



Munich Personal RePEc Archive

Partnering and the Viability of Affordable Housing Projects in London: Determining a causation

Oribuyaku, Damilola

University of Greenwich, London

19 February 2015

Online at <https://mpra.ub.uni-muenchen.de/66196/>
MPRA Paper No. 66196, posted 21 Aug 2015 09:17 UTC

PARTNERING AND THE VIABILITY OF
AFFORDABLE HOUSING PROJECTS IN
LONDON:
DETERMINING A CAUSATION

by

ORIBUYAKU DAMILOLA

Partnering and the Viability of Affordable Housing
Projects in London: Determining a causation

by

ORIBUYAKU.A.DAMILOLA

SUBMITTED IN PARTIAL FULFILMENT
OF THE REQUIREMENTS OF THE
DEGREE OF

MASTER OF SCIENCE IN CONSTRUCTION AND
MANAGEMENT ECONOMICS

at the

UNIVERSITY OF GREENWICH, LONDON

January 2015

© Oribuyaku Damilola 2015

To my parents

Tope and Anike Oribuyaku

for providing my siblings and I the support and opportunity they
never had during their student days

ABSTRACT

It has been reported that strategic partnering can deliver savings of 30% while one-off, project partnering can deliver up an immediate 10%. Many researchers have however begun to criticise the concept of partnering. Some are of the view that the concept has not been clearly defined and definitions are often too vague and overly optimistic (Eriksson, 2010). Others argue that the concept is one that sounds good as a theory but lacks the necessary contents needed for its implementation (Eriksson, 2010).

This research focuses on the impacts of partnering on the supply of housing. This will be achieved by investigating the impact of partnering on the viability of affordable housing schemes in London. Upon analysis and interpretation of the data, the paper finds that partnering may affect viability through 6 key factors including: Long-Term Relationship, Economy, Transparency, Capability, Labour and Ideals.

These findings suggests the need for local authorities to abandon the *Best Price* method of affordable housing procurement and the need for the stability of the UK economic environment in order to reduce risks and encourage partnering among in the affordable housing sector.

ACKNOWLEDGEMENTS

This thesis was possible because I have an exceptional thesis supervisor – Maureen Rhodeen who I am personally indebted to. Maureen Rhoden spent time in discussing the main ideas of my thesis and even more time in reading through drafts. And always, she came up with very constructive advice. Apart from this, because she is one with very high standards, I was constantly driven to not only meet up with these standards but to surpass them. Her rich and extensive published works were particularly helpful in the drafting of my literature review and in the positioning this thesis.

Many people and institutions in London helped during the data gathering process. There is not enough space to mention them all by name, but I am sincerely grateful for their efforts. I am particularly grateful to the organisations I used for my case study: Pocket, Rolfe Judd, Linden Homes and PRP Architects. I am sincerely grateful for giving me the consent to interview their staff, of which most were directors.

I would like to thank my interviewees who provided great insights based on their wealth of experience. They were particularly responsive within a very short notice. It was indeed a testament of the efficiency of the private sector. Without them, Chapter 4 would probably be empty. I am grateful to The Managing Director of Pocket, Marc Vlessing, for giving me brilliant insights that touched the very heart of this research. He set the tone for the success of the consequent interviews conducted quite remarkably.

My sincere gratitude also goes to the Sean Tickle, Director of Planning at Rolfe Judd, for not only granting me an interview and giving me different perspectives on the subject of this research, but also providing me with relevant material evidence to back up my findings.

I cannot forget the efforts of Peter, Director at Linden Homes, for his immeasurable cooperation during the interview and his offer to help with any other thing needed for the research. I cannot also forget the time and assistance Robert High, Project Architect at PRP Architects for welcoming me into their breath-taking office and giving me insightful opinions regarding the subject of this research.

Finally, I would like to specially thank my parents and siblings for the understanding and support, morally and financially, that they provided throughout the course of this Masters and in my previous education.

Table of Contents

ABSTRACT.....	4
ACKNOWLEDGEMENTS.....	5
LIST OF TABLES.....	10
LIST OF FIGURES.....	11
1.0. Introduction.....	12
1.1. Rationale.....	12
1.2. Aim.....	14
1.3. Objectives.....	14
1.4. Hypothesis.....	14
1.5. Synopsis.....	14
2. Literature Review.....	17
2.1. Essential elements of past and present affordable housing policy in London.....	17
2.1.1. Introduction.....	17
2.1.2. Affordable Housing in London - A brief historical look.....	17
2.1.2.1. What is Affordable housing?.....	17
2.1.2.2. Affordable Housing: Who provided it in the past?.....	19
2.1.2.3. Modern Environment - Recent Challenges in Affordable housing delivery.....	25
2.2. Partnering.....	30
2.2.1. Introduction.....	30
2.2.2. Implementing Partnering.....	32
2.2.3. Partnering and Transaction Cost Economics.....	33
2.3. Viability.....	36
CHAPTER THREE.....	40
3. Data Collection methods, Research Design and Tools.....	40
3.1. Introduction.....	40
3.2. Research Aim.....	40
3.2.1. Research objectives.....	40
• Explore the history and current state of affordable housing projects and the implication they have on the UK economy.....	40
• Examine the concept of 'Partnering' in the context of the viability of affordable housing projects.	40

- Investigate the effects of Partnering on the viability of affordable housing projects in London... 40
- 3.3. Research Methodology 40
- 3.4. Research Design 43
 - 3.4.1. Selection of Case Study:..... 43
 - 3.4.2. Pocket – Case Study Organisation 43
- 3.5. Data description and collection 44
- 3.6. Data Coding and analysis 46
- 3.7. Tools..... 47
- Chapter 4..... 48
- 4. Findings and Analysis 48
 - 4.1. Results..... 48
 - 4.2. Partnering and Viability of Affordable Housing 48
 - 4.2.1. Close-ended Question:..... 49
 - 4.2.2. Open-ended question: 49
 - 4.3. Partnering 50
 - 4.3.1. Comparative Analysis..... 50
 - 4.3.1.1. Benefit..... 50
 - 4.3.2. Comparative analysis 52
 - 4.3.2.1. Challenges 52
 - 4.3.3. Success Factors: 54
 - 4.4. Viability 56
 - 4.4.1. Comparative Analysis..... 56
 - 4.4.2. Challenges 57
 - 4.4.3. Success Factors 58
 - 4.5. Summary of Findings..... 59
 - 4.5.1. Long-Term Relationship 60
 - 4.5.2. Economy..... 60
 - 4.5.3. Transparency..... 60
 - 4.5.4. Early Involvement 61
 - 4.5.5. Capabilities..... 61
 - 4.5.6. Labour 61
 - 4.5.7. Ideals 61

4.6. Redefining Viability in the context of Partnering.....	61
Chapter Five	63
5. Conclusion.....	63
5.1. Conclusion.....	63
5.2. Recommendations	65
5.2.1. Best Price.....	65
5.2.2. GLA Funding	65
5.2.3. Economy.....	65
5.3. Suggestion for Further Research.....	65
Reference List.....	67
Appendix	71
Initial Nodes	71

LIST OF TABLES

Table 1: Housing completions in the UK since 1990.....	19
Table 2: Housing Regulations in the UK in the 19 th century.	21
Table 3: New dwellings started, by year, United Kingdom, 1992-2012	27
Table 4: Interview Respondents	48
Table 5: Response to close-ended question	49
Table 6: Benefits of Partnering (number of references by each participant)	50
Table 7: Challenges of Partnering (number of references by each participant)	52
Table 8: Success factors of Partnering (number of references by each participant)	54
Table 9: Challenges of Viability (number of references by each participant)	56
Table 10: Success factors for Viability of affordable housing (number of references by each participant).....	58

LIST OF FIGURES

Figure 1: Housing tenure in London, 1961-2011	25
Figure 2: Conceptual Framework Showing the Interrelationships between Affordable Housing Supply, Partnering and Viability.....	38
Figure 3: Details on Star Road Project	44

CHAPTER ONE

1.0. Introduction

This introduction lays the foundation for the rest of this research. It presents the current and general issues surrounding the provision of housing in the UK and London in particular. This introduction then links these general issues to the problems faced by the UK government in providing affordable housing in London– the main focus of this research. The chapter begins with the motivation for and significance of carrying out this study. The chapter then goes on to identify the aims, objectives and hypothesis of the study. The chapter concludes by summarizing the contents of subsequent chapters in the synopsis

1.1. Rationale

The continuing inability of the construction industry and successive UK governments to meet housing demand with supply is widely accepted (Wendy, 2013). While demand has consistently been on the increase, supply of housing stock has remained low thereby pushing up house prices to record levels. Increase in life-expectancy rates, population and one-person households are factors contributing to increase in demand; for example, about 1.8 million families are now on the social housing waiting registers (DCLG, 2013), life expectancy at birth in the UK increased from 77 to 78 years for men, and from 82 to 83 years for women (ONS, 2014) and about 14% of the people in England now live alone compared with 6.5% in 1970s. Low-levels of housing supply on the other hand is fuelled by factors including the inelasticity of supply (Ferrari & Rae, 2013), high costs of construction due to inefficient processes (Gov.uk, 2014), and limited partnering and information sharing in the construction industry (Gov.uk, 2014).

The government, since the Egan and Latham reports, have been encouraging construction firms to embrace partnering in exchange for the adversarial relationships common within the industry (Eriksson, 2010). It has been reported that strategic partnering can deliver savings of 30% while one-off, project partnering can deliver up an immediate 10%. Many researchers have criticised the concept of Partnering.

Some are of the view that Partnering and its claimed benefits are not easily obtained due to various barriers to change. Others are quick to mention that the concept has not been clearly defined and definitions are often too vague and overly optimistic (Eriksson, 2010). Lastly, those that happen to ignore the argument about its definition often argue that the concept is one that sounds good on paper and as a theory but lacks the necessary ingredients and contents needed for its implementation (Eriksson, 2010). This research focuses on the impacts of partnering on the supply of housing. Will it, for example, improve efficiency, will it reduce cost or will it in fact have the opposite effects? To achieve this, being limited by the sheer size of the construction industry, the research chose to focus on the affordable housing sector and to generalize from this sector. Apart from the limitation posed by the size of the construction industry, the supply of affordable housing is particularly acute. Affordable housing has been predominantly provided by housing associations and local authorities. The recent efforts by the government to encourage private developers through grants has been frustrated by recent budget cuts. However, there is an uprising of profit-making private developers who receive no public subsidy or grant but sells homes at a discount to their market value, essentially making those homes more affordable for people on low incomes.

By limiting the scope of this research to affordable housing as provided by private, for-profit developers, the research hopes to contribute towards the viability of private developments, the general construction industry body of knowledge and most importantly, more affordable homes for Londoners.

In this section, the justification and the overarching reasoning for selecting this area of research have been discussed.

1.2. Aim

To investigate how Partnering can impact the viability of affordable housing projects in London.

1.3. Objectives

- 1.3.1. Explore the history and current state of affordable housing projects and the implication they have on the UK economy.
- 1.3.2. Examine the concept of 'Partnering' in the context of the viability of affordable housing projects.
- 1.3.3. Investigate the effects of Partnering on the viability of affordable housing projects in London.

1.4. Hypothesis

A research hypothesis is a prediction of the outcome of a study. The prediction may be based on an educated guess or a formal theory (UWF, 2010).

For this dissertation, an educated guess based on the literature reviewed so far is used to form an hypothesis.

It is hypothesized that there is a causal mechanism leading from Partnering to the viability of affordable housing projects in London.

1.5. Synopsis

The remainder of the research is grouped into five interrelated chapters. First, the literature review is divided into three sections covering: Affordable housing, Partnering and Viability. Affordable housing policies in the UK have experienced considerable changes since the 1880s due in part to the differing political and economic ideologies of successive governments, in part due to the economic effects of the world wars, and more recently, due to the global financial crisis. The chapter begins with a review of the historical background of affordable housing policies in the UK, goes on to highlight the current and ongoing efforts through which affordable housing is being delivered, and concludes by analysing the viability of affordable housing schemes under the Section 106 planning obligations.

The second section, a continuation of the literature review, will shift focus to the concept of partnering and specifically, the role it has played and continues to play in the construction industry. The provision of affordable housing is a complex problem that requires complex solutions and according to Affordable Housing Collaboration (2014), this is why collaboration is critical to success in the affordable housing industry. In Section 3, the underlying assumptions regarding the relationship that exists between the two concepts of partnering and 'viability' of Affordable Housing shall be discussed extensively. This will be done only after the critical evaluation of relevant literature resources including books, academic journals and other peer-reviewed materials.

Chapter 4, Methodology, aims to give an overview regarding the chosen method of data collection and testing of hypothesis. The Chapter will not only identify 'what' methods are chosen but will also state 'why' these methods are considered more appropriate over other alternatives. By way of a single-case study approach, the relationship between partnering and viability of affordable housing projects is explored. The findings were based on data that was received from interviewing key personnel involved in the successful delivery of an affordable housing scheme – Star Road Project - completed in 2012 with Pocket as the client. Pocket is a private sector developer which provides intermediate housing for sale to singles and couples whose household income is too high to qualify for social housing, but not enough to buy on the open market (Gov.uk, 2014).

Interviews were conducted with senior management of Pocket (the client), PRP Architects (the architects), Linden homes (the developer), and Roulfe Judd (planning consultant). An audio-recorded oral interview was conducted within each organisation, making a total of 4 interviews. Each interview lasted for about 45 minutes making a total of 180 minutes (3 hours) of audio data. Interviews were conducted face-to-face in the place of choice of the participant, mostly corporate office.

Data analysis is covered in the 5th Chapter. Interviews of a selected single-case - Star Road Project by Pocket - will be analysed with the aid of a qualitative analysis software (Nvivo) to provide greater accuracy, efficiency and flexibility. Unlike the quantitative research where data analysis is a sequential activity which can only be performed after the collection of data, the case-study method used in this study allows the data collection and analysis to be simultaneously performed. The analysis begins with the systematic organization of evidence collected in an array, and as this study begins with a hypothesis, the data-analysis technique of *pattern-matching* is employed (Almutairi, et al., 2014) before comparing the interview responses of the participants through a *comparative analysis* method.

This synopsis has summarized the outline of this study clearly laying out a general overview of each chapter of this dissertation.

CHAPTER TWO

2. Literature Review

2.1. Essential elements of past and present affordable housing policy in London

2.1.1. Introduction

Three key concepts extend throughout this study including: Partnering, affordable housing and viability. These concepts have each been extensively researched and, hence, have generous works of literature written on them. Revisiting them individually will oblige complete chapters. Also, attempting to review them separately may not be beneficial to the reader as the linkages between the concepts have yet to be established elsewhere in previous studies. With these realization, this chapter shall be divided into three sections. Each of the sections will attempt to uncover the interrelatedness of the aforementioned concepts as opposed to reviewing them in isolation.

2.1.2. Affordable Housing in London - A brief historical look

The emphasis of this section is at the outset an historical one. A brief review of the early efforts by the government to provide affordable housing and the events that led to these efforts is carried out. The paper then considers the main institutions responsible for the delivery of affordable housing in London. The section ends with an analysis of the essential elements of current policies on affordable housing. Throughout this section, the paper shall be examining how and whether past and, most importantly, present working environment for affordable housing providers is an enabling one that stimulates effective Partnering between government bodies and private sector to create mutually beneficial outcomes.

