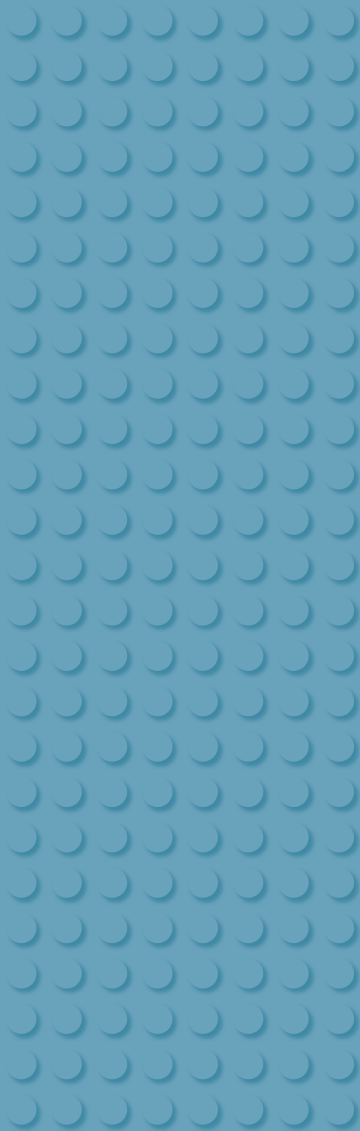


LONDON'S SMALL HOUSING ASSOCIATIONS

Flexible and focused:
the specialists at the
heart of neighbourhoods



The role and value of small
housing associations in London:
the full analytical report

HELEN COPE CONSULTING ■ OCTOBER 2012





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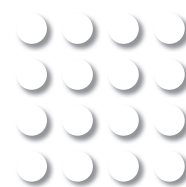
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1 Introduction

1.1 Introduction

This report was commissioned by g320 – the representative body for smaller housing associations working in London.

The report:

- sets out the evidence of the role and contribution of smaller housing associations in London and considers their potential
- highlights which smaller housing association activities unlock the greatest value for stakeholders
- considers the development potential of smaller housing associations
- looks to the future and makes recommendations regarding the implications of the study.

The term 'smaller' in this report includes housing associations operating in London with up to 1,000 homes in ownership or management.

The report acknowledges from the outset that this subsector is very diverse – even more so than the housing association sector generally.

This makes generalisation less appropriate and makes it more difficult to develop a typical profile of this sub-sector. Small is not always beautiful and of course there are poor performers as well as excellent ones, as with any diverse group.

This report is not about 'big versus 'small'. Size is becoming irrelevant given the operating climate for social housing providers.

What matters is how they serve local communities and whether smaller housing associations can offer added value.

This is not even about housing management performance, although it has its place. Competent, indeed good performance is rightly the minimum expectation of all stakeholders, from residents to funders.

What this report seeks to do is to evidence the role and potential of smaller housing associations in an authentic manner and to consider how this can be fully utilised to benefit the Londoners they serve.

1.2 The challenge of the operational environment

The coalition government has brought radical change to the operating environment of housing providers. In the case of housing policy, the Affordable Rent regime has radically reformed investment funding and tenure security in the sector from April 2011.

In return for funding, housing providers are operating a new form of fixed term tenure with rents set at a maximum of 80% of local market rents. Furthermore the associated reduction in grant has had a significant impact on housing providers' investment programmes.

There is a challenging national public sector deficit reduction programme in place and supported housing funding is no longer ring-fenced by local authorities, who are seeking cost reductions in their contracts.

Welfare reform, with changes to welfare benefits and especially housing benefit, is affecting every housing provider service, from housing allocations to housing development.

Housing associations are recasting their budgets and re-examining cash flows in the face of housing benefit cuts arising from the bedroom tax regulations, the benefit cap, and the direct payment of housing benefit to residents.

Working and non-working residents face radical changes and cuts to their housing and out of work benefits. All landlords face a management challenge from this loss of income.

There are two key aspects to the coalition government's approach to community and society. Firstly, the *Big Society* – a government-led programme for structural change which aims to devolve power to the lowest possible level and use the state to galvanise community engagement and 'social renewal'¹. This approach is intended to offset the impact of deficit reduction measures.

The potential of the *Big Society* lies in:

- encouraging citizens' involvement and action
- recognising that everyone has assets, not just problems
- building and strengthening social networks
- using local knowledge to get better results.

¹ Coote, A *Cutting It: The 'Big Society' and the new austerity*, NEF (2010)





Secondly, the localism agenda intended to bring about further change through new opportunities around Community Right to Build, neighbourhood planning and the transfer of under-used public assets.

This report takes these changes into account, and considers how smaller housing associations can meet the challenges and how their stakeholders can help them realise their full potential in this tough climate.

1.3 Methodology

The following methods were used to undertake the research:

- literature review of relevant reports
- a survey of smaller housing associations to understand their view of their potential and strengths and challenges that they face
- a separate on-line survey of stakeholders. This considered achievements and practical action arising from g320 members' work across London and the role and value stakeholders place on smaller housing associations, their potential and how responsive they are to housing and related needs.

- interviews with stakeholders
- performance review including analysis of performance indicators and CORE data.

Tenants were not approached for this research as it was possible to ascertain their views through the performance indicators and tenant satisfaction surveys.

Throughout the report, short case studies illustrate the work of smaller housing associations and contribute to the evidence base.

1.4 About this report

Section 2 outlines the housing role of London's smaller housing associations for both general needs and supported housing. This section also considers their housing management performance.

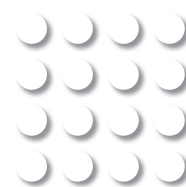
Section 3 examines the findings of a survey of smaller housing associations including their view of their current challenges and strengths.

Section 4 sets out the findings of the stakeholder survey.

Section 5 considers the development potential of smaller housing associations.

Section 6 makes further observations and offers some conclusions and recommendations.





2. Smaller housing associations in London

2.1 Smaller housing associations: national profile

In March 2011 there were 2,769 housing associations registered with the Tenant Services Authority. Of these, a large proportion were smaller, with just over 1,200 housing associations in England owning or managing fewer than 1,000 homes.²

Most are independent, although 150 of them operate within group structure arrangements as subsidiaries of large organisations. In fact, the average number of homes owned nationwide by housing associations is just 931.

So although smaller housing associations are viewed as niche and have a lower profile nationally than their larger counterparts, as organisations they are in fact typical of this diverse sector.

Smaller housing associations owned 61,000 homes for general needs or 3.1% of the national housing stock at March 2011.

They provide 45,700 homes for supported housing and/or housing for older people or about 10% of this specialist provision.

Specialist homes represent about 50% of smaller housing associations' stock as opposed to just 15% in those organisations with more than 2,500 homes including those with over 10,000 homes.

The health of this sub-sector is therefore of particular importance for vulnerable client groups. The supported housing sector caters for the following needs:

- housing for older people
- people with alcohol problems
- people with drug problems
- people with mental health problems
- people with learning disabilities
- offenders and people at risk of offending
- people with physical or sensory difficulties
- refugees (permanent)
- teenage parents
- women at risk of domestic violence
- people with HIV or aids
- young people leaving care
- young people at risk
- single homeless people with support needs
- homeless families with support needs
- rough sleepers

2.2 Smaller housing associations in London

London's 368 housing associations own and manage over 430,000 properties in the capital - providing a home to one in ten Londoners.

Older persons and supported housing services account for about 59,000 homes. There are about 300 organisations with fewer than 1,000 units that own 39,745 of London homes which is about 9.2% of the total.

Key points: the scope of activity

At 31 March 2011, smaller housing associations in London owned and managed over 39,745 homes or 9.2% of the capital's total housing association stock.

.....
In 2010/11, smaller housing associations housed 3,746 households with support needs. This represented 26% of all vulnerable people housed by London's housing associations.

.....
In 2010/11 the smaller housing associations also housed almost 900 households in general needs affordable homes in London.

.....
55% of general needs households housed in 2010/11 were nominated by local authorities and 27.5% of general needs households housed were considered homeless.

.....
55% of supported households were nominated or referred by a local authority, housing or social services department and 24% were referred by voluntary agencies.

.....
The largest groups assisted through lettings to supported housing in 2010/11 were young people at risk and single homeless people.

.....
Analysis of performance data shows that there is little difference across the board between larger and smaller associations with the exception of tenant satisfaction, which is significantly higher among tenants of smaller associations.





2.2.1 General needs lettings in London by smaller housing associations³

In 2010/11 there were 16,243 general needs new lettings made by London housing associations of which 891 (circa 5.5%) were provided by smaller housing associations.

Chart 2.1 illustrates the household composition of lettings to smaller housing associations' general needs homes.

Despite a preponderance of smaller homes across housing association stock, 45% were to households with children. 42% of those housed by the smaller housing associations were single adults.

