

## **Greater London Authority**

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### **London's smaller housing associations and local authorities - Increasing housing supply**

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*Note: This report is based on outcomes from interviews and the on line survey. It reflects the views and opinions of Ark housing consultancy LLP and not those of the Greater London Authority or the Mayor of London.*

## Executive Summary

### 1 Research Aim

The aim of the research is to assess the extent to which additional support to London's small housing associations and local authorities could increase their contribution to new housing supply, and to suggest any practical interventions that can be taken by the GLA and others.

Three particular issues were to be assessed:

- Perceptions of barriers to delivery
- Increasing organisational development capacity
- Testing the concept of a 'delivery support team'

### 2 Approach to the research

The study took place during November 2014 and consisted of desk research reviewing previous research papers, one to one interviews with forty six organisations supplemented with an online questionnaire. Interviews and questionnaires were tailored to reflect the different requirements of the boroughs and the smaller HAs.

All responses were confidential and aggregated to prevent identification.

### 3 Outcome overview – small housing associations

#### 3.1 *Perceptions of barriers to delivery*

The treatment of small housing associations as a homogeneous group is an over simplification. They differ both in scale and aspiration; some see themselves as providing support as their primary aim rather than housing. Barriers to delivery vary widely and extend beyond financial headroom. An underlying theme is the capacity of the organisations to compete in the open market for small sites without having to take commercial sales risk or raise rents as a condition of grant – which may be inconsistent with their aims and purpose.

Development scale is limited by the following factors:

- The size of the stock ownership as an asset base to borrow against
- Resources, particularly senior executives and Board members with development experience
- Competition for sites and the scale of development being appropriate for the association's mission
- Capacity for absorption of additional units into management
- Conditions attached to grant funding conflicting with their charitable objectives
- Identifying sites and opportunities at an appropriate scale
- Access to preferential funding arrangements

Potential additional development capacity is difficult to predict, the overall impression is that development is already well underway with the “bigger smalls” and that even with other barriers eliminated, the ability of the other smaller associations to increase volume would be constrained to hundreds rather than thousands. From the 30 associations we interviewed the predicted development over the next three years was stated as 427 to be delivered by 18 of the associations; however, 173 of these were coming from just three associations. Whilst the results of previous research suggested that G320 respondents to that survey have the financial capacity to deliver 5,500 homes in the next ten years (extrapolated to 15,000 for the whole G320 membership) other constraints make realising this capacity unlikely.

### **3.2 *Increasing organisational development capacity***

A small organisation’s ability to deliver additional homes depends critically on the motivation and drive of its leadership.

The experience, expertise and ambitions of the senior executives must be complemented by the Board, who often have to act in an executive like capacity.

It is not so much a skills gap that has been identified as a capacity gap. Small associations often have very small, multi discipline or part time staff teams, including the CEO or Director. The part time nature of the role does not allow ‘thinking time’ to develop knowledge of the market and best practice - the day job of managing the existing homes and client needs consumes the working hours.

The diverse range of class of provision, mission and characteristics of the small HAs suggests that there is no one set of development solutions or policies that can be applied to all of them.

### **3.3 *The concept of a ‘delivery support team’***

Small HAs would not be likely to seek assistance from a GLA ‘delivery support team’. The majority of those interviewed and who responded to the online survey did not favour this option. However, in a number of other areas they felt capacity could be increased by the GLA recognising and treating smaller organisations as a distinct group (recognising also the different nature of some of the organisations within that group).

For smaller associations delivery skills ‘gaps’ are currently filled by buying services from private development consultants, working with larger HAs as development agents or in partnerships and consortiums. For those with development aspirations these channels meet their needs.

The prospect of collaboration between similar organisations was popular, however, it was pointed out that collaboration needs to be continually promoted and requires a champion to encourage engagement.

### **3.4 Actions for the GLA to consider**

- 3.4.1 Review and improve the nature of its relationships with the small HAs with a view to improving mutual understanding of respective roles, opportunities and constraints.

This could involve a dedicated partnership manager for Small HAs at the GLA in addition to area teams to understand the diversity of issues and mission.

- 3.4.2 Review the scope to proactively coordinate the assembly of smaller plots of development land to support Small HA development at an appropriate scale.
- 3.4.3 Consider how it might strengthen the sharing of ‘best practice’, market intelligence, commercial expertise and innovative development approaches.
- 3.4.4 As a pan London Authority, review how it can facilitate the strengthening of relationships between the London Boroughs and Small HAs with a view to embedding small HAs as critical contributors to development and community sustainability. This has been successfully achieved in the past with the promotion of partnerships, through grant bidding mechanisms, tying in local BME housing associations.
- 3.4.5 Work with the HCA to consider a review of the regulatory requirements for Small HAs who utilise grant funding for increasing development capacity.
- 3.4.6 Provide signposts to, or “tools” for the small HAs to help them develop realistic and achievable strategies for asset management and development.
- 3.4.7 Facilitate small HAs in accessing funds for development, outside of grant funding. Small HAs with no or limited property experience and limited assets to offer for capital collateral have difficulty accessing preferential financial arrangements.
- 3.4.8 Review how it can coordinate, facilitate and support small HAs in working together to harness the value that partnerships can offer.
- 3.4.9 Review how it provides support to build the capacity of Board members and senior executives who have key roles in the setting the objectives and parameters for the delivery of development for small HAs.

## **4 Outcome Overview - London Boroughs**

### **4.1 Perceptions of barriers to delivery**

Each borough is distinct, they are all starting from different points with different resources and drivers; however, amongst those we spoke to the desire to expand their housing stock is universal.

Barriers to increasing or accelerating development within the boroughs do not generally stem from a lack of appetite, skills, experience or funding. Their primary focus for development is on land in their ownership, which brings with it viability advantages but procedural and consultation requirements that constrain pace.

Overall, the majority of boroughs have new build programmes which suitably reflect their targets and objectives for achieving sustainable communities and developments.

The majority of boroughs cite a challenging external market environment in relation to land values. This will become a barrier when opportunities on owned sites are used up. Currently development sales risk is mitigated through joint ventures with constructor developers.

Increasing construction costs are challenging scheme viability, even on borough owned land and could slow capacity.

#### **4.2 *Increasing organisational development capacity***

In house staff supplemented by access to additional support from outside agencies, as and when required, is by far the preferred approach.

Most of the London boroughs perceive that they have in-house the core of necessary development skills, expertise and experience.

The great majority of boroughs have more than sufficient treasury expertise with effective and knowledgeable financial advice available in-house with assigned housing finance experts sometimes seconded part time to housing and regeneration departments.

There are a wide variety of sometimes quite innovative funding vehicles. There is scope for a coordinated sharing of ideas but at the moment funding is not generally seen as a barrier to development capacity.

Once boroughs step beyond their own land holding, ensuring “additionality” becomes an issue - if the borough’s intervention serves only to increase competition for land which would have gone to an RP or would be available through the S106 process anyway, it fails to increase housing supply.

#### **4.3 *Testing the concept of a ‘delivery support team’***

There is no significant demand from the boroughs for the services of a specialist GLA development delivery support team. There is, however, some interest in a high level mentoring, facilitating the exchange of expertise and pooling of ideas by the GLA or others to avoid reinventing the wheel and to secure the best value from the delivery mechanisms already in place.

There was universal support for the GLA to take an active role in land assembly and promoting the housing priority to national government.

Most boroughs considered that the GLA had strategic roles including facilitating development by small housing associations, sharing good development practice and as a ‘clearing house’ for development opportunities and ideas.

Facilitating access to TFL and other members of the GLA ‘family’ in order to assist development and generate land opportunities was also seen as an appropriate GLA role.

#### 4.4 Actions for the GLA to consider

- 4.4.1 Create channels for the sharing of best practice and innovative development approaches. Facilitate the notion of “marriage broking” to supplement skills or expertise or other resource shortages in one borough with those from another.
- 4.4.2 Review the nature of its ‘high level’ relationships with the boroughs with a view to improving mutual understanding of respective roles, opportunities and constraints.
- 4.4.3 Facilitate access by the boroughs to the rest of the GLA ‘family’ in order to smooth the development process and deliver efficiencies through better coordination of combined land interests and to realise development opportunities.
- 4.4.4 Review the scope to proactively coordinate the assembly of development land either as individual or cross-borough opportunities. Boroughs look to the GLA to exercise a coordinating role across London for development opportunities and land assembly including how it might better assist development by the smaller housing associations.
- 4.4.5 Maintain a watching brief on costs and resource requirements. Whilst there is currently no declared requirement for a development support team from the boroughs, there are significant upward movements in the construction market and demand for support may change.
- 4.4.6 The GLA should promote models for active asset management. With advantages stemming from building on their own land Boroughs must understand how their stock is performing and identify under-performing assets. Some Boroughs are well advanced; others have just identified the more obvious opportunities.

Overall, land availability is inevitably going to remain a significant constraint; there is scope for improving the working relationships between GLA, the boroughs and the small HAs and for the effective exchange of ideas and best practice. The introduction of a delivery support team will not have a major impact on housing supply.

*We would like to take the opportunity to thank all those who participated in this research and to Mike Wilkins of G320, the National Housing Federation who assisted with the distribution of the questionnaires and to Lizzie Clifford at London Councils.*

## Main Report

### 1. Introduction and Background

- 1.1 With the increasing gap between demand and supply for homes in the capital, there has been growing interest in what role smaller housing associations and local authorities can play in increasing housing supply.
- 1.2 There have been several research papers highlighting the contributions smaller associations can make and, whilst commentators may differ on the scale of contribution, it is apparent that both the smaller associations and the local authorities can play an increasingly important role in London.

### 2. Aim and Scope of the Research

- 2.1 The Greater London Authority (GLA) is keen to explore practical ways in which this capacity can be realised. One of the barriers may be a shortage of experience, skills and enabling tools and the GLA has therefore commissioned this research to establish whether this barrier is real and whether, by establishing a 'delivery support team,' they can help facilitate development.
- 2.2 The aim of the research was to assess the extent to which additional support to London's small housing associations and local authorities could increase their contribution to new housing supply, and to suggest practical interventions that can be taken by the GLA and others.
- 2.3 Scope of the research

The research considered a series of issues under three over-arching themes: perceptions of barriers to delivery, increasing organisational development capacity, and testing the concept of a 'delivery support team'.

#### (a) Perceptions of barriers to delivery

- What are small housing associations and local authorities delivering now?
- What are their plans for the future?
- What are the key barriers cited by small housing associations and local authorities who wish to build more homes? Are there common themes or are there specific barriers that are unique to one type of organisation?
- Are those organisations which are developing new homes confident that they are maximising their development potential? Why or why not? What would need to happen to make these programmes even more ambitious?
- What barriers to development are cited by organisations with modest or no development plans?
- To what extent are the barriers to delivery cited by small housing associations and local authorities based on their *perceptions* of development, rather than on the evidence?

**(b) Increasing organisational development capacity**

- What kinds of development skills, expertise and experience are required by small housing associations and local authorities that wish to build more homes, and to what extent are these available to them?
- How do organisations tend to remedy gaps in skills, knowledge and development capacity at present? What are the merits and drawbacks of direct recruitment, employment of consultants, or partnerships?
- To what extent is a lack of ‘treasury expertise’ limiting the capacity of small housing associations and local authorities?
- To what extent is there a lack of expertise in identifying and acquiring land for development in small housing associations? What support do local authorities need to ‘unlock’ their own landholdings for development by themselves, or make better use of planning powers to assemble land for development?
- To what extent is attitude to risk in these organisations preventing board members, politicians and senior managers from backing development?

