

Evaluation of Homes England's delivery of the Shared Ownership and Affordable Homes Programme

Executive Summary

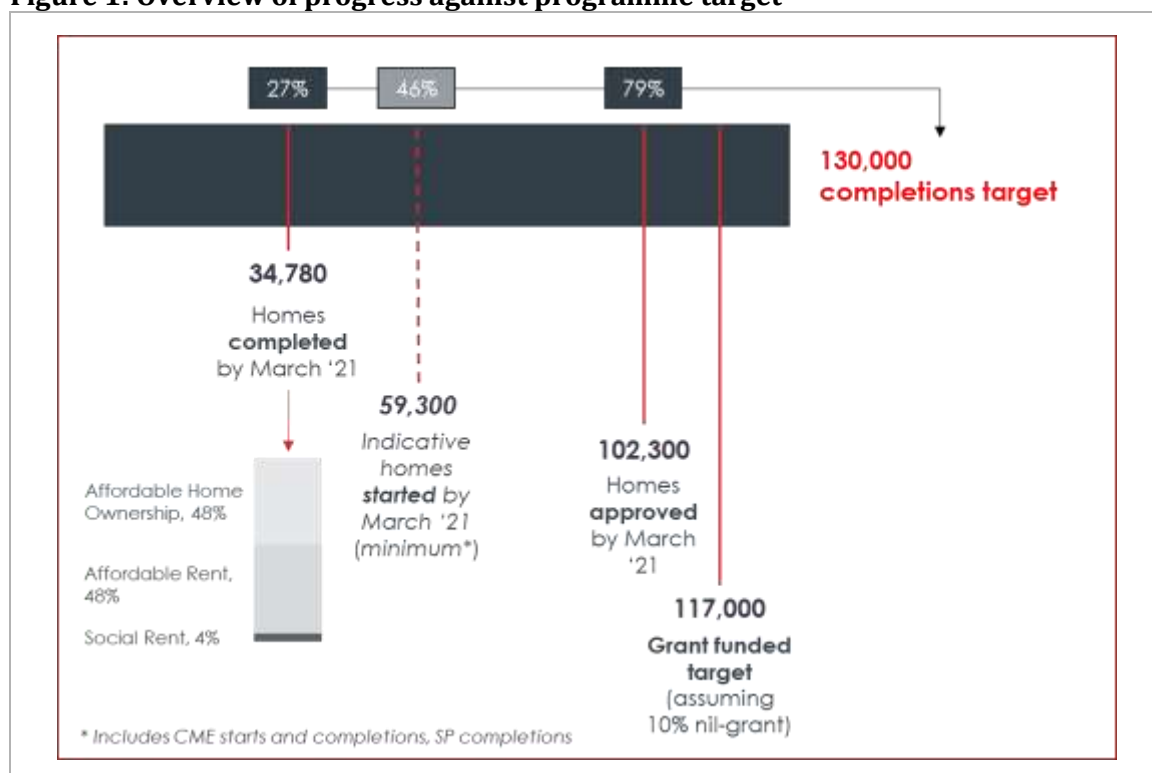
Context

1. The **Shared Ownership and Affordable Homes Programme (SOAHP)** aims to increase **the supply of new build affordable housing**. Launched in 2016, the programme provides grant funding to housing providers to support the capital costs of developing new affordable housing across England outside London.
2. Funded by the Department for Levelling Up, Housing and Communities (DLUHC), **SOAHP is delivered by Homes England, which was allocated £5.2bn to support 130,000 new homes for Affordable Home Ownership, Affordable Rent and Social Rent**. Funding for Social Rent homes is targeted at areas with the highest affordability pressures. Funding for Affordable Home Ownership and Affordable Rent homes is national (outside London) and not subject to geographical assessment or targeting by affordability pressure or other measures of relative need.
3. SOAHP has been **delivered through a ‘scheme-by-scheme’ bidding process from 2016, known as ‘Continuous Market Engagement’ (CME)**. After 2018, this was complemented by **‘Strategic Partnerships’ (SPs)**, a new delivery mechanism for affordable housing grants, which involved agreeing long-term funding and housing delivery targets with 27 partners.
4. **Grant funded homes complement – and are complemented by – delivery of other affordable housing reported (but not funded) via the programme**, which are primarily delivered via Section 106 (s106) contributions from developers of housing schemes for market sale/rent.
5. Originally planned to be delivered over 2016-21, **in July 2020, the Government announced the programme would be extended given the challenges associated with the Covid-19 pandemic**. All housing starts funded by the programme are to be achieved by March 2023, and all completions by March 2025.
6. In September 2021, Homes England appointed an SQW-led consortium to lead an evaluation of Homes England’s delivery of SOAHP. An interim assessment, the evaluation was tasked with answering three high-level Thematic Questions:
 - **What housing has been delivered as a result of SOAHP?**
 - **What other impacts has SOAHP had?**