Of those households housed, 27.5% were considered homeless (compared with 29% for all housing associations) of which 15.4% were statutorily homeless with a main duty to assist (compared with 22.1% for all housing associations in London).

Chart 2.2 shows that the smaller housing associations are letting homes to a range of households with varying economic circumstances.

Although 20% were not seeking work, 42% were in full-time or part-time employment. 27% of household heads were either unemployed or in receipt of long-term sickness or disability benefits.

Chart 2.3 highlights the dependency upon benefits of households housed by the smaller housing associations – 47% were wholly dependent on pensions and/or state benefits. A further 17% derive part of their income from pensions and state benefits.

Chart 2.4 shows that 75% of heads of households enjoy incomes of less than £300 per week or £15,600 per annum (ie just 25% have incomes of over £300 per week).

The lettings reports confirm that smaller housing associations are housing some of London's poorest households with the consequent impact upon management services.

Chart 2.5 illustrates the diversity of the ethnicity of those housed in 2010/11 by smaller housing associations. 71% of those housed classified themselves other than as 'white British'.

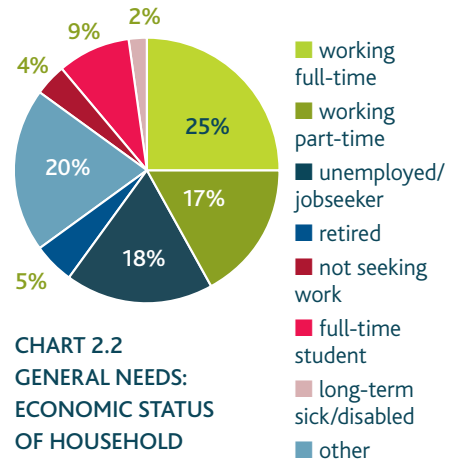


CHART 2.2
GENERAL NEEDS:
ECONOMIC STATUS
OF HOUSEHOLD

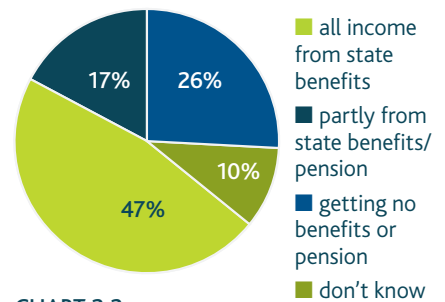


CHART 2.3
GENERAL NEEDS:
INCOME SOURCE OF
HOUSEHOLD HEAD

CHART 2.1
HOUSEHOLD
COMPOSITION

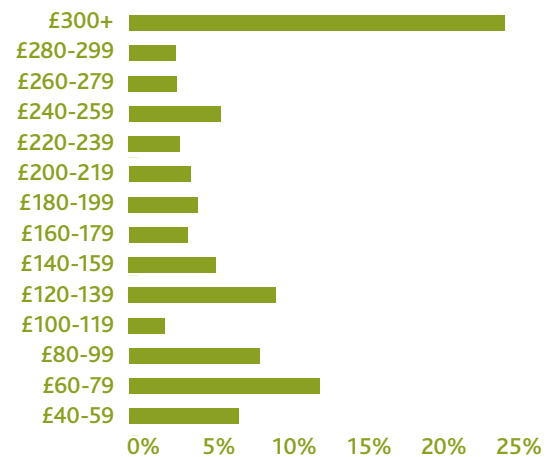
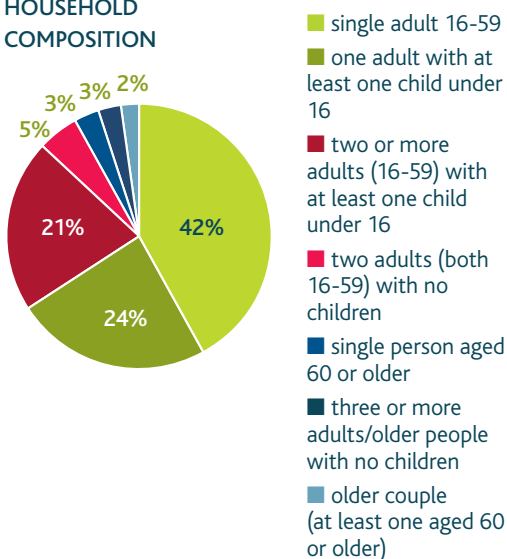


CHART 2.4
NET WEEKLY INCOME
OF TENANT OR PARTNER
AND TENANT

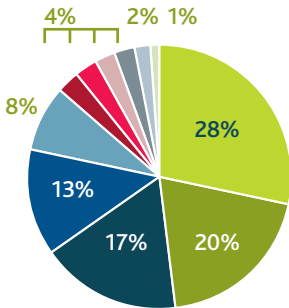


CHART 2.5
ETHNICITY OF PEOPLE HOUSED

- white British
- African
- white British other
- black or black British/Caribbean
- all other
- Irish
- Asian or Asian British/Indian other
- mixed - white and black Caribbean
- Bangladeshi
- black or black British Caribbean other
- didn't say

2.2.1.1 Nominations and sources of referral

Chart 2.6 illustrates the sources of referral to general needs homes. 55% were nominated by local authorities and 24% were housed through internal transfers.

Just under 70% of lettings to general needs homes were through choice-based lettings or common housing registers or common allocations policy. This compares with 84% of lettings by all housing associations in London.

This compares with 69.9% and 19.8% respectively for all housing associations in London. Stock differences could account for this variation – smaller HAs have a greater proportion of one bedroom homes and supported stock

2.3 Providing homes with care and support⁴

In 2010/11, smaller housing associations housed 3,746 people with support needs – 26% of all those housed by London's HAs (14,362).

The largest groups assisted were young people at risk (41%) and single homeless with support needs (36%) as illustrated in chart 2.7.

Of those housed, 20.60% were statutorily homeless (and owed a main duty) compared with 17.90% for all housing associations in London.

Older people with support needs accounted for 9% of lettings. 55% were referred by a local authority, housing or social services department and 24% were referred by voluntary agencies (chart 2.8).

17.50% were statutorily homeless (but not owed a main duty) compared with 9.00% for all housing associations in London. 20.40% were 'other' homeless (the housing association considers the household as homeless) compared with 32.50% for all housing associations in London.

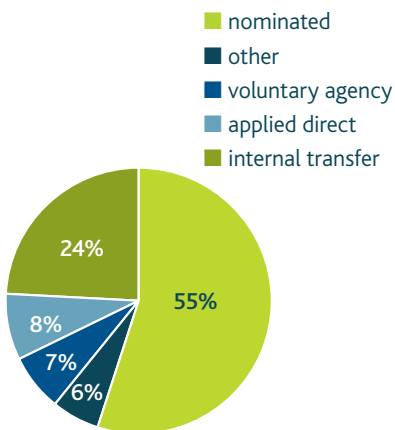


CHART 2.6
REFERRAL SOURCE: GENERAL NEEDS

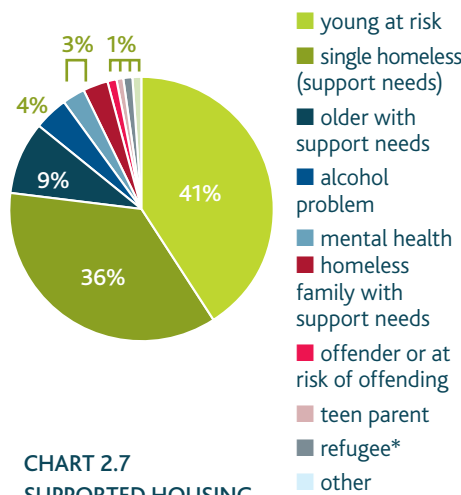


CHART 2.7
SUPPORTED HOUSING BY TYPE OF NEED

- young at risk
 - single homeless (support needs)
 - older with support needs
 - alcohol problem
 - mental health
 - homeless family with support needs
 - offender or at risk of offending
 - teen parent
 - refugee*
 - other
- * official status

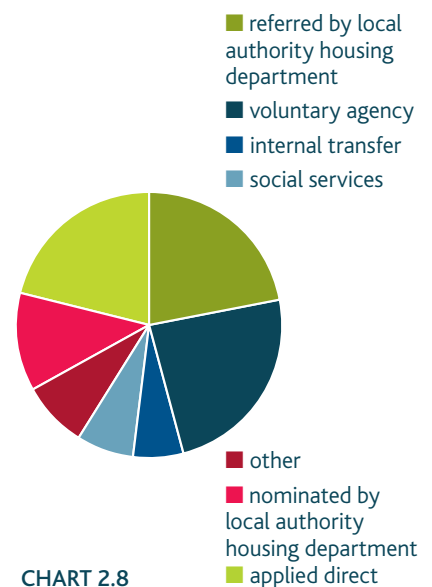


CHART 2.8
REFERRAL SOURCE: SUPPORTED HOUSING

3, 4 Many thanks to George Marshall, research systems officer at the National Housing Federation, for providing data for these sections





City YMCA: teamworking fills gap in vital services

City YMCA lost all its Supporting People funding in 2010 but has continued to provide support services through a creative partnership with **Alone in London**, **My Bnk** and **Anglia Ruskin University**.

