

Supply Conversation interim report

Housing need in England is acute. The country needs to build 340,000 new homes a year, including 145,000 social homes, but only 43,000 affordable homes were built in 2017/18¹.

Housing associations want to get these homes built. In 2018/19, we built 45,604² new homes, 27% of all new homes delivered in England. In 2017/18 we invested £10bn in new housing, with £1bn coming from government grant³. We form new partnerships and plan long-term programmes of housebuilding. Yet this is a long way short of the 145,000 social homes needed each year.

There are substantial external challenges that hold housing associations back. The price of land, the flattening housing market and, most critically, limited government grant all make building new social homes more difficult.

In the face of these issues, the biggest single action that would help housing associations deliver more social homes is long-term, serious government investment. **Our modelling** shows that we need

£12.8bn government grant per year, in real terms, over the next decade to unlock a housebuilding programme worth on average £46.2bn.

But, despite these challenges, housing associations are ambitious to deliver as many new homes as we can without further investment or policy change.

In January 2019, the National Housing Federation began a sector-wide conversation with our members to explore how we might do that.

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¹ Data for 2017/18, MHCLG Live Table 1000 C (NB)

² National Housing Federation supply survey 2018/19

³ Regulator of Social Housing Global Accounts 2018

The Supply Conversation

Over three months at the start of 2019, the National Housing Federation hosted workshops and discussions around the country with housing associations to discuss how we can build more homes.

We wanted to find out if there were other barriers stopping us from building even more homes – factors we had direct control over, unlike government investment or land prices. And if there were, how could we work together to overcome them?

We engaged more than 300 chief executives, development directors, board members and other leaders, from all kinds of housing associations: large, small, urban, rural, and from all parts of England.

Together, we mapped out the issues that made building more homes more difficult – and what we might be able to do to overcome these.

What challenges do we face in building more homes?

Housing associations of all kinds, and in all locations, are ambitious to build more homes. Even in areas where affordability pressures are less acute, housing need is clear and housing associations are keen to build. For some organisations and their residents, other issues may be even more important than new homes – issues like community investment or improving the quality of existing homes. Despite this, every housing association we spoke to would build new homes if they could.

But building new homes is not always easy. Housing associations pointed to challenges in the external policy and operating environment which hold them back from delivering. They also highlighted challenges within the sector – issues which make delivery harder, but which housing associations themselves may be able to work together to overcome.

External policy challenges

The external challenges which hold back affordable housebuilding are already well known and understood. Low levels of public investment, high cost of land, delays in planning and the uncertain housing market all have an impact and these are the issues we focus on in our research, policy recommendations and conversations with the Government. The purpose of the Supply Conversation was to consider what else the sector might be able to do to increase delivery.

Housing associations were clear, though, that the external challenges remain the biggest barrier to building more social homes. There is work the sector can do itself to increase delivery. But the only way to deliver a real step change in affordable housebuilding is by addressing the external challenges.

The biggest external challenges identified by housing associations are:

Challenge	Impact
 <p>Investment</p> <p>Government has under-invested in social housing for decades and funding was cut steeply in 2010. Funding for social rented housing was non-existent until 2018, and while the new £2bn in longer-term funding is welcome, it's far too little to come close to meeting housing need.</p>	<p>The impact of this is universal. Without more investment at a higher rate of grant per home, housing associations are only able to build small numbers of the social rented homes the country needs, funded from their own reserves. They have paid for these by building homes to sell on the open market, but even this is now becoming more difficult as the sales market slows. Without proper investment in social rented homes, they cannot be built.</p>
 <p>Land</p> <p>Land is expensive and hard to buy. Public sector bodies try to sell land for as high a price as possible, rather than selling at a slightly cheaper rate to allow affordable housing to be built (with the wider social benefits it brings). Privately-owned land is often optioned by developers before it even comes to market, favouring large private developers who pay top rates for land agents to source land. Housing associations often get pushed out or end up having to bid against each other.</p>	<p>The impact of this is also universal, even in lower value housing markets, but it is felt particularly strongly by housing associations who are newer to purchasing land and do not have land acquisition teams. Even for housing associations who can access land, the high prices affect the amount of affordable housing that can be built and how low the rents can be.</p>
 <p>Planning</p> <p>Getting new development through planning can be very slow and resource intensive, mainly because planning departments are under-resourced. Local politics and NIMBYism can prevent high quality, much-needed homes being built at all.</p>	<p>These challenges vary by local area and in most cases, cause delays and additional cost for housing associations rather than preventing development altogether. However, this has an impact on already stretched development teams and prevents housing associations investing money where it is most needed. NIMBYism is a particular challenge in rural areas, where new affordable homes can be desperately needed.</p>

