be provided



## COMMENT

Affordable housing sites on land owned by faith groups will not bridge the gap between declining public sector provision and the need for housing in Wales. They can however, make an important contribution to the affordable housing supply by enabling sites in critical rural locations and in towns and city centres with limited land supply.

Developing housing through the Faith in Affordable Housing Programme is good value for money for the Welsh Government as it brings forward housing sites outside of a competitive market and frequently at sub market values. One senior housing association figure described the opportunity to buy land pre-market as “very valuable” and the opportunity to buy discounted land as “golden”.

It is very difficult to perceive the role played by HJC in enabling affordable housing land supply being undertaken by a statutory body or a beneficiary of the land sales.

## RECOMMENDATIONS

- Work is undertaken to identify the scale and potential of available land owned by faith groups in Wales
- A closer working relationship is developed between the Welsh Government’s Enabling Programme and the work of Housing Justice Cymru
- Expand the number of properties delivered through the Faith in Affordable Housing Programme will require investment via marketing to faith groups and direct contact outreach work

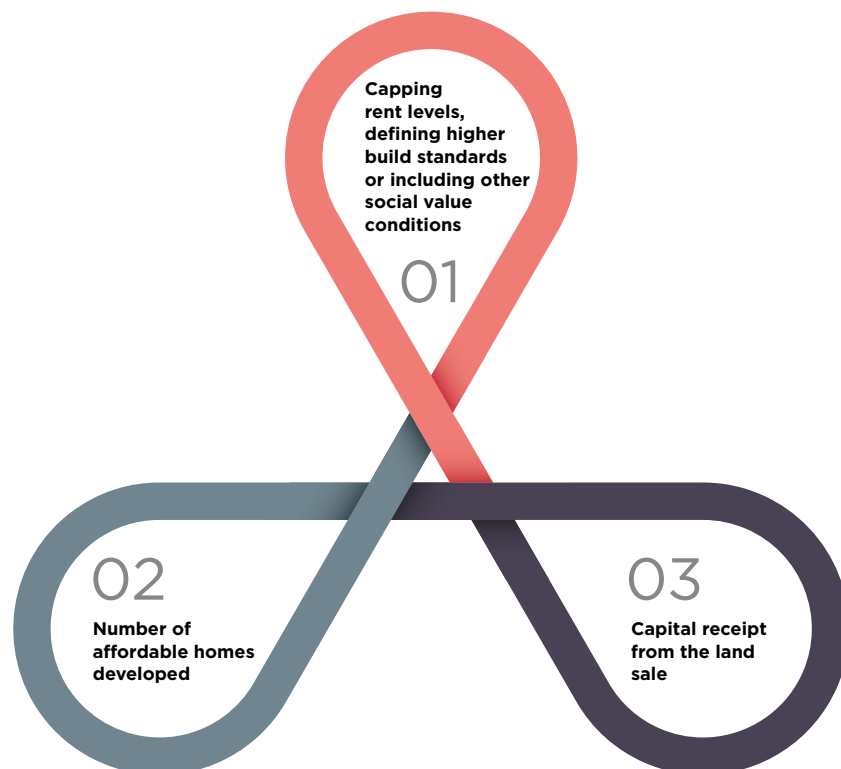
## 7. A STRATEGIC HOUSING PARTNERSHIP FOR THE FAITH IN AFFORDABLE HOUSING PROGRAMME

### 7.1 BACKGROUND ON A STRATEGIC PARTNERSHIP

The intention of this report was to explore the potential for a strategic partnership between housing associations and HJC. And to assess whether a strategic partnership could deliver greater social benefits. Developing affordable housing is a three way balance. If the vendor seeks to increase the capital receipt from the sale this means either reducing the number of affordable homes or lowering the social value requirements on management, design

standards and/or community clauses in the contract.

Conversely stretching the affordable housing target upwards has the potential to reduce either the capital receipt to the vendor or reduce the added social value clauses included in the disposal. Pushing for greater levels of social value through management standards and conditions, through constraints on rent levels or social clauses in contracts can reduce either the capital receipt to the vendor or the potential number of affordable units developed.



# There is no opportunity for economies of scale and model locks in additional cost.

The approach of HJC and the FiAH programme to date has been successful with 357 homes developed or in the future pipeline. However the potential for additional sites and greater social value was one of the drivers for the commissioning of this scoping report to review and help create a strategic partnership that allowed this project to work at a larger scale.

There are a number of inefficiencies in the current system as the programme is mostly based on small scale sites and HJC works with a large number of associations and local authorities across Wales. The model offers no opportunity for scaling up the programme by identifying new sites as there is no income being generated by HJC.

There is no opportunity for economies of scale and the model locks in additional costs through relearning, inefficiency and administration.

In talking to stakeholders this we found weaknesses in the current programme:

- Developing partners had no certainty of a future new build programme. No organisations involved could therefore predict their treasury management funding needs from sites enabled through this programme. It was considered an addition to the programme and was not factored into borrowing

Most organisations that are building affordable housing schemes know that the retention of skilled people with the right skills presents a high risk due to a shortage of the right people. This risk is easier to mitigate with a pipeline of schemes to develop.

- There is limited potential to smooth out the cost of higher risk and more expensive sites where there are infrastructure, service and other constraints with other easier to develop schemes
- There is limited opportunity to develop economies of scale within this programme. Welsh housing associations have of course the potential to improve the economies of scale by blending site opportunities with other parts of their development programme. But HJC allocates opportunities based on the advice of the relevant local authority, rather than other development activity of a potential partner. There is also no data available on whether economies of scale materialised (and who benefited from them) through blending this programme with other development activity
- There is limited potential for shared learning and the potential for the creation of standard or model documents is limited
- Administratively this multiple developer model is cumbersome as each scheme requires new relationships, fresh dialogue and the management of expectation of both vendor and the acquiring developer
- HJC gains no income in the current model meaning there are no resources to identify new opportunities and expand the programme. This further reduces the economies of scale that could be obtained by a bigger programme
- A more experienced group of developers can help mitigate the risk of a challenge from the Charity Commissioners

- Working with experienced partners can help dampen the expectations of landowners on land value and help to ensure that the faith aspirations remain in the commercial mix

## 7.2 THE GREATER MANCHESTER HOUSING PARTNERSHIPS

One of the most important and widely acclaimed strategic housing partnerships in UK Housing is the Greater Manchester Housing Partnership (GMHP). Most strategic partnerships are project or location specific. However, the GMHP is of a similar scale to the whole Welsh housing association sector. It was therefore important to consider whether this model could work in Wales and remove some of the inefficiencies in the current operational model of the FIAH programme. This is not intended as a full review of the merits or the successes of the GMHP but just whether it could be adapted to work in Wales for HJC.