Alone in London provides free counselling to help residents come to terms with living in a hostel and to create coping strategies for the future.

My Bnk helps young people learn budgeting skills and gives one to one money advice. This also helps residents to pay their rent on time and to sustain their tenancies.

The YMCA offers social work placements for Anglia Ruskin University students which has made it possible for the City YMCA to provide extra support for young people who come to the hostel with complex multiple needs.

Alone in London has been supporting Alexander, 19, who grew up with autism and dyslexia and now has drug and alcohol abuse problems. He has also had difficulties with his parents. Through counselling he has made real progress.

Tsion, also aged 19 and originally from Eritrea, has lived at the hostel for three months. Her sessions have led to her starting a course in nursing.

'I have applied for a catering course which is something that I really wanted to do when I was younger.' *Alexander, City YMCA resident*

'My key worker makes me feel positive even when things appear difficult by offering encouragement, guidance and advice.' *Tsion, City YMCA resident*

Peter Bedford HA: a route to better health and work

Peter Bedford HA's **Roots & Boots** project was set up two years ago to transform nine under-used communal gardens and improve the physical and mental wellbeing of tenants and other socially excluded people.

With the support of a horticultural therapist and volunteers, participants helped design and plan the gardens, at weekly gardening sessions and on inspirational outings. Hands-on learning was supplemented by more formal training in gardening.

Over 80 service users took part and they have improved their physical and mental health and acquired new skills. The project was funded by an Ecominds grant and run with Groundwork London.

It has also proved useful for Peter Bedford's 'Working Futures' employment project and 'Plot to Plate', funded by the Big Lottery Fund. This encourages residents to grow and cook their own food and teaches them about healthy diets. The hands-on learning improves life skills, independence and their employment prospects.

Peter was referred to Peter Bedford HA as a long-stay patient on a psychiatric ward. Today he has his own flat. 'Getting involved with Roots & Boots brought me out of my shell. I started going to the gym three times a week and joined a cardiovascular recovery programme,' says Peter. 'I had been quite isolated and the project helped bring back my motivation and get me back into the community.'



Housing for Women: Re-Unite South London

Re-Unite was set up by Housing for Women, Commonweal Housing and Women in Prison.

The aim was to address the 'catch 22' faced by women leaving prison who have children. They can only get single person housing so cannot have their children live with them. This causes emotional distress, leads to family breakdown and can ultimately lead to re-offending.

Re-Unite, which started in 2007 in London and is now being replicated in other parts of country, gives the women temporary housing. It also gives support to all the family to help it re-bond, develop a healthy relationship and manage their lives together in a stable and secure home.

Housing for Women provides 10 homes in Lewisham, Greenwich and Southwark and gives tailored intensive support. A children's worker helps children readjust to living with their mother. The support workers help the families find a long term home and provides resettlement support after they move on.

An ongoing evaluation by the Institute of Criminology at Cambridge University is helping to build up a detailed longitudinal evidence base of the positive impacts for mothers and children of Re-Unite's interventions and support.

'I was desperate. If Re-Unite hadn't helped me, I don't know what I would have done. I was worried daily. I dread to think what would have happened.'
Re-Unite client

Stoll HA: stressbusting for service veterans

The **Combat Veteran Players** began in 2009 after theatre director Jaclyn McLoughlin suggested rehearsing a Shakespearean play with Armed Services veterans suffering from post-traumatic stress.

Stoll HA, which provides housing and rehabilitative support to vulnerable and disabled ex-service personnel, offered rehearsal space and funded the first workshops. The project is now supported by the Old Vic Theatre and the Royal Shakespeare Company.

The plan was to appear before a small audience but interest grew rapidly and the group now performs to professional standards, with the therapeutic benefits extended to more veterans with mental trauma.

It indirectly, but very effectively, addresses the difficulties of life after service. Current players include veterans of service in Iraq, Bosnia, Northern Ireland, the Falklands, and Afghanistan. Their conditions are varied but all stem from traumatic stress. The CVPs' March 2012 debut at the Old Vic Tunnels was a well-received performance of *A Midsummer Night's Dream*.

'I'm not just a bashed in the head serviceman anymore. I'm doing stuff I never dreamed of doing.' *Combat Veteran Player*

'The Combat Veteran Players perform with a commitment and energy rarely found outside professional theatre.'
*Ian Wainwright,
Royal Shakespeare Company*

Innisfree, Inquilab and Brent: aiding refugee groups

Inquilab and Innisfree housing associations both wanted to do more to help neglected minority groups locally.

Integrated in Brent was an innovative partnership set up to give refugee community organisations practical support, training, guidance and capacity building, to promote better understanding and participation, and to allow access to social housing for their clients.

The two-year project, led by Innisfree and Inquilab, but including Brent Council and the Brent Refugees and Migrants Forum, was the first of its kind in London. It was funded by the council, the Tenant Services Authority, Fortunegate HA and Network Housing Group.

The project, which has now concluded, improved the efficiency and effectiveness of community organisations, notably refugee groups, and provided openings for them to work as partners with other organisations. Lessons learned during the project are set out in a report and good practice guide.





2.4 Housing management performance

Tables 2.1 and 2.2 compare smaller housing associations performance in London with performance nationally and against all associations in London.

There is variation in performance and while some is 'good' and in some cases better than the performance of larger associations, as noted at the outset, this report is more concerned with the value added by smaller associations rather than whether or not they out perform larger associations.

In 2012 CIH research emphasised this when it concluded: 'there is little evidence that size, better quality services and lower costs are related, with significant variations in cost between associations existing within the sector. Indeed, there is evidence of a correlation between high cost and poor performance, which can be interpreted in different ways'.

The report added: 'Scale alone does not automatically provide efficiency - analysis of both HouseMark and the Tenant Services Authority (TSA) data did not provide any statistical evidence of economies of scale to be achieved through size'.

What really matters is value, and that all housing associations including smaller ones, 'need to make clear decisions about how they get the best VFM while pursuing their organisational values and priorities'.

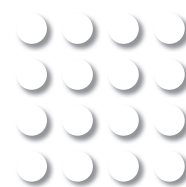
The CIH emphasised the importance of the focus not being principally about cost savings and financial improvement, or driven purely by a regulatory standard. VFM should be integrated into an association's culture as a matter of course.⁵

TABLE 2.1 MANAGEMENT PERFORMANCE: HASs IN ENGLAND AND LONDON⁶

Peer group	2010/11										
		Tenant satisfaction overall	Tenants satisfaction with views taken into account	Rent collected as a % of rent due	Current tenant arrears as a % of the annual rent due	Emergency repairs completed within target	Urgent repairs completed within target	Routine repairs completed within target	Average relet time	Rent lost due to homes being vacant	
PI code		NI 160	HMPI 340	HMPI 210	HMPI 220	GNPI 18	GNPI 19	GNPI 20	CMPI 03 (amended)	BV 69	
England HAS 1,000-10,000 units	Upper quartile	89.8%	74%	100.47%	2%	99.8%	99.1%	98.9%	21.95	0.72%	
	Median	87%	68.3%	99.94%	2.88%	99.1%	98.2%	98%	27.89	1.1%	
	Lower quartile	82.9%	64%	99.42%	3.88%	97.55%	95.94%	96.4%	36.4	1.49%	
	Sample	97	93	93	123	157	153	156	116	114	
London HAS (all sizes)	Upper quartile	83.27%	72%	100.2%	3.78%	100%	98%	98%	26.36	0.58%	
	Median	72.8%	65%	99.53%	4.73%	99.1%	95.73%	97%	40	1.2%	
	Lower quartile	67.2%	54%	98.19%	5.87%	97.26%	93.69%	92.85%	44.65	1.68%	
	Sample	35	41	41	45	63	63	63	26	40	
National median average (all in England)	Median	86%	68.6%	99.76%	3.22%	99.04%	97.4%	97.3%	28	1.1%	
	Sample	180	176	164	230	289	284	286	190	205	



^{6,8} Many thanks to Skills & Projects and HouseMark who provided the housing management performance data referred to in this section. More recent data is available from the Skills & Projects and HouseMark websites - see back cover



Does Size Matter also notes that the TSA's analysis of overall housing costs shows that four measured factors explain over 50% of the cost variations: deprivation, regional wages, decent homes and supported housing. Two of these lie outside the control of housing associations.⁷

Performance analysis shows that this is similar across the board in London, with the exception of tenant satisfaction. The tables show that, nationally, the tenants of smaller associations are more satisfied with services overall and are more likely to be satisfied that their views are taken into account than those of larger associations.

