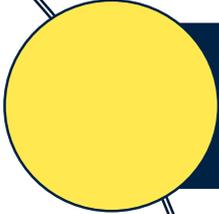


# Councils building homes: Building skills and capacity

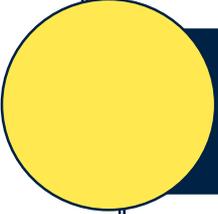
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Local Government Association  
19 June 2018

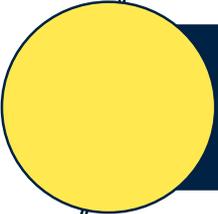
Steve Partridge  
Director, Housing Consultancy

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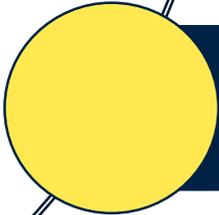
Introduction: Routes to Development

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Delivering Capacity

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The Market, Developers and Investors: appetite for engagement

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Scaling up through delivering value

# Routes to Development: all *growth* areas

## HOUSING REVENUE ACCOUNT

Borrowing Headroom Programme

Value captured – and ring-fenced

BUT...

Right to Buy

High Value Assets

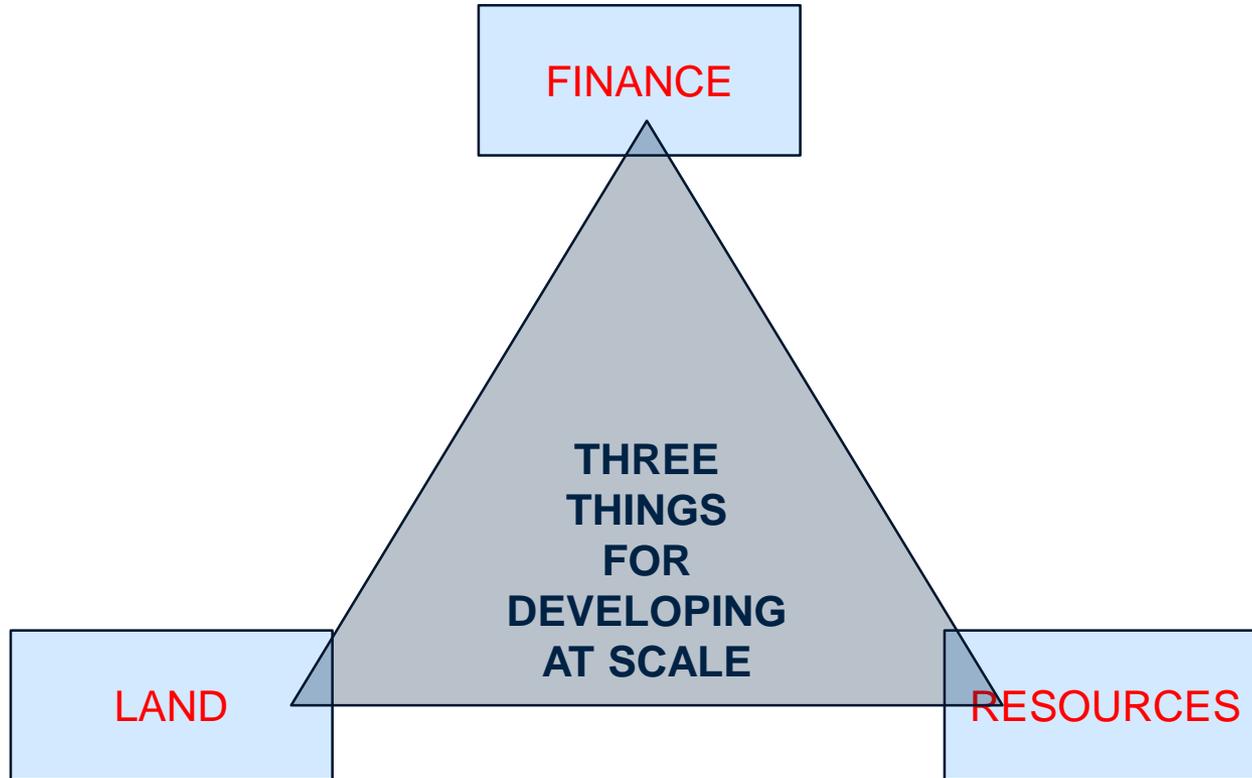
## HOUSING COMPANY MODELS

For Investment...  
... and Housing

- Development, Acquisition and Landlord
- Sale and Rent
- Market and Affordable

## PARTNER-SHIPS AND JVs

- Developers
  - Investors
  - Housing Associations
- Looking for the “Right Deals”
- Sharing risk/reward
- Natural bedfellows?



- Three ingredients – affected by differing dynamics...
  1. **FINANCE** (equity and debt, local authority backed)
  2. **LAND** (which could be acquiring completed units)
  3. **RESOURCES** (sills, expertise, delivery capacity)
- How much of these are around? To what extent? Where will they come from?

# Delivering capacity: finance

- **In theory**, finance from local authority sources could be unlimited
  - **In practice**, Treasury Management and Borrowing strategies set logical limits to exposure
  - If the financial dynamics and underlying viability of the schemes stack up – whether private/commercial at commercial rates, or whether at (reduced) affordable-finance rates...
- .... Sources of finance from LA can be justified
  - Can be supplemented by...
    - Investment from private finance in joint ventures – *MORE LATER*
    - Investment of housing association finance alongside LA finance
    - Sharing risk and rewards can deliver more in partnership in some markets – depends on demand

**Generally... finance and funding may not be the biggest issue**

# Delivering capacity: land

- Many companies based on “**quick wins**” – HRA land, General Fund land, general consents and other relatively painless transfers in
- This should not be overstated because many authorities have lots of land, BUT...
- **Many LAs report HRA land in short supply**