 - **What lessons can be learned from Homes England’s delivery of SOAHP?**
7. Overseen by an Evaluation Steering Group with representatives from Homes England and DLUHC, the evaluation included primary research with over 150 providers (including nearly all SP partners and a survey of CME-funded 125 providers), consultations with Homes England and stakeholders, in-depth research of delivery in several local areas and by several providers (via CME and SPs respectively), and quantitative and qualitative analysis of monitoring and secondary data on affordable housing issues and needs.

What housing has been delivered as a result of SOAHP?

8. **SOAHP had made strong progress on allocations against its target by March 2021, with 102,500 homes approved for total grant funding of £4.2bn:** c.60,000 via CME and c.42,500 via SPs. This is encouraging progress given a modest level of initial demand for grant funding. Originally SOAHP provided grant funding for new homes for Affordable Home Ownership only (and a modest level of support for specialist housing provision). This was revised in 2017 to include grant for Affordable Rent, and 2018 grant for Social Rent.
9. **Around a third of allocated grant-funded homes had been completed by March 2021, mainly via CME.** Affordable Home Ownership (c.16,500) and Affordable Rent (c.16,900) accounted for most completions. This relates to the timing of the introduction of eligibility of Social Rent and the SPs, which are expected to deliver most Social Rent grant funded homes.
10. **Progress against the overall programme target of 130,000 homes is set out in Figure 1,** covering approvals, starts, and completions. Allocations accounted for 79% of the total target, and 88% when an allowance for so-called 'nil-grant' homes is included. Nil-grant homes are delivered largely via s106 and reported via the programme's monitoring system (consistent with legislative requirements related to the Affordable Rent tenure), but are not funded and do not influence funding decisions. Homes England can include nil-grant homes to account for up to 10% of the completions target. By March 2021, approved funding bids included c.40,500 nil-grant homes, of which c.32,500 had been completed.

