REPORT INTO INNOVATIVE FUNDING OPTIONS TO SUPPORT NEW SOCIAL HOUSING DEVELOPMENT

CONTENTS

Cartrefi Cymunedol Cymru Community Housing

TERMS OF REFERENCE AND METHODOLOGY

Introduction

This study was commissioned by National Council to examine innovative ways to increase funding available to Associations in response to the Welsh Government's decision to reduce Social Housing Grant by 35% over the next 3 years to around £70M p.a. at a time when other pressures on the economy will increase the demand for additional social housing development.

Terms of Reference

1) To investigate and identify innovative ways to increase the volume of funding for social housing pro rata from a reducing grant budget BUT ignoring any potential savings in construction costs or increases in rental levels.

2) To examine and evaluate alternative partnership/joint ownership/joint co. models by which a funding structure could be created and their suitability and implications for RSL participation.

3) To carry out high level financial modelling of suitable models including establishing potential capital values and development costs, debt and operating charges and rental income.

4) To assess the value for money of proposals and affordability for RSL's compared with current funding mechanisms.

5) To report the outcome of the study to National Council with appropriate recommendations for implementation.

Methodology

The project was overseen by Community Housing Cymru and the detailed work undertaken by Finance Forum through a small group of Finance Directors with external project management support.

The Project Group members were:-

Charles Brotherton	Mid Wales Housing Association
Sarah Cole	Cadwyn Housing Association
Steve Evans	Community Housing Cymru
Wayne Fox	Seren Group
Gareth Hexter	United Welsh Housing Association
Sarah Prescott	Cardiff Community Housing Association
Steve Higginson	Monmouthshire Housing Association
Malcolm Wilson	RCT Homes

SUMMARY FINDINGS AND RECOMMENDATIONS

There is significant available borrowing capacity within the sector in Wales, and some associations have substantial unused lending facilities, whereas others have reached their borrowing limits. From an overall perspective this could be seen externally to imply the sector is not responding sufficiently to address the current crisis in housing provision. Finance costs now are historically low and RSL's previously made acceptable returns when costs were higher. There is therefore a risk in the future of pressure on the sector to squeeze margins and the emergence of competitors attempting to enter the market at lower grant rates.

> **Recommendation 1:**
>
> **Finance Forum should be asked to investigate and recommend suitable mechanisms whereby willing Associations could share or inter-change existing borrowing facilities to increase housing provision.**

Traditional Bank lenders to RSL's are increasingly offering less money for shorter terms at higher margins, and are looking for any expedient to call in existing long term facilities. In addition, whilst finance costs are low for previously arranged loans, current costs of arranging new loans are already considerable higher. Over time costs of funds will therefore inevitably rise and RSL's will have to work ever harder just to stay where they are. The current reliance on bank finance therefore represents a substantial future funding threat to the sector. Hence for future financing sustainability and to hedge against likely increasing costs of finance, it is important for RSL's to act now to widen their sources of funds from Banks alone.

There is considerable appetite from the capital markets to invest in social housing and RSL's who are seen as offering safe and secure investment returns. In addition, whilst there is always available a steady stream of Bond finance in normal market conditions the relative lack of other secure investment propositions and wider economic instability, is leading to substantial growth in available funding. This contrasts with the liquidity position of the traditional Banks. The study has identified several possible ways to access this funding both through Bond issues, including a potential dedicated Welsh Bond, and RSL owned joint vehicles. These will be initially time-consuming to develop but need to be progressed now. However the minimum lot size for such investments will require Associations to contract jointly.

> **Recommendation 2:**
>
> **The Finance Forum should be empowered to pursue discussions with potential investors on behalf of the sector to bring forward appropriate investment opportunities for participation.**

However the initial costs of funding from the capital markets are unlikely to be at lower interest cost than recent Bank funding rates, which themselves are expected to increase over time. Therefore funding costs alone (without rent or building costs changes which are outside the scope of this study) will not be able to materially reduce the current 58% grant rate or make up the shortfalls in Social Housing Grant. More innovative solutions will therefore be required even to maintain current levels of housing and the Project Group believes the following new opportunities have significant potential.

