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# STRATEGIC ALLIANCES IN THE HOUSING SECTOR

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# SPEAKERS



**Gemma Bell, Partner**



@Gemma\_A\_Bell



Gemma Bell

Gemma\_A.Bell@penningtonslaw.com



**Sharon Thandi, Associate**



@SharonThandi07



Sharon Thandi

Sharon.Thandi@penningtonslaw.com



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# The Spectrum



# Direction of Travel and Drivers



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# Trends in the Sector

**Mergers and  
consolidations**

**Simplification of  
structures**

**Partnerships**

**Joint Ventures**

**Diversification**

**Strategic  
disposals  
programmes**



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# VFM Standard

- Strategic objectives
- Strategy for delivering homes that meet a range of needs
- Optimal benefit from resources and assets
- Rigorous appraisal of options for improving performance
- Regular consideration of potential VFM gains
- Alternative structures
- Non-social housing – return vs risk
- VFM metrics



# The Whys and Wherefores

- Does this fit with our strategic objectives?
- What are we trying to achieve by doing this?
- What are the risks associated with this?
- How do they weigh against the benefit?
- Who are the best people to help us achieve this?
- What makes this a compelling offer?



# The Whys and Wherefores

*“This merger has successfully joined two organisations with the same values and ambitions for expanding and enhancing locally-focused services to customers.*

*“We now have the scale and capacity to build hundreds more new homes each year, and to increase available resource for investment in our existing homes. We will also be able to widen our overall offer to customers by increasing the breadth of our services such as care and support, building for sale, community-led housing and modern methods of construction.*

*“It is a merger of equals that has created a stronger and more resilient organisation that’s more ‘future-proof’ and ready to deal with future challenges.”*

Ruth Cooke, Chief Executive of GreenSquareAccord





# Joint Procurement

- What are you trying to achieve? Are there common objectives?
- Price vs quality?
- Control of procurement process
- Costs
- Where it works well... and not so well...
- Framework or contract?

# Shared Services and Outsourcing

Outsourcing =

The allocation of specific business processes to a specialist external service provider

Shared Services =

A collaborative strategy in which a set of functions are concentrated into a semi-autonomous business unit



