

Paula Palmer

Hello and welcome to this episode of Stonewater's podcast *On the Air*. In today's conversation, we're tackling one of the biggest issues facing the housing sector, Boosting the UK's Housing Supply to Meet an Ever-Increasing Demand. We'll explore everything from development plans to funding challenges and how we can work together to overcome the hurdles that stand in the way of delivering much-needed homes. I'm delighted to be joined by my co-host, James Bradbury, who is Director of Operations here at Stonewater. James, before we get into our discussion, can you tell our listeners a bit about yourself and what you're focusing on?

James Bradbury

I can indeed. Thank you very much for this opportunity. Yes, as Paula said, I am the director of Development Operations, effectively I try to build lots of new homes for the organisation and quite unique really, I suppose, got three teams, got a team of dealing with all the new activity for new homes, and also we're quite unique in the sector. We hold the new homes team which deals all the sales and lettings as well of our new homes, which is great, before they go over to our customer experience colleagues, housing colleagues, effectively.

James Bradbury

The stuff that we're focused on at the moment is really challenging. This is pertinent, this question, because it's really, for us at Stonewater, we're very fortunate to have a strategic housing partnership with Homes England. One of the programmes there through SPP1 and SPP2, and for us, it's about delivering those programmes, SPP1, very comfortable about SPP2. It's actually just lining everything up in order to achieve everything what we need to do. Especially with our lovely colleagues in my finance team, which you're going to introduce shortly, about working with the parameters of obviously the business plan and the constraints it comes with and everything with the planning process, things being held up, et cetera. Trying to really do as much of that as possible. It's challenging times, but it's all fun and games.

Paula Palmer

Thanks, James. Let's introduce those finance colleagues. First up we've got Anne Costain, who is Stonewater's Chief Financial Officer. Anne is going to bring her expertise in managing the financial pressures housing associations face, particularly in managing credit ratings and balancing the need to build more homes with controlling rising costs. I'm going to let you tell us a bit more about what you do, Anne.

Anne Costain

Thanks, Paula. Yeah, you've basically said what it says on the tin. I look after the finance team across Stonewater. I have the treasury team, the business planning partnership

team and everyone paying the bills as well, together with our governance team and procurement within my remit. Yeah, it's an interesting challenge. It's not the first housing association I've worked for, but I really enjoy the sector. I think it's what we do is the right things for the right people and for the right reasons. Absolutely love it and would never dream of working anywhere else.

Anne Costain

Now I've worked in the sector, I think that's. It's one of those love-it-or-hate-it things. You get people who come into the sector, decide it's not for them and leave, or you get people who come into the sector and go, "Don't know why I worked anywhere else ever before." I think that's where I've ended up.

Paula Palmer

Double job satisfaction. You love your job and you love your purpose.

James Bradbury

You stay where you are, Anne.

Paula Palmer

Absolutely. Thanks, Ann. We're also joined by Isabelle Kirk, who is Stonewater's Assistant Director of Treasury, who's going to be sharing the insights into financial strategies that Stonewater uses to secure loans and managing retrofit programmes and all that's while maintaining financial prudence in challenging economic climate. Isabel, tell us more about you.

Isabelle Kirk

Thanks, Paula. I lead the treasury team here at Stonewater and we look after all the money. We borrow a lot of money, and we have compliance requirements on that, which we look after. But also when James and his team want to build more homes, and we need more money for that, I then go out to our funders and see how we can best obtain that and get the best value for money on that. Our team also look after the cash we have in the business to make sure that we get the best returns possible on that as well.

Paula Palmer

Sounds like a really important role. Finally-

James Bradbury

Very important, Paula. Very important.

Paula Palmer

Finally, we have Ray Tierney, who is Director of Housing and Development at Lloyds Banking Group. He is here to discuss some of the innovative funding mechanisms and the role of modern methods of construction in housing development. Welcome to *On the Air*, Ray.