Associations should seek to access public funding more widely and creatively where current activities contribute to other Welsh Government policies such as regeneration, energy, health and social services by pursuing funds proscribed for these areas.

Recommendation 3:

CHC should undertake further desk-top analysis of the funding potential and the contribution Associations make to other departmental outcomes to inform a strategic discussion with the new Minister for Housing and Regeneration.

Associations should explore greater partnership working with public bodies, combining funding resources, to develop surplus public land without initial asset transfer costs. In addition to facilitating more housing development, partnering with public bodies in this way could make a contribution to the Government's 'more with less' agenda.

Recommendation 4:

CHC should take this proposal forward for discussion with the WLGA, the Welsh Government and its Efficiency and Innovation Board.

Associations should consider undertaking direct delivery of public services, relevant to social land-lording and possibly in partnership with third sector providers, who have service capability but insufficient financial strength or wider expertise. The opportunity for Associations to respond in this way to the transformation in public services over the next few years is potentially very powerful but will also necessitate structural and operational change which needs careful analysis.

Recommendation 5:

National Council should appoint an internal sector study group to undertake an evaluation of the opportunities and challenges and make recommendations on how this could be pursued.

CURRENT SECTOR BORROWINGS AND RESERVES

Based on reported gearing levels and loan facilities, there is significant unused borrowing capacity within the sector in Wales, and some Associations also have substantial unused borrowing facilities. The latest Global Accounts report shows total reserves of £462M, undrawn facilities of c.£700M and overall gearing at 47%. The sector could hence be perceived to be unnecessarily holding onto excess reserves and not re-investing in property at a time of severe need.

Finance costs now are historically low and RSL's previously made acceptable returns when costs were higher. There is therefore a risk in the future of pressure on the sector to squeeze margins and the emergence of competitors attempting to enter the market at lower grant rates. The Scottish Government for example has recently launched a new £50M Innovation and Investment Fund. This allocates £20M to LA's for Council housing and £20M to RSL's but £10M is available for innovative housing proposals which can be delivered by anyone. The grant for RSL's is fixed at £40k per 3 bed house. It is also understood a consortium of private house builders recently made a proposal to the Scottish Executive to require RSL's to lease all their empty properties from them for 3 years to give them revenue to start developing market housing again.

The sector should investigate the opportunity to develop new arrangements to take up more of the under-used facilities already in place within the sector. On-lending from RSL to RSL or clubbing together of funds may be possible (although some Associations may have lenders' covenants preventing this). There will also be issues around lenders' covenants, control of decision making and perceived involvement in other geographical areas which will need to be recognised and addressed.

An alternative way to achieve this could be for RSL's to transfer funds into a funding vehicle through some type of collective Equity or Preference Share arrangement so they would receive a return on their investment, as opposed to direct agreements.

More effective ways of operating Treasury Management may enable an overall increase in gearing by collaboration between Associations. Community Housing Cymru might consider resourcing specialist Treasury Management support to assist small associations in this area.

THE MARKET FOR BANK FINANCE

Associations have always raised their finance almost entirely from the traditional Banking sector and a number of Banks and Building Societies have established a strong position in lending to the Social Housing sector. Since the advent of the Credit Crunch however there has been a wake up call for banks on matching lending against the supply of funds. The impact of this has been less funding available to borrow, higher margins and a limited appetite from the banks for long term lending. Traditional Bank lenders to RSL's are increasingly offering less money for shorter terms at higher margins, and are looking for any expedient to call in existing long term facilities. Of the traditional RSL Bank funders few, if any, are currently still prepared to offer 30 year loan periods.

