

The logo for Hertfordshire Housing Conference features a stylized green arch above the text. The text is arranged in two lines: "Hertfordshire" in a smaller font and "HOUSING CONFERENCE" in a larger, bold, all-caps font.

Hertfordshire
HOUSING CONFERENCE

Decorative wavy lines in shades of green and blue sweep across the top and middle of the page, creating a dynamic background for the text.

**Rising to the challenge:
Herts Housing 2024**

Welcome and housekeeping

Tina Barnard

Chief Executive – Watford Community Housing

Thank you to our sponsors



Keynote speaker

Sharon Taylor, Baroness Taylor of Stevenage

Shadow Spokesperson for Levelling Up,
Housing & Communities



Economic perspective

Henrietta Podd

Director Debt Capital Markets – Allia C&C



An aerial photograph of a residential development. In the foreground, there is a large, modern brick building with a grey roof, possibly a school or community center. To the right, a row of brick houses with grey roofs is visible. In the background, there are more residential buildings and a large industrial building with a flat roof. A river is visible on the left side of the image.

Hertfordshire Housing Conference

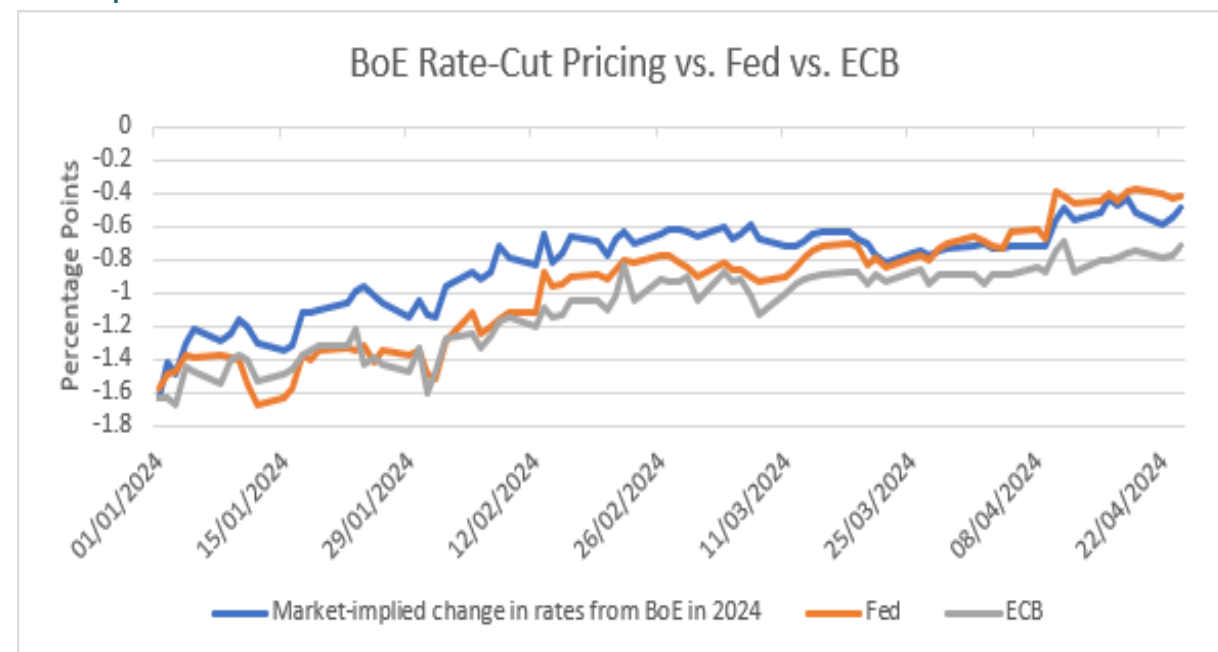
14 May 2024

 Allia C&C

Mind the gap

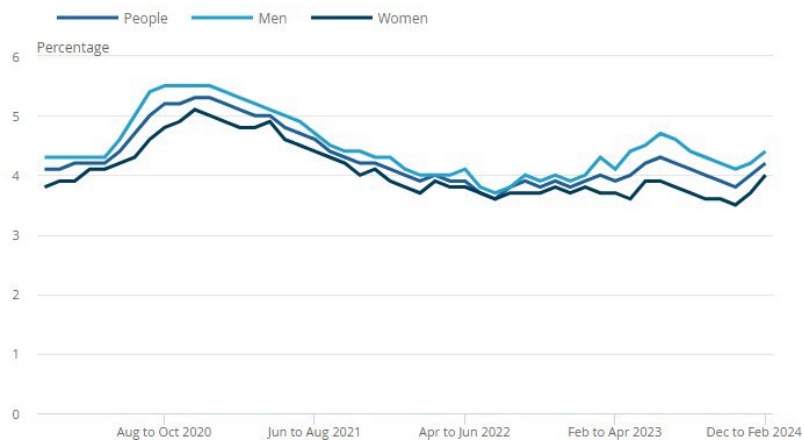
2023 ended with considerable optimism that inflation was under control and rates would be coming down by half way through 2024

- Markets back tracked in the new year and over the last month, have been struggling with the gap that has opened up in growth, the labour market and inflation between the US and the UK and Europe.
- US - strong employment, GDP growth, and rising inflation suggest speed of rate cuts will slow, or even need to be further rises before they come down.
- Europe – the ECB is on track for the first rate reduction in June, with more to follow.
- UK - In theory, the Bank of England should follow ECB but market is worried that it will follow the Fed instead.

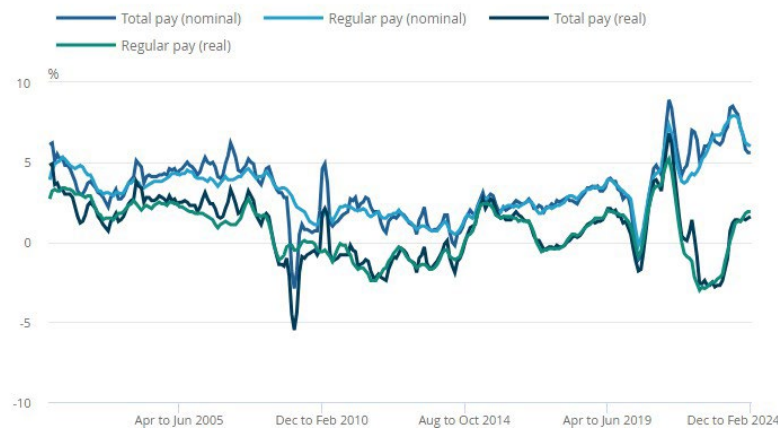


Source BoE, Federal Reserve and ECB

UK unemployment rates, people, men and women, seasonally adjusted, between December to February 2020 and December 2023 to February 2024



Average weekly earnings annual growth rates in Great Britain, seasonally adjusted, January to March 2001 to December 2023 to February 2024



Number of vacancies in the UK, seasonally adjusted, January to March 2005 to January to March 2024



