

Competition for grants and a drive for efficiency mean housing associations are dancing to a different beat. **Neil Merrick** reports

Take your partners

Over the next 12 months, Saxon Weald Housing Association will continue to build homes in south east England as part of the Respond development consortium.

But since Respond was awarded more than £40 million in the 2006/08 National Affordable Housing Programme, consortium members have been forced to take a fresh look at the future.

The issue arose when Peerless, the consortium's lead partner, joined the Accent Group and the Housing Corporation ruled that it could no longer bid on behalf of Respond.

With the clock ticking ahead of the 2008/11 programme, Saxon Weald – a transfer landlord set up six years ago to manage former council homes in Horsham, West Sussex – decided to look west and join Sovereign Development Consortium, led by Sovereign Housing Group.

This consortium has grown steadily since it was set up in 2004. For 2008/11, it boasts 13 members with Maidenhead-based Housing Solutions Group also having moved across from Respond.

Intricate picture

By switching consortia ahead of the 2008/11 programme, both Saxon Weald

and Housing Solutions have demonstrated how complicated the development picture has become as housing associations strive to place themselves in the strongest position to win grants.

Richard Donnelly, development director at Saxon Weald, agrees that the situation for his association is somewhat complex – at least for the time being. 'There is a degree of duplication as I'm having to service two consortia,' he says. 'But there are clear advantages. Sovereign covers a far wider geographical area. 'The potential for falling over each other is not there,' he says.

Sovereign is also much larger and has set up frameworks to manage supply chains. 'I see the advantage of being in a consortium that is perhaps more advanced in getting these sort of things in place,' adds Mr Donnelly.

In 2004/06, Sovereign received £30 million from the corporation. By last year, its grant had increased to £52 million. Lindy Morgan, director of the consortium, says it was equally keen to welcome new members. 'It's brought in new blood and new enthusiasm,' she says.

She also expects to achieve further economies of scale. 'We knew what the efficiency agenda was all about and that was the raison d'être for setting up the

partnership,' she adds.

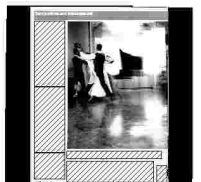
The expansion of Sovereign is by no means the only change that has taken place since housing associations last submitted bids to the corporation in 2005. A flurry of mergers and other activity means that some of the consortia and development alliances bidding for grants this autumn are quite different from those involved two years ago.

Neil Hadden, chief executive of Aldwyck Housing Association, which leads the Arc

partnership, believes it was inevitable that some housing associations would look for new partners ahead of the 2008/11 programme. 'Some of the first marriages were made in haste and were unsuitable. I didn't think they would last,' he says.

Mr Hadden, former deputy chief executive of the Housing Corporation, says some new alliances are due to structural changes but, eventually, the number of consortia or development groups is bound to fall. 'We will have to wait and see what we end up with,' he adds.

Source Development Partnership, launched in April, is effectively a merger of two existing partnerships. It reflects the forthcoming merger of Signpost and Western Challenge which, from July 2, will be known as Spectrum Housing.



In 2006/08, Signpost led the Peninsula partnership, which gained £20 million from the corporation, while Western Challenge headed the Wessex partnership, which received £34 million. The two partnerships initially began working together over contracts for consultants and later agreed to merge their contractors' frameworks.

Untapped resources

With other landlords persuaded of the benefits of creating a single partnership, Source includes 13 housing associations stretching from Cornwall to the Isle of Wight. 'We are looking further into our supply chains so that we can drill deeper into the efficiency agenda,' says Jitinder Takhar, group business development director at Western Challenge.

According to Ms Takhar, associations of all sizes recognise that partnerships must be larger to carry more clout. 'It seems that, the larger you are, the more attention you can command,' she says. In future, Source aims to build about 1,000 homes per year.

'If you are trying to be more competitive and unlock capacity as the corporation wants, you must generate efficiencies to plough back into investment,' she adds. 'If you're building 1,000 units per year, it's much easier than if you build 150.'

East Boro Housing Trust, based in Wimborne, Dorset, owns just 242 homes. In 2006/07, as part of the Peninsula partnership, it received an extra £162,000 through an in-year bid that allowed it to build 19 homes instead of four.

