### HOUSING DELIVERY VEHICLE CASE STUDIES

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Leeds City Council set up a private finance initiative deal to deliver a huge regeneration programme for its inner city. The council has formed a 20-year partnership with Sustainable Communities for Leeds which will help rejuvenate local communities across three areas of the City, including refurbishing more than 1,200 homes and building close to 400 new ones. The project is being funded by HCA with a significant council contribution. It is the first scheme of its kind where the private finance element is secured through the capital funding markets via a bond issue.
Excellent Homes for Life, Kirklees Council

Objectives/Function
The project was an opportunity to address shortages in the current housing stock, and deliver wider economic benefits to the area. Provide new homes to replace a core of high cost, poor quality homes that are tailored to local housing need to include high sustainability and design standards to ensure adaptability to meet tenants needs throughout their lifetime.

Sites (multiple)
466 new homes on 27 sites

Form
The scheme has been delivered through Private Finance Initiative (PFI) and delivered in partnership with the Regenter Excellent Homes for Life Consortium. The PFI deal covers the construction of the homes and a 20 year service contract to manage and maintain them. The project went through a competitive procurement process and Regenter was appointed as the preferred bidder in 2010. The consortium includes Regenter Limited and Wates Construction Limited. The Council sought economic benefit to the local economy from construction work, and from delivering the services by working with Regenter to use and develop local skills.

Lessons Learned
The Council reduced the risk of failure as much as possible through tight specifications and contracts but some risks such as the impact of welfare reform or future legislative change cannot be easily quantified. Understanding whether risks are acceptable to the private sector or should be kept in house is a subtle but important skill for Councils.

Protocols between partners and expectations of service delivery have all helped the partners to understand each other and set out what is expected.

The extra care element is treated separately to the housing management contract and is not part of the PFI deal. It was a deliberate decision to split the two contracts and avoid a conflict of interest.

Councillors played an important role in developing the strategy and vision for building the new homes, and engaging local communities in the planning process.
Joint Venture

Woking

Form

In April 2013, Woking Borough Council transferred its housing management functions to Pinnacle PSG and Mansell Plc operating a joint venture, called New Vision Homes. This delivers housing management, repairs, major works and construction projects to 3,800 homes. Eighteen months into the contract, New Vision Homes has delivered benefits including:

- overall resident satisfaction up from 78% to 83%;
- residents now have access to services 24/7;
- extended neighbourhood office hours including Saturdays;
- more consultation with the community – the opportunity to participate up from 66% to 84%;
- over 50 community initiatives and events;
- satisfaction with estate cleaning up from 37% to 87%;
- estate regeneration, with a £250 million budget, is at the planning stage.
Peterborough

Form

Recognising that the council has traditionally borne the up-front cost of scheme development work, Peterborough City Council has devised an alternative approach to help raise investment for regeneration, initially on development sites that it holds. By creating a joint venture (JV) with a private sector organisation that specialises in developing sites and identifying funders the council hopes to secure a series of investments up to an initial value of £130million. Initially its scope will cover development sites that the council owns. In addition to securing market value for the land, the council will also benefit from a share of the future profits.

Both the council and JV partner would make an initial financial commitment to the scheme. The council would commit its land at market value and the partner funds the scheme development costs up to the point where planning consent is achieved. At this point the consented scheme is 'sold' to a fund and both the council and JV partner recover their initial contributions – market land value for the council and scheme development costs for the JV partner. Any residual profit would be split between the council and JV partner based on their initial contributions.

Derby

Form

At Derby, the City Council has supported the Osmaston Community Association of Residents (OSCAR) in developing the largest community-led scheme in the country. The scheme will deliver 95 homes, of which 55 will be for market sale, cross-subsidising the remaining 40 homes which will be for affordable rent. The Council supported local residents in securing £1 million funding from the Homes and Communities Agency, and provided the redundant land and loan funding. The development is a genuine partnership between OSCAR, Strata Homes (the developer), Derby Homes and the City Council. The developer is currently on-site and using the opportunity to up-skill the local community in all aspects of development and management.
**Luton**

**Form**

With 500 families in temporary accommodation and an increasing population, Luton is experiencing severe housing pressure. It set up a joint venture, using the Local Education Partnership (LEP), which offered reduced procurement costs and a quicker route to starting on site. QED Wates Ltd were chosen as the private sector partner and the LEP formed as the Luton Learning and Community Partnership Ltd (LLCP).

New Homes for Luton is being delivered as a joint venture between the council (contributing land), LLCP, Catalyst Housing Group (provide finance, and managed rented homes and market private sales and shared ownership) and Wates Living Space (design and construction). A package of 16 mixed sites was identified and grouped into phases so that viable sites could cross-subsidise problematic ones. It aims to develop 450 new affordable homes, and make best use of previously developed land, including reinvigorating a neighbourhood centre, regenerating an old Vauxhall car plant, and building on a disused allotment. It will also invest in the local economy with 18 full-time apprentices in Phase I, 14 work experience placements pa, a trainee programme, and a skills programme helping local people facing employment barriers.

Whilst the joint venture has been successful to date with over 350 new properties completed or under construction offering good quality homes to local people, the future is less certain with many of the smaller and more difficult sites proving to be non viable and thus limiting the future potential for the venture.
London Borough of Barking and Dagenham, London

Objectives/Function
Provide housing for local people in work who do not qualify for social housing, but struggle to afford options in the private housing market.

Sites (multiple)
477 new homes for affordable rent over two sites

Form
Special Purpose Vehicle with the Local Education Partnership to act as a developer and secure private finance. Institutional investor Long Harbour funded the scheme with the Council providing the land. The Council guarantees the rents and after 60 years the homes will be owned outright by the Council. The units are marketed, managed and maintained by an independent company called Barking and Dagenham Reside.

Lessons Learned
The complexity of the project requires agreement of key experts inside the Council. Any project of this type will need agreement from the Councils finance, property and legal teams.

Setting up a partnership with an institutional investor takes time and money. It takes longer and is more complicated than using a more traditional form of borrowing such as the Public Works Loan Board.

