

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

Altair

g320

Development Capacity and Appetite

October 2017

The g320 logo features the text "g320" in a white, sans-serif font. The "g" is white, while the "320" is light blue. The text is set against a dark blue rectangular background.

g320

1 | Introduction

There is a perception that small housing associations (HAs) are not developing housing to their fullest potential. And despite there being anecdotal evidence that g320 members are committed to development, there is minimal data available on housing completions for small organisations. The group as a whole is keen to explore these issues in more detail.

To help with this, Altair developed an online survey to not only understand organisation's current plans and appetite for development in London and the South-East England, but to also explore the barriers and challenges which may be holding back development plans.

High level findings from the survey are listed out below and can be used to help build a strong picture of the current approach to development in small housing associations and also inform the identification of opportunities for future additional support.

1.1. Summary responses

There were 39 organisations that responded to the survey fully. This included:

| | | |
|------------------------------|------------------------|------------------------------|
| Apna Ghar HA | Hill Homes | Radcliffe HS |
| Arhag | Hornsey Housing Trust | Sapphire Independent Housing |
| Barnsbury HA | Housing for Women | Soho Housing |
| Bexley Community HA | Hyelm | St Martin of Tours HA |
| Brockley Tenants Co-op | Innisfree HA | Stoll |
| cds cooperatives | Jewish Community HA | Sutton Housing Society |
| CHISEL Ltd | Keniston HA | Tamil Community HA |
| Crown Simmons Housing | Kingston Churches HA | Teachers' HA |
| Eldon HA | Kurdish HA | United St Saviour's Charity |
| Evolve Housing + Support | Lambeth & Southwark HA | Waltham Forest HA |
| Glebe HA | Penge Churches HA | Women's Pioneer |
| Haig Housing Trust | Peter Bedford HA | |
| Hammersmith United Charities | Providence Row HA | |
| HCHA | Quo Vadis Trust | |

1.2. Survey overview

The survey was structured around the following five key themes:

1. Identifying the number of homes currently owned and managed
2. The current and planned development programme
3. Development skills within the organisation
4. Barriers and Challenges to development
5. Future development opportunities

A summary of the key findings from each of the above themes are detailed in the following sections.



All submissions were made online during October 2017.

2 | Survey findings

2.1. The current and planned development programme

We asked organisations to provide details on their current and planned new build development programmes.

Key findings from this part of the survey include:

- 59% (23 of the 39) of respondents currently have a development programme
- The 23 organisations have a combined programme for this year of around 373 units, which is approximately 2% of total stock. Last year the same group developed 176 units
- Of the 41% (16) of respondents who currently do not have a development programme, all aspire to be a developing organisation at some point in the future.
- 26 of the 39 organisations said they would be willing to sign up to a development commitment

In terms of the 'ideal' annual development programme:

- 36% of respondents suggested around 11 – 20 properties per year would be ideal
- 20% indicated 5 – 10
- 20% indicated 21 – 30
- 15% indicated 0 – 5
- 9% indicated more than 31 per year

We also asked for details on the types (tenure) of properties being developed by respondents. The tenure mix of the current development programmes being implemented (over a number of years) by survey respondents is shown in the Table below:

| Social rent | Affordable rent | Market rent | Shared ownership | Market sale | Other |
|-------------|-----------------|-------------|------------------|-------------|-------|
| 89% | 5% | 1% | 1% | 3% | 2% |

Funding for the development programme comes from a mixture of sources; cash at bank (64% of the respondents) and by taking out new loan facilities if existing loan facilities are not large enough (69% of respondents). Other forms of funding that HAs have used include GLA grants, RTB receipts and capital raised from asset disposals.

2.2. Development skills

We were also keen to understand the level of development expertise respondents currently have access to (at Board and staff levels). Respondents were asked to rate the overall development expertise and experience of the board and the staff on a five-point scale from very low, low, fair, high to very high.

Key points from this question include:

- At Board level:
 - 44% of the organisations felt that their Board has a 'fair' level of development experience / expertise
 - 36% felt that their board had a 'high' level of development experience / expertise.
- All organisations that responded to the survey have at least one board member that has development expertise.

