

Insights



Welcome to the September 2009 INSIGHTS published by acumen7.

The members of acumen7 bring their skills and experience together so that they can offer innovative solutions to today's complex problems. Full details about our network can be found on www.acumen7.com

The purpose of this newsletter is to bring you new perspectives on key subjects to stimulate your own thoughts and ideas. In each edition (which are published bi-monthly), we look at an aspect of business we hope will be of interest to you as an industry leader.

Homes For All - A New Vision



The provision of affordable homes has stalled in recent years for a number of reasons, some financial, some economic, and some systemic. If the UK is to double or even treble the volume of affordable homes available to a wide range of income groups, there needs to be radical change.

John Pilkington, a member of the acumen7 network, has worked for major builders, private sector service providers, and with the Government, over the past 20 years on innovative ways of procuring and delivering our social infrastructure. Here, he explains how we might right the wrongs of the past, and create genuinely sustainable communities.

Some Recent History

Approximately 5 million new homes were built in the UK between 1982 and 2006 (averaging about 190,000 per year), thus increasing the stock from 24m to 29m. In that same period, owner occupation numbers rose from 13m to 18m, and privately rented from 3m to 4m.

By comparison, socially rented homes (owned by the Local Authorities and Housing Associations) reduced in number from 7.5m to 5m. The controversial 'Rent-to-Buy' scheme in the 1980s saw 1.7 million socially-rented schemes converted to private ownership.

The current economic slowdown has hit the housing sector hard; total 'starts' this year will be less than 70,000. Given that 50% of social housing is (or was, until recently) procured through Planning Agreements with Developers, and that the Homes and Communities Agency (HCA) is trying to balance falling land sale revenues with an ever-increasing demand for (social) housing grants, the extent of the problem on the delivery side is very evident.

Social housing was effectively being subsidised by the private house building sector. As this has collapsed then the provision of new social housing has collapsed with it. A new strategy for social housing is required that is less dependent on a single element of the private sector.

Social Challenges

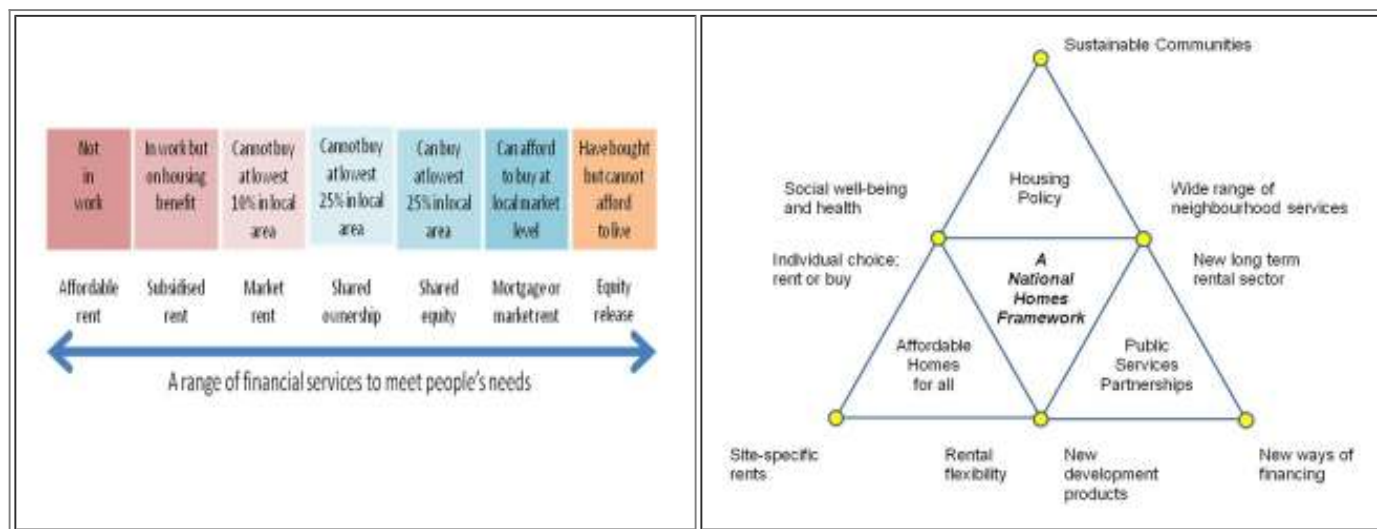
A recent LGA report stated that, by 2010, one in ten people in the UK will be on the waiting list for social housing, and another one million people will need subsidised accommodation.

Compounding these difficulties is a benefits system which is both arcane and unworkable; housing benefits are administered by the Local Authority, whilst employment benefits are meted out by the Department of Work and Pensions (DWP), and yet other social benefits come through sub-contracted private and third sector consortia.