2.1.2.1. What is Affordable housing?

Just like many other phrases in housing, Affordable Housing is a phrase whose meaning, as an expression or a concept, lacks any consensus. Describing it by the bodies that provide it, Harriot & Matthews (2009) take it to mean: housing provided by local authorities, housing associations and Registered Social

Landlords (RSL). The definition provided by Harriot & Matthews (2009) ignores the fact that private developers now have an increasing responsibility to provide affordable housing (see Table 1). This definition does not suit the purpose of this research since the role of private developers in providing affordable housing is central to this study. While Reeves (2005) defined affordable housing as housing provided for households who cannot meet their housing needs through the market, the UK government officially defined it as the social rented, affordable rented and intermediate housing provided to those that cannot afford to buy houses they need at the market price (DCLG, 2013). Both definitions have the word *need* in common and in the context of affordability, housing need is often separated from housing demand. Housing need refers to the *quantity* of housing required to deliver accommodation of an established minimum standard and above, suitable for a particular population while ignoring the population's ability to pay for such housing (Oxley, 2009). Housing demand on the other hand, as defined within the context of effective demand, is the provision of housing to those willing and *able* to pay (Oxley, 2009). In essence, while it is considered a fundamental human right for all to have shelter in an enlightened society, not everyone can back their housing need with an ability to pay. For sure, not everyone whose housing need cannot be met can meet their demand for housing. There are those people who stand in the middle of these two concepts, who are able to meet their housing *requirement* by, for example; renting, living in caravans/camper vans, or, for grown-ups, remaining in their child hood bedrooms till they are able to save for mortgage deposit. What these mean is that because housing is a good whose price is determined by the market, effective housing demand will generally be satisfied at the expense of housing need (Oxley, 2009).

Table 1: Housing completions in the UK since 1990.

Year	Private Sector	Housing Associations	Local Authorities
1990-91	161,630	19,190	16,380
1991-92	160,250	21,090	9,900
1992-93	143,980	30,010	4,420
1993-94	146,750	36,580	3,530
1994-95	155,290	37,240	3,060
1995-96	156,540	38,170	3,010
1996-97	153,450	30,950	1,540
1997-98	160,680	28,550	1,520
1998-99	154,560	22,870	870
1999-00	160,520	23,170	320
2000-01	152,740	22,250	380
2001-02	153,580	20,400	230
2002-03	164,300	18,610	300
2003-04	172,360	18,020	210
2004-05	184,500	21,990	130
2005-06	189,700	23,990	320
2006-07	192,170	26,650	260
2007-08	189,660	28,630	250
2008-09	144,920	33,040	830
2009-10	117,980	34,190	780
2010-11	104,730	30,920	1,760
2011-12	109,610	34,190	3,080
2012-13	106,030	27,160	2,330
2013-14	111,700	27,120	2,060

Source: DCLG Live Housing Table 209.

2.1.2.2. Affordable Housing: Who provided it in the past?

From the above, it is evident that if the market is left alone to determine the demand and supply of affordable housing, many households will be left unable to exercise their fundamental right of having a roof over their heads. Prior to government involvement in the housing market, such households whose housing need could not be met through the market resorted into renting low standard housing under poor conditions. This resulted into an upsurge of overcrowded slum housing, leading to fresh health and environmental issues for the government and the elite population in the 19th century. Even with these issues, it was still generally believed that housing provision was best left in the hands of the private sector. This view however changed in the inter-war period of the 20th century when, as Harriot & Matthews

(2009) put it, the housing *need* was so economically acute for the private sector to meet, and so politically severe for the government to overlook. Hence, with this realisation, governments began to intervene through a number of policies. These policies are now reviewed beginning from the 19th century up until recent developments in the 21st century.

Affordable housing in the 19th Century and pre-world war era

In the pre-world war era of the 19th century, acts such as the *Nuisances Removal Acts* of 1846, the *Public Health Acts* of 1848 and other acts as shown in Table 2 below were informed by the increasing threat of epidemics such as cholera and typhoid which spread easily in overcrowded and slum areas. In a bid to contain these diseases, several acts were passed. These acts primarily gave local authorities *enabling powers*, rather than *statutory duties*, which may or may not be exercised depending on the discretion of the local authority in question (Harriot & Matthews, 2009). For many local authorities, these powers were not exercised, and, according to Harriot & Matthews (2009), two reasons accounted for this. First, exercising these powers would have meant that additional funding would be required (Harriot & Matthews, 2009). Since this funding would probably have been raised by increasing taxation on local voters, the local population was disinclined to take on these obligations. Secondly, since the landlords of overcrowded and slum housing areas were likely to be owned by locals, these locals were less likely to support acts, such as the *Cross Act* of 1875, that permitted local authorities to demolish slums and houses deemed unfit for human habitation (Harriot & Matthews, 2009).

Table 2: Housing Regulations in the UK in the 19th century.

Act	Year	Purpose
Nuisances Removal Act	1846	Permitted local Authorities to take action against acute public health problems.
Public Health Act	1848	Permitted the setting up of local Health Boards tackle sanitation issues and epidemics of cholera and typhoid.
Shaftesbury Act	1851	
Torrens Act	1868	Permitted the local authorities to demolish properties deemed to be unfit for human habitation.
Public Health Act	1875	Encouraged local bye laws for the establishment of minimum construction standards.
Cross Act	1875	Extended the local authorities' demolition powers from individual habitations to entire slum areas.

Adapted from: Harriot & Matthews, (2009)

This paper believes that there may be other contributing factors that led to the failure of these acts apart from the ones cited by Harriot & Matthews, (2009) above. A possible contributing factor may have been the focus of these regulations on the symptoms of the housing problem as opposed to the root causes of the problem. As shown by Table 2 above, most of the acts were focused on public health and sanitation (the symptom). These happened to be the results of the slum and overcrowded housing which were themselves caused by the lack of affordable housing (the root cause). In short, symptoms were being mistaken for the root cause –lack of affordable housing. This point is pivotal for this research and shall be revisited in the second main theme of this research – Partnering. Moving on, towards the end of the 19th century, UK government seemed to have realized this mistake and had started focusing on new acts that focused on the provision of affordable housing. The *Housing of the Working Classes Act* of 1890, which permitted local authorities to deliver council housing by consolidating and amending previous acts began this era. Again, since these were only rights and not obligations, and there was insufficient finance, few local governments exercised their housing provision rights. Possibly because it was becoming increasingly clear that the lack of affordable housing was in fact a symptom of a greater root cause – lack of financing,

wealthy capitalists provided finance through charities. Such individuals included Guinness, Peabody, Rothschild and Octavia Hill (Oxley, 2009).

Affordable Housing in the 20th Century

First World War

The government's first intervention in 1915 was more direct through the *Increase of Rent and Mortgage Interest (War Restrictions) Act 1915*. The Act attempted to set a ceiling on rent which was climbing higher due to the excess housing demand that arose during the First World War (Balchin & Rhoden, 2002). Although it was intended to last from the break-out of the First World War till 6 months after the end of the war only, the government extended the Act to the following peace years by extending the duration and widening the scope of the controls through the *Increase of Rent and Mortgage Interest (Restrictions) Act 1920* (Balchin & Rhoden, 2002). The effects of these rent controls on housing provision, coherent with extensive past research (see: Heath, (2013), Balchin & Rhoden (2002) etc.), was to reduce the number of housing provided by the private sector as it became a less attractive investment for the private sector. And considering that over three quarters of households lived in rental homes mostly provided by private landlords by the end of the First World War, an acute shortage of housing arose. This prompted the government to begin the systematic and unhurried process of decontrolling after its attempt to completely phase out the rent controls was met by widespread oppositions (Heath, 2013). The decontrolling process which went on for another 74 years (1915-1989) was permitted through the *Rent And Mortgage Interest (Restrictions) Act 1923*, the *Rent And Mortgage Restrictions (Amendment) Act 1933* and the *Increase Of Rent And Mortgage Interest (Restrictions) Act 1938* (Balchin & Rhoden, 2002). It is important to indicate that the decontrolling process was targeted at medium to high rent housing crucially leaving out the lower end of the market (Balchin & Rhoden, 2002). This meant that housing supply for the poorest segment of the population worsened since rent controls that were still in place made the low-rent housing market unattractive for private investments.

As it was evident after the First World War that meeting the acute housing shortage required more than just regulating the private sector, local authorities were obligated to provide social housing for the first time (Heath, 2013). The Housing Act (Addison Act) of 1919, unlike previous acts that gave councils the rights to provide housing without any financial backing, was backed by a promise by the government to subsidize the construction of social housing by the councils (Heath, 2013). This and further acts in the 1920s ensured housing provision was viewed as a national responsibility and a social service. This led to the clearing of remaining slum housing in Britain, and the provision of over 1 million council homes during the inter-war periods (Heath, 2013).

While it is commonly suggested by researchers such as Balchin & Rhoden (2002) that the rent controls were responsible for the housing shortage, Heath (2013) argued that the role played by the rent controls should not be overstated. Heath (2013) opined that, although rent control may have contributed to the housing shortage, the shortage was more importantly caused by the increase in building costs and interest rates which both could not be matched by the less than proportionate increase in wages during this inter-war period.

Second World War

The Second World War led to the bombing of about 400,000 homes thereby worsening the already precarious housing shortage. Again, through the housing (financial and miscellaneous provisions) act of 1946, government intervened by introducing new subsidies and a system of building licenses to encourage councils to provide social housing. When a new Conservative government came into power in the 1950s, however, the building licenses system was phased out and owner-occupation boomed at the expense of social housing provided by councils. The different Conservative governments of the early 1950s to 1964 advocated private participation and passed acts that emphasized this philosophy.

The Rent Act 1957 eradicated rent controls, although from high-rent properties only, and continued the decontrolling of middle-rent housing (Harriot & Matthews, 2009). This was with the

intention of making housing provision attractive for private investment again. Instead of reviving the achieving this purpose, the reality was that the Acts permitted landlords to sell their properties for owner-occupation which was out of reach for the poor.

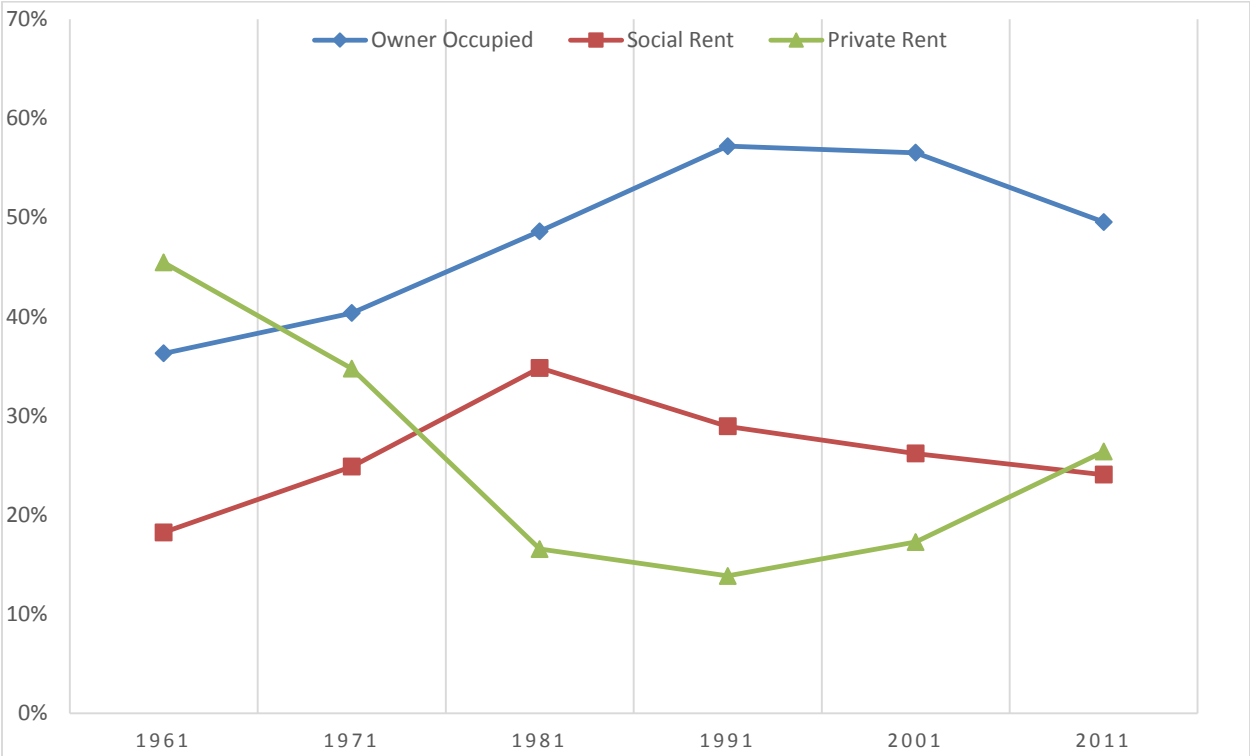
Post-War

With this realization, the government passed yet again a number of Acts to boost private provision of housing. This time, this was achieved by providing generous funding for not-for-profit developers through the Housing Act of 1961. Specifically, the Act permitted the government to make available 25 million pounds for not-for-profit developers - Housing Associations – through the *National Federation of Housing Societies*. To further monitor and strengthen the activities of these Housing Associations, the government passed the Housing Act of 1964 which gave birth to the Housing Corporation to finance and oversee the operations of the housing associations (Harriot & Matthews, 2009). In the following years between 1964, when the Labour government came into power, and the election of the Conservative party, under Margret Thatcher, there was a back-and-forth movement in policies and Acts. At some point, government encouraged private rented housing, at some other points, she encouraged provision of council housing by local authorities (see Harriot & Matthews (2009)).

A significant landmark however occurred upon the election of Margaret Thatcher in 1979 through the Conservative party. The government, under Thatcher, emphasized the idea of owner-occupation through a more market based system and this led to the considerable transfer of social housing from local authority into owner-occupation at large discounts through the right to buy policy. This led to the selling of over 2 million council homes between 1980 and 2007 in Great Britain (Harriot & Matthews, 2009). As shown in Figure 1 below, this led to a decrease in the number of social housing and a simultaneous increase in the number of owner occupied housing. Private renting was already at a low level of about ten per cent of households and so it meant that for owner occupation to increase, social housing had to fall. Deregulation of the private rented sector through the Housing Act of 1988 and the creation of the assured

short hold tenancy agreements led to a rebound in the private rented sector for the first time in the 20th century. The above review does not provide a holistic chronological picture of the changes that has occurred in the UK housing tenures. In subsequent sections below, this paper examines roles that different housing providers have played and continue to play. Hopefully, this may shed more light as to why housing tenures have reflected the trend lines shown in Figure 1 below.

Figure 1: Housing tenure in London, 1961-2011



Source: London.gov.uk

2.1.2.3. Modern Environment - Recent Challenges in Affordable housing delivery

Reviewing the modern environment of affordable housing delivery based on a timeline, as done for previous centuries, may not be beneficial for the reader. This paper takes a different approach here by reviewing the current environment and challenges through the main providers (institutions and schemes) of affordable housing. Also, up to this point, the historical review has emphasized on the broader

UK and Britain. Henceforward, the paper shall view affordable housing through the eye lenses of London. There are many characteristics that distinguish London's housing markets from the rest of the country including housing need and demand, tenures mix and their affordability by households (DCLG, 2013). This paper appreciates these differences and attempts to uncover the grey areas as these differences have consequences that are not at all trivial for the provision of affordable housing.

Affordable Housing in London: Who provides it today?

Providing Institutions

The three major providers of affordable housing, for rent and for sale, in London are local authorities, housing associations and private developers (Reeves, 2005). Although most affordable housing in London was predominantly provided by local authorities, the share of affordable homes delivered by housing associations and the private sector has been increasing in recent years. The roles and nature of each of these providers requires further consideration.

