

Strategic Alliances in the Housing Sector

28 April 2022

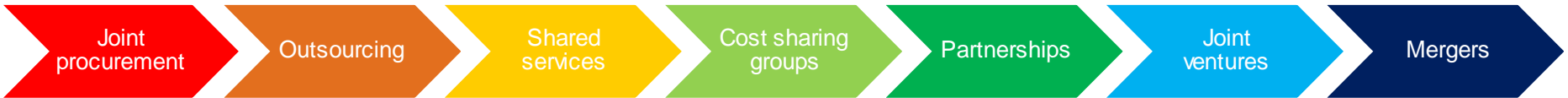


What we are going to cover

- Different forms of partnership working
- Direction of travel and trends
- Things to consider
- Opportunities
- Risks



The Spectrum



Direction of Travel



Trends in the Sector

Mergers and consolidations

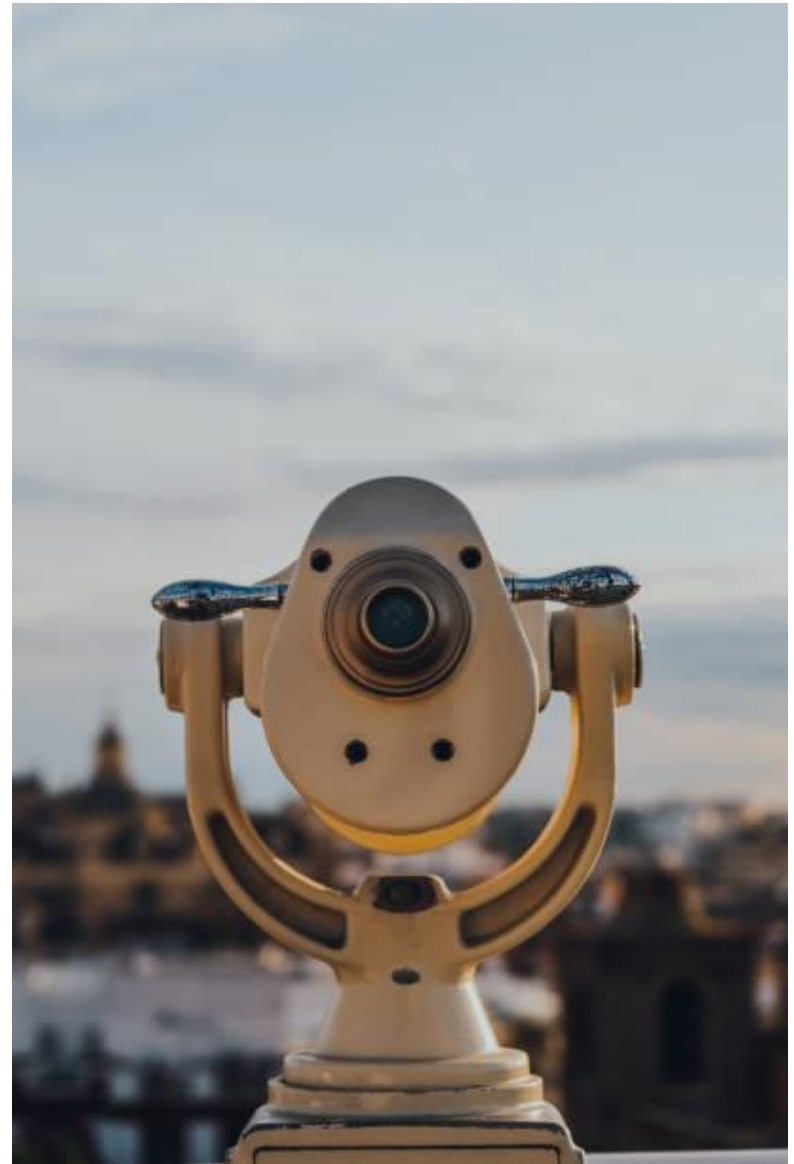
Simplification of group structures

Partnerships

Joint Ventures

Diversification

Strategic disposals



Drivers

VfM Standard

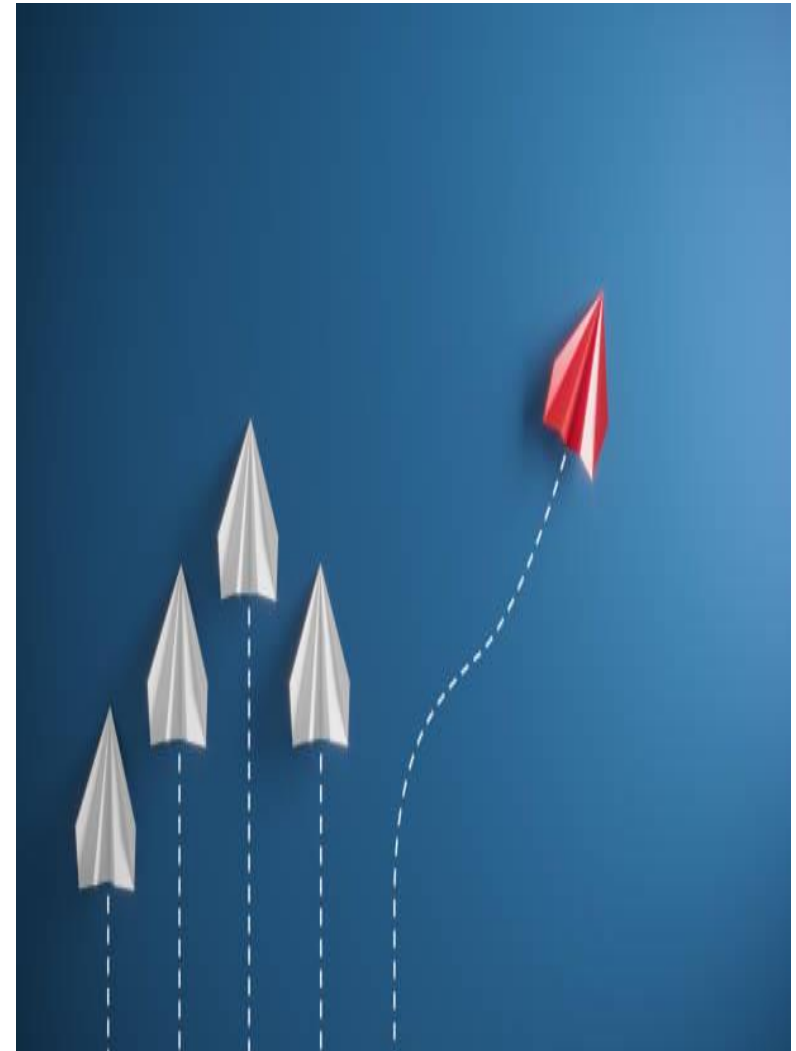
NHF Code

Response to
the Pandemic

Response to
Brexit

Increasing
investment
costs

Competition



Value for Money Standard

- Strategic objectives
- Optimal benefit from resources and assets
- Rigorous appraisal
- Regular consideration
- Return vs risk
- VfM Metrics



The Whys and Wherefores



The Whys and Wherefores

‘This is an exciting, unique opportunity that will bring together the expertise, capacity and ambition of our three organisations to make a difference for more people, faster. Our shared ethos is that customers will be at the centre of a new partnership with services influenced by local need and customer knowledge. We share a resolute commitment to be part of strong, regional infrastructure with our partners, to improve opportunities for local people and tackle the many aspects of the housing crisis in central and east England.’

- Joint statement, Chairs Paul Leinster (bpha),
Mike Stevenson (Futures) and Peter Hawes (Flagship)

Shared services and other ways of working together

- Outsourcing / buying in services
- Shared service arrangements
- Cost sharing groups
- Joint procurement / frameworks

Mergers

- Rise of the merger
- Efficiencies
- Optimising potential gains
- Expanded range of skills
- Geographical growth
- Pooled resources
- Resilience
- Problem cases

