

STAKEHOLDER VIEWS ON HOUSING POLICY AND PARTNERSHIP WORKING IN SOUTHWARK

PERSPECTIVES FROM HOUSING ASSOCIATIONS

A Smith Institute report for Southwark Council

June 2013



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Introduction

Following publication of the report from the *Independent Commission on the Future of Council Housing in Southwark (October 2012)*, the Smith Institute were commissioned to carry out interviews with key housing stakeholders. This peer review exercise was intended to: feedback opinion about the Commission's report; and capture experience and ideas about the future.

This document presents the findings from the interviews undertaken with directors and chief executives from nine housing associations which have an interest in the borough.

The interviews were semi-structured and focused on three main themes:

- On the main housing challenges and priorities facing Southwark
- On the key issues, what works, and working with the Council
- Views on opportunities for change and partnership

Interviews took place over the period 30th April – 14th June 2013. Interviews were conducted with:

- Matt Cooney, Chief Executive, Asra Housing Group
- Keith Exford, Group Chief Executive, Affinity Sutton Group
- Chris Flynn, Managing Director, Riverside Housing SE Division
- Duncan Howard, Regional Director, Southern Housing Group
- Steve Howlett, Chief Executive, Peabody
- Tom MacCormack, Chief Executive, Hexagon
- David Montague, Group Chief Executive, London & Quadrant Housing
- Brendan Sarsfield, Chief Executive, Family Mosaic
- Tony Swinden, Director of Neighbourhood Services, Guinness South
- Steve White, Chief Executive Officer, Hyde Housing

The main challenges

Housing association leaders were asked what the main challenges for the borough were. It was thought that there were no easy choices and that the Commission's report set out the main options. It was agreed that any option would be hard to deliver given the political and financial pressures. The main responses about the challenges centred around the quality of the stock and the demand for housing.

Quality of the stock

Most thought the present quality of the stock was a priority for the Council. It was acknowledged that Southwark was in the unenviable position of having to maintain poor quality, system built housing. A significant proportion of the stock would require regenerating, which demands high levels of investment. It was felt that Southwark would need to be bold about demolition as the stock was tired and would require too much funding.

“Much of the stock is in a poor state and in areas of deprivation. It's going to be difficult to improve the quality”

Demand for stock

The high demand for properties was also mentioned. One respondent commented that the provision of social housing (in boroughs like Southwark) was what made London function, not only economically but socially. Another was concerned about development of social and private housing coming to a halt. This could create a huge backlog of undersupply.

Scarcity of resources

Interviewees spoke of the tensions between the demand for new homes and maintaining decent homes. The Council's resources were not limitless. Decent homes could easily eat up all of the investment that could provide new homes. Some felt the Council concentrates too much of its investment on meeting the decent homes standard and providing quality housing. Either way, a long term strategy and stakeholder consensus was needed to help Southwark make the most of their stock.

“Decent homes could eat up all the money for new build. There are no easy choices”

Welfare reforms

Another challenge mentioned was around welfare reform, in particular direct payments. This would place extra pressure on the Council to build good relations with tenants to ensure their rental stream. If Southwark's response to the welfare reforms was inadequate then its Housing Revenue Account plans would be at risk. One interviewee also thought the incremental nature of the reforms could make the task more difficult.

“Everyone is worried about welfare reform. The key concern for tenants is cheap rents”

The local economy

A couple of respondents mentioned the economy as a key challenge. Providing jobs opportunities and getting tenants into work would improve some areas of the borough which were particularly deprived. Related to this, one mentioned that there were too many poor residents in poor housing, achieving a better mix was important to regenerating areas and could provide increased income streams.

“Southwark has a lead housing role to play in serving London’s economy”

Views of Southwark Council

Views about the Council were mixed. Most thought Southwark was heading in the right direction and welcomed the initiative of setting up a housing commission, agreeing that it was a good sign.

Capabilities

Some stated that they had worked well with the Council and had a good working relationship. They thought the Council was open to new ideas, realistic and that things were improving. Others had concerns over the Council's skills and capabilities.