Local Authorities

Local authorities have access to a varied number of funding sources including the Public Works Loan Board and the private sector under the Best Value inspection process, among others. They are limited only by the prudential borrowing limits, the specific rules that guide local authorities' borrowing. Beyond the availability of funding, local authorities have other advantages that position them well for affordable housing delivery. Many local authorities have land, and when one considers that land easily takes up about 30% or more of total development cost, a competitive edge would be assumed. Beyond this, local authorities often have the responsibility to allocate planning permissions for developments and since they are better positioned to understand the needs of their local residents, it would appear that they can easily award planning permissions to themselves. While these are all true on paper, in reality, they're not. Some statistics should give a better picture. According to a report by Oxford Consultants for Social Inclusion (2012), London has seen a shift in social housing ownership, from Local Authority

ownership to Housing Associations ownership. Beyond that, the report also found out that self-reported data from 2001 shows that 69% of all social housing was managed by Local Authorities, and 31% by Housing Associations. By 2011 this ratio had changed significantly showing 53% managed by Local Authorities to 47% by Housing Associations. The report however mentioned that tenants appeared to continue to view their houses as council-housing when in fact the houses have been transferred to housing associations. Hence, while the report admits that the source represents the best available, it also admits that up to five hundred thousand people in the Census appear to have misreported their housing as council owned rather than RSL-owned (Oxford Consultants for Social Inclusion, 2012).

Table 3: New dwellings started, by year, United Kingdom, 1992-2012

Year	Housing Associations	Local Authorities
1992	20,790	3,520
1993	29,780	1,430
1994	30,860	1,090
1995	30,900	780
1996	27,020	510
1997	20,970	290
1998	19,910	250
1999	17,780	50
2000	16,680	100
2001	14,500	170
2002	13,310	170
2003	12,820	180
2004	16,600	140
2005	17,540	180
2006	20,660	290
2007	22,180	250
2008	26,480	430
2009	26,980	360
2010	22,660	790
2011	25,950	2,230
2012	25,440	1,410

Analysed from: DCLG (Live Table 211)

Housing Associations

The shift in the delivery of affordable housing from local authorities to housing associations is even starker for new dwellings. Housing associations, also known as Registered Social Landlords (RSLs), are independent, not-for-profit housing bodies that offer affordable housing to people on a low income

or who need extra support (Reeves, 2005). There are many housing associations in London, for example, there are more than 42 in the London Borough of Hammersmith & Fulham alone. Of the many housing associations in London, a group of 15 largest housing associations, known as g15, collectively own and manage over five hundred thousand homes in London, of which 64 per cent are 'general needs' social housing, 24 per cent are temporary, supported and key worker housing, 7 percent are shared ownership units, and 5 per cent are non-social housing at market rents (London Assembly, 2013). As seen in Table 3 above, housing associations now deliver more than eighteen times what local authorities provide. Although the private enterprise produce more than both altogether, most of the housing by private enterprise is under owner-occupied which are well beyond the reach of low-income people or people who need extra support. Hence, its exclusion in Table 3. Although, Table 3 shows data about the entire UK, it is representative of London that has more households that require social housing than anywhere else in the UK (DCLG, 2013).

Private Developers

From the above, it can be deduced that Housing Associations have no competitions apart from themselves, and maybe private developers, in the provision of social housing. The questions then arise: can private developers provide affordable housing? And if they can, can they do so more efficiently and effectively than the traditional providers of affordable housing? The UK, and indeed, London government believe private developers can be providers of affordable housing.

Private developers have convinced the government of their ability to provide affordable housing, at the same time, the government has been seeking ways to reduce budget deficit often exacerbated by funding to housing associations and local authorities for affordable housing. As a prove of its belief in the role of private developers, the UK government began advancing grants to private developers, usually formed as bodies or housing investment trusts vehicles, since 2004 (Reeves, 2005). In a bid to deliver more housing, the government has started schemes to encourage private developments. It is difficult to

understand how profit-maximising organisations will deliver affordable housing, which is often below market prices. The reality, however, was that affordable housing was increasingly being delivered by private developers over the last decade before the global financial crisis through the Section 106 planning agreement (GVA Grimley, 2009).

The section 106 planning agreements allow planning authorities to obtain planning gain by varying the detail but not the *spirit* of constraints of a proposed development. A good example is where a local area restricts land use for other purposes apart from residential or when there is a limit on the density of residential housing in that area. The planning authorities may step in by waiving these restrictions in exchange for a percentage of affordable housing or land (to be transferred to RSLs) or, even, cash sums (or, commuted sums). It is important to note that the Section 106 agreements does not permit planning authorities to determine the types of tenures included in houses provided under this agreements. Section 106 agreements are concerned more about technical details including layout, design, green areas etc. than about tenure details (Reeves, 2005). Therefore, the developer still owns the prerogative to determine the kind of affordable housing (social-rented, affordable-rented or intermediate housing). Figures from GVA Grimley (2009) indicate that, prior to the financial crisis, over 50% of all affordable housing was provided through the section 106 planning agreements.

The crisis has since reduced this figure to less than 25% of all affordable housing provided through Section 106. Apart from this, many private builders on completed and yet to be completed schemes have renegaded from initial agreements as they provide far less affordable housing than they agreed. For example, Wainwright (2014) reported how affordable housing targets of 50% have been reduced to 12% in a proposed development at Mount Pleasant in North London. In all, Section 106 agreements have been criticised for lack of transparency, unfairness, inconsistency, length of time to negotiate, and the disputes caused by renegotiation. Some argue that the pro-cyclical nature of the initiative is to blame while some

others argue that private developers should not have been encouraged to provide affordable housing in the first place.

On 6 April 2010 Community Infrastructure Levy (CIL), a new planning charge, came into force. The CIL was one of the changes the government made to the way planning gain was charged and it is intended to be more transparent and fairer than Section 106 which causes delays and disputes. Levy rates will be set in consultation with local communities and private builders and will provide builders with much more certainty 'up front' about how much money they will be expected to contribute (DCLG, 2011). Unlike the planning obligations that prioritises affordable housing, CILs are payments that can be used for a wide range of infrastructure and facilities, hence, it has been suggested the introduction of CIL may lead to a reduction in the number of affordable housing delivered through developer contributions (DCLG, 2011).

2.2. Partnering

2.2.1. Introduction

Partnering is a concept that promotes the forming of long term relationships between clients, contractors, and suppliers so as to achieve a common and shared goal that derives mutual benefits developed through mutual trust and commitment (Eriksson, 2010). This definition goes a long way to explain what Partnering is. However, the inclusion of the term 'long-term' represents an Achilles heel leaving it open to criticism. This is because Partnering can either be long-term (strategic) or one-off (project-based) (Akintoye & Main, 2007). Providing an alternative definition, Eriksson (2010) defined Partnering as:

“an attempt to establish non-adversarial working relationships among project participants through mutual commitment and open communication”

The Construction Industry Institute (1991) appears to have provided the closest to a consensus as to what Partnering is:

“A long-term commitment by two or more organizations for the purpose of achieving specific business objectives by maximising the effectiveness of each participant’s resources. This requires changing traditional relationships to a shared culture without regard to organization boundaries. The relationship is based upon trust, dedication to common goals, and an understanding of each other’s individual expectations and values. Expected benefits include improved efficiency and cost-effectiveness, increased opportunity for innovation, and the continuous improvement of quality products and services.”

Many researchers have criticised these definitions, the concept of Partnering, and even other collaborative relationships including alliance and collaboration as a whole. Some are of the view that Partnering, and its claimed benefits on time, cost and quality, are not easily obtained due to various barriers to change, arising when trying to implement Partnering in different countries. Another argument that critics are quick to mention is that the concept has not been clearly defined and definitions are often too vague and overly optimistic (Eriksson, 2010). Lastly, those that happen to ignore the argument about its definition often argue that the concept is one that sounds good on paper and as a theory but lacks the necessary ingredients and contents needed for its implementation (Eriksson, 2010). The shift from adversarial to co-operative relationships is a significant one which entails a change in structures, processes and attitudes (Eriksson, 2010). Corroborating this, Akintoye & Main (2007) found that, although project stakeholders often appreciate the concept and its potential advantages, they often lack the prerequisites required for its successful implementation.

Considering the above, this section focuses on the implementation of Partnering. Many researchers and studies have written at great length on the definition and the concept. Few, however, have focused on how this concept can go beyond being a theory to becoming practicable. Thus, the following is a review of the issues surrounding the implementation of Partnering. These shall be done within the context of affordable housing in London.

2.2.2. Implementing Partnering

The whole concept of Partnering is an attractive one. It is made more attractive by the benefits its proponents claim it has. Project parties, especially clients, must however be cautious before signing the dotted lines on any Partnering agreement. Clients are usually less knowledgeable and may not conduct the necessary assessments of project risks, may pay less attention to how the Partnering agreements will attempt to address project risks and, instead, may focus more on the behavioural aspects of Partnering (Mosey, 2009). When the consequence, in terms of risk impacts on project time, cost and quality begin to arise, this may lead to conflicts and strained relationships, the very problems Partnering attempted to solve. Therefore, project parties must look ahead and consider certain risks that Partnering may expose them to. According to Mosey (2009), there are four main 'road blocks' to successful Partnering including:

- changes in business conditions that impacts the project and it's participants
- Varying level of commitments among project participants
- Lack of efforts to nurture the Partnering
- Inadequate communication and information dissemination

While the above may appear valid, it may be argued also that a well thought out risk assessment plan can mitigate these risks. For example, scenario and sensitivity analysis may prepare parties to a project for the impacts of certain business conditions on project objectives long before they occur (Mosey, 2009).

Coase (1937) may have provided a more robust explanation for the risks involved in cooperative relationships in general. This paper will attempt to adapt this since Partnering is a type of cooperative relationship. But first, it is important to revisit the Transaction Cost Economics.

2.2.3. Partnering and Transaction Cost Economics

Neoclassical economists assume that firms can carry out their economic activities through the price system without any costs. Transaction cost economics, on the other hand, argues and proves that there are in fact costs that must be incurred by firms when carrying out economic activities under the price system. Not surprisingly, Coase (1937), whose seminal work transactions cost theory emerged from, termed this cost: *the Transaction Cost*. Coase (1937) contended that a firm will cease to exist if the costs of co-ordinating its economic activities continued to go up and vice versa. Using the delivery of affordable housing by a private developer, the client's employees coordinates the activities of a team of experts (engineers, architects, project managers etc.), the experts coordinate the activities of sub or trade contractors, the sub-contractors then oversee the activities of tradesmen. Under transaction cost economics, the medium through which an economic exchange or a transaction takes place is called *governance*. According to researchers, including (Walker & Wing (1999) and Barney (1999)), governance can be further grouped into market governance, intermediate governance, and hierarchical governance.

A scenario would help to understand these three governance types. Using the example of the private developer above, the developer may need to define, design and build a residential building all by itself (hierarchical governance), or it may need to purchase building materials from random suppliers under an arm's length transaction (market governance). Finally, it may need to enter into long-term supply contracts with those suppliers (intermediate governance). Intermediate governance, the interest of this paper, is used by firms seeking to manage an exchange under complex contracts managed through joint ventures, public-private Partnering or such other forms of alliances (Barney, 1999). Firms use intermediate governance when Partnering (Barney, 1999). Every transaction a firm intends to enter provokes two questions: "Considering this transaction, what type of governance is the most efficient to co-ordinate it?" To answer this question, firms must consider two issues: cost of a co-ordinating a transaction and the threat of opportunism in an exchange.

2.2.3.1. *Cost of Co-ordination:*

According to transactions cost economics, transactions that require market governance costs less to manage than transactions requiring intermediate governance. Similarly, intermediate governance (used for Partnering) costs less than hierarchical governance (Barney, 1999). While this implies that Partnering will attract additional cost, for it to be successful, communication must be strengthened, inter-organisational interfaces must be put in place and adjustments must be made to expand the boundaries of the organisation that seeks to go into a Partnering agreement. These costs, therefore, are necessary evils.

2.2.3.2. *Opportunism:*

Opportunism is similar to what Mosey (2009) described as “varying levels of commitments” above. Opportunism is when one party has more at stake in a project. In construction and project management parlance, it is when one party in a Partnering is allocated a disproportionate amount of risks relative to another party (Qu & Loosemore, 2013). Qu & Loosemore (2013) put it as "self-interest seeking with guile" having its key elements to be: lack of commitment and self-interest seeking. Qu & Loosemore (2013) went further to state that three key theories are beneficial in explaining this opportunistic behaviour that is expressed within partners are transaction cost economics, agency theory and delinquency theory. In transaction cost economics, Qu & Loosemore (2013) revealed that the three elements at work in bringing about opportunism are: asset specificity, environmental uncertainty and imperfect control. Two of them, environmental uncertainty and imperfect control, are complementary.

- **Asset Specificity**

Asset specificity, or what Coase (1937) described as *transaction-specific investment*, occurs when the investment, in an equipment, material, labour etc. of one of the parties to an agreement, for the purpose of serving that Partnering, cannot be employed for another purpose outside that Partnering. Asset specificity can also refer to a condition where the equipment, material, or labour, required within a project, is not flexible enough to be used for another purpose without incurring huge losses (Coase, 1937).

This makes the implementation of Partnering to remain a challenge for both private developers and public authorities. For example, using the case of the Section 106 agreements, some private developers may have known at the very onset of their inability to deliver the required number of affordable housing. They may however go ahead with the conviction that, once a planning permission is allocated, and development reaches a certain stage, the planning authority would be left vulnerable since the termination cost (and/or enforcement cost) of the contract may surpass accepting the new conditions and carrying on with the project. This sort of opportunistic behaviour is encouraged when a partner identifies such weakness in the other partner (Qu & Loosemore, 2013). In summary, the higher the asset specificity, the higher the risk of Partnering (Qu & Loosemore, 2013).

- **Environmental Uncertainty & Imperfect Control**

A second reason for opportunism is uncertainty about future conditions within the environment, whether political, economic, social etc. These uncertainties act as a bottleneck when implementing Partnering. The idea of bounded rationality was used by Qu & Loosemore (2013). Bounded rationality is the idea that decisions-makers often have cognitive limitations, limited information, and limited time. Hence, they apply their rationality only after streamlining the available choices (Qu & Loosemore, 2013). The higher the uncertainty in the environment, the higher the level of opportunism within Partnering. This is because a partner in a Partnering agreement may be uncertain as to the effect of the occurrence of an event on the other partner and what measures the partner will take to mitigate such risks. These risks may include political, environmental, economic and even operational, among others. These are risks that are often beyond the control of the suspecting partner. Since the Partnering organisation has imperfect control over these issues, it may be tempted to behave opportunistically. So while many organisations may be excited to embrace the Partnering approach in the delivery of affordable housing (Gov.uk, 2014), the transaction cost theory appears not to join in this excitement. The transaction cost theory seems to support the view that the advantages promised by the approach – e.g. reduced costs, reduced time, and

increased quality of affordable homes delivery (Gov.uk, 2014) – may be offset by the co-ordination cost and opportunistic behaviours of organisations caused by asset specificity, and the levels environmental uncertainties and imperfect control.

The last section of this chapter brings together what has been covered in the previous sections - affordable housing in London and the concept of Partnering – by examining how they affect viability.

2.3. Viability

Viability, as with any other concept, can mean different things to different people. A project's viability for a private developer may mean that the project satisfies the investment objectives, including quality, cost, time and risk-appetite, of the larger organisation. This will usually be based on present value economics which evaluates whether the private developer, by investing in the project, is employing its resources in the best possible way when compared to other alternatives. On the other hand, a public agency may define a project's viability to mean an assessment that determines whether or not the project meets the needs of tax-payers in the community. Also, obtaining planning permissions and financing, and ascertaining developer's margin all require making a case for project's technical feasibility, economic viability and credit worthiness to the planning authorities, lenders, and shareholders (Finnerty, 2013).