Ray Tierney

Paula, thank you very much. Thank you very much for the introduction. I work in Lloyds Banking Group, as you have noted, and specifically supporting housing associations throughout the country. Very happy to be working with Anne and Isabelle and all of their funding requirements. Whenever Isabelle needs some additional funding along the way, hopefully, she normally comes to me.

Ray Tierney

For those who are less familiar with Lloyds Banking Group, we're the UK's largest provider of mortgages and one of the largest funders in the UK housing sector. Our support for the housing sector includes traditional loan funding for developers and registered providers such as Stonewater. We also have the Housing Growth Partnership, which is a joint venture with Homes England that provides equity investment into small and medium enterprise residential developers. We also own Lloyds Living, our built-to-rent and shared ownership business, which is one of the innovative ways that we're looking to support the housing sector at the moment.

Paula Palmer

Fantastic. Thanks, everyone. Thanks for joining us. I don't think we're going to be short on expertise today, so let's get going. The financial pressures facing housing associations have been significant, particularly around inflation and rising operational costs. Could you tell us some more about how Stonewater is managing credit ratings in this climate, and what are potential long-term effects of the financial challenges?

Anne Costain

Yeah, sure. I can at least have a go. One of the key things that we do as an organisation and all housing associates do is have a business plan. It's 30-year long-term business plan, and effectively we plug into that the current budget. We'll put in what we're expecting to build over the next number of years, we'll put in what our expectations are on inflation and interest rates and any one-off costs that we're expecting to see as an organisation over the next 3–5 years.

Anne Costain

The next 3–5 years is really the key area that we look at the rest of it. Forecasts are only as good as they can be and the further out you go, the less perfect they're going to be.

The 3-5 year piece is also really important because that's usually where the credit rating agencies look at as well.

Anne Costain

They'll look at the previous couple of years, the year that you're in and then the couple of years ahead of you just to see how you've performed against how you said you were going to perform, how you are currently performing and then what you're expecting to do and what the risk factors around what you are likely to be delivering over the next two or three years is based on what the current economic climate looks like and what it's expecting to be in the future.

Anne Costain

Challenges around for the housing sector, those who are listening to this, who actually are in the housing sector, none of this is a surprise. We've got higher demand for our homes, we've got higher demand by our tenants for the home that they live in, we've got higher expectation of investment in those properties, the ones we currently own. Higher interest rates. Inflation has gone up significantly, as everyone knows.

Anne Costain

Although it's coming down now, that still means that it's still rising, it's just rising at a slower rate. We have seen significant increases over the last 2-3 years in inflation and costs that we've got in our cost base. We estimate that probably we've seen a 30-40% increase in costs around maintenance over the last 2-3 years.

Anne Costain

Obviously, our income is not anywhere near staying in line with inflation. We were given a 10-year CPI plus 1% increase about nine years ago. We haven't seen that most years. Although that was the government undertaking, it never really happened for the sector, and we've effectively seen a 16% real income reduction over that period instead of an increase that we expected to see.

Anne Costain

The business plan obviously has taken a bit of a hit on where we expected to be. We've also seen inflation and increased demand. We did a bond issue 2021, September 21. No, was it 21 or 22? It was 1.625%. We borrowed 1.625%. We will never see that again. It's all north of 5%. Some of the business plan predications on what we were going to deliver as development were based on those numbers and seeing those interest rates for borrowing.

Anne Costain

As an organisation, and most in the sector are probably similar, we don't need to borrow money unless we are actually building homes. We are cash-generative as an organisation. If we weren't building homes, I think it's slightly different now because there's a lot of expenditure and retrofit and fire safety.

Anne Costain

Generally, if you're just delivering rental homes, you would be able to generate cash on those on an ongoing basis. Where we are is borrowing money to build homes and the numbers don't really stack the way they used to. We're delivering less homes because they're costing us more to build from an inflation point of view. Actually, borrowing the money, the interest rates are higher as well. Those are two of the significant challenges that we're seeing.