It was widely believed that the real test for the skills and capabilities of the staff would come with welfare reform. Building better relationships would be key to preventing rent arrears. This would involve breaking out of traditional ways of communicating with tenants. One interviewee mentioned the relatively poor collection rates Southwark achieved in the direct payments pilot scheme as an indication of how far the Council still had to go. Another feared that the Council had "really not got their heads round" welfare reforms, and would be likely to suffer from arrears.

"There's still a question mark over whether the Council has the capabilities and skills to develop"

Efficiency

Some argued that housing associations were more efficient than councils, and that councils needed to focus more on delivering a quality service. One argued that they would be better off transferring the stock to an association – possible through trickle transfers". The view from most was that the Council could do better and that lessons on efficiency could be learnt from housing associations. One said that the Council's offer to tenants was not that great, and that there was room for improvement.

"Southwark can't do it all themselves"

Politics of council housing

It was thought that the political dynamic of the borough often made it hard to forge a consensus and hindered long term planning. One interviewee thought that there was a gap in understanding between councillors and officers, which needed to be breached. This was particularly important in the case of planning and affordable rents. It was said that more could be done with re-lets. It was also felt by some that the Council was too inflexible, especially over affordable rent and there was more scope to lift rents above target levels. Greater flexibility around affordable rents could allow the borough to increase their rental stream to invest in their stock. One

interviewee thought that the Council needed clarity about how many low cost homes it was attempting to provide.

“The Council can’t hang onto the idea of grant coming back. They have to shift their thinking”

Opportunities

All the interviewees mentioned that there were opportunities for partnership working. Most thought there was huge potential, and that some of the problems Southwark faced could be overcome through joint ventures. Some mentioned the scale of their development programmes, which although spread across London (or the UK) could be used to deliver more homes in the borough. Whilst Southwark had land assets and Section 106 money, housing associations had the freedoms and flexibilities to borrow far more than the borough could.

“In a grant free future there is scope for joint ventures in all housing markets”

Asset not a liability

It was thought by one respondent that for too long council housing had been viewed as a liability. Instead the Council needed to examine the latent value of its stock. This could enable extra investment, not least through partnership working with housing associations. This could also come in the form of using funding from Southwark’s Housing Revenue Account to work in partnership with associations to lever in external investment. It was said the borough was often reluctant to add in land and other assets (unlike Islington for example).

Tenure mix

One housing association leader noted the old mono-tenure council schemes had not delivered the results that were hoped for, and under the present system for funding affordable housing such schemes would not stack up financially. New developments would have to involve part sale (around 50%) and part for rent (around two thirds at submarket rents and a third at market rent). Ensuring greater volume of new schemes would require greater flexibility around market and affordable rents than is sometimes the case in the borough. This could equally apply to letting voids at affordable rent which would enable more housing in the borough to be provided at social rents. It was thought that the Council could no longer hang on to the idea of grant for social rents and they had to plan for a different future.

Changing the offer on life time tenancies was also mentioned. This would be possible on joint schemes where the housing associations were more flexible. Lifetime tenancies could be let at a premium to increase rental income to deliver additional investment. Others thought in order to boost investment in older flats in need of investment affordable rent might be a solution.

“They have to be more flexible on rents and lifetime tenancies in order to make the schemes work”

Housing associations as developers

It was thought by some that the Council needed to get back to house building. However, perhaps unsurprisingly, that it was better to partner with housing associations, who had a social purpose, rather than developers who sought high returns on their investment. It was noted that some local authorities they partnered with provided development and maintenance services.

Others thought that registered providers needed help to cross subsidise. Southwark was sitting on high value land and could regenerate more. They could parcel up some of their areas and regenerate value out of their sites. One mentioned that other boroughs were much better at offering land and other assets.

“It is important that providers work together to create mixed communities”

Regeneration

One interviewee mentioned the opportunity to invest in regeneration of existing council estates. They thought it was not about transfer but about leaseback agreements. This could involve allowing the association to rent some properties at market levels, for say five years, to cover the cost of the initial investment in improving the standard of homes and then returning those homes to lower rents over the life time of the agreement. Although others were less keen to pursue partnership working on regeneration projects.