**(c) Testing the concept of a ‘delivery support team’**

- What specific examples exist of organisations attempting to increase their development capacity either individually, in partnership with each other, or in partnership with other bodies such as larger housing associations and government agencies? What works and what doesn’t?
- What practical steps can be taken by the GLA and other relevant agencies, in the short term, to ensure that small housing associations and local authorities are in a position to overcome perceived development challenges?
- Is there support amongst these organisations for the idea of a GLA ‘delivery support team’? If not, why not?
- What do organisations think a ‘delivery support team’ should focus on? Providing skills and expertise, boosting organisational capacity, enabling delivery through providing a series of practical development ‘tools’, or a combination of all three?
- How do organisations think a ‘delivery support team’ should operate? Should it be based at the GLA or elsewhere? How should it pay for itself?

The HCA and GLA already provide support services to local authorities and housing associations via initiatives such as The Advisory Team for Large Applications (ATLAS) which provides support to local planning authorities and their development partners and RE-FIT which supports public sector organisations to reduce their carbon footprint. The notion of a “delivery support team” in the context of this research is to assist local authorities and housing associations with the practical aspects of developing and delivering new homes.

### 3. Conduct of the Study

3.1 The research has been conducted in three phases during October and November 2014 and consisted of:

- (i) *Desk research reviewing previous research papers.* Papers focussed on smaller housing associations and included The Joseph Rowntree Foundation's report, "*Smaller Housing Associations capacity to develop new homes*", Altair's "*Another 5,500 new homes and counting*" and "*Flexible and focused: the specialists at the heart of the neighbourhoods*" from Helen Cope consulting.

Whilst the emphasis of each paper was different, there were a number of common themes. It was acknowledged that there was some underlying financial strength to enable the building of additional homes; there was an appetite from the smaller associations to undertake development and an acknowledgement that some 50% of the "smalls" were niche providers, focusing on either geography or nature of service.

The reports identified a number of factors why the smaller housing associations were not building more. Land availability and access to suitable levels of grant topped the list but availability of suitably qualified development resources featured and was particularly relevant in smaller associations without a rolling programme sufficient to sustain an in-house resource.

It was this latter aspect that the GLA particularly wanted to test and ascertain whether the creation of a "delivery support team," covering development services in the widest sense, would enable an increase in development activity.

- (ii) *One to one interviews:* Interviews with sixteen local authorities and thirty 'smaller' associations took place. The aim being to consolidate qualitative data and explore in some detail perceptions, aspirations and barriers. The questions to the boroughs and the small associations differed in acknowledgement of their scale and different operating practices, however, the underlying theme was consistent – would an intervention to increase knowledge and capacity accelerate the pace of development?
- (iii) *Online surveys* were issued to 168 small associations and the 17 local authorities that were not interviewed. This, much narrower quantitative survey, was used to supplement and cross check the outcome from the interviews. From the smaller associations we received 35 responses (20%) and from the 17 boroughs 5 responded (29%).

All responses are aggregated and contributions remain anonymous.

#### **4. Structure of this Report**

- 4.1 There are obvious differences in scale, resources and operating protocols between smaller housing associations and local authorities. The capacity of each to contribute to the affordable housing stock in London varies enormously. We have therefore addressed each in separate sections. Notwithstanding this, the focus in both cases is on whether lack of organisational development capacity is inhibiting development. Conclusions and a section suggesting actions the GLA may consider are included at the end of the report.

## **The Smaller Housing Associations**

## 5. Smaller Housing Associations

### 5.1 Profile of the interviewees

#### 5.1.1 Defining small

For the purposes of this research, 'small' has been defined as any association that has stock in London of between 3,000 and 21 units and did not have a large stock elsewhere in the country. Based on the HCA lists, there are 213 organisations in the 3000 to 21 range, of these, 168 could be identified either from their NHF membership or individual websites. There are also 57 associations with stock of between one and twenty units, which are likely to be too small to constitute a significant source of extra capacity.

A total of 30 interviews were undertaken with small housing associations. The range of stock holding is shown below:

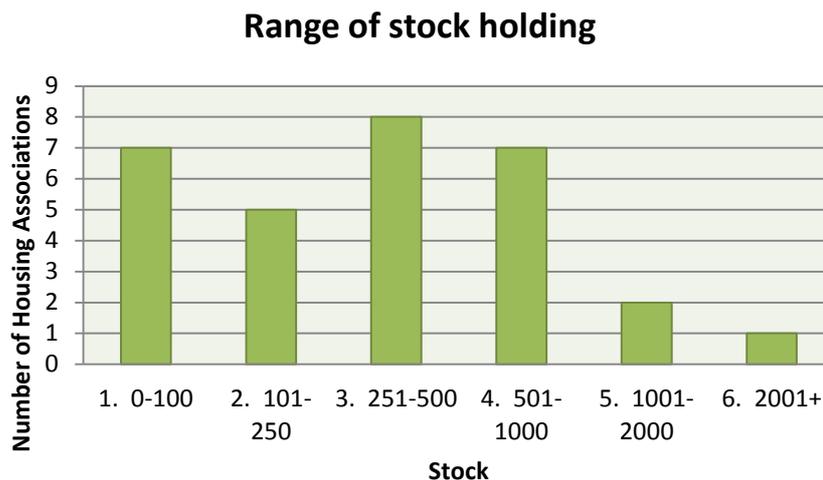


Fig 1

The research interviews were conducted on a confidential basis with senior executives who had the responsibility for development.

#### 5.1.2 Characteristics of smaller associations

It became apparent in the context of this research that small housing associations vary greatly, not only in size but also in terms of aims and objectives, vision and provision of accommodation and services. It is acknowledged that this diversity also applies to skills and experience, future strategic intention and capacity for growth. As such, a blanket approach to assessing their capacity to increase development is overly simplistic.

We have therefore categorised the organisations into three broad groups which display certain characteristics.

The categories are based on type of organisation and focus of provision. Namely:

**1. Primarily a Charity with a focus on providing support and services for a specific client group.**

Part of the provision of support includes accommodation but this is not the primary function of the organisation.

Characteristics:

- Accommodation includes bed spaces in hostels and may/ may not also include some self-contained, independent living accommodation.
- Accommodation is less likely to be owned by the association and may be on long leasehold basis, or owned by another organisation with support on a management basis only, or may be acquired from Local Authority or other landlords for temporary short term housing.
- The asset base for borrowing against is typically very low
- Some providers in this category are well established charities providing support and as such turnover and staffing levels are high but these are not related to a housing function – the focus is on the support and fund raising for the revenue streams.
- The skill base in this category is generally not focused on housing and property but on support, care and the development of the individual clients.

**2. A housing/accommodation provider which has a specific niche provision – either on a very local basis or to meet particular client needs.**

These are likely to be a registered charity as well as a registered housing association. The accommodation provision is the key function but for the purpose of meeting the client's needs/ local focus.

Characteristics:

- Stock numbers are low but generally the properties are owned freehold or leasehold and offer an asset base
- Staffing is low – often with a range of part time roles, including the CEO and senior team. Resources are often stretched as a result of this. Revenue funding is limited due to the low stock numbers, typically below 350 homes
- Some level of support and care may also be offered to meet the niche need
- Skills and experience in housing and property development are dependent on the previous background and experience of the senior officers.

**3. A housing/accommodation provider as the primary focus to meet local need.**

May or may not be a registered charity. Support and care services are not a function of the organisation and if required may be provided by other agencies. Some have specific aims and objectives which may affect allocation of homes.

Characteristics:

- Stock numbers are higher as a result of the property focus and growth strategies and so the asset base is stronger
- Capital funding has been the focus for fund raising often with HCA/GLA grant
- Staffing levels are higher to suit the stock levels and more likely to be full time
- Skills and experience amongst senior team and Board are more likely to include property : finance and development

Relating this categorisation to the 30 Associations interviewed, the breakdown was as follows

**Class of Association**

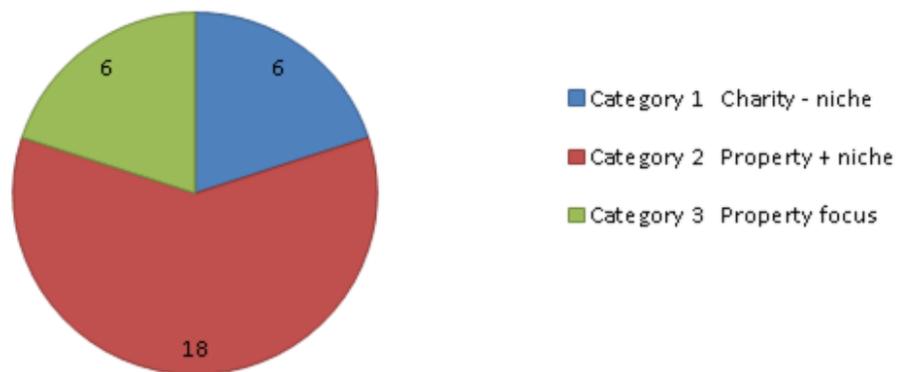


Fig 2

The range of stock owned or managed by the housing associations interviewed is shown in the charts below:

### Category 1

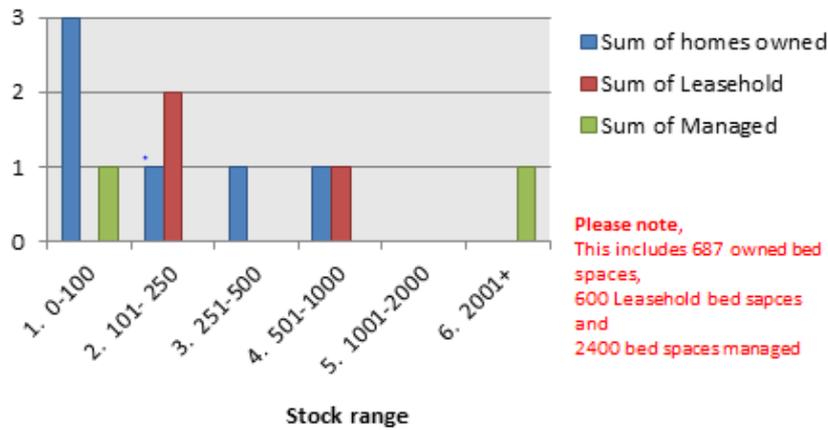


Fig 3

### Category 2

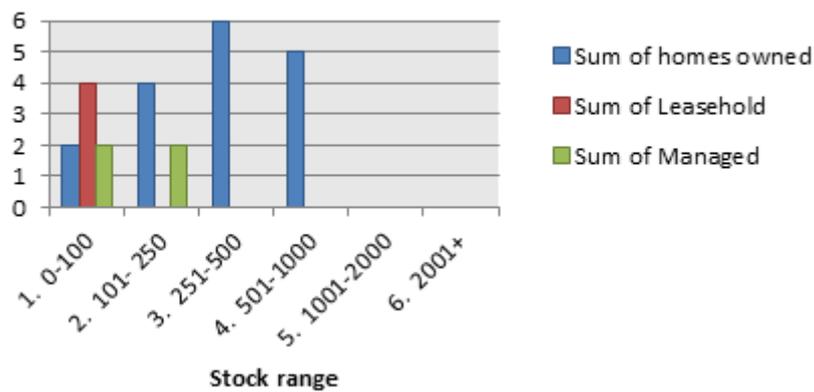


Fig 4

### Category 3

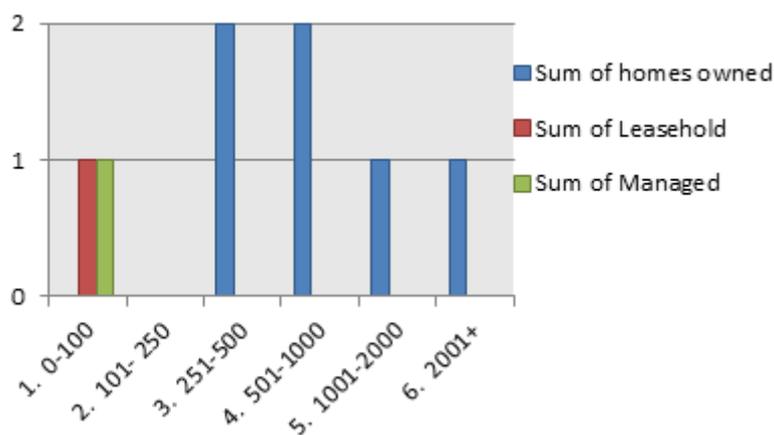


Fig. 5

It is significant to note that for those organisations classed as category 1 (primarily charities), the stock includes a high proportion of bed spaces rather than self-contained units. The self-contained stock owned by those interviewed in class 1 type provision is only 530 homes in total. This is important in terms of borrowing capacity against asset base and links to development aspirations and management focus.