Figure 1: Overview of progress against programme target



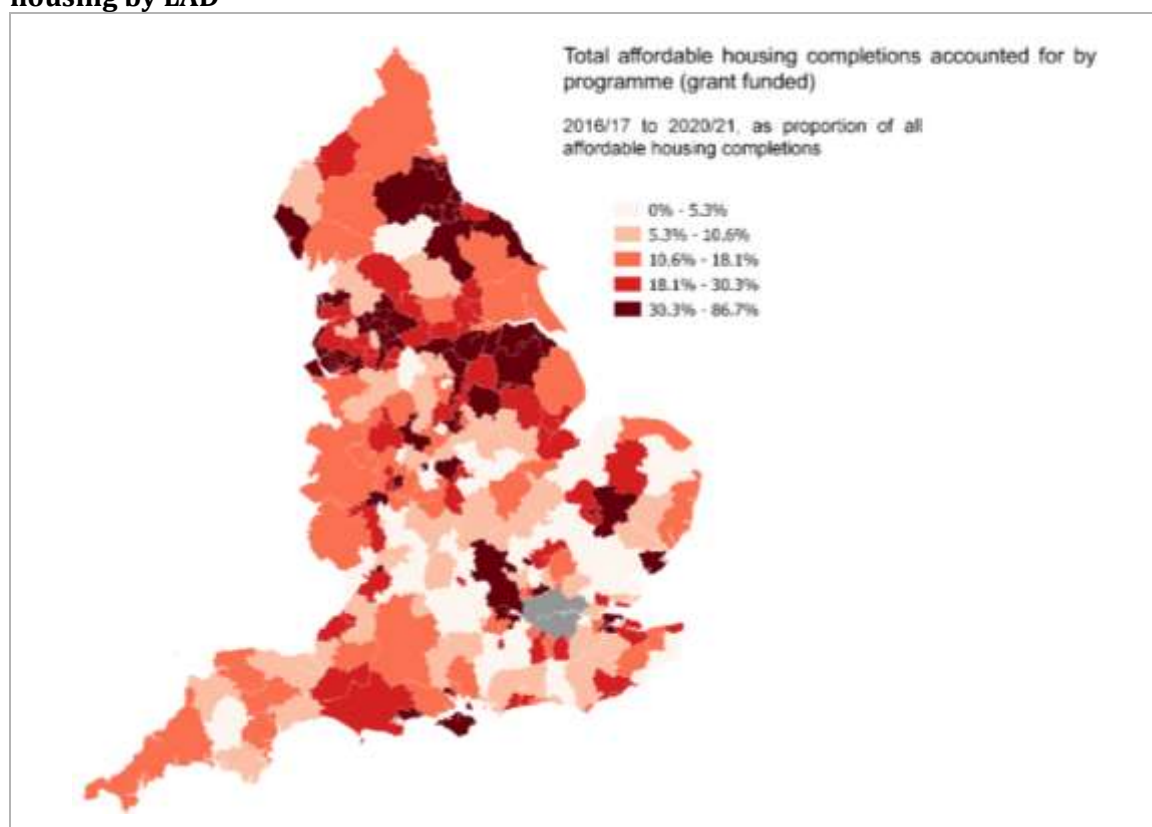
Source: SQW based on analysis of Homes England data

11. As suggested by the inclusion of nil-grant delivery within reporting, **there is an important, complex, and at times, re-enforcing and reciprocal relationship between grant-funded and non-grant delivery of affordable housing by providers.** Grant funding does not generally influence non-grant delivery directly, with the latter often based on planning permission for market provision via s106. However, SOAHP grant-funding does influence non-grant funded indirectly in some cases; the mechanisms through which this is realised are varied and specific to individual organisations and contexts.
12. Other key findings in relation to direct delivery include:
- **Grant funding has made a material contribution to the provision of specialist housing,** with 15% of the total completions by March 2021 focused on housing for older people or disabled and vulnerable people; this was recognised as an important characteristic of the programme in primary research with providers and in local areas.
 - **SPs are recognised by most partners to have influenced the scale of delivery, with the funding certainty and size of settlement supporting the scaling of development programmes;** this has included increased confidence to bid for land, and increased confidence to take on more risk in bidding for and negotiating on larger sites.
 - **Fixed grant rates which are an element of the SP model are seen as a key challenge** given the wider inflationary pressures impacting on the costs of development over the programme period.
 - **Tenure flexibility at a scheme level prior to completion for SPs does not appear to have made a material difference to partners' ability to deliver at this point;** certainty of tenure at an early stage of delivery to inform design, construction and contracting processes is often required.
13. **There is also a perceived relationship between the SP model and land values.** Through the SPs, SOAHP has supported partners to adopt a land-led approach to development as well as broadening the geographic reach of partners, leading to a reported increased competition for sites by some partners. Additionally, two key external factors have also had an influence: the strength of the wider housing market which has proven resilient throughout the pandemic; and changing housebuilder behaviour, including interest in new markets and revised preferred site parameters (including for smaller sites <100 homes).
14. **SOAHP is also being delivered concurrently with other affordable housing grant programmes, which is perceived as further increasing demand for sites.** Whilst attribution and the extent of effect has not been quantified or modelled, this issue was widely reported by partners in SPs and may benefit from further consideration by the agency.
15. Looking forward, **most organisations with grant funded schemes are confident they will meet delivery targets.** However, for both CME and SP models, there is some uncertainty in relation to (i) timing of delivery, and (ii) for SPs, potential challenges in delivering Social Rent; the latter is related to issues on land values and scheme-specific viability issues.