The definition of viability within the construction industry is often given within the context of a project. This is shown by the two contrasting views of the concept by the public and private organisations above. The definition goes like this:

“An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project” (Rics, 2013)

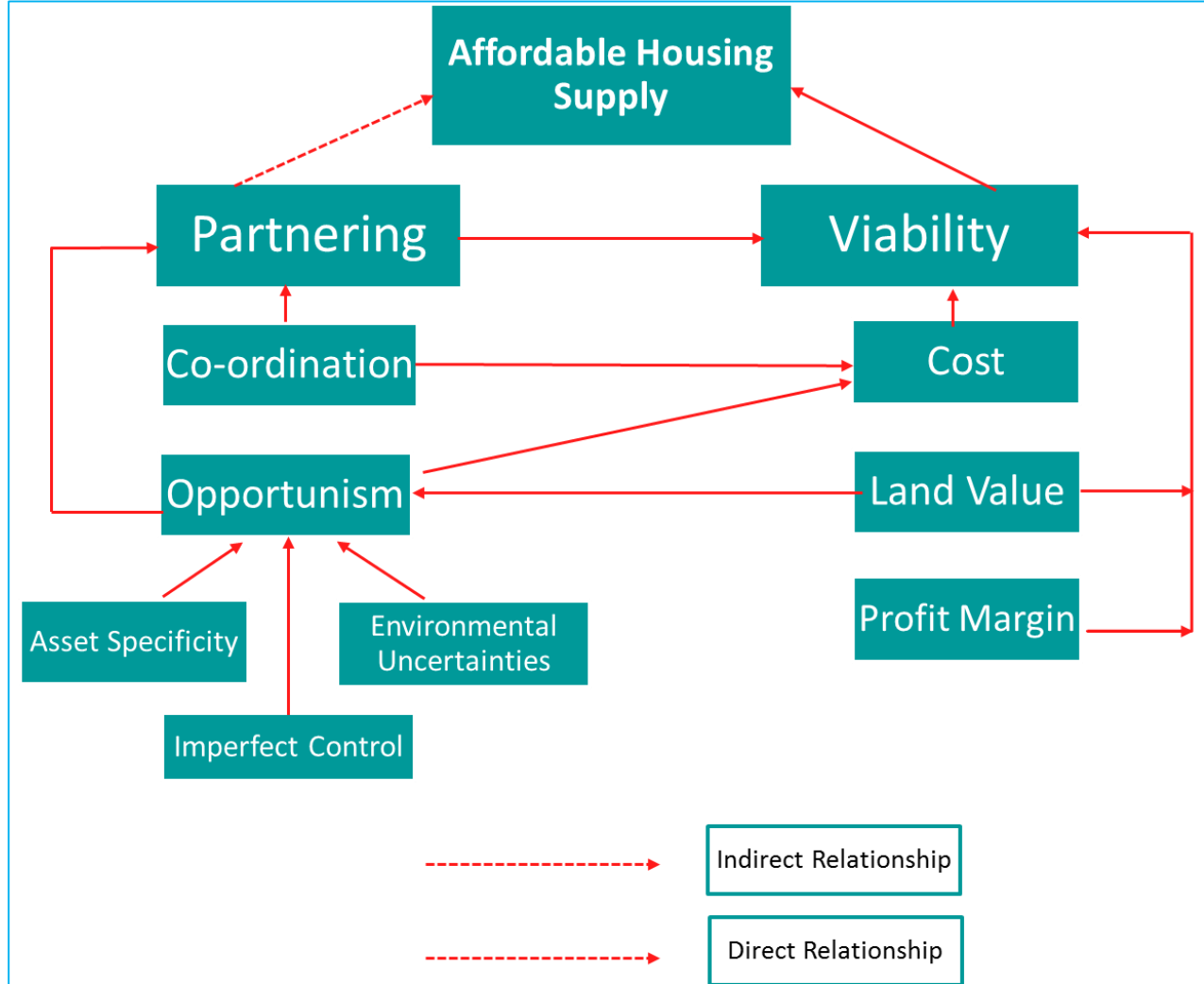
This definition may be technically correct but there are two issues with it. Firstly, it is simply an attempt to break down the *technical* process (hard skills) of arriving at the viability of a development, and hence, omits the behavioural (soft skills). Secondly, and quite fundamentally, it may have placed too much focus on the present value economics associated with the private sector. There are two effects of this: firstly, it inherently assumes that the product (i.e. development) is a market good and secondly, it makes a parody of the adversarial nature of the private sector, hence, failing to appreciate any form of collaborative relationship that may exist between project participants. In the light of these issues, this section hopes to arrive at a new definition of the concept of viability as it relates to the provision of affordable housing, a social good.

Affordable housing is a social good, and the provision of social goods is the responsibility of public organisations (Diane, et al., 2011). Therefore, public organisations are more likely to view the viability of affordable housing projects based on what they view as 'viable'. As previously said, public organisations will usually describe a project as being viable, not only when it achieves a desired return on investment, but more importantly, when it meets the desired needs (e.g. housing need) of the community or taxpayers it was intended for (Finnerty, 2013). For the definition to be holistic, it must either include these aspects. If it cannot include them, then its boundaries must be widened. Considering this, the above definition may be refined to be:

An objective [and subjective] test of the ability of [any] project to meet the [objectives of the different parties involved in that project].

Of course, this is a very broad definition. Since this paper is primarily interested in how viability relates with affordable housing and partnering in London, a more focused definition will be required, and this is provided in Chapter 4, analysis and interpretation of findings. What follows is a conceptual framework based on the literature reviewed in this chapter.

Figure 2: Conceptual Framework Showing the Interrelationships between Affordable Housing Supply, Partnering and Viability.



As can be seen in Figure 2, the delivery (supply) of affordable housing is directly affected by the viability of the schemes. The viability is in turn directly affected by development costs, the land value appropriate for the land owner and the desired profit margin of the developer. Partnering does not have a direct effect on the delivery of affordable housing, however, through the direct effect it has on viability, as a result of additional potential development cost from coordination and opportunism, it indirectly affects the delivery of affordable housing.

This chapter was divided into three sections, each reviewing the current and past literature regarding the key concepts of this research. Section 1 reviewed the historical and current developments

of affordable housing in London. The second section shifted attention to the concept of Partnering and its definition. This enabled the formulation of the conceptual framework upon which the findings of this research will be compared with in Chapter 4. The last section of this chapter concentrated on the concept of 'viability' and how public, private and social organisations may define it. An attempt was made to provide a new definition that aims to satisfy the differing objectives of these organisations. Finally, a conceptual framework was formulated to summarize the key variables of this research and their interrelatedness.

CHAPTER THREE

3. Data Collection methods, Research Design and Tools

3.1. Introduction

The choice of data collection methods for this research was based on its research objectives, research design, sample population, and possible data sources (Teaching & Learning Laboratory, 2014). Therefore, before stating the data collection methods, it is important to justify and give the motivations for the choices made regarding the research design, sample population, and tools for this research.

3.2. Research Aim

This paper's overarching area of interest is: the delivery of affordable housing in London. The paper seeks to know how partnering affects the viability of affordable housing projects in London. Three research objectives arose as a result of this broad aim.

3.2.1. Research objectives

- Explore the history and current state of affordable housing projects and the implication they have on the UK economy.
- Examine the concept of 'Partnering' in the context of the viability of affordable housing projects.
- Investigate the effects of Partnering on the viability of affordable housing projects in London.

3.3. Research Methodology

The research objectives above informed the design and methodology of this research. This section highlights the methodologies used in carrying out different parts of this study. The justification for the methodologies and alternative approaches are also considered.

The decision to employ a single-case research method in this dissertation was not an easy one to make. This is because there has been a long-standing debate over the credibility of single-case research methods. For the avoidance of any doubts, it is deemed necessary to review the two sides of the debate here. First, what is the case study approach?

The case study approach focuses on understanding the crescendos or underlying forces present within single settings (Eisenhardt, 1989). Examples of case study research in the construction industry include Letsios, et al's (2014) study on the optimum design methodologies for pile foundations, Dyer's (2000) research on high-performance knowledge-sharing network, and Kululanga's (2012) research on capacity building of construction industries. Case studies can either be single or multiple cases, or may also involve an embedded approach, where there are several levels of analysis within a single study (Eisenhardt, 1989). We will now briefly revisit the old debate over the credibility of the case study as a research method, especially the single-case method.

Probably because a case study tends to dwell on a single case, the issue of generalizability emerges larger when compared with other methods (Sharan, 2009). Critics often argue that it cannot provide broader details about a class of phenomenon because it focuses only on a single example of that class of phenomenon (Flyvbjerg, 2006). Many advocates, including Flyvbjerg (2006) and Sharan (2009), believe that a single-case holds many benefits for researchers (and readers). They argue that the solutions to general problems lie in the study of particular problems and this can best be achieved using case studies that deal with real-life situations and lead to balanced and complete account of a phenomenon. Stating that formal generalizations from large samples to an entire population are hyped in their contribution to empirical advancement, Flyvbjerg (2006) seemed to have laid this argument to rest.

Another issue that surfaces in the debate is that of 'predictability'. Due to a lack of controlled conditions, random sampling and the use of probabilities, case studies are less predictive, unlike other

quantitative methods (Sharan, 2009). While this is true, it is also true that not all research problems require predictability; indeed many only require a careful examination, and hence, description of the characteristics of a given population.

Lastly and most importantly, it is believed that single-case study methodology, in particular, should only be used for pilot testing and that it is poorer in making any generalizations than the multi-case method. Flyvbjerg (2006), recounting single-case method experiments carried out by Einstein, Bohr, Darwin, and Marx, argued that a single case is capable of bringing about progress in human and natural sciences, regardless of how little.

For this dissertation, the case-study method seemed the most appropriate since it aims to investigate a causal mechanism- a process through which an outcome, or in this case, a relationship comes into existence (Wesley, 1984). This should not be confused with a causal effect, which simply measures the effect on one variable as caused by another variable. Plümper, et al (2010) used a brilliant metaphor to distinguish between causal mechanism and causal effect. It was explained that headache is not cured merely because of a pill of Aspirin. Rather, it is cured because the pill has an ingredient, salicylic acid, stopping the transmission of the pain signal to the brain. Aspirin does not eliminate the origin of the pain rather, it prevents the brain from noticing the pain. Thus, identifying causal effects – the pain disappears- is distinct from understanding causal mechanisms- what caused it?

A quantitative method was initially considered but, as also stated by Gerring (2004) and Plümper, et al (2010), case studies enjoy a comparative advantage in studying qualitative phenomena or relationships. More so, since this study aims to describe ‘how’ one variable (Partnering) affects another (project viability), because Partnering is a relatively new concept in the construction industry, and because it is a concept whose events the researcher of this study has or will have little control over, quantitative methods may run the risk of ignoring fundamental and complex factors that can only be investigated in real-life situations.

In this section, the methodologies intended for this research have been discussed and alternatives were also considered.

3.4. Research Design

3.4.1. Selection of Case Study:

The selection of the case study for this research was based on a purposive (or purposeful) sampling technique. This was due to the qualitative nature of the inquiry in this study (Yin, 2014). Yin (2014) revealed that a non-probabilistic sampling such as the purposive sampling method is suitable for a qualitative case study analysis. Apart from being the most popular non-probabilistic sampling method, it helps the researcher to select samples that have the level and quality of information required for the researcher's inquiry (Merriam, 2009).

3.4.2. Pocket – Case Study Organisation

Pocket is a profit-making housing developer situated in London. It was selected due to its suitability to this research.

The following is an excerpt from Gov.uk (2014):

Pocket is a private sector developer which provides intermediate housing for sale to singles and couples whose household income is too high to qualify for social housing, but not enough to buy on the open market. Pocket's homes are sold at an initial discount to the local market of at least 20% and their future affordability is governed through a Section 106 legal agreement and a lease which stipulates that the homes can only be on-sold to people on a household income in line with those affordability thresholds set out in the London Plan or those identified locally at the time of sale. Therefore, Pocket homes make a real addition to the affordable housing stock; and ensure that housing remains affordable in perpetuity.

Pocket has secured planning permission for 224 intermediate affordable housing units across London and has completed 130 units with a further 51 units on site (Gov.uk, 2014). Recently, Pocket secured a 20

million pounds loan from the Mayor of London and has pledged to leverage on this to build 4,000 homes over the next 10 years (Gov.uk, 2014).

3.4.2.1. *Star Road Project – Case Study Material?*

The Star Road Project was chosen because of its peculiar difficulty and the wide range of parties involved in the project. It was one of the first five projects delivered by Pocket, hence, the paper believed that it would be rich in information. A detailed information about the project is shown in Figure 3 below.

Figure 3: Details on Star Road Project



Client: Pocket Living
Value: £1.3 million
Status: Status: Complete August 2012

*A PRP Architects Project
Design and delivery led by Newground
Directors while employed at PRP*

The project uses Pocket's design standards which include an average 38m² floor area for a one bedroom flat and meticulous space planning to maximise the use of space. The result is highly liveable flats in central London locations, which are sold at about 20% discount from market value to provide affordable housing without the use of public subsidy.

The design uses narrow frontage double aspect floor plans, unlike most Pocket projects which typically use wide frontage single aspect unit types.

A landscaped courtyard forms a meeting place to encourage social interaction and a sense of community.

A high quality product is delivered through efficient space planning, simple detailing and attractive robust materials.

Source: newgroundarchitects.com

3.5. Data description and collection

The data used in this study came from interviews based on a single-case study as has been said. Data was mostly received from interviewing the key personnel involved in the successful delivery of an affordable housing scheme – Star Road Project - completed in 2012 within the London Borough of

Hammersmith and Fulham. Interviews were conducted with senior management of Pocket (the client), PRP Architects (the architects), Linden homes (the developer), and Roulfe Judd (planning consultant). Although the London borough of Hammersmith and Fulham (the planning authority) declined an interview, it provided web links to relevant information. The findings were based on this case study which was itself based on semi-structured interviews of very senior managers involved in the delivery of the Star Road project. The semi-structured interviews were based on their perception of the effect of partnering on the viability of affordable housing schemes in London. An audio-recorded oral interview was conducted within each organisation, making a total of 4 interviews. Each interview lasted for about 45 minutes making a total of 180 minutes (3 hours) of audio data. Interviews were conducted face-to-face in the place of choice of the participant, mostly corporate office. Apart from being directly involved with the project, the paper ensured that all participants were the most senior staff (directors) directly involved with the project in their respective firms, with the exception of the architects. As at the time of conducting the interviews, the two directors (architects) directly involved with the Star Road project had gone on to establish their own practice. The project architect on the Star Road project was interviewed instead. As anticipated, there was more involvement of the interviewer during the interview with the project architect than the other interviews. This was probably due to the nature of the research which was more behavioural than technical. Also, probably because the project architect was the only non-management staff amongst the others. The quality of the data does not seem to have been reduced as a result of this. It only required the interviewer to explain the meaning of the key variables and to ask more questions.

It may appear like the findings will not be representative of the views of the entire breadth and length of project staff, this paper argues otherwise. Akintoye & Main (2007) already found out that operational level staff lack sufficient knowledge about the concept of Partnering due to its strategic nature. In fact, during some of the interviews, top managers invited operational staff so as to gain more understanding of the concept, hence, corroborating the findings by Akintoye & Main (2007).Based on this and

considering the time and resource limitations associated with carrying out this study, the paper deemed it right to focus on top management, especially directors, in order to collect high quality data within the time and budget limitations. More so, the data used for this study was collected from the main contributors to the delivery of the project. Past and similar research have often focused on one of the project participants e.g. Akintoye & Main (2007). This paper takes a different approach, one that should result into new insights since it is more holistic.

Finally, realising that long interviews may be inefficient and short interviews may be insufficient, the study chose a semi-structured interview method which allocated virtually all the 45 minutes to the interviewee, with the exception of the interview with the project architect. This resulted into about 3-page documents for each interviewee's response when transcribed (see Appendix).

3.6. Data Coding and analysis

The analysis was based on a pattern-matching and constant comparative methods. This supports the collection of data through one-on-one interviews from participants who generated data based on their experience on the Star Project and also their general perceptions. Hence, there was no pre-defined categorisation of data. The analysis methods chosen therefore enabled the researcher to categorise these data and come up with codes by first comparing predicted patterns (based on literature review) with empirically observed patterns (based on interviews). This is called pattern-matching (Yin, 2014). Secondly, after the pattern-matching led to the creation of themes, the responses of the participants were coded, categorised and analysed simultaneously using Nvivo. This then enabled the comparison and subsequent integration of the participants' to form a coherent explanation of the relationships between the variables that are being tested: Partnering & Viability (of affordable housing in London). This second process is known as the Constant Comparative Method (Yin, 2014).