Broader UK Economy – Employment

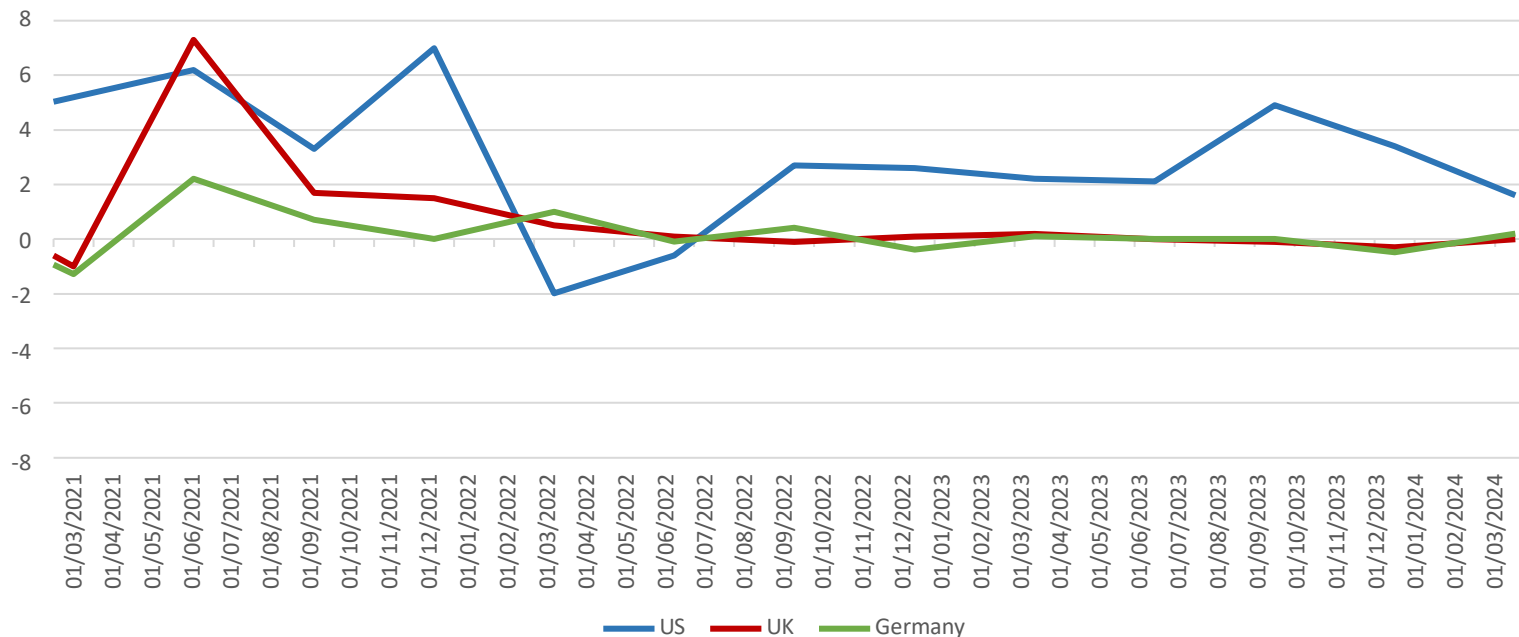
Slow down in employment clearly emerging

- Sluggish wage growth though above inflation
- Deteriorating unemployment figures
- with falling vacancies

GDP

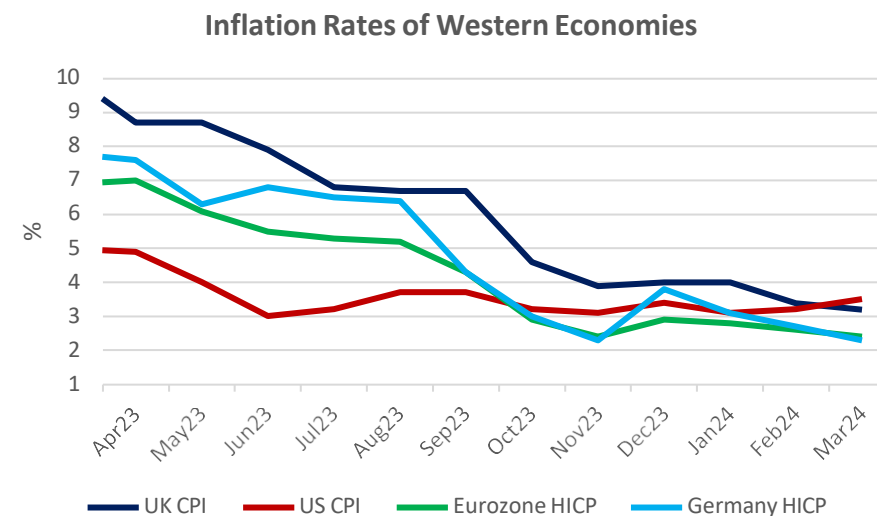
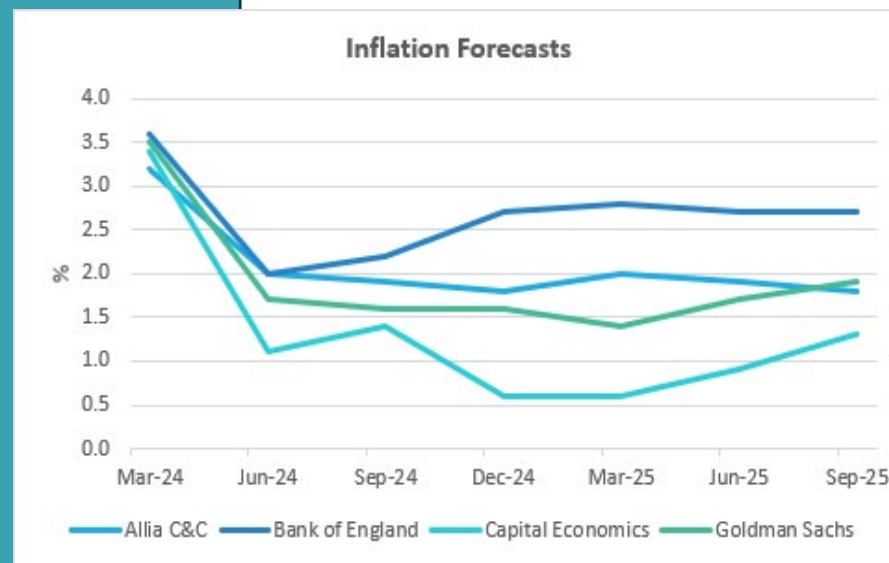
- While UK dipped into technical recession at end of 2023, the first months of this year showed positive growth with GDP rising 0.6% taking the UK out of recession
- While UK growth may still remain at the lower end of the G7 economies, this will put a bit more pressure on the MPC in their rate decisions
- Other factors, such as continuing war in Ukraine and disruption to shipping in the Middle East are more likely to have a short term impact on prices