What other impacts has SOAHP had?

16. **SOAHP has played a material role in contributing to overall levels of affordable housing delivery across England (outside London) via grant funding, particularly in the North¹.** SOAHP accounted directly for 16% of all affordable housing completions over 2016/17 to 2020/21, complementing homes funded through other mechanisms including s106 agreements, the Affordable Homes Guarantee, Local Authority funding, and other Homes England programmes alongside SOAHP.
17. This programme contribution increased to 28% in the North. This high relative contribution reflected that nearly half of grant-funded completions by March 2021 were in the three Northern regions. This spatial pattern of delivery is likely to change by 2025, with over half of SP funding allocated to deliver homes in the South², much of which has yet to be delivered.
18. **However, there are Local Authority Districts across all regions where grant-funded completions have accounted for at least 30% of all affordable housing completions over 2016/17-2020/21.** This demonstrates the contribution of SOAHP to delivering against local needs in aggregate terms across all parts of the country, as shown in Figure 2 below.

Figure 2: SOAHP grant-funded completions (CME and SP) as % of all affordable housing by LAD



Source: SQW analysis of Homes England data and Affordable housing supply statistics (AHS) 2020-21 Table 1008C

¹ North East, North West and Yorkshire and the Humber

² East of England, South East, South West

19. In this context, **all homes delivered meet local need, as defined by local planning decisions and partners.** Over and above this essential point, the evaluation also highlighted that local housing needs vary within as well as between local areas, with the spatial patterns of delivery an important feature of how the programme operates at a local level.
20. **A key evaluation focus was to assess if SOAHP has delivered homes in the “right” places. Where the “right” places are is fundamentally a policy question, outside the remit of the evaluation. Objective measures of relative need for affordable housing (focused on housing-related metrics) were used to provide insight into this issue to inform policy discussions, complemented by primary research.**
21. Focusing on CME grant-funded completions and allocations (as the SP data was at an early stage only), **quantitative analysis suggests that grant-funded delivery had not by March 2021 been concentrated in those places with more pronounced *relative* housing affordability pressures for Affordable Home Ownership and Affordable Rent tenures.**
22. Factors explaining this may include:
- **The programme was not set-up to, or tasked explicitly with, delivering homes against specified metrics or indicators of affordability for these tenures:** relative affordability was not part of the assessment criteria, and no targets were set related to the spatial distribution of funding i.e. SOAHP was a ‘national’ scheme (outside London).
 - **Grant-funding has operated alongside and complemented nil-grant delivery for these tenures:** at an aggregate level, grant-funded homes have been delivered particularly in those areas where the market delivers a lower level of affordable housing via s106.
 - **Affordable Rent completions have been concentrated in aggregate terms in those areas across England where more households require housing benefit to be able to afford market private rented housing.** This can be seen as an important component of delivering against local housing needs in these areas.
23. Where the programme did specifically seek to address relative affordability pressures via targeting grant for Social Rent in areas with the greatest affordability pressures only, the scale of completions is modest at this interim point.
24. **Wider outcomes have been realised for local communities and places** including:
- **Increasing the availability and/or choice of affordable housing** in those areas where homes have been delivered.
 - The **delivery of high quality affordable housing** with associated benefits in terms of individual well-being, including where providers delivering homes have a greater level of control and authority over the design and quality requirements than for nil-grant homes, and particularly where land-led development can set high expectations for housing quality and approaches to design, which is a common feature of the SPs.