Anne Costain

Some of the key metrics that Isabelle mentioned earlier about the compliance, they relate to both our performance as an organisation, so operating surpluses and our interest rates and if our interest costs actually increase because interest rates have gone up and our operating margin and surplus has come down because we're challenged by the cost base, then actually we are seeing our metrics being squeezed on both sides, and it becomes more difficult for us as an organisation to deliver.

Anne Costain

That is one of the key metrics that credit rating agencies also look at, which is the cash-generative side of things. Therefore, if we're not generating as much cash because we're paying more out in interest, and we've got inflation costs and our income is not keeping in line with that, then we are seeing some significant challenges.

Paula Palmer

Sounds very significant. Yeah. I'm glad you have to do the maths around that, not me. Isabelle, with that in mind, it's clear financial health is critical to delivering on our development goals. How are Stonewater working with banks to secure more flexibility with our loan covenants? We'll never get back to that one point something percent you said, but how are we going to get that funding for major works and retrofit programmes?

Isabelle Kirk

We've got a really solid foundation of strong, open, transparent relationships with all our banks and funders, and we make sure we're working with lenders who really want to support the sector. We're always communicating our targets around retrofit, existing stock investment and development to our funders, and then we regularly check back in with them and report our progress against those targets so that they know where our

priorities lie, what support we need, and then they can tailor their offer to us accordingly.

Isabelle Kirk

The banks we work with have been really supportive. In March, we completed a refinancing exercise and part of that we amended our loan covenants that Anne referred to, to give us more flexibility around major work spend. We were really delighted with the support we received.

James Bradbury

Isabelle, it's great to hear the support. That makes a true difference, doesn't it, for us going forward?

Isabelle Kirk

It really does, yeah.

James Bradbury

I think that's a really crucial point, actually. Just picking up that point, actually, with rising costs and growing demand for social housing, what are some of the challenges in balancing financial prudence with the need to deliver more homes?

Isabelle Kirk

As you say, it is a balancing act. To maintain our credit rating, we need to meet certain metrics of debt levels compared to the surplus we make and the interest costs on that debt. If we borrow more than we can afford, or that those metrics allow, then we put our credit rating at risk. If our credit rating falls too low, then the funding options available to us start to become a lot more expensive and then costs increase even further, and then we could be in quite a lot of financial difficulties. That credit rating is very important to us.

Isabelle Kirk

However, equally important is building new homes. It's a key part of our strategy, something we're really keen to do. As we all know, there's such a great need for new affordable housing in this country. Ultimately, we make the decision by running multiple scenarios in our business plan to see what level of development is right for us to balance all those financial metrics while still contributing to the number of new homes built each year.

Paula Palmer

Fantastic. Treading a fine line there, I think, isn't it?

James Bradbury

I sensed a tension there, isn't it, Paula? I can sense the tension between the two.

Paula Palmer

The growing need for social housing is clearly recognised by government, by us, by lots of people across our sector, but we're also recognising all the challenges in tackling it. Ray, can I get you to tell us a bit more about those modern methods of construction? They're often cited as a way to streamline construction and meet the need for housing, but we've seen it ourselves. Slow adoption and sort of MMC specialists going into administration. Why are those barriers there? How can we address them and use MMC more?

Ray Tierney

It is an interesting point on the use of the term MMC. MMC covers a wide range of categories, everything from the use of digital tools and technology to increase productivity on site through to the delivery of volumetric units on site where they're produced somewhere else. You have pretty much a house delivered to the construction site and put in place. It's on the latter that we've seen challenges in up tick.

Ray Tierney

We have seen increased use of panellized systems, increase of technology, but it's the last year where we've yet to see market-changing involvement from the sector. We think some of the barriers include a market reluctance. Some stakeholders in the sector are just hesitant to adopt MMC because of perceived issues around durability and the aesthetics of the prefabricated units.

Ray Tierney

There are regulatory obstacles where existing building codes and regulations are often tailored to traditional construction methods, which makes it more difficult to get MMC through planning. We have logistical challenges where transporting large modular components to construction sites can often be very complex, particularly in urban areas. The solutions that we see to encourage wider use of the production and implementation of volumetric.