In considering the GMHP it needs to be recognised that there are a number of different levels, connections and relationships within this strategic housing partnership. The wider GMHP is a coalition of like-minded housing organisations, public authorities and elected political leaders in Greater Manchester which have agreed common values and goals through a Memorandum of Understanding. This common commitment has supported and nurtured positive relations and mutual understanding, particularly around regeneration and training. The members pay an annual fee and with this revenue employed workers to research for and service the partnership. Different partner Chief Executives lead on different areas of the partnership depending on their skills and the goals of their own organisation. The building of positive relationships has helped to create a joint development

company in which some, but not all of the GMHP, have invested to deliver more complex development opportunities that might be too big for individual organisations. The scale of the GMHP with 28 members and a combined development programme of over 8,000 homes a year is similar in scale to the whole Welsh housing association sector. Parallels can also be drawn between the political relationship between the GMHP and elected regional city Mayors and the existing relationship between Welsh associations and the devolved housing administration in Wales.

The GMHP development company model did have potential to resolve some of the issues in the FIAH programme operating model, but through further discussions with stakeholders in Wales it was rejected for a number of reasons including:

- Any development company would require extensive confidence building between partners (this was achieved through the wider GMHP before the joint development company was established)
- Being seen as too complex a model for the potential benefits
- Might, depending on the nature of the strategic partnership and the loan agreements, require both Funder and Regulatory approval both of which would be time consuming, require legal advice and funder approval – adding cost and risk

## 7.3 REJECTING A STRATEGIC HOUSING PARTNERSHIP

In housing, the term 'strategic partnership' carries a lot of baggage as it is a 'catch-all' term for a wide variety of relationships. Its use stretches from a joint venture company sharing resources and equity with a binding legal agreement through to commercial contracts between organisations, pre-merger strategic alliances, to relationships between local authorities and housing associations and to informal alliances based on common

values. It became clear from discussions that the vagueness of the term 'strategic partnership' would therefore cause potential concerns for many stakeholders in Wales. In addition there were other concerns about the efficacy of the development company model:

- It would need to evolve organically with self-selecting partners developing mutual values rather than being a construct of HJW
- It has the potential to create inter dependencies that would need careful management and might require expensive legal advice to manage
- It carries an expectation of a high level of joint working that Welsh housing associations are not yet ready for

## 7.4 FINDING THE RIGHT RELATIONSHIP

The opening assumption in this report was that once a strategic partnership was in place it would operate in the following manner:

- a) All site opportunities developed by HJC will be exclusively developed by the partnership members

- b) The valuation of land and social value will be captured through an agreed formula
  - c) Membership will be limited to a small number of organisations
  - d) Membership will be time limited with an option to renew
  - e) There will be selection criteria for partners developing any housing – that includes local management standards (including Welsh language), rent levels, tenancy types, design and eco standards and the generation of local employment opportunities
  - f) Membership will be obtained through an open selection process where potential partner organisations demonstrate their ability to meet or exceed the criteria set out above
  - g) The strategic partnership will involve members sharing the cost of marketing, promotion, land assembly and the development of model documents
- In rejecting the model of strategic partnerships consultees did recognise the need for change in the current FiAH operational model and felt that a smaller number of development partners should be the strategic goal.



## SUMMARY OF THE BENEFITS OF REDUCING THE NUMBER OF POTENTIAL ORGANISATIONS

Constraints of the current operating model	Consequences of these constraints	Potential of a more focused or strategic approach
<p>Each scheme has a different partners</p>	<p>Each development requires the building of new relationships between Welsh housing associations, faith groups and HJ. Understanding of the expectations of the other partners has to be relearnt in each development.</p> <p>A experienced FiAH parter would bring engender more realism amongst land owners on land values.</p> <p>Failure to appreciate the different in Charity Commission guidance on land disposal - in England the advice is to seek the highest price but in wales the advice is to seek 'best value'.</p> <p>Limited opportunity to reduce costs by developing model documents.</p>	<p>Working with a much smaller number partners will bring greater knowledge and understanding of the process. The participating organisations can build and retain expertise and thus get the best out of the partnership.</p> <p>The success of previous schemes engenders confidence in the programme and allows a more mature relationship between vendor and developer.</p> <p>A smaller number of partners will have the opportunity to develop model agreements with HJW, thus reducing the professional fees in the system<sup>8</sup>.</p>

### COMMENT

Whilst the Greater Manchester Housing Partnership has delivered some tangible benefits to members, it did not offer a model which could help HJC reduce the number of partners it is working with.

### RECOMMENDATIONS

Having consulted housing organisations in Wales and reviewed the benefits and potential risks, HJC has rejected the idea of creating a strategic partnership and asked the report authors to create an alternative model.

The view of housing associations consulted for this report, and the Welsh Government is a more focused group of developing partners was needed if the FiAH model was to be more widely implemented.

*8. It is recognised that larger developing RSLs have standard contracts and agreements – but these will not be bespoke to faith based developments working under the constraints of the Charity Commissioners.*



## 8. A NEW OPERATING MODEL

### 8.1 A NEW OPERATING MODEL

Although the stakeholders rejected a strategic partnership model they did support the hypothesis that greater efficiencies could be achieved through working with a smaller number of partners. Stakeholders also valued some of the strategic partnership benefits set out in Section 7.4 namely:

- a) All opportunities created by HJC will be exclusively developed by partnership members
- b) The valuation of land and social value will be captured through an agreed formula
- c) Partnership membership will be limited to a small number of organisations
- d) Membership will be time limited with an option to renew
- e) There will be selection criteria for partners that includes local management standards (including Welsh language), rent levels, tenancy types, design and eco standards and the generation of local employment opportunities
- f) Membership will be obtained through an open selection process where potential partner organisations demonstrate their ability to meet or exceed the criteria set out above
- g) The model will involve members sharing the cost of market, future land assembly and the development of model documents

After some discussion, the stakeholders identified a competitive but open process where organisations submitted applications to join a framework as a development partner. The process was similar in nature to a procurement framework.