GDP month on month – UK, US & Germany



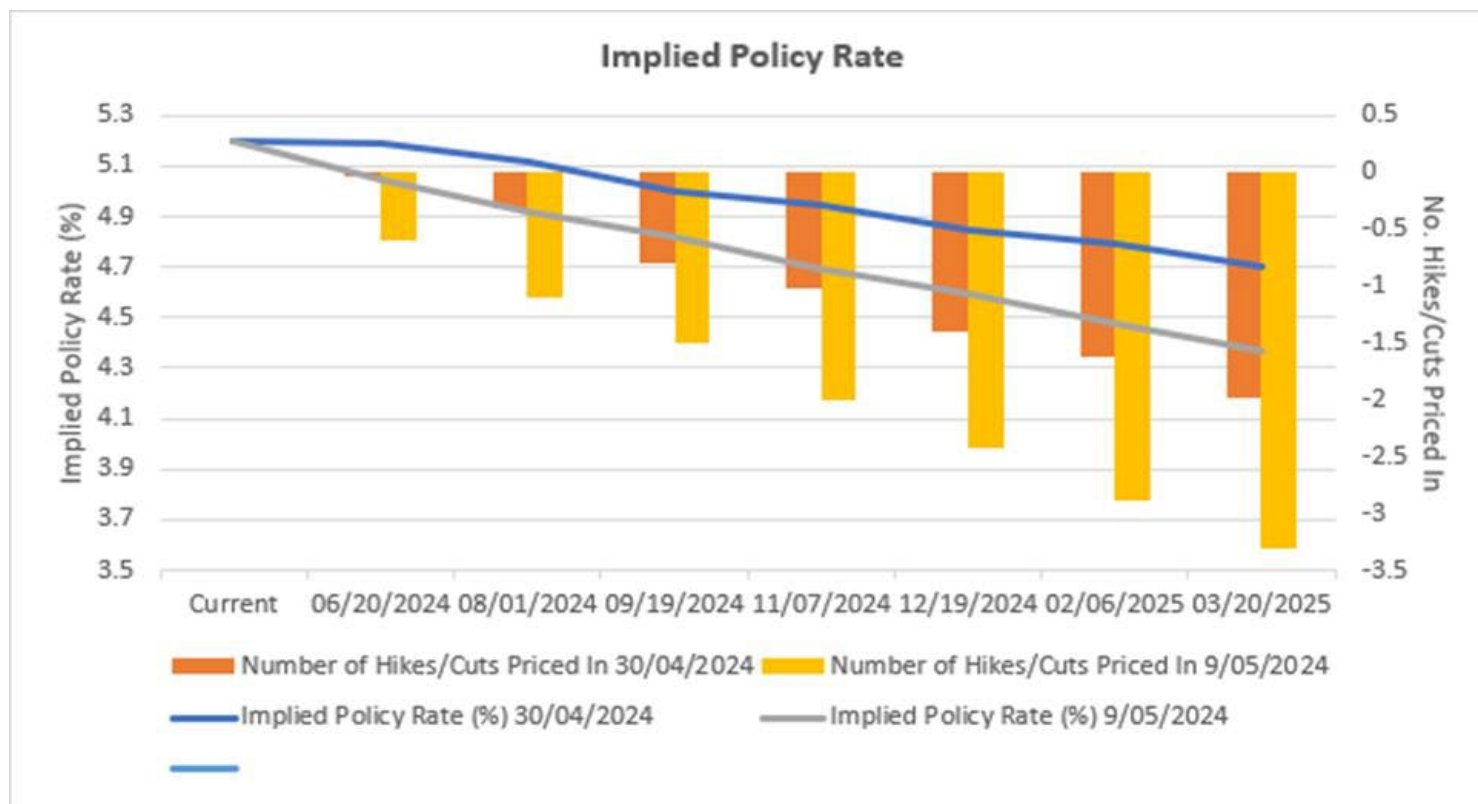
Meanwhile inflation has continued to decline

Inflation



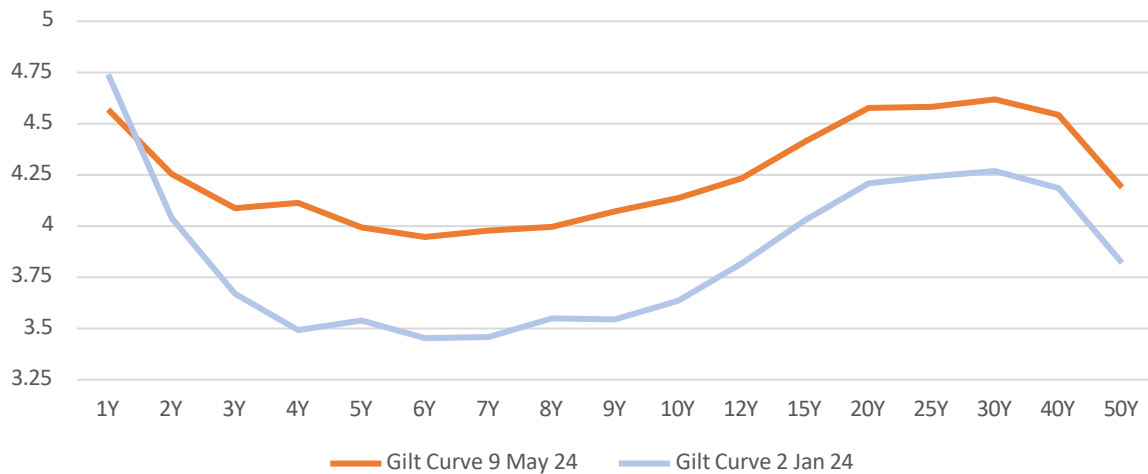
Location	2023				2024		
	Q1	Q2	Q3	Q4	January	February	March
UK - CPI	10.10%	7.90%	6.70%	4.20%	4.00%	3.40%	3.20%
UK - Core CPI	6.20%	6.90%	6.10%	4.60%	5.10%	4.50%	4.20%
US	5.00%	3.00%	3.60%	3.30%	3.10%	3.20%	3.50%
Eurozone	6.90%	5.50%	4.30%	2.70%	2.80%	2.60%	2.40%
Germany	7.40%	6.40%	4.50%	3.60%	2.90%	2.50%	2.20%

Impact on Short Term Interest Rates



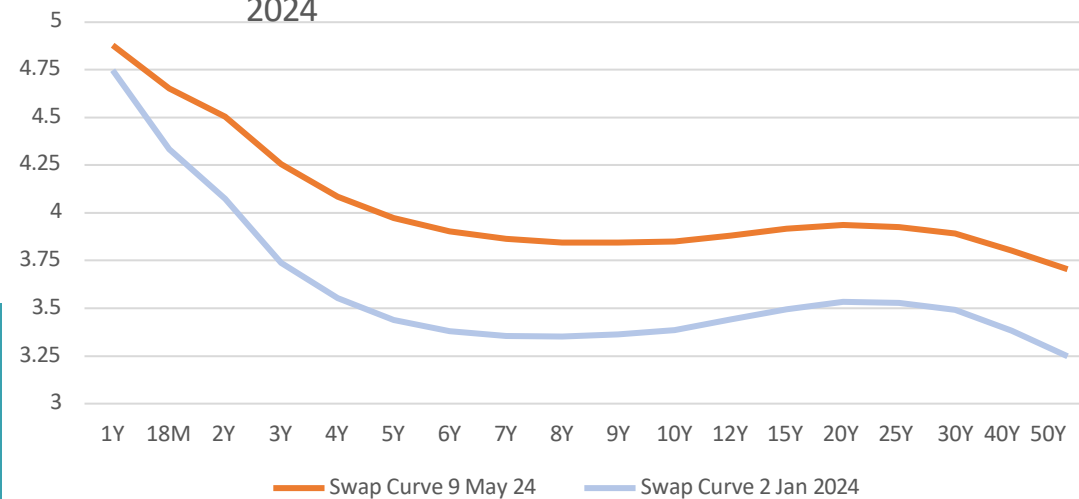
- Until Thursday, market was expecting **delay** in start of rate cuts and only two 25bps reductions in 2024
 - down from 3 – 4 in Oct/Nov last year.
- However, last Thursday, the Governor suggested rates might be cut earlier than the market was expecting – ie next month