Challenge	Impact
 <p>Political and market uncertainty</p> <p>Housing development is a long-term process, with early investment upfront in land or partnerships and no return on investment until the home is completed years later. Political uncertainty, with the potential for change in government investment, rent or planning policy, makes the process more risky. Uncertainty in the housing market makes building shared ownership and homes for private sale more risky too, making it harder to count on the proceeds from these homes to fund social homes to rent.</p>	<p>The Government's Strategic Partnerships programme has helped mitigate the uncertainty by providing a long-term funding commitment and the flexibility to adapt schemes if the external environment requires. However, the potential for wider policy change remains, the pressure on the sales market is felt strongly in London and the South East, and many housing associations are not part of long-term partnerships. Overall, the appetite for risk is reduced.</p>
 <p>Other priorities</p> <p>Housing associations carry out other vital work for their tenants and communities, investing in making existing homes better, in community services, in extra support for those who need it, and much more. They have to decide where to invest their resources so these resources will have the biggest impact on the people they serve and the local need. For many housing associations, other issues are more important than new supply and with public spending cuts in many areas – social care, community investment, regeneration in the north of England – they prioritise this vital work.</p>	<p>All housing associations face challenging decisions about where to invest their time and resources. The level of priority they give to new supply depends on their social mission, the needs of their residents and the needs of their local area, as well as the need to invest in building safety. The impact of these competing priorities will be different in every case, but has an overall impact on the resource available to contribute towards building new homes.</p>

Housing associations' feedback on these challenges has backed up our existing knowledge of the external barriers to development – and confirmed the direction of our work to make the case for the policy change housing associations need.

We recently released **high profile new modelling** of the investment that would be required to build the social homes needed, and will progress this work over the next few months. We will also focus on:

- **Land**, calling for the Government to prioritise affordable housing delivery on public sector land as part of a wider package of reforms to make land more available for affordable housing
- **Planning**, consulting members on the priority changes needed in the planning system and beginning to pursue these



- **Managing uncertainty**, highlighting to the Government the challenges a financial downturn or a no-deal Brexit would bring to housebuilding and making clear the support the sector would need to continue building affordable homes in a downturn


- **Tackling other aspects of the housing crisis** by calling for investment in struggling communities, existing homes, safety and the support people need to thrive. Our submission to the next government Spending Review maps out the investment needed to tackle the challenges England faces in these areas and the support housing associations and their residents need to overcome them.

Sector challenges

Housing associations are keen to look beyond the external policy challenges and, where they can, act themselves to build more homes. They have a history of doing just that. When government funding was cut, they adapted their approach and invested their own funds into building new social homes and supporting communities. They can use this ability to innovate and collaborate again now.

The Supply Conversation revealed four key areas where sector challenges can hold back development and where there is potential to work together to overcome these challenges. These areas, and the impact they have, are detailed on pages 6 and 7.

Challenge	Impact
 <p>Skills</p> <p>There is a shortage of skilled development people in the sector. Experienced people move into the private sector and, with local authorities also now beginning to develop, demand is even higher for development talent. It can be difficult to attract and retain new talent, partly because housing is not a well-known career choice and partly because there's no clear path into development via large scale graduate schemes or qualifications. Land acquisition is a particular skills gap reported by members. There is no accredited qualification for development professionals.</p>	<p>Many housing associations experience this challenge, especially those without existing large development programmes and teams. Some housing associations are trying to attract new talent by setting up their own graduate or apprenticeship schemes, but these exist in pockets and are developed in isolation, starting from scratch each time.</p> <p>The lack of accredited qualification means it can be hard to recruit development staff with all the skills required, and makes the profession less well-known or attractive than other more recognized pathways like surveying.</p>
 <p>Partnerships</p> <p>Partnerships are seen as a great opportunity to deliver more, either between housing associations, or with local authorities or private sector partners. They can help housing associations access skills they don't have in-house, unlock new financial capacity, and take a more holistic place-based approach with local partners. They also encourage collaboration rather than competition. However, finding the right partner with the same goals and a shared interest can be difficult. There are different models of partnership to be explored, which takes time and expertise. Some smaller organisations worry about losing their autonomy, and for all organisations, trust is an important issue. Making the right contacts and developing relationships with potential partners isn't always easy.</p>	<p>Many housing associations have taken part in partnerships and talked about how positive and successful they can be. However, all felt there is more that can be done to encourage and facilitate partnership working, to put potential partners in contact with each other, to build trusting relationships, and to share best practice and information about the types of partnerships that can work.</p>