### 8.2 PROCUREMENT FRAMEWORKS IN HOUSING

All developing social landlords in Wales will have used a framework as part of their procurement process. Frameworks are very common in procuring repairs and maintenance and increasingly common in the procurement of services. Procurement through a framework is a form of tendering where different organisations submit a tender proposal setting out their skills, competence, experience, explaining how they will undertake the work, the added value they will bring to the process and their proposed costs. The awarding body then scores and ranks these proposals against a set of pre agreed and defined criteria. Those judged to offer the right mix of cost and quality (the most economically advantageous tender) become the framework members.

When works or services are then procured the contracting body awards work contracts to the framework members. Depending on the nature of the framework this could be a direct award or even a mini tender between organisations on the framework.

### 8.3 IDENTIFYING FRAMEWORK PARTNERS

The recommendation is to follow the methodology of a framework tender to find the right organisations to develop new affordable social housing with HJC. After consultation with Emily Powell and Caroline O'Flaherty, partners at Hugh James, the following framework model is proposed.



▲ St Matthews Church, Newport. Before the work started, after work was finished, and a visit from the Archbishop of Wales.

We believe the framework model can be delivered, that it will meet the housing sector's expectations of transparency and will be robust if challenged.

The framework will cover the selection of housing associations or local authorities for the Faith in Affordable Housing programme. The framework will not cover the sale of land, any contracts for work or any linked construction contracts. Nor would it be used to determine the ownership of any properties developed.

The selection process proposed is more of a 'beauty contest' rather than a formal procurement process. However, there will be a need for additional detailed legal advice to ensure the process remains compliant with procurement legislation during its implementation.

In recommending a framework one of the options considered and rejected was whether the HJC and faith groups could get better value out of an open market tender process. One in which every opportunity identified was marketed to every WHA and LA and then each application and bid is assessed. Whilst this would guarantee that each scheme was the best value available at that point, all of the benefits identified of working with a narrower group of partners would be lost.

Establishing the Faith in Affordable

Housing framework proposed here will require a competition between willing housing organisations using the two part evaluation process.

**PART ONE** – Assess whether the organisation has the skills, competence and experience to deliver the probable programme based on the information provided and other published data.

**PART TWO** – Assess what additional benefits the organisation bring to the

programme. Here, housing organisations will be asked to offer a number of additional benefits, ranging from regeneration and training, commitments on rent, on housing management, on Housing First or a range of other imaginative offers that will improve the outcomes from the programme.

It is recommended that extracting the information set out in part 1 and 2 above will involve the nine stages set out in the table below and it is estimated that this process will take about six months to implement.

Stages in selecting framework partners	Events and activities
<b>1</b>	Grant application to Funding Organisation - the project needs pump priming to start the process and obtain the detailed legal advice
<b>2</b>	Define the framework terms - working with a group of partners from the faith community
<b>3</b>	Develop the procurement documents - the invitation to tender documents, the evaluation methodology, any geography and lot divisions and the terms of engagement
<b>4</b>	Carry out market consultation and identify potential framework members
<b>5</b>	Advertise the framework and invite submissions - from those organisations identified in step 4
<b>6</b>	Establish the selection panel - which would include faith organisations
<b>7</b>	Evaluate and rank the submissions - this might include regional or lot divisions
<b>8</b>	Appoint prospective partners to the framework partnership
<b>9</b>	Commence partnership working

Most stakeholders felt that any process to limit the number of organisations in each framework needed to be a transparent and that faith groups needed to be part of both

the design and evaluation of any criteria. The staged process above meets these objectives.

## 8.4 SCALE AND SIZE OF THE FRAMEWORK

The FiAH programme currently works exclusively with the regulated housing sector in Wales and it is recommended that this continues. Faith stakeholders identified three factors in choosing potential partners to build social housing with:

1. That any properties developed remain in social rent in perpetuity. This was viewed as an increasingly important factor following policy changes in England. Some housing policies such as the Right to Buy (including voluntary) and the proposed Right to Shared Ownership have undermined confidence in England that the housing will remain in perpetuity and this has the potential to reduce the willingness to dispose of land for affordable housing.
2. That the organisations with whom they do business with will retain the provision of affordable housing as their core purpose.
3. That they are regulated by the Welsh Government, operate to published standards of probity and meet defined housing management and build quality standards.

There has been a growth in the number of 'for profit' regulated providers in England in recent years. However, these new entrants have had little traction in Wales and it is recommended to remain with the regulated housing sector of Welsh housing associations and local authorities in the first round of the faith in affordable housing framework. In Section Two of this report we make the case made for involving the community led

housing sector in England; however this is still a growing sector in Wales and might be seen as a potential partner for management rather than as a full framework member at this stage. One interviewee felt that many housing associations in England had lost their community focus in a drive towards commercialism and one of the responses to this has been the creation and subsequent growth of genuine community led housing in England. Stakeholders in Wales did not identify with this maxim and a level of trust was retained in the regulated housing sector.

There are currently 22 local authorities and 70 housing associations (including community mutual and mutuals) in Wales. Of these 92 organisations not all are actively developing new build homes. It is estimated that the number undertaking development of new build housing is between 30 and 40.

The total number of homes enabled through the FiAH programme to date is 357 and Section 5 of the report identifies that there is future potential for a bigger programme. It is recommended that the number of developing partners whom FiAH work with is aligned to match the scale of the potential programme. The final structure of the framework should provide also provide flexibility for the future creation of sub-regional frameworks.

The Welsh Government is currently considering the zoning of Social Housing Grant in Wales. Community Housing Cymru, the trade body for Welsh housing associations, has reported that the latest Government thinking is that there will be three housing development zones for Wales.

