housing and health

Staff accommodation: the housing association offer

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Context

The Government has said that it wishes to see publicly owned land released for housing development. In the NHS there are unprecedented pressures on budgets and surplus land is seen both as a way of releasing cash, investing in service redesign, securing accommodation for staff where there is upward pressure on housing costs and stimulating growth through construction. Realised at scale, a holistic utilisation of land holdings could hold the key to delivering the transformation required to deliver long term sustainability.

Making Best Use of Surplus NHS Land

The NHS has well-established ways of disposing of surplus land. A key challenge is how this is done in a way that delivers a return to the organisation concerned, to the wider NHS and to the taxpayer.

Releasing NHS estate is not only a way for the NHS to invest in new models of care that can prevent unscheduled admission, reduce length of stay and provide for a return to home. It can also be used to provide the accommodation that is needed for staff – and on occasion – for patients and carers.

Adopting a revenue-based approach to land release can be used to produce an income stream. The NHS can offer land to developers at no up-front cost on a lease back arrangement whereby the NHS can receive a guaranteed annual return and retain ownership of the land. Another way would be for the NHS to take an equity stake in a development in lieu of a one-off capital receipt for the land and then either take a share of the revenue or sell to an institutional investor at a later date to benefit from any uplift.

In areas of high land value it will be quite understandable that Trusts will want to go for a straight disposal. However, it is also possible that they might want to invest the land in a joint venture – be that for the Trust, a group of Trusts or an STP area – to develop the accommodation or facilities required and to secure a developers' return. In areas of low land value this may be the only way of realising any value from the land.

The Housing Association Offer

Housing associations buy land in the same market as private developers. However, in contrast to private developers where profits go to deliver shareholder value housing associations can offer the same high quality product but would reinvest all the surpluses generated for social purpose and greater taxpayer return – rather than shareholder return.

Given that the public can often identify more with buildings than with services any changes in the use of buildings or land can cause comment. Housing associations are skilled at public engagement and negotiating with local planning authorities.

Housing associations bring a unique combination of skills :

- Design and development capability for a range of housing models and healthcare facilities;
- The capability and capacity to market for sale and for rent;
- Have own facilities management platform and can manage different tenures;
- Have the skills and relationships to maximize planning consent to deliver maximum shared profit.
- They are the largest providers in the non-public space who use housing assets to create housing assets and can borrow as cheaply as Government.

Understandably, an NHS trust can view housing associations as delivering housing or the modern equivalent of council housing that will do little to help the trust transform its care pathway and deliver long-term efficiency savings to its operating model. They may well see the opportunity to deliver a windfall cash receipt only. Of course, there are circumstances where this may be entirely appropriate. However, the NHS may not realise the full value of the site in cash terms nor generate the full benefit in terms of pathway redesign, new facilities or – as in this case – a supply chain of staff accommodation.

Delivering a Range of Accommodation Options

It is important that any response offers a range of tenure options that are appropriate to meet housing needs and aspirations across the workforce. Important to the success of any initiative will be that the NHS continues to have access to a supply of housing either by ensuring that the accommodation does not become blocked by people who are no longer working in the NHS or can continue to produce a flow of suitable housing.

Added value can be created by establishing a Joint Venture (JV) - either for England, for a group of rolled up opportunities or based on an STP footprint – into which the NHS can invest 'surplus' land or assets. The JV would be a 50:50 partnership with a housing association with in-house development expertise and a fiduciary duty to generate maximum value – primarily through the planning consent and S106 negotiation. Creating a joint venture would bring a number of advantages :

i) enables the NHS to share profits from future property sale values.
ii) shares development uplift as values increase over the medium term.
iii) agility to deliver as there are limited procurement issues in a JV structure.
iv) master planning to deliver health related facilities as part of the S106 requirements e.g. extra-care or step-down services.
v) reduced risk levels due to the nature of the JV ensuring that costs of capital are low.

In simple terms, a JV would seek to maximise the number of units a site can deliver with the S106 geared towards pathway redesign. If, say the site delivered 200 units of accommodation and a combination of the land value and the profit was about 35% of the total you would expect that to deliver somewhere in the region of 80 properties / units of accommodation depending on the range of unit sizes desired.

These properties could either be for equity release or private rented. In equity release, the individual can start to build an equity pot but the property remains available to the NHS when the individual leaves and cashes in. In the private rented model the property could be offered as a two-year assured short hold tenancy which could be renewed at the end of the two years but only if the individual(s) concerned were still employed in the NHS. . The level of rent offered will need to be commercially viable, but could be at a sub-market level and more affordable for NHS staff.

Conclusion

For a NHS Trust the options above can deliver significant cashable savings and also deliver on the need to deliver new estate. There are a small number of housing associations that can deliver the development capacity required for large sites and also compliment it with a service offer ensuring synergies of long term care cost reductions and benefit accrual to individual Trusts. If the priority in any given area is staff accommodation then they bring into one the range of skills necessary to develop, maximise return, invest returns to social purpose and manage the stock.

Consideration should be given to the role of central enabling bodies in supporting NHS Trusts to fully explore the options available to them. It will be important for them to fully understand the potential of joint ventures with housing associations and provide the technical expertise to broker and support these. Consideration should also be given to the role of local authorities, and particularly the devolved administrations such as the Greater London Authority, in using their power and influence to support the provision of accommodation that is such a necessary underpinning of local economies.

This briefing was written by Andrew van Doorn of the Housing Associations Charitable Trust. The author is grateful to Kevin Beirne (One Housing Group), Ann Gibbons (Metropolitan), Rachael Byrne (Home Group) and Peter Molyneux (SW London and St George's Mental Health NHS Trust) for their assistance.