

Adolygiad **Tai Fforddiadwy**

Affordable Housing **Review**

The Altair logo consists of two overlapping purple circles. The word "Altair" is written in white, sans-serif font across the intersection of the two circles.

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Understanding Capacity

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Review questions on capacity

- a) Efficiency, skills and financial capacity constraint – HAs/LAs?
- b) Welsh Government help to address capacity constraints?
- c) Partnerships/collaborative working, etc – to share skills /resources?
- d) Other barriers – regulatory, infrastructure, services, impacting on capacity and pace to deliver more affordable homes?
- e) Best examples of collaborative delivery affordable housing?

CHC – Thought Leadership Event

Independent Affordable Housing Supply Review

- Welsh housing need and housing supply
- Current capacity and existing constraints
- Unlocking capacity

Understanding Capacity

Housing need and housing supply

Housing need/supply:

- **Welsh Government**
 - 2016 – 2021 HAs 2,500 homes pa
- **31 March 2017**
 - HAs delivered 3,028 homes
- **Welsh Government**
 - 20-year target – 75,000 HA homes (3,750 pa)

Resources available/required:

- **Social Housing Grant:**
 - 2018/19 – £207.1m
 - 2019/20 – £123.2m
 - 2020/21 – £110.1m
- **Additional borrowings?**

Welsh HA delivery to 2018 - 2021

- Circa 7,750 homes required in 3 years
- Unit cost, £105, 000 and total cost £775m
- Grant available, £440m
- Increased borrowing £335m or increase 13% in 3 years?

Understanding Capacity

Housing need and housing supply

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- **Additional borrowings?**
- **Reserves?**

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Understanding Capacity

Current capacity and current constraints

Welsh HA financial health:

Performance indicator	3/2015	3/2016	3/2017
Gearing	36%	37%	41%
Operating margin	19.5%	19%	21%
Interest cover	158%	153%	161%
Increase supply	(746)	1,737	3,028

Understanding Capacity

Current capacity and current constraints

UK comparatives(3/2017):

Performance indicator	Wales	NI	Scotland	England
Gearing	41%	26%	32%	50%
Operating margin	21%	21%	26%	30%
Interest cover	161%	204%	247%	169%

Understanding Capacity

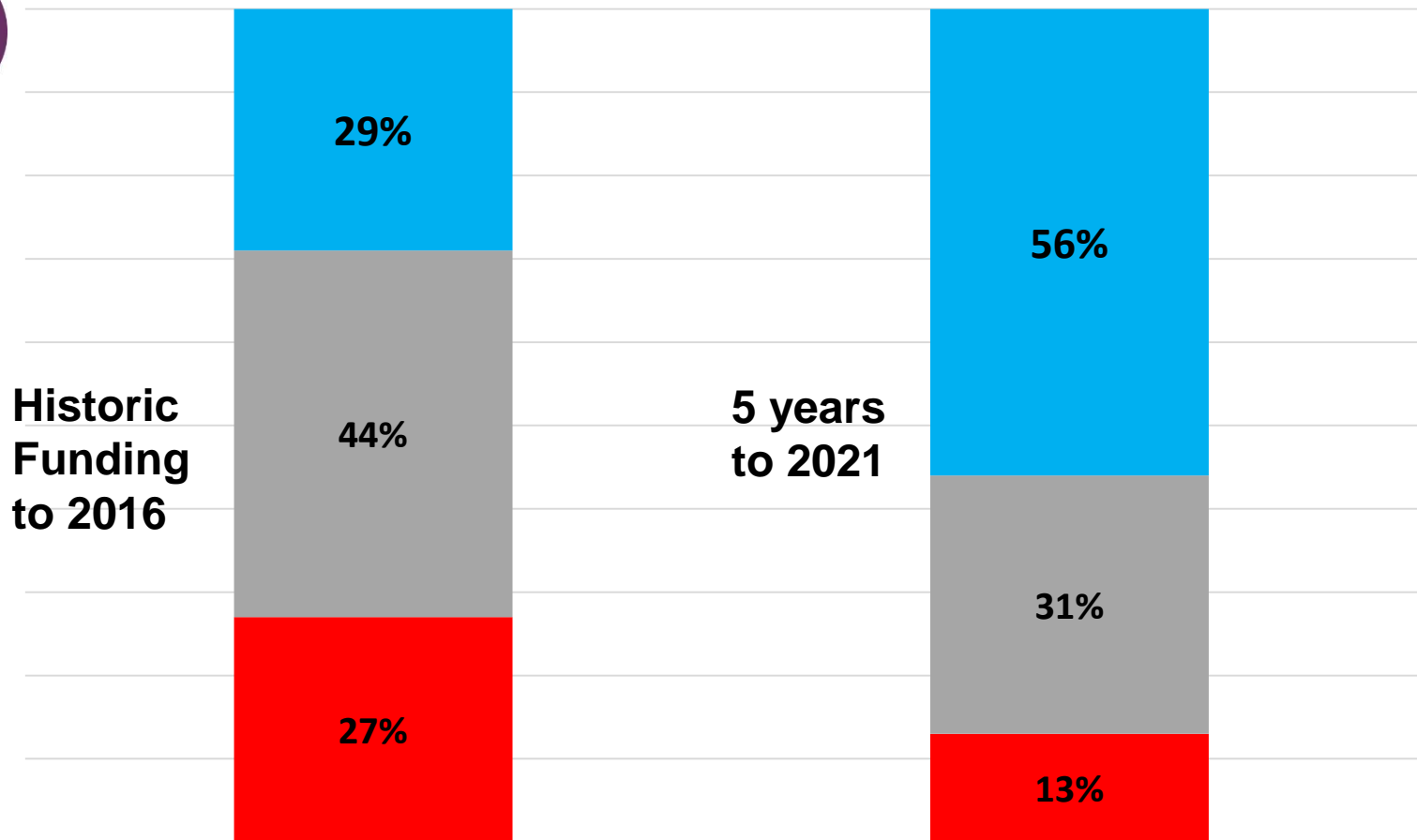
Current capacity and current constraints