Zone	Welsh Local Authorities
<b>North Wales</b>	Ynys Mon, Gwynedd, Conway, Denbighshire, Flintshire and Wrexham
<b>Mid and South West Wales</b>	Powys, Ceredigion, Pembrokeshire, Carmarthenshire, Swansea and Neath Port Talbot
<b>South East Wales</b>	Bridgend, Vale of Glamorgan, Rhondda Cynon Taf, Merthyr Tydfil, Cardiff, Caerphilly, Newport, Blaenau Gwent, Torfaen and Monmouthshire



Any new framework therefore needs to allow for this new policy direction. One of the weaknesses of the current FiAH operating model is that the local authority selects the developing organisation or HJC use their template development model to identify a partner for the opportunity offered by a faith group. Local faith groups are therefore limited in their ability to choose a partner.

Designing a framework process that involves two developing organisations per Welsh Government zone will empower the faith groups selling assets and allow them to carry out a mini selection process based on what criteria they view as the most important in their community. To avoid the process becoming overly competitive, this could be a simple selection process or a mini beauty contest based on the information submitted rather than a financial tender or price competition. For example, a faith group which wanted to tackle youth homelessness as a priority might give a greater preference to a framework partner which offers more social value on homelessness. Other faith groups might prefer a developing framework partner that could offer a local housing service in Welsh and would therefore prioritise this in their selection.

In designing a framework it is therefore recommended to use the three Welsh Government zones listed above<sup>9</sup>. Those organisations wishing to join the framework could identify which zone they wished to work in and they could also offer to be considered for all zones.

The final selection process would be designed during the pre-tender phase, but this report recommends that each zone has a minimum of one organisation and maximum of two organisations and that the total number of partners is no greater than six.

HJC has also identified an objective to bring some specialist partners in to the process, such as Llamau, to help meet

the housing needs of young people. The process could be designed to encourage partnerships and consortia with specialist housing organisations.

## 8.5 HOW LONG SHOULD THE FRAMEWORK TERM BE?

There are a number of factors to consider in judging the right length for a framework for the FiAH programme:

- Market conditions change and the operating environment in Welsh housing changes – therefore without periodic breaks and retendering potential opportunities to bring in new partners will be missed
- The scale of the potential programme should not overwhelm most Welsh associations and authorities and therefore the framework needs to be of sufficient length so that framework partners get some return for their investment
- There is a time lag, estimated to be about five years between first consideration of an opportunity by a faith group and a tenant walking through the door to a new home, and framework partners again need to see a return on their investment
- There will be a cost in establishing the framework and repeated retendering will use up the resources of HJC and potential tenders that could better be targeted on stimulating new development opportunities

This report therefore recommends that a five year framework membership, that is renewable for a further three years by agreement between the parties, achieves the right balance. However, it is also recommended that the framework term be finally settled following market consultation (as set out on page 27).

9. This might change during implementation if the Welsh Government changes the number of zones consulted upon

It is also recommended that when the framework tender documents are developed, consideration is given to the ability to remove and replace framework members. This will be important if they either merge into other organisations in the framework or have difficulties with regulators or funders that prevent them developing affordable homes.

## **8.6 CONTINUOUS IMPROVEMENT**

Framework partner selection criteria should include a commitment to work with other partners in improving the attractiveness of the programme to vendors, faith groups and housing associations. In practice, this will require partners to spend time reflecting on the programme and identifying improvements as the framework term progresses. These new ideas can then be discussed with HJC and adopted into the framework model when the initial framework is due for renewal.

## **8.7 A SELF-FUNDED FUTURE**

One of the weaknesses of the current HJC operating model is that the FiAH programme is entirely reliant on a grant programme of the Nationwide Foundation. If the FiAH model is to accelerate its impact, an alternative source of revenue will be required by HJC. As identified earlier in the report there is a considerable value for housing organisations in accessing land without open market competition. It is an accepted custom and practice that land agents charge a fee of around 1% of the value of the land transaction for an introduction.

In evaluating whether this fee could be paid directly to HJC for its site-finding work the potential risks need to be considered. It is critical that HJC retains its honest

broker status and any fee arrangement that rewards HJC might undermine that credibility. In addition, one of the major outcomes of the FiAH programme has been to reduce the value of land to maximise the amount of affordable housing. Aligning HJC fees to land value could create a 'perverse incentive' where the higher the land value the more resources are available to HJC to fund its work. For these two reasons, this approach is not recommended.

The rural enablement programme is a good example of collaboration between local authorities, Welsh Government and housing associations with a mixed funding regime supporting enabling posts across Wales. Welsh housing associations have already identified the need for, and have funded, posts to help develop opportunities for future new build programmes.

It is recommended that two sources of income are introduced into the framework to support the work of HJC. The first is a simple administration fee charged to the framework members which would cover the cost of managing the framework and for publicity. It is suggested this is set at £3,000 per annum for each organisation operating in each zone. This would generate an income of around £18,000 per annum. It is worth noting that members of the GMHP pay a fee decided by members and this has increased over the period as they each extract ever greater value from the partnership.

The second proposal is that the work of HJC is included as a professional fee in scheme development costs. One housing association estimated that on a typical scheme professional fees and consultants' costs are around 2.1% of the total scheme cost. Adding 0.3% to the professional fees budget line for the work of HJC would be marginal in terms of project costs. It would also create a fee system where contributions to the work of HJC are made by each beneficiary in proportion to the value of each scheme developed.



◀ St John's Church Hall, Swansea; Before, during and after work was completed.

## 8.8 TIME TABLE FOR IMPLEMENTATION

The timetable set out below assumes a commence date of November 2020 and that a number of activities can run parallel.