Ray Tierney

We think education and awareness is key, where informing stakeholders about the benefits and successes of MMC can help overcome market resistance and the standardisation of product, where standardising components can reduce costs and improve efficiencies, similar to practises that we have in the automotive industry. I think by implementing these solutions, the industry can better leverage MMC to improve

efficiency, reduce costs and most importantly, meet the growing demand for sustainable and affordable housing.

James Bradbury

Ray, just probably further comment to the barriers there, I think, or how do we address this? Is that from a Stonewater point of view, we've invested into MMC, as in the modular homes, as like you're absolutely right to break that down is very useful for people to understand because it is quite a broad spectrum embassy.

James Bradbury

But if we talk about the true modular home, we've invested in that. It's had its challenges, that's for sure. For me, I think, and I'm sure we'll probably come on to planning later. It's linked to planning, but it's also linked to, for me, it's about the deliverability of those modules and the volume which we can deliver, and unfortunately, we've had quite large organisations fail.

James Bradbury

My personal opinion on this, and probably, and it's supported by colleagues, is that we do need some government interjection on this in terms of for them to invest into the modular world, to really put the impetus on trying to deliver as many homes as we can within the spectrum we'd like to build. We know that skill shortages, et cetera, in the construction industry is one to consider. And yes, modular was considered to be that gap filler, shall we say, and it hasn't come through to fruition.

James Bradbury

I do think we need a government support. But I'm not just talking about a little bit of investment, I'm talking about quite major investment in terms of supporting the industry in order to actually get it to a buoyant position which then it can actually stand on its own two feet. Yeah, really useful. Could probably talk about that for quite a long time, Ray, so I'm quite keen on that. But I will move on to another question if I can.

James Bradbury

Obviously, you mentioned Lloyd's involvement in social housing funding mechanisms and I recognised one of them earlier on, actually, because we've had one of our smaller SME developers who've used funding for yourselves. Could you talk more about the paper Lloyds produced with the NHF and what it suggests for improving funding strategies in the sector?

Ray Tierney

Thanks very much, James. The paper is a really important part of what the bank is doing to support the sector, specifically housing in general. Our chief executive was involved

in every part of putting the paper together, in instructing, in reviewing and being the voice of the paper towards the end, alongside with our partners, the National Housing Federation, well known within the sector.

Ray Tierney

The paper was catchily entitled *Building Futures: A New Era for Social Housing*. I think we could have made that a little bit catchier, but really encapsulate that there does have to be a new era, a new plan for how it is that we continue to invest in this very important sector. Some of the key highlights that came out of the report was the one and a half million households that are currently on a waiting list for social housing in the UK and that that number continues to increase annually to the extent that local authorities keep their waiting lists open.

Ray Tierney

This is in the context of a significant reduction in the provision of social housing that really started in the 1970s where there was a shift from public investment in building homes to supporting individuals through housing benefits. A couple of solutions that have been proposed in the paper which for us, we think should be looked at. The introduction of public-private partnerships where there would be a new investment mechanism that could generate up to 200,000 new homes for social rent over the next decade with very importantly a minimal additional public cost. We'll come back to that in a second.

Ray Tierney

Continued reform within the sector which would include a long term rent settlement and increased central subsidies to support the expansion of social housing. The government strategy that includes a focus on social housing as part of a broader housing policy. If you look back to the partnerships part of the strategy, the paper proposes a social housing contract which would be a new public-private partnership that could play a part in accelerating social housing delivery with a switch from housing benefit to capital investment without requiring a significant shift in public sector borrowing.

Ray Tierney

We believe that the proposed contract helps to address three key problems, viability, where this would bring more income into the sector per property, which would allow for more homes to be built from a finite budget. Recapitalization of the sector where it would provide a new form of capital to recapitalise provider balance sheets and ring-fencing, where funding streams would be ring-fencing for new supply to avoid being drowned out by other demands for capital within the sector, which is a key issue at the moment.