Annuity rental returns, expected around 3.75% are expensive in comparison to Council finance rates.
**Barton Oxford LLP, Oxford**

Another name

**Objectives/Function**
A site was allocated as a strategic site for the provision of housing the City however required significant investment in infrastructure, making traditional development routes difficult. Oxford was experiencing severe housing shortage and required early delivery of new market and affordable homes combined with a lack of available land

**Sites (multiple)**
36 hectare (90 acre) site. Outline has been granted for 885 new homes.

**Form**

50:50 Limited Liability Joint Venture Investment Partnership with Grosvenor Development Ltd. Costs for external advice from architects, surveyors and lawyers were met by a combination of Grosvenor and other public funding. The developer provided equity and infrastructure investment for the site estimated to be around £25 million and £30 million. As the developer was not under an obligation to develop housing, the procurement of the partner was not subject to the EU public Procurement rules. The procurement process brought out the economic, social and environmental benefits in the Council’s vision including the opportunity for training, apprenticeships and job creation.

Housing officers felt that they didn’t want to go down the route of setting up a local housing company immediately, given the changing regulatory regime. Nor did they want to sell the land to a developer, as they were unlikely to build in the time frame required by the city’s housing shortage, and the need to drive high quality design. Instead there was seen to be value in working on a site-by-site basis, making plots of land available in partnership with individual investors.

Viability was a serious challenge in developing the site, as it was necessary to secure significant investment in infrastructure. Grosvenor brought this to the table and because they were bringing investment, rather than services, the procurement was not subject to EU rules and OJUE proceedings. Council staff time, in-house skills and good partners were seen as essential components for the venture to be effective.

It was also thought that the LLP model allowed for greater control for the Council over the developer and the plans; the first round of bids for the partnership were all turned down on the basis that they did not meet the design requirements set by the Council.

An independent design review panel was established and the council insisted that the scheme had a Master Planning Architect to ensure the standards and frameworks in each plan. The council will own and manage 40 per cent of the houses, which are due to be built by developers Hill.

**Lessons Learned**

The Council had clear objectives not only about getting houses built but to support local economic growth and increase the range of housing options for local people.

The Council’s clear aims were inserted into the procurement process encouraged strong interest in the market and helpful to both partners.

Delivering at pace and was an efficient non OJEU procurement

Flexibility of delivery is achieved by selection of the best developer on a site by site basis.

The non-regulated procurement process encouraged high-quality expressions of interest and ultimately bidders, while a bespoke competition also ensured the Council complied with its requirements to conduct the process in an open and non-discriminatory manner.
Maintaining the programme and openness with bidders as to the Councils approvals process was key in maintaining bidder engagement and confidence.

NOTE: Care needs to be taken with the “procurement” of services in a typical promotor agreement. More detailed legal advice is recommended.
Gateshead Regeneration Partnership, Gateshead

Objectives/Function

Designed to support wider housing and regeneration objectives of the Council and its communities including promoting economic development, increasing local employment opportunities, raising sustainability standards in residential dwellings and improving design standards.

• Leverage private sector investment;
• Utilisation of under-used sites held in Gateshead’s General Fund;
• Ensure quality of delivery across all sites regardless of viability/attractivity; and,
• Ring-fence risk, receipts and surplus within a stand-alone business.

Sites (multiple)

Delivery of 2,400 homes over next 15 years over 19 key development sites. 25% of employees to be from Gateshead and 25% of the value of supply chain opportunities will go to Gateshead businesses.

Form

Gateshead Council established The Gateshead Regeneration Partnership with Evolution Gateshead (a consortium of Home Group and Galliford Try) to develop an innovative solution to delivering 2,400 homes (1,800 private and 600 affordable) over the next 15 years. The homes will be built across 19 sites of varying viability. Development is being brought forward in bundles around three sites at a time where sites with a positive value cross subsidise those that are unviable to achieve an aggregate appraisal that is viable. The council contributes its land assets and its partners contributing private finance and expertise.

The Council is using its land assets to secure private finance through this Local Asset Based Vehicle. Gateshead Council partnered with Evolution Gateshead (itself a partnership between Home Housing and Galliford Try) to develop an innovative solution to deliver both private and affordable housing. The scheme is also supported by the Homes and Communities Agency.

Lessons Learned

Key lesson was how viability can be retained in a pressured commercial climate through land transfer structure

Local Authority initiative in a lower value area enhanced Council reputation

Longer participation secured returns and not just family silver sales

By setting up a local asset based vehicle, partners share the risks and rewards in creating new neighbourhoods, with profits reinvested back into regeneration initiatives.

The venture will also support wider objectives by promoting economic development and increasing local employment opportunities, with 25% of employees working on the project from Gateshead and 25% of the value of supply chain opportunities going to Gateshead businesses.
Kier/Kent

Form

Land led deal where land is transferred in to the JV, three initial sites delivering 152 houses and phase 2 is a rolling programme of sites. Kier funded and developed the sites, providing private market and affordable housing which were leased to a leading registered provider, creating residential investment income.

Lessons Learned

Lesson is the risk of developers cherry picking less complex sites

Public sector needs to lead on site selection
Morgan Sindall/ Bournemouth

Objectives/Function

Bournemouth Council wanted to maximise the town’s economic potential kickstarting the wider regeneration, providing innovation and excellence in design and sustainability, and capturing profit through development rather than pure land transfer.

Form

Bournemouth Borough Council operates a variety of approaches for delivering and supporting housing development, including:

• entering a joint venture in partnership with Morgan Sindall Investments which is currently developing two sites: (i) developing an under-used council-run car park with the aid of HCA ‘Get Britain Building’ funding into 64 residential flats aimed at first time buyers in the town centre; (ii) development of student accommodation for 378 student units, funded via a sale and leaseback structure with one of the Prudential Property Funds;

• a phased investment programme utilising available funding from internal funds, Public Works Loans Board and the private sector three year build programme providing up to 62 new build homes plus additional purchase of 20 private sector properties for rent and the acquisition of a number of run down houses in multiple occupation for conversion into self-contained flats;

• establishing a subsidiary council-owned bank, created under the Community Financing Initiative to provide support to individuals and businesses by funding small businesses, and accelerate delivery of the borough’s Housing Strategy and facilitate area specific regeneration;

• a council-led housing programme including: (i) a trial programme of acquiring run-down houses in multiple occupation for conversion into self-contained family flats and; (ii) contracted to build 105 houses, flats and bungalows partly funded by HCA grant with the remainder self financing using prudent borrowing funded by the rental income received and the council’s own resources.