As a result of the ever-reducing numbers of available homes, the social statistics are now sobering:

- 70% of social tenants have an average income of only £7,800
- 50% of social housing is to be found in the 20% most-deprived neighbourhoods
- 63% of social tenants are on benefits; 33% are retired; 20% are single parents
- 34% of working age tenants are in employment; 25% are permanently sick

At present, the Housing Market is not only dysfunctional, but also patently unfair to many who are in it.



Solutions must be tailored to people's needs

Integrated approach is needed - the National Homes Framework

A Way Forward?

There is no 'one size fits all' solution. The housing system must respond to the differing needs of a wide range of potential occupants, from those relying entirely on the state for support, to those in retirement and no longer able to afford their family homes - see above left.

To provide this support, Central Government Departments need to talk to each other and act together; Local Government services need to work together; and private sector organisations need to embrace the fundamentals of social purpose alongside the all-important profit motive.

What is needed is a coherent system - I have called it a **National Homes Framework** - of policy making, financial support, and localised opportunities that meet people's needs - see above right.

It can be seen that this 'meta-system' is in fact an inter-related set of three sub-systems, each relying on and supporting the next. The key to the success of the whole is in the performance of, and collaboration between the constituent parts. A visionary housing policy, supported by socially-driven public services partnerships should deliver a plentiful supply of affordable homes for all.

This joined-up approach would not only deliver a sufficient supply of affordable homes, but also ensure the creation of a country-wide network of truly sustainable communities, where mixed-income families and individuals can live, work, and play together..

A National Homes Framework

Let us begin with a 'vision', a 'strategy', and a 'plan'...a far-sighted housing policy, supported by a wide range of public services partnerships, delivering a stream of affordable quality homes for all.

The housing policy - **the vision** - would envisage sustainable communities comprising quality neighbourhoods benefiting from a variety of community services and achieving zero-carbon standards throughout. These communities would be supported through a wide range of neighbourhood services, managed by people who recognise the importance of the 'whole place', using local letting agencies and giving coherent pre-registration advice to would-be residents. Social well-being and health would come from on-the-ground 'place-making' activities, an abundant supply of homes, and improved social and economic outputs in the community.

Creating new public services partnerships (PSPs) - **the strategy** - would be essential for the emergence of a long term rental sector, which will be necessary to facilitate the breakup of places of deprivation, and to avoid the pressures of home ownership. The PSPs would be required to have an auditable social purpose - such as Housing Associations, currently - and would adopt new ways of financing using freed-up surplus public sector land, Government subsidy and equity, private sector equity, and 'registered provider' debt funded from Institutional sources. These new development products would enable active asset management both locally and nationally, and would embrace tenure flexibility, the ability to rent or part-purchase, and would utilise new Government-backed funds such as the Professional Rental Sector Initiative currently being promoted by HCA.

Delivering affordable homes for all income ranges - **the plan** - would be achieved through offering a choice of house size and specification, and an option to rent or part-purchase, and should bridge the gap between social-rented and market-for-sale properties, including professional-rented. There would be a range of financial instruments focused on rental flexibility, where Government subsidies would be re-balanced between capital and revenue needs, new forms of tenancy arrangements would recognise the need for mobility, and a new comprehensive 'personal homes allowance', based on post codes, would replace the housing benefit allowance and be administered by the DWP. Rents charged would need to be more flexible and be site specific, reflecting local market variations, and would match the quality and size of house being occupied and the need for landlords to achieve a return on eco-friendly buildings. They would also acknowledge the 'right-to-buy' one's home, and would allow shared ownership and ultimate purchase of the property through 'staircasing' over a number of years.

So, why involve the Private Sector?

It is a fact that the cost of finance rarely affects the value-for-money case. It is probably also true that our current recession-fuelled desire for a 'return to the good old days of 2006/07' is hugely misplaced, as in reality it was way back in 1995 when we saw the last 'normal' year in terms of project financing.; we are very unlikely to see either a return of the very high private sector equity gains (and absurdly low debt interest rates), or indeed the consequent vilification of that sector and of those who participated.

There is now a real opportunity to combine the still abundant sources of private finance with a more focused use of public subsidies, tax incentives, and guarantees, and to leverage these products through a coherent system of public /private delivery vehicles.

Conclusion

Although the creation of a National Homes Framework would demand the development of a highly complex 'meta-system' of local and central government policies, public private and third sector strategies, and on-the-ground delivery plans, its attraction would come from its country-wide coherence, and from its ability to meld three essential attributes... joined-up social governance, private sector innovation, and long term public sector support.



John Pilkington has 40 years experience working with Government to deliver social infrastructure projects using private funding; until recently he was Managing Director of Amey Investments, and before that worked for Carillion, Tarmac, and Arup. He now provides strategic advice to a range of clients, particularly in relation to sustaining effective public private partnership relationships. He is also a NED on the Boards of Alumasc plc and a large American Bank.

NEXT EDITION:

Where have all the Major Project Managers gone?

For more information, please contact **Clive Arup 01865 408532**
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