- The **delivery of housing with high environmental standards**, including more energy efficient housing with positive implications for reduced/lower on-going costs for residents. SPs in particular have enabled providers to take a more ambitious approach on the environmental performance of schemes.
 - The **enhancement of local places**, through the re-use and improvement of derelict/unused land, and improvements associated with new housing development e.g. improved landscaping, fencing, green infrastructure and larger-scale place-making activities, the latter particularly relevant via SPs.
 - The **ability to support the creation of mixed communities** via a mix of tenures, leading to more diverse and integrated communities, with economic, social inclusion and community engagement benefits.
25. **There is some evidence that schemes delivered via SOAHP have acted as a catalyst for wider activities in local areas**, either directly (as part of broader regeneration programmes and initiatives), or through demonstration effects (i.e. showing other places what can be achieved) and providing the opportunity for the transfer of learning and experience to other local areas, as reported by providers.
26. **Direct impacts on affordability and ownership are hard to discern, and in-depth research completed in local areas highlighted complexity of factors influencing them.** However, there was a consistent recognition across the evaluation that homes delivered directly have helped in terms of affordability for the specific places and communities targeted.
27. **SOAHP has had a material and generally positive impact overall on the organisations involved in delivery, across both CME and SP delivery models.** For example:
- **The grant funding was crucial for most organisations in enabling them to deliver against their aims and objectives.**
 - The programme has played an important role for many in **raising levels of ambition for the future delivery of affordable housing, and informing strategic priorities.**
 - **Most partners involved in SPs indicated they had become more financially resilient as a result of SOAHP**, with this also evident for nearly half of providers funded by CME.
 - **SOAHP has had a positive effect on the relationships between providers of affordable housing and wider actors**, including local authorities, with improved relationships cited consistently across both CME and SP delivery models.
 - There was evidence that the **SPs have facilitated expansion and delivery in new market areas, with the status and funding security inherent in the model an important enabling factor.**
28. **Modest impacts have been realised at this point in relation to increasing the use of Modern Methods of Construction (MMC) and other sector outcomes.** Although identified

as priorities, it was a policy decision by Government that no targets were established, and no incentives were put in place on grant rates or approvals to support delivery using MMC or other priorities including engaging commercial housing providers in delivery.

29. **The impact on perceptions of Homes England of delivering SOAHP are positive.** This matters, with the delivery of affordable housing grant ‘core business’ for Homes England.

What lessons can be learned from Homes England’s delivery of SOAHP?

30. **SOAHP is a large-scale, complex and multi-faceted programme,** supporting affordable housing in essentially all parts of England (outside London), and providing grant funding to over 250 organisations. It has also been subject to major changes and operates within a complex landscape influencing the delivery of affordable housing.
31. **Feedback from those delivering, funded by, and with an interest in, the programme, suggested that SOAHP has been delivered well by Homes England overall.** Illustrating this, providers engaged in both SPs and CME were very positive regarding Homes England staff with whom they had engaged. This reflects very well on the knowledge and capacity and expertise in both programme delivery and affordable housing at the agency.
32. **Overall, more challenges in delivery were evident in SPs relative to CME; this is expected, as a ‘new way of working’.** There was positive evidence of learning in SPs on management and systems which have influenced both on-going delivery of SOAHP, and the successor affordable homes programme (AHP 2021-26), which is encouraging.
33. **For SPs specifically, the evaluation indicates that the delivery experience of partners are specific to each individual organisation, informed by different capacities and expectations of partners, and separate waves of delivery.** Across this diversity:
- The bidding and contracting process was undertaken at pace, which led to a lack of clarity for some regarding expectations and delivery parameters. Most partners recognised an SP was a new way of working, and were content to work at pace, but this was a challenge.
 - Views on the effectiveness of programme management and administrative requirements were polarised. For both issues respectively, around half of partners felt the process worked well, the other half did not – there was a close overlap here, but also some variation in the two groups in each case, highlighting the varied experience.
 - The forum for strategic engagement (Strategic Framework Boards) have not worked as effectively as hoped, and the level of ‘added value’ generated through the SP model has been modest. Beyond providing greater funding certainty and enabling the delivery of new homes, the creation of a more ‘strategic’ relationship has not largely been realised

- The anticipated ‘flexibility’ of the SP model was a key driver to many partners. However, in delivery flexibility has been modest, and the requirements have not been perceived as materially different than under scheme-by-scheme bidding by many partners.