Bournemouth Development Company (BDC) was incorporated in February 2011, and is a 50:50 joint venture partnership between Morgan Sindall Investments Limited (MSIL) and Bournemouth Borough Council. The partnership structure is that of a Local Asset Backed Vehicle. The partnership has a 20 year concession period and its purposes is to deliver the Town Centre Regeneration Vision for Bournemouth through the development of 17 initial sites, with a maximum development value of £500m

Lessons Learned

The company is delivering at pace and scale and has completed a residential scheme, a student accommodation scheme and car park.

The governance process is protecting delivery of public sector objectives.
Hammersmith and Fulham

Objectives/Function

Deliver major economic and housing growth
Tackle economic and social polarisation

Form

Direct housing development via
- Hidden Homes – Programme for small conversions, generally less than 5 units per site
- New Build Innovative Housing focused on sites of between 5-50+ units, built using Modern Methods of Construction (MMC) where it provides better value for money and ease of construction
- Housing and Regeneration Joint Venture – partnership with a private sector partner to redevelop selected larger Council owned development sites, delivering 50+ units per site. The JV has a separate governance arrangement and its own business plan with the joint venture partner following completion of the procurement process.
- H&F Development Limited (HFD) - a wholly owned subsidiary company that can undertake building of new homes on Council owned land that is vested in it for the purpose. This company has a three person Board and these are H&F senior officers and the Cabinet Member for Housing.
- H&F Housing Limited (HFH) - a company with charitable aims, established under the Industrial and Provident Society rules, that will be able to access grant, provide housing management, and accept gift aid to achieve greater tax efficiency. Under the rules this company can be run initially with an interim Board which has now been set up with Officers as Board Members pending the transfer of any assets into the company.

Two initial schemes to deliver housing with scope to MI and over wide portfolio.

Northern Ventures, Huddersfield

Form

Kier have set up a new joint venture to develop mixed-tenure housing projects across Yorkshire, Humber and the North West, including the first 113 home development site for outright sale in Huddersfield, West Yorkshire. The model offers a full mixed tenure development partnership. The new model allows registered housing providers with development aspirations and revenue to share activity, national presence and sales infrastructure. It will be used for multiple sites. The aim is to build 500 new properties per year and establish site specific limited liability partnerships for each scheme. Any profit returned to the Group will be used to fund out affordable housing programme.

Royal Borough of Kensington and Chelsea

Objectives/Function
• Provide good quality, well managed mixed tenure homes to complement the Council’s housing provision;
• Support the Council’s strategic objectives to deliver better quality homes, improved community facilities, well designed public realm, increased mix of uses, and diversified tenure in order to contribute towards better health outcomes, higher educational attainment, more job opportunities, enhanced feelings of safety and reduced crime;
• Support the Council in the regeneration of its estates, which would act as a catalyst for wider regeneration of the most deprived parts of the borough;
• Provide homes at a range of rent levels and tenures, including target rents;
• Facilitate decanting existing residents to unlock estate regeneration, and a range of other tenures to satisfy demand and financial viability, including the delivery of much needed intermediate housing to diversify tenure;
• Support the Council in becoming an established developer;
• Be a financially robust company;
• Allow a commercial focus to the portfolio of newly developed housing;
• Secure investment from the public or private sectors;
• Deliver a financial return to the Council on its assets and investment; and,
• Allow the Council to retain ownership of its land assets.

Form

Grainger was selected by the London Borough of Kensington and Chelsea in September 2012 to develop and manage two council-owned sites. More than 50% of the homes across both sites will be built specifically for the private rented sector. These homes will be managed by Grainger under a 125-year agreement, for which it will receive a management fee. The council will retain the freehold and will share the long-term rental income with Grainger.
London Borough of Lewisham

Objectives/Function

- To leverage the Council’s existing asset base;
- To generate an additional £9.5 million per annum in net revenue, two thirds of which needs to come from new income streams;
- To deliver Lewisham's Regeneration Strategy;
- To retain Council assets and protect investment in assets; and,
- The urgent delivery of the New Cross Gate site.

Form

A borough wide vehicle intended to encompass a number of diverse sites and opportunities. Potential to create multi layered legal structure with individual SPVs sitting underneath an operating company.

Lewisham has embarked on an intensive and mixed programme to utilise its land assets to enable the construction of 2,000 new affordable homes in the next four years. The programme will include 500 new council homes, on small sites near existing homes, which will be part funded by land sales. Where the council has land holdings adjacent to those of its partners, it is working in partnership to use its land strategically to make development more viable, support the construction of more affordable homes than would otherwise be possible, and to achieve the 2,000 home target.

The first self-build schemes in England were built in Lewisham. While self-build and particularly community-build projects are common in continental Europe, at present they make up a tiny fraction of the new homes built in the UK. The council believes that there is great potential to capture the spirit and energy of self build to address the current housing supply challenge. To prove that this is the case it has allocated a site specifically for a pilot community-build project, and is working with local community groups to bring that development forward and to demonstrate how councils can use their land to enable community groups to build the homes that the community needs.

The Council is in the process of securing a Joint Venture partner on a co-investment basis. This is not being procured through OJEU but as an investment partnership. The initial focus will be Besson Street in New Cross, a scheme of circa 200 units which will be PRS. The Council will transfer land to the JV and share cost and market risk, receiving a dividend based on profitability of the vehicle. The vehicle is then intended to be used to deliver other schemes which will all be delivered within SPVs to manage risk.

Lessons Learned

Whilst OJEU is not required, in reality the time saved is minimal within the context of the programme because a robust process to partner selection needs to be followed.

Soft Market Testing was useful however without specific questions and a suitably worked up proposition the feedback was less valuable.
Wholly Owned Company

Southwark

Objectives/Function

Land assembly strategy requiring acquisition of several thousand existing leasehold interests in 1950’s housing stock to be acquired through private treaty/CPO and the re-housing of existing tenants and leaseholders on and off site. The project is a £900 million redevelopment and will comprise over 3,500 private and affordable housing units with at least 50% affordable housing, community use facilities and commercial space over a 20 year period.