Ray Tierney

The workings that we've done within the paper shows that if annual payments under the contract were at the same level as the average savings in housing benefit, and you might have to read the report to get all the detail from this one, that we believe that there could be between 20 and 95,000 additional homes built under the contract over a decade with no additional cost to the government, which is a really important part of the contract. It makes sense. It's one of these... It will take time. It will take a lot of people to get involved, but it requires a desire and a will from the sector and a desire and a will from other people who are responsible for providing those resources.

Ray Tierney

One of the other initiatives that we've looked at involves regional partnerships. The paper suggests that using just 1% of land and building owned by local government could provide the equivalent of £2 billion in patient capital, which would be the amount of equity required to unlock 100,000 additional social homes. Again, as with the contract, this land equity would be needed to be invested alongside grant through the Affordable Homes programme, but shows the ability of the sector to be able to deliver new homes with additional support.

Paula Palmer

Gosh. It sounds like it's possible, but just a lot of work to do there, perhaps, and a lot of people to win over and people to convince, isn't it? James, you're obviously on the forefront of all this as part of your role as development targets, but you've got funding and finance affecting what you can afford to build. But you've also been closely involved in the planning process. What do you think is holding it up, and how can we simplify it to get these homes built faster?

James Bradbury

Oh, Paula, Paula, Paula. I'm going to be frank and crude. The planning system is broken. We in Stonewater have experienced schemes in the planning system that should, they call it major applications, any homes, 10 or more homes, is classed as a major plan application, which in theory should take 13 weeks. You'd be lucky if it takes 13 months. We've experienced anything from six months up to two years. Most recent one was two years.

James Bradbury

There's many reasons for that. There's not enough planning officers out there. There's a lot of concertées through that process. There's a lot of political influence as well, which is subjective. It's just a very difficult thing to see anything through. I would say, it'd probably be easier for me to say the things that actually potentially to improve the system to a certain extent, and we've obviously responded back to NHF on this as well.

James Bradbury

From my point of view, I would say it'd be really good to put in zonal planning, so be very clear around actually what is classed as residential, commercial, etceteras. Then there's nothing ambiguous about that. It's actually, it's a given. I think for that would then focus energy for the planning authorities to look at layout and design in vernacular etcetera. Because there's a lot of emphasis on whether homes should actually go in that location rather than actually the energy going into what they should create within that community, etc.

James Bradbury

I think the backlog, if I was just saying, well how could we deal with the backlog from our experience. I give you an example, I think they should probably turn to the private sector to support the local authorities and people might go, "That's awful, how could they do that?" But an example of this is local authority is already supported by the private sector from a legal point of view.

James Bradbury

Under plan application, especially a major plan application, likelihood is you'll have a Section 106 agreement. What you find is if the local authority in particular hasn't got enough resource to actually write that section 106, working with obviously the developers or like ourselves, housing associations, solicitors, it's outsourced, so simple as that. They follow obviously what they need to do in order to actually fulfil that.

James Bradbury

Unfortunately lots of planners have gone over to the private sector, been lost within the local authority, which isn't great. I think that's something that could help facilitate the backlog. But it obviously doesn't deal with how we go, things going forward. But the zonal planning would be a way to look at it. The other way to consider as well is whether we can bring in AI. Now, people might be mortified over that. We had a recent discussion, a recent discussion with a planner who said, "Oh, no, no, no, no, no. How that."

James Bradbury

Well, that it's being very, it's being very specific, isn't it, about what is it? What are the parameters of what needs to be accepted within the AI model. Especially for me, around the mine of the smaller applications, shall we say, you think about anybody who puts an extension in for the homes, etcetera, or just a one unit application. I believe there would be a way for AI to be able to facilitate that, certainly.

Paula Palmer

It would certainly take out some of that kind of emotional impact within the planning system, wouldn't it?

