

THE HOUSING FORUM IN THE SOUTH WEST : HOSTED BY GALLIFORD TRY 19th MARCH 2014

TOPICS:

- "Housing Growth and the funding of new homes through Joint Ventures and Partnering" with Stephen Teagle, Paul Barnard, Graham Colls and Barbara Richardson
- "Budget issues for housing"
- The Housing Forum's latest report "Making a place for low cost housing"



The Housing Forum runs a monthly CEO Forum to support our permanent campaign for more homes and better homes through building homes for the future, investing in our existing assets and smarter working through the supply chain and resources. The cross sector representation of our membership equips us to investigate issues that require collaboration and expertise for successful outcomes.

HOUSING GROWTH AND THE FUNDING OF NEW HOMES THROUGH JOINT VENTURES AND PARTNERING

Stephen Teagle opened the discussion setting out the strong housing growth evident in the South West; particularly the major urban extension at Cranbrook and the new community at Sherford. Homes would be built through the first Community Land Trust and rural housing initiatives were making significant strides in the South West. The progressive approach of local councils, particularly in Cornwall, Exeter and Plymouth was bringing forward public land disposals which is stimulating housing supply.

On Budget Day, the issue of encouraging more housing growth was central to the discussion.

- Land supply is central - and The Housing Forum has promoted proposals for a housing capital fund which will both stimulate local councils to bring forward housing land and share in the return from financial rewards when land is built out.
- Recent announcements on future housing standards and the regulatory regime are welcome: certainty assists the housing market.
- The extension of Help to Buy to 2020 is welcome - evidence is that it has helped the first time buyer market with average sales prices of £250,000.
- There is potential for much more housing growth commissioned through local councils working with developers to raise at least an additional £7.5 million by raising the local authority borrowing "caps" and in joint venture partnerships, both sides benefit.

Many local authorities are willing to use their public sector land creatively and housing associations and providers should respond to the challenge, link in to local authorities and help co-ordinate public sector land release.





EXPANDING LOCAL POWERS

Planning departments are willing to work with developers and landowners to find ways to resource planning services: many councils have faced a 30% reduction in resources and expertise.

On - lending, through the H.R.A. facility of stock holding councils, is a source of investment and Plymouth, as an example, have made a £50m loan facility available to 10 developing housing associations at below current market interest rates. The case needs to be made for extended borrowing ability for non H.R.A. councils.

Local Government needs much wider powers, similar to development corporations to overcome limitations on growth. Borrowing against CIL receipts (as permitted for Crossrail) would create an immediate fund for housebuilding. Councils could do much more if in particular, given the opportunity to invest in adjoining areas, wider powers to lift the artificial and historic borrowing constraints and powers to permit local longer term private rented sector tenancies.

The consequences of recession and the re-visiting of historic s.106 agreements has had negative consequences for the supply of homes. Valuation methodologies which return an existing use value lower than the actual build cost have the impact of reducing the number of homes provided by $\frac{2}{3}$ rds. A mortgage indemnity clause applicable to all councils with historic s.106 planning conditions would resolve this.

HOUSING ASSOCIATIONS FLEXIBILITY TO BUILD?

The financial collapse of 2008 has changed the mindset for some housing associations questioning whether carrying levels of debt through borrowing to fund house building is value for money? Is the cost of borrowing acceptable in the long term and can it lead to increased capacity when the debt will have to be repaid?

Do the terms of the AHP (with an average grant per unit of about 10% of total scheme costs and the accompanying conditions - affordable rents, conversions, deadlines, etc.) offer the best value with repayments over 40 years or should home building be funded from an organisation's own capital resources?

Another funding source is equity funding where investors take a predictable return, opening up another source of capital funding.

JOINT VENTURES

The increasing use of joint venture vehicles is supporting considerable house building programmes with housing associations and councils where developers are able to part fund affordable housing. There can be a range of models employed with different levels of risk. The main consideration is the level of commercial risk which should be tied to the level of anticipated reward. Well disciplined JV's have a board structure, searching monthly reporting on finance and performance and equal representation from partners to manage risk and opportunity.

THE HOUSING FORUM'S REPORT: "MAKING A PLACE FOR LOW COST HOUSING"

This report, launched at The House of Lords by Lord Richard Best contains "15 game changers for 2015" to support the delivery of more homes at lower rents or mortgages. The game changers include:

- lifting the local authority borrowing cap
- supporting local authorities as "long term patient investors"
- calling for flexibilities in housing association rents
- tax incentives for employers to invest in housing for workers
- and a National Housing Bank

The Housing Forum's view is that land acquisition is the biggest single challenge to housing delivery and if we are to increase the delivery of homes, more builders and developers need to come into the market. This can be supported by professional firms taking on the development role for local councils, who may be held back by lack of development policies. Housing associations are also gearing up for a wider commercial role, with a third looking to support affordable rent programmes from house sales through joint ventures .

The Housing Forum is grateful to Galliford Try for hosting the CEO Forum and to Housing Forum Deputy Chair, Stephen Teagle (Managing Director, Affordable Housing and Regeneration, Galliford Try) for chairing the discussion.

Participants were:

Chair & Host:

- 🏠 Stephen Teagle, Managing Director, Affordable Housing & Regeneration, Galliford Try
- 🏠 Paul Barnard, Assistant Director of Development, Plymouth City Council
- 🏠 Graham Colls, Chief Executive, Magna Housing Group
- 🏠 Karime Hassan, Chief Executive & Growth Director, Exeter City Council
- 🏠 Stuart Hill, Corporate Policy Manager, Ocean Housing Group
- 🏠 Stephen Lodge, Director of Assets & Development, Guinness Hermitage
- 🏠 Mike Knowles, Director of Regeneration, Plymouth Community Homes
- 🏠 Barbara Richardson, Executive Director of Growth & Investment, Yarlington Housing Group
- 🏠 Kathryn Pennington, Land & New Business Director, Devon & Cornwall Housing
- 🏠 Alan Tate, Consultant, Trowers & Hamlins
- 🏠 Mike Turner, Development Director, Ian Williams
- 🏠 Mark Williamson, Managing Partner, Rider Levett Bucknall

Host

- 🏠 Shelagh Grant, Chief Executive, The Housing Forum