**Online Survey:**

- A total of 35 organisations responded to the online survey
- More respondents online were in the 1001-3000 stock size than were interviewed:
- 7 online were in the 0-100 band
  - 7 online were in the 101-250 band
  - 6 online were in the 251-500 band
  - 6 online were in the 501-1000 band
  - 9 online were in the 1001-3000 band
- The online respondents cannot be categorised by type of provision

## 5.2 Perceptions of barriers to delivery

### 5.2.1 Current and future delivery plans

All of the HAs interviewed have declared aspirations to develop and grow as an organisation but face a variety of well-evidenced challenges.

Across the 30 interviewed the total number of homes in development currently was noted as 427 (as recorded from interview responses). This includes not only self-contained homes but also around 40 bed spaces which are currently under construction and 29 acquired from stock rationalisation transfers with completions planned for 2015/16. Just under half of the homes in development currently are being delivered by three associations.

It is significant that only three of the HAs interviewed have set targets for future development. The remaining 27 are very clear that the programme will be opportunity led. They are reluctant to be drawn to quote targets.

For the three that have set targets, they all operate using larger RPs as development agents/partners. Two out of the three anticipate having to sell units on the open market either as shared ownership or outright sale in order to create viability, despite some element of their programmes being on their own land. Between them the expectation is they will produce some 600 units over the next three years, the precise mix of tenure is not recorded. These associations are also delivering between them just under half of the current development programme.

For all smaller developing associations, new development is generally being achieved through section 106 opportunities or on land in existing ownership. Those with assets all recognise that they must make the most of what they have. Strategies are in place for reviewing existing assets to maximise the opportunity for extension, conversion and infill as well as disposal to raise capital for reinvestment.

**Online Survey:**

- 27 of the 35 respondents have intentions to develop
- Over the next 3 years
  - 7 of these estimate a programme of over 100 homes
  - 10 of these estimate a programme of 20-99 homes
  - 10 of these estimate a programme of less than 20 homes
- Overall, the majority of online respondents have plans to develop which is in line with the interviewees
- On line survey respondents were more definitive in their responses regarding a development programme. They were more ready to commit to a figure and the estimated scale of the programmes is more ambitious than the majority of interviewees. The practicalities of delivery could not be tested on line.

## 5.2.2 The key barriers to development

The perceived barriers include:

- **Market competition for land.** 100% of those interviewed cited this as a limiting factor. Many also cited competition with other housing associations and the private sector as a challenge. The size of sites on the market is a big issue. Many site opportunities include development on a scale that is far beyond the aspirations of the small associations.
- **Size of organisation** limits the scale of development activity.
  - The size of the organisation often means that resources are already stretched managing and maintaining the existing homes at high levels of quality and satisfaction. Especially those in definition categories 1 and 2.
  - Sites offering two or three units at a time are considered appropriate. Even the larger organisations in the study were not generally seeking sites for more than 10-15 homes in one location.
- **Absorptive capacity.** With part time senior executives and a small support team, many organisations simply don't have the time to think around the barriers, seek out the experience of other small HAs and find ways forward that balance the risk for the Board members. Time and resources is the issue rather than a skills gap. Revenue funding is limited by the existing stock numbers and so buying skills in is also problematic. Time and energy is focused on looking after the existing customer base as a priority over substantial growth.
- **Lack of capacity and experience to cross subsidise.** Few of the organisations interviewed are seeking to deliver new homes for sale as shared ownership, outright sale or on private market rent basis. Most consider that their mission and aims and objectives do not align with this type of provision. Similarly, there is a limitation in the ambitions for rent setting which seek to provide homes on a social rent basis rather than Affordable Rent or any intermediate rent level. This limits competitiveness for sites and also inhibits their ability to claim grant funding.

- **Funding capacity** is considered another barrier to developing at any scale. Two thirds of those interviewed feel that their existing assets and inability to access sustainable funds at appropriate rates and costs restrict their capacity. This barrier is most often cited by those in Category 1 and 2 of the types of small HAs. Previous research has suggested that borrowing capacity exists in terms of security but there was a feeling amongst interviewees that they may not be able to secure borrowing at attractive rates.

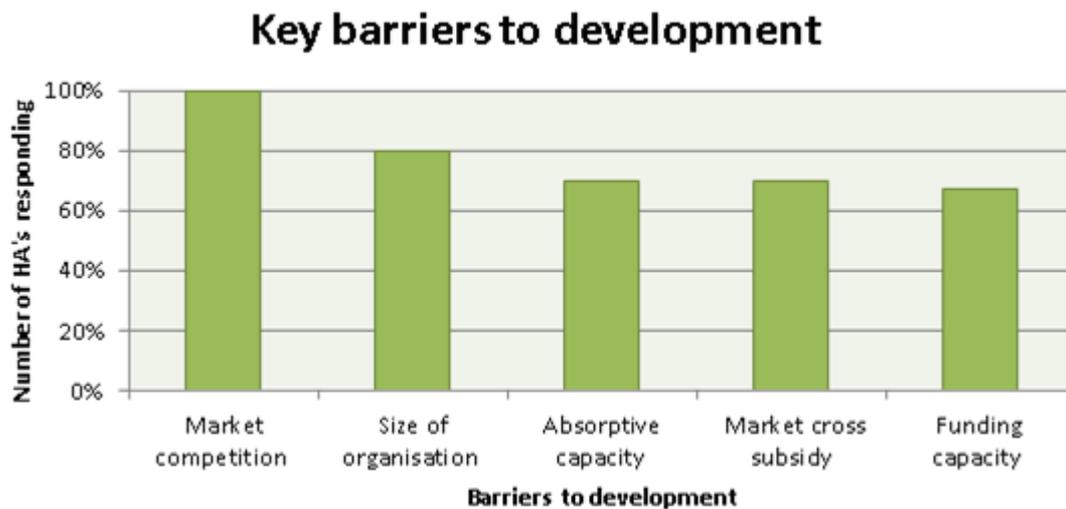


Fig 6

#### Online Survey:

- Of the respondents who have plans to develop the key barriers are cited as:
  - 10 say their organisation is too small
  - 9 say finance and development skills are too stretched
  - Around 50% say that market condition – land prices and other market players – are a barrier
  - Funding capacity was only considered an issue for 2
- Half of the online survey respondents considered that market condition was a barrier whilst this was cited by all of the interviewees
- A significantly smaller proportion (5%) of online survey respondents considers funding capacity as a restriction against those interviewed (66%).
- Size of organisation and finance and development skills being stretched are not cited by online survey respondents in as high proportions as interviewees

The differences in response may arise from interpretation which during the interviews was discussed in detail whereas online respondents made their own assumptions. There were also more organisations with over 500 homes taking part in the online survey which may affect their responses.

### 5.3 Increasing organisational development capacity

5.3.1 The vast majority of the small HA's interviewed did not immediately and automatically identify any significant skills gaps that would increase their development capacity, other than site finding.

Associations tend to be supplementing in house experience and drive with skills bought in from the private market or from other HAs, and as such do not perceive these as inhibiting development.

However, during discussions it became clear that the range of skills which are bought in offers an indication of the range of skills which are not available in house.

The development skills gaps identified by smaller associations as are shown below:

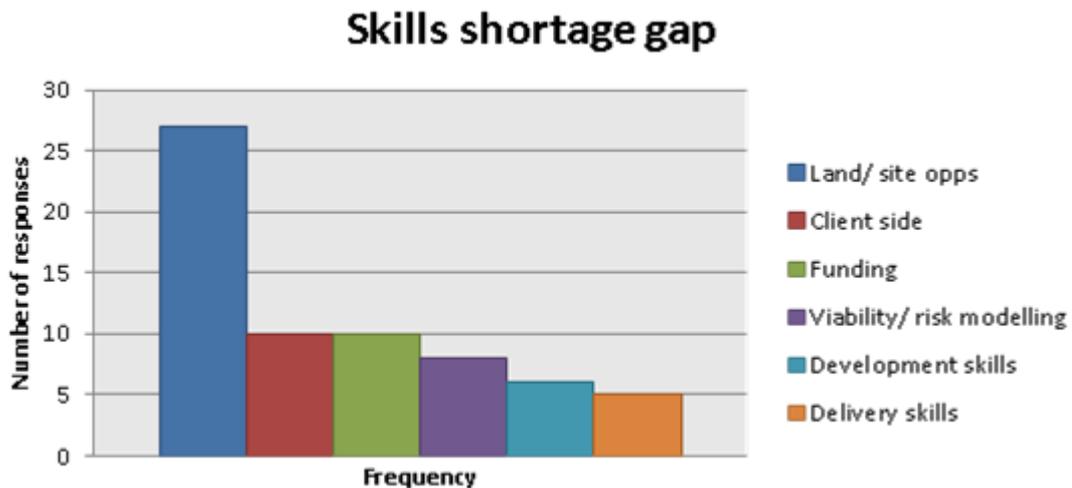


Fig 7

- Site finding and opportunities:

The biggest skill gap cited by those interviewed was site finding. For smaller associations there are particular challenges: the sites have to be suitable for small scale development at affordable and achievable costs and generally within a fairly limited geographical area. Twenty seven of the thirty small HA's interviewed cited this as an issue. Site opportunities are currently often sourced by consultants with whom the small HA has an existing relationship or from partnership with other HAs who may not wish to take the whole site or require some specialist or locally managed provision.

Finding sites of an appropriately small scale is the initial barrier. Competing in the market for these sites at prices which the market demands was the next and being able/prepared to risk funds on potentially abortive pre acquisition costs was the third.

- Securing Funding/Treasury expertise:

The spread of responses was fairly balanced with regard to the skills required for securing funding and managing the capital investment. One third of those interviewed felt that they had a gap in these skills while just over a third did not consider they have any gap. The remainder felt that it was partially missing and support and capacity building in this area from an impartial source would be beneficial.

The skills are often provided by Finance Directors and CEOs or equivalent in the Category 3 type small HAs. For those in the Category 2 type the senior executives are backed by Board members with relevant experience and qualifications. Those with a prime charitable and support focus most often have highly developed revenue fund raising skills but less in terms of capital funding for property development.

- Board Capacity:

The Board are a potential source of development expertise. Board strength with regard to development finance is considered robust by those organisations in category 3 type provision and to a lesser extent by those in class 2. Recent recruitment drives for Board members following governance reviews to comply with the NHF 9 year rule, have sought to ensure that development and treasury experience and skills are covered. The roll call of Board members amongst the small HAs in the category 3 group (primarily a housing provider) is impressive – including many finance and development Senior Executives from larger HAs across London.

In addition to the skills gaps identified by the small HAs interviewed, the role and expertise of Boards is seen to be particularly critical for smaller associations and may not be as strong as it could be, particularly when it comes to developing new homes by those not regularly in that arena. Increasing the understanding by Category 1 and 2 association boards of the availability of funding, mechanics of undertaking development and development risk for may well raise the appetite for development.