James Bradbury

Yeah, if there's any political people listening to this, they might be mortified for us to say that. But it's very subjective, that's the problem. If somehow we can reduce that subjectiveness by having very clear-

Paula Palmer

Hard lines, tick box-

James Bradbury

-positions on things.

Paula Palmer

If you get 1, 2, and 3-

James Bradbury

Absolutely.

Paula Palmer

-then you can have your planning permission. If you haven't got them...

James Bradbury

Absolutely. If you haven't, then you've only got two, then that's when it becomes actually referring to the appropriate people.

Paula Palmer

Thanks, James. Ann, from a finance perspective, what strategies can Stonewater use to navigate the delays in planning and keep our pipeline moving? Is there a way?

Anne Costain

It's probably what we already use, to be honest, because there is an understanding that we may approve something, but it's actually not a given until we've got it over the line. What we currently do is we have a certain element of our funding that is fixed, usually institutional investors, bond financing. Then on top of that we have effectively revolving credit facilities, RCFs, which are effectively authorised overdrafts, I guess, for want of a better way of putting it for those.

Anne Costain

Effectively what you do is you draw down on those over time. Now they're variable rate loans and so you gradually draw those down. Then when you've got to a certain level of financing requirements, then you'll go out to the markets and get another block of institutional investment to pay those back up and then start drawing them back down again. That's probably the best way because we don't know exactly when we're going to actually need the funding.

Anne Costain

It's not just the planning, it's also about when you're actually delivering the development as well. Particularly wet winter, particularly cold winter, lack of bricklayers, lack of construction workers, something going bust, construction issues. All of those things do play into it. We always joke with development that things never come forward, they always go backwards. We get the financing ready, and we're waiting-

James Bradbury

I would like to deny that, I would like to deny that, but I can't, unfortunately, that Anne is correct in this.

Anne Costain

We're a bit hurry up and stand still type conversation in financing because we're like, "We need to get the money in now because they've got this delivery of development to do," and then you hurry up and wait because actually then it doesn't happen for a while. But that's generally the way that we do it. A lot of other organisations that have an institutional investment programme, what you call an EMTM programme, they will do the same. They will effectively use blocks of money to pay back their revolving credit facilities and then gradually draw them down again and then pay them back, and it becomes a bit like that, sort of bit like that. Yeah, so that's how it works.

James Bradbury

I won't get defensive, Anne, and try and come up with a justification.

Anne Costain

Look, it's not-

James Bradbury

You're absolutely right. It's challenges.

Anne Costain

It is a challenge for everybody. We joke about it being a development thing, but it isn't. It's just life. There are so many variables and risks around actually getting a delivery of homes.

James Bradbury

Ultimately, we have to make a decision, don't we? You have to make a decision at a particular time in order to actually make sure we have got the money. Because the worst thing that could happen is if all of a sudden we started things, we haven't got the money. That would be unfortunate.

Anne Costain

We can't do that at the end of the day.

James Bradbury

No, that wouldn't happen.

Anne Costain

No, our treasury policy is that actually we have to have sufficient funding for anything that's committed, so we can't sign. We've had these conversations at very granular details now and again, James, about how much financing we've currently got and what we can actually sign and what we can actually get into contract for. It's not for a long time. We haven't had that problem for a while or that challenge, but we did for a little while, and we'd look at it every week and make sure that actually we didn't get into contract with anything that we didn't actually have the financing ready for. But it's life, that's why we have the flexible funding that we do.

James Bradbury

That's why we manage, don't we? Manage that accordingly. Ray, considering the growing demand for social housing, I thought I'd come to you on this one. How can the sector align better with the government targets to meet this demand, especially with the challenges posed by initiatives like the right to buy.

Ray Tierney

If I widen that and say the demand for housing in general in the UK is massive, we have seen reductions in the number of homes, social homes, affordable homes, private sale homes, over the last two, three years. We've never got back to those heady heights of the 50s and 60s when we were delivering upwards of 300,000 homes. I do think there is more than one area which needs increased supply.