- Deliver stated aim of 11000 new Council homes by 2043: increase speed and flexibility to enable delivery on huge scale;
- Control over quality of delivery;
- Complement the Council’s powers as planning authority to enable development on appropriate sites at scale;
- Control over long term management; and,
- Avoid the limitations of the HRA borrowing cap.

Form

Wholly owned company to deliver Council homes.

The Council were proposing to flatten a site with Notting Hill Housing to be able to redevelop and replace with 3,500 new homes. Leaseholders located in 8 of the properties earmarked for demolition objected to the CPO. The CPO was refused on the grounds that the leaseholders had objected to below market rate offers for their homes and therefore should not be forcibly removed. This was on the grounds of Articles 1 & 8 of the European Convention on Human Rights (ECHR) which covers peoples entitlement to the ‘peaceful enjoyment of the their [possessions and respect for private and family life, home and correspondence.

Lessons Learned

Where CPO is required to deliver a scheme it must be ensured that the scheme shows a like for like swop basis for existing freeholders and leaseholders and that each phase must be viable in its own right.
London Borough of Ealing – Broadway Living

Objectives/Function

To provide access to housing for local people
Avoid the limitations of the HRA borrowing cap;
Control over delivery
• Flexibility regarding tenures, partners etc.;

Form

A wholly owned subsidiary created to enable direct development of mixed tenure housing over multiple sites and specifically development schemes to Council’s ownership.

www.broadwayliving.co.uk

London Borough of Havering – Mercury Holdings Limited

Objectives

• To generate a financial return to the Council by operating a business;
• To contribute to dealing with the housing supply issue in the borough which threatens the economic and social well-being of residents and is also a threat to the local economy. It will seek to avoid large tracts of buy-to-let housing characterised by fragmented ownership, poor management of families from outside the borough, who may place unsustainable pressures on local services;
• To ensure a mix of housing, in terms of type, size and tenure, best matched to the needs of Havering; and
• To support the Councils regeneration and growth aims, bringing forward high quality development on regenerations sites in key parts of the borough, notably though not limited to, Rainham along the A1306, and Romford Town Centre.

The Councils MTFS has a net income target of £600k per annum from such a development proposition by 2017/18.

Form

Incorporation of company limited by shares that will be wholly owned by the Council. Assets disposed to the Company at market rates. Company funded through state aid compliant loans
**Enfield Gateway**

**Objectives/Function**

Set up to purchase family homes in the borough and surrounding area to provide an alternative to costly nightly accommodation into private rented homes following an anticipated £3.3 million budget pressure for the Council arising from putting people into temporary accommodation in 2014/15 which was predicted to rise to £7.8 million.

Secure local properties for local people

Set exemplary landlord standards with well managed and maintain accommodation.

**Form**

Enfield Council is the sole shareholder of Housing Gateway Ltd which provides the following services

- Property acquisition
- Property Management
- Financial Management
- Management
- Insurance
- Legal
- Asbestos

The scheme had purchased 120 homes by June 2015 and £1.8 million to renovate 56 properties.

**Lessons Learned**

During the second year of operation Housing Gateway Limited has faced several challenges brought about by external factors. For example the housing market continues to be extremely buoyant, with house prices rising. In addition the ree on Local Housing Allowance (LHA) rate has meant that the rent received by the company has not increased in line with other costs. Housing Gateway Limited put a policy in place to ensure that an independent valuation is obtained for one in three properties and all properties which are purchased “off-market”. This ensures value for money is obtained and the company is not paying in excess of the market value.

Housing Gateway Limited has the flexibility to charge market rent, subject to state aid considerations and compliance with the Entrustment Document.
Thurrock Council, Essex

Objectives/Function

- Enable the Council to achieve its stated aim of 1000 new homes in borough over 5 years;
- Enable the Council intervention when the housing development market was weak;
- Isolate sales risk (Council could purchase sale units through HRA); and,
- Complement on-going HRA activities.

Form

Gloriana Thurrock will be a housing company wholly owned by the council and able to build new homes on council-owned on a site-by-site basis. The financial model assumes that most of the new homes will be let at 80 per cent of market rent, with the balance sold outright or through shared equity or similar schemes. Gloriana will act as a ‘private’ landlord for rented properties, while those for sale will be available at market value and supported ownership.

Council land is sold to the company at a commercially valued rate and Gloriana borrows prudentially against the council general fund to fund the housing development. Gloriana pays the interest on the loan through its rental income and the debt can be repaid when the homes are sold. The design of the first Gloriana development at the St Chad’s scheme in Tilbury for over a hundred homes has secured a top national award. This development started in 2015 for 128 new homes the first of which will be completed in 2017.

Lessons Learned

- Governance, Governance and...Governance
- You need an answer for the inevitable: “But I’m a Councillor…”
- Building is relatively easy, development is less so
- Skills mix is critical – do you even know what/who you need?
- You will make mistakes and they will cost you money
- Principles are great but they don’t always generate a return
- Council land is available now but it will eventually run out – Gloriana needs to mature to be able to viably develop where it has to acquire land
- 1% reduction in Council rents means that Gloriana is increasingly their preferred/default development route – it will do more than they originally thought possible
Ashford Borough Council, Ashford

Ashford has been proactive in housing delivery in Kent across all tenures, with the council successfully bidding for HCA funding to continue its affordable homes building programme, which has already seen 390 homes delivered and a further 106 homes planned. Using the opportunities of HRA self financing, one to one RTB receipt monies, and a detailed land asset plan Ashford has maximised its financial support to deliver much needed affordable housing. Additional measures that the Council have put in place include:

- A property company – A Better Chance for Property Ltd – secures homes that the council can market at affordable rents, and over time will look at how it can meet the variety of tenure needs within the borough. Making a return for the council’s General Fund as well as delivering homes;
- ABC lettings, a management service for private landlords, enables the Council to proactively discharge its homelessness duty into the private sector
- Responding to the aging population by remodelling and re-provision of traditional sheltered housing in to new dementia friendly communities, with additional ‘Housing our Aging Population Panel for Innovation’ compliant affordable apartments, using DH Care and Support grant, HCA grant, HRA borrowing, HRA land and land purchased.
- Using additional borrowing capacity to fund a 21 home mixed tenure development in a rural area. Ashford benefits from strong, inspirational, political leadership and has produced the ‘Ashford Model’ to deliver for the community, led by the community, taking advantage of its geographical location, managing risk, and with a desire to support quality housing growth and real economic growth.