- Viability/feasibility modelling:

Of those interviewed only 8 felt that they were lacking in skills for viability modelling, two did not feel they had any gap at all. Most of the 30 interviewed buy in these skills or have some in house capacity or a combination of both. There is common use of a home grown spreadsheet or model which has been developed by a consultant/Board member or current or previous Finance executive. The Category 3 type small HAs are more likely to be using an off the shelf proprietary system.

- Development and delivery skills:

Development and delivery skills are often bought in and are less likely to be in house. The category 3 type small HAs are more likely to have senior executives who have some experience within larger HAs (including the development functions) so the incidence of in house skills amongst this group is higher. Figures 8 and 9 below show the propensity for buying in these skills.

**Online Survey:**

- 18 of the 27 with plans to develop say they have skills gaps – albeit they are already being filled by a variety of means 13 of these 18 cite land finding as a key gap
- 10 cite viability as a gap
- 7 cite delivery skills and
- 7 cite client project management as gaps

Skills gaps being filled and the proportion of developing HAs with gaps is broadly similar to the interviewees. The proportion of those online citing land finding as a key gap is aligned with the proportion of interviewees, similarly the delivery and client side project management skills gaps were, as for the interviewees, perceived to be less of an issue.

5.3.2 Addressing the skills gaps:

Buying in the skills from private consultants is the most common way of acquiring the skills that are missing or needed to top up and supplement the in house expertise. Due to the size of the organisations and scale of the development none of the organisations have a framework or panel of consultants. All have a number of trusted professionals who they have established a relationship with over a number of years. They will put some work out to tender but many sites may come with an Architect or Employers agent (EA) already linked in some way.

Development skills can be broadly categorised into three classes:

Strategic	Sets the overall direction, and parameters of scale, approach funding and delivery vehicles
Development	Takes specific schemes and works them up in terms of viability, tenure mix, planning requirements, etc. taking into account technical, financial and social constraints
Operational Delivery	Controls the on-site delivery of a project from procurement of contractors, through site supervision, to practical completion

The method of addressing any skills gaps in these areas varies:

- (i) Strategic skills are inevitably in house, periodically supported by external financial or legal experts
- (ii) Development skills are a mix of internal and external resources
- (iii) The skills associated operational delivery of developments is predominantly bought in – with 22 of the 30 interviewed buying these specialist and professional skills in from consultants. This occurs across all category of small HA.

## Development skills

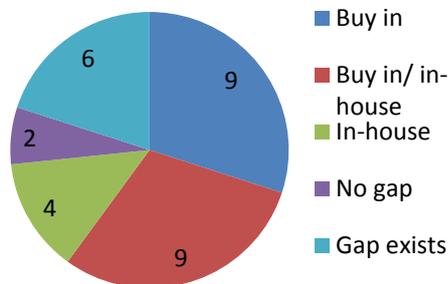


Fig 8

## Delivery skills

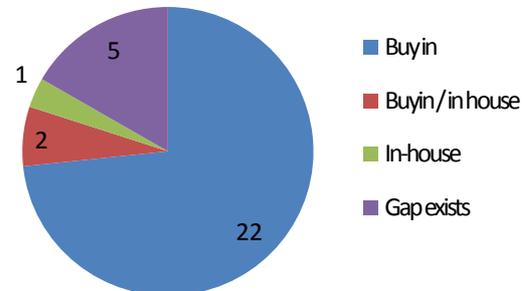


Fig 9

Whatever the degree and combination of skills bought in, the small associations still have responsibility as client to coordinate resources and drive schemes to a successful conclusion. The majority of those interviewed feel they have sufficient resources though a combination of buying in and in house resources to manage the client side. However there were still a third where client side project management was a gap. Figure 10 shows the propensity for this.

Those category 2 and 3 type organisations with senior executives with past development experience are inevitably more likely to feel confident that they can manage the projects and the consultants. Most often it is the CEO/ senior director themselves who provides this function in house.

## Client side

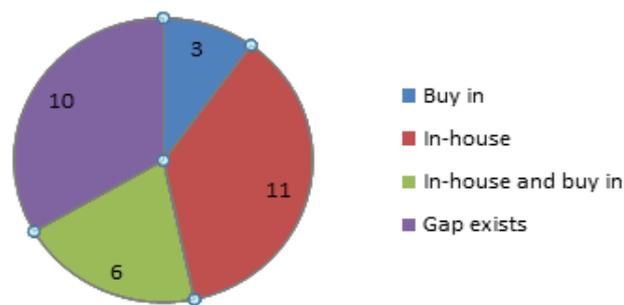


Fig 10

In addition to the in-house/buy in options for addressing the skills gaps, there are already other ways associations use, including:

- Development agency from Larger HAs
- Partnership with larger HAs who develop the site and handover completed units to the small HA
- Consortium membership
- Collaboration with other small HAs who have more experience and resources - sometimes paying a fee or providing some trade off experience/expertise

The preference for buying in skills stems from a lack of a sufficiently high and consistent development programme to justify full time internal resources. The criteria for choosing a particular source of development skills are cited as:

- Track record, professionalism and professional indemnity (PI) insurance cover
- Highly specialised skills required for some roles – e.g. Architect, Planning consultant again, demonstrable track record required
- Flexibility to provide services as and when needed to cope with peaks and troughs
- Independence
- Local knowledge
- Wider experience of the market and current practice

### 5.3.3 Working with development agencies and consortia

Working with larger HAs on a development agency basis or through consortium, arrangements offers small HAs the benefits of tapping into the skills that are lacking for development, delivery and grant compliance. This approach to development can also offer some share in risks associated with construction and often delivers completed units to the small HA at “practical completion” with very little input from them into the development and construction process.

There are some development agency arrangements that are working well, but a number of small HAs interviewed cited projects that had been procured under such arrangements where the homes were not considered to be of satisfactory quality and/or had suffered from delays and overruns in budgets.

On the other hand, there is a requirement within such arrangements for the small HA to manage the projects as a client to the larger HA or partnership. This is not necessarily a role that smaller associations have been exposed to.

A lot of the smaller associations were fiercely protective of their independence and wary of dealing with larger organisations who they consider may be overwhelming.

Smaller HAs were more comfortable with peer group consortia arrangements to help fill any capacity gaps but made the point that the consortia need strong and dedicated leadership if they are to be effective.

#### **Online survey:**

It should be noted that the base response rate at this level of the survey was very low numbers due to filtering at this point.

- Only 4 respondents expressed a preference for filling the gaps through private consultancy or larger HA development agency services
- Track record, responsiveness and value for money were considered strong factors for this preference

### 5.3.4 The L&Q offer

The majority of those interviewed had heard of the L&Q offer to the G320 group for provision of capital development match funding and development agency services. The development capital finance offer was generally not fully understood. Four associations interviewed had explored the offer with L&Q, but the funding was offered for specific sites only, the locations of which were not appropriate to the small HA provision and mission.

One association was taking advantage of the development agency service offering as a “top up” resource for the in-house development and project management skills. This appeared to be working well but had not yet been fully tried and tested – the comment was that managing the relationship seemed to be taking as much resource as carrying out the tasks in-house. The benefit was seen as a more experienced and expert helping hand to supplement the in-house resource and build capacity.

Most of the smaller associations have already established partnerships and relationships with other HAs and development consultants to fill any in-house gaps and do not see it as a gap to be filled. Additionally, the majority of those interviewed considered that the culture, mission and objectives of L&Q were not necessarily aligned with their own and felt that the small HA would be in danger of being lost in the priorities of the more commercially minded L&Q.

## 5.4 Testing the concept of a ‘delivery support team’

5.4.1 In terms of the GLA providing a delivery support team, outlined in the table below are some specific examples where smaller housing associations have attempted to increase their development capacity with a variety of approaches:

Case study example	Estimated Forward programme	Delivery mechanism	Why it works/doesn't work
<p><i>Development services via consortium</i></p> <p>Two organisations offer a good example.</p> <p>Both have been classified as Category 2 for this study.</p> <p>Organisation A has 200 homes.</p> <p>Organisation B has 260 homes.</p>	<p>A: 50 per year B: 15 per year</p>	<p>Access full range of development services via a partnership consortium of medium sized HAs with in house teams and experience.</p> <p>Client side project management is in house via Senior Executives with some experience.</p> <p>Professional consultants procured via partnership panel and independently.</p>	<p><b>Works well.</b></p> <p>Grant is accessed via partnership. Regulatory requirements e.g. IMS are handled by the partnership which have experience.</p> <p>Procurement efficiencies via partnership.</p> <p>Expertise and experience is readily available with fees capitalised into scheme costs.</p> <p>Relationships and trust is well established.</p> <p>Small HA client has in house skills to manage the relationship and contract with partnership to gain maximum benefit.</p>

<p><i>Development services via larger HA</i></p> <p>Two organisations offer a good example</p> <p>Organisation C has been classified as Category 2 for this study and has 500 homes.</p> <p>Organisation D has been classified as Category 3 for this study and has 1500 homes.</p>	<p>C: 30 per year D: 70 per year</p>	<p>Access full range of development services from a large HA. Historic relationship following previous HCA bid rounds.</p> <p>Homes handed over to smaller HA at PC. Client side project management is in house via senior executives with skills and experience.</p> <p>Professional consultants bought in through partnership and independently.</p> <p>Large HA also offers sales and marketing expertise and capacity building for management/ procedures for shared ownership and outright sales to enable cross subsidy and viability.</p>	<p><b>Works well.</b></p> <p>Previous development agency mechanism did not work well. To mitigate risk for small HA new approach now for handover of completed homes.</p> <p>Procurement efficiencies via partnership. Expertise and experience is readily available with fees capitalised into scheme costs.</p> <p>Relationships and trust is well established.</p> <p>Smaller HA client has in house skills to manage the relationship and contract with partnership to gain maximum benefit.</p>
<p><i>Development services from retained (part time) consultant</i></p> <p>One organisation offers a good example</p> <p>Organisation E has been classified as Category 3 for this study and has 720 homes.</p>	<p>E: 10-20 every other year</p>	<p>Retained services 2 days per month from private development consultancy – provide full range of services.</p> <p>Professional consultants bought in according to skills.</p> <p>Strong in house senior executives with development and finance skills and technical property officers provide client side project viability and on site management.</p>	<p><b>Works well.</b></p> <p>In house strengths with skills of senior executives and officers supplemented by buying in to fill skills and resource gaps.eg viability, pre planning, IMS, pre contract, on site delivery.</p> <p>Client side project and contract management is strong. Established and trusted relationships.</p> <p>Skills and experience now offered to other local small HAs.</p> <p><b>What did not work</b></p> <p>Previous development agency mechanism with two larger local HAs proved not to work as effectively. Small HA did not command attention or priority and as a result quality of homes delivered was poor and service was poor.</p>
<p><i>Development skills amongst senior executives</i></p>	<p>F: 15 – 20 per year</p>	<p>Strong in house development and finance skills amongst senior executives. Currently recruiting small in house</p>	<p><b>Works well.</b></p> <p>In house strengths with skills of senior executives and officers supplemented by buying in to fill skills and resource gaps.eg viability,</p>

<p>Organisation F has been classified as Category 3 for this study and has 2500 homes.</p>		<p>development team. Development accountant recruited recently. Use of larger HA procurement frameworks for OJEU consultants and contractors. Buy in additional development and professional skills as needed from private, trusted and reputable consultancies.</p>	<p>pre planning, IMS, pre contract, on site delivery. Client side project and contract management is strong. Established and trusted relationships.</p>
<p>Buy in external services as and when required</p> <p>Organisation G has been classified as Category 2 for this study and has 260 homes.</p>	<p>G: 1 per year</p>	<p>Buy in professional and development consultants as required. Trusted and established relationships with local consultants who source opportunities and offer at risk services for development pre planning on basis of retention for fee based services through contract to PC. Part time senior executive has development experience to provide client side project management but resources are time limited.</p>	<p>Has worked well in past but small scale delivery. Senior executive and Board strengths for viability and client side contract and project management. Not GLA grant funded so no regulatory compliance or IMS skills required. Relationships with consultants are established and based on trust.</p>

5.4.2 For some of the small HAs a similar approach has not worked as well. Discussions during interviews suggest that there are some common reasons:

- Previous partnerships with medium sized or large housing associations have not worked well and have led to the small HA's being wary of this delivery mechanism, particularly where ethos and mission are considered too far removed from the small HA's own aims and objectives. The experience of the small HAs is that they do not command the attention and priority focus from the larger HA development team that they feel is appropriate. This has led to delays and/or poor quality homes being delivered. Relationships and trust break down as a result.
- For all categories of small HA the in house development experience and skills tends to be provided by one or more Senior Executives, typically the CEO or Finance Director. Category 1 type providers are less likely to have these development experience and skills in house. The senior team for these associations is focussed on the care and support services. This limits their capacity to provide effective client side project management.