In London, the smaller housing associations perform better than larger London associations (small median 79% and 71.75%, and London all sizes 72.8% and 65% respectively).

Rent collected as a % of rent due is similar at top end of scale but larger organisations do better at the lower end and, although London smalls perform slightly better at the top end of scale, larger organisations perform better at the lower end of the scale.

Larger organisations perform better nationally on current tenant arrears as a % of the annual rent due, but in London the smaller associations are doing slightly better than larger London organisations (London smalls median performance 4.29% and larger London organisations 4.73%).

Smaller housing associations both nationally and in London perform very well for emergency repairs completed within target (median 100%). Both are exceeding the standards of larger associations.

However, for urgent repairs and routine repairs completed within target, larger organisations fare better. On the latter indicator smaller associations are very similar and at the lower end of the scale smaller London associations do better.

The tables also show that average relet times for smaller organisations nationally are better at the top end of the scale. Their performance is worse at the bottom of the scale and larger London associations (marginally) outperform the smaller London ones.

Finally in the case of void losses or rent lost due to homes being empty, the smaller associations perform better at the top end of the scale at a national level but worse at the bottom end. Larger London organisations perform better at a median of 1.2% than smaller London organisations, at a median of 1.3%.

TABLE 2.2: MANAGEMENT PERFORMANCE: SMALLER HAS NATIONALLY AND LONDON^{8,9}

Peer group	2010/11									
		Tenant satisfaction overall	Tenants satisfaction with views taken into account	Rent collected as a % of rent due	Current tenant arrears as a % of the annual rent due	Emergency repairs completed within target	Urgent repairs completed within target	Routine repairs completed within target	Average relet time	Rent lost due to homes being vacant
PI code	NI 160	HMPI 340	HMPI 210	HMPI 220	GNPI 18	GNPI 19	GNPI 20	CMPI 03 (amended)	BV 69	
National smaller housing associations	Upper quartile	94%	84.48%	100.44%	2.36%	100%	99%	98%	20.5	0.54%
	Median	89.65%	75%	99.3%	3.33%	100%	97%	97%	26	1.09%
	Lower quartile	83.08%	71%	97.85%	4.83%	98.6%	94%	93.18%	43	1.63%
	Sample	48	49	47	60	74	73	74	25	56
London smaller housing associations	Upper quartile	85%	76%	100.46%	3.51%	100%	97.79%	98%	28.25	0.59%
	Median	79%	71.75%	99.42%	4.29%	100%	95.5%	97%	43	1.3%
	Lower quartile	70.5%	61.5%	97.18%	5.76%	99.11%	93.57%	93.04%	58.5	1.7%
	Sample	18	26	30	32	34	34	34	12	29

⁵ *Does size matter - or does culture drive value for money?* Mark Lupton, Joanne Kent-Smith, CIH (2012)

^{7,9} Ibid





3: Challenges and strengths: the housing associations survey

3.1 Overview

Smaller housing associations in London were surveyed for this research to ascertain their views on their roles, challenges, strengths and potential. 40 smaller associations responded.

The largest group (28%) own or manage between 101 and 250 homes, as shown in **chart 3.1**. Just under one quarter own or manage between 500 and 1000 homes.

As expected, respondents' roles were very diverse. The most common prime roles are general needs and housing for older people, closely followed by housing with care and support (18%) and young people and homeless people (**chart 3.2**).

Some housing associations had more than one prime role or client group (eg general needs and elderly). Other roles included servicing co-ops, ex-service personnel, teachers, and forensic mental health, for example.

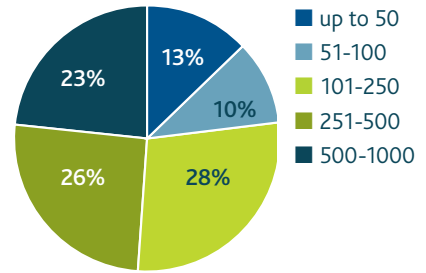


CHART 3.1
NUMBER OF HOMES OWNED OR MANAGED

3.2 Unlocking value for stakeholders

Respondents were asked to consider which of their activities they perceive as currently unlocking the greatest value for stakeholders.

The group of stakeholders included external partners such as larger housing associations, local authorities, agencies such as voluntary sector partners, the Greater London Authority (GLA), and some MPs.

The housing associations recognised that their local knowledge and supported housing expertise is of value to stakeholders, especially to local authorities as this assists them in discharging their duties.

This includes work with single homeless people, older people, and meeting specific needs. It also involves working with younger vulnerable people (aged 18 to 35) promoting independence to move on and live independently in the wider community.

Being locally based is perceived as a further strength, meaning that many smaller associations are accessible, are able to respond in a bespoke manner and may be willing to work on minor issues that bigger landlords may find it more difficult to get involved with.

Housing management is perceived as a strength, a fact borne out on a number of indicators in section two. One respondent noted that a good housing management service, a good maintenance service, and being physically close to and therefore responsive to tenants are seen as positive.

Some associations reported that they are able to provide homes in areas of London becoming increasingly inaccessible to others such as the West End.

Smaller housing associations tend to deliver new homes locally and close to their offices so that they can manage them effectively with a small staff team.

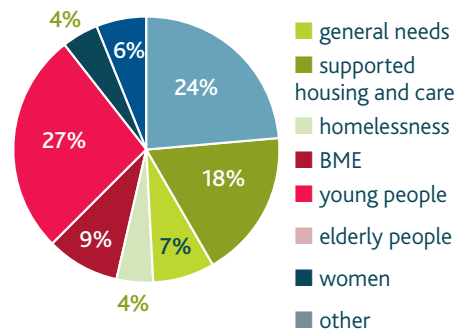
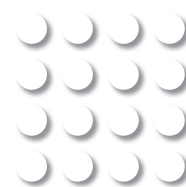


CHART 3.2
SMALLER HAS' PRIME ROLE





The associations recognised that they provide 'value added' elements through their support work and community activities for both specialist and general needs housing.

Many were preparing to carry on providing support without statutory funding, enabling vulnerable people to remain in their own homes. Smaller housing associations were seen as best placed to access charitable funding and volunteers.

In the associations' view, another advantage of their small size is that they tend not to be bureaucratic and are accessible to partners and to stakeholders.

St Martin of Tours HA: support for forensic mental health patients

St Martin of Tours HA works closely with most of London's NHS trusts to resettle in the community 'forensic' mental health patients.

As secure and other psychiatric services are being decommissioned, demand for St Martin's services is growing and over the next two years it will be launching many new schemes for patients who have gone through the criminal justice system.

The service helps London's NHS trusts meet their targets and saves them a huge amount. In June 2012, St Martin opened a new 18-bed registered care home for men leaving the Three Bridges regional secure unit, where the cost of keeping each patient is now £3,000 a week.

St Martin charges £900 a week, saving the NHS trust and commissioners £37,800 weekly and £1.96m a year.

Most St Martin residents have been in a medium or high security hospital for five to 10 years.

They have complex problems, can pose considerable challenges and risks, and are usually severely institutionalised. The average stay with St Martin is two years, and only 10% return to hospital.

TABLE 3.1: KEY CHALLENGES AND STRENGTHS AS PERCEIVED BY SMALLER HAS

	Strength %	Challenge %	Neutral %
Housing management	77	20	13
Local knowledge	76	3	21
Governance of the organisation	74	18	8
Financial viability	71	21	8
Meeting customer needs	68	18	13
Care and support	58	21	21
Maintenance of homes	51	26	23
Value for money	46	24	30
Skills and resources	44	23	33
Working in partnership	43	30	27
Tenant involvement	38	38	24
Diversity of the sector	34	29	37
Community development and investment	25	33	42
Size of the organisation	21	49	31
Funding	19	68	14
Developing more homes	15	74	10
Procurement	8	39	53





3.3 Challenges and strengths

The smaller associations face a range of challenges. Respondents were asked to rate a variety of factors illustrated in **chart 3.3** and **table 3.1**.

Housing management, local knowledge, knowledge of customers' needs and ability to meet them, governance, and financial viability were the top five strengths.

The top challenges were developing more homes and funding for both development and supported housing.

The financial viability of smaller housing associations raises an important issue. Their relative lack of development, especially in recent years, and their relatively low ratio of loans to assets mean smaller housing associations have to carefully consider how far these unencumbered assets could be unlocked to release their potential.

3.4 Looking to the future

The smaller associations were mainly confident about their future, with 59% confident or content, but 41% concerned. Confidence in the future was closely linked to the proviso that it applies to those that are performing well and are financially sound.

The associations reported taking positive action to overcome the challenges they face with development funding in particular. Several are planning long term development strategies to take advantage of their financial capacity.

Others are raising private finance at reasonable rates and exploring ways to provide affordable homes through alternative funding streams (including their own reserves).