3.7. Tools

The Data for this research were collected using a voice recording app on an iPad. This was then transferred to NVivo 10, a qualitative software tool, for transcribing and coding the interview responses in preparation for analysis and interpretation. Although the interviews were conducted separately, NVivo 10 centralized them for triangulation in order to locate similar themes for coding. It must be noted however that much of the processes in NVivo is not automated, but analyst-driven, and hence, subject matter expertise was still required (Yin, 2014).

Chapter 4

4. Findings and Analysis

Chapter 2 investigated the history of affordable housing in London. In the same chapter, the concept of Partnering was also examined in relation to the delivery of affordable housing in London. In Chapter 3, the discussion focused on the method of data collection and research design. In this Chapter, the paper will attempt to investigate the effects of Partnering on the viability of affordable housing projects in London. This will be done by analysing the data gathered through the interviews conducted.

4.1. Results

Of the 5 participants that were contacted, 4 granted interviews representing an 80% response rate. The London Borough of Fulham and Hammersmith declined to grant an interview. This may have been as a result of the request of top management for the interview. The 4 other respondents that granted interviews and their roles are shown in the *interview respondents* table below:

Table 4: Interview Respondents

Organization	Role
Pocket	Client
Linden Homes	Contractor
PRP Architects	Architect
Rolfe Judd	Planning Consultant

The transcribed copy of each respondent's interview responses is attached in the appendices section of this paper. As earlier stated, the interviews were conducted face-to-face and respondents generally had a keen interest in the research topic.

4.2. Partnering and Viability of Affordable Housing

As shown above, no participant believed that partnering will directly lead to the viability of affordable housing schemes in London. However, participants generally believed that Partnering can

increase the viability of affordable housing schemes in London through the success factors. The interviewee first asked a closed ended question to ascertain this.

4.2.1. Close-ended Question:

- Do you think Partnering can affect the viability of affordable housing schemes in London?

Responses:

Table 5: Response to close-ended question

Organization	Response
Pocket	Yes
Linden Homes	Yes
PRP Architects	Yes
Rolfe Judd	Yes

Note: Names of organisation have been humanized in this Chapter to disguise the represent and protect of the respondents

4.2.1.1. Interpretation

As shown in Table 5 above, all the respondents believe that partnering can affect the viability of affordable housing schemes in London. Each of the respondents had several reason for this. The next question examines in further detail ‘how’ partnering can affect the viability of affordable housing schemes in London.

4.2.2. Open-ended question:

- How can Partnering affect the viability of affordable housing schemes in London?

Responses:

The responses to this question were unstructured, hence, had to be further analysed based on the pattern-matching and constant comparative technique. Using Nvivo, the key words from the transcript of each respondent’s audio interview were grouped and separated based on the current literature and the discretion of the researcher. It must be said that the researcher may not be considered an expert as of yet in the field of research, hence, the discretion of the researcher was deliberately restricted to avoid any misinterpretation of the intended meanings of the participants’ responses.

All of the four respondents have not only been involved in some kind of partnering before, they are all currently involved in at least one form of partnering. Most used the word ‘joint venture’ in their

response to the question the interviewer asked to ascertain whether they have partnering experience. All respondents also ascertained that the Star Road Project was delivered based on a one-off partnering arrangement. What follows next is the presentation of the findings and the interpretation of these findings.

4.3. Partnering

Benefits, challenges and success factors of partnering were gathered from the literature review and these were added to the responses of the interviews. Responses were categorised in Nvivo separately leading to 5 benefits, 19 challenges and 27 success factors (see Appendices). These were further categorised into major themes including 4 benefits, 5 challenges, and 10 success factors.

4.3.1. Comparative Analysis

Table 6: Benefits of Partnering (number of references by each participant)

	Pocket	Linden Homes	PRP Architects	Rolfe Judd	Total
<i>Capability</i>	0	3	3	2	8
<i>Innovation</i>	1	0	1	0	2
<i>Return</i>	0	1	0	0	1
<i>Risk Management</i>	0	4	0	0	4
Total	1	8	4	2	15

Source: Interview Transcript

4.3.1.1. Benefit

4.3.1.2. Capability

Linden homes, PRP architects and Rolfe Judd each referred to Capability as a key benefit of entering into Partnering (see Table 5). Pocket, however, did not refer to Capability as a key benefit. Linden homes stated that the reason for entering into Partnering was to help with *scale, credibility, risk management, greater depth of skills and capabilities*.

PRP architects believed Partnering could bring *diversity* and *different skills* that their organisation may not have.

Rolfe Judd revealed that Pocket just received 20 million pounds from the Mayor of London as a form of Partnering arrangement. According to her, before the funding, it was more difficult to convince councils that a private developer can provide affordable housing, however, with the funding from and Partnering with the Mayor, it has now made Pocket more *competitive* to purchase sites and bid for sites.

4.3.1.3. Innovation

Only 50% of the respondents made reference to innovation as a benefit of Partnering. The two respondents had different explanations as to how Partnering may lead to innovation. Pocket, on one hand, believed that this was a push from the Mayor of London to encourage new firms with new ideas. PRP, on the other hand, believed that there is no so much money in affordable housing. So to get something that is really good product, you need to be innovative.

4.3.1.4. Return

According to the Literature review, one of the benefits of Partnering was higher returns. However, the responses from the participants did not support this. Pocket maintained that contractors, being rationale, would rather go into one-off contracts with a private developer at aggressive margins than go into a long-term Partnering with a company like Pocket. Also, Rolfe Judd revealed that for sites that would have been developed without the inclusion of affordable housing by other private developers, Pocket had to include affordable housing on the same sites because it was in Partnering with the public authorities.

4.3.1.5. Risk Management

Linden homes was the only respondent that referred to risk management as a benefit. Linden homes hinged this on the fact that Partnering help with early involvement of project parties and that insofar as

there is openness, Partnering will prevent risk pricing but instead would encourage passing on risks to those best able to handle them.

4.3.2. Comparative analysis

Table 7: Challenges of Partnering (number of references by each participant)

	Pocket	Linden Homes	PRP Architects	Rolfe Judd	Total
<i>Economic</i>	2	1	1	2	6
<i>Labour</i>	4	2	0	1	7
<i>Opportunism</i>	3	3	0	2	8
<i>Political</i>	1	0	1	0	2
<i>Risk Management</i>	0	2	2	0	4
Total	10	8	4	5	27

Source: Interview Transcript

4.3.2.1. Challenges

4.3.2.2. Opportunism:

The most popular challenge to Partnering was Opportunism in the industry (see Table 6). This is in line with the literature review even if respondents had slightly different connotations.

Pocket stated that contractors would rather not partner than loose an opportunity to charge aggressive profit margins on a one-off project.

Linden Homes highlighted that the easiest way to go about the delivery of affordable housing is without partnering. This is because opportunistic developers know from the beginning that conditions of affordable housing would not be met because they've won bids based on realistic valuations. When the time comes, they simply default on their affordable housing commitments.

Rolfe Judd took a slightly different view. According to Rolf Judd, *the game* is being played in both directions because the councils are seeking to maximise their return in terms of maximising affordable

housing, while private developers are seeking to maximise returns on their investments. So, it is not a one-way street.

PRP architects said this is not relevant to the architectural practice.

4.3.2.3. Labour/ Economic/ Political

The emphasis on Labour was unanticipated and almost totally ignored by past literature. According to responses, however, personnel plays a significant role in the forming of Partnering. For Pocket, the London and South East market are severely constrained by contractors and labour. Hence, contractors fear ramping up on employees for a potential partner, even if the partner client has a line of jobs waiting.

Pocket and other respondents attributed this fear to the uncertainty in the *Economic* environment. By far the most common sub-theme was *Environmental Uncertainty* as a result of the cyclical nature of the industry, although PRP architects revealed that *Political* elections and uncertainty also have a role to play in all these. On the micro level, PRP architects revealed that partnering with Pocket on the Star Road project was easier because of the high level of expertise of its in-house design personnel, and it would be more difficult to partner with them if it had less skilled personnel. Linden homes compared the Partnering approach to development with the game of *Whist* needing the right mix of people with the right skills and who are patient.

4.3.2.4. Risk Management:

Using the case of the Star Project however, PRP revealed that because it was a partnering, parties to the project did not have as much say as their other projects and no one was really able to guard quality. The onus therefore fell on the architects to guard quality. Linden Homes shared this view and added that unless parties get involved early on to ascertain risks and allocate risks, it is more difficult to deliver viable projects under Partnering. PRP also revealed that there is more of a risk in terms of the economic

environment because if you are partnering then you're not just thinking of your own company alone. You have to take on board other partners' exposures and risks.

4.3.3. Success Factors:

Table 8: Success factors of Partnering (number of references by each participant)

	Pocket	Linden Homes	PRP Architects	Rolfe Judd	Total
<i>Shared goals</i>	0	0	2	1	3
<i>Communication</i>	0	1	0	0	1
<i>Early Involvement</i>	0	4	0	0	4
<i>Partnering Agreement</i>	0	1	0	0	1
<i>Ideals</i>	4	1	1	0	6
<i>Long-Term Relationship</i>	4	2	1	1	8
<i>Low Risk</i>	4	0	0	0	4
<i>Mutual Benefits</i>	5	0	2	1	8
<i>Mutual Trust</i>	0	1	2	0	3
<i>Nurturing</i>	0	1	0	0	1
Total	17	11	8	3	39

Source: Interview Transcript

4.3.3.1. Long-Term Relationship:

The most referenced success factor, as seen in Table 7, across all the participating firms was *Long-term relationship*. And Pocket referred to this factor the most. Pocket believes the construction industry in general is an industry where people are interested in going back to work with each other again and again in the absence of the challenged cited above.

All participants generally believe that one-off Partnering do not give high returns. They however believe that a long-term relationship where parties can get business out of each other again, and again, can compensate for the low returns in the short term.

Linden was especially critical of the *Best Price* approach to procuring developments by London councils. It is not in the best interest of the communities they serve and it precludes affordable housing developers from gaining control of sites that actually could be developed for a better long-term gain, according to Linden Homes.

4.3.3.2. *Ideals*

This also was not anticipated from the literature review. While the literature mentioned factors like mutual trust and respect, it was silent about ideals of prospective partners. Respondents believe that the personality and ideals of the organisation, especially those employees they would be working with directly is important to a successful Partnering. For example, PRP architect stated that this can often lead to quick conflict resolution. Although Rolfe Judd did not refer to the word 'ideal' directly, Rolfe Judd mentioned that apart from the monetary aspects of their relationship with Pocket, they believe in the social values of Pocket.

4.3.3.3. *Low Risk*

Pocket disclosed that, although developers often price in risks in design and build, design and build provides greater certainty and less risk and this is why it remains attractive for a growing company like Pocket.

4.3.3.4. *Partnering Agreements*

Only Linden Homes designs formal Partnering agreements. Linden Homes says, while it is often challenging, it has been found that their most successful projects are ones which they have a formal partnering arrangement.

4.3.3.5. Communication

Communication was not considered of great importance, except for Linden Homes who believes that openness and *Early Communication and Involvement* of parties in the development stage can reduce the need to price in risk, hence leading to more viable projects.

4.3.3.6. Mutual Benefit

Apart from Linden homes, other observant referred to Mutual Benefit as a major success factor. This is linked to the long-term relationships factor. The respondents were of the opinion that they will go into or remain in a partnership if there is a financial or capability benefit to be gained.

4.4. Viability

Challenges and success factors of Viability were gathered from the literature review and these were added to the responses of the interviews. Responses were initially categorised in Nvivo leading to 7 challenges and 8 success factors (see Appendices). These were further categorised into major themes including 4 challenges and 5 success factors (see Table 9 & 10 respectively).

4.4.1. Comparative Analysis

Table 9: Challenges of Viability (number of references by each participant)

	Pocket	Linden Homes	PRP Architects	Rolfe Judd	Total
<i>Disputes</i>	0	1	0	0	1
<i>Eligibility</i>	0	0	0	1	1
<i>Risk Pricing</i>	1	1	0	0	2
<i>Transparency</i>	0	3	0	0	3
Total	1	5	0	1	7

Source: Interview Transcript

4.4.2. Challenges

4.4.2.1. Disputes

According to Linden Homes, local authorities award planning sites to the developer that bids the highest for the land; however, what often happens is that the developer then comes back to say that we can't afford to meet a particular standard or requirement on this site because we've got to meet up with the affordable housing to make the project viable. So it leads to circular arguments.

4.4.2.2. Eligibility

Only Rolfe Judd mentioned this. According to Rolfe Judd, planning authorities are very concerned as to what constitutes affordable housing; unlike local councils and housing associations who are set up to provide affordable housing from the beginning, private developers need to meet different criteria to convince planning authorities that their schemes will meet up with the different criteria of affordable housing including eligibility and perpetuity.

4.4.2.3. Risk Pricing

Pocket and Linden Homes believed that many developers price in risk which affects the delivery of making the delivery of affordable housing particularly difficult. Linden Homes believed that partnering allows you to do is if everybody can see everybody's hand, you can allocate the risks to people best able to deal with it rather than everybody pricing in risks. Pocket however stated that if you are asking a contractor to take all risks, then they will price in lots of levels of margin; they don't know what is going to be found, if it is a site that is being demolished, they don't know what happened underneath this building that is being demolished.

4.4.2.4. Transparency

Linden Homes believes the current system of procuring sites for affordable housing is not open and transparent which is challenge.

Table 10: Success factors for Viability of affordable housing (number of references by each participant)

	Pocket	Linden Homes	PRP Architects	Rolfe Judd	Total
<i>Build Costs</i>	0	2	1	4	7
<i>Economy</i>	2	1	1	3	7
<i>Sales Values</i>	0	0	0	1	1
<i>Valuation</i>	0	1	0	1	2
Total	2	4	2	9	17

Source: Interview Transcript

4.4.3. Success Factors

4.4.3.1. Build Cost:

The build cost was one of the most referenced success factor stated by the respondents. Generally, the believed that the higher the build cost, the less likely it is for affordable housing projects to remain viable. This is in tandem with past studies. Linden Homes believe that by collaborating, there is less contingency allowance in everybody's price for particular risks; so it allows parties to manage that risk out, hence, ending up in a lower cost solution if everybody is not pricing in risks.

4.4.3.2. Economy:

The economic environment was the most popular among respondents. According to Pocket, the British development industry is one which goes through its extreme cycles of boom and bust. Pocket said the reason this is so, unlike, say, Germany, is reasonably straight forward. It is because the Germans have a built in expectation of very low inflation; and the reason 70% of Germans are renters rather than buyers is because there is no economic advantage of buying as the value of the home that you have bought is not likely to go up by 20-30-40%. Pocket added that the German economy is one that is managed very strictly and interest rate is kept low at any price.

Rolfe Judd on the other hand believe that it will be very difficult for other private developers who wanted to build affordable houses with their own private funding in the current financial market. Rolfe Judd also believed that Land is a third hidden cost whose price is determined by the forces of demand and supply. Apart from Land, Rolfe Judd perceived that in poor economic conditions, risks are higher, and profit margins are increased accordingly and vice versa.

4.4.3.3. Sales Values

According to Rolfe Judd, the only respondent to refer to Sales value, there are different factors in viability but the most important are: build cost and sales values because if you add a couple of percentages on build cost, development cost goes through the roof and if you take off a couple of pounds per square foot off sales values, many developments may be rendered unviable.

4.4.3.4. Valuation

According to Rolfe Judd, councils are seeking to maximise their returns in terms of maximising affordable housing, while private developers are seeking to maximise returns on their investments. According to Linden Homes, such behaviours often cause affordable housing schemes to become unviable.