Gilt Curve 9th May vs. 2nd January 2024

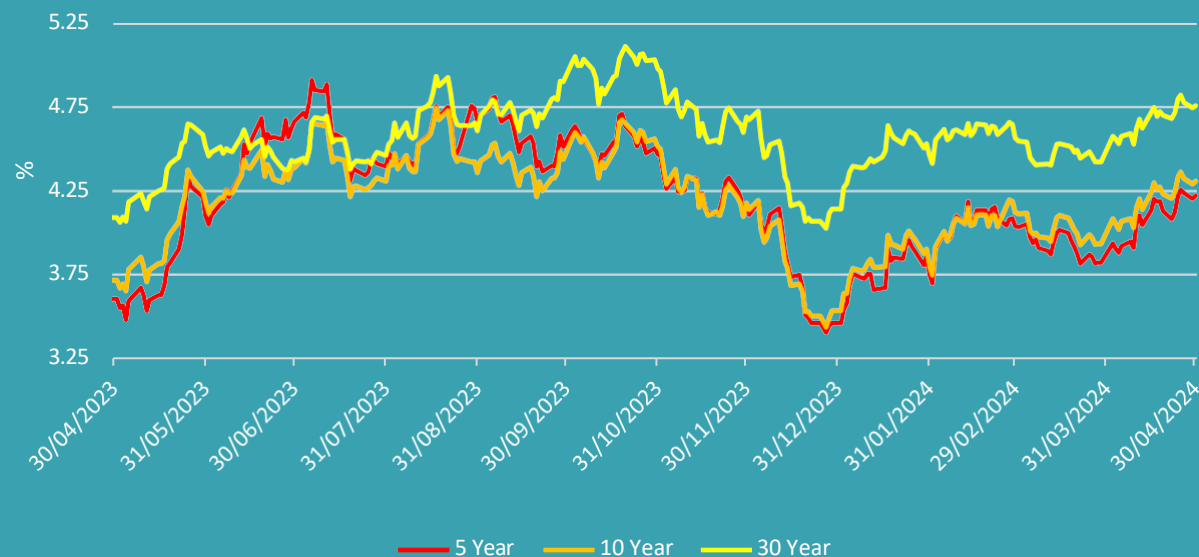


Term Interest Rates

Swap Curve 9th May vs. 2nd January 2024



Gilt Yields Last 12 Months



- Term rates significantly lower than base rate
- But despite positive inflation data, term rates have risen since beginning of year
- Swap curve less steeply inverted than in January – expensive to derisk even for short term

Impact on property market

Nationwide House Prices Y-o-Y and survey (Source: Nationwide & Bloomberg)

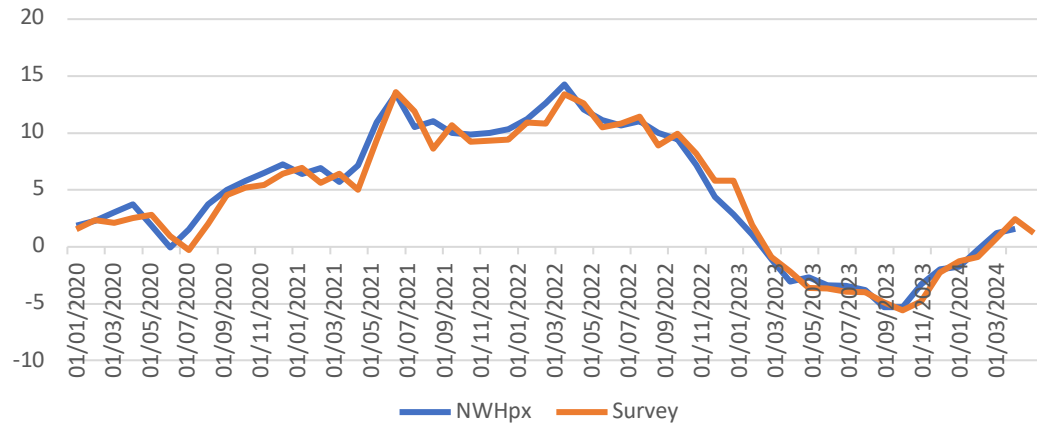
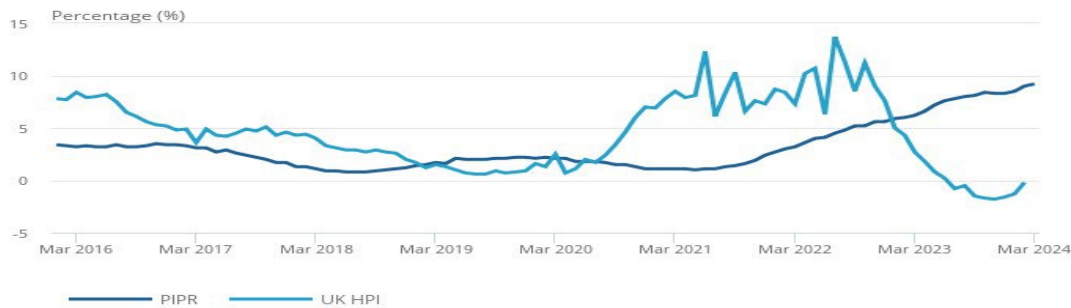


Figure 1: UK rents inflation is rising to record-highs, while UK house price annual inflation remains negative

