

Summary Report (Stage Two Draft 2.1 August 2008)

Annex 3: Joint development of new housing

**East Kent and Ashford: Landlord Services
Joint Working**

AUGUST 2008

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Introduction

This annex forms part of the overall Stage Two Draft Report on landlord services joint working for the four East Kent authorities and Ashford.

This annex provides details of the findings of work looking at the joint development of new affordable housing by the five authorities, including feedback from the five workshops held at each authority in June.

1 Joint Local Housing Company

This section summarises the feedback and outline principles developed decisions reached on the development of a joint approach to setting up new local housing companies for the building of new local authority housing.

1.1 *Appetite and work done to date*

Feedback was generally positive from all officers engaged in the discussions. There were some members who were more reticent in some authorities, arising primarily from a view point of 'why us compared to an RSL?' This was contrasted with strongly positive views in others in which ambition appeared to be to replace RSLs as the main providers of new housing (!).

Most authorities have already carried out a trawl/analysis of garage sites with development potential or are in the process of doing so.

Some authorities have moved onto to look at open spaces and other opportunities within the HRA land and asset base.

1.2 *Land and site opportunities*

All authorities have infill and garage sites available as of now with the potential to develop new affordable housing.

We estimate that land with the space for anything up to a total of 400 properties across the five authorities could potentially become immediately available. This figure is based on the initial trawls undertaken and does not include any approaches where there is redevelopment (ie demolition and rebuild).

As would be expected, the redevelopment opportunities are more scattered and variable around the authorities. At Canterbury (maisonettes) for example, there appear to be key opportunities for redevelopment to increase densities and remove problem or expensive housing. Others might also be available.

The options to use the Joint Housing Company to access private sector land and pump prime regeneration of areas where the private sector has to date shown less appetite to invest is also an opportunity in two authorities. This is emphasised in the current economic climate.

1.3 Tenure mix and finance

There was some discussion around set questions to test the basis upon which authorities might be willing to undertake developments. The outcomes are summarised below.

1. Ideally authorities would look for 100% rented on small sites but this would be moderated by a view that any affordable housing in small sites would be a bonus given affordability thresholds.
2. There would be a willingness to accept shared ownership in line with current policies on the delivery of affordable units via RSLs.
3. Some authorities were prepared to accept properties market sale, others were more reticent. Each site/scheme could be taken on a case by case basis.
4. There is a strategic market / needs assessment process ongoing.
5. Resources to pump prime schemes are available in all to a greater or lesser extent. However, these are limited in Thanet and Dover given previous commitments or other pressures
6. In general, the amounts immediately available (from S106 commuted sums for example) are not as great as we might have hoped across all five authorities, perhaps limited to no more than £2million at this stage, grant equivalent perhaps for around 50 rented properties.

1.4 Options for structure and governance

The main discussion was between the options of:

- Setting up a single, jointly owned company to develop and own properties.
- Setting up five individual local housing companies which join a development consortium/venture.

The strongest case is for five separate companies which buy into a development partnership. The key issues are:

- Authorities would be able to use their own land for redevelopment.
- Levering in resources and grant to transferred land would be an easier process if transferring to a wholly owned company.
- Critically, there would be retention of interest in value and asset on the authority balance sheet

- A development partnership would be in a strong position viz-a-viz developing RSLs in the county
- Land assembly across boundaries could be considerable
- Finance is likely to be an issue without grant and the five-LHC approach would, unless confirmed otherwise, mean each having to qualify separately for grant via the Housing Corporation.
- A key advantage of wholly owned companies is that governance and board membership can be appropriately limited in the early period to senior officers and members from the council and specialist independent members as necessary.

Should there be five separate companies, the link between the SSV and the proposed development partnership would need to be thought through. The key issues are:

- Does the SSV become the vehicle for the Development Partnership? Or given the experiences and specialist nature of development, is there a strong case for establishing a separate partnership structure?
- The skills, expertise and personnel, whilst specialist, could have a common directorate / management structure with the SSV.

1.5 Summary

The balance of advantages and disadvantages is towards ensuring that the SSV takes responsibility for the development of new housing but that the form of the venture would be created separately, maybe as a separate unit within the SSV.

There are no barriers to the establishment of individual companies more or less immediately and a key strand of the work and project plan in developing the joint working agenda can focus on bringing together exemplar schemes in each authority area to form part of an initial approach to the development community.

The current economic climate clearly has an impact on the development venture approach and early views from developers and other key participants in the market should be sought before advancing plans in too great a detail. We envisage however that developers would be keen to work closely with such a venture, despite (maybe even because of) the current climate.

Project planning for the establishment of five companies and a development partnership are set out below.

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