

'There's been a recognition that developers are not two headed monsters and that affordable housing providers are not all woolly, sandaled beatniks,' says Steve Douglas.

The Housing Corporation's deputy chief executive is not alone in acknowledging a defrosting of relations between the public and private sector in providing affordable housing. Word from the developers is that their working relationships with housing associations and local authority landlords are none too bad. And they expect to see more of each other in the future.

People pin the reasons for the change of feelings on different things. For some, the advent of decent homes began the smoothing of traditionally prickly relations, encouraging both sectors to forge more effective partnerships. More recently, the government's decision to award private developers affordable housing grant has pushed things further.

'We've seen it over the last few years,' considers Douglas. 'But the 2004 Housing Act and the mixed economy of housing providers and the ability to bid for

grant means they are talking and able to understand the language.'

Whatever the catalyst, those involved in providing affordable housing welcome the brave new world, regardless of their provenance. 'To generalise in a big way, there used to be a suspicion in the public sector that the private sector was just in it to make as much profit as possible,' says Ian Graham, partner at law firm Trowers & Hamlin.

'Now there's a much more mature relationship and acceptance that there's absolutely nothing wrong with the private sector making a profit and that delivering a good service and making a profit are not mutually exclusive. Maybe we are just moving into a new phase.'

The national affordable housing programme provides the obvious illustration. Some of the 2006/08 allocations went to private developers, the first time this had ever happened. Though some commentators expressed disappointment that the amount of cash going private was

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Old foes find a third way

Caroline Thorpe discovers how the private and public sectors have tamed their differences over affordable housing



relatively low (£67 million from the overall £3.9 billion pot), developers that received money are generally positive about the experience.

George Wimpey netted £33 million in grant for 2006/08. The company has built around 1,500 affordable housing units this year, which accounts for about 15 per cent of its total business. But how does this new breed of involvement in the public sector pan out in practice?

While he has quibbles with the 'fairly bureaucratic process' involved in getting the grant from the Housing Corporation, business development director Graham Dodds says he is impressed with the councils and housing associations the company has worked with. 'Housing associations are pretty slick these days. If you go back 10 years, they were pretty difficult people to deal with. It's not organisations you're dealing with but people, and lots have private industry backgrounds.'

He adds that 'relationships with [local authorities] are pretty good', despite some requiring George Wimpey to work with housing associations that wouldn't necessarily be the house builders' first choice.

Others have more of a problem with this aspect of producing affordable housing, according to John Slaughter, director of external affairs at the Home Builders Federation. 'Our members are not keen on where a local authority may specify a particular RSL.' But he concedes that there's no immediate fix: '[There are] some issues of that kind and it's not necessarily within the gift of the developer or RSL to change that.'

As for developer gripes with grant bidding and allocation procedures, the feeling is that the corporation is listening to concerns and there is a willingness for some compromise.

'There were some issues our members raised at an earlier stage [in the process], but now they've probably managed to work through some of them. I think to some extent it was a learning process, because obviously it was the

first time the private sector could access grant,' says Slaughter.

For its part, the corporation is working hard to consolidate private sector relations. 'We're keen to engage with all of the affordable housing sector in how to back bids for the future,' says Douglas. 'With house builders, we've said we're looking at potential changes to make sure our proposals fit with their business models.'

He expects to further engage with bodies such as the HBF, and this week gave a speech encouraging developers that didn't bid last time to do so next time round. 'We're developing a much better understanding of their business proposals. During the autumn we'll be going out to the sector to discuss some of the ideas [for the programme in the future].' He hopes the legwork will result in 'an even better programme in future years'.

Widespread co-operation

While the NAHP's expansion is perhaps the most high profile example of increasing co-operation between the erstwhile adversarial sectors, the thread of joint working is running deeper than ever in numerous other activities.

Procurement has undergone dramatic change as public and private bodies have fallen closer into line, ultimately to tenants' benefit. 'It used to be the view in the private sector that when it tendered, the public sector based everything on the lowest price. The concept of value wasn't something people wanted to consider. The general view now is that most people are past that,' considers Graham.

Stewart Davenport, managing director at Lovell and involved in building social housing for 33 years, agrees procurement processes have 'changed dramatically'. Gone, he says, are the days when landlords plumped for the cheapest tender and 'you got on with the job'.

'Now when you bid it can be as high as 70 per cent quality, 30 per cent price,' he says, adding, 'Relationships on site are far better and far less adversarial than they used to be.'