- **Many LAs also report GF land for housing in less supply than it was**

- Implications?
- Parallel experience in HA sector – land-led development strategies
- Focus on acquisition of completed properties (s106, existing stock with refurbishment)
- Or...
- Land acquisition strategies
- Skills, expertise and capacity to get into this market – realistic?

**Access to land becoming harder: need to move into the market?**

# Delivering capacity: resources

- In-house delivery capacity in relative short supply
  - Some LAs and ALMOs building (or re-building) their in-house teams
  - Development management – AND – direct construction delivery through DLO diversification
  - For a majority, skills and capacity shortage a principal barrier to growth in direct LA delivery
  - Expertise in appraisal, design, development, valuation
- Housing associations (small-medium) face similar issues
  - Construction workforce, the EU and demographics
  - For LAs and LA companies, development management = critical
  - Partnership with housing associations – a “win-win” for both?
  - Other options in the marketplace

**Delivery capacity – the biggest challenge?**

# Working in partnership - developer appetite?

- Joint Ventures with developer partners a long established route to building capacity for delivery
- Developers like... Access to land and opportunity, the predictability of a public sector partner, the reputational advantage of partnership

## Some factors

- History – may have sometimes been affected by a perception of a RISK/REWARD imbalance
- Reputations affected by the behaviour of some?
- “Viability” under pressure?

Trends in the market might therefore be for...

- A new form of engagement where land, funding and capacity is genuinely shared
- Access to public finance sources – for SMEs and developer-contractors
- A greater focus on “place-shaping” (cf “house-building”)
- Key question... Can there be profit compromise for partnership?

# Housing Association and LA partnerships

- A key trend for natural bedfellows?
- Combining land and funding
- Combining skills and expertise
- A “win win” for both?
- HAs motivated to utilise their funding capacity, and gain access to land
- LAs motivated to access additional funding, spread risk and access skills – not the “give away” it used to be...

- Some examples...
- Brighton & Hove CC and Hyde Group
- Fareham, Eastleigh and Vivid
- Proposed partnerships for groups of authorities and combinations of housing associations
  - Greater Manchester
  - West Midlands
  - West Yorkshire
  - Cambridge and Peterborough
  - North Wales

**Will we see this as a major development in the market place?**