

KEY TARGET

Tie-ups between builders and non-profit groups are helping to create enough affordable homes to meet demand

While the Midlands may be making big strides in its battle to increase new homes, it also has to ensure a large chunk of them are affordable.

Around 9,000 such homes need to be built in the region each year, and although some progress has been made in recent times, it is still falling short. Some success has come from forcing private developers to provide affordable housing through planning, or section 106, agreements. This has helped the West Midlands see 33 per cent more new affordable homes in 2018.

However, the supply and cost of land needed to meet demand presents challenges, particularly when the planning system frequently conspires to slow down the process of securing consent.

Many experts believe private businesses need to be doing more to help.

“Developers have a big part to play in improving new housing supply by increasing affordable and social housing plots as part of their pipeline,” says Nick Worman, partner and public sector spokesman at property consultancy Bruton Knowles.

Some private builders are teaming up with housing associations (HAs) – non-profit making groups which are the biggest provider of social and affordable homes – to give them the benefit of their experience in dealing with planners and their development and building expertise.

One of the region’s more successful joint ventures (JVs) has been between Lovell, part of the Morgan Sindall construction group, and Liverpool-based Riverside Group. Together they have created Compendium Living, which has built hundreds of homes in Derby and Stoke-on-Trent.

In Derby the JV has constructed around 160 homes as part of a £100m regeneration of Castleward, a former industrial part of the city. It has begun work on another 42 homes as part of the project – partners include Derby City Council and government housing building agency Homes England.

A successful JV is when each partner brings something to the table, says Stuart Penn, Lovell’s regional managing director: “We can bring development and building expertise. We’d be looking for a housing association to bring access to funding and the ability to secure cash more cheaply.”

There is also a difference between a JV, where a separate business is set up and both parties take 50 per cent of profits, and a strategic partnership, where an HA bids jointly for sites with a private builder to boost its developer credentials.

New residents at a Midland Heart scheme



Lovell has also worked with Birmingham-based Midland Heart to create 43 affordable homes on the site of a former college in Dudley, which was completed last year after a Homes England grant.

"It provides much-needed affordable housing for local people in an enviable location and is part of our wider commitment to build over 2,000 affordable homes in the next five years," says Chris Miller, Midland Heart development director.

Other Midland Heart schemes in Leicester's Ashton Green and Green Lane Road were completed alongside developers Morris Homes and Countryside. The group also teamed up with Worcester-based Lioncourt Homes for a development in Rugby.

Partnerships and JVs between private builders and HAs have been happening for at least 15 years. The issue is how to create more of them.

"There is surely a case to be made for adopting a morally and socially responsible stance."

Nick Worman

Because private developers are in business to make money, many are sceptical about the risk of getting involved in what can be low-margin work; others are worried about the bureaucracy which may come with it.

Experts say the government and local authorities need to do more to get private businesses on board, either through financial incentives or simply suggesting they will be looked on more favourably.

"They will need to be incentivised by the government or local authorities as they are obliged to maximise profit for investors," says Worman. "While the conventional wisdom is that private organisations, such as developers and funders, will always choose profit over responsibility, there is surely a case to be made for adopting a morally and socially responsible stance."

While HAs are responsible for a third of all homes built, the market is still dominated by a handful of large house builders.

To combat this, the government has already looked at loosening the fiscal reins of local authorities, including the recent abolition of the borrowing cap, to allow them

to build more homes themselves. This initiative has chimed with many commentators: the last time adequate numbers of houses were built was in the 1970s when councils were still major builders.

The government has also announced the £3bn Affordable Homes Funding programme, which follows other initiatives such as the Affordable Rent programme.

However, housing associations also need to be thinking more innovatively about ways of meeting demand, says Worman.

One possible solution is for housing associations to have much bigger output of modular homes, which are constructed in specialist off-site factories, helping to cut costs, increasing productivity and overcome skills shortage issues.

In October, Accord Housing Association opened a £1m modular homes factory in Walsall, which is expected to increase its output of new homes by 300 per cent to some 1,000 a year.

Such investments help to produce a "social dividend" – a key HA target – by effectively relocating building skills from expensive locations, which require new housing stock, to poorer areas where employment opportunities are badly needed.

These softer benefits, as well as cold, hard cash, have now attracted the interest of serious money, with more JVs between institutional investors such as pension funds, and HAs or local authorities.

However, differences in business practices and culture can be problematic in a JV involving such parties unless there is a clear understanding of roles, says Mash Halai, chairman of property consultancy John Rowan & Partners and a JV expert.

"While a developer will be keen to deliver a housing development and see it sold on the open market, it's likely to have a very different exit strategy to that of its HA partner. The HA will have a longer-term outlook, with a focus on future resident satisfaction and the project's life cost including ongoing maintenance and repairs.

"Successful JVs can benefit from an equal spread of roles and responsibilities across the organisations involved. Organisations need to agree who owns different aspects of the project such as managing the financial model, sales and marketing, development or stakeholder management.

"Each organisation needs to trust the other to do their agreed share, and to the standards expected." ■

Joint ventures key to successful housing regeneration



There is a number of new solutions emerging to help meet the country's affordable homes demand, with one key approach being the re-engagement of local authorities and the strategic partnerships they are forming.

In the West Midlands, despite a recent rise in affordable homes completions, ambitious housing associations have been held back. Funding difficulties, a lack of joined-up planning, the high price of available land and sometimes a lack of vision in the wider sector have all combined to subdue the market.

But following the 'Housing Deal' agreed with the Government a year ago, plans are being accelerated to create 215,000 new homes in the region by 2031.

The West Midlands Combined Authority has recently published its Spatial Investment and Delivery Plan – the blueprint that maps out how and where new investments can be made to deliver regeneration, housing and jobs.

For the social housing sector, this is a window of opportunity that provides housing associations, public authorities and the private sector greater confidence around investment and delivery. There is also the Prime Minister's added promise to registered providers of £2 billion for 'long-term construction' over the next 10 years.

As demonstrated by recent developments – including the Smithfield and Icknield Port Loop projects in Birmingham – partnerships and joint ventures have proved to be successful models in delivering both land and capital to create exciting new communities.

As more land, development sites and 'growth corridors' become available in the West Midlands, there will be further opportunities for associations and authorities to align efforts to regenerate neighbourhoods, provide affordable housing and supported housing for vulnerable groups.

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