Underpinning this particular development is the growth of partnering arrangements between public and private parties. 'It does change the way people work, and I think for the private sector and the public everything is a lot more transparent and risk is defined in a more transparent way,' says Justin Marshall, operations director at Logic Homes (formerly Gentect).

Logic Homes calls itself a 'one stop shop partner for commercial developers, local authorities, government agencies and large landowners'. At the time of writing, it had seven partners, expected to increase imminently, including Genesis Housing Group, BPTW Architects and private house builder McCann Homes. Marshall says the company, to his knowledge a one off, fosters 'a collective responsibility'.

Davenport concurs that partnering has gone a long way to kill off the 'blame game' often played out on building sites between contractor and social landlord. 'Instead of working together to solve a problem you would stand back and say "that's your problem". It wasn't joined up. Now you're putting energy into moving things forward.'

Malcolm Bushell, new business manager at Mulalley, says: 'The formal partnering has been in place for 10 years now and clearly it's working 100 per cent. You see that in the court cases in confrontation – they have got less and less as time has gone on. The claims specialist business has dropped off. Obviously there is still some, but it's an indication that disputes are being sorted out at the right level rather than going to full scale war.'

Marshall thinks Logic Homes' model of cementing partnerships in joint venture companies is the future. 'I actually believe the approach we're taking is the next approach. Other organisations have seen it work, and we think there are benefits. We've proved ourselves to be not just a one-off, but a permanent

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business that's been going for three years, and we're looking to grow it.'

Going the whole hog and jumping into a full on business with partners might be a way off for many, however. More conventional partnering, most recently using framework agreements to jointly provide services such as repairs and maintenance, is still experiencing teething difficulties in some cases.

Bureaucracy

David Mosey, head of construction at Trowers & Hamlin, observes that the private sector can, at times, feel overwhelmed by the 'deluge' of invitations to tender they receive from social landlords. Numerous documents to respond to and lawyers to deal with amounts to 'quite a lot of work before the framework is in place', he says. 'It is a bit of a leap of faith that as much work is going to come through [as a result] as the landlord says.'

Concurring that the paperwork is 'long winded', Bushell is nonetheless a fan of frameworks. 'It's early days, but they do seem to be working.'

But, warns Mosey, there is the risk that some of the more elaborate framework arrangements, such as expanding them to incorporate more partners in the future, can be doomed from the start if initial set ups are too rigid.

That said, 'there are some very exciting ideas coming forward', he says, particularly in repairs and maintenance. 'There is a lot of value there if the landlord has a lot of stock. There is a cyclical need over a long period of time. Local government has taken the lead and RSLs are following now and really getting close to these contractors and getting some efficiency built in.'

Interestingly, Mosey's view is that councils and arm's-length management organisations have the most to offer private sector partners in social housing, along with the larger housing associations. '[They] have much more depth and technical skills in-house, which makes them much more integral in the process of development and construction.'

'Partnering is easier where there are sufficient in-house skills to work with the private sector rather than saying "go away and come back with a development"'. It's tougher for the little housing associations.'

Like Marshall, Mosey predicts joint ventures between social landlords and service providers are set to grow. 'It's right at the beginning now. We don't have a list of people doing it, we have a list of people thinking about doing it.' The government's push to make more use of the 'third sector' could draw charities and other voluntary organisations into an increasingly interdependent mix.

It is not a web that looks like unravelling. Teething problems aside, the private sector appears impressed with the affordable housing sector. Attitudes have changed, and developers are here to stay.

While admitting George Wimpey's involvement in social housing remains 'purely to satisfy section 106 agreements', Dodd says it is nonetheless 'something we take extremely seriously and it's only going to grow'. He estimates that in the next five years, George Wimpey will be building 2,500 units annually, raising affordable housing's share of the company's output to a quarter.

'As long as increasing housing supply remains a priority, I would expect growing private sector involvement because of that and growing collaboration as part of the overall supply solution,' says the HBF's Slaughter.

For Dodds, the big issue now is shared equity. 'The challenge we need to deal with is particularly on shared ownership. We need to think laterally about how we can manage long term involvement.' Though this may send shivers up housing association spines, there is no reason to suppose increased competition in this area won't also bring collaboration as it has done elsewhere.

The Housing Corporation sees plenty of scope for expansion. 'We have started on the process of cross working but I think we will see much more in the future,' says Douglas. He throws in the fact that financial institutions are eyeing up the sector with more alacrity than in the past. With the forthcoming local government white paper, the possibilities may become yet more elaborate if the government grants councils and ALMOs more powers to build.

As Douglas concludes: 'What's clear to us is that the expanded marketplace with a different type of competition has had a positive influence.'

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