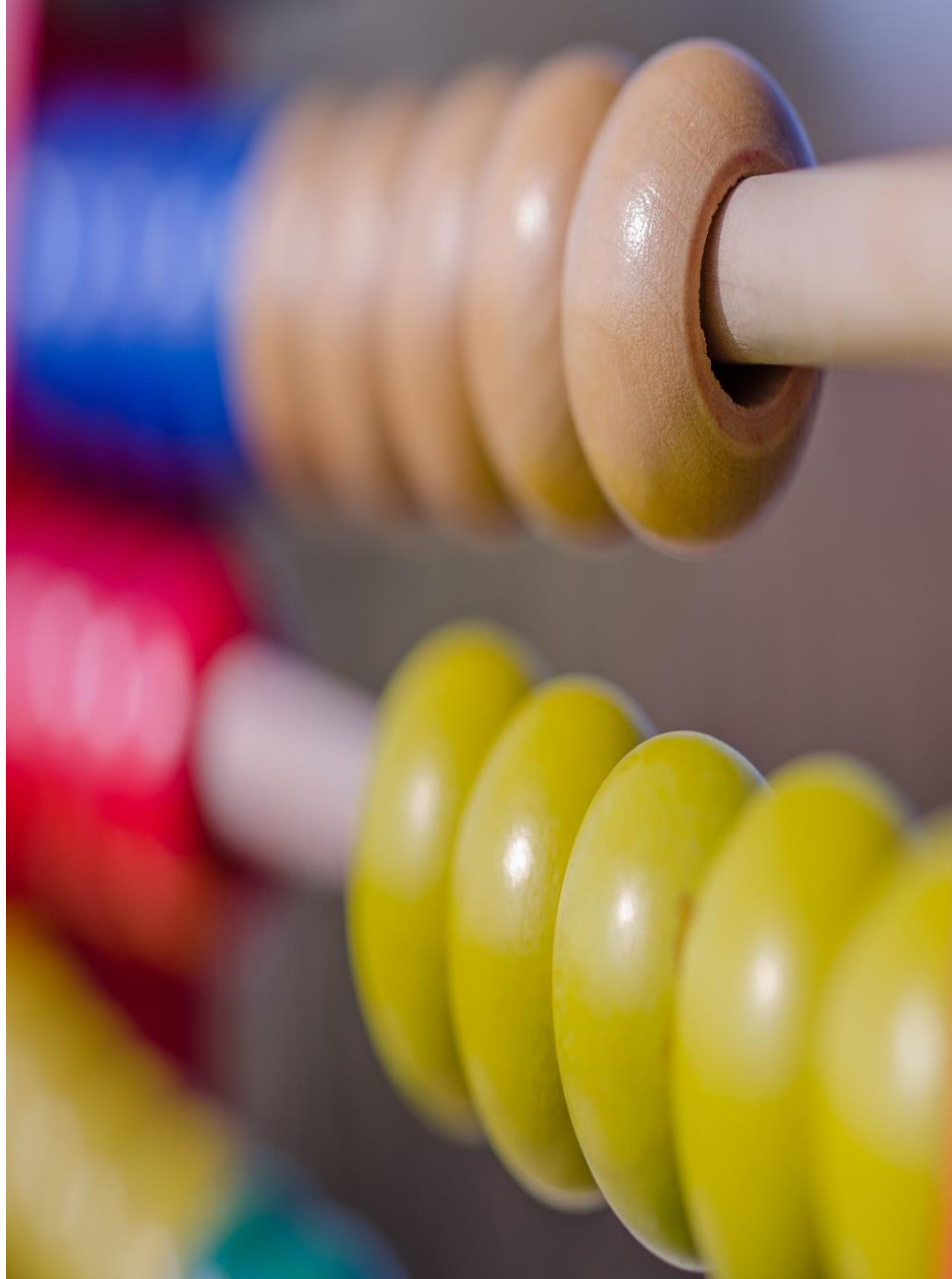
# Shared Services and Outsourcing

- Are there cost savings to be made?
- Are there wider opportunities?
- Constraints:
  - VAT
  - Need for flexibility and control
  - Procurement requirements
  - Effective contract management