Ray Tierney

What is it that the country needs to do to get back to those heady heights of developing enough homes for the people they live in the country? There just isn't one single set of criteria. There's not one thing that you can point to. You've picked up on planning as being an important aspect of what it is that needs to improve, but there are so many other things that need to be involved.

Ray Tierney

We look at the public subsidy that needs to be provided into the system. A rent settlement that is consistent and deliverable over a significant period of time for social housing providers. The capability of local planning authorities that you've highlighted within part of what you've talked about, James, is really, really important.

Ray Tierney

Productivity in the house building sector as well. We've talked about MMC and how MMC can be used as another tool to increase the supply. I think the role of socially rented housing as part of a new town strategy will become very important, as in line with what Labour government want to do. I think that will become clearer and clearer as we progress through budget and further implementation of the Labour policies, and decarbonisation of the UK homes.

Ray Tierney

We sit here in a country which is well known to have the least energy efficient homes in Europe. The social housing sector is probably doing the most to make sure that those homes are the best insulated homes that they possibly can be. I think putting all of those measures together and addressing each one as much as we possibly can will be key in enabling the sector to address the demand and supply challenges that are out there.

Ray Tierney

You've asked about right to buy and for me, right to buy as a route to homeownership has been very important. It has provided people who couldn't otherwise get onto the housing ladder a key step to allow them to do that. I think some of the challenges that have come as a result of it is a failure of the sector to be able to replace the homes that have been sold under right to buy. For 22/23, when 11,000 homes left the sector, there are only three and a half thousand affordable homes, social homes, brought into the sector.

Ray Tierney

It also makes the regeneration of schemes, as you probably know, James, where there are homes not owned by housing associations or local authorities within a regeneration

scheme, and it becomes really difficult, really complicated and expensive to go through with some of the regeneration schemes that you are looking at. I think as a route to homeownership, it's been really important. I think the sector in providing shared ownership as another route to homeownership has been an important aspect of how the sector supports that.

Ray Tierney

Making sure that we have these alternative means of getting on the housing ladder is really important. We've seen help to buy, which has stopped, unfortunately, but some of these schemes have been really important. I think it'd be remiss of me not to talk about the Lloyds Living pathway, which is a shared ownership product where a renter can try their rental property for a period of time and then move on to shared ownership if it suits them. That for us, again, is one of the ways that we're trying to support the sector in encouraging homeownership and encouraging people to understand more about the shared ownership product.

James Bradbury

I think that's very important, actually, Ray, I think to educate, actually the public around shared ownership. Obviously, if you're in it, you know it. If you're in social housing, you probably know it, but I think there's a lot of people who actually don't know the shared ownership market and I think that's probably key for us going forward. Actually, for everybody going forward to actually see that it's an alternative to the open market sector. Yeah, I think you've touched on a really good point.

Ray Tierney

Just on the shared ownership point was one of the reasons we were involved in setting up the Shared Ownership Council, James, which aims to enable more consumers to get involved by making sure information is consistent and accurate and to make sure that people are aware of it and that it's in the forefront of their minds.

James Bradbury

Yeah. Still some work to be done on it, though. Ray isn't there, that's for sure, but absolutely. We're further down the road, I should say.

Paula Palmer

I'm finding it fascinating that a banking group that I would traditionally think of as your mortgages, your bank accounts, your savings accounts, it's putting so much value and interest and support into our sector. It's great. I'm really interested.

James Bradbury

I agree, Paula. I remember, like I say, it's housing growth partnership, isn't it, Ray, that you're part of? It was, I don't know how many years ago it was now, probably six years ago, when I remember coming across a smaller SME developer who had that funding in place, might be longer than that. I was so impressed with the fact it was supported by Lloyds, and it was linked between yourselves and Homes England, really, really impressive.

Paula Palmer

Great. Isabel, let's come to you. Looking ahead, what do you think the sector needs to do to ensure it can meet future demand for social housing, particularly in terms of managing debt and sustainable growth?