#### 5.4.3 Support amongst small HAs for the idea of a GLA 'delivery support team':

Seven of the 30 interviewed would consider using a GLA 'delivery support team' given the costs of the service were on an equal basis to current market provision. All seven were category 1 and 2 type organisations which were open to supporting this team but also suggested that they were keen to foster a better relationship anyway with the GLA and had limited or no previous experience of how it worked.

A further eleven suggested they were not keen on the idea of this being provided by the GLA and twelve responded clearly they would not support this. These were mainly in the category 2 & 3 type small HAs who have a property focus and experience of grant funding. Their experience of the GLA and HCA grant regime and the perceived burden of bureaucracy was a factor affecting their response.

The reasons cited for being against were:

- No GLA track record in the range of skills and professional expertise required
- No need to duplicate what they can already buy in
- As funder and policy maker – concern that they would be too close to the organisation and that GLA targets would drive delivery rather than the organisation's aims
- GLA not known for its speed and delays would hamper delivery
- They anticipate bureaucracy would be a heavy burden and too costly in resources required to access the service

Those who considered they would support such a team cited the reasons as being:

- The GLA has the same aims for housing across London so it's a natural fit
- The hope would be that a better, closer relationship would bring better chance of securing grant funding
- The GLA strategic pan London perspective would be of value

#### **Online Survey:**

- 14 respondents selected GLA as a potential provider of services - shared objectives being the strongest reason
- 12 respondents suggested that the GLA was not the preference because of being a large organisation not adding any value, being too distant and no track record

39% of online respondents selected GLA as a potential provider of services which is higher than the interviewees suggesting a more positive attitude to the GLA amongst those who completed the online survey. There is no obvious explanation although emphasis was placed on the facilitating role. The reasons cited for GLA preference and non preference were aligned with the reasons cited by interviewees.

#### 5.4.4 What should the GLA and a support team focus on?

Whilst, on balance, support for the idea of a GLA 'delivery support team' was not significant, those interviewed offered suggestions for a range of support they considered would be valuable in assisting them deliver development programmes. Rather than focus on specific development skills (which can be sourced elsewhere) the support required from the GLA stems from their position as a regional body and their ability to coordinate and facilitate. Specific areas where the GLA could provide support are contained in section 8.

**Online Survey:**

- 17 of the online respondents see the GLA as having a role in providing initial informal advice for development
- 16 of the online respondents see the GLA as having a role acting as an intermediary professional adviser to the association to broker new partnering or commissioning arrangements

The proportions of the online survey responses broadly aligned to the interviewee responses. The focus was primarily on the facilitating and broker role – albeit it should be noted that not all respondents answered this question.

## The London Boroughs

## 6. The London boroughs

### 6.1 Profile of the borough interviewees

#### 6.1.1 Stock Holding

The stockholding profile of the sixteen boroughs interviewed together with the five survey respondents is shown below.

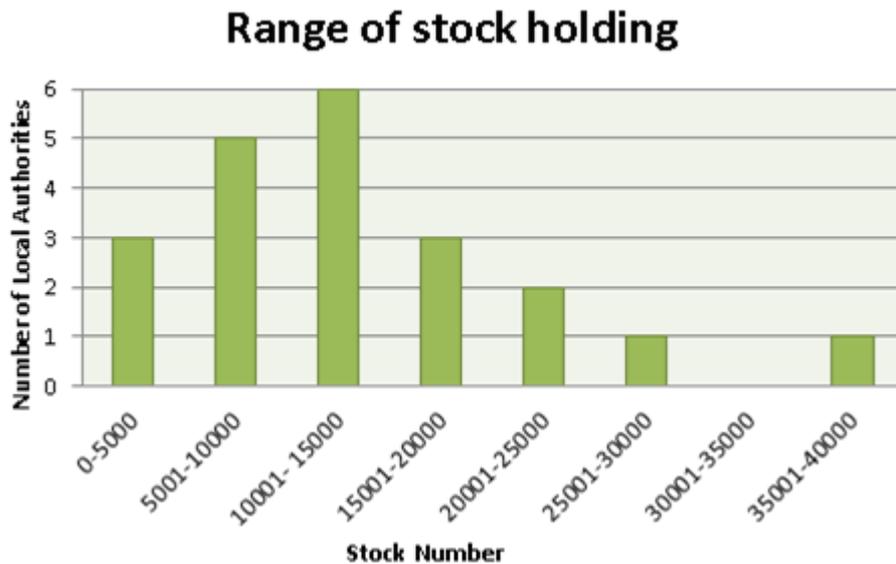
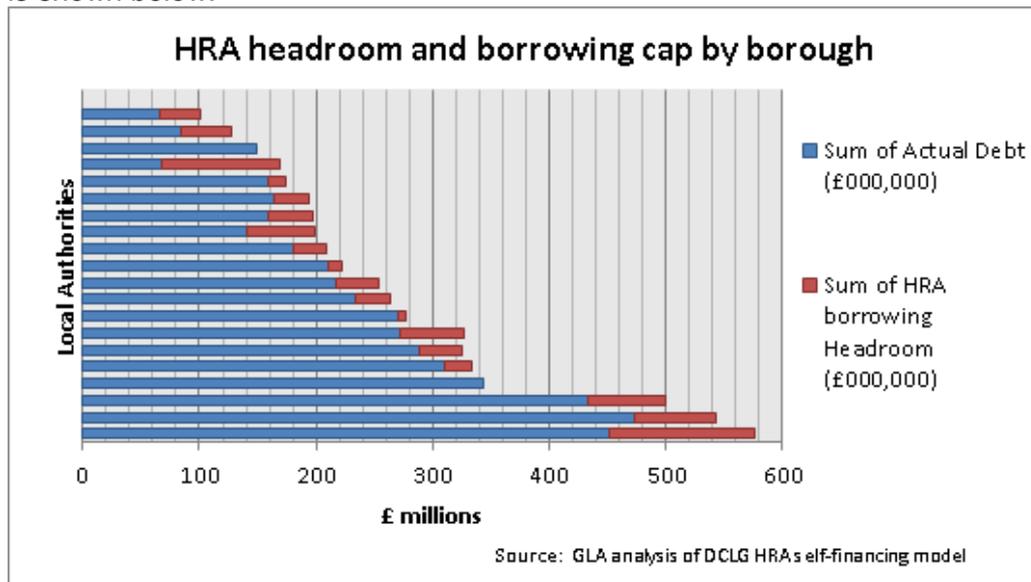


Fig 11

#### 6.1.2 HRA headroom and financial status

The base position of the councils either interviewed or responding to questionnaires is shown below:



## 6.2 Perceptions of barriers to delivery

### 6.2.1 General context for the Boroughs

Sixteen London boroughs were interviewed and of the remaining seventeen, five responded to questionnaires. The total represents 64 % of all London councils.

Beyond resources, each borough has a variety of influences impacting on their development capacity and programme, namely:

- Land holding
- Political complexion
- Rent and land values
- Leaseholder profile
- Number of properties owned
- Internal structures/resources
- Stock profile and condition
- HRA headroom
- ALMO
- Attitude to risk

A variation in approach, choice of delivery vehicle and pace between boroughs is therefore inevitable, a single solution or expectation is both undesirable and inappropriate.

### 6.2.2 Current and future delivery plans

Without exception, all the stock holding councils had a policy to build new homes and the officers we interviewed were enthusiastic about the prospect. The range of aspirations for the next three years (interviewees and survey) is shown below:

### Three year development target

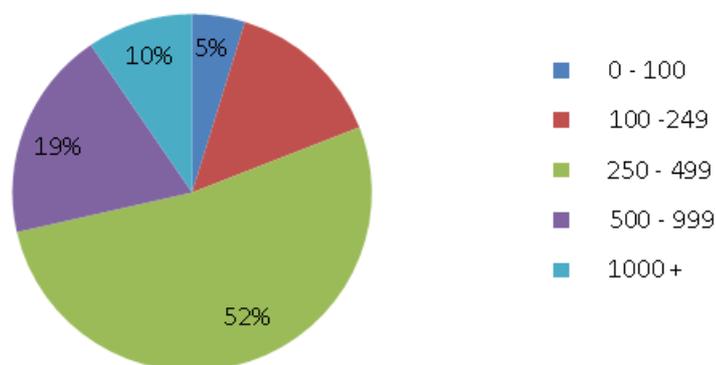


Fig 13

As can be seen, the majority of boroughs fell in the 250 to 499 range for the three years. This effectively means that they are setting targets of around a hundred homes per annum.

In terms of maximising development opportunities for those boroughs with development underway, there was no evidence of a lack of ambition either in relation to scale or progress. On the contrary the approach being taken by boroughs is to find solutions to barriers impeding progress.

### 6.2.3 Characteristics of current delivery plans

The aim for most local boroughs is not simply to increase their stock numbers but optimisation of their land and property assets - for two boroughs with particularly high development aspirations this extended to economic regeneration of the wider community.

The vast majority of development is, therefore, on council owned land be it 'hidden homes' infill sites or regeneration schemes. In the context of pace, scale of development and scheme viability this is a major influencing factor.

Land is the raw material of development and operating with what is, effectively, your own land bank, enhances both scheme viability and control. Conversely, for the boroughs, this inevitably means the schemes are either small infill sites or part of regeneration projects.

Small sites are difficult to manage, unattractive to constructors and inevitably require extensive local consultation. Similarly, regeneration schemes impact significantly on the local community, need widespread stakeholder engagement and have the added complication of pepper potted leaseholders - who can impact significantly on scheme cost and viability.

Consequently, whilst working on owned land is beneficial, the nature of the sites can mean the development process becomes protracted.

In the medium term, the aspirations of at least two of the boroughs interviewed extend beyond the capacity of their own sites. At that point the risk profile changes and there are serious questions about boroughs being able to compete in the open market or react quickly enough to secure sufficient land to meet their aspirations.

If the development opportunities are increasingly on open market sites, boroughs will not be able to competitively bid for land without subsidy; either from grant or from cross subsidy through mixed tenure or open market sales. With limited exposure in some local authorities of the open market rented or sale arena, the risk profile will cause local authorities to gravitate towards a Joint Venture solution – the issues then become, does market optimisation or risk mitigation warrant the potential loss of units to a partner developer?

The question also needs to be asked, under what circumstances are boroughs better placed than RPs to provide homes on open market land?

#### 6.2.4 Key Barriers to delivery

Local authorities were asked whether they felt development was progressing in line with expectations or whether it could be accelerated. All but one of those interviewed and two from the on line survey said they were progressing in line with expectations. Whilst the majority felt that they were progressing in line with expectations; they nonetheless cited a number of risk areas or inhibiting factors.

There was a remarkable consistency in the perceived barriers (across both interviewees and the on line survey).