4.5. Summary of Findings

The focus of this chapter has been on the presentation and interpretation of evidence that would help to support or oppose the hypothesis of this research as shown in Chapter One. The importance of this arises out of the doubts that organisations have in entering into partnering agreements in the delivery of affordable housing in London. Although the evidence presented here may not have been conclusive, it has been sufficient to show that partnering can affect the viability of affordable housing schemes in London. Therefore, based on these facts, it would seem that organisations should have a rethink as to their doubts regarding the benefits of partnering. There are of course caveats and recommendations on

how to implement partnering to derive the benefits it promises; these will be discussed in Chapter Five. What follows is a brief recapitulation of the factors through which partnering may affect viability. These are worthy of emphasis because they have either been omitted in the literature or not enough emphasis has been placed on them. Some have also been included to challenge the transaction-cost theory model introduced in Chapter Two. A reformulation of the definition of viability to include the context of partnering is then provided based on these factors.

4.5.1. Long-Term Relationship

The construction industry in general is an industry where people are interested in going back to work with each other again and again in spite of the relatively low returns this can bring. The opportunistic behaviours of both the buy side and sell side of the industry however prevents this.

Long-relationships is only possible in the affordable housing sector if partnering organisations believe in each other's ideals or values.

4.5.2. Economy

The nature of the UK's economy prevents long term relationship because potential partners fear that business conditions may change and even when they can guarantee their own continued existence, they cannot be too certain of partners.

The cyclical nature of the industry prevents contractors from ramping up resources, especially labour, to meet up with demand for services. The unwillingness by contractors since the last recession has been particularly prolonged and this is peculiar.

4.5.3. Transparency

Project Participants will only sustain a long-term relationship if parties are open and transparent. Transparency is best displayed by involving potential partners early on and being opened about any potential risks. Opportunism prevents transparency.

4.5.4. Early Involvement

Early-involvement of project parties is required in long-term relationship so that risks and their management can be agreed upon early on. Early involvement of project parties is intended to increase transparency and openness about risks. Early involvement will help personnel of potential partners to understand each the other's personalities so that conflicts that may arise later on can be settled quickly.

4.5.5. Capabilities

The additional capability that partnering may offer is a reason why most firms go into it. For the affordable housing sector, financial backing by the Greater London Authority will increase competitiveness of private developers. Also, without partnering with public authorities, it is difficult for private developers to be competitive in terms of securing sites for development.

4.5.6. Labour

Private firms intending to provide public goods such as affordable housing must be innovative to remain competitive. To be innovative, they require highly skilled personnel who, at the same time, buy into the social values of these firms. This is often difficult to find.

4.5.7. Ideals

To increase the barrier to long-term partnership, must have shared values. Private firms must have a public heart and public organisations must drop the short-termism associated with the best price procuring method.

4.6. Redefining Viability in the context of Partnering

In Chapter Three, a redefinition of the term was first attempted and the result of that attempt is thus:

An objective [and subjective] test of the ability of [any] project to meet the [objectives of the different parties involved in that project].

We agreed that this definition was broad, and would need to be redefined here after the analysis of evidenced gathered from the field work. The following is an attempt to redefine viability to reflect, not just the adversarial nature of the construction industry, but also, to reflect its growing partnering nature:

An objective and subjective test carried out at the beginning of a project to examine the ideals, capabilities and transparency of project parties in order to determine whether or not these project parties are suitable for a long-term relationship that can endure any economic uncertainties that may arise during the life of such relationship.

Unlike past definitions, the above definition focuses more on the project parties as opposed to the project. It ignores the project objectives because it is safe to assume that once the project parties have similar or attractive ideals, then they will naturally seek the achievement of the projects' objectives.

The focus of this chapter has been on the presentation and interpretation of evidence that would help to support or oppose the hypothesis of this research as shown in Chapter One. The Chapter also provided an alternative definition for the term 'Viability'. In the next chapter, conclusions and recommendations based on the findings of this chapter will be given

Chapter Five

5. Conclusion

5.1. Conclusion

The continuing inability of the construction industry and successive UK governments to meet housing demand with supply is widely accepted (Wendy, 2013). While demand has consistently been on the increase, supply of housing stock has remained low thereby pushing up house prices to record levels. Increase in life-expectancy rates, population and one-person households are factors contributing to increase in demand; for example, about 1.8 million families are now on the social housing waiting registers (DCLG, 2013), life expectancy at birth in the UK increased from 77 to 78 years for men, and from 82 to 83 years for women (ONS, 2014) and about 14% of the people in England now live alone compared with 6.5% in 1970s. Low-levels of housing supply on the other hand is fuelled by factors including the inelasticity of supply (Ferrari & Rae, 2013), high costs of construction due to inefficient processes (Gov.uk, 2014), and limited partnering and information sharing in the construction industry (Gov.uk, 2014).

The government, since the Egan and Latham reports, have been encouraging construction firms to embrace partnering in exchange for the adversarial relationships common within the industry (Eriksson, 2010). It has been reported that strategic partnering can deliver savings of 30% while one-off, project partnering can deliver up an immediate 10%. Many researchers have however begun to criticise the concept of Partnering. Some are of the view that partnering and its claimed benefits are not easily obtained due to various barriers to change. Others are quick to mention that the concept has not been clearly defined and definitions are often too vague and overly optimistic (Eriksson, 2010). Lastly, those that happen to ignore the argument about its definition often argue that the concept is one that sounds good on paper and as a theory but lacks the necessary ingredients and contents needed for its implementation (Eriksson, 2010). This research focused on the impacts of partnering on the supply of

housing. This was achieved by investigating the impact of partnering on the viability of affordable housing schemes in London.

The findings were based on data that was received from interviewing key personnel involved in the successful delivery of an affordable housing scheme – Star Road Project - completed in 2012 within the London Borough of Hammersmith and Fulham. Interviews were conducted with senior management of Pocket (the client), PRP Architects (the architects), Linden homes (the developer), and Roulfe Judd (planning consultant). An audio-recorded oral interview was conducted within each organisation, making a total of 4 interviews. Each interview lasted for about 45 minutes making a total of 180 minutes (3 hours) of audio data. Interviews were conducted face-to-face in the place of choice of the participant, mostly corporate office.

Following the data analysis, the paper found that partnering can affect the viability of affordable housing, hence, supporting the initial hypothesis. It must be noted however that, although the evidence presented may not have been conclusive, it was sufficient to show that partnering can affect the viability of affordable housing schemes in London. Upon analysis and interpretation of the data, it was found that partnering may affect viability through 6 key factors including:

- 1. Long-Term Relationship**
- 2. Economy**
- 3. Transparency**
- 4. Capability**
- 5. Labour**
- 6. Ideals**

Based on the above factors, the paper concluded by providing an alternative definition for 'viability' to incorporate the increasing partnering approach taken by firms in the construction industry.

5.2. Recommendations

Based on the findings of this paper, the following recommendations have been provided:

5.2.1. Best Price

The public sector, particularly the local authorities, should find an alternative procurement method. Even if it is only for the affordable housing sector. The current *Best Price* method appears not to serve the best interest of the communities which they serve as there is an over focus on short term gains at the expense of long-term and long-lasting gains. This is particularly important if private developers like Pocket are to survive the competition of other private developers who are opportunistic as shown by the findings of this study.

5.2.2. GLA Funding

According to the findings of this paper, the funding provided by the Greater London Authority as an investment, as opposed to a grant is actually leading to real growth in the supply of housing. The government should replicate this in other companies due to follow the path of Pocket. Really, investment in a company, by its very nature, shows more commitment than a grant.

5.2.3. Economy

This has probably been recommended time after time. This research joins other past research in recommending that the cyclical nature of the construction sector should be checked. This is to remove fear and uncertainties and encourage long-term partnering. Particularly, findings showed that the interest rate and inflation should be kept low and stable, and the high profit expectation of home buyers should be reduced, if it can be eradicated. The German housing industry may be a model to study to achieve this.

5.3. Suggestion for Further Research

This paper has largely focused on the behavioural concept of 'affordable housing' and this was studied using one of Pocket's scheme as a case study. During the course of this research, the researcher came

across issues regarding the effect of these schemes on their host communities. Particularly, because Pocket's schemes are of high density, relatively small, and have small child yield ('green' footprint), some have argued that this trend may be a repeat of the 'council flats' era.

To avoid creating short-term solutions that cause long-term problems, this paper suggests that the genuineness of this claims should be looked into by further research so that this may be mitigated at this earlier stages of the new business model.

Reference List

- Affordable Housing Collaboration, 2014. *Collaborations*. [Online]
Available at: <http://www.affordablehousingcollaboration.org/collaborations/>
[Accessed 22 July 2014].
- Akintoye, A. & Main, J., 2007. Collaborative relationships in construction: the UK contractors' perception. *Engineering, Construction and Architectural Management*, 14(6), pp. 597-617.
- Almutairi, A. F., Gardner, G. E. & McCarthy, A., 2014. Practical guidance for the use of a pattern-matching technique in case-study research: A case presentation. *Nursing & Health Sciences*, 16(2), p. 239-244.
- Balchin, P. & Rhoden, M., 2002. *Housing Policy: An Introduction*. 4th ed. New York: Routledge.
- Barney, J., 1999. How a Firm's Capabilities Affect Boundary Decisions. *Mit sloan management review*, 15 April.
- Bassioni, H. A., F, P. A. D. & Hassan, T. M., 2004. Performance Measurement in Construction. *JOURNAL OF MANAGEMENT IN ENGINEERING*, Volume 20, pp. 42-50.
- Coase, R., 1937. The Nature of the Firm. *Economica*, Volume 10, pp. 386-405.
- Construction Industry Institute, 1991. *In Search of Partnering Excellence*, Texas: Construction Industry Institute.
- DCLG, 2011. *Community Infrastructure Levy*, London: Department for Communities and Local Government .
- DCLG, 2013. *Improving the rented housing sector*. [Online]
Available at: <https://www.gov.uk/government/policies/improving-the-rented-housing-sector--2>
[Accessed 8 April 2014].
- Diane, D., Ben, P., Jennifer, S. & Jim, V., 2011. *More Homes and Better Places*. [Online]
Available at: <http://www.bshf.org/published-information/publication.cfm?lang=00&thePubID=25E04994-15C5-F4C0-99170AE24B5B0A84>
[Accessed 18 April 2014].
- Dyer, J., 2000. Creating and managing a high-performance knowledge-sharing network: The Toyota case. *Strategic Management Journal*, Volume 21, pp. 345-367.
- Eisenhardt, K. M., 1989. Building Theories from Case Study Research. *The Academy of Management Review*, 14(4), pp. 532-550.
- Eriksson, E. P., 2010. Partnering: what is it, when should it be used, and how should it be implemented?. *Construction Management and Economics*, 28(9), pp. 905-917.

Ferrari, E. & Rae, A., 2013. The spatiality of housing market volatility and selective migration. *Town Planning Review*, 84(1), pp. 107-125.

Fewings, P., 2013. *Construction Project Management: An Integrated Approach*. In: 2nd ed. Oxon: Routledge.

Finnerty, J., 2013. *Project Financing: Asset-Based Financial Engineering*. 1st ed. New Jersey: John Wiley & Sons.

Flyvbjerg, B., 2006. Five Misunderstandings About Case-Study Research. *Qualitative Inquiry*, Volume 12, pp. 219-245.

Gemma, B., Sarah, M. & Christine, W., 2011. Delivering local infrastructure and affordable housing through the planning system: the future of planning obligations through Section 106. *People, Place and Policy Online*, 5(1), pp. 1-11.

Gerring, J., 2004. What Is a Case Study and What Is It Good for?. *American Political Science Review*, 98(2), pp. 341-354.

Gov.uk, 2014. *Development Management Local Plan Post Examination Modifications*. [Online] Available at: <http://www.lewisham.gov.uk/myservices/planning/policy/LDF/development-policies/Documents/RolfeJuddForPocketDMLPModifications.pdf> [Accessed 15 January 2015].

Gov.uk, 2014. *Industrial strategy: government and industry in partnership*. [Online] Available at: <https://www.gov.uk/government/collections/industrial-strategy-government-and-industry-in-partnership> [Accessed 18 April 2014].

GVA Grimley, 2009. *Affordable Housing: How to achieve new provision*, London: GVA Grimley Ltd.

Harriot, S. & Matthews, L., 2009. *Introducing Affordable housing*. 1st ed. Coventry: Chartered Institute of Housing.

Heath, S., 2013. *The historical context of rent control in the private rented sector*, London: House of Commons Library .

Homes & Community Agency, 2014. *Affordable Rent*. [Online] Available at: <http://www.homesandcommunities.co.uk/ourwork/affordable-rent> [Accessed 10 April 2014].

Jerome, P. R., 2012. *Using Statistics to Determine Causal Relationships*. [Online] Available at: <http://www.stat.duke.edu/~jerry/Papers/causal.pdf> [Accessed 14 April 2014].

Jones, C. & Watkins, C., 2009. *Housing Markets and Planning Policy*. 1st ed. Oxford: John Wiley & Sons.

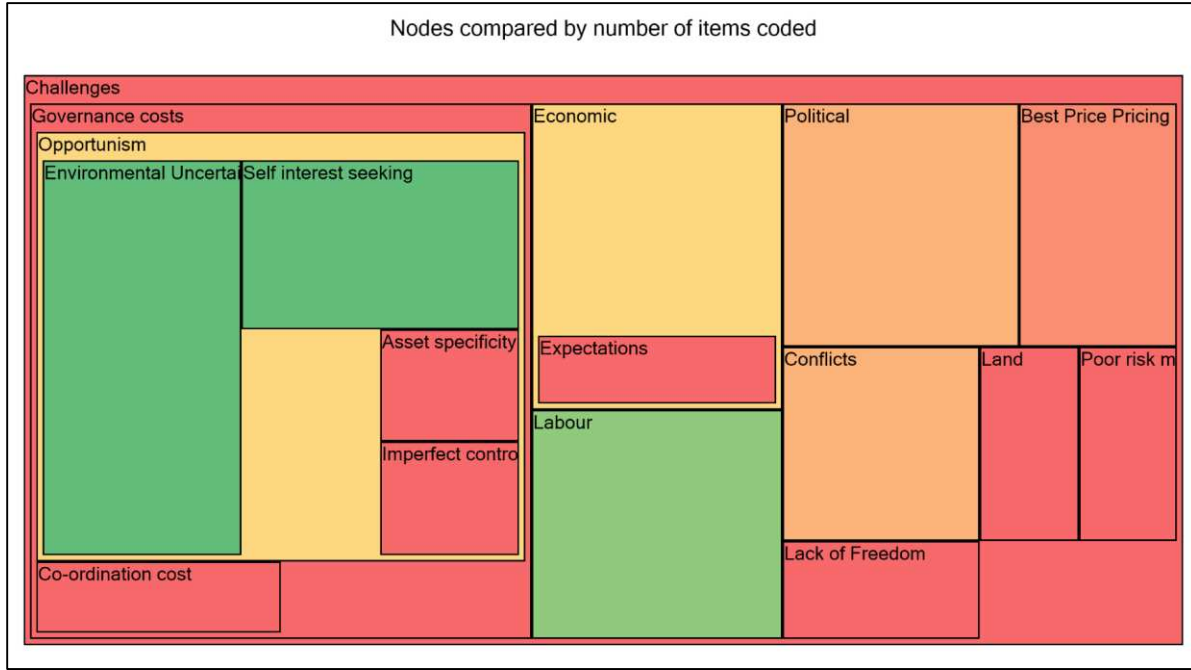
- Jorge, S. & Stuart, A., 1997. MODELING PROCESS MANAGEMENT IN CONSTRUCTION. *JOURNAL OF MANAGEMENT IN ENGINEERING*, Volume 13, pp. 45-53.
- Kululanga, G., 2012. Capacity building of construction industries in Sub-Saharan developing countries: A case for Malawi. *Engineering, Construction and Architectural Management*, Volume 19, pp. 86-100.
- Letsios, C., D, L. N. & Manolis, P., 2014. Optimum design methodologies for pile foundations in London. *Case Studies in Structural Engineering*, Volume 2, pp. 24-32.
- London Assembly, 2013. *Housing Associations and the Delivery of Affordable Housing in London*, London: Greater London Authority.
- McGeorge, D. & Zou, P., 2013. *Construction Management: New Directions*. 3 ed. West Sussex: John Wiley & Sons.
- Merriam, S., 2009. *Qualitative Research: A Guide to Design and Implementation*. 1 ed. San Francisco: John Wiley & Sons.
- Mosey, D., 2009. *Early Contractor Involvement in Building Procurement*. 1st ed. West Sussex: John Wiley & Sons.
- Nicholas, F., 2013. *THE VIABILITY OF LARGE HOUSING DEVELOPMENTS: Learning from Kidbrooke Village*, London: URBED.
- ONS, 2014. *Life Expectancies*. [Online]
Available at: <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Life+Expectancies>
[Accessed 18 April 2014].
- Oxford Consultants for Social Inclusion, 2012. *Changes to housing tenure: evidence from Census 2011*, Brighton: OCSI.
- Oxley, M., 2009. *Financing Affordable Social Housing in Europe*. 1st ed. Nairobi: un-habitat.
- Panas, A. & Pantouvakis, J. P., 2010. Evaluating Research Methodology in Construction. *The Built & Human Environment Review*, 3(1), pp. 63-85.
- Plümper, T., Troeger, V. E. & Neumayer, E., 2010. *Case Selection and Causal Inference in Qualitative Research*, New York: Social Science Electronic Publishing.
- Qu, Y. & Loosemore, M., 2013. *A meta-analysis of opportunistic behaviour in public-private partnerships: manifestations and antecedents*. Reading, Association of Researchers in Construction Management.
- RBG, R. B. o. G., 2014. *Development area: Kidbrooke*. [Online]
Available at:
http://www.royalgreenwich.gov.uk/info/200079/regeneration/204/development_area_kidbrooke/3
[Accessed 28 July 2014].