As CIH notes, 'the increased pressure to unlock capacity within the sector may lead to increased focus on how non-developing associations are using their surpluses – doing nothing may no longer be an option.

'New arrangements may start to emerge where associations trade their surplus capacity in exchange for managing developing associations' properties or functions'¹⁰

They are monitoring services for evidence that they provide value for money individually and through benchmarking groups such as BM320, SOLFED and Solomon groups.

Some are looking into ways to generate income by providing services to others or investigating new partnerships with larger associations and each other through, for example, procurement clubs or development consortia. Also under consideration is the potential for sharing services arising from changes to VAT rules.

Ducane Commercial Services: using in-house resources to generate extra income

Ducane HA houses postgraduate students and key workers, managing them with just a small team.

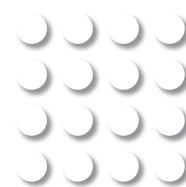
In 2005 the charitable organisation set up Ducane Commercial Services Ltd, a wholly owned limited company, to trade as its commercial arm.

DCS quickly won contracts to manage the European School of Management and provide a management agency service to leaseholders of a block of 36 flats in Ealing. By serving the private sector, Ducane has made entrepreneurial use of its specialist skills to generate income for core charitable activities.



CHART 3.3 KEY CHALLENGES AND STRENGTHS

- challenge
- strength
- neutral



4. The value of smaller HAs: the stakeholder survey

Key findings

Stakeholders most value in smaller housing associations:

- local focus with local services for local people
- their economy, efficiency and effectiveness in their niche or specialist areas
- closeness to local communities and/or some sections of the community
- focused service based on good understanding of local needs (tenants have a better chance of knowing who makes the decisions and being able to influence these)
- levels of integrity, with 73% rated good or excellent
- tenant involvement, rated good or excellent by almost two-thirds
- their local knowledge, which 81.3% rated good or excellent
- future prospects, with 87% agreeing that smaller housing associations have a future, despite challenges for them and the sector as a whole.

'The small housing associations we work with are great at building strong local relationships with stakeholders and bring a raft of specialisms to the table.' - agency

4.1 Relationships with smaller housing associations

A stakeholder survey undertaken in April 2012 examined their views on the values and attributes of smaller housing associations and their relationships with them. The findings were supplemented by interviews.

Any survey about relationships and perceptions has its limitations. This was noted by one or two frustrated respondents. This is even more the case given the diversity of smaller associations. It is almost impossible to develop a generic profile of them.

Just over 50% of stakeholders responded to the survey (46). Of these 37% represented larger associations (mainly chief executives), 30% were from agencies including lawyers and funders working with smaller housing associations, 26% were local authority officers and 7% were politicians.

It should be noted that tenants were not approached for this research as it was possible to ascertain their views through the performance indicators and tenant satisfaction surveys.

Chart 4.1 illustrates the spread of relationships (respondents could pick more than one answer).

4.2 Attributes of smaller housing associations

Stakeholders were asked to rate their perceptions of or feelings of smaller housing associations' approach or performance in relation to the attributes set out in the table right.

Table 4.1 and chart 4.2 (page 16) set out the results. 73% felt that smaller housing associations had good or excellent levels of integrity. 58% felt accountability was good, although 28% felt this could be improved.

Other relationships reported illustrated how smaller housing associations actively engage with others. Examples given included social and economic regeneration partnerships, eg employment or empty homes, and playing an active role in strategic liaison forums.

CHART 4.1
DIRECT RELATIONSHIPS
WITH SMALLER HAs



Innovation and value for money was regarded as good by over half, although in both cases about one-third felt that this could be improved. Tenant involvement was rated good or excellent by almost two-thirds of respondents.

Communications and managing relationships were perceived as good or excellent by about 45% and 42% respectively, with 31% and 36% saying it could be better.





Leadership and organisational ability were less positively rated than other attributes as was communications. There are a number of possible reasons for the more disappointing perceptions.

Firstly, these perceptions may be based upon experience of only one or two associations. Smaller associations are a very diverse group and this can lead to difficulties in generalising about the sub sector as a whole.

There was stakeholder recognition that owing to capacity and approach the smallest of the small may be driving down the perception of the group as whole. The plurality of smaller housing associations is also recognised as a positive attribute.

Attribute	Definition
2.1 Integrity	They have integrity (they say what they'll do and do what they say)
2.2 Accountability	They act in an accountable way to you as a stakeholder and are answerable for their actions
2.3 Innovation	They find new ways of solving problems and delivering solutions.
2.4 Quality of service delivery	They balance cost, efficiency and quality in service delivery.
2.5 Tenant involvement	They involve tenants in planning, delivering and evaluating services
2.5 Communications	They communicate well with stakeholders and the outside world
2.7 Managing the relationship/ partnership	They take time to ensure that relationships work well, keep you informed and provide information on time etc.
2.8 Leadership	They offer vision and follow through effectively
2.9 Organisational ability	They are effective and organised and do things on time

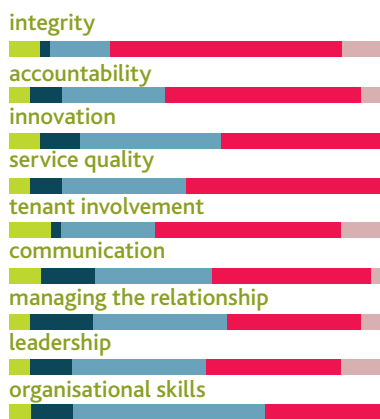


CHART 4.2 PERCEPTIONS OF SMALLER HOUSING ASSOCIATIONS

- excellent
- good
- needs improving
- poor
- don't know

	%	Excellent or good	Needs improving	Poor	Don't know
Integrity	73	16.2	2.7	8.1	
Tenant involvement	61.1	25.0	2.8	11.1	
Accountability	58.4	27.8	8.3	5.6	
Value for money	52.8	33.3	8.3	5.6	
Leadership	47.2	36.1	11.1	5.6	
Communications	45.8	31.4	14.3	8.6	
Innovation	43.2	37.8	10.8	8.1	
Managing the relationship	41.7	36.1	16.7	5.6	
Organisational ability	31.4	51.4	11.4	5.7	

TABLE 4.1 ATTRIBUTES AND VALUES

Survey respondents were asked to choose from one of five grades: excellent, good, needs improving, poor, don't know.



Respondents were more positive when asked qualitative questions about smaller housing associations. When asked what they most value most about smaller housing associations agencies' responses corroborated the associations' own view of their value to stakeholders. They responded that they offer:

- local focus with local services for local people
- greater economy, efficiency and effectiveness in their niche or specialist areas
- closeness to local communities and/or particular sections of the community
- focused service based on good understanding of local needs
- tenants have a better chance of knowing who makes decisions and being able to influence the decisions.

One agency stated: 'They know their residents and they know their stock, are better versed in what really needs to be done and the impact any repair/planned maintenance/development work will have on their customers, their homes and the community.'

The larger housing association respondents echoed these feelings, adding that they valued:

- 'their input on development schemes where they help with particular groups or in meeting local authority objectives'
- 'their ability to make quick, clear decisions' and
- 'because of very short decision making chains, the route from a great idea to decision to implementation can be very short. Where this is the case, it produces really creative organisations'.

One respondent noted: 'They are part of a diverse sector with a track record of commitment and delivery which is measured in generations. They provide a much needed, locally responsive service.'

The local authorities valued the fact that most smaller housing associations remain true to their charitable roots and that their drive and enthusiasm to succeed can lead to them being more innovative in their approach to finding solutions to housing issues. This view, however, was not generally reflected across the board.

Their responsiveness to local issues was also valued, with one respondent noting: 'The good ones are locally focused and have not lost connection with their roots and ethos.'

4.3 Relationships with stakeholders

Stakeholders were asked to consider which of their reported relationships unlocked the greatest value for them (chart 4.3).

When asked to note to what extent these relationships unlock/add value and help stakeholders to meet their strategic or operational aims, stakeholders said that smaller associations as development consortium partners added the greatest value.

Being a care and support contractor unlocked the next highest value for stakeholders, followed by their being the supplier of services to smaller housing associations.

The least valuable relationship was procurement, where stakeholders felt the relationship added just a little or not much at all.

All relationships unlocked or added at least some value in helping to meet strategic or operational aims, although one stakeholder noted that there was a cost attached to working with smaller housing associations (table 4.2 and chart 4.4, on page 18).