- Politics – top of the list of critical success factors was political endorsement. The political complexion of a council is subject to change – this brings uncertainty and the possibility of support for in-house development waning.
- Finance – generally this is not perceived as a barrier albeit there are some local authorities who have not been as widely exposed as others to the schemes and opportunities that exist. Constraints over use of right to buy receipts were repeatedly raised as an issue.
- The general approach to funding development at the currently predicted levels is with a combination of right to buy and other capital receipts, HRA reserves and grant – prudential borrowing was limited albeit for those undertaking larger scale regeneration, sources such as the EIB and PWLB were used. The use of SPV leaseback type arrangements as sources of off balance sheet funding appeared to be in decline given the perceived risks of rent guarantees in an unpredictable market.
- Bureaucracy – whilst every organisation has its governance requirements, a local authority, has, quite rightly, additional checks and balances. When dealing with owned land this slows rather than subverts the process. If the local authorities have aspirations to compete for land in the open market the pace of these processes may inhibit success.
- It was notable that only one of the London boroughs interviewed cited lack of development or operational skills as a major constraint on development (and they were in the early stages of development). All others felt there was sufficient capacity in-house or available from the market place to meet their requirements. Notwithstanding this, improvement in the housing market and the exceptionally high development targets some of the London RPs are required to achieve, is going to place increasing pressure on these skill sets – making them increasingly expensive and potentially difficult to acquire.
- Scheme viability – this is regularly perceived as a constraint on development. In particular the increasing cost of construction is causing concern. Suggestions that the cost base has moved 10 -15% in the last year make even schemes with “free” land challenging and may well necessitate a change in tenure mix – moving local boroughs into market orientated areas they are not currently familiar with managing.

- Land acquisition and assembly – within the context of the current programmes land is not an issue given that development is projected to be on owned sites or joint ventures. However, this will become a major constraint once internal resources expire. Some boroughs are not equipped for land acquisition or assembly either in terms of skills or the capacity to make decisions in the timescales that operating in a competitive market demands.
- Resident and community engagement – working on existing or infill sites necessitates extensive community engagement, decanting and potentially CPO activity. All these slow development and risk scheme viability as costs rise over time.
- Market awareness: Boroughs have not been widely exposed to open market, shared equity or market rent. With these tenures necessary for scheme viability on open market land there is a shortage of expertise. Where there has previously been a significant proportion of open market activity required, the approach has been to undertake “joint ventures” with constructors or RPs which take or share the development risk.
- Planning – Where RPs or developers apply for planning they have the scope to negotiate with Planners, robustly challenge viability and make the case to reduce some of the obligations. In terms of in-house applications challenging Planning with the same rigour becomes more difficult. Planning, understandably, is obliged to eliminate any claims of preference, concession or precedent setting - anecdotally this is making in-house scheme viability more challenging.
- Treasury management expertise; whilst all boroughs suggested they had adequate Treasury Management skills, and a number have already evidenced this through innovative schemes, there is a sense of “learning on the job.” HRA reforms and the ability to plan for the longer term (rather than work round an annual allocation) is relatively new, as are the host of SPVs and funding schemes available. What was notable from the research was the absence of pooled knowledge – each borough was, to some extent, re-inventing the wheel.

- The impact of right to buy on stock levels, funding and regeneration capacity is material and varied widely across authorities interviewed and responding to questionnaires.



Fig 14

The number and value of “right to buys” impacts on development capacity in a number of ways, firstly the receipts being available to subsidise the development programme, secondly the stock loss itself and thirdly the constraining and cost impact leaseholders have on regeneration schemes.

Restrictions on the use of Right to buy receipts were repeatedly raised as a constraint on development.

### 6.3 Increasing organisational development capacity

#### 6.3.1 Skills Shortages – as previously (5.3.2), we have characterised the elements of development under three skill sets –*Strategic –Development – Operational Delivery*:

Whilst there is inevitably some overlap, this distinction is important. Not only are the skill sets different but they operate in different timeframes and some are much easier to source than others.

In terms of how skill sets are currently sourced within the participating London boroughs it is:

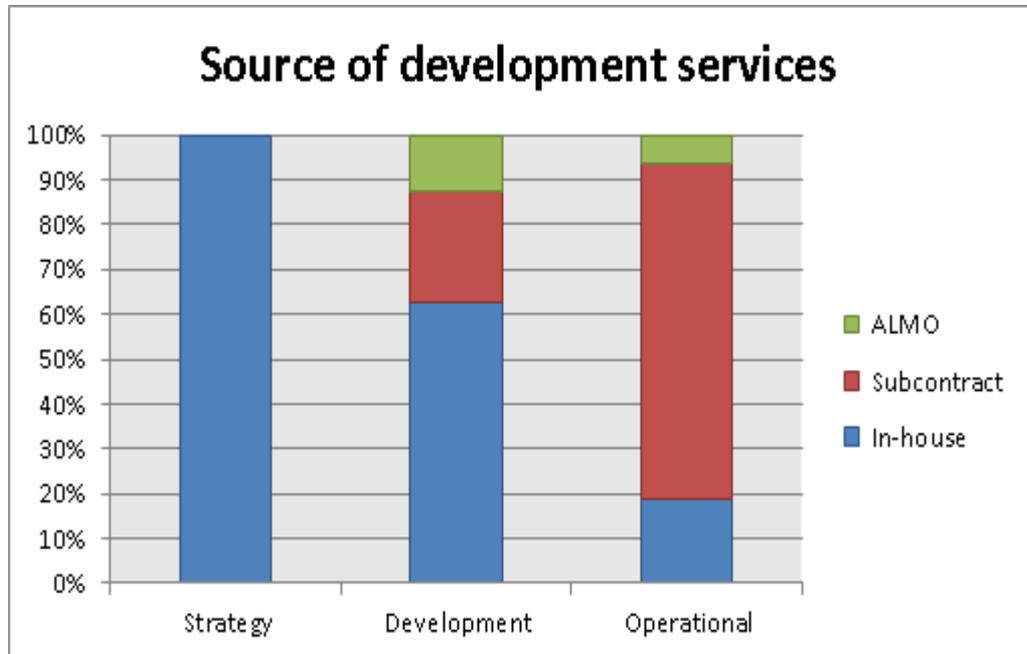


Fig 15

Whilst all the boroughs will bring in outside resources to supplement skills or knowledge gaps, they generally follow a similar pattern in terms of a strong preference for maintaining the strategic and core development functions in-house - whilst sub-contracting the operational delivery (controlled by in-house client side project management)

Most boroughs highlighted skills gaps but these were not seen as a major constraint on development activity given they could be sourced elsewhere.

The smaller infill sites have provided an excellent learning platform and it is with these that a lot of the councils are honing their in-house development skills.

### 6.3.2 Addressing skills shortages

There are essentially three approaches open to the boroughs to remedy skills gaps:

- recruitment/training
- development agency
- consultancy

Twenty five percent of the boroughs interviewed commented that public sector housing development experience was a key requirement that could not readily be secured through private firms - underscoring their preference for in-house resources.

The general consensus therefore, is that in-house provision of skills is the preferred route. This allows the sensitivities of the individual borough to be controlled in house - be they political, social or impact on residents.

Without a steady and substantial development programme it is not practical to cover all the disciplines all the time. It is therefore essential to have resources that can be brought in at short notice – this is generally achieved by local authorities tapping into “public” or their own procurement frameworks .

The other regular source of skills is joint venture partners. In instances where there is a significant open market component or developer risk, such schemes are inevitably undertaken with a constructor partner - constructor/developer partners bring with them a battery of development skills.

In short, there is no absence of sources for the borough to access in order to address a skills or capacity gap.

### 6.3.3 Attitude to risk

We did not interview any Members directly, however, the indication from officers was that they were enthusiastic and supportive - a vital component to successful development programme. Senior officers were equally enthusiastic.

With the exception of one borough all others declared an intention to develop across the tenures, including open market sales and/or private sector rented. Willingness to take a developer risk has not yet been fully tested given forays into the market are generally being undertaken with JV developer partners.

There are demonstrations of some financial risk taking where local authorities have been willing to “pump prime” development by funding up front technical and legal investigations – (such potentially abortive and significant investment will be an increasing requirement if local authorities are to compete for land in the open market) and by entering into SPV arrangement where the return has to be underwritten. However, examples of boroughs currently taking out and out market sale cross subsidy risks are rare.

### 6.3.4 Unlocking landholding for development

This is fundamental to optimising development capacity. It is undoubtedly the case that the majority of councils have been through the exercise of identifying ‘hidden homes’ within their land holdings and this, coupled with regeneration of selected estates forms the basis of the current development programmes. Two authorities have looked beyond their own landholding to create wider regeneration opportunities.

Given the overwhelming and understandable focus is currently on land within their ownership, land finding and assembly is not generally a skill that been tested for any of the authorities.

Accepting there are advantages to building on your own land, authorities should optimise their own asset base before competing in the open market. Authorities have “active asset management” modelling underway to identify underperforming stock and development opportunities, however approaches differ.

As the in-house opportunities become exhausted land assemble and acquisition is going to become pivotal to sustained growth. Given the length of development cycles, strategic land assembly/options should be on the agenda to identify and secure new opportunities - possibly by the application of CPO powers.

#### 6.3.5 Adding value

There is little added value in the boroughs undertaking construction projects if they would have been developed with a S106 element or by RPs anyway – the key for boroughs is ‘additionality’. To have the local authority competing with local RPs for land is counter-productive. Councils should be looking to unlock opportunities that RPs are unable to. This requires a comprehensive understanding of the land holdings and ownership within the borough and a willingness to exercise statutory powers.

#### 6.3.6 Enabling the capacity of smaller RPs

Landholdings and smaller RPs – With their own building targets, there was an understandable reluctance by the boroughs interviewed to release land, even in exchange for nomination rights, to small RPs unless a ‘special needs’ requirement existed. This shift in approach is clearly going to have a knock-on effect on the smaller RPs ability to increase their development capacity.

### 6.3.7 Working in partnership

Examples of boroughs attempting to increase their development capacity by working in partnership with each other or in partnership with other bodies tend to be driven by circumstance, broadly, where there is:

- Limited or no borrowing capacity - Special purpose vehicle (SPV) in partnership with a funding agency and developer
- High element of cross subsidy required from open market sale or private sector rental (i.e. development risk) - joint venture partnership with developer

There are examples of boroughs exchanging best practice, ideas, development models and approaches but this is generally unstructured and on an informal basis

We found no examples of cross borough development operations.

## 6.4 Testing the concept of a GLA delivery support team for London boroughs

- 6.4.1 The research did not highlight lack of available resources as a particularly inhibiting factor and consequently it is not perceived that the GLA had a contribution to make to development capacity by creating a “delivery support” team.

At the operational end of development there was little appetite from the boroughs for GLA intervention. The required expertise is either already in-house or readily sourced from existing frameworks or from local consultancy practices.

There were limited suggestions (from three boroughs) that access to development project managers with sound understanding of local authority working would prove beneficial. However, this was tempered with reservations that the GLA may not be able to consistently deliver. The online responses indicated slightly more acceptance of the GLA as a source of services.

None of the boroughs interviewed saw the GLA as a primary source of development support. They would be considered, along with other providers, by seven of the boroughs interviewed on the grounds of value for money. For the remaining nine they were not considered an appropriate provider.

The principal reasons cited for being reluctant to use the GLA were:

- Lack of a track record
- Previous experience had not shown the GLA to be particularly responsive
- The overlap of service provider and funder

The GLAs role was seen as more strategic, promoting collaboration and acting as a conduit for ideas.

Given the response and the intermittent demand for services, the GLA would be very hard pressed to make a business case for introducing a delivery support team.

## 7. Conclusions

### 7.1 From the small housing association perspective

#### 7.1.1 Perceptions of barriers to delivery

##### **Overview**

The perception and treatment of small housing associations as a homogeneous group is an over simplification. Barriers to delivery vary widely but an underlying theme is the ability of the organisations to compete in the open market for suitably sized sites. Unless organisations are prepared to take commercial risk or raise rents – which may be inconsistent with their aims and purpose, viability will remain a challenge.