- Reeves, P., 2005. *Introduction To Social Housing*. 2nd ed. Oxford: Elsevier.
- Rics, 2013. *5 Key features of a development viability appraisal*. London, Royal Institution of Chartered Surveyors.
- Savills, 2013. *ADDITIONALITY OF AFFORDABLE HOUSING*. [Online]
Available at: [http://www.lggroup.org.uk/assets/files/Additionality-Final-Report-\(2\).pdf](http://www.lggroup.org.uk/assets/files/Additionality-Final-Report-(2).pdf)
[Accessed 8 April 2014].
- Sharan, M. B., 2009. *Qualitative Research: A Guide to Design and Implementation*. 1 ed. Carlifonia: John Wiley & Sons Inc..
- Teaching & Learning Laboratory, 2014. *Select Appropriate Data Collection Methods*. [Online]
Available at: <http://tll.mit.edu/help/select-appropriate-data-collection-methods>
[Accessed 20 December 2014].
- The Guardian , 2013. *Thousands of affordable homes axed*. [Online]
Available at: <http://www.theguardian.com/society/2013/sep/18/thousands-affordable-homes-axed-councils>
[Accessed 8 April 2014].
- UWF, U. o. W. F., 2010. *Research Hypothesis*. [Online]
Available at: uwf.edu/pcl/research/edf6481/week04/files/hypotheses.rtf
[Accessed 14 April 2014].
- Wainwright, O., 2014. *Boris Johnson's abuse of planning power is an assault on democracy*. [Online]
Available at: <http://www.theguardian.com/artanddesign/architecture-design-blog/2014/jan/29/boris-johnsons-abuse-of-planning-power-is-an-assault-on-democracy>
[Accessed 11 April 2014].
- Walker, A. & Wing, C., 1999. The relationship between construction project management theory and transaction cost economics. *Engineering Construction and Architectural Management*, 6(2), pp. 166-176.
- Wendy, w., 2013. *Stimulating housing supply – Government initiatives (England)*. [Online]
Available at: <http://www.parliament.uk/business/publications/research/briefing-papers/SN06416/stimulating-housing-supply-government-initiatives>
[Accessed 18 April 2014].
- Wesley, S. C., 1984. *Scientific Explanation and the Causal Structure of the World*. 1 ed. New Jersey: Princeton University Press.
- Yin, R. K., 2014. *Case study research: design and methods*. 5th ed. New York: Sage.

Appendices

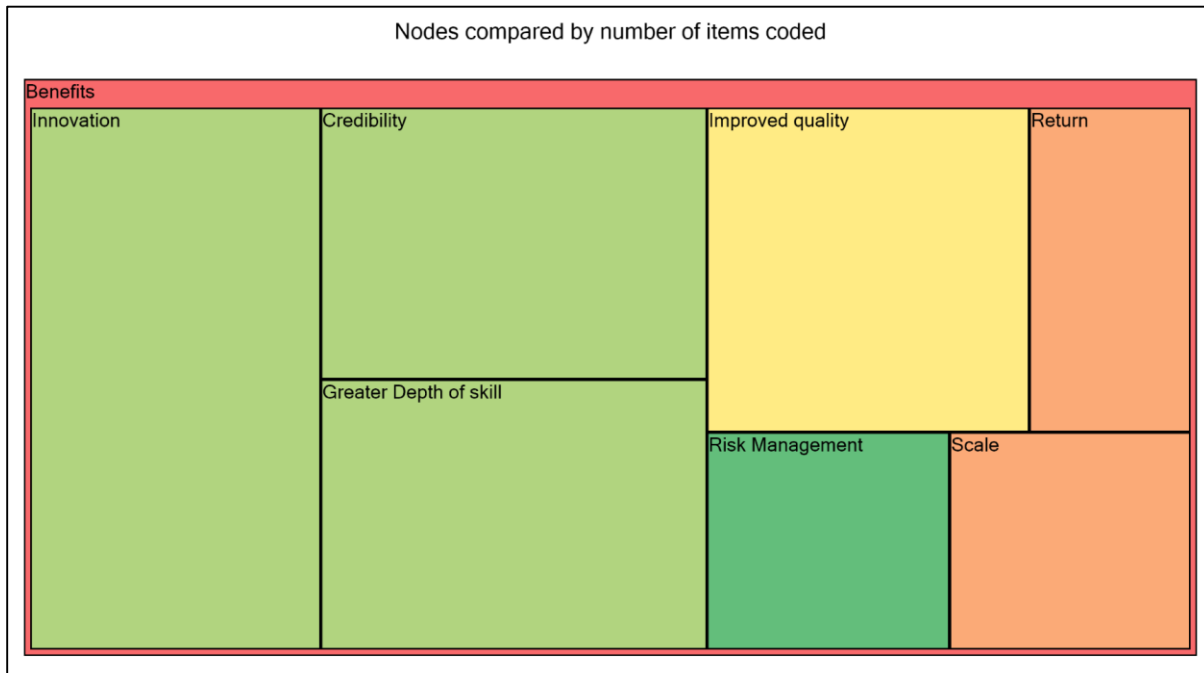
a. Initial Nodes

Challenges of Partnering



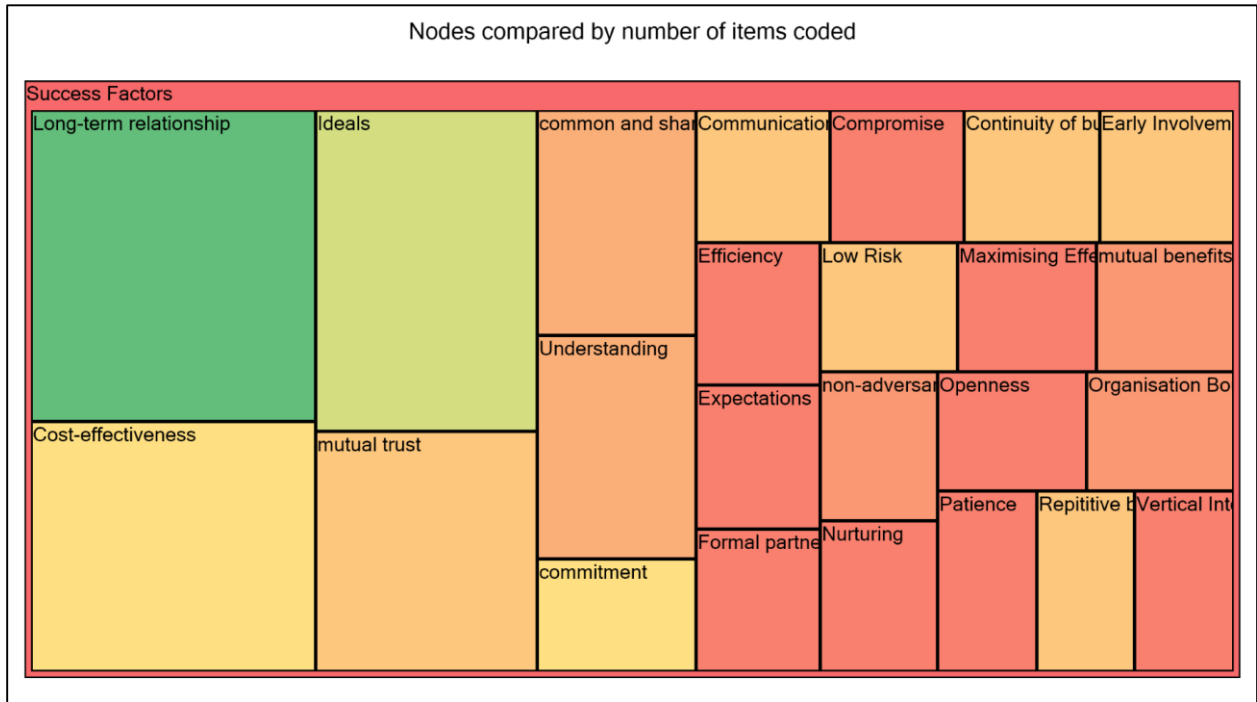
Source: Nvivo

Benefits of Partnering



Source: Nvivo

Success Factors of Partnering



Source: Nvivo

b. Interview Transcripts

Interview Transcript – Linden Homes

	Timespan	Content
1		<p>Interviewer: Good Afternoon and thank you for the time and opportunity. My thesis intends to evaluate the effect of partnerships on the delivery of affordable housing in London. Based on your experience on the Star Road project, kindly talk about what your experience was, the challenges faced and any other information you deem necessary. This is supposed to be a semi-structured interview so I will only be asking few questions.</p> <p>Interviewee: We currently have a partnering arrangement with a contractor, who we have a joint venture company with, and three housing associations. The reason for these partnerships is that it helps with scale and credibility and also risk management between the parties. It also helps with having a greater depth of skills and capabilities. Really, entering into partnerships with RSLs rather than just contracting with them is not only to sell on units to them but also to get everyone early in the project so that risk and cost can be shared. More importantly, by involving them in the bid stage, you get your mixed units right for a particular location in terms of housing need. So that we get them involved in the design of the buildings to suit their design standards. These design standards are not to discourage development but rather to align new developments with existing long-term maintenance agreements.</p>
2		<p>Interviewer: Do you think partnering has any effect on the viability of affordable housing projects in London?</p> <p>Interviewee: Yes, partnering affects the viability of affordable housing because you address the issue from day 1 from the original bidding stage. So, by concentrating on everything right from the bid stage, you make the project more viable. Too many developers will look at a scheme, bid for a site and will just have a number in the appraisal and their view of what they are going to with the affordable stuff, win the scheme, start progressing towards planning, then start thinking about who they're going to sell it to, start doing the deal and then turn back to the local authorities to say we can no longer deliver on the affordable housing percentage.</p>

3		<p>Interviewer: Many people have said that all forms of collaborative arrangements sound good on paper but in practice it is more difficult to implement.</p> <p>Interviewee: The easiest way to go about the delivery of affordable housing is without partnering. What often happens is that local authorities award planning sites to the developer that bids the highest for the land. However, what often happens is that the developer then comes back to say that we can't afford to meet a particular standard or requirement on this site because we've got to meet up with the affordable housing to make the project viable. So it leads to circular arguments. Unless people actually begin the process earlier on in the bid stage, it is more difficult to deliver viable projects under partnerships.</p> <p>Also, it needs the right mix of people with the right skills and who are patient. I am not going to say it is easy but we feel that by taking the approach, there is less conflicts. Also, we look at the long-term view as we are not a short term trade developer, Our knowledge is that in the long-term, our approach generates us greater returns. It is harder work, it needs people who are experienced in working under partnership arrangements to build a certain level of trust. You can think about development and the way we approach as analogous to the game of <i>Whist</i>.</p>
4		<p>Interviewer: So, does this mean that you have a formal partnership agreement before entering into an agreement?</p> <p>Interviewee: Yes, we always have a formal partnership agreement. It is not always easy to do that and we don't always do that, but what we've found is that our best schemes are where we've done that from the very beginning.</p>
5		<p>Interviewer: People have said that partnership arrangements lead to high coordination costs.</p> <p>Interviewee: What happens in the traditional arrangements is that people price in risk. What i think partnering allows you to do is if everybody can see everybody's hand, you can allocate the risks to people best able to deal with it rather everybody pricing in risks. So by collaborating, there is less contingency allowance in everybody's price for</p>

that risk. So it allows you to manage that risk out. And that is why it will end up in a lower cost solution if everybody is not pricing in risks.

Interviewer:

What are the factors that will prevent developers from entering into a partnership?

Interviewee:

It is more expensive but you can share the risks. There is more risk to employ people upfront. There is a whole conundrum with the industry as a whole. The problem with the industry as a whole is that it is the first thing to come back whenever the market improves and it is the first thing to start to tail off when there is any sign of a recession. So we are kind of the barometer. So developers are wary of ramping up resources.

Coming out of this recession, it is the first time I have seen contractors and trade contractors seem reluctant to gear themselves back up in personnel to the levels which they were prior to the crisis. Normally, everybody will start ramping up production, salaries will go through the roof, and before you know it, there is a boom in the construction industry. That hasn't happened this time which is kind of ironic to the question. One would think the government should be the barometer that would spend more when there is a downturn, however, the reality is that they are the first to cut spending which exasperates the situation. They should be the ones sticking a bit longer, which is often difficult.

There is definitely ways that the public sector could procure development partners to deliver schemes that is in the best interest of the communities which they serve rather than concentrating on the best price we'll get on the land. There is an over focus on best price. And that actually precludes people like Pocket, people like us from gaining control of sites that actually could be developed for a better long-term gain. We do have a scheme in Newcastle at the moment where we did have a very good relationship with the local authority that was prepared to take a longer term view of their Land. Currently, because the local authority invested alongside us, the profit or land value that they are making now is way in excess of the land value anyone would ever have envisaged for any land in Newcastle in 2010. The point is if the land owner is the local authority, and they take a long-term view of the benefits they will get, there will be a win-win scenario. But they don't, they often look at how much are you going to pay me on day one for that site now. So, developers try to maximise the price in the appraisal, neglect the affordable housing element and the requirement of RSLs. So you secure the site, then you're immediately going back to say we can't afford to do this mix between renting and private sale, we can't afford to meet up with this affordable housing, we can't afford to do that. All that's wrong, land values should be based on medium term as opposed to the immediate short term.

6

Interviewer:

Thank you very much.