Challenge	Impact
 <p>Risk</p> <p>Housing association boards are experienced at managing risk in today's complex financial environment. But they can also be cautious about taking on new risk in order to build new homes, conscious of their primary role to safeguard their organisation's stability and aware of other social priorities for the organisation.</p> <p>This is compounded by a sense that the regulatory system prioritises caution and offers no direct incentives to build or to take risks. Despite efforts by the Regulator of Social Housing to normalise the V2 grading, housing associations talked about the negative impact a V2 grading can have with credit agencies and wider reputation.</p>	<p>Many ambitious housing associations have challenged themselves at executive and board level to stretch their capacity to build much-needed new homes. Other equally ambitious organisations were open about their board's more cautious approach, especially in the current uncertain climate – in particular organisations with less experience or history of development.</p> <p>There is an appetite to set up forums for boards to explore these issues and talk more about how to balance the risks inherent to development.</p>
 <p>Ambition</p> <p>In the absence of direct incentives to build, what helps drive development is ambition to build quality homes for those who need them, belief, and a willingness to do things differently. Great work is taking place across the sector, with development numbers on the up and collaboration and innovation taking hold. But this work happens in pockets and isn't always shared and celebrated. Associations that are trying new things don't get reward or recognition for their work, while associations who are keen to do more development miss out on the ideas, inspiration and support that peers could provide. Not sharing our success, within the sector and externally, is a missed opportunity to create an inspiring culture of innovation and collaboration.</p>	<p>Housing associations of all types and in all parts of the country want to do more to meet housing need. Many talked about the ways they've overcome barriers to do so, but many also felt that the sector could be more innovative and challenge itself more to step outside its comfort zone. There was real appetite for the Federation to talk more about what's being achieved, share best practice, and create a sense of excitement and ambition to inspire the wider sector.</p>

What next?

Building new homes has never been more important. Housing associations play a huge part already in national housing delivery, and this sector engagement programme has shown clearly the ambition and potential of housing associations to do more, as well as the specific challenges that hold them back from doing so.

The next step is to tackle these challenges, using the insight we've gathered and working with members to develop solutions that specifically address the problems. Alongside the Federation's policy and lobbying work on the major external challenges, we'll be developing sector-focused work in four key areas.



1. Skills

We need to address the development skills gap. Over the next few months, we'll be working with members, talking to other sectors and carrying out further research to understand where the skills gap is being felt most acutely and what intervention would be most effective in closing it.

The Supply Conversation threw up some ambitious potential solutions, including:

- Developing a third party accreditation for development skills
- Creating a sector-wide apprenticeship or graduate scheme
- Opportunities to 'loan' experienced professionals to peer organisations
- A campaign to promote housing as a career of choice
- Training materials, webinars and programmes

Some of these would involve working in partnership with providers or other sectors and most would involve time and resource. We need to evaluate how they might work in practice and whether they would actually tackle the challenges on the ground.

We are inviting members' views on this topic. We want to know:

- What skills do you feel your organisation, or the sector, lacks that might restrict our ability to deliver more homes?
- Do you experience challenges with retention, recruiting experienced talent, or attracting new talent?
- Have you seen any initiatives that have helped attract, retain or upskill development teams?



Please email us your views at supplyambition@housing.org.uk by 16 August.



2. Partnerships

Partnerships offer great potential to deliver new homes and quality investment in communities. We want to explore how we can make it easier for housing associations, local authorities and private partners to form successful partnerships.

There are a number of ways we could do this, and we need to understand which practical interventions would make the biggest difference. Ideas include:

- Sharing best practice and case studies, illustrating types of partnerships, how to form them, and examples of what's worked
- Joint working between ourselves, the Local Government Association, private sector bodies and Homes England to facilitate partnerships between sectors

- Events to bring potential partners together
- A housing association 'offer' to potential partners signalling our openness to working in partnership

We're seeking members' and potential partners' views on:

- What has helped you form and deliver successful partnerships in the past?
- What would make it easier for you to form new partnerships?



Please email us your views at supplyambition@housing.org.uk by 16 August.



3. Risk

We're developing a programme of free events and materials for board members over the next 12 months to explore and debate risk and development finance.

We'll share dates once they are confirmed, and all board members will be welcome to attend.



If you have any other views on this topic, please share them with us at supplyambition@housing.org.uk by 16 August.



4. Ambition

We want to share the sector's success, celebrate innovation and create a culture of ambition around supply. We'll be working with a steering group of communications leads from around the sector to explore how we might do this. If you're interested in helping us shape this work, please get in touch.



Want to get involved?

We want to hear from anyone who has ideas about how we can support the sector to deliver more homes.

If you have a positive experience to share, a new idea to propose, or a particular challenge you're facing, please get in touch.



Email supplyambition@housing.org.uk or tweet us at [#supplyconversation](https://twitter.com/supplyconversation)

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The National Housing Federation is the voice of affordable housing in England. We believe that everyone should have the home they need at a price they can afford. That is why we represent the work of housing associations and campaign for better housing. Our members provide 2.6 million homes for more than six million people. And each year they invest in a diverse range of neighbourhood projects that help create strong, vibrant communities.

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