Stage	Activity	Estimate activity time	Commencement date	Completion date
1	Grant application to a funding organisation	4 weeks	November 2020	December 2020
2	Define the framework	2 weeks	January 2021	January 2021
3	Develop the procurement documents	4 weeks	January 2021	January 2021
4	Identify potential partners and market consultation	2 weeks	January 2021	January 2021
5	Refine the financial assessment model	4 weeks	January 2021	January 2021
6	Advertise the framework and invite submissions - from those organisations identified in 4	8 weeks	February 2021	March 2021
7	Establish the selection panel - the panel would include faith organisations	2 weeks	February 2021	February 2021
8	Evaluate and rank the submissions - this might include regional or lot divisions	6 weeks	March 2021	April 2021
9	Appoint prospective partners to the framework partnership	4 weeks	April 2021	May 2021
10	Commence work		June 2021	

## RECOMMENDATIONS

That a Faith in Affordable Housing framework is developed that includes the following:

- The nine stage process set out in the report is followed and the process is open and transparent
- That legal advice is sought on the format of the framework and the tender documents
- That all regulated housing organisations in Wales are invited to submit applications
- That faith groups are part of the framework evaluation process
- That consortium bids are considered
- That organisations applying for selection as framework partners are asked to identify the Welsh Government zones they wish to be considered for opportunities in
- That no more than six organisations are selected to work as framework partners with no more than two organisations in each zone
- That provision is made for the replacement of framework members who either merge into other organisations in the framework or have difficulties with regulators or funders that prevents them fulfilling the proposals set out in their submission
- That a fee arrangement is developed to support the ongoing work of HJC, involving an administration charge and a percentage of the scheme costs estimated at 0.3% of the scheme value





## 9. RECOMMENDATIONS

This report makes a number of recommendations on creating a new framework that would improve the outcomes from the Faith in Affordable Housing Programme.

### 9.1 RECOMMENDATIONS FOR THE WELSH GOVERNMENT

- 9.1.1 To meet its wider housing objectives, the Welsh Government should enter a pact with Housing Justice Cymru to accelerate the supply of land owned by faith groups for affordable housing. To help accelerate land release Welsh Government should ring fence an amount of social housing grant within the programme. A ring fenced allocation has previously assisted both the co-operative and rural housing enabling programmes and has been used to kick start investment in carbon neutral and innovative design and build programmes. As part of the pact, Housing Justice Cymru would be measured on how many additional homes are created and how its partners deliver wider Government objectives including:
- Housing First
  - Housing for refugees including move on accommodation and housing for people with no recourse to public money
  - Rural enablement

- 9.1.2 That Welsh Government supports work to identify the scale and potential of available land and land owned by faith groups in Wales
- 9.1.3 That a protocol for scheme hand over is developed between the Rural Enabling Team and HJC freeing up capacity for identifying new schemes
- 9.1.4 That Welsh Government should seek to maximise the housing output of faith based asset disposal by working with with local authorities to encourage all faith based asset management decisions to go through the FiAH programme

### 9.2 RECOMMENDATIONS FOR HOUSING ASSOCIATIONS AND LOCAL AUTHORITIES

- 9.2.1 That housing associations and local authorities respond positively to the proposed framework process and that they:
- Consider which framework zones they would consider operating in
  - Consider and develop consortia bids where appropriate
  - Review and develop potential partnerships with homeless organisations
  - Consider what regeneration benefits they could offer to the process and how they will be measured



## 9.3 RECOMMENDATIONS FOR HOUSING JUSTICE CYMRU

- 9.3.1 Discuss with funders Nationwide Foundation a second round of funding to establish and embed a new framework which includes fee mechanisms which enable HJC to become financially self-sufficient
- 9.3.2 Review and revise the HJC staffing structure to deliver this programme. Consider including the creation of two new outreach posts, which frees up highly skilled development staff to do more complex scheme evaluation and negotiation with partners
- 9.3.3 HJC discards its original concept of a strategic partnership in favour of an alternative framework approach creating a model that captures the benefits and efficiencies identified in a narrower operating model
- 9.3.4 That a Faith in Affordable Housing framework is developed that includes the following:
- The nine-stage framework member selection process set out in the report is followed and the process is open and transparent
  - That legal advice is sought on the format of the relationship and the tender documents
  - That all regulated housing organisations in Wales are invited to submit applications
  - That faith groups are part of the evaluation process
  - That consortium bids are considered
  - That submitting organisations are asked to identify the Welsh Government zones they wish to be considered for opportunities in
  - That no more than six organisations are invited following tender submission to work as partners in the framework with no more than

- two organisations in each zone
- That consideration is given to replacement of framework members who either merge into other organisations in the framework or have difficulties with regulators or funders that prevents that organisation fulfilling the proposals they set out in their submission

- 9.3.5 That an administration charge and a percentage of the scheme costs estimated at 0.3% of the scheme value is levied on framework members to fund the ongoing liaison role of HJC
- 9.3.6 That a publicity campaign is developed with the national faith organisations to encourage more local denominations to follow their values and help create affordable housing
- 9.3.7 That the financial model delivered as part of this work is continually updated using framework members actual information and Welsh Government data (from the scheme financial viability model) to ensure it provides high quality scheme assessment information for potential opportunities



▲ Pentyrch Street Baptist Church, Cathays, Cardiff.



# SECTION 2

## 1. BACKGROUND

Housing associations and faith organisations have a history of working together, dating back to the housing crisis of the 1960's. Inspired by the TV play *Cathy Come Home*, Christian faith groups and churches set up housing associations, initially to help homeless people who were denied access to council accommodation.

In the subsequent 50 years, fuelled in part by large scale voluntary transfer of council stock, English housing associations have grown in scale as mainstream housing providers and the primary developers in the social housing sector.

The history of housing associations with faith roots has been well documented in [\*Our Common Heritage: housing associations and faith organisations working together\*](#). **This report calls for a rebuilding of the bridges between these two historic partners to help solve the current housing crisis.**

**Notting Hill Housing Trust**, for example, was founded in the mid-1960s by Rev Bruce Kenrick as a response to the housing problems in north Kensington. **Paddington Churches** housing association emerged in the same era, later changing its name to Genesis. In 2017, they merged to create **Notting Hill Genesis**, a housing association now managing 66,000 homes whilst operating as one of the largest housing developers in London and the South East.

The plethora of English housing

# FAITH IN AFFORDABLE HOUSING ENGLAND

associations meeting all kinds of different needs, along with the requirements of regulation and compliance has resulted in a reduction by faith groups setting up new housing associations. There are however still areas of under-provision and unmet housing need that are being tackled by small and more recently established faith based associations.

An excellent example is [\*Mitre Housing in Cumbria\*](#) which still retains links with the Diocese of Carlisle, with several of its Board members having direct links to the church.

Mitre Housing Association was established in response to the lack of affordable rented housing in a rural area, namely the Lake District national park. The continued support of the church has helped Mitre Housing Association to buy church land, build housing in rural areas and to overcome local objections in a way that would not otherwise have been possible. The day-to-day management of Mitre's homes, and technical and governance support for the association, is undertaken by Eden Housing – a local association formed via the transfer of just under 2000 homes from Eden District Council in 1997.