Objectives/Function

The Council sought the provision of housing to meet the gap between the supply and demand for privately rented accommodation and those who have insufficient income to buy their own homes

Form

Ashford Borough Council has set up a council owned housing company. Ashford Borough Council had previous experience of building Council homes, PFI projects and entrepreneurial experience to build on. Building through HRAs was no longer an option as the Council had reached its borrowing cap. A new trading company was the solution for providing additional housing capacity.

ABC’s companies will be registered as companies limited by shares, with the Council owning 100% of shares. This approach will ensure that ABC retains full control over the companies’ activities, through a shareholder agreement. This includes decisions about the appointment and removal of directors as well as the commencement or winding up of trading activities. This structure also provides the flexibility to both sell shares and receive dividends on their share ownership. In order to effectively oversee these activities ABC has established a new Cabinet sub-committee, known as the ’Trading and Enterprise Board’. This board is tasked with considering requests from each of the companies in respect of matters under the shareholder agreement, although some matters such as the approval of business plans and financial plans have been reserved to Cabinet and Full Council respectively.

Directors of the new ABC companies are drawn from both officers and members of ABC, together with independent advisors drawn from the business sector. ABC has taken the decision not to make any payments to these directors for the role. ABC has taken independent legal advice on the governance structures for the new companies and given particular attention to the need to avoid any conflict of interests for any officers or members that have dual roles for both the Council and the company. Within this the role of the Council’s statutory officers also needs careful consideration.
ABC’s companies will have the powers to employ staff directly when appropriate, but will initially use and pay for the time of existing ABC officers. The companies will be required to operate as going concerns and fund these costs from their trading activities. In order to establish the company’s activities in the first instance ABC made a small set up grant of £20,000.

As part of the arrangement ABC intends to borrow funds from the Public Works Loans Board using its prudential borrowing powers within the general fund. It intends to on-lend this funding to its housing and regeneration company to provide a capital resource for investment into housing and regeneration projects. ABC has initially agreed to on-lend £10m over 5 years in this way. These loans are to be secured against company owned assets and their repayment must be funded by the company’s trading activities.

**Lessons Learned**

Taking a more entrepreneurial role in housing has enabled council staff to develop new skills and services in house. The Council employed their own Architect.

The expansion of the housing stock has had a positive effect on the housing service and opened up new areas of opportunity.

The trading company allows the council to manage the investment and keep a close control over governance. It has taken time to set up and other councils thinking of a similar approach will need to think about the time and the skills needed to support this level of commercial activity.

Ashford Borough Council prepared a detailed business case as part of their preparation, and had existing experience of trading companies to draw on.

A repeated issue is the tension that occur when a housing company is 100% owned by the authority and controlled by officers. The Housing Company should be taking a commercial view and maybe pushing the boundaries of some Council policies and tensions can occur particularly in dealing with planning applications. There are often issues with the Company appealing to their own authority.

Another general view is that the availability of finance is not a major challenge but more of a concern is meeting the scale requirements to attract the most competitive funding rates. Understandably housing Companies are cautious at the outset embarking on a limited development programme and therefore finance requirements are limited but the finance market prefers scale and repeat business.
South Cambridgeshire Limited, South Cambridge District Council

Objectives/Function

Affordable housing is a significant economic issue in the local area. The shortage of rented accommodation is a concern for employers, with a real risk that essential workers will be priced out of the local jobs market by high housing costs.

Form

The Council is considering leasing arrangements through the Housing Company to address the shortage of affordable rented property. Options under consideration include acquiring vacant homes and redevelopment and letting on discounted terms.

Lessons Learned

Acquisition of existing buildings has the advantage of speed, as no building is required. It is also a low risk activity to the Council in terms of risk and investment. The Council is exploring different types of tenancy through Housing Company including longer tenancies. There is a demand from professionals for rented accommodation with security of tenure, for example during a placement with the University.
Plymouth City Council, Devon

Sites (multiple)

1,000 house per year for five years. To support self and custom build, tackling stalled sites, securing institutional investment and releasing council owned land (100 acres)

Objectives

To meet local housing demand at affordable cost.

Form

Plymouth City Council is establishing a £50 million fund to build 1,000 new houses a year. The Council will borrow the money and lend it to housing association and housing cooperatives at an interest rate of 3%. The Council also plans to release 100 acres for development for a mixture of affordable homes, family homes, executive properties, student accommodation and extra care housing.

In 2016 this has been extended to include £80m to deliver 5,000 new homes through a £30m Land Acquisition Fund & £3m Housing Infrastructure Fund. Also establishing the Homes for Plymouth new Housing Company.

Lessons Learned

LA leveraging its land asset to bring forward development in an economically pressured area.

Note: Plymouth City Council is also seeking to secure new housing through the DCD vehicle English Cities Fund (JV with Muse Developments)
Borough of Broxbourne

Badger BC Investments

Objectives/Function

Wanted to develop housing for market rent in order to provide a new income stream.

Form

They set up an arms length company, Badger BC Investments. The Council will lend the company £5 million from its capital budget over four years to acquire land to build new homes, charging a rate of 5% interest on the loan. From the Council’s perspective they will receive a better rate of return for the public’s money than can be achieved from a bank or other investments.

The company also provides a fall back resource for rehousing homeless people within the Borough.

The HC avoids the pitfalls of RTB claims and therefore enables the Council to provide non council housing.

The Company employs no staff and the Council provide all staff including legal staff

Staff costs charged on an annual basis at costs

All costs of acquisition to be drawn down from the council as part of the loan/mortgage agreement at a finance rate of 6%.

No equity input from the Council therefore loans on the basis of around 106% of value plus any refurb costs.

Lessons Learned

Lack of success in acquiring in the local market, due to high competition.

Available where there is no land holding within the Council.