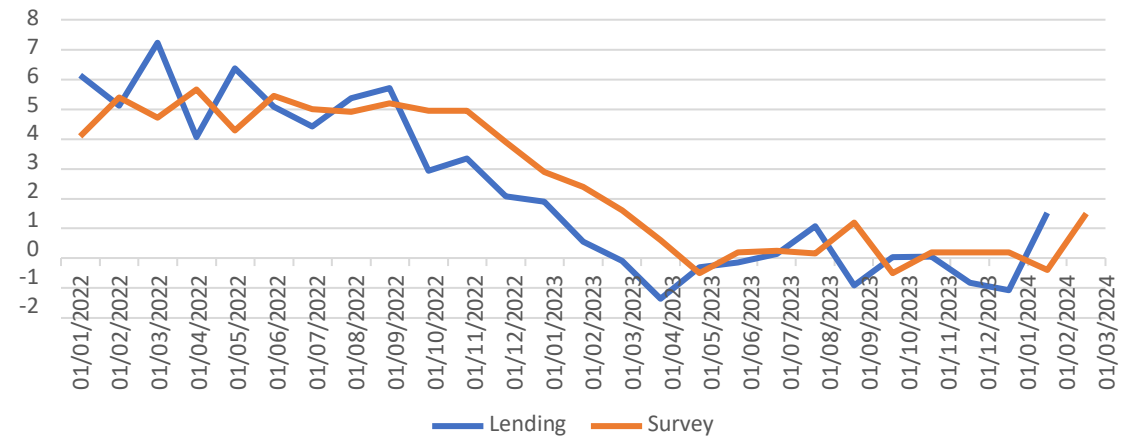
Private rent and house price annual inflation, UK, January 2016 to March 2024



Source: Price Index of Private Rents and UK House Price Index from the Office for National Statistics

- Some signs of recovery in housing market in Q1
- Concern that expectations on slow down in rates will impact incipient recovery in housing market
- Bloomberg published data last week
 - showing affordability dropping this quarter
 - with mortgage payments now 20% of disposable income versus 18% in January

Mortgage Lending £bn (Source BoE & Bloomberg)



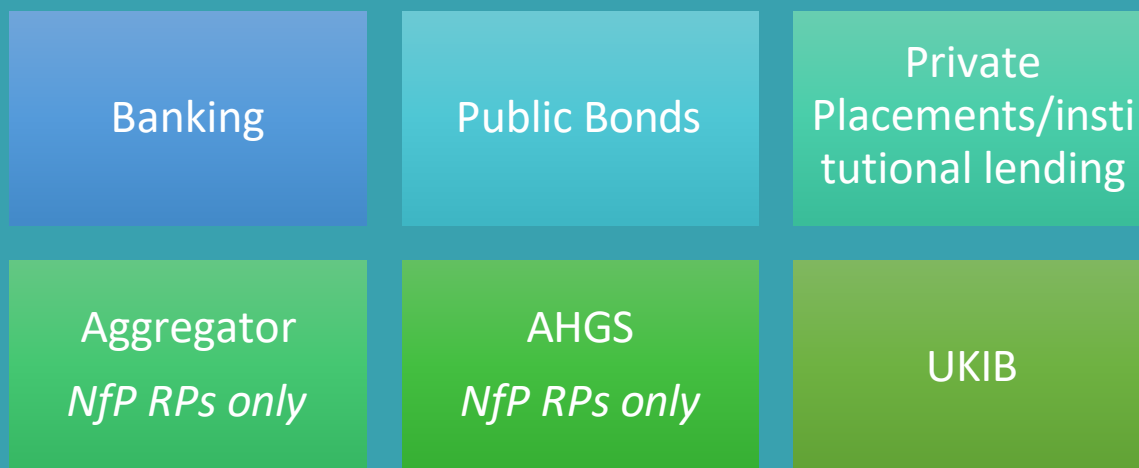
Allia C&C Business Plan Assumptions – March 2024

Business Plan Assumptions (%)	FY 2024	FY 2025	FY 2026	FY 2027	FY2028	LT
Inflation						
CPI	5.78	1.93	1.90	2.00	2.00	2.00
RPI	7.34	3.03	2.88	3.00	3.00	3.00
CPI - RPI wedge	1.56	1.10	0.98	1.00	1.00	1.00
Market Rates						
Base Rate	5.19	4.44	3.50	3.20	2.80	2.80
3m compound SONIA	5.20	4.44	3.50	3.20	2.80	2.80
30yr Gilt	4.46	4.09	3.94	3.75	3.75	3.75
20yr Gilt	4.41	3.88	3.75	3.60	3.60	3.60
10yr Gilt	3.92	3.51	3.40	3.40	3.40	3.40
5yr Gilt	3.86	3.28	3.00	3.00	3.00	3.00
Margins-BBB/A rated Borrowers						
New Bank Debt 5yr SONIA	1.40	1.40	1.40	1.40	1.40	1.40
New Private Placements	1.55	1.35	1.35	1.35	1.35	1.35
New Bond Debt	1.35	1.00	1.00	1.10	1.20	1.20
Change versus 2nd January 2024						
CPI	-0.20	-1.26	-0.29	0.00	0.00	0.00
Base Rate	0.00	0.19	-0.06	0.00	0.00	0.00
30yr Gilt	0.11	0.09	0.00	0.00	0.00	0.00
10yr Gilt	0.13	0.11	0.00	0.00	0.00	0.00



Funding Markets

Funding Markets

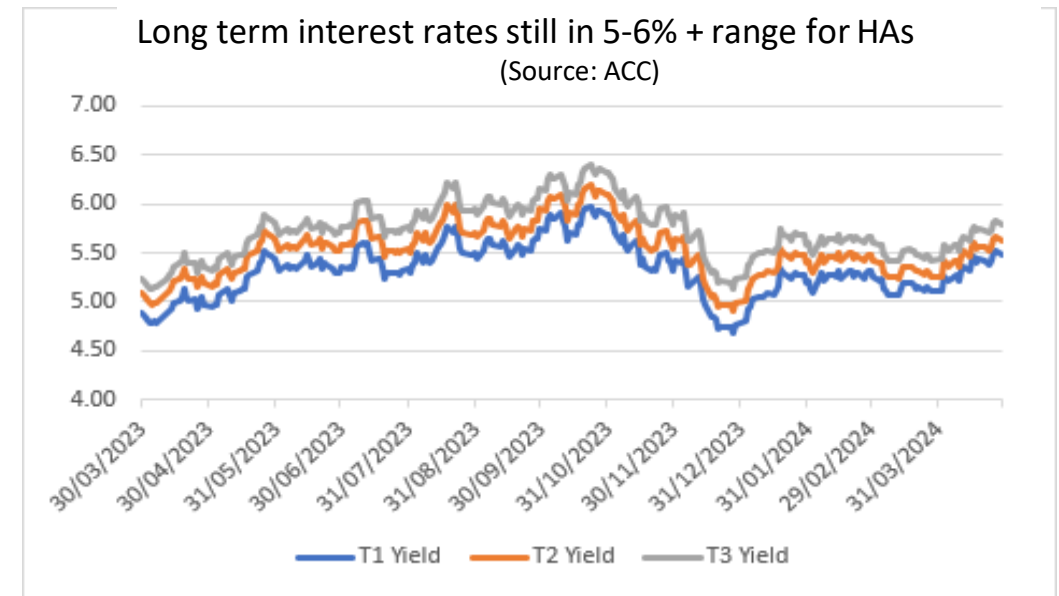
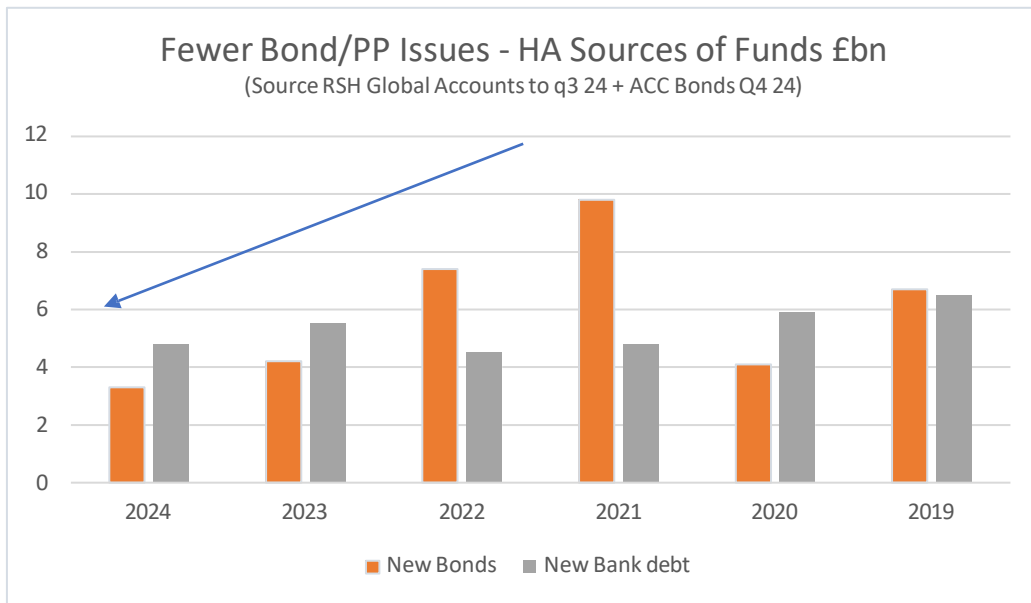