- Evidence from the interviews and the online survey indicates that the majority of small HAs do have an appetite for development and aspire to grow the number of homes in their ownership.
- The particular mission and purpose of a small HA influences the capacity for development and can present real barriers for delivery:
  - Those with a limited or nil asset base face barriers relating mostly to funding capacity and development must first be focussed on acquiring asset interests which can facilitate future development capital borrowing
  - Those with a closely defined purpose and niche provision face barriers to the viability of schemes as cross subsidy via income from sales, affordable and market rents does not align with missions and objectives
- Evidence from this study indicates that the scale of development is limited across the majority of Small HAs and their capacity to make an additional contribution to London wide delivery targets must be considered proportionately.
- Whilst the majority of small HAs included in this study have declared ambitions for delivering new homes only three HAs in this study have set actual targets for development.
- Development scale is limited by the following factors:
  - The size of the stock ownership as an asset base to borrow against
  - Those with less than 300 units are more likely to have part time resources including senior executives who have limited time to allocate to development
  - Identifying sites and opportunities at an appropriate scale
  - Access to preferential funding arrangements
  - All of those interviewed suggest that the scale of development must be appropriate for the association's mission, the available resources for development and for absorption into future management

- The interviews, in particular, identified that some of the Small HAs in the study are currently seeking to deliver additional homes by “exercising” their existing assets by maximising existing land, conversion opportunities and from rationalisation and reinvestment. Inevitably this focusses on high value areas. Understanding by the smaller HAs of existing asset potential needs to be better.

### 7.1.2 Increasing organisational development capacity

**Overview:**

Leadership of the small HA is a critical component of the ability to realise the organisation’s potential to deliver increased number of additional homes. The experience, expertise and ambitions of the senior executives must be complemented by the experience and aspirations of the Board if capacity to deliver is to be increased

- The associations interviewed with the most ambitious development programmes and on a relatively larger scale have a combination of
  - In-house experience and skills amongst senior executives to manage the process;
  - an asset base to borrow against and to provide existing opportunities;
  - a strategy which embraces cross subsidy from shared ownership / outright sales/ commercial ventures

This model appears to offer potential for increasing organisations’ development capacity. However, the diverse range of class of provision, mission and characteristics of the small HAs identified in this study suggests that there is no one size fits all. Any GLA support for increasing capacity must offer a range of support with flexibility for bespoke services.

- The Boards of the Small HAs in category 1 type provision, and to some extent those in category 2, are less likely to have an appreciation of the implications of funding and procurement and potential for alternative delivery. These Board members’ skills are stronger in the areas of support, care and charitable revenue fund raising. Increasing capacity of the leadership of some small HAs could be a key to opening up further potential for delivery – albeit on a relatively small scale.
- For those with less stock, typically under 300, it is not so much a skills gap that has been identified as a resource gap. These associations often have part time staff teams, including the CEO or Director. The part time nature of the role does not allow ‘thinking time’ to develop knowledge of the market and best practice and the day job of managing the existing homes and client needs consumes the working hours.
- Only three of the associations had set definite targets, the remainder adopt an opportunity led strategy.
- Evidence from this study indicates that accessing appropriate finance and to the most competitive arrangements contributes to the limited capacity to increase delivery. This mainly applies to those in category of provision 1 and 2 and is partly due to a lack of market knowledge and skills and partly due to the lack of volume for development potential as bargaining power.

### 7.1.3 Testing the concept of a 'delivery support team'

**Overview:**

The evidence from this study suggests that Small HAs would not be likely to seek assistance from a GLA 'delivery support team'. The majority of those interviewed and who responded to the online survey did not favour this option. However, they were forthcoming in a number of other areas where they felt that capacity could be increased by the GLA recognising and treating smaller organisations as a distinct group (recognising also the different nature of some of the organisations within that group).

- The study suggests that whilst small HAs recognise there are certain skills that are necessary for development delivery there is not a perceived skills gap given available alternative arrangements to supplement any in-house deficiencies.

The 'gaps' are filled by buying in services from private development consultants and working with larger HAs as development agents or in partnerships and consortiums.

- There was a widely expressed view that a GLA "delivery support team" would not offer a suitable track record and would not offer added value over what is already available on the market. Further, it should be recognised that local employer's agents/architects are a source of potential sites for smaller RPs and hence the relationship is encouraged.
- There was, however, opinion amongst the organisations included in this study that there is a wider role for the GLA in supporting small HAs to deliver and secure their development ambitions, albeit numbers may still remain small in the overall context of affordable housing delivery.
- A shopping list of ideas for support that would facilitate small HAs development delivery has been identified from this study. The support requirements fall broadly into two categories: enhancing strategic capacity and practical delivery interventions. These have been included in section 8.
- The prospect of collaboration between similar organisations was popular, however, it was pointed out that collaboration needs to be continually promoted and requires a champion to encourage engagement.

## 7.2 From the London boroughs perspective

### 7.2.1 Perceptions of barriers to delivery

**Overview:**

Barriers to overcoming, increasing or accelerating development do not generally stem from a lack of skills, experience, funding or enthusiasm but from restricting development to land in the boroughs ownership. This brings with it viability advantages but procedural and consultation requirements that constrain pace

- The boroughs have wholeheartedly adopted new building programmes and in the vast majority of cases have solid political support.
- Since the development activity is almost universally confined to borough owned land we can safely conclude that for the medium term land assembly is not a current barrier for the great majority. However, moving forward the ability of boroughs to acquire land on the open market will be a major issue.
- Individual scheme progress requires the boroughs to undertake extensive consultative processes and procedures with tenants, lessees and local communities and to satisfy scrutiny processes. It is acknowledged that this is a practical constraint to the speed of development but is a necessary part of estate renewal and neighbourhood regeneration. This is a barrier to the speed of development commonly experienced.
- Most boroughs have adequate access to capital funds for their planned development programmes. A considerable number have headroom within the HRA and access to sizeable capital receipts. A minority have borrowing constraints which presents a barrier but in those instances boroughs have pursued SPV or JV arrangements or have these under consideration. The expectation is that these barriers to delivery will be overcome. We can safely conclude that access to capital funds is not a significant barrier to development at the moment.
- Overall, the majority of boroughs have new build programmes which suitably reflect their building requirements and objectives for achieving sustainable communities and developments. With the occasional exception, boroughs have tailored mixed tenure objectives and targets across all new housebuilding with agreed development programmes with major RPs in their borough for affordable housing delivery.
- Given the understandable constraint of building on their own land we have concluded that borough building programmes are of an appropriate scale in relation to local circumstances.

- Increased scale of building can only come from accelerating regeneration programmes or by extending into the open market, both of which present barriers. Authorities should optimise their own asset base before competing in the open market by:
  - Addressing the requirement to have a comprehensive asset register
  - Understanding how their stock is performing and identifying under-performing assets
  - Undertaking option appraisals on all under-performing schemes
  - Promoting collaboration across asset holding departments, giving housing first opportunity to acquire land either by funding or by demonstrating that construction provides added value to the authority in different ways (e.g. by reducing the bed and breakfast bill)
- The great majority of boroughs cite a challenging external market environment in relation to land values. Whilst these constraints are seen as longer term, land identification and acquisition needs to be started well in advance of when it is required. Rising construction costs are seen as a potential barrier to viability even on their own land.
- The barriers to delivery most cited by the boroughs arise from the practical development process they commonly experience around approval and consultation. They are not based on perceptions but on the reality of development processes within a local government environment.

### 7.2.1 Increasing *organisational development capacity*

**Overview:** Recruitment of core staff supplemented by access to additional support from outside agencies is by far the preferred approach. Across the three strands of development - *strategic, development and operational* - “strategic” is always undertaken in house and “operational” usually outsourced. Resources are available from a variety of sources and as such the ability to increase capacity is not perceived as a barrier to development.

- Most of the London boroughs have in-house the necessary development skills, expertise and experience. This is supplemented when required with very particular expertise from outside.
- Other boroughs may have smaller teams and less in-house expertise but they are used to procuring necessary skillsets which are readily available from professional firms and consultancies.
- The great majority of boroughs have more than sufficient treasury expertise with effective and knowledgeable financial advice available in-house with assigned housing finance experts, sometimes seconded part time to housing and regeneration departments. There were too, a number of examples of finance colleagues utilising specialist external finance and legal advisers, in relation to the formulation of SPVs and validating viability studies, but no evidence of a shortage of understanding and

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relevant expertise within finance departments in relation to funding models and sources.

- The response to questioning around corporate support, expertise and collaboration generally revealed high levels of inter-departmental cooperation and corporate leadership commensurate with the political and strategic priority being given to the development agenda. In a number of cases new departments are being assembled and new high level responsibilities being assigned to housing professionals to reflect the corporate priority being given to the housing development and regeneration.
- When probed, we had a mixed response to whether boroughs had enough CPO experience and we have concluded that it is not an immediate impediment but may impact upon future development programmes where land assembly is required.
- There also was no evidence of planning powers being a limiting factor in land assembly – though we have noted that for most boroughs this is not yet a required aspect of new development.
- There was no evidence amongst the boroughs that politicians or senior managers were constrained by a risk adverse approach. There is evidence that decision makers are adopting ambitious approaches to development and providing effective leadership and backing to operational managers. We have concluded that the assessment of risk is not an impediment to present borough building programmes but accept that when dealing with development on your own land the risks are narrowed.

### 7.2.3 Testing the concept of a ‘delivery support team’

**Overview:** There is no effective demand from the boroughs for the services of a specialist GLA development delivery support team. There is however support for the GLA to operate at a strategic level and there was some interest in a high level ‘mentoring’ or ‘marriage brokering” expertise and ideas interchange. There was universal support for the GLA to take an active role in land assembly and promoting the housing priority to national government.

- At present there are good examples of capacity being increased through individual innovative approaches. There also is a degree of sharing good practice across some boroughs and some limited interest in cross borough collaborations but no current examples of inter-borough development operations.
- One borough commented that there was a potential match between on the one hand capital sourcing capabilities/capacity in one borough and on the other hand development needs and opportunities in another. They felt that such ‘matching’ was perhaps more of a matter for GLA facilitation than for the individual boroughs to pursue.
- A few boroughs commented that a potential role for the GLA was to facilitate cross-borough working and the sharing of best practice.

- There was general comment that the GLA perhaps understood less well than it should the particular circumstances of individual boroughs and risked distancing itself from borough concerns to the detriment of effective regional policy and coordination.
- On the other hand most boroughs considered that the GLA had regional roles including facilitating development by small housing associations, sharing good development practice and possibly acting as a sort of ‘clearing house’ for development opportunities.
- Boroughs also queried why the GLA did not seem to facilitate access to TFL and other members of the GLA ‘family’ in order to assist development.
- In addition, boroughs expressing some interest also cautioned that any GLA service on offer would need to provide some additionality over commercial providers.
- Competing with RPs is an issue. Once boroughs step beyond their own land holding how do they ensure “additionality”? If the borough’s intervention serves only to increase competition for land which would have gone to an RP anyway or would be available through the S106 process then it fails to increase housing supply. Is there a role for the GLA in ensuring this does not occur?

### 7.3 Conclusions Overview

The ultimate goal for an intervention by the GLA or other body is to increase the supply of London’s housing stock. For the smaller housing associations, earlier research indicated that, for the participating G320 members, there is the financial capacity to produce 5,500 homes in ten years; rising to 15,000 if the results were extrapolated across all G320 members. Our research supports the conclusion that there is both capacity and desire, however, the practicalities of delivery and varying drivers of the smaller associations are such that we believe this number is over ambitious. The “bigger smalls” generally already have development plans underway and a skills resource available to them, hence, intervention is only going to increase supply from the specialist associations - and this is likely to be in the hundreds rather than the thousands.