“The Council is missing a trick. It can make much more use of its high value areas”

Maximising income streams

One interviewee thought that there was poor market segmentation, stating that there were opportunities for the social housing sector to make additional money (from those who could afford it) through extra services which could be ploughed back into housing. Another mentioned a scheme they undertook outside London which included service charges which covered investment in the wider environment/place and not just housing. It was thought that this was a good way to make a place successful and ensure the long term viability of the scheme.

Private rents to social rents

One interviewee mentioned that although they were taking the blame for turning their back on those in poverty the funding regime was pushing them to provide housing for people with a wider mix of incomes. Given the scarcity of land it was thought that it would be better to develop private rented housing rather than for sale properties. Income from sales is a one-off whilst renting would provide a constant income stream. Private rented housing could in the future also be turned into social housing.

“Perhaps GLA grant could make up the difference between social and affordable rents?”

Infill

Infill was mentioned by some of the interviewees. It was suggested that Southwark could do more. Rather than using scarce land elsewhere in the borough infill could help develop new homes on existing sites. This could not only change the social mix but could also help providers achieve economies of scale.

Management and maintenance services

Some were interested in providing management and maintenance services. This was attractive to those who had properties close to Southwark's housing (to achieve efficiencies) or through leaseback/equity stake agreements. One interviewee thought that a housing association could take a stake in an estate. Southwark could place a value on the stock, the housing association could take a percentage stake (less than half) and the money could be used for regeneration. The housing association could provide and improve the management and maintenance, and as an equity partner the Council would get a share of the cost savings. After 5 or ten years tenants could choose to stay with the Council or transfer.

Mutuals and a public trust

One housing association suggested there's an opportunity to create a new joint enterprise ('management mutual') to manage homes in the borough. The new venture would benefit from sharing resources and skills, a combined approach to management and more localised and focussed decision making. It would seek to deliver efficiency savings and lever in additional investment beyond the constraints of the Housing Revenue Account. All gains from the joint enterprise would be ploughed back into the mutual for the benefit of tenants, who would be represented on the board. The idea would be to run some pilot management mutuals with staff from the Council and housing association.

It was also suggested that the Council could join forces with a housing association to create a 'public trust', which would be a new model of common ownership which holds the freehold of homes and sits outside the public accounts. Residents could become members of the trust, which would contain a mix of assets from the Council and housing association.

Ageing society

It was suggested that Southwark should focus more on the housing and health (adult social care) interface. Huge savings could be made by providing suitable housing for older people, rather than having people cared for in hospitals. However, the lack of suitable housing for older people could become a crisis.

Other ideas

It was thought that if the Council wanted to plan and build appropriately it should be bottom up. However, it would be expensive and time consuming.

There was mention of Southwark converting office space into flats, although the Council is able to opt out of the new reforms to change building use.

It was said that the Council needed to revisit the use of new technology in combined heat and power schemes. It was said they often didn't work.

One idea floated was shifting Housing Revenue Account to an arms length social business, with focused boards and a degree of independence and perhaps with housing association involvement.

Sticking points

The main areas mentioned by most respondents were around planning policies and affordable rent.

Financial viability – rents and property sizes

It was thought that there could be greater flexibility between affordable and market rents. Some thought that the Council was too demanding on the size of units – it was not viable to provide family sized homes on social rent. Meanwhile, there are not enough 1-2 bed properties, and pressure for these smaller homes will intensify as a result of the 'Bedroom Tax'. It was said that the Council should do more to convert voids to affordable rents.

It was thought that the Council needed to be more realistic about land values and how much land could be granted for low-rent housing. The Council would need to ensure it didn't provide too much subsidised housing – it needed a balance. This could include more shared ownership housing (which would need to be sold and rented at higher prices for it to be viable), although it was acknowledged that there were problems with stair casing up to full ownership. Some noted the problems of the affordability of affordable rent but generally thought it was a good way to cross subsidise development. Although those out of work would not be able to afford affordable rent, it was stated that it is better to have a development with fewer proportion of social rented homes than no development at all. Unless there was grant on the table then the quantum of social housing often wanted would not be viable. One interviewee thought that whilst grant was not available from central government the Council could sell land at reduced rates and put in funding from the New Homes Bonus so that more social rented housing was built.