Banks and institutions very liquid

- In part due to slow down in 2022-23

Social Housing remains favoured sector

- despite increased risk and high profile downgrades.
 - Shortage of homes
 - Strong regulatory backing
 - Still Investment Grade
 - High ESG and Impact scores
- However, some caution in relation to G15 and south of England HAs dependent on sales.
- Increase in direct institutional investment with focus on shared ownership
- Funding still very expensive for private sector house builders



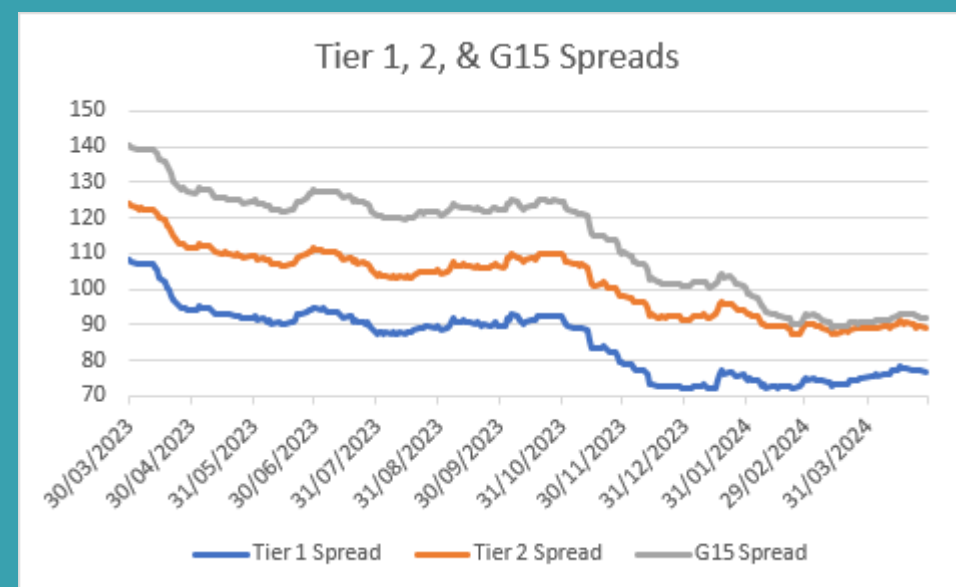
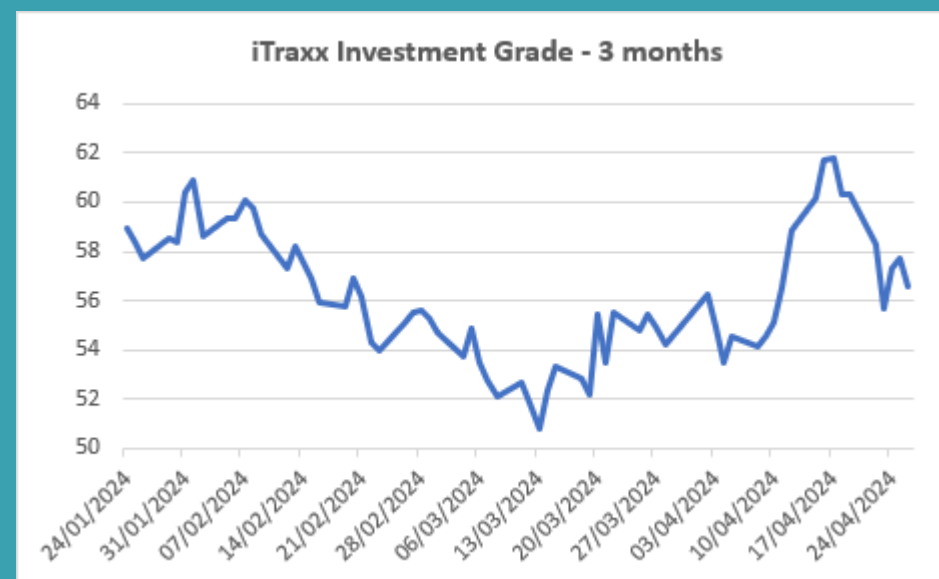
Fear of 5 and Return to Funding Markets

- Funding markets slowed in H2 2022 as reversal in direction of rates disrupted markets worldwide
- US investors who drive PP pricing for HA borrowers absent in H2 2022 only returning mid 2023.
- 2023 characterized by borrowers running down their COVID liquidity balances
- Those that had to borrow did so from the banks
 - Short term
 - Fixed rate
 - Increased cost for developers or,
- Issued retained bonds and small taps rather than benchmarks
- 2024 has seen some recovery at least for housing associations
 - But even borrowers such as Sovereign & Platform are now paying 5 3/8- 5 5/8% for their long term debt vs <2% in 2021

Cost of credit

- ▶ Credit risk lurks funding markets
- ▶ High quality investment grade credits such as housing have performed well but
- ▶ 2023 saw extensive downgrades in HA sector
 - divergence between the best rated (Tier 1) and lowest rated (Tier 3) borrowers
 - With 8 downgrades to below A-/A3 by the end of 2023 (calendar year)
- ▶ 2024 is seeing a more stable market -Shortage of issuance has supported spreads – most noticeably on G15 issues
 - Investors shied away from these in 2023 due to fears of unsold SHO and OMS stock and high leverage
- ▶ However, investors are being more selective – they will lend but terms may be wider
 - Issuers in BBB category are likely to pay a premium
 - Banks and PP investors nervous of G3 RSH judgements
 - Investors sceptical about additionality of mergers
- ▶ While bank margins less volatile, some of very attractive terms seen in 2022/3 (particularly long tenors) are fading