A current assessment of the Bank lending offer for RSL finance is as follows:-

TERMS

Generally the terms available for new finance are in the region of:

- Arrangement fees – between 0.75% and 1.25%
- Margins - 1.95% - 2.50% (generally lower margins available in early years)
- Commitment fees – 50% of margin
- Availability – around 3 years
- Term – available up to 30 years (but see under Lenders below)
- Security cover – 110%/115% Existing Use or 125%/130% Market Value

LENDERS

The number of active lenders in the market has fallen over the last two years predominantly due to mergers and acquisitions. The following lenders are active at this time; Barclays, Royal Bank of Scotland, Lloyds Banking Group (includes HBoS), Santander (Abbey), Triodos, Yorkshire Bank, Yorkshire Building Society, Co-Operative (includes Britannia), Nationwide, Principality (Wales only). Lloyds have heavy exposure and are possibly looking to reduce. Only Santander and Barclays are currently still prepared to offer 30 year loan periods and the Co-Operative will only offer commitments up to 10 years. Triodos and Principality have limited funds and will generally not agree exposures greater than £20m.

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EXISTING ARRANGEMENTS

When RSL's look to raise additional finance or amend the terms of existing finance arrangements, lenders are looking to review their pricing to try and bring it more in line with the current market. Re-pricing of existing loans does not generally attract the same sort of margins as new loans, probably due to lenders recognising that borrowers do have alternatives. Generally re-pricing of existing loans requires margins of around 1% - 1.5%.

POTENTIAL IMPACT OF BASEL III

The proposed changes in the regulation of banks and building societies under the Basel III agreement is likely to mean that lenders will seek to re-price loans to recoup increased capital maintenance costs. The Basel III accord on banking regulation is designed to prevent a financial markets crisis as seen in 2008 happening again. Basel III (which will be phased in from 2013 to 2018) introduces new requirements relating to the capital adequacy and liquidity of banks. The impact of the Basel III rules on an individual bank will depend on its asset/capital base and on the relevant regulator's application of the rules. But, banks and building societies may need to raise more capital, or shrink their balance sheets. This will potentially impact on the availability of credit and on the cost of borrowing.

However, the real risk is to existing loans. All loan agreements contain a clause entitled "Increased Costs". Under this clause, a borrower basically indemnifies the lender against any future change in regulation, capital adequacy etc, which increase the cost of continuing to make the loan available and/or reduce its return. The wording of this clause makes specific reference to capital adequacy and the pricing of a loan being based on an assumed capital risk weighting. If this changes adversely then the bank can demand compensation from the borrower. The degree of transparency varies and not all agreements may contain provision for a borrower to provide increased security (to improve the risk weighting) in order to mitigate the costs. Therefore borrowers who have to date avoided any re-pricing of their existing loans may ultimately face an increase in their existing borrowing cost caused by regulatory changes over which they have no option but to pay.

Over time costs of funds will therefore inevitably rise and RSL's will have to work ever harder just to stay where they are. Banks are clearly looking to renegotiate existing term length and rates wherever possible so the previous low margin, 25 year loans offered to the sector cannot be expected to remain for much longer. This will mean RSL's will need to re-finance on a much more regular basis than before.

Hence for future financing sustainability and to hedge against likely increasing costs of finance, it is essential for RSL's to act now to widen their sources of funds from Banks alone.

BONDS AND COLLABORATIVE FUNDING VEHICLES

Bonds

RSL's have been active in the Bond market for many years, both in terms of large own name issues, and club issues from groupings of RSL's. Club issues are useful for RSL's who want to raise smaller amounts or benefit from the economies of scale and autonomy from investors that a club issue can provide. In a club arrangement, the club issues the bond and provides secured loans to the RSL's who pay interest to the club enabling it to pay interest to the holders of the bonds. The club can be a company established for the purpose, or established within a broader finance organisation such as The Housing Finance Corporation (THFC).

Overall Bonds have become increasingly price-competitive for RSLs compared to bank loans, and there has been a resurgence of Bond issues by the sector. Although the downside of fixed terms and conditions remains, it can clearly be seen that bonds offer the potential of mitigating the issues faced by RSLs in traditional bank finance. There is considerable appetite from the capital markets to invest in social housing and RSL's who are seen as offering safe and secure investment returns. In addition, whilst there is always available a steady stream of Bond finance in normal market conditions the relative lack of other secure investment propositions and wider economic instability, has led to substantial growth in available funding. This contrasts with the liquidity position of the traditional Banks.