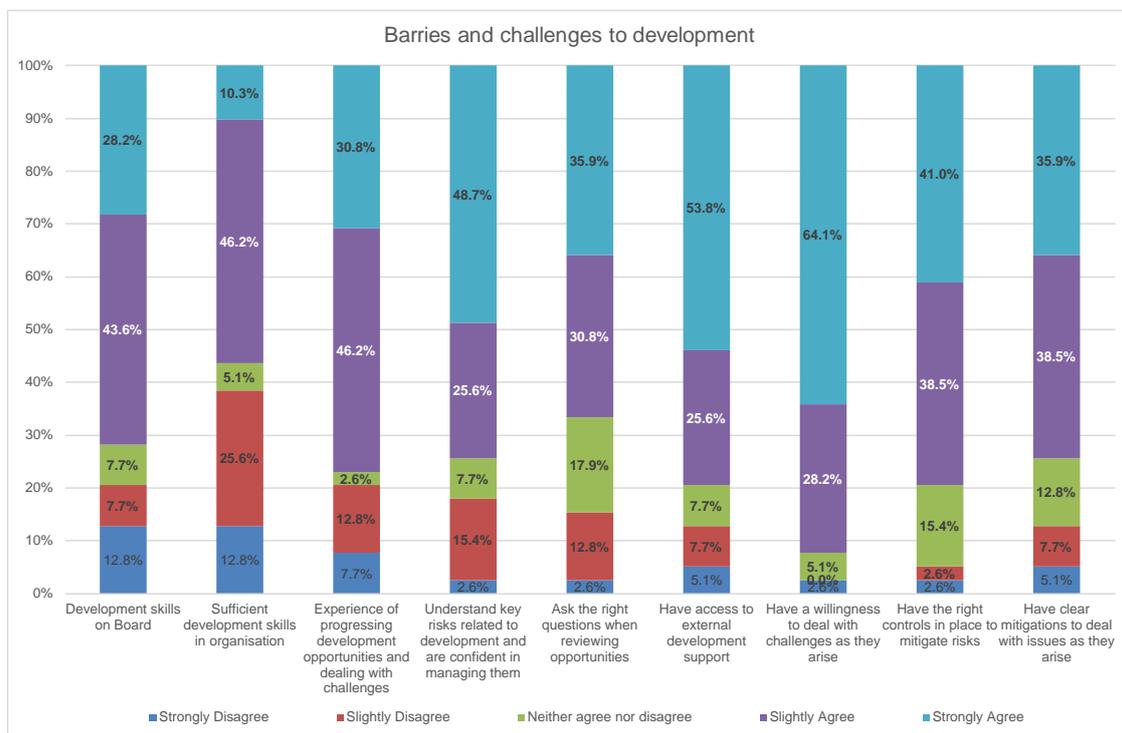
- A number of organisations stated that they have four board members with development expertise
- One indicated that it had six members with development expertise.
- Around 46% of organisations stated that their staff have ‘fair’ development experience.
- Approximately 82% of the organisations do not have an in-house development team, with responsibility for development sitting with the chief executive. However, there are a few organisations that use external development consultants, like Red Loft, or development associates to assist with different aspects of the development process.

2.3. Barriers and Challenges

A key objective of the survey was to understand what barriers and / or challenges may be preventing organisations from developing more homes. To assess where potential barriers or challenges to development exist, respondents were asked to rate a number of statements against the following scale:

- 1 – Strongly Disagree
- 2 – Slightly Disagree
- 3 – Neither agree nor disagree
- 4 – Slightly Agree
- 5 – Strongly Agree

The chart below shows the level of agreement with the following statements:



Key points include:

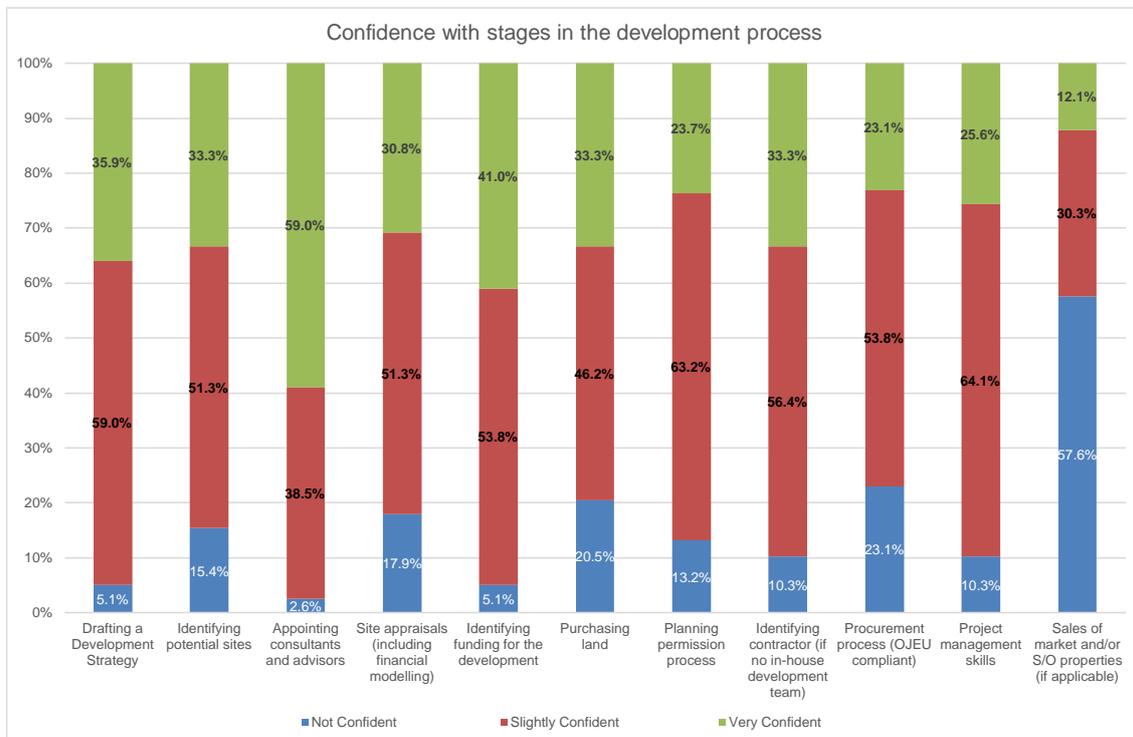
- Over 70% of organisations believe they have sufficient development expertise at Board level
- 38% of organisations do not believe they have sufficient development expertise within the organisation

- 53% of the organisations strongly agree with the statement that they have access to sufficient external development support
- 66% believe they (Boards) ask the right questions when reviewing development opportunities
- Nearly 80% believe they have the right controls in place to mitigate risks
- Around 75% believe they have the right mitigation in place to deal with risks if they arise
- Over 90% stated that they have the willingness to deal with problems as they arise in the development process.

Respondents were also asked to provide their level of confidence in the different stages of development using the scale below:

- 1 – Not confident at all
- 2 – Slightly Confident, but require additional external support
- 3 – Very confident

The chart below shows the findings on how confident respondents are with each stage of the process.



As can be seen above:

- Respondents are least confident with the sales of market or shared ownership properties (58% of organisations)
- 59% of the organisations are very confident with appointing consultants and advisors
- 64% of organisations are slightly confident with project management skills, but would require additional external support
- 63% would require support with the planning permission process

Organisations were asked to list the top three reasons for not being a more active developer. The key themes emerging include:

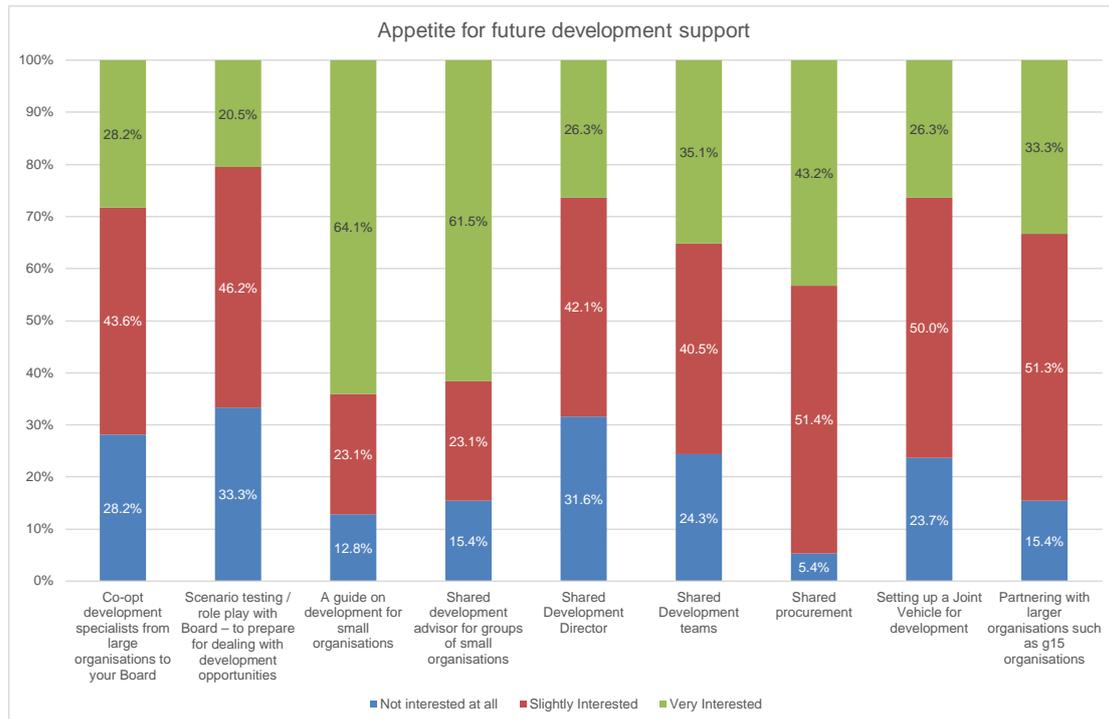
- Funding and financial constraints – being very close to loan covenants limits the borrowing capacity. This is the most common reason given by respondents.
- Risk appetite – Board and staff not having the risk appetite to undertake development.
- Land – access to land is limited, especially in London. The cost of land also makes it difficult to develop. Being a small player makes it difficult to compete in a challenging London land market.
- Lack of internal capacity and in-house expertise to drive development projects
- Competing strategic priorities, with some organisations needing to invest in existing assets to meet Decent Homes Standard
- Being too small / not known by developers and other parties which makes it difficult to win opportunities
- Difficulty in finding sites of appropriate size and location that are affordable
- Inability to bear the early year losses / short term negative impact on cash flows
- Lack of support from local authority and lack of guidance and assistance for smaller providers
- Not a priority at present, as a number of organisations are in the process of revamping internal processes before strategising for more development
- Previous poor experience with using larger HA's for development and the complexities of stock transfer from these organisations makes development less attractive
- Planning permission issues

2.4. Future Development Opportunities

Looking forward, we wanted to gain an understanding of what appetite there is amongst respondents for a range of opportunities which could be used to support future increased development activity. The survey asked respondents to rate statements on future development opportunities using the scale below:

- 1 – Not interested at all
- 2 – Slightly interested, but would need more information
- 3 – Very interested

The chart below shows the average level of interest in the following statements:



Some key points include:

- 64% of the organisations are very interested in having a guide on development for small organisations
- 62% of the organisations are very interested in having a shared development advisor for groups of small organisations
- Approximately 50% of the organisations are interested in shared procurement, setting up a joint vehicle or partnering with a larger organisation, but would require more information before deciding.
- Around a third of respondents have little interest in:
 - A shared development director
 - Co-opting staff from larger RPs to their Boards
 - Running scenario testing events with Boards

20 of the respondents also indicated that they would be willing to use one of their development schemes as a case study of development in a small organisation. Full details will be provided separately.

3 | Summary

This short report provides a summary of the key findings from a recent survey of g320 member organisations. The aim of the survey is to assess current development activity amongst small organisations and also identify what barriers may be preventing organisations from the developing more.

This report provides a high-level summary of the key findings, which the g320 can use (alongside the full data set) to design future activities to support small organisations in developing more homes.

The key findings from the survey are:

- All respondents either currently have a development programme or have an aspiration to be a developing organisation in the future
- The biggest barrier to development is funding, lack of risk appetite and the lack of affordable land
- Respondents appear comfortable that they have sufficient development expertise available at Board level, but there is potentially a gap at staff level
- Most organisations are interested in additional support in shared procurement, setting up a joint vehicle for development and partnering with a larger organisation such as G15.

The survey provides a good starter of information which can be used by the g320 to explore the issues in more detail.