The smaller housing associations have an important role to play in the London housing market and the specialist nature of the services they provide should be promoted. Whether delivered by the GLA or others, raising the understanding of Boards and senior executives in the development process, funding opportunities and models, procurement, asset management and partnership working would build capacity. Enthusiasm for collaboration and shared services on development was strong and there may be appetite for more groupings like the North London Alliance.

The situation with the Boroughs is more complex – they are all starting from different points with varying land and financial resources, skills, political complexion and drivers. It is virtually impossible to benchmark one with another in any meaningful way to establish “appropriate” rates of development. Comparison with RPs is equally inappropriate. These differences in starting position have spawned a multitude of funding and development innovations. What is common however is the commitment to development and the focus on building on their own land. The focus on owned land

inevitably means that that the pace of development is constrained by the need to settle the interests of residential occupiers and other community interests.

All the Boroughs interviewed or responding to the questionnaire had access to either in-house or external development resources. Demand for a central support team is therefore likely to be low and sporadic.

Any meaningful intervention needs to be at a strategic level, generating land opportunities, raising awareness of funding models or promoting effective modelling to identify under-performing existing assets and development opportunities amongst the boroughs own stock.

The “elephant in the room” for the Boroughs remains - once their own land supply has been exhausted through development and regeneration, how do Boroughs ensure that they complement rather than compete with RPs – and create new opportunities that actually increase overall housing supply

## 8.0 Suggested actions for the GLA to consider

The recommendations are based on the requirements highlighted by the smaller associations and Boroughs and fall into two broad areas of support: Strategic and Practical Delivery. The perception from the research is that neither boroughs nor smaller associations perceive the availability of a “delivery support team” as pivotal to increasing their development capacity. They do however see the GLA, as a pan London authority, having a crucial role as facilitator, adviser, coordinator and promoter of good practice.

### 8.1 Key recommendations in relation to Smaller Housing Associations

**In relation to strategic support the recommendations are:**

- 1. The GLA should review the nature of its relationships with the small HAs with a view to practically improving mutual understanding of respective roles, opportunities and constraints.**

The study found that there is a diverse range of provision and mission as well as size amongst the small HAs and that this diversity plays a big part in the capacity for the delivery of new homes. There was a perception amongst interviewees that the GLA had no real understanding of smaller HAs, nor did they in turn understand the operation of the GLA.

In practice the GLA may consider support by introducing:

- A dedicated partnership manager for Small HAs in addition to area teams at GLA to understand the diversity of issues and mission
- Greater freedoms and exclusivity for small HAs in terms of requirements for tenure and cross subsidy to deliver mission. Taking grant was likened to ‘taking the Queen’s Shilling’ – it comes at a price which can conflict with organisation mission and niche provision.

- 2. The GLA should review its scope to proactively coordinate the assembly of smaller plots of development land to support Small HA development at an appropriate scale.**

In practice the GLA may consider delivering this via:

- A GLA strategic overview of suitable sites for smaller scale development e.g. Section 106 opportunities. Almost all of the Small HAs called for more strategic matching of site opportunities to Small HAs to reduce competition inefficiencies. A mapping exercise to identify small sites with potential and a ‘clearing house’ for matching housing associations to sites and to development partnership opportunities. This would open up the market to a significant number of the small HAs and allow them to contribute at a scale that fits more comfortably with their mission and resource capacity.

**3. The GLA should consider how it might strengthen the sharing of 'best practice', market intelligence, commercial expertise and decision-making and innovative development approaches in order to better inform and support Small HA development programmes.**

In practice the GLA may consider delivering this via:

- More wide spread sharing of best practice and development of relationships to expose what is being achieved and help develop capacity in-house – through seminars, briefings, roadshows
- Investment in the coordination of G320 to achieve greater networking and sharing of practical solutions for small HAs appropriate to class of provision and mission

**4. The GLA, as a pan London Authority should review how it can facilitate the strengthening of relationships between the London Boroughs and Small HAs with a view to embedding small HAs as critical contributors to development and community sustainability.**

In practice the GLA may consider delivering this via:

- Strategic coordination of London Boroughs approach and priority for small HAs in terms of planning and support for development
- Strategic coordination and support for small HAs during decanting of existing accommodation which is part of asset management strategies to ultimately develop additional homes
- Assistance in sign posting relevant and key personnel at London boroughs in terms of planning and enabling and encouragement and incentives for engagement with Small HAs

**5. The GLA should work with the HCA to consider a review of the regulatory requirements for Small HAs who utilise grant funding for increasing development capacity.**

Almost all Small HAs consider the regulatory administration a burden which is not now matched by the level of grant benefit. In addition the qualifications and conditions that apply to accepting grant funding can conflict with small HA mission and values.

In practice the GLA may consider how this may be delivered via:

- Reduced administration in bidding for grant and IMS inputting requirements
- Standard interactive model for viability/ feasibility available to download for Small HAs' use
- Relaxed compliance and audit requirement appropriate to size of organisation and resources as well as capacity building in this regard

**In relation to practical delivery support the recommendations are:**

**1. The GLA should provide support to the small HAs to develop realistic and achievable strategies for asset management and development.**

Many small HAs have low level ambitions for development which may be raised with assistance to maximise their capacity through their existing asset base.

In practice the GLA may consider delivery via:

- Helping to identify organisational capacity for development potential in relation to asset base and funding capacity (Part of the Partnership Manager's role?)
- A helping hand to understand the organisations asset base and potential for exercising its assets
- Helping to develop action plans and build the organisation's capacity to deliver

**2. The GLA should consider how it can facilitate small HAs in accessing funds for development, outside of grant funding.**

Small HAs with no or limited property experience and limited assets to offer for capital collateral have difficulty accessing preferential financial arrangements.

In practice the GLA may consider delivering this via:

- Risk underwriting arrangements in lieu of grant funding if this would offer less restrictive administration and audit bureaucracy.
- Underwriting, warranties and securitisation for smaller HAs, especially for those with minimal asset base, to assist in accessing preferential funding packages.
- Funding 'clubs' to bring together like minded small HAs to increase volume and take advantage of cheaper and more appropriate market deals
- Introducing a 'Help to Buy' type initiative for those organisations seeking to acquire an asset base for future capital asset growth to support further development

**3. The GLA should review how it can coordinate, facilitate and support small HAs in working together to harness the value that partnerships can offer.**

The size of many of the small HAs and the low volume of development delivery inhibits and restricts preferential procurement.

In practice the GLA may consider delivery via:

- A GLA procurement framework for consultants at competitive/ standardised fee rates without any additional administration mark-up percentage
- Facilitation and coordination of partnerships and consortiums to maximise efficiencies and shared services for development skills
- Access to a source of expertise and experience to sign post, offer guidance and facilitate introductions for achieving best deals in development and finance as well as helping hand to offer additional resources at nil/ low cost to supplement in house teams

- Expert and experienced brokering services for small HAs with little or no experience of partnership arrangements and commissioning
  - Sign posting, introductions to other Small HA peers who have experience to offer
- 4. The GLA should review how it provides support to build the capacity of Board members and senior executives who have key roles in the setting the objectives and parameters for the delivery of development for small HAs.**

In practice the GLA may consider delivery via:

- A ‘clearing house’/matching service for Board members who have experience to offer and appropriate skills for Small HAs but who must leave existing organisation due to the 9 year rule within the NHF Code of Governance
- Capacity building for Board members and senior executives in relation to development funding, procurement alternatives, partnership ventures and investment risk assessment

## **8.2 Key recommendations for the GLA in relation to the London boroughs**

On the evidence of the research, London Boroughs have reviewed the opportunities available to them and are exploiting them. Pace may differ given the prevailing constraints. Unlike the Smaller association where there are a number of operational interventions the GLA could make, the requirement of the boroughs is far more strategic, in particular, creating opportunity and viability.

Short term actions should be focused on raising awareness/understanding. There is a role for the GLA or London Councils in acting as a conduit for good ideas, providing some form of benefit/risk analysis of the various approaches and circulating new ideas as they arise. It was noticeable from the boroughs interviewed that they had all been through similar learning curves. Short circuiting this by providing a “clearing house” and advice would save time, increase opportunity and reduce risk.

- 1. The GLA should consider how it might strengthen the sharing of ‘best practice’, market intelligence, commercial expertise and decision-making and innovative development approaches in order to better inform and support boroughs development programmes.**

A minority of boroughs, typically outer London boroughs with smaller stock holdings and smaller development teams, are not always familiar with development ‘best practice’ and land assembly approaches including a wider use of CPO powers. The GLA has a potential role in facilitating the sharing of market intelligence and commercial expertise and decision-making both as an ‘aggregator’ for knowledge sharing and as a source of high level expertise which might occasionally be utilised by boroughs.

- 2. The GLA should review the nature of its ‘high level’ relationships with the boroughs with a view to practically improving mutual understanding of respective roles, opportunities and constraints.**

There is a view on the part of some boroughs that the GLA is more enforcer than enabler, more “sticks than carrots” and that there is a lack of understanding and appreciation of individual borough development circumstances.

- 3. The GLA should facilitate access by the boroughs to the rest of the GLA ‘family’ in order to smooth the development process and deliver efficiencies through better coordination of combined land interests and to realise development opportunities.**

Boroughs’ development activity requires liaison with several of the GLA ‘family’ of public authorities. TFL often was mentioned. The GLA’s strategic housing role should encompass such facilitated access and closer working.

- 4. The GLA should review the practicality of aggregating construction projects across boroughs**

Smaller sites are generally unattractive to contractors who have the understanding and experience of building for local authorities. Accepting that there may be timing difficulties, it was suggested by two boroughs that the opportunity to consolidate smaller construction projects across boroughs should be explored to offer volume, continuity and improved viability (this could of course be undertaken by adjacent Boroughs anyway without GLA intervention)

- 5 The GLA (and potentially London Councils) should highlight to the DCLG concerns about the restricted use of RTB receipts**

Whilst it is acknowledged that the DCLG rules regarding the application of RTB receipts are outside the direct control of the GLA, the constraining impact the existing RTB rules have on the boroughs capacity to add to housing supply should be raised as part of ongoing dialogue with DCLG

- 6 The GLA should engage and provide practical support in identifying and securing land opportunities from other government departments.**

Accepting that every Government department has to demonstrate best value when disposing of assets, there is a perception that housing opportunities are being lost (even if open market values have to be paid) by land going straight onto the market without the housing option being considered

**7 The GLA should review its scope to proactively coordinate the assembly of development land either as individual or cross-borough opportunities.**

Boroughs look to the GLA to exercise a coordinating role across London for development opportunities and land assembly including how it might better assist development by the smaller housing associations. Within that it may consider short term land banking and cross subsidy between boroughs

**8. The GLA should maintain a watching brief on resource levels and requirements.**

Whilst there is currently no declared requirement for development support team from the boroughs, there are significant movements in the market. Speculative housebuilding is accelerating and with a number of London RPs charged with delivering programmes in excess of 1000 homes per annum, resources are going to become increasingly scarce and expensive – the situation with boroughs looking for shared resources may change.

**9. The GLA should promote models for active asset management**

Accepting there are advantages to building on your own land, authorities need to optimise their own asset base before competing in the open market. Boroughs must understand how their stock is performing and identify under-performing assets and development opportunities. Some Boroughs are well advanced, others have just identified the more obvious opportunities. The GLA should consider offering a standard model /approach for assessing and grading stock which helps demonstrate both value for money and identifies development options.

Overall, the capacity for the GLA to make short term interventions that significantly accelerate the pace of development in the boroughs is limited. It can promote best practice and communicate new ideas and approaches; however, attention should be focused on the long to medium term. Ensuring that best use is made of existing assets and that the GLA is active in bringing forward land opportunities will have a real impact on housing supply.