Lack of local opportunities most of deals sourced out of borough and therefore not able to tap into local in house knowledge – therefore requires joined up thinking between the Councils.
Hammersmith and Fulham

Objectives/Function

Deliver major economic and housing growth
Tackle economic and social polarisation

Form

Direct housing development via
- Hidden Homes – Programme for small conversions, generally less than 5 units per site
- New Build Innovative Housing focused on sites of between 5-50+ units, built using Modern Methods of Construction (MMC) where it provides better value for money and ease of construction
- Housing and Regeneration Joint Venture – partnership with a private sector partner to redevelop selected larger Council owned development sites, delivering 50 + units per site. The JV has a separate governance arrangement and its own business plan with the joint venture partner following completion of the procurement process.
- H&F Development Limited (HFD) - a wholly owned subsidiary company that can undertake building of new homes on Council owned land that is vested in it for the purpose. This company has a three person Board and these are H&F senior officers and the Cabinet Member for Housing.
- • H&F Housing Limited (HFH) - a company with charitable aims, established under the Industrial and Provident Society rules, that will be able to access grant, provide housing management, and accept gift aid to achieve greater tax efficiency. Under the rules this company can be run initially with an interim Board which has now been set up with Officers as Board Members pending the transfer of any assets into the company.

Red Door Ventures, Newham

Form

Wholly owned company by the London Borough of Newham. Aims to provide PRS.

The land and at what price it can be achieved are crucial. Red Door Ventures has managed to acquire an abundance of development opportunities at a discount.

The model is set up to acquire local authority land, with money borrowed from the council which is paid back with interest.

Red door is proposing a unique revenue-sharing mechanism to enable future rental growth to be shared with Newham towards additional affordable housing. Aims to build at least 10,000 homes over the next 10 years and have so far achieved an affordable rate of 20%.
Homes for Lambeth

Objectives/Function

Support the Council to have greater control over the pace, quality and volume of new housing delivery to address market failure.

Allow the Council to access public and private funding minimising profit leakage to the private sector and generating income and development.

Support the Council to realise its strategies for housing communitybeneit and growth.

Support the Council to undertake investment and developments which are intended to generate an investment return to protect its resilience.

Provide a flexible platform that can grow and evolve to support and realise new strategic delivery opportunities.

Manage the Councils overall exposure to the risks of development whilst fully harnessing the economic potential.

Additional

LB Lambeth: Somerleyton Road
(for comparison & potential integration) Vehicle to purchase completed development from Council: intention to own asset for the long term.

- Control over delivery;
- Minimise leakage of profit to private sector;
- Avoid the limitations of the HRA borrowing cap;
- To ring-fence receipts and surplus from the scheme for reinvestment in this or other identified housing and regeneration projects; and,
- Up skill Council officers.

Nuneaton and Bedworth Council

Nuneaton and Bedworth Council set up its trading established trading arm, named Nuneaton and Bedworth Community Enterprises LTD (NABCEL) in March 2014. The first business stream chosen for NABCEL was the purchase of properties to rent out at full market rent. As well as generating income, this also helps address the local need for affordable rented properties. A capital budget of £1m was approved as part of the 2014/15 budget. This has so far secured seven properties and with a further two to three being planned. Forecast income generation for 2015/16 is £50k, which will go towards protecting services and jobs.
Developer Panel

TFL Property Panel

Objectives
To unlock development potential across multiple sites through a development framework.

Form
TfL own 5,700 acres of land across the capital including buildings, land attached to tube stations, railways, and highways, making them one of London’s largest landowners.

TfL launched a procurement process to partner with a panel of property developers to generate greater income from the land it owns in the capital.

Initially proposed to appoint a small group of private sector partners, TfL has appointed 13 property development companies and consortiums to a development framework.

Lessons Learned
Must ensure maintaining a constituent approach to procurement. - A frustrated developer market due to extended panel and procurement process.

Concern that TfL will get planning and prepare site to a level where developers consider little developers profit opportunity left in and there will be a race to the bottom on the land value. This has reduced the level of competition at mini-competition stage.
GLA

Objectives/Function
Developer Panel

Form
The pre-qualified panel is the basis for shortlisting a selection of developers to bid under the restricted procedure

Lessons Learned
Restricted procedure requires the scheme to be worked up prior to bidding and this increases up front pre-development costs and limits the benefits of developer input. In our experience (e.g. floating village) this is deterring some quality developers from engaging.

Mitigation – avoid the restricted procedure to allow the developer to be brought in at outline stage.
# PRS INVESTMENT

**LB Wandsworth**

**Objectives/Function**

- To maximise potential to realise values in an area and at a time when land prices are steadily increasing;
- To enable delivery of PRS housing through the General Fund, avoiding the borrowing cap in the HRA; and,
- To enable the Council to act as an investor.

**Form**

Vehicle to invest in PRS across the borough.
Southwark/ Lend lease at Elephant and Castle

Objectives/Function

To deliver
- Up to 2,988 new homes
- Over 600 affordable homes
- At least 50 shops and restaurants
- A brand new park connected to a vast array of other green spaces that will help restore nature in the heart of the city
- 1,200 new trees
- Over 6,000 new jobs
- £30 million investment in transport improvements
- £1.5 million investment in local schools

Form

Lend lease is working under a DA with Southwark Council to deliver £1.57 billion regeneration programme on 28 acres of land across the three sites in the centre of Elephant and Castle.

This is a single project. There is also strategic delivery of housing and relating to the portfolio. SRPP this is different to land lease.

Lessons Learned

Reputational damage to Southwark in respect of resident engagement at the Heygate that has damaged Southwark reputation

Challenge with securing CPO powers to obtain VP on a socially and morally acceptable basis.

The need for the Public Sector to share resident engagement responsibilities.