34. **Feedback from CME providers was generally positive on systems and processes.** This may reflect previous experience and largely ‘tried and tested’ mechanisms of scheme-by-scheme bidding. However, a quarter of surveyed providers reported the time spent on administration was, in their view, more than it should be, particularly those with grant funding under £1m. Some suggested a need to update the programme’s monitoring system, with a recognition from Homes England that it can be complex, which it seeks to address via training materials.

35. **Factors seen to have worked well and less well by Homes England are shown below.**

What has worked well	What has worked less well
<ul style="list-style-type: none"> • effective transition from regional to national teams • agile and effective response to the challenges of Covid-19 (also valued by providers) • establishment or maintenance of strong relationships with local partners • the complementary combination of CME and SP models, responding to different issues and challenges, and providing different opportunities 	<ul style="list-style-type: none"> • the limited effect on supporting the use of MMC • scope to be more innovative in the use of data to inform decision making and strategy and delivery, including via mapping and sharing of findings with internal/external partners • structures associated with SPs may have caused confusion in relation to respective tiers of governance, and key roles/responsibilities at the agency • limited success in realising the ‘added value’ element of the SP model related to non-SOHP opportunities

Source: SQW

Recommendations

36. The following recommendations are made to Homes England:

Recommendation 1: Clarity should be provided in all internal and external reporting of the programme on grant-funded and nil-grant homes. This should ensure full transparency on the difference between grant-funded and nil-grant homes, and how they are considered in reporting against targets. Longer-term, Homes England should consider decoupling nil-grant homes from the monitoring of ‘affordable homes programmes’, however, this would need to consider wider legislative/regulatory requirements.

Recommendation 2: Homes England should consider how the data collected via the CME IMS and SP IMS can be used more innovatively to inform strategic decision making and provide ‘value added’ insight on programme delivery, progress and coverage. This should include considering added functionality related to mapping, and data extraction/analysis, by and for Homes England, providers and partners.

Recommendation 3: Homes England should consider engaging with partners in SPs to investigate further the nature, intensity, and implications of intra- and extra-programme competition for land, and the effects on land values, as they relate to affordable housing delivery. This should inform consideration of what mechanisms may be put in place to seek to mitigate this issue to programme close, and inform successor interventions.

Recommendation 4: For any future long-term funding approval mechanisms, Homes England should consider how greater flexibility in tenure in practice can be enabled, subject to maintaining the necessary level of certainty to ensure value for money and ensuring alignment with Government policy. Specifically, this could include agreeing ‘ranges’ of housing delivery by tenure, with minimum thresholds and incentives of greater flexibility where these are exceeded, to both encourage delivery and de-risk challenges related to fixed costs and variations in viability across tenures.

Recommendation 5: Homes England should ensure any future processes to establish new ‘strategic partnerships’ or equivalent provide full clarity to bidders regarding expectations on the bidding, contracting and delivery processes and systems at the outset.

Recommendation 6: Homes England should ensure that any future evaluations of SOAHP that seek to assess the quantitative impact on home ownership and include value for money analysis considers explicitly the relationship between grant-funded Shared Ownership delivery and Help to Buy (drawing on the quantitative and qualitative findings of this evaluation).

Recommendation 7: For any subsequent grant funding programmes, where wider non-housing delivery priorities are identified at the outset (e.g. employment and apprenticeship opportunities, the use of MMC, involvement of the commercial housing sector and smaller housebuilders), Homes England should consider setting baselines and/or putting in place monitoring processes to track delivery.

37. One final point is noted on the implementation of affordable housing grant, but related to policy and programme design. If addressing relative affordability pressure is identified as a policy priority by Government to be delivered against by grant funding for affordable housing, the view of the evaluators is that the Department and Homes England should consider (i) including ‘relative affordability pressure’ as defined by affordability metrics (by tenure) within the assessment criteria, and (ii) in turn, revising the scoring weighting approach to take this into account in funding decisions.

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About us

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