We now consider whether the success of the Faith in Affordable Housing programme could be replicated in England. We also consider where the Faith in Affordable Housing programme could have the most success.



## 2. TRANSFER OF LEARNING FROM WALES TO ENGLAND

Housing has been a devolved responsibility of the Welsh Government for 10 years. As a result of this devolution, Welsh society and its institutions of government have now developed a Welsh-centric set of values, goals and solutions for solving the housing shortage and there are differences to those adopted in England.

These cultural and contextual differences mean that learning from one country cannot be simply adopted in another. Therefore, a project like the Faith in Affordable Housing programme that has been successful in Wales cannot automatically be transferred and scaled up to be successful on national scale in England. There would however be a much greater prospect if there was substantial support from either the church or the government.

The most significant barrier to knowledge transfer is the difference in scale. In 2018 the Office for National Statistics published data showing that there were 4,130,000 affordable homes in England and 239,000 in Wales. This means that affordable housing provision is 18 times greater in England than in Wales.

Most recent UK Government housing policy statements in respect of England have focused more on creating home ownership and less on building affordable housing for rent. It therefore seems unlikely that the UK Government will provide either the financial or policy support for a nationwide programme of Faith in Affordable Housing, focusing on affordable rented housing.

Despite the barriers the success of the programme in Wales should however act as a catalyst for an English Faith in Affordable Housing programme. If, as we suggest,

cultural barriers and differences in scale might inhibit the transfer of learning from Wales to England, what might act as a catalyst for this to change?

In this respect the Archbishop of Canterbury's Commission on Housing, Church and Community, due for publication spring 2021, could not be more timely. It is understood that this report will propose a new national framework for building affordable housing in England on land, schools, and Church Commission land that is owned by the Church of England.

Indeed, with this as a catalyst, the lessons from the Faith in Affordable Housing in Wales and the role played by Housing Justice Cymru should give Housing Justice confidence to progress in England. In Section 1 we identified that the success of the Faith in Affordable Housing programme in Wales was largely based on the following actions by, and characteristics of, Housing Justice Cymru. In summary these are:

- Housing Justice Cymru acts and is perceived as acting as an honest broker between the housing associations and faith groups
- the faith-to-faith relationship between Housing Justice Cymru and faith groups builds the trust required to stimulate activity
- continuous commitment to affordable housing adds weight and credibility to Housing Justice Cymru as a development agency
- the successful track record of Housing Justice Cymru provides comfort and confidence to faith groups and housing associations that their efforts will produce results

In Wales, faith stakeholders who we interviewed identified several critical factors that needed to be present if they were to dispose of their assets for less than best consideration. The most important of these were that the majority of the new housing provided on the land should be

rented and should that it should remain rented in perpetuity. These objectives are difficult therefore difficult to reconcile with the UK Government's emphasis on shared and home ownership as the policy direction for housing associations operating in England.

## COMMENT

Housing Justice need to consider:-

- How their success in Wales can be transferred to England to create more affordable housing for rent?
- How they will manage the issue of scales across a housing sector that is 18 times bigger than Wales?

The most important factors were that the majority of the new housing provided on the land should be rented and should that it should remain rented in perpetuity.



## 3. A NEW DIRECTION OF TRAVEL FOR FIAH IN ENGLAND

### 3.1 A REGIONAL APPROACH

One of the factors in the success of Housing Justice Cymru has been their ability with limited resources to operate across the whole of Wales. The FIAH programme in Wales is just one project worker with management and administration support. A programme with a similar ambition to cover the whole of England would require a budget of over £1m and require about 15 staff.

It is felt that with the Archbishop of Canterbury's Commission on Housing, Church and Community reporting in the spring that the opportunities in England for creating affordable housing on land owned by faith groups could grow significantly and exceed the opportunities in Wales. However, growth needs to be managed and it is recommended that a series of regional and sectoral approaches are developed and then reviewed. And that any FIAH programme in England moves gradually to a similar self-financed future outlined for Wales by 2025.

Housing Justice is a field leader in the support for homeless households and strategically any programme developing affordable housing should maximise this expertise and the existing connections of the organisation. The provision of homeless accommodation is in crisis in most cities and any additional housing capacity that a FIAH programme could bring to help resolve this crisis would be welcomed.

The authors have reviewed a number of different approaches and recommend the following:-

- A regional approach that is developed in partnership with community led housing,

working in areas where there are established and receptive organisations

- Working with a direct provision for homeless households in a region where Housing Justice has a strong presence
- Finally identifying the opportunities to work with ethical not for profit funders

### 3.2 FAITH AND COMMUNITY LED HOUSING IN MANCHESTER OR BIRMINGHAM

Even if the forthcoming report from the Archbishop of Canterbury does stimulate renewed faith group interest in social housing provision, housing associations need to be willing to and able to engage. An issue identified by stakeholders from the Faith in Affordable Housing programme was the perception that many housing associations in England had drifted from their core values and were frequently seen as being too commercial. Therefore, English housing associations have work to do to convince faith groups that they should be the beneficiaries of any opportunities generated. One of the recommendations is that a charter for housing associations working with churches based on the successful night shelter with local authorities. The charter would be something for discussions but should cover the above areas of concern in particular a commitment to affordable housing in perpetuity

A better fit for a Faith in Affordable Housing Programme might therefore be with the growing 'community-led' housing

association sector in England. Across England series of support organisations have been established linking potential community groups and support organisations. The focus of this sector is affordable rented housing and it currently sits outside the UK Governments focus on right to buy and shared ownership. It also has the policy advantage of being very democratic, delivering locally managed housing and creating active citizenships of the participants. There are numerous examples across England but both Manchester and Birmingham have a scale similar to the FiAH model in Wales where Housing Justice could make a significant contribution.

This sector is already established in Manchester through the regional hub ***Greater Manchester Community Housing Hub***. There is already significant political support from the city and regional mayors for community-led housing and the model is already integrated within the Greater Manchester Housing Partnership. Irwell Valley Housing Association, a partnership member, is incubating the Hub until it reaches financial sustainability.