Kevin Hodder, East Boro's chief executive has no doubt that the trust benefits from being in a larger alliance and is fully behind the creation of Source. 'We're all treated as individuals regardless of what we can bring to the table.'

The partnerships allow East Boro to make greater use of new technology and have given it access to wider skills. 'We can't afford to employ a department of development staff but we can link up with our peer neighbours,' says Mr Hodder.

Two years ago the corporation awarded £5.3 million to GenTect, a new development company set up by Genesis Housing Group, two architects and four contractors. Last year, the company expanded to include Presentation, a black and minority ethnic housing association in south London, and renamed itself Logic Homes.

Justin Marshall, Logic's operations director, says the new name was essential because, as GenTect, it was too closely

associated with Genesis. Presentation may not be the last housing association to join Logic as, says Mr Marshall, other associations are seeking to join alliances and take advantage of new services and economies of scale.

Having joined the First Wessex group in April, Portsmouth Housing Association will next year no longer be part of the Wayfarer consortium, led by Swaythling Housing Society. Instead, Portsmouth is joining group members Atlantic and Pavilion in the Sappling partnership.

Hazel Warwick, group development director at First Wessex, says Sappling and Wayfarer have already begun working closely on development schemes in Hampshire and neighbouring counties, and expects this co-operation to continue.

Atlantic and Pavilion are together responsible for about 40 per cent of Sappling's 2006/08 programme, while Portsmouth has a similar proportion of Wayfarer's work. 'I'm not convinced that there's a bigger share to be had, wherever the partners sit,' she says. 'We did very well last time around and expect to do as well this time.'

But not every merger has led to housing associations switching alliances. In spite of joining the Guinness Partnership (previously Guinness Trust) in April, Northern Counties is remaining part of the Riverside Housing Partnership – at least for the time being.

'We made a four-year commitment,' says Naz Parkar, director of investment and regeneration at Northern Counties. 'We didn't want to lose any of the networks or intelligence that we enjoy.'

Northern Counties will decide in 2009 whether to continue working with the consortium.

Raj Upadhyaya, group investment director at Guinness, says it is happy to channel its work in the north of England through Riverside. Meanwhile, Devon Community Housing Association, which is already a development partner with Guinness, is due to join the group this autumn.

'We make sure as a lead partner that we're comfortable with the bids that are submitted, and that they're deliverable, so nobody lets us down.'

In 2006/08, housing associations won the lion's share of development grants available – partly by working closely with one another. The early signs are that, while some of the names have changed and a few partners have switched alliances, housing associations will use the same

philosophy of co-operation over the next three years.

The traffic light effect

Once Arcadia Housing was handed two amber lights by the Housing Corporation earlier this year, there was no question of Knightstone Housing Association, its main subsidiary, bidding as a lead partner in the 2008/11 programme.

Knightstone currently heads the Key West partnership, which received £23 million in 2006/08 to build homes in Dorset, Somerset and the Bristol area. Following the setback for Arcadia, it is joining a larger alliance led by Devon and Cornwall Housing Association, Partnership Key West.

Richard Efford, head of development services at Knightstone, points out that it has not lost its partner status for 2006/08 and hopes that it is still regarded as a major developing association in the region.

'We have a 100 per cent track record on delivery and have exceeded cash and delivery targets,' he says. 'We like to think that the corporation regards us highly as a development partner.'

Arcadia, which has amber lights for management and viability, hopes to regain its green lights by the end of 2007. But this will be too late for it to submit a grant bid to the corporation this autumn.

Partnership South West already boasted eight developing members having expanded in April to include Tor Homes and South Western Housing Society. Now Bristol Community Housing Association and Sedgemoor Housing Association, which were Knightstone's partners in Key West, have also decided to join.

According to Richard Efford, the link-up with Partnership South West may have been arrived at 'slightly by accident' but presents new opportunities. Not only will it enable Knightstone to work across a wider region, but it should lead to efficiencies that make it more competitive against private sector bids. 'While there is a loss of status, in the long run it may be a move that suits us very well,' he adds.