

SOCIAL HOUSING: WHO HOLDS THE KEY TO ITS FINANCING AND DELIVERY?

BE News and Davitt Jones Bould recently brought together some of the industry's biggest names to discuss the challenges surrounding social housing and the difficult economic outlook

THE PANEL

Jack Burnham, fund manager and head of affordable housing, Octopus Investments

Jon Bull-Diamond, director, strategic advisory and funding, national capital markets, Colliers

Shahi Islam, assistant director, affordable housing grants, Homes England

Namita Matkar, partner, Davitt Jones Bould, and head of legal, Flagship Housing Group

Catherine Raynsford, director, The Hyde Group

Tom Smallbone, head of residential development, Godwin Developments

Noella Pio Kivlehan, journalist, *BE News*

Liz Hamson, editor-in-chief, *BE News* (chair)



It was a tale of two party conferences in October. For the Conservatives, housing was off the agenda, but for Labour the topic was firmly on the agenda with the party pledging to build 1.5 million new homes in five years.

In the run-up the general election next year, there are numerous questions politicians and the housing sector need to address, the big one being: how do we unlock the financing and delivery of new social housing?

This was just one of the topics discussed at the Davitt Jones Bould-sponsored debate, featuring some of the industry's biggest names and hosted by *BE News* editor-in-chief Liz Hamson.



QUESTION: What are your thoughts on the party conferences?

RAYNSFORD: At the Conservative Party Conference, housing was barely mentioned. The division is clear between those in the Conservative Party, including [secretary of state for levelling up, housing and communities] Michael Gove, who would like to see the delivery of more housing and the 59 rebels who have effectively created a situation where the government is not able to enforce housing targets.

Without targets, no local authority wants to consent schemes where the local community doesn't want them.

But if we need 300,000 homes a year - 145,000 affordable homes a year - you won't build them only in places where people volunteer sites.

The Labour conference was much clearer on housing. The party said it would deliver 1.5 million new homes in five years. That's the 300,000 new homes a year that we need. They're saying they will deliver, while looking at two terms and thinking about housing on the right timeline.

We all sit in the development industry. We all know you can't get anything done in a four-year period; you barely get a large-scale site consented in that time. So that points to



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Catherine Raynsford

reforms to the planning system, which are also incredibly important. But it's not about an overhaul of the system – it's about resourcing the current system properly.

BULL-DIAMOND: Given the cost-of-living crisis and the increase in interest rates on mortgages, rightly the industry is slowing down housing because it can't afford to deliver and you need government to step in and take a position.

Currently, we're in a vacuum of authority from government. There are lots of soundbites and lots of promises that are not backed up with substance.



Jon Bull-Diamond



Jack Burnham

SMALLBONE: The key is clarity of direction. We've had far too many housing ministers in the last two years. And from the private sector looking just generally at the delivery of housing, it's very difficult to even understand what the next two will look like.

BURNHAM: There was a wedge forming in the conferences between the Conservative and Labour parties on this topic. The Conservatives appear to be taking a 'wait

and see' approach, whereas Labour have made clear that they are keen to act, intervene, do something a little bit different. The common theme between both parties is the knowledge there isn't any cash on scale to drive interventions in the sector.

QUESTION: The whole situation has been compounded by the weak economic outlook: we are still in a high-interest-

rate environment, albeit it has plateaued, and inflation is still high – so what is the impact going to be, and how do we unlock that financing and delivery of social housing?

BURNHAM: A major issue is the planning system. Dealing with institutional investors who like the idea of getting into the housing and affordable housing space, they want to see pipeline. They want to be able to say:



Tom Smallbone



Catherine Raynsford

"We can deploy this cash here, and over the next 10 years, deploy further funding into this sector." You must answer: "Well, there's this planning risk here, and in respect to our engagement with the planning officer, we haven't heard from them in six, eight, 12 months." That's a pretty terrible investment proposition.

The key starting point is unlocking the planning process and Labour are making the right noises about bringing through more planning officers.

QUESTION: There's so much to do in the planning system, and for 20 years the

discussion has been how to speed things up, when it's just slowing down. What needs to change – building on green belt?

SMALLBONE: Looking at brownfield sites that sit within the green belt, there's an overlay of different complications of policy. But if something is not beneficial in terms of biodiversity, and there's definite demand for housing in an area, we should be unlocking those sites and be able to deliver on them.

RAYNSFORD: Green belt is an emotive issue, but, if we're honest, when you drive around the M25 there's green-belt-designated land,



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which is not the beautiful green countryside that we should be retaining.

We should be having a grown-up conversation that says: "If you can release some of that land, let's find other ways of improving biodiversity - say on poor-quality agricultural land - and designating that as land that's protected."

We need mandatory, not advisory, housing targets, rather than the current position, which just says: "Do it if you want to. If you don't want to, then don't do it."

QUESTION: What are some of the legal challenges and how can they be overcome?

MATKAR: Bring in a lawyer at the earliest stage, particularly when looking to bid on the land. We would want to see what's happening on the site.

We sometimes get land and build packages brought to us by companies where they've purchased the land, are transferring it on, but there are big issues like access because they haven't done thorough due diligence [knowing they will sell the land on]. We have had a few sites this year where there hasn't been adequate access into the site.

From a legal perspective, if you're looking at it in terms of what could delay or stop something being acquired, the earlier [a lawyer] can start looking at it and start feeding into heads of terms, the better.

QUESTION: So we need more effective partnerships – what does a good partnership look like?

BURNHAM: Ultimately a partnership has three ingredients: someone to provide the capital, someone to deliver the units and someone to look after them in the long term. These are key areas of alignment spanning 30 or 40 years to make a success.

ISLAM: We don't want to see partners coming in and just focusing on the short term. The agency is looking to establish meaningful partnerships that speak to our new strategic plan – who understand the



Shahi Islam

huge social value of working with us. We know that navigating the rules and technical requirements that come with grant funding can be tricky for partners and sometimes this can act as a barrier, but we are keen to support partners.

The agency has just launched its information hub providing valuable resources to the sector and we have a team of technical experts across the agency.

QUESTION: What's the single thing you think needs to happen to unlock the funding and delivery of social housing over the next government? And how confident are you that we will start to see delivery in the numbers required by 2026?

SMALLBONE: The ability to speed up the planning process to help unlock pipelines – in doing so, more supply increases the



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viability of more land and allows more delivery.

RAYNSFORD: There are [those] locked in the sector who have over-borrowed and are facing difficulties. It is therefore a moment where institutional capital coming into the sector can recapitalise organisations that are otherwise stretched, allowing existing development platforms to do what they know how to do, which is to go out and build more.

While eternally optimistic, if we do get a

government that has a mandate to do things, we can be in a position where things look good in 2026.

MATKAR: It does come from leadership, and then everything cascades down. Maybe [2026] is an optimistic view.

I feel like [the industry is] quite reactive and has been reactive for a while, to things like damp and mould and building regulations, with more money going towards that, which of course is important but which will impact development programmes.

From a financial perspective, I would hope that it gets better, but it's a case of being more creative, finding other ways [to support the delivery of homes]. In this industry there are so many people working towards the same goal, meaning more partnerships are important to achieve this aim.

BULL-DIAMOND: This is the Nick Clegg moment of 2010 when he blocked nuclear power because he said it wouldn't come online until 2020 or 2021, which is exactly when we needed it. We should really focus on what the Tories say because they are currently in government, but also where Labour are moving towards.

Aligning all the issues [in the sector] is not just one lever you can pull where something's going to make a difference. It's many different things and getting them together means there's ultimately a really strong case for housing. But recognising that is like a super tanker: it will take time to turn. □



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