There are effectively 3 possible sources of Bond finance; an open issue to institutional investors, individual investors and private placements. As stated above, there is no shortage of funds from institutional investors for Bond placements. Individual investors are also very active, building on the US MuniBonds approach, although being made up of a large number of small investors, these can be difficult to put together. Private placements generally involve a single investing institution and are the simplest to organise. In theory there is also the possibility of issues via Medium Term Note (MTN) transactions which typically offer multiple issues, with short notice, in 5-10 year terms (& longer if required) but the overall minimum lot size for such a facility is c.£200M.

Catalyst have recently delivered a private placement and Places for People have recently put in place a similar arrangement with Japanese investors through Morgan Stanley which is not secured on property assets. This also raises exchange rate risks which have to be factored in. New Bond issues such as the GB Housing (Cutwater) proposal are offering a more flexible approach on terms and conditions requiring 115% asset cover, 105% interest cover and a maximum 80% gearing but with the ability to vary between asset cover and gearing against greater asset and income cover.

Potential Welsh (THFC) Bond

The Group met with THFC who are very interested in progressing a Welsh Bond issue. THFC are prepared to consider offering more flexible terms on security (similar to those proposed in the Cutwater offer) rather than the standard THFC conditions, but also they believe they will be able to be cheaper than Cutwater as they have no investors to satisfy. This could include a variable between interest cover and gearing for each RSL depending on their individual situation.

THFC could undertake this through a newly-created subsidiary which would thereby not have an impact on their overall security levels and avoid the security spread issue of a new standalone Welsh vehicle. THFC believe without this the rating and hence cost of funds would suffer because all the property was located in Wales and therefore lacked risk spread. With THFC, investors would look at the overall risk spread and it would not be necessary to achieve a new credit rating as THFC already have an A+ rating.

Alternatively, THFC would be prepared to offer administrative support if Welsh Associations wanted to progress a new issue outside of THFC although their view is this would add cost, time and risk. However through either route, a new issue would need to have a minimum size of £75M (although once this was in place further individual issues of £30M could be successively 'tapped' from the initial Bond). There was also the added potential of partnering up with a funder (e.g. Principality) on some form of revolving facility.

If £75M was the minimum size, it would probably be difficult in the Welsh market to utilise this quickly so further attention would be needed as to how best to minimise the holding cost of excess funds. THFC is also required by investors to set up an Interest Service Reserve Fund as a cover account against default. If this could be externally underwritten (possibly through some form of Welsh Government support) this could reduce costs by possibly 5-7 basis points.

THFC's current rates are Gilts + 110 basis points (GB Housing rates are expected to be Gilts + 125 basis points).

Collaborative Funding Vehicles

The earlier Welsh Housing Investment Trust exercise investigated the option to create a Special Purpose Vehicle which would raise funds from the capital markets with individual associations subscribing for equity. That proposal was not progressed as amongst other reasons, it required a day one transfer of existing housing properties to provide collateral against the initial funding requirement of c.£50M.

Other parts of the UK are also currently investigating special purpose development funding vehicles, owned by Associations collectively as members. A joint vehicle has recently been created by a number of Scottish Associations which has accessed the capital markets, without transferring existing assets, for development funding and the Group understand discussions on similar models are being progressed by some English RSL's.

In the Scottish example, the structure is a Limited Partnership vehicle where the RSL's are partners/members and a Managing Partner (an FSA regulated fund manager) has been appointed and is paid a management fee to act on their behalf. Housing developed by the Partnership is leased back to and managed by the RSL's. The Partnership was set up with an initial £5M cash injection from a private equity investor which was used to develop a pilot development phase.

The Partnership is not for profit, and after the investors are paid out their agreed return on capital, surpluses are used to fund/re-finance more housing. The Partnership undertakes housing design internally and is able to develop any combination of market, intermediate and social housing. It anticipates it will achieve a surplus in 3 years. One main contractor has been appointed for all the projects but with stipulations that require local sub-contracting. This has led to significant savings on construction costs because of the scale.