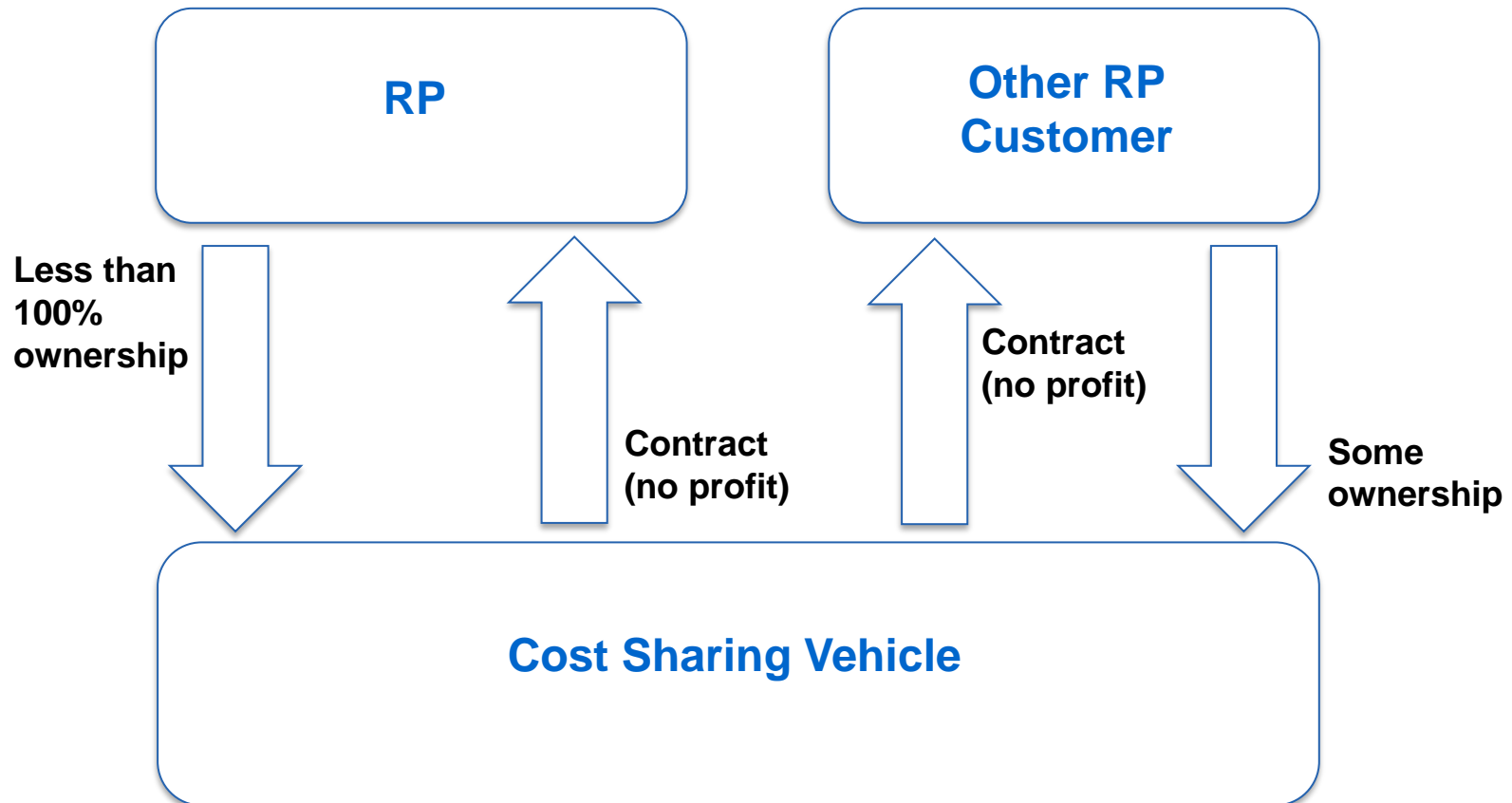


# Cost Sharing Groups

- Shared services/works arrangements
- Recovery of input VAT
- Key feature “exact reimbursement” of the costs of providing those services
- Not a vehicle to make profit



# Cost Sharing Group – Typical structure – Shared Services



# Cost Sharing Groups

Key features:

- CSV must be a separate company
- All members of CSG must have over 5% VAT exempt/non-business supplies (e.g. provision of related housing)
- Works services provided must be “directly necessary” for the non-business activities of the CSF member
- Charges made by the CSV to the CSG members must be based on a fair apportionment of the actual costs incurred in working for each of the CSG members
- Arrangements must not involve any distortion of competition, and CSV must not be “operating in the market”