The benefit that can be derived from programme level training & Apprenticeship schemes of for the disadvantaged

Note: The Council is separately progressing a JV with Affinity Sultans to undertake a housing delivery programme across multiple Council owned sites.
Income strip

Organisation

London Borough of Barking and Dagenham, London

Objectives/Function
Provide housing for local people in work who do not qualify for social housing, but struggle to afford options in the private housing market.
- Retain ownership of assets;
- Retain all management and nomination;
- Ability to sell assets;
- Ability to charge varying rents of 50-80% OMR;
- Flexibility to offset finance risk by altering rents on a discretionary basis;
- Retention of all profits by providing LA guarantee “wrap”;
- Nil cash funding requirement; and,
- Funding assurances

Sites (multiple)
477 new homes for affordable rent over two sites

Form
Council granted long lease of site to fund which developed units and underlet site to Council's wholly owned company. Quasi PFI solution: company's rental income stream enabled it to repay fund over agreed long term period. By establishing an innovative privately funded affordable housing model, 477 new homes will be built on council-owned land. Properties are being offered at affordable rents, ranging between 50-80% of local market rates in the Borough. The scheme is entirely self-financing on the basis of a sale and leaseback structure from the rents paid over the term of the lease. At the end of the lease period, all the properties will automatically transfer into full ownership of the council

Institutional investor Long Harbour funded the scheme with the Council providing the land. The Council guarantees the rents and after 60 years the homes will be owned outright by the Council. The units are marketed, managed and maintained by an independent company called Barking and Dagenham Reside.

Lessons Learned
The complexity of the project requires agreement of key experts inside the Council. Any project of this type will need agreement from the Council's finance, property and legal teams.

Setting up a partnership with an institutional investor takes time and money. It takes longer and is more complicated than using a more traditional form of borrowing such as the Public Works Loan Board.

Annuity rental returns, expected around 3.75% are expensive in comparison to Council finance rates.
Direct Delivery within HRA
Camden – Community Investment Programme

Camden Council hopes to raise some £300m from the Community Investment Programme (CIP), launched in December 2010. This is a 15 year plan to invest money in schools, homes and community facilities. Its model is to sell or redevelop council properties in the borough which are out of date, expensive to maintain, or underused and difficult to access. This helps to generate funds not already available for investment in new housing and supporting infrastructure.

The council estimates that investment from the CIP may help to deliver up to 2,750 new homes, including 500 new council rented homes, 200 new shared ownership homes, and 1,650 new private homes which will be marketed to local people first. Major schemes include Bacton Low Rise, where higher density redevelopment is being enabled partly by the disposal of a council district housing office.

A notable community-led scheme to have emerged through Camden’s Community Investment Programme is the Bacton Low Rise development in the Gospel Oak area of the borough. The site currently comprises 99 residential units, a district housing office and workshop units. Following representations from residents concerned at the poor condition and design faults of the existing estate, the Council proposed to demolish the estate, the neighbouring housing office and the workshop units and to replace them with 293 new homes: 176 for private sale, 10 for shared ownership, 107 council homes and 3 employment units. The district housing office is first to be redeveloped and its site will provide homes for about half of the existing tenants. When the existing residential blocks are empty, they will be demolished and new homes built on their site which will house the remaining tenants.

Tenants have been involved at every stage of the redevelopment process, including in scoping developments, appointing architects and actively participating in the design, development and delivery process for individual projects. This has included planning and design/development training for tenants. Such participation ensures that existing residents feel that they have full buy-in to the regeneration process and are not marginalised by it.

Lessons Learned

Following delivery of smaller schemes Camden embarked on a wider development programme. Starting with smaller schemes educated officers and members and grew confidence.

Camden is now investigating options for CIP2 due to constraint of the HRA borrowing cap on further development.

Viability of some schemes has been challenged due to cost inflation requiring significant value engineering and reduction in scope.

Camden has been successful in consultation with local residents.
### Greater Manchester Pension Fund – Development Finance

**Objectives/Function**

- Delivery of affordable housing;
- Minimise leakage of profit to private sector; and,
- Create viable investment for Pension Fund.

**Form**

Council to act as developer, commissioning building contractors to deliver mixed tenure housing, with investment from the Council’s Pension Fund.

### Redbridge – Public Sector Partners

Redbridge has a longstanding policy of disposal of land to developers and registered providers. For future schemes, Redbridge has considered the possibility of deferred land receipts to allow development to happen. The council is currently seeking to work with other public bodies, such as the NHS, to bring forward redundant or surplus land.

In order to meet the growing need to find additional housing supply, the council is also reviewing all planning designations to ensure they remain appropriate and are not unnecessarily precluding development. This would include the release of some designated green belt sites which are no longer considered to meet the purposes of green belt.
Hackney – Cross Subsidy and Council Development

Previously the Council's approach to estate regeneration was to consider site-specific solutions, either through joint ventures or land disposal. The Council now takes a portfolio approach combining surplus-generating schemes with those requiring net investment, meaning the programme is self-funding.

Hackney has become the first local authority to both build and manage its own shared ownership homes, which have been cross-subsidised by private sales. The Council has plans to build a further 500 homes for shared ownership.

Hackney’s Woodberry Down development is an example of innovative use of capacity and skills to support a major estate regeneration project. The scheme attracted funding from the Homes and Communities Agency and has proceeded in partnership with partners Berkeley Homes, the Genesis Housing Association and resident steering group the Woodberry Down Community Organisation. As well as physical rebuilding, the Council is also working with the Manor House Development Trust to support social and community regeneration in the area, providing activities including training and employment. The Council has also worked with the local community in updating the masterplan for the area as economic circumstances have changed in recent years. The Community Organisation has achieved a number of notable concessions from the developer including guarantees on space standards for social rented homes, signoff on the design of future phases, and a guarantee of a new social tenancy for grown up children of estate tenants.

Hackney have also promoted mixed communities in well-designed neighbourhoods is one of six key priorities of Hackney's Sustainable Community Strategy 2008–2018. The council has begun to deliver an ambitious estate regeneration programme to provide over 2,700 new council homes for social renting as well as shared ownership and private sale to meet this objective. The programme is financed by taking advantage of the HRA borrowing freedoms, and is supported by combining surplus-generating schemes with those requiring net investment as part of a portfolio approach. The programme is self-funding and does not rely on the traditional approach of delivering regeneration schemes through a joint venture or by means of a land disposal in order to tackle viability issues arising from the upfront cost of acquiring Right-to-Buy properties. The council is working with a range of partners to replace existing, poor-quality homes, one in five of which are bedsits, with new homes for social renting, shared ownership and private sale built to spacious, modern, lifetime standards, including sustainability.