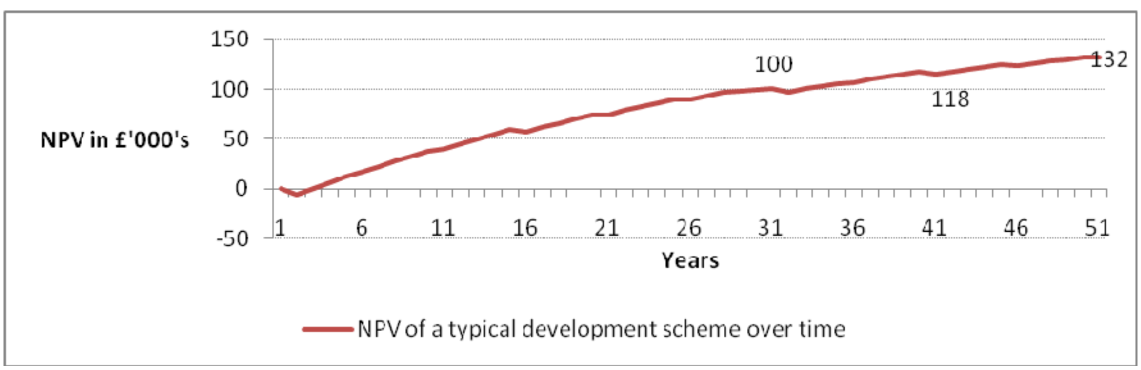
Because of the initial £5M investment there was no need for a transfer of existing assets or a £50M minimum start up, as would have been necessary for the Welsh Housing Investment Trust proposal. Once the initial Partnership was operating it was then able to carry out a larger private placement with institutional investors to fund more development. In addition because of the pilot phase, better terms could be negotiated from investors as the Partnership was already in place and could demonstrate a track record rather than being viewed as a start up.

It is therefore recommended that further investigation is undertaken both into the detailed operating basis of the Scottish Partnership and also the potential for similar collaborative structures which would not involve substantial initial transfer of existing housing assets.

COMPARISON OF ALTERNATIVE FUNDING SOURCES

RSLs typically assess the viability of development opportunities over 25 to 35 years. The rental income, less management, maintenance and interest costs over the viability period is calculated to repay the original investment, net of any grant. The viability period has tended to be linked to the term of financing being arranged, but also to a realistic timescale over which the RSL can take a view on likely cash flows and therefore the risks and rewards of investing in a development. Below is a graph of the net present value of the cash flows from a typical development over time.

The rental income increases over time with inflation, but maintenance costs also increase with component replacements and general wear and tear. The increasing maintenance costs, together with the discounting of cash flows over time are reflected in the increasing and then levelling of the curve reflecting the value of the development. “Cutting off” the value of a development at 30 years would suggest a value of £100k, increasing to £118k at 40 years and £132k at 50 years.



Using 30 years as the viability period, in this example the cash flows can support a £100k investment by the RSL. If the total cost of the development was £240k, an RSL would therefore require grant funding of £140k (58%) to make up the difference. Taking a longer term view would require less grant to make up the shortfall between the NPV and the cost of the development – in this case £240k-£118k, i.e. £122k (51%) at 40 years and £240k-£132k i.e. £108k at 50 years (45%).

Bonds can be issued for significantly longer periods, 40 or even 50 years, and the same approach would apply in the case of a collaborative investment vehicle, which is financed by long term investment funds which expect to receive an annual dividend but have no fixed repayment date. However in the current market, the cost of Bond and other investor funding is still higher than existing borrowing rates for Bank facilities that Associations already have in place.

Whilst the cost of Bank funding is expected to increase for new loans, this will not impact on the short term (at least over the next 3 years). Therefore funding costs alone (without rent or building costs changes which are outside the scope of this study) will not be able to materially reduce the current 58% grant rate or make up the shortfalls in Social Housing Grant. More innovative solutions will therefore be required even to maintain current levels of housing.

ACCESSING WIDER PUBLIC FUNDING

The activities of Associations have a much wider positive impact on society than housing alone and contribute to other Welsh Government policies such as regeneration, energy, health and social services. There is potential therefore to access other Welsh Government programme funding proscribed for these areas rather than purely Social Housing Grant and also other public sector funding sources more creatively. This also follows current Welsh Government strategy to support and deliver outcomes increasingly across rather than within Departmental portfolios. This could be linked with opportunities for wider service delivery by RSL's as described below.