Interview Transcript – POCKET

	Timespan	Content
1		<p data-bbox="554 396 716 423"><i>Interviewee:</i></p> <p data-bbox="554 467 1955 862">We have done the full partnering model where we take, if you want, open risks on a project. And theoretically, it should deliver a low cost. Theoretically. Because, of course, if you are asking a contractor to take all risks, then they will price in lots of levels of margin. They don't know what is going to be found, if it is a site that is being demolished, they don't know what happened underneath this building that is being demolished. There are, as you know, quite a lot of risks in the ground. That is where most of the risks are for residential projects. So until you are out of the ground you can say as a contractor that we are over the worst. With the design and build contracts, clearly you are just saying that's your problem, whatever you find in the ground once you've demolished the building is your problem, within certain limitations. But, you pay the price for that. So that's the theory you get at the university. There are these two extremes and when we have tried working across the two extremes, we've gathered a whole range of different experiences. I will now tell you what my experiences have been with all these methodologies.</p> <p data-bbox="554 906 1969 1409">Let us start with the principle of full partnership on an overall basis. You have to believe in a very crucial thing for that to really work. This is an industry where people are interested and capable of going back to working with each other again, and again because there would be ordinary projects where you would make a lot of money and there would be partnering projects where you would make a lot less. You are only going to be prepared to make a lot less than you wanted to make if you know this is a long term relationship with these architects, contractors or consultants. There in lies one of the greatest problems with partnering approach because the market place in London is one which is severely, severely supply constraints of contractors. So, London and South Eastern market and developer market has an inadequate number of contractors. So the average contractor looking at platform agreements, framework agreement, with RSLs, with companies like our own will have to persuade themselves that they're going to get lot of business out of us, again and again. There is another pool of them that the right side of their brains says: that is a really good idea, we should do that. Since there will be continuity of projects as these are companies that are not here today, gone tomorrow. You know, companies that will always want to supply affordable housing, particularly because they are in the affordable housing market unlike the private developer who can just cut right back or close shop when things</p>

get tough. You know, housing associations will always want to do their business. On the other hand, the same contractor, on his left side of his brains, is saying if i go and do a project with Mr. private developer over there, he may not be around in two/three years time but he's desperate. He's bought the land, he's got the planning, he needs to see this thing built. Everyday that he's not building is costing a lot of money. I would see if I can do a deal with him at margins which are really aggressive. And so that same contractor, the right side of his brain is saying do the deal with Pocket. You know, partnering, long term long stable relationship. Yes, you take some risks but there is always business. But the other side is saying within the next 18 months I can make much more money doing the deal with the nasty private developer who might not be here in the next 2-3 years but I don't care. Now what his he going to do?

My contention is that if you are operating within a market that is starved of enough labour, if there are no enough contractors out there, their tendencies would be to go for the short-term rather than long-term. And this is very much a facet of the whole british industry. The british development industry is one which goes through its extreme cycles of boom and bust. And the reason this is so, unlike, say, Germany, is reasonably straight forward. It is because the Germans have a built in expectation of very low inflation. The reason why 70% of Germany are renters rather than buyers is because there is no economic advantage of buying as the value of the home that you have bought is not likely to go up by 20-30-40%. Because, you know the German economy is one that is managed very strictly and interest rates will be kept low at any price.

And, if I am right that the public sector has severe constraint in terms of how much money they can put into housing supply. Then, the only way to get to some sort of equilibrium, and an equilibrium in housing supply is somewhere around 300-400 thousand units rather than a 150 thousand units, is by being private companies that deliver public goods. The reason why the mayor has given us 20 million pounds is for all of that. He wants to create new companies that do new things in new ways. Well, that requires a heck of a lot of very talented people.

Interviewer:
It's not easy

Interviewee:
It's incredibly difficult! It's not easy because you're asking your people in the public sector to think like private business men, and people in the private sector to have a public heart. So, the people that we attract in this business are all special. Because, if you just want to be a house builder, you wouldn't come and work here,

There is something else that you must be willing to do with your career, but finding talented people who are specialists within their areas, but also are advocates for a business that they believe in, is not easy. That's not easy. And I think that's where the big work needs to be done. I think this is a very interesting subject, it opens up a big canvass of issues. To my mind, the choices that I have in the very narrow question of development agreements based on a design and build contract on one hand and a partnering agreement on the other is dependent on a much bigger set of issues than the question suggests. I wish I could say: depending on the project, sometimes I go partnering, sometimes I go design and build, it just depends on the project, where I know there are very low risks I go partnering and where I know there are very high risks, I go design and build. But, that's not how it works. At the moment, we are more geared towards design and build because the one thing we really need in the business model is certainty of delivery and ofcourse I'll like to eventually have my own contracting business, that will be the dream

Interviewer:

So that would culminate into proper partnering since it will lead to vertical integration.

Interviewee:

The other side of my brain says you would be stupid to do this because the truth of the matter is it is such a cyclical business and do I want to be the developer who's seating there with 200 workers? It's a fixed overhead, if you can't feed the beast, the only thing you can do is to shoot them. You can't run fast when you've got your own contracting business but atleast you've got control of your delivery. So there are real issues with vertical integration.

But this is a very highly inefficient market place that you're looking at. And it's quite conceivably corrupt. I don't know the answer to that. You know, there are people out there who never find out how corrupt their industry because they send out the wrong signals. You have these relationships around you and sometimes you don't ask the right questions. So I don't know if the construction industry is corrupt, it is not something I know how to do. I would not know how to give somebody money in a brown envelope. I would not know how to cheat systems. Its not what I do. But i believe from any academic point of view, if you analyse the root causes of corruption in a political system or in a financial system or in a corporate type of situation, then you would have to say the construction industry in London and South East has nearly every key attributes that you need for there to be corruption. It is undersupplied, it is capital intensive, it relies on very large numbers of very low paid people. Do we go on? It's a mission-critical utility, it's unregulated, completely unregulated. You could go pick up 50 Romanians from Wickes tomorrow and populate your building sites with them. I can stop you

you're not regulated and we could train them to become fantastic plumbers and bricklayers and when the market collapses they just go back to Romania quite rightly. It has all the inherent hallmarks of an industry that is corrupt. And I do believe they talk to each other and they are oligopolistic type practices. No doubt about that.

You've chosen a nice subject.

Interviewer:

Thank you. And thanks for the time.

Interview Transcript – PRP ARCHITECTS

	Timespan	Content
1		<p>Interviewer: Good Afternoon and thank you for the time and opportunity. My thesis intends to evaluate the effect of partnerships on the delivery of affordable housing in London. Based on your experience on the Star Road project, kindly talk about what your experience was, the challenges faced and any other information you deem necessary. This is supposed to be a semi-structured interview so I will only be asking few questions.</p> <p>Interviewee: Star Road project was a design and build, but it was a joint venture between Pocket, Wates Construction, and Linden Homes. From the architects point of view, it has felt like a normal db. the difference being that if it was up to Pocket Living, they would have selected a different contractor, however, because they were in a form of joint venture with Wates, and Wates wanted Linden homes on the project, they were quite restricted. Because it was a joint venture, Pocket, and indeed, other parties to the project did not have as much say as their other projects. So, there wasn't anyone really on this project really able to guard the quality as much. In that way, it took more from us, as the architect, working with Linden homes, the contractor, to guard the quality. So we had to put a bit more effort than we usually would have done.</p> <p>Interviewer: In your organisation, do you have specific companies that you have long-term relationships with?</p> <p>Interviewee: Yes, we have long-term relationships with some companies. We think that about 80% of our work is repeat work. To find a new client we haven't worked with before is so much difficult as we have to prove our track record. The most important thing we think about is the individuals from each companies. That's the key thing for us.</p> <p>Interviewer: When you say the right individual, do you mean their skills?</p>

Interviewee:

Yes. but also the personalities if they can trust each other. And you build up a relationship so you can understand each other so whenever there is a problem you can get over it quickly.

Interviewer:

So what advantage do you think that has over the viability of an affordable scheme.

Interviewee:

It is difficult to say. I do not think partnership will affect the viability as much. I guess depending on the project, it can make things more streamlined and smoother, I guess partnerships can save money. So, in that sense, it could make schemes more viable. Say we have five projects that we going for and that comes as a package with our partner, we might lower our fees so it will cost them less because there is more of them. So, if there is more of them, we might charge less. I guess that's an argument. It's really dependent on the project and the partnership.

Interviewer:

Some people are of the opinion that partnerships increases co-ordination cost. So, do you think that co-ordination cost can wipe out the potential gains of partnering?

Interviewee:

Probably the best way to think about it is if we partner with another architect. And, yes, we do that and there is more of a cost and it is harder because you need to get used to the way the other person works and they might not use the same software as us and they might have different ideals. Sometimes geographical issues. Then there is the positives which is the diversity that could bring and they might have different skills which we may not have. So in that way, if we are partnering with another architect, we probably find that a bit more difficult.

Interviewer:

How do you think the economic environment affects partnering?

Interviewee:

I guess there is more of a risk in terms of the economic environment because if you are partnering then you're not just thinking of your own company alone. You've got to take on board other partners' exposures and risks.

Legally as well, insurance wise it may cause issues for example in our industry, a lot of projects may be put on hold as a result of the forthcoming elections. And if that was the case, we can look after ourselves, but if we are in a partnership, there is nothing to guarantee us that they can be okay and that they can stay afloat or go burst.

Interviewer:

What do you have to say about opportunistic behaviour in the construction industry?

Interviewee:

I think contractors and clients will be better suited to answer that question. That is not something we really think about as architects.

Interviewer:

Do you think that partnerships can lead to complacency of quality and designs?

Interviewee:

Yes. That happens a lot. Obviously, as architecture practices, you're a business as well so you have to make money and you can't be completely innovative on all projects and some clients don't want you to be. While some others want you to be innovative and those are the ones you enjoy more. Most architects like to push the boundary and add that value especially for affordable housing, you need to be innovative and clever because there is no so much moeny in affordable housing. So to get something that is really good product, you need to be clever about it, in design and the business side of it.

Interviewer:

How do you think partnership can help with the delivery of affordable housing projects?

Interviewee:

Star road becomes relevant to answer that question because it was a really difficult site because of its size and to get the amount of units that we have, we had to design a new unit for pocket. So we took all of their design standards which are really rigid standards which was one-bed units. But we suggested that for the site to work, it should be stretched out and longer but exactly the same space standards and they accepted that which was one-off. I don't think they would want to do that again, but for this project, we had to go for that type of flat-out design. So we added to the partnership by adding to that lay-out.

And I think all Pocket projects is looked at by their in-house designer who looks at all the interiors and how the design lay out works but the it is up to us to look at the site and to look at the actual building and how all those individual units work together to make a nice building that adds to the surrounding areas and that the planners are happy with.

So, it definitely helps in Pocket case that they know their designs, they know a lot about designs which makes the partnerships a lot better because some clients don't have a backgorund in buildings and design so they don't quite understand all the time what we're saying.

Interviewer:

Thanks for the time.

Interview Transcript – ROLFE JUDD

	Timespan	Content
1	0:00.0 - 1:12.8	<p>Interviewer:</p> <p>Good Afternoon and thank you for the time and opportunity. My thesis intends to evaluate the effect of partnerships on the delivery of affordable housing in London. Based on your experience on the Star Road project, kindly talk about what your experience was, the challenges faced and any other information you deem necessary. This is supposed to be a semi-structured interview so I will only be asking few questions.</p> <p>Interviewee:</p> <p>Partnership is definitely becoming important in the wake of the squeeze on public sector funds at the moment. Although the local authorities and the RSLs are building affordable houses, there remains opportunities for the contribution of the private developers in the delivery of affordable housing and Pocket was the first private developer to have seen this opportunity and the benefit of partnering with the public sector.</p> <p>This has led the Mayor of London to grant them an interest free loan of about 20 million. It has however taken a long gestation period to get to this point. Before now, it was more difficult to convince councils that a private developer can provide affordable housing, however, with the funding from and partnership with the GLA, it has now made Pocket more competitive to purchase sites, bid for sites. Yeah, it has been a long process and the turning point was the backing of the GLA of Pocket.</p> <p>It would be very difficult for other private developers who wanted to build affordable houses with their own private funding in the current financial market. Also, regarding planning policy people, they are very concerned as to what constitutes affordable housing. Unlike local councils and housing associations who are set up to provide affordable housing from the beginning, private developers need to meet different criteria to convince planning authorities that their schemes will meet up with the different criteria of affordable housing including eligibility and perpetuity.</p>
2	0:00.0 - 5:38.7	To meet up with such eligibility, Pocket needs to increase the density of their schemes which is in the build

		<p>cost as much as possible and also the ability to take profit early on and recycle profits at a later stage in the project development.</p> <p>Interviewer: Based on the Star Road Project, what are some of the challenges that may discourage partnership amongst parties to a project?</p> <p>Interviewee: For the Star Road Project, it was quite difficult because Pocket had not received the backing of the GLA and it was more of private financing. Some of the issues in relation to providing affordable housing was that it was quite a small site, it was an employment site so the first issue was effectively convincing the council as to why the former use of the site (MOT garage) should be removed. The reverse is that another private developer could have gone on to that site to build just 9 flats in order to avoid the 10 flats threshold after which affordable housing must be included in the site. However, because of the partnership approach a private developer Pocket must include affordable housing in order. This is a challenge because Pocket is competing with other private developers for the same piece of land and because they must include affordable housing in their schemes, their profitability is at risk.</p>
3	5:34.7 - 5:38.7	<p>Because of this, Pocket needs to reduce cost by being innovative in their designs and by building as many small units, typically one or two studio apartments, into a site. Pocket prevents this from leading to poor quality housing by having a strong architectural team. Also, because the homes are one-bed to two-beds, they have a low child yield, and hard community space is required as opposed to open green land. That represents a benefit because less land is required. This also represents a challenge in terms of convincing the planning authorities.</p>
4	5:36.5 - 5:38.7	<p>Interviewer: From a past research, it has been suggested that there is corruption in the system or there is an exploitative tendency in the system. What do you have to say to this?</p> <p>Interviewee: I think corruption is the wrong word because I think it has a pejorative meaning which is different. I think playing the game is a better way. The way policy and guidance has gone is that viability has become a very important aspect of development because it demonstrates if the scheme is viable or not. Over the last five</p>

	<p>years, viability consultants have grown in numbers that are employed by both developers and local authorities. There are different factors in viability but the most important are: build cost and sales values because if you add a couple of percentages on build cost, development cost goes through the roof and if you take off a couple of pounds per square foot of sales values, many developments may be rendered unviable.</p> <p>Interviewer: Some may argue that Land is also an important factor.</p> <p>Interviewee: Land is a fixed liability that needs to be ignored. Land is effectively a hidden third cost and forms a big part of the equation. Supply and demand is such that it is driving land prices up to enormous value. But, the profit that developer expects varies in relation to risk. So in good economic conditions, risks are generally lower, hence, profit margins reduced which will be compensated by higher turnover. In poor economic conditions however, risks are higher, and profit margins are increased accordingly. Because the developers will have to bear any loss, they are often optimistic in their valuation whereas councils are normally conservative. So, in essence, the game is being played in both directions because the councils are seeking to maximise their return in terms of maximising affordable housing, while private developers are seeking to maximise returns on their investments. So, it is not a one-way street.</p>
5	<p>Interviewer: Do you have formal partnership agreements with your partners?</p> <p>Interviewee: We have agreements with Pockets in terms of what we do and our fees obviously and we have been working with Pocket for the better part of 5 years. We have bought into Pocket as a principle, we strongly support Pocket as a product and as an approach. Corporately and personally I think they have a fantastic principle and model.</p> <p>And we get them strategic advice and not just work with them on individual projects. Although we are consultants to them and they are employed by us, we do have a separate financial agreement with them. Hence in that sense, we have a partnership with them. We have a detailed fee structure that reflects the fact that they are affordable housing providers. For example, Pocket is coming up with a new product which we helped package and it is not something we necessarily charged for. There are other examples of things we are helping them with that are strategic because we know that there is potential for more work for us. In essence, for a lot</p>

of other companies, we wouldn't do what we do for Pocket. So there is a social basis for what we do and that has been led by myself.

Interviewer:

Thank you very much. I am so grateful.