Hackney also developed an innovative approach to funding development of sites. The Council secured a planning consent for the scheme and then entered into an agreement with the developer whereby:

- The Council funded the development of the scheme up to shell and core, carried out by the developer working as the Council’s contractor which reduced profit requirement
- The Council then sold the long lease of the airspace in the shell to the developer who then funded and carried out the fit out of the residential units generating a profit for the Council without taking market risk
- The Council retained affordable housing and retail elements.

Lessons Learned

Programme approach to support viability and cross subsidy between sites

Innovative development solution to increase council profits whilst managing risk – could be transferred to assets developed within the General Fund and acquired by a partner or WOC.
Richmond – social outcomes through sale at sub-market value

The London Borough of Richmond identified a need for delivering a supported housing scheme especially for young people with complex needs known to their Learning Disability Service. They identified a site for possible development for such housing and decided to dispose of it at discounted value. They also agreed to provide £250,000 funding support from their Housing Capital Programme, and supported a successful bid for funding of £250,000 from the Mayor’s Care and Support Specialised Housing Fund, in partnership with Paragon Community Housing Group. The scheme which will provide independent living accommodation for four young adults with learning difficulties is expected to complete in April 2015.

Barnsley – holding to account

Barnsley Metropolitan Borough Council is setting up a Strategic Housing Partnership Board, involving representatives from the ALMO, registered providers and the private rented sector, to oversee the 2014 – 2033 Housing Strategy, with specific focus on the 4-year housing delivery plan, and hold the council to account for delivery.
Manchester - devolution

The Greater Manchester Strategy recognises that accelerating delivery of new housing is a key priority for the Greater Manchester Combined Authority (GMCA). Recognising that housing has a major part to play in the economic growth of the city region, the Greater Manchester Housing Investment Board has been established as a joint mechanism to bring GMCA and the Homes and the Communities Agency (HCA) together on a formal basis to drive housing delivery forward. The Board’s work is focused on delivering residential growth in both the short (1-3 years) and medium term (4-6 years). Its workstreams include:

- improving understanding of the housing market, including how economic, demographic, financial, spatial and investment drivers are interacting, and options for intervention;
- mapping sites across Greater Manchester that may accelerate housing delivery to understand the barriers and develop strategies in discussion with public and private sector site owners;
- bringing together lessons from existing programmes, pilot projects, and experience to examine possible housing delivery models that could be developed at scale;
- working with Registered Provider partners to deliver additional new affordable homes, and develop ways of generating additional homes through tackling empty property; and
- working to establish a Greater Manchester delivery vehicle to bring together investment and capacity to develop additional housing across a mix of tenures.

The announcement in November 2014 of a £300 million recoverable Housing Investment Fund for Greater Manchester as part of the wider Devolution Agreement with Government provides a further substantial boost to progress.

Wolverhampton – delivering skills

Wolverhampton has one of the highest levels of worklessness in the UK, and, as a major employer, Wolverhampton Homes, which manages 23,000 homes on behalf of the council, recognises the importance of supporting small and medium-sized businesses in competing for public sector contract opportunities. Through its ‘Connecting Procurement Roadshows’ Small and Medium Enterprises can meet buyers from Wolverhampton Homes and other local buying organisations, and discuss potential opportunities with procurement teams, and receive training and information on how to improve their opportunities, as well as networking and collaboration opportunities. Additionally, through an agreement with two construction firms and the local University, alongside its award-winning Learning, Achievement and Employment Programmes scheme has helped more than 350 tenants and their families to get work experience, new skills, and training, and celebrated its 69th apprentice progressing through the scheme.
Islington

Islington is encouraging registered providers to build homes at social rent levels by providing council land free or at discounted rates and by providing grant funding to registered providers from its New Homes Bonus revenue.

Almost all of Islington’s current council homes are categorised as decent, enabling it to use its HRA borrowing capacity to fund new development. It has prioritised development of new social homes on 14 sites using a combination of NHB funding, HRA borrowing capacity and discounted public land. Ten housing associations are working with the borough to re-use public land for new housing set at target rents.

Chichester – site disposal

Chichester is a high value area in the South East and the majority of surplus/ redundant land is brought forward at the first opportunity. In recent years, the council has identified:

- a redundant industrial site, which was sold to a registered provider and developed to provide 46 affordable homes;
- a redundant homeless hostel sold to a registered provider at reduced value and redeveloped to provide 13 family homes;
- granted planning permission to provide 80 homes (of which 50% are affordable) on a football field that was relocated to an alternative ground;
- a number of small sites transferred to registered providers to provide additional affordable housing to meet local needs;
- surplus land at a council depot to be used for a gypsy and traveller transit site.
Cherwell – self build

Build!® project offers an individual, or group of people, the opportunity to come together to either build a new home, or to renovate and decorate an existing property. In return for the work that the individual or group puts in they can benefit from a reduced purchase price or lower rental rates, as well as an opportunity to create a home that is more suited to their individual needs.

The properties are available to buy on a shared ownership or shared equity basis, or to rent at 80% of the open market value. The level of involvement required depends on the ambition and skills of those involved in the project, and there are five options - from absolute beginners to those who want to build their own house from scratch. The pilot programme is delivering around 250 new homes across Banbury and Bicester. Due to the huge success of Build!® the Council has recently acquired a large MOD site (Graven Hill, Bicester) which has outline planning permission to deliver up to 1900 self-build housing opportunities and will be the largest self-build scheme in the UK.

Gloucester City Homes

GCH calculated that if they provide an apprenticeship to an unemployed young person (under 25) with the construction of every new house, then there will be an annual saving to the public purse of more than £9,800 each in terms of saved welfare benefits and increased tax income.

Surrey County Council - skills

Have established an online and physical network for construction and built environment contracts. This included advertising by main contractors for supply-chain opportunities for local suppliers and supporting skills development across the area.

Wolverhampton Homes - skills

Has a range of activities to promote jobs in the building industry mong its tenants. The LEAP programme created 69 apprenticeships in two years, of which 58 have been sustained into employment. It also supports a social enterprise which provides training in building skills for young people not in mainstream education and for adults referred from the health services and other agencies.