In Part One of this report, we compared the scale of the Greater Manchester Housing Partnership (the partnership between housing associations and local authorities in the Greater Manchester area) with the housing sector in Wales.

There were many similarities from the number of social rented homes, the scale of new build affordable housing programmes and the number of housing associations operating in the region. In particular, the Greater Manchester Housing Partnership had a number of shared values around regeneration, place and training, which suggests that this could be a region where the Faith in Affordable Housing programme could succeed.

Following conversations with stakeholders, there are a number of community-led housing groups in Greater Manchester ready and willing to develop potential sites on church land in the

region. The level of housing need in this area is unquestionable, as 58% of new tenants housed by Irwell Valley Housing Association have been homeless. There is also a shortage of land for housing and there is market competition for housing sites that could help meet the demand. Therefore, there is likely to be political support new initiatives developed on land made available by faith groups.

The mission statement of the Greater Manchester Community Housing Hub demonstrates similar ambitions to the Welsh Faith in Affordable Housing programme:

*Greater Manchester Community Led Housing - The homes are designed around the needs of local people and built with the community, not profit, in mind. Because of this, community-led housing projects tend to be innovative both in how they are managed and funded, and the specification of the design and the build.*

*Community-led housing is often built to high environmentally sustainable standards, some have accessibility at the heart of their design, and others make use of existing buildings or tricky plots within existing communities, which are not attractive to commercial developers.*

*Because the community is at the heart of the development, it helps to create sustainable communities where people feel connected... and because the prices of the homes are protected in perpetuity, future generations benefit too!*

This mission resonates with the aspirations expressed by faith groups in Wales on what they wanted from any land sales for social housing:

- Building affordable rented housing
- Creating sustainable communities and adding to the greater good
- High standards of construction for any housing along with good housing management when completed
- Developing difficulty schemes all within existing communities
- Affordable housing that will remain so in perpetuity



Several Manchester-based faith groups are already working on affordable housing projects in the greater-Manchester area, but from initial observation there is no strategic approach in place or honest broker bringing them together with

community-led housing associations.

Associations and faith groups need to decide who is best placed to undertake the important role of the honest broker between the two sectors.

## COMMENT

Building bridges between the community led housing sector and faith organisations that ultimately deliver affordable rented housing should be considered a policy success for Housing Justice.

## RECOMMENDATIONS

- a) Facilitate a round table meeting between the Church of England, Housing Justice, Greater Manchester Community Led Housing, the Greater Manchester Housing Partnership and strategic housing officers from local authorities in the region to develop a strategy which would underpin work between faith groups and community led housing associations
- b) Develop a working protocol with local faith groups on the potential role of Housing Justice in the region
- c) Seek support from the Church of England to pilot several community-led housing schemes in this area

If the solution identified by participants in Manchester is a local solution that delivers affordable housing; it is recommended that the same process is then followed in Birmingham. In Birmingham there is long history of community led housing working through *Birmingham Co-operative Housing Services* (BCHS) who have been supporting co-ops and community housing in the West Midlands since the 1970's. It is recommended that Housing Justice open discussions with BCHS and their wider group structure Accord Housing.

Greater Manchester and the Midlands do have appear to have the right conditions for a future developments but Housing Justice also needs to be agile if opportunities arrive in other areas.

## 3.3 INCREASING THE PROVISION OF HOUSING FOR HOMELESS HOUSEHOLDS

Housing Justice has a strategy to end the need for night shelters and emergency aid to homeless people by increasing the supply of permanent housing. The experience and lessons from Wales are that under-utilized church assets can be

converted to social housing and this should give Housing Justice confidence to move to the next stage- direct provision of housing to homeless households. It is recommended that rather than move into ownership and management that they work directly with an existing Registered Provider (Housing Association) that specialise in direct homeless provision. Housing Justice would be providing the connections, the expertise and a partner organisation would build and own the direct provision for homeless households.

A lesson from Wales was that working with a large number of housing associations is not successful and it is recommended that the existing relationships with direct housing provider organisations are consolidated into a partnership rather than offering to work with multiple providers.

The other relevant learning from Wales is the issue of scale and again Housing Justice cannot realistically provide this service across England and it is therefore recommended they target a region where they already have a strong base and focus their activity in London.

Housing Justice has already entered discussions with *St Mungo's* over an exciting development on church land in north London. This project if successful will provide direct accommodation for St

Mungo's and their work with homeless households. There is a significant potential for schemes of this type in London as churches and other faith groups increasingly recognise they need to respond to the homeless issues in their city.

It is recommended that Housing Justice work with St Mungos and identify another similar organisation and create a partnership to work on a Faith into Homeless Provision programme. They should seek grant funding, Mayoral or UK Government funding to provide support workers within Housing Justice and within the two homeless specialists provide. As the Archbishop Commission will report in 2021 it is critical the infra structure and capacity is created now to develop the opportunities that might arise.

## RECOMMENDATIONS

- a) That Housing Justice focus their activity in London
- b) That Housing Justice work with two partner housing organisations to convert under-utilised church and faith land into direct accommodation for homeless households based on the FIAH model
- c) That a joint funding strategy is developed with the two partners to create capacity to maximise the opportunities for new development that should arise with the publication of the Archbishops of Canterbury's report.

## 3.4 AN ALTERNATIVE GROWTH MODEL FOR FIAH

This report identifies two risks might limit the success of the FIAH programme in England. Firstly, the negative opinion of housing associations and the disconnection of many of them from the communities they serve. Secondly, the housing policy of UK Government towards shared ownership and the desire that all grant funded accommodation includes a right to shared ownership.

It would therefore be prudent of Housing Justice to explore the growth in the not

for profit housing sector and the scale of investment they are bringing to affordable housing. Some of the organisations entering the housing market are long standing household names like John Lewis and IKEA. Other significant entrants to this sector are organisations like Legal and General who are a not for profit mutual and national recognised insurance and finance company.

*Legal and General* have using their own resources and have established a significant fund (believed to be over £5b) to invest in rented and affordable housing. They are creating a mixed portfolio of housing types and partners. Housing Justice have

a unique opportunity and offer to take to an organisation like Legal and General and see if they can between them identify a housing model that satisfies the needs of churches and faith groups and the funders.