Isabelle Kirk

At the moment we're seeing some new and really innovative ways of delivering that new funding into the sector, which is brilliant because it's what we really need. The sector needs to be, continue to be open to those and to working with partners in different ways to meet the demand. Of course, each organisation needs to be looking at those in the context of their own risk appetite and their credit rating and other gradings so that growth can be sustainable and that we can all maintain financial strength.

Isabelle Kirk

Equally, we also need funders to keep coming up with these solutions. Then new funders getting to know the sector and our aims and priorities and being keen to work with us and lend us money so that we can continue to fulfil our purpose. I think the housing sector as a whole is so collaborative, which is brilliant, and we need to maintain that and keep sharing our expertise with each other so that we can work together towards meeting the demand.

James Bradbury

Thank you, Isabel. I think you're spot on with that last thing in terms of working together, especially in collaboration. Right, Anne, got another question for you. Been a bit quiet, so here we go. With the government discussing potential rent control policies. How do you think these changes can impact Stonewater's ability to maintain financial stability and meet its development targets?

Anne Costain

Good question.

James Bradbury

Well, thank you.

Anne Costain

It's interesting, isn't it? Because the rent control has always been there. It's just not really been talked about as rent control. It's been talked about in the annual increase, if you like.

James Bradbury

You're absolutely right, is more and more that the increase, isn't it, rather than the rent control.

Anne Costain

Actually it is still a control. It's been linked broadly, as I said earlier, about the CPI plus 1%, which is similar to the benefit increases. That's a positive. We have got that rent control and that link already in place. We haven't always seen the increases at the levels that we've expected to see them. The business planning process that we have expects a certain element of CPI plus one for a certain number of years, or whatever the housing association has put into their expectations of their plan.

Anne Costain

It's really important that actually we have that balance between tenants affordability and the financial stability for the housing association. But we have seen our revenues being squeezed while costs have been going up quite significantly. That obviously reduces our borrowing capacity, which limits our future projects, particularly around development.

Anne Costain

As I said earlier, our development programme is really the bit that we need the borrowing for. The rest of it we can probably just about manage to deliver anyway. Maybe some of the retrofit we perhaps need a little bit of financing for. But we'll talk to Lloyds about that when it comes to it. Because they've now got the government guarantee scheme.

James Bradbury

That's right.

Anne Costain

That's all set up, and I'm really excited to look at that in the future. That's great. But I do think that there's a lot of collaboration required, as we've talked about throughout this podcast about with government financial institutions. It's a collaborative process between us in the housing sector, drawing in those financial institutions, talking to them and giving them the story about what we're doing and why we do what we do, and getting that passion across to others for them to understand why it's so important.

Anne Costain

It's not just about having housing. Housing is one of the key principles and one of the key foundations for somebody's life. It impacts on education, it impacts on health, it impacts on longevity of life. If you've got somewhere to live and a decent home to live in, it impacts every single aspect of your life. Therefore, we've just got to show that to the financial institutions, to show that to government. I'm sure government are very well aware of that, but we can actually help save money in other areas if you can give decent homes to people. That's just looking at it from a purely financial point of view, never mind quality of life.

Paula Palmer

Yeah. This goes back to that job satisfaction, and it's the right thing to do.

Anne Costain

Absolutely.

James Bradbury

You're spot on there, Anne. Yeah, you're absolutely spot on. I think we've covered some really important ground today. It's clear that boosting housing supply is a challenge across multiple areas, that's for sure. But I think it's one we can tackle with the right strategies in collaboration. I think you all agree with that.

Paula Palmer

Absolutely, James. Definitely. I think they've all shared enough insight today to give us lots of ideas on how we can tackle it. That is a wrap for today's episode on Boosting the UK's Housing Supply. Thank you to our guests Anne, Isabel, and Ray, and not forgetting my co-host, James, for all your insightful contributions. We'll be back with more discussions on the future of social housing soon. In the meantime, check our further episodes *On the Air*, wherever you get your podcasts.