Source: S&P Global



Source: ACC

New bond and PP issues 2023 (calendar year)

New Housing Associations bond issuance in 2023 (in GBP)					
	Issuer	Details	Date	Size	Tenor at issuance
Aggregators - Saltaire					
1	Saltaire Finance	Wholesale	14.03.2023	£350m	30 Year
2	Saltaire Finance	Retained bond	09.11.2023	£70m	30 Year
3	Saltaire Finance	Wholesale	27.11.2023	£350m	10 Year
Other Housing Associations					
4	EMH Treasury	Retained bond	30.03.2023	£50m	21 Year
5	Places for People	under £2bn EMTN	03.05.2023	£205m	22 Year
6	Places for People	Wholesale	11.05.2023	£50m	10 Year
7	Aster Treasury	Wholesale	13.06.2023	£250m	10 Year
8	Southern Housing	Retained bond	13.07.2023	£30m	13 Year
9	Southern Housing	Retained bond	07.08.2023	£20m	13 Year
10	Southern Housing	Retained bond	07.08.2023	£69m	12 Year
11	Southern Housing	Retained bond	27.09.2023	£50m	20 Year
12	Southern Housing	Retained bond	24.11.2023	£150m	25 Year
13	Places for people	Wholesale	29.11.2023	£500m	18 Year
14	Paragon treasury	Retained bond	07.12.2023	£100m	13 Year
15	Penarian Housing	Retained bond	13.12.2023	£20m	29 Year
Total/ Average				£2.26bn	17 Year

Housing Associations private placements in 2023*				
	Issuer	Date	Amount	Maturity
1	Gentoo	February	£110m	
2	VIVID	August	£110m	
3	Bromford	September	£100m	10 & 12 years
4	Riverside		£75m	10 & 25 years
5	Riverside		£290m	16 & 40 years
6	Hightown		£45m	10 years
7	Hightown		£40m	12 years
8	Hightown		£40m	20 years
9	MHS		£20m	20 years
10	MHS		£10m	20 years
Total			£840m	

* As private placements, there is no obligation on an issuer to publish any details so this list is unlikely to be complete.

New HA bond issues and Private placements 2024 YTD

Public Bond Issues in 2024 YTD						
Company	Details	Date	Size	Tenor at issuance	Coupon/maturity	Spread at issue/sale
Aggregators						
Saltaire Finance	Tap of existing bond	18.03.2024	£75m	9 Year	4.818% 2033	48
Blend	Listed PP	3.05.2024	£30m	12 year	5.734% 2036	Not disclosed
Own name issues						
Sovereign Housing	Wholesale	17.01.2024	£400m	33 Year	5.5% 2057	108
BPHA	Retained bond sale	28.03.2024	£75m	20 Year	4.816% 2044	87
Paradigm	Wholesale	26.03.2024	£250m	20 Year	5.25% 2044	87
Platform	Wholesale	03.04.2024	£250m	26 Year	5.342% 2050	83
Total/ Average			£0.98bn	25 Year		76

Housing Associations private placements in 2024 YTD					
Issuer	Date	Amount	Maturity	Investors	
Hightown	Jan-24	£50m	not disclosed	Aviva Investors	
Jigsaw	Jan-24	£50m	not disclosed	LGIM	
Anchor	Feb-24	£150m		LGIM facility is £100m and Sun Life facility is £50m	
Apex	Feb-24	£30m	25 year	Pension Insurance Corporation	
Local Space	Apr-24	£120m	15 and 22 years	MetLife Investment Management	
Total		£400m			

* As private placements, there is no obligation on an issuer to publish any details so this list is unlikely to be complete.

Allia Group – Positive Impact for People, Place and Planet

Allia C& C Ltd is a subsidiary of Allia Limited, a charity that helps charities and businesses to develop, grow and achieve their impact aims in a range of ways. Allia C&C is its financial service arm advising housing associations, charities and mid cap corporates on managing financial risk and fundraising in mainstream bank and bond markets and from more bespoke sources.

Since 1999, Allia has helped hundreds of start-ups, small businesses and impact ventures to develop and scale. As part of the Allia charity group, Allia C&C's profits help **Allia** fund projects addressing key social issues.

- **Allia Impact** runs free business support programmes and innovative funded project such as **Start Your Business, Grow Your Business** and the **Green Business Programme**.
- **Allia Future Business Centre** owns and runs four business centres, offering flexible workspace and a vibrant community for small businesses that are creating change.

As a group we are dedicated to supporting businesses thrive so that they can make a positive impact on their community.

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Allia C&C

A long-term plan for housing

Rhys Moore

Executive Director of Public Impact at the
National Housing Federation





Hertfordshire
HOUSING CONFERENCE

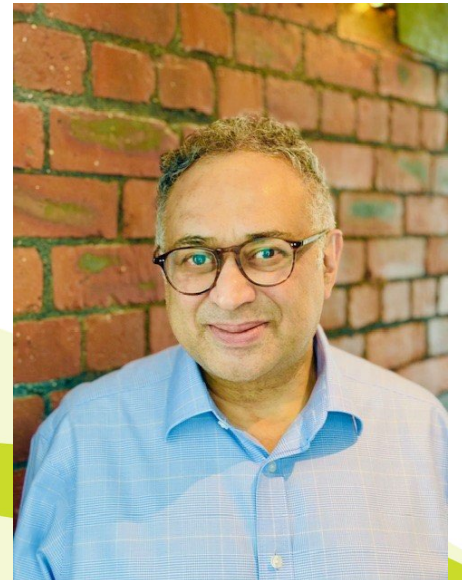
Please enjoy a short coffee break



Delivering more housing – does working in partnership make a difference?

Pram Nayak

Partnership Director – Hill Group





**ARE PARTNERSHIPS
JUST PARLOUR GAMES?**

WHAT DO WE MEAN BY "WORKING IN PARTNERSHIP"?

“Partnership” – the most abused word in the PPP lexicon!