One potential model worth exploring is whether a funder would be willing to invest and build properties for affordable

rent over a 50 year period that includes the option of the properties returning to the ownership of the church or other nominated body at the end of that period. This is a complex model but working across the whole of the potential portfolio of faith owned land it is one that needs exploring in detail.

## RECOMMENDATIONS

- a) That Housing Justice research the potential of working with the not for profit housing investment sector and identify two potential partners for more detailed discussions. These partners would need to meet the fiscal requirements to invest and the ethical requirements of providing and funding rented housing.
- b) That Housing Justice seek support for this research from Ecclesiastical the specialist financial services company established by churches and who provide charity funding (over £100m given to good causes by 2020). The intention would be to fund a short piece of research exploring the potential to bring faith organisations and ethical investors together to build more affordable housing.

One potential model worth exploring is whether a funder would be willing to invest and build properties for affordable rent over a 50 year period.



## 4. DIRECTION OF TRAVEL ROAD MAP

The experience and lessons from the FIAH programme Wales and the timeliness of the Archbishops of Canterbury’s Report suggests that bold action is needed by Housing Justice to develop a measured but growing programme of support and activity in England.

The goal of this work should be to maximise opportunities and generate more affordable housing and the roadmap recommends three separate strands of activity and a significant investment in time during the next two quarters.

	Theme	Activity	Start date	Completion date
1	Overall Strategy	Review Section 2 of this report and agree a Board strategy	January 2021	January 2021
		Following the publication of the report of the Archbishop of Canterbury work with church groups and housing organisations to create a charter of shared ideas and values	March 2021	August 2021
2	Community led housing	Establish a meeting with the Greater Manchester community led organisations and evaluate options. Utilise existing links with Bishop David Walker a former Board member of Housing Justice and active member of Wythenshawe Community Housing in Manchester	January 2021	February 2021
3	Faith in homeless provision	Scoping exercise to identify potential partners in London other than St Mungos	January 2021	January 2021
4	Growth through not for profit	Prepare and submit a funding application to a specialist charity looking at innovative approaches to charity work	February 2021	April 2021

	Theme	Activity	Start date	Completion date
5	Community led housing	Prepare funding application to the Nationwide Foundation to expand the FiAH model already successful in Wales based on the outcome of successful negotiations in 1 above	February 2021	April 2021
6	Faith in homeless provision	Scoping exercise and lobbying followed by a funding bid to either Mayor for London or the direct to the UK Government programme on tackling homelessness or alternative charity	March 2021	May 2021
7	Growth through not for profit	Commission research on whether the potential growth areas and potential partners between not for profit housing funders and Housing Justice	April 2021	July 2021



# ANNEX 1

## LIST OF INTERVIEWS AND FOCUS GROUP PARTICIPANTS

**Frances Beecher** - CEO Llamau

**Nic Bliss** - Chair of West Midlands Community Housing and Confederation of Cooperative Housing

**Claire Budden** - CEO Clwyd Allen

**John Clasper** - CEO Eden Housing

**Suzanne Cole** - United Reform Church

**Julie Crook** - Director of Finance and Operations St Ledger Homes

**Sarah Davies** - Head of Policy and Practice Chartered Institute of Housing

**Sasha Deepwell** - CEO Irwell Valley Homes

**Keith Edwards** - i2i consultant

**Melville Evans** - Service Manager Housing Programmes Flintshire County Council

**Sally Gilbert** - Director of Development United Communities and Solon Housing

**Alex Glanville** - Representative Body Church in Wales

**Stephen Hetherington** - Methodist Church

**Aaron Hill** - Head of Policy CHC

**Tom Hopkins** - Director of the Greater Manchester Community Led Housing Hub

**David Hughes** - Roman Catholic Diocese of Wrexham

**Jonathon Hughes** - Catalyst Worker Housing Justice Cymru

**Anna Klimczak** - CEO United Communities and Solon Housing

**Helen McHale** - CEO Stockport Homes

**Bonnie Navarra** - Director for Wales Housing Justice Cymru

**Alison Olugunna** - Methodist Church

**Daniel Parry** - Director of Development Adra

**Brian Pickett** - Director of Finance and Operations CCHA

**Jacob Quagliozi** - Director for England Housing Justice

**Matt Redmond** - Welsh Government

**David Rooke** - Parish church member

**Victoria Slade** - CEO Cynon Taf

**Linda Whittaker** - CEO Tai Tarian

**Ffrancon Williams** - CEO Adra

**Ian Williams** - Welsh Government

**Members of the CHC Development Directors Forum**

**Anonymous** - Treasurer of a Parish Church in North Somerset





# ANNEX 2

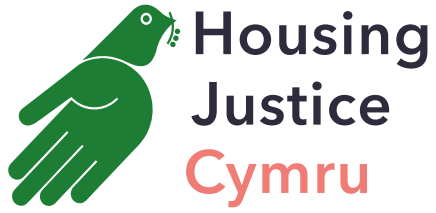
## DEFINITIONS

The definitions on classifications of properties followed in this report are those used by the [\*Welsh Government Estimates of Additional Housing Need in Wales\*](#).

**MARKET HOUSING:** Housing units that are either owner-occupier or rented privately. It includes Help to Buy and Intermediate Low Cost Home Ownership units (e.g. Homebuy and Shared Ownership).

**AFFORDABLE HOUSING:** Is defined as housing where there are secure mechanisms in place to ensure that it is accessible to those who cannot afford market housing, both on first occupation and for subsequent occupiers. Affordable housing includes social rented housing that is provided by local authorities and registered social landlords as well as intermediate housing where prices or rents are above those of social rent but below market housing prices or rent. It excludes intermediate Low Cost Home Ownership units. This differs slightly from the Technical Advice Note (TAN) 2 Planning and Affordable Housing (2006) definition of affordable housing.

**SOCIAL HOUSING:** Social housing refers to homes owned by local authorities and registered social landlords. The majority of social housing units are let at social rents under the Welsh Government social rents policy but also include other supported units such as extra care units.



**HOUSING JUSTICE  
THE FOUNDRY  
UNIT G12  
17 OVAL WAY  
VAUXHALL  
LONDON  
SE11 5RR**