UK comparatives(3/2017):

Performance indicator	Wales	NI	Scotland	England
New homes:				
Homes	3,028	1,604	2,748	44,000
% of stock	1.9%	3.4%	1.0%	1.6%
5 yr annual growth plan:				
Homes	2,500	1,850	6,500	56,000
% of stock	1.6%	3.9%	2.4	2.0%

English HA funding landscape

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 Government grant  Private finance  Reserves (accumulated surpluses)

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Current constraints

- Planning – Tan 1
- Construction cost inflation
- Absence of national homebuilders

- Limited infrastructure
- Connecting utilities to new homes, etc
- Access to SHG/ other grants

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Current constraints

- LSVT – uncertainty over dowries
- Political barriers - NIMBYism
- Lack of skills and expertise
- Board risk appetite

- Restrictive loan covenants?
- Land costs – given TAN 1 disapplication?
- Welfare reform?
- Maintenance costs?

Understanding Capacity Unlocking capacity

- Government support:
 - WG and Whitehall
- Collaboration from LG
 - cheap [LA] funding

LA collaboration – land and funding

- Ascent joint venture – Staffordshire Moorlands District Council and Your Housing Group
- SMDC provided: land and £1m funding
- YHG provided: financial capacity, land, development expertise
- JV developed 424 local homes – first JV of this type in the UK

Understanding Capacity

Unlocking capacity

- Government support:
 - WG, CG and LG
- Collaboration from LG
 - cheap [LA] funding
- Joint procurement
 - HA-HA and HA-LA

- Shared services
- Joint development and collaboration on larger sites

Collaboration with other HAs

- Larger HAs to :
 - access/unlock financial capacity
 - increase development pipeline
- L&Q proposal to G320 HAs:
 - match funding
 - risk sharing
 - share sales surplus – subsidy
- Develop with similar HAs - pool resource/knowledge/experience

Understanding Capacity

Unlocking capacity

- Government support:
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- Shared services
- Joint development and collaboration on larger sites
- Asset management

HA Asset Management

- Crown HA is small London HA (G320 member)
- Crown transferred its outlying properties in Scotland to local associations
- By combining the sale receipt with commercial borrowing, Crown generated resources to a new development programme in London exceeding £10 million.

Understanding Capacity Unlocking capacity

- Development for sale
- Partnership working and JVs

LA working with private developers

- East London LA in partnership with fund manager raised £74m private equity funding from institutional investors
- LA contributed land
- 470 new town centre homes:
 - 20% social rent
 - 10% at 65% of market rent levels
 - 70% at rents up to the maximum 80%
- LA policy - no tenant housing costs > 35% of net disposable income

Understanding Capacity

Unlocking capacity

- Development for sale
- Partnership working and JVs
- Modern Methods of Construction

- Standardisation
- VfM and cost reduction
- Increased surplus
- Board training and remuneration

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- Strategy & Governance
- Finance
- Property
- People

Diolch.
Thanks.