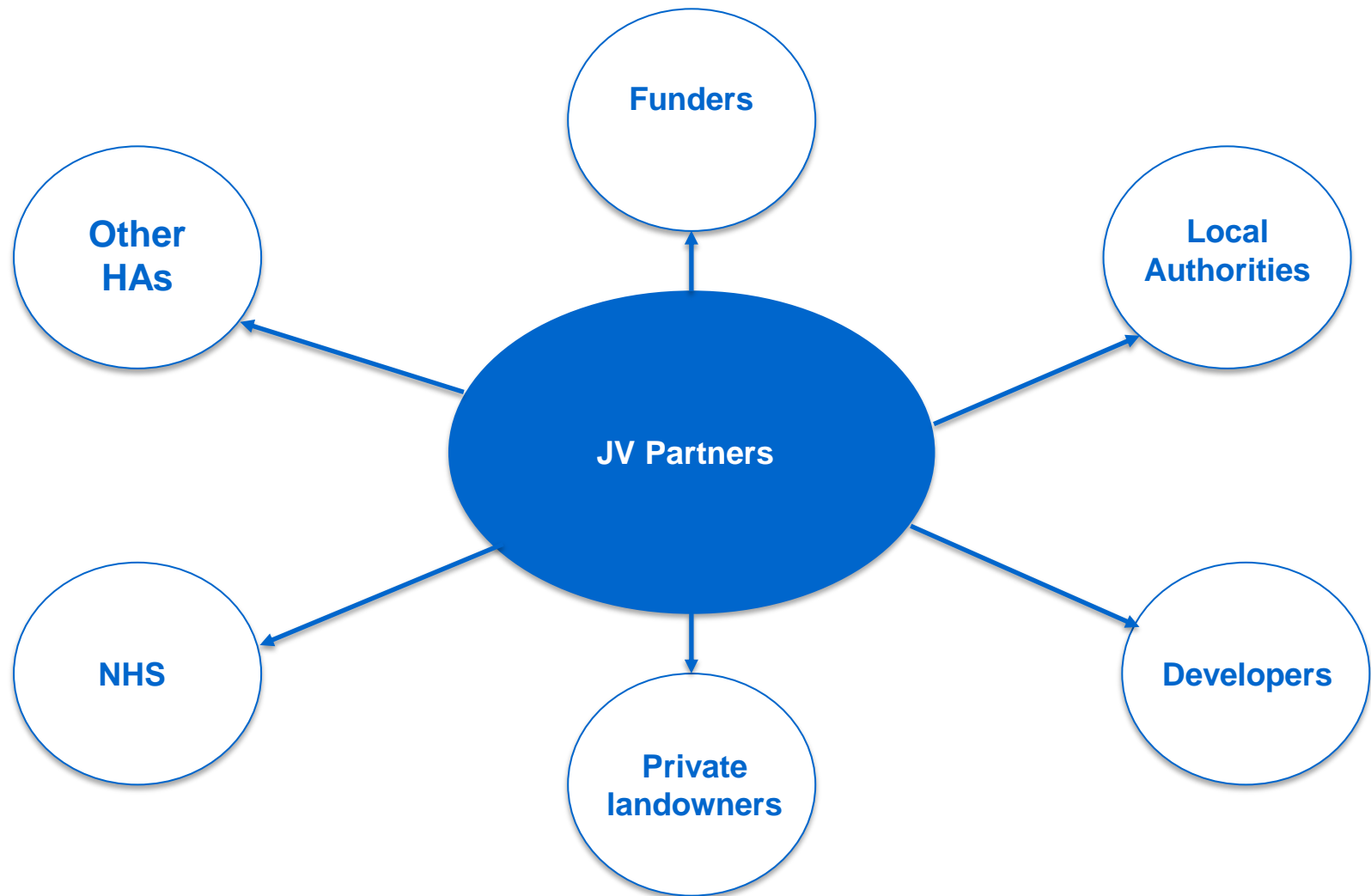
# Cost Sharing Groups

Key issues:

- Due diligence
- Membership
- Governance
- Cost control
- Quality control
- Staffing
- Procurement
- Funding
- VAT grouping



# Joint Ventures – Potential JV Partners





# Joint Ventures – Additionality

- Shared costs/funding
- Shared risk
- Pooled skills and resources
- Access to land
- Facilitates greater ambition/development capacity
- Secures developer commitment