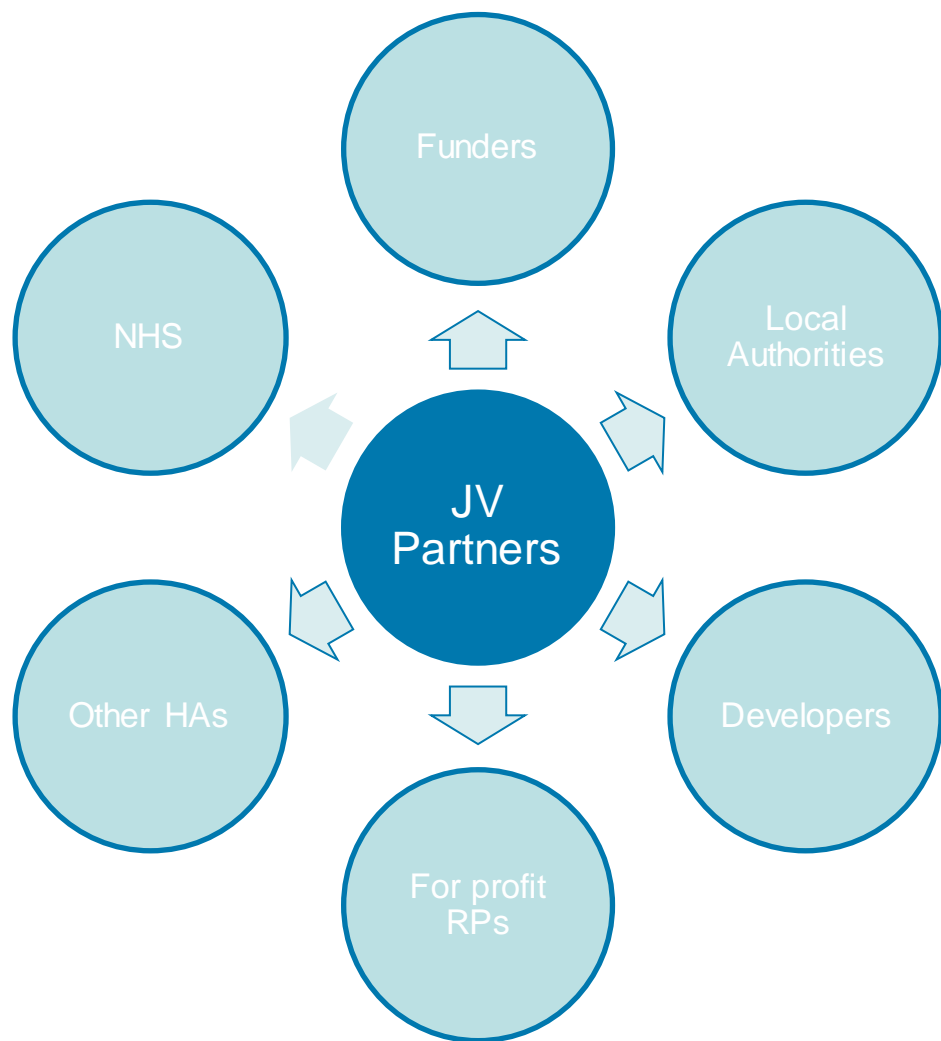


Mergers – what to consider

- Risks
- Cost
- Cultural fit
- Competition
- Service delivery
- Resident views and engagement
- Staff engagement
- Demerger



Joint Ventures – Potential Partners



Joint Ventures – Additionality

- Shared costs
- Shared risk
- Pooled skills and resources
- Access to land / other resources
- Additional capacity
- Developer commitment



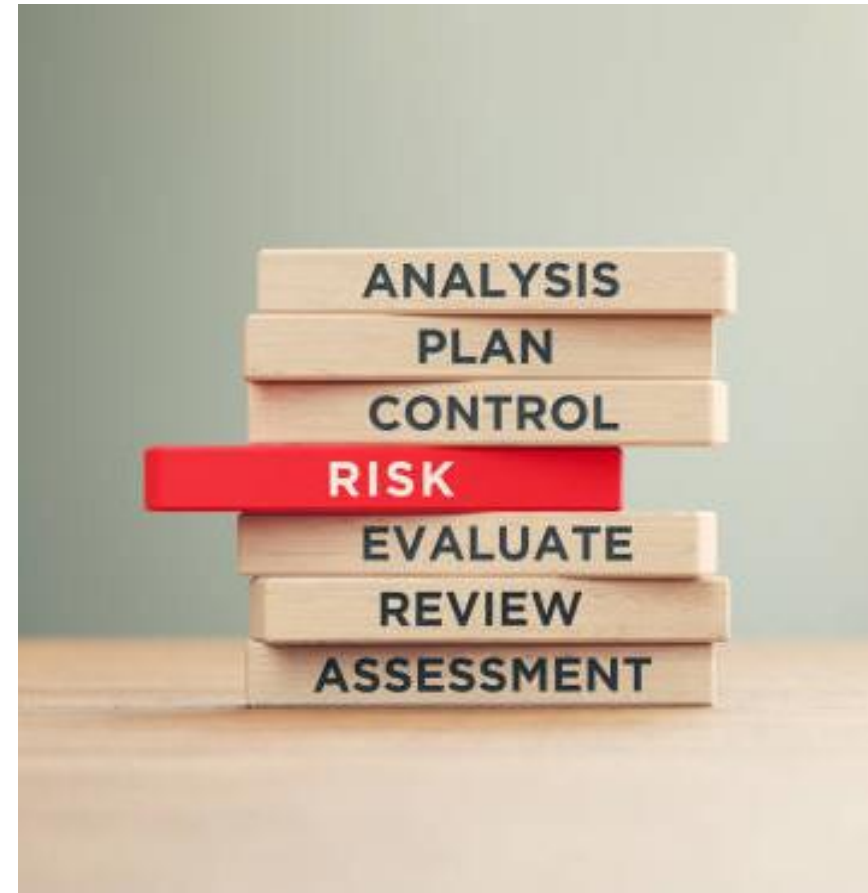
Joint Ventures - Risks

Complexity

Unequal
sharing of
risk/reward

Exit strategy

Regulatory
suspicion



Joint Ventures - Structures

Contractual	Corporate
Specific site	Separate legal vehicle
Fewer set up costs	More expensive to set up
Tax transparent	Flexible
Not very flexible	Long term arrangements

Scenario 1

You are on a Board of a housing association and a private investor company wants to partner with you to develop houses. This is a new organisation you haven't worked with before. Your organisation will take the affordable housing built as part of the development. Your organisation will also manage any private rent units to be developed.

- What do you as a Board need to consider before approving this arrangement?
- Is there more information you would like to see before you can approve working with the organisation?
- What about ongoing considerations?

Scenario 2

You are on the Board of a mid-sized housing association. The organisation has modest development ambitions and had been hitting its development targets, but the pandemic and other growing investment needs on decarbonisation and building safety mean spending is increasing.

The chief executive has been contacted by another organisation operating in a similar area who you know has been actively seeking merger partners.

- What do you as a Board need to consider when discussing this?
- Is there more information you would like to see before you can approve working with the organisation?
- What about ongoing considerations?

Summing Up / Questions / Discussion