CHART 4.3
RELATIONSHIPS SEEN TO
UNLOCK THE GREATEST VALUE





TABLE 4.2 HOW FAR RELATIONSHIPS UNLOCK/ADD VALUE

	%	A lot	To some extent	A little	Not much at all
Housing management agreements for specific properties	14.3	57.1	14.3	14.3	
Development consortium partner	66.7	16.7	8.3	8.3	
Procurement partner	25.0	0.0	75.0	0.0	
Care and support contractor	50.0	16.7	16.7	16.7	
Maintenance services	0.0	0.0	66.7	33.3	
Neighbourhood management	25.0	25.0	25.0	25.0	
Community development	0.0	75.0	12.5	12.5	
Stock transfer to smaller housing associations	11.1	44.4	33.3	11.1	
Supplier of services to smaller housing associations	35.7	35.7	7.1	21.4	



CHART 4.4 HOW MUCH THESE RELATIONSHIPS UNLOCK/ ADD VALUE

- a lot
- to some extent
- a little
- not much at all

4.4 Services, organisation and outcomes

Asked about service delivery, stakeholders gave the highest rating to smaller HAs' local knowledge (81.3% rated it good or excellent – see table 4.3 and chart 4.5). The ability to meet customers' needs also scored very positively (66.7% said good or excellent).

Other positive responses included, tenant involvement, community development, and care and support – all outward facing services. These scores illustrate that customers/tenants are central to smaller housing associations' activities and approaches.

53% of stakeholders thought financial viability was good, as noted earlier. Less positive ('needs improving' or 'poor') responses related to providing value for money, procurement and developing more homes. All these are often out of the control of smaller associations. Limited buying power, the austerity programme, and restricted availability of land and funding impact on all these activities.

	%	Excellent/good%	Needs improving	Poor	Don't know
Local knowledge	81.3	6.3	3.1	9.4	
Meeting customer needs	66.7	6.7	6.7	20.0	
Care and support	66.6	10.0	0.0	23.3	
Housing management services	61.3	19.4	3.2	16.1	
Outcomes for customers	58.1	12.9	6.5	22.6	
Outcomes for you, as a stakeholder	56.7	30.0	6.7	6.7	
Community development/ investment	54.9	22.6	3.2	19.4	
Tenant involvement	54.9	22.6	0.0	22.6	
Financial viability	53.1	28.1	3.1	15.6	
Skills and resources	43.8	31.3	9.4	15.6	
Maintenance of homes	32.2	35.5	9.7	22.6	
Value for money	24.1	34.5	17.2	24.1	
Developing more homes	12.5	50.0	28.1	9.4	
Procurement	10	36.7	20.0	33.3	

TABLE 4.3 SERVICE DELIVERY AND ORGANISATIONAL FEATURES

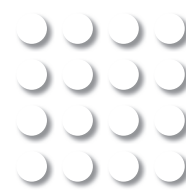


CHART 4.5
RATING SERVICE
DELIVERY AND
ORGANISATIONAL
FEATURES

- excellent
- good
- needs improving
- poor
- don't know

4.5 Looking to the future

Stakeholders were very positive about the future of smaller housing associations, with 87% saying they have a future, despite the challenges faced by the sector as a whole. Some were unsure but only 2% disagreed.

This part of the survey asked respondents to comment on priorities and approaches they felt would benefit smaller housing associations. As expected, some views are contradictory and one or two may not be palatable to everyone.

4.5.1 Focusing on niche provision

- Concentrate on delivering something unique. This can be a geographical focus, a specialism or something else - **housing association**
- Do what they do well and don't try to be too much like big housing associations. Retain pride in specific local character rather than a weaker version of a corporate model of standardised service delivery - **housing association**
- Do what they do well - but that's nothing to do with their size - **housing association**
- An organisation has a future if it has a clear sense of purpose and *raison d'être*. For small HAs this is likely to centre around niche services/client groups. Small HAs who want to become bigger and/or be a significant provider of new housing can probably only achieve this by merging with someone else - **housing association**
- The smaller housing associations should do the added value projects that the large associations are reluctant to do - **local authority**
- Find a niche only they can fill
- Retain their 'small' focus, avoid mergers and involve more tenants in the 'smalls' value - **agency**
- Maintain focus on what they do best - **agency**
- They need to be distinctive and provide something complementary to mainstream organisations. The world is changing rapidly and organisations need to be able to adapt fast - **housing association**

4.5.2 Local and community knowledge

- Continue representing the smallest and most vulnerable communities - **housing association**
- Engage more effectively with local authorities on delivering against the priorities identified in the sustainable communities strategies. Make sure council officers and ward councillors are aware of the value they are adding at a neighbourhood level through the landlord and neighbourhood services - **local authority**
- Provide services that are focused on a particular community that is close to the organisation's management base - **housing association**
- Profile what they do at the local level. Be champions of consumers, developing and profiling their innovation on community development - **agency**
- Remain locally focused rather than try to provide services for specific groups of people - **local authority**





4.5.3 Management and customer service

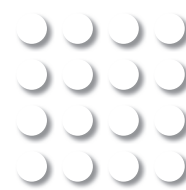
- Manage stock for larger developing housing associations - **agency**
- Develop greater tenant involvement - **agency**
- Focus on customer service, repairs and financial viability - **agency**
- Tailored, quality services which are about the residents rather than about the service costs - **agency**
- Consolidate to promote efficiency in overhead costs and management. Use joint procurement clubs - **agency**

4.5.4 Collaboration

- Set up alliances so back office services and skills can be bought in more cost effectively - **housing association**
- Think about collaborative working with larger local HAs around shared services or joint procurement. Use any reserves to create more homes, improve existing homes but not to the extent that they put their organisation at risk - **housing association**
- More collaborative working where appropriate *ie* when requiring a development partner. Continue managing properties and take advantage of development opportunities - **local authority**
- Become more cost effective and skilled by sharing with other small providers - **agency**
- Find more effective ways to work together, and to work with other partner organisations, to achieve better value for money and greater financial and political clout but without surrendering their independence - **agency**
- Work together with small and large housing associations to promote the excellent work we do - let's end the divisive and pointless 'large vs small' debate and celebrate our collective successes - **housing association**

4.5.5 Development and growth

- Complex schemes on small local sites with high levels of community involvement - **housing association**
- Use asset strength to make a modest contribution to new homes - **agency**
- More joint development with larger partners and make use of their specialist client skills - **local authority**
- Develop partnerships with larger housing associations and local authorities. Use local knowledge to develop new initiatives. Identify gaps in provision and impact of policy/funding changes on customer base. Seek opportunities for new funding options and how these can add value to local authority initiatives - **local authority**
- Concentrate on delivering small schemes, at social rather than affordable rent - **local authority**
- Acquire standing stock from developing associations - **agency**



5. Development potential

5.1 Attitudes to new development

As noted in earlier sections, the financial viability of smaller housing associations is recognised as one of their strengths. In addition, their role as development partners to larger associations was valued by 83% of stakeholders.

From time to time, governments have raised the issue of associations 'sweating' their assets. Larger developing associations can point to increasing levels of borrowing and less unencumbered stock, particularly in the next few years as the Affordable Rent programme nears completion in 2015¹². Currently non-developing housing associations will have a harder time potentially if asked to argue their case.

Additional development, with or without grant, as well as deflecting any criticism can also add valuable affordable homes to the capital's stock and help meet reasonable expectations over the use of assets.

Discussions have been ongoing with some smaller housing associations with lenders, valuers, other providers as well as the National Housing Federation and the regulator, as to how smaller (and medium), sized providers might best make use of the assets available to them.

There are some obvious limiting factors to development, like access to land or ability to repay interest, but as part of this research it was decided to establish a sense of the scale of potential development and the barriers to development and accessing loan finance.

Smaller housing associations remain keen to develop new homes. As illustrated in **chart 5.1**, over three-quarters of respondents are currently developing, or planning in the near future to develop homes with a larger provider or in their own right. Just 12% felt this was unrealistic. Of those intending to develop 78% were confident they could do this by 2015, with 45% very confident.

5.2 Limiting factors for new development

Respondents reported a range of limiting factors for new development as detailed in **chart 5.2** (see page 22).

The most limiting factor, to be expected, was lack of access to grant from the Homes and Communities Agency (HCA), now from the GLA.

This was closely followed by lack of land and borrowing facilities. Needing to outsource the development function was also seen as a limiting factor by 15% of respondents.

Other factors included the competitive nature of development and the fact that smaller providers are often outbid by larger ones or by the private sector.

Borrowing capacity as measured by borrowing covenants - mainly interest cover in the short term - was also reported as an issue.

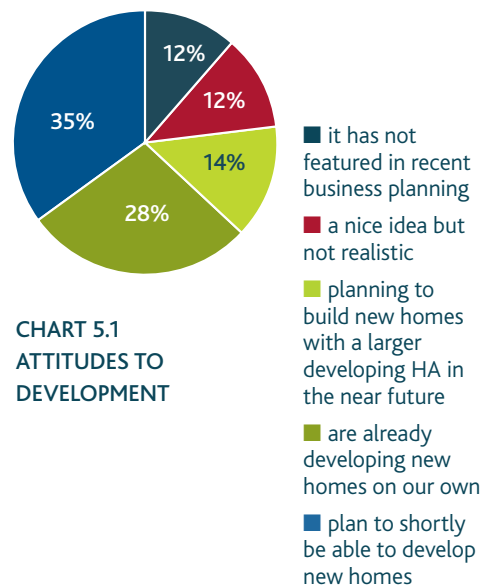
Key findings¹¹

Smaller housing associations are still keen to develop new homes. Only 12% of those surveyed felt this was not realistic in the longer term.