“Insisting on social target rents makes it impossible for associations to build. It is a question of low rents versus building new homes.”

Capabilities

The view of the planning policy was not universal – one interviewee thought that the planning policy was not the issue but how the plans are interpreted. It was thought that there was a lack of expertise and experience managing and building properties to make schemes a success. This was shared by another who thought there was a split between those enabling new housing and the planners. They thought planners were holding back those in the council who wanted to get new build going and that there was not enough liaison between the two silos. Another thought the Council lacked a continuity of planners and that it takes too long to get consent.

“There are planning issues, but the Council is generally easy to work with”

Nominations

There was concern from some about nominations agreements. One wanted them to be re-negotiated. There were also concerns over capped rents in nomination agreements. One interviewee called for greater influence over whom they house - at present they had limited scope to help under-occupying tenants who want to trade down to a smaller home. Others however were not overly concerned by the Southwark's lettings policy.

"You have to increase the churn and move people on"

Partnership working

On the specific area of partnership working, many respondents felt more could be done to improve the prospects for joint working. Some felt that although they met officers regularly they were merely told what Southwark plans were. The dialogue was too one way. It was felt that "they are not inclusive enough", at least compared with other large stock retaining councils. Another thought that it was difficult to ascertain who to speak to about partnership working and potential new schemes.

It was said that the Council does not approach housing associations saying that they have an issue and seek advice about working together to find a solution. Instead the Council tend to do a piece of work on a scheme or have an idea and then approach an association to see if they are interested. It was thought that Southwark could benefit from being more open and talking their concerns through. It was said that the housing association sector had a lot of skilled and experienced people who the Council could learn from. There was a case for better joint understanding and knowledge transfer.

It was also mentioned that the regulatory system for housing associations was changing and that Council's needed to be aware of the Homes and Communities Agency's plans to tighten up the rules to protect social housing assets.

Partnership working

The general view was that the Council could work better with housing associations and improve existing relationships.

Two way conversations, timing and trust

One interviewee mentioned the Southwark Housing Association Group as a useful forum to keep them up to speed with what Southwark was doing, but that it wasn't enough of a two way dialogue. They thought that the best stage for involvement was when strategic reviews were being undertaken so that housing associations can feed into the process, but at present they did not feel this was happening in Southwark – or at least they hadn't been invited. Another mentioned that the Council was too focused on lower level issues rather than strategy.

It was felt by most that the borough was not open enough. It was said that if they let the associations in then there were potentially huge opportunities to deliver more housing in the borough. Any conversations would need to be two way. This would help both sides to resolve issues, bring forward new thinking and peer review existing plans. This was a common theme that came out of the interviewees alongside the need for the Council to be more trusting of associations to enable future collaboration.

“They are too hands-off. It's improving, but their level of interaction is still too distant”

Building relationships

The interviewees were asked how relationships could be built and partnership working enabled. It was acknowledged that it would take time but some thought it could be achieved through regular one to one meetings and more regular formal meetings. It would be important that meetings took place between senior decision makers and that there was a genuine commitment to joint working and making things happen. There was also scope for more secondments, mentoring and sharing of best practice. Another interviewee thought that within the Council those who enable new housing should be seconded to the planning department to foster better understanding and speed up decision making.

One interviewee said that some local authorities have formal quarterly stakeholder meetings with senior people from the main players discussing the big issues and other regular one to one meetings. The two weren't mutually exclusive and what mattered was a willingness for there to be a genuine discussion. These types of meetings were felt to be useful not only in themselves but also to develop relationships which are needed when working together.

An example given of a successful joint venture was a bid an association made outside of London. The Council were clear from the outset about who the stakeholders were and the political consequences – this made not only the bid better but also helped to ensure the programme was much easier to deliver. They also stressed the large degree of trust they were given.

“We want to build trust on shared values and long term vision”

Partnerships beyond the housing world

One interviewee also mentioned that often partnership working gets stuck in the housing world. There was too little understanding of the role housing plays in job creation and the positive impact good quality housing has on health outcomes. There was potential to work together on a wider range of social and civic issues, but the Council needed to appreciate more the commercial side of associations.

“We could combine assets with Southwark and make much more of the HRA regime”