Massive industry – £billions riding on successful partnership working

Why is there so little thinking, research or analysis? - let's explore some research

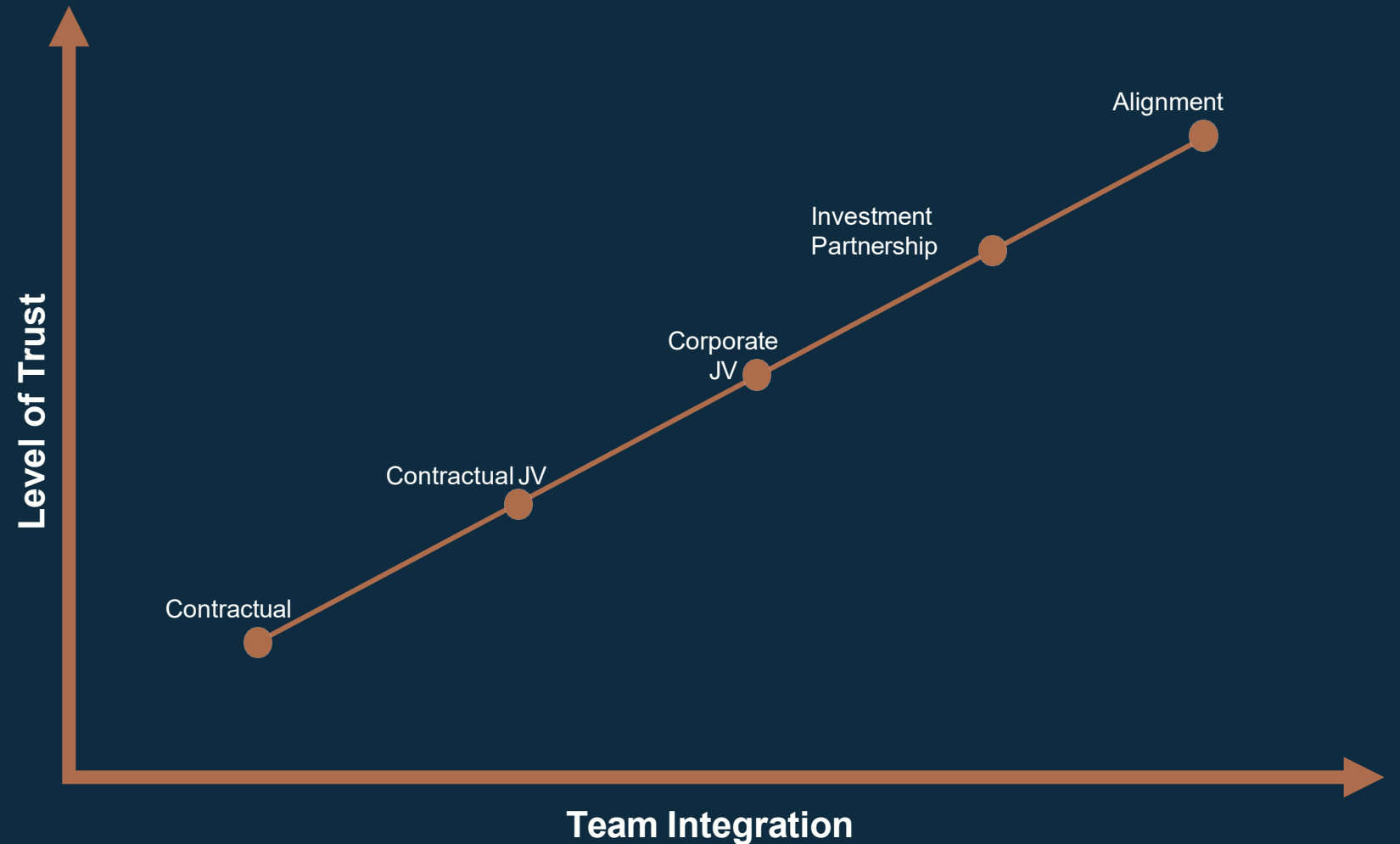
Can we learn more from failure rather than success?

Evolving partnership models and market?



SPECTRUM OF DELIVERY MODELS

- Contractual – Development and Construction
- Joint Ventures – Contractual and Corporate
- Strategic Outcomes Partnership -
- Alignment.... the holy grail .



WHAT MAKES A SUCCESSFUL PARTNERSHIP?

- Dutch PPP academic research (2016)
- The Question - “Is there a link between the contract and performance?”:
 - Analysed 90 PPP projects across the Netherlands.
 - Flexibility is so important – develop governance....and to make sure the procurement police don't stop things !
 - People must be at the heart of everything.
 - Conditions for Trust to develop – beware..!! once lost cannot be recovered
 - Short term opportunistic behaviour has a long term cost and possibly the end!

GAME THEORY – Jon Von Neumann & John Nash

- 1928 article - 'Theory of Parlor Games'
- 'Game' – Maths and Statistical People behaviours in competitive two person scenarios
- Two Concepts :
 - Zero Sum behaviour – 'win-lose' – Nash equilibrium
 - Non Zero Sum behaviour- 'win-win' – Pareto equilibrium
- Applicable to public private partnership behaviours
- Might win the short term but lose in long term – pretty obvious?



SELECTION – PLEASE ASK THE IMPORTANT QUESTIONS!

- Competitive dialogue – good intentions but a recipe for failure?
- Procurement – securing a commercial partner does not require a formal FTS/OJEU process.
- Some Lessons Learnt:
 - 9-12 months with a bid team that is not involved in delivery
 - Knowledge sharing – no one knew what was agreed.
 - Clear governance – private sector need clarity
 - Zero sum games lead to failure

THE INVESTMENT PARTNERSHIP MODEL

True Partnership –
'Members
Agreement'... 'people'
matter not a 'contractual'
agreement

Governance – deadlock
vehicle – both partners
have to agree... public
sector have control.

Flexible – can do
anything as long as
partners agree.

Joint Development –
equal share of profit
based on equal
investment.

AFFORDABLE HOUSING & REGENERATION – THE CHALLENGES

- Massive social economic changes – Communities, Developers and Funders:
 - Private Residential for Sale Market
 - Buying -v- Renting
 - Council balance sheet and borrowing
 - The changing needs of local communities
 - Lots of unknowns....!
- Flexibility, People and Trust working in partnership will be so important...

OUTCOMES



Cambridge
Investment
Partnership



HARLOW
Regeneration
Partnership



Rushmoor
Development
Partnership



**Gravesham
Community**
Investment Partnership



Sovereign Hill
Partnership



**SOUTH
CAMBRIDGESHIRE**
INVESTMENT PARTNERSHIP

CONCLUSIONS

- True Partnerships make a difference to communities – but may not be for everyone?
- Flexibility - in the current economic climate, big social changes and changing community needs
- Non Zero Sum Game please.....or lose trust
- More about people and organisational partnership than the 'nuts and bolts' of schemes



THANK YOU

Panel discussion: housing associations and local authorities – difficult choices ahead

Darren Welsh – Dacorum Borough Council
Strategic Director, Housing and Property Services

Tracy Bradwell – Redloft
Land and Viability Director

Gavin Cansfield – settle Group
Chief Executive

Panel chaired by Shelagh Grant – The Housing Forum



Workshops

Workshop #1 – Ambition Broxbourne – Room C

Chair: Steve Woodcock – Chief Executive of B3Living

Alison Knight – Director of Place at Broxbourne Borough Council

Workshop #2 – Involving residents in procurement – Boardroom

Chair: Fred Perrin – Managing Partner at Perrin Myddleton

Matthew Baxter – CEO of Echelon Consultancy

Workshop #3 – Consumer regulation: Hightown and Watford Community Housing’s in-depth assessment experience – Room B

Trudi Kleanthous – Head of Governance and Company Secretary at Hightown Housing Association

Peter Cogan – Group Director of Customer Services for Watford Community Housing

Workshop #4 – Sustainability and climate change – Room D

Chair: Ken Adams – Managing Director of Life Build

Cllr. Adrian England – Portfolio holder for climate change at Dacorum Borough Council