Respondents have some innovative approaches and plans to develop without grant.

28% of respondents have some land available for development, which they estimated could generate more than 260 homes for London.

15% of respondents had recently developed without grant.



¹¹ Credits and thanks to Mike Wilkins, chief executive of Duane HA, who designed and developed the survey for this section

¹² *Hard Times, New Choices: a new deal for housing associations* (Price Waterhouse Coopers/L&Q 2010)





Some mentioned a lack of dedicated staff with the time to pursue opportunities and some specialists said their business models relied on developing registered care homes, which are not eligible for HCA funding. High loan rates and risk averse lenders were also raised.

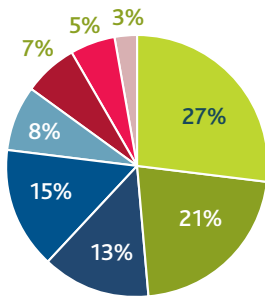
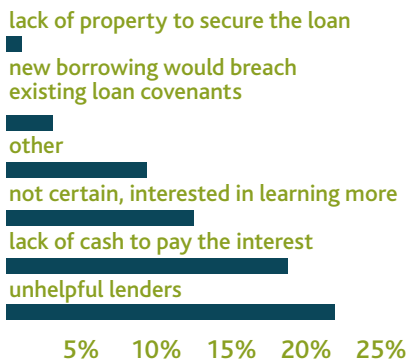


CHART 5.2
MAIN LIMITING FACTORS
FOR NEW DEVELOPMENT

- no access to HCA grant
- don't own land to develop
- no borrowing facility set up
- would have to outsource development function
- not enough cash to pay for a loan
- not convinced planners would approve scheme
- board not now considering options for developing
- not enough properties to secure new loans

CHART 5.3
BARRIERS TO ACCESSING
LOAN FINANCE



5.3 Grant availability

Of those now developing, 25% had allocations from the HCA under the former 2008/11 national 'Affordable Homes' programme. These totalled £14.37 million and ranged from £3 million (for Ducane HA) and £2.5 million (for Oda Dua) to just £75,000 for Field Lane HA.

Just 18% had an allocation under the new HCA/GLA 2012/15 'Affordable Rent' programme. This is just under half the previous total allocation, at £7.33 million. Amounts range from over £2 million to £250,000. Homes planned include family flats and houses, a scheme for war veterans, key workers and remodelling 65 flats.

5.3.1 Developing without grant

15% of respondents had recently developed without grant, revealing some innovative approaches and plans. Examples are given here.

Soho HA	Has a planning application to convert an office into a commercial unit, five affordable flats and a market let unit. Is entering a joint venture to develop high end accommodation in a building it owns to generate income, and is acquiring a site to provide 20 new homes – more than half will be affordable
Kingston Churches HA	Has two self-funded intermediate rent schemes at 80% market rents. Is converting once shared student houses into self-contained flats
Barnsbury HA	A site swap with ISHA will produce 12 new build units
St Martin of Tours HA	Has used a combination of proceeds from disposed assets and reserves to invest circa £4 million in the past two years
Penge Churches	Is acquiring four houses without grant
Haig Homes	Has funded new developments and acquisitions from its own reserves, donations and through fundraising
Teachers HA	Is building a new area office and five flats on an existing estate. Another five flats will be built on land purchased in 2010
Housing for Women	Is looking into partnership options with non-registered providers/ other statutory bodies, apart from HCA eg Ministry of Justice.

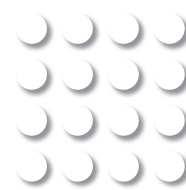
5.4 Land availability

28% of respondents have some land available for development. They estimated that this land could generate more than 260 homes.

Reasons why the work was not already under way included legal issues over title, negotiations over Section 106, planning agreements and lack of confidence getting funding in place.

Other barriers to development generally included:

- high cost of land making development unviable
- lack of available land
- competing with larger organisations also looking for sites
- unaffordable interest rates on loans
- risks arising from insufficient revenue stream to support loan without substantial subsidy.



5.5 Loan finance

Half of respondents (49%) have one or more loan facilities in place at present, with 18% having a loan facility which is available but not yet drawn down. 33% have or are planning to borrow more funds.

5.5.1 Barriers to loan finance

Some of the barriers to raising loan finance are illustrated in **chart 5.3**. Securing the loan is not an issue, with the main barriers being shortage of cash to pay the interest and a perception that lenders were unhelpful. Other issues included:

- demanding loan conditions attached to new agreements
- high interest rates
- lack of grant
- funders not willing to lend for long enough periods to provide certainty
- cost of loans making development unaffordable for particular clients.

Barnsbury HA and ISHA: developing together in Islington

A site made available to Barnsbury HA by Islington Council, in upper Holloway, was some distance from the office base of staff managing its homes, so managing the property would have stretched its resources.

Barnsbury HA approached Islington & Shoreditch HA, which was building homes through a section 106 planning agreement on a site just minutes from Barnsbury's offices.

A **site swap agreed** to by the two housing associations and Islington Council has given Barnsbury HA 12 newly built homes on its doorstep and the larger association, Islington & Shoreditch HA, will develop the upper Holloway site, with the council contributing funding.

Both associations benefit and the deal maximises the amount of social housing achieved on both sites.

Soho HA: West End office conversion and expansion

West End-based Soho Housing Association needs entrepreneurial skills to build in this expensive neighbourhood - and it has them.

Its former office building was spread over four floors so only a few people could be accommodated comfortably on each floor. This is an awkward arrangement for any small business, and staff working in isolation reduced business efficiency and service quality for residents.

In June 2011, Soho HA moved to a new office on a single floor, with better meeting and reception facilities. It **converted its old offices**, creating a commercial unit on the basement and ground floor and adding another storey over the top floor for a luxury penthouse flat.

The added value of the commercial unit and the penthouse flat made it possible for Soho to cross-subsidise the cost of creating five one-bedroom flats for low cost rent on the first and second floors.

The building's total rental value also financed the cost of the new office lease. But most importantly, Soho was able to complete the scheme without recourse to grant funding so was able to set rents on the one bedroom flats low – at less than 40% of market rent – and to allocate the flats to people on Soho's own waiting list.

The project has also given Soho HA additional security – it is free to sell the building, or any part of it, at market value should the need arise.

Making best use of scarce land: Ducane HA's modernisation scheme in Hammersmith & Fulham

Ducane HA is close to completing a £13m project that will deliver 44 new homes and refurbish 112 one and three bedroom flats spread over five blocks on its west London estate.

The scheme demonstrates that smaller housing associations are able to successfully undertake their own development, even in parts of the capital where there is little space for development and land is costly.

Ducane wanted to exceed Decent Homes standards to make its homes warmer, quieter and cheaper to run and to cut planned maintenance costs. The modernised flats have achieved EcoHomes Very Good standard.

An extra storey was added to each block and two infill blocks included. The new homes were manufactured off site due to space constraints, with the 'pods' manufactured in Glasgow and craned into position.

They are built to Code for Sustainability level 3, with air source heat pumps to lower running costs and are let to key workers, nominated by the council, at affordable intermediate rents.

Ducane's in-house development team assembled and delivered the scheme with funding from the THFC and a £3m HCA grant.





6. Final observations and policy considerations

6.1 Overview

Smaller housing associations have much to be proud of and clearly add value to the provision of homes and related services in London.

The climate they operate in has changed and is now less helpful. This is the case for most of the sector however and the differences between the challenges for smaller housing associations and the rest of the sector are diminishing.

The impact on income streams arising from welfare reform and changes to the investment regime affect organisations of all sizes.

Most smaller housing associations want to stay independent. We found only one respondent actively seeking a merger and only two stakeholders felt this was the way to go. From the regulator's point of view there is little pressure to merge.

At present unencumbered stock remains 'un-raided', to quote one stakeholder. This may not always be the case. The more that can be done to persuade government and others of the efficiency and value of the sector including smaller housing associations the better.

6.2 Considerations for smaller housing associations

6.2.1 Adding value

Examples stakeholders gave of ways smaller associations could add value included focusing on niche provision, local and community knowledge, more collaboration and opportunities for development and growth.

This report illustrates the strengths and challenges facing smaller housing associations. A concentration of general needs stock and access to local and customer knowledge offer advantages and link directly to the localism agenda. To build on these advantages:

- each smaller association needs to consider what being small gives them. What makes each really special and how can they make more of their niche?