In addition to pure grant funding this could extend to guarantees, equity investment (or quasi-equity such as preference shares) and loans. This fits well with developing Government policy which is increasingly seeking to invest in, rather than grant aid activity. Using financial support in this way also opens up the opportunity to underwrite and reduce risk which in turn can lever in other private and public financial investment.

The current Feed in Tariff Revolving Guarantee Fund approach could potentially be applied to wider development funding in this context. The Welsh Government might be prepared to contribute to or under-write specific elements of the funding package or development costs where these also delivered improved community or social outcomes for example.

The support of the Welsh Government will clearly be extremely important for supporting these new approaches and the sector needs to positively engage and work creatively with civil servants to develop acceptable procedural models for delivery. The Welsh Government's earlier preparedness to consider an innovative Preference Share arrangement during the Welsh Housing Investment Trust discussions is however a very good precedent and indicator for this approach.

PARTNERING WITH PUBLIC BODIES

There is considerable scope to increase the volume of social housing by reducing initial development costs through partnering with Local Authorities and other public organisations.

The Welsh Government's Innovation and Efficiency Board is currently investigating ways to use publicly owned land and other assets more effectively in response to the reductions in public finances. Equally whilst many public bodies are under financial pressure to dispose of their assets, the property market is weak and placing large volumes of public property onto the market at one time will only depress the market further.

Consequently transferring or leasing surplus public land and assets initially at low or nil cost to RSL's, to enable early development with land value being paid out of future receipts or profit share may be a better alternative in public policy terms than outright sale. Alternatively RSL's could take on a development manager or partner role with public bodies to develop their land. Paying capital up-front and other associated costs and delays in acquiring land for social housing, adds considerably to development costs and therefore grant requirement.

Whilst there are already some discussions of this nature underway involving individual RSL's, the many public procedural issues involved are making these slow to happen. To speed the process up, conceivably it might be possible to develop a wider public partnership vehicle, with Welsh Government support, into which non-operational public land could be transferred on an investment rather than cash basis, particularly now there is low demand from the private sector for development. To elicit support this would need to be presented externally in terms of the contribution to the wider picture of public sector activity and outcomes. It would also have to recognise and overcome previous 'ownership is control' issues and would need at least to provide some form of return out of future receipts for the public sector landowner (equity or guaranteed return).

Another proposal is to create development partnerships between Associations and Local Authorities. Local Authorities can potentially raise development funding through prudential borrowing at low cost (Gilts +100 basis points but subject to individual 'headroom' limits). This would also build on the new role of LA's within the Social Housing Grant programme to prioritise locations. This could deliver more housing, bring other savings to the LA through reducing Housing Benefit payments to private landlords and also partly repay the borrowing through rent share. In addition social housing development would necessitate the provision of site infrastructure which could be used to enable or kick-start adjacent on-site market housing or commercial development to release further public value.

This would require some form of JV/partnership between LA's and RSL's, or possibly the RSL acting as 'service deliverer' for the LA. This would also make additional sense where LA's owned (or were willing to acquire) land. Other sources of funding, e.g. EIB moneys could also be accessed alongside this to lever up scale. This approach could possibly be arranged geographically by creating separate vehicles for each area along the lines of the existing Development Consortia. Such partnerships could also be extended beyond traditional social housing, for example transferring existing Local Authority social care homes into the partnership vehicle, bringing them under management and then using the assets to fund new social care properties.

There are currently in Wales a considerable number of empty housing properties (or even other uses suitable for conversion for residential purposes) both public and privately owned. Where the cost of upgrading to appropriate standards would require less subsidy than for new build, this could clearly be a cheaper way to deliver more available property. This would require a discussion with the Welsh Government to identify new mechanisms to enable public funding to be accessed to undertake this. Acquisition, refurbishment costs and matching properties with locations where there is demand, are all issues to be addressed but in principle this approach could offer substantial benefit. Possibly CPO powers would also need to be employed by the public sector. Allowing RSL's to build for sale rather than rent, where there was genuine demand, would also bring about a much quicker recycling of capital to in turn build more units.