# Joint Ventures - Risks

**Complexity**

**Unequal  
sharing or  
risk/reward**

**Exit strategy**

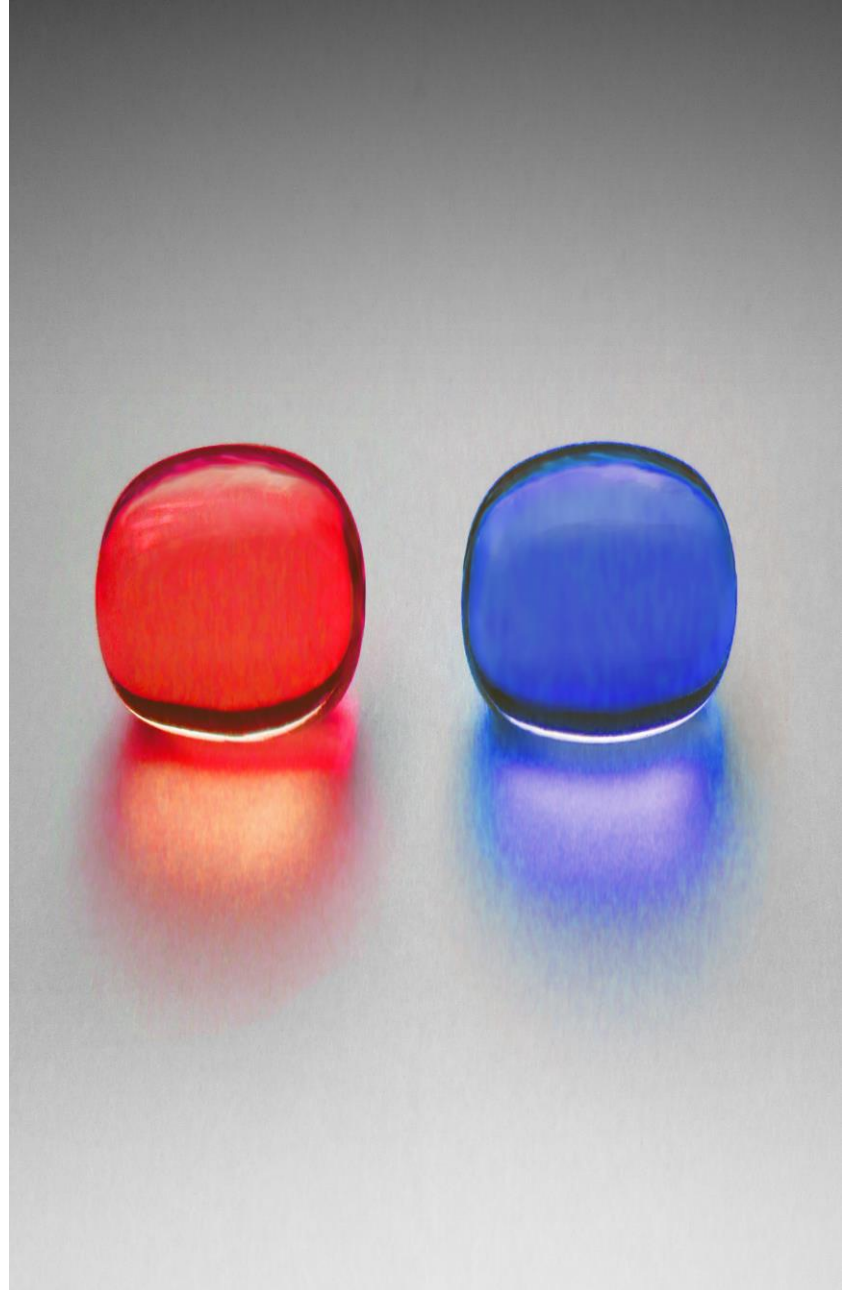
**Regulatory  
suspicion**



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# Joint Ventures – Contractual JVs

- Suitable where the collaboration is confined to specific sites
- Fewer set up costs than an SPV
- Tax transparent
- Not very flexible to meet new circumstances/over a long period of time



# Joint Ventures – Corporate JVs

- Separate legal vehicle (or more than one)
- Flexibility, where specific schemes have not yet been identified and over a long period of time
- Can outsource risk to the SPV
- Charity law compliance
- Can raise its own finance
- “on” v “off” balance sheet
- Set up and administrative costs



# Summing Up

**Are goals  
clear?**

**Are the risks  
and benefits  
understood?**

**Do we  
understand  
the hurdles?**





# QUESTIONS?



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