- quality is important and needs to be better highlighted by smaller housing associations, the high levels of tenant satisfaction reported earlier, for example.
- the sub-sector needs even more leadership, collaboration and fresh challenges and thinking on added value.

Housing associations undertaking added value work need to measure the social impact and returns they get on their investment.

Smaller housing associations could explore this more challengingly. They may need to be bolder and more self-critical if the larger associations are going to continue to support them.

The qualitative aspects of their work seem to be valued but this needs to be continually evidenced through measuring social impact.

Many smaller housing associations offer specialisms. This may be as a black or minority ethnic association (BME), by providing supported housing or meeting a particular need.

Each association needs greater insight into its qualitative differences concentrating on its unique selling point and how this can be shared with others. It is essential for smaller housing associations to be solution focused and offer clear evidence of their added value.

6.2.2 Development and growth

The study has found smaller housing associations taking positive steps to get round the challenges for funding the development of affordable homes through alternative funding streams (including their cash reserves) and they are monitoring how this provides value for money.

Some are exploring ways to generate income by providing services externally and others are looking for ways to forge new partnerships with larger associations or through procurement clubs.

London's smaller housing associations need to consider carefully their comparative advantages and options for future growth. They have expressed the desire to do more development, and have the capacity, but face a range of barriers with funding and land availability.





The changes to the housing investment regime apply to the whole sector and it is not just smaller associations finding that development may no longer be an option.

In addition to relying on partnerships with larger associations, smaller associations need to be more innovative and creative and to collaborate better with each other.

Some feel that there is potential for raising funds through a consortium of smaller housing associations, for example. The g320 could work together to drive this approach.

One respondent noted 'an appetite and opportunities for us to develop extra care housing in a local area without grant and/or in partnership with other smaller housing providers to pool resources, including funds'.

- Where smaller associations have unencumbered assets, could they trade access to these with the borrowing capacity of larger associations?
- Could unencumbered assets be traded for other services from larger associations?
- Could associations jointly create a vehicle that could raise funding through a club bond issue?

6.2.3 Tackling worklessness

Examples are given in the report of how small associations are adding value through community investment and tackling employment and skills needs. These approaches are now recognised sector wide as being vital in the face of welfare reform and the benefit changes facing thousands of residents. There is more to be done.

An actively developing association could, for example, support a smaller association's cash flow or act as a guarantor for more risk laden activities in return being given access to the smaller association's assets as security for borrowing.

These are radical ideas but illustrate the sort of creative thinking that could work particularly well where several small associations are working in a single borough together.

As noted by the CIH: 'The increased pressure to unlock capacity within the sector may lead to increased focus on how non-developing associations are using their surpluses – doing nothing may no longer be an option. New arrangements may start to emerge where associations trade their surplus capacity for managing the developing associations' properties or functions.'¹³

Asset management and the energy efficiency agenda are a case in point. By collaborating with larger associations with large energy efficiency programmes, smaller housing associations could offer up unencumbered assets as security for funding through larger partners. In return they would benefit from the programme's resources and expertise, for example, rather than asking just for new housing supply.

Smaller housing associations could link up more regularly with the programmes of larger housing associations in London rather than having to reinvent the wheel. Conversely, larger associations could combine their efforts with those of smaller ones to provide services to residents at a local level.

A number of smaller housing associations and stakeholders reported that shared services and procurement arrangements are being pursued.

This approach along with collaborative approaches to procurement, which can be less demanding on time and resources to establish than back office shared services, offer real advantages.

This is especially the case given that these arrangements can attract VAT exemption for shared internal services and should be further explored

Many procurement arrangements already exist and smaller housing associations can plug into existing arrangements rather than needing to establish these themselves.

As one respondent has said: 'I would say that procurement doesn't require an association to be large. With procurement organisations like PfH and L6 and others, smaller associations may be able to become satellite members of a larger procurement group – g320 is exploring this at the moment.'





6.2.4 Housing and homelessness

Smaller housing associations are particularly valued for the work they do with single homeless people and for their supported housing. There are two areas where they could do more.

They might want to consider how they can help more statutorily homeless households with general needs. They could also think of ways to improve their performance on nominations to their general needs homes by local authorities.

6.3 Considerations for stakeholders

External stakeholders need to recognise that the attributes that make large housing associations successful developers do not necessarily mean they are equally successful as housing managers and providers of support services.

Some argue that tenants would vote for management by small/local/specialist providers with whom they can relate. Once again, the high levels of tenant satisfaction evidenced in this report add to this argument.

Again this was recognised by the CIH report which noted local presence and concentration of activities might be at least as important to effective housing management delivery as scale.¹⁴

6.3.1 Development and growth

More large housing associations could proactively partner with smaller associations. Large associations seem less willing to consider this, even though there are ways to mitigate their risks.

The regulator should consider setting a framework requiring this sort of co-operation from larger housing associations if they fail to engage voluntarily.

This might include supporting opportunities for growth (passing on small sites, stock transfers/sales). Some small associations have resources to complement larger developments in their patch.

The GLA and local authorities need to recognise that many large associations bidding for grant no longer appear to take inclusive approaches to maintain the diversity of the sector.

A framework that makes available a proportion of grant and bids for public sector sites to smaller associations would be helpful, provided partners could be satisfied that the quid pro quo was an added benefit such as community involvement, support services or better housing management.

This approach was adopted successfully some years ago to encourage BME associations and could be used to support smaller housing associations generally.

Stock transfers could prioritise smaller local housing associations over large non-local associations where the transfer process does not specify a minimum lot size.

Larger associations could play to the perceived and actual strengths that smaller associations have by subcontracting housing services to their outlying sites or estates, and buying in services likely to deliver better tenant satisfaction.

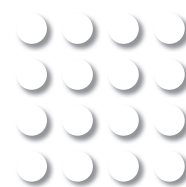
This must surely be a top priority for boards of larger associations. Perhaps some external support initially might be helpful to develop standardised heads of terms and contract documents to underpin these arrangements.

Large housing associations could consider on-lending to open access to finance for smaller associations. This appears less likely given the increasing pressure on gearing covenants, as larger associations work towards achieving their contracted programmes with the GLA.

The complexion of borrowing has also changed, from 25 year bank lending to bond finance, for example. The limiting factor for smaller associations is less one of borrowing capacity and more the capacity of their boards and staff to grapple with the risk reward equation.

Access to grant funding would assist greatly, though with the ramifications of the new Affordable Rent scheme, and less grant per unit on offer than in the past, this may make this a less decisive factor than it once was.





Paying at least 50% of grant upfront at start on site, where grant is made available, would assist the cash flow for smaller associations.

There may be some advantage in providing targeted advice on the main development heads: valuation, property charging, funding, procurement and delivery etc. This could help provide new homes through 'latent' development capacity.

Some larger associations have unallocated funds that could support local initiatives which meet niche housing/support needs and where the funds and risk could be transferred to smaller local associations.

6.3.2 Supported housing

The cuts to supported housing are beginning to bite and there is downward pressure on costs for all providers and less niche contracting. Volume contracts drive out small providers with specialist skills, weakening service quality for relatively small cost reductions.

Supported housing is the niche of some smaller housing associations in London and in some boroughs they may be the main provider for particular types of need.

It was noted in section 2 that specialist homes represent about 50% of smaller housing associations' stock as opposed to just 15% for associations with more than 2,500 homes, including those with over 10,000 homes. This sub-sector is therefore vital to the wellbeing of vulnerable people.

The empty homes programmes could also offer an opportunity to hand the management to smaller associations.

Perhaps a better balance could be reached for procurement in some cases, between economies of scale 'at all costs' and the value delivered by locally based organisations?

That is not to say that being local should override economy but perhaps, and this could be tested in bidding processes, there could be more recognition of the added value smaller providers can offer.

Larger and smaller housing associations could work more closely when reviewing their portfolios of supported housing to consolidate and rationalise service. This would help commissioning local authorities to do so more efficiently and effectively.

If possible commissioners should consider agreeing longer term contracts – beyond three years, with options to renew subject to efficiency checks and care standards. This would give more certainty and would encourage investment in enhanced services. It should also cut down the time currently spent reviewing contracts for both the associations and commissioners.

Conversely, where homes are being decommissioned associations should actively consider using them for people needing less support, including single homeless people.

Final word

All those surveyed for this research were positive about the future of small associations. Even in the most challenging fields of supported housing and new housing development there is clear potential.

Innovative approaches have been demonstrated throughout this report, as has the willingness of smaller housing associations and their stakeholders to work together for the benefit of Londoners.

The impact of welfare reform and what this means for tenants and businesses cannot be underestimated. The sector is operating in a challenging and austere climate.

However, this research has demonstrated that smaller housing associations, as well as being highly valued by their residents and offering significant social value, are stepping up to the mark and are central to delivering solutions to our challenges.



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‘The smaller housing associations we work with are great at building strong local relationships with stakeholders and bring a raft of specialisms to the table.’

specialist agency