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WIDER SERVICE DELIVERY

The Group considered another way to mitigate the reduction in the SHG budget would be cross-subsidy arising from additions to or expansion in existing RSL activities. Some RSL's are already involved in a number of delivery areas beyond housing development and management including community capacity building, renewable energy (community wind-farms) and social enterprise (future jobs fund). In any event the emerging role and wider potential of RSL's as regeneration organisations needed to be promoted more strongly by the sector to gain wider recognition in the Welsh Government and elsewhere.

Associations should consider the potential for entering into contractual commitments with relevant public bodies (Welsh Government, Local Authorities, and Local Health Trusts etc.) to deliver public services, relevant and relative to their existing expertise as social landlords e.g. community, entrepreneurship, health, education enabling a 'cross-subsidy' with existing activities through increased scale.

In addition Associations could consider entering into partnerships with public and third sector providers, who have service capability but insufficient financial strength or wider expertise, to deliver public contracts. This could extend to the creation of mutual and social enterprise structures, drawing in private and third sector finance using new models such as Social Impact Bonds.

A further benefit for Wales of this approach could be that by taking on additional services, in return for revenue payments, Associations would be able to use the extra revenue to raise working capital. This could potentially enable the Welsh Government to deliver some activities which they currently capital fund through revenue payments to assist with current capital shortages.

CONCLUSIONS

Deploying unused borrowing facilities and capacity

There appears to be significant available borrowing capacity within the sector in Wales, and some associations have substantial unused lending facilities, whilst others have reached their borrowing limits. From an overall perspective this could be seen externally to imply the sector is not responding sufficiently to address the current crisis in housing provision. Finance Forum should be asked to investigate and recommend suitable mechanisms whereby willing Associations could share or inter-change existing borrowing facilities to increase housing provision. Further examination is needed as to whether acceptable arrangements could be put in place whereby existing unused borrowing facilities could be accessed for the use of other Associations.

Accessing new sources of commercial funding

The current reliance on bank finance represents a substantial future funding threat to the sector but there is strong appetite and activity from the capital markets to invest in housing through Bond and Collaborative Funding Structures. However the minimum lot size for such investments will require Associations to contract jointly. The Finance Forum should be empowered to pursue discussions with potential investors on behalf of the sector to bring forward appropriate investment opportunities for participation. There is considerable activity in the market already underway developing more flexible Bond and Collaborative Funding products. The study group is in direct contact with a number of these organisations and these conversations need to be continued. A small group representing Welsh Associations needs to be empowered to work up detailed proposals especially in view of the minimum financial lot size that will be required and the need for collaborative action.

Securing wider public funding support than Social Housing Grant

There are opportunities to access public support more creatively where Associations' current activities contribute to other Welsh Government policies such as regeneration, energy, health and social services by pursuing funds proscribed for these areas. Some further desk-top analysis should be undertaken into the potential for accessing other departmental budgets than those designated for housing, the contribution Associations make to those departmental outcomes and the options for developing a shared investment approach with public funders. This could then be followed by Community Housing Cymru leading a strategic discussion on this topic with the Welsh Government and particularly the new Minister for Housing and Regeneration.

Development partnerships with public authorities

Associations should investigate the potential for working in partnership with public bodies, combining funding resources, to develop surplus public land without initial asset transfer costs. In addition to facilitating more housing development, partnering with public bodies in this way could make a contribution to the Government's 'more with less' agenda. CHC should take this proposal forward for discussion with the WLGA, the Welsh Government and its Efficiency and Innovation Board.

Greater delivery of public services

Associations have considerable resource and expertise which could be utilised to take on wider direct delivery of public services, relevant to their role as social landlords and possibly in partnership with third sector providers, who have service capability but insufficient financial strength or wider experience. The opportunity for Associations to respond in this way to the transformation in public services over the next few years is potentially very powerful but will also necessitate structural and operational change which needs careful analysis. National Council should appoint an internal sector study group to undertake an evaluation of the opportunities and challenges and make recommendations on how this could be pursued.