



LONDON'S SMALL HOUSING ASSOCIATIONS

Flexible and focused:
the specialists at the
heart of neighbourhoods

Summary findings from research
into the role and value of smaller
housing associations in London

RESEARCH FOR g320 LED BY HELEN COPE CONSULTING



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1. Foreword and key messages

This independent research was commissioned by g320, the representative body for smaller housing associations in London, to evaluate the role and contribution of smaller housing associations in London and to consider our potential.

This report is not about 'big' versus 'small' associations, as research demonstrates that both have a positive future. What matters is how well local communities are served and, for smaller associations, how we can offer added value.

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

Our research included a survey of our stakeholders to find out what they think of our work (warts and all) and how we can maximise the impact of our 'offer' to London.

The smaller housing association sector is very diverse – even more so than the housing association sector generally – so our voice has not been heard as clearly as that of others. We want this research to change that.

This document, based on a detailed analysis, sets out the key findings and gives examples of the broad range of activity undertaken by smaller associations in London. We think it offers some interesting and perhaps unexpected results.

Smaller housing associations have an important part to play in partnership with others in promoting good housing in the capital. We look forward to working with you to make this a reality.

ELIZABETH CLARSON

Chair, g320

Chief Executive, Housing for Women

Key messages

We manage 10% of London's social housing stock, but rehouse 25% of those with support needs.

We are seen by our stakeholders as having an important future as niche providers, particularly in supported housing and local delivery.

Our closeness to our tenants pays dividends in terms of satisfaction. Sector-wide data consistently shows that housing management performance by smaller associations is on a par with others, but tenant satisfaction is higher.

Smaller associations are committed to developing new homes, despite the difficult current climate, and we are willing to look flexibly at ways of using our development capacity.

We have an appetite for partnership working. Adopting new approaches and ways of working doesn't require complex structures and plays to our strengths of being agile and flexible.

We don't underestimate current challenges, particularly welfare reforms and the economy generally, but are positive about the future.



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Key findings

In 2010/11, smaller housing associations in London housed 3,750 households with support needs – more than one in four of all vulnerable people housed by London's housing associations.

In 2010/11 London's smaller housing –associations also housed almost 900 households in general needs social homes.

55% of general needs households housed in 2010/11 were nominated by local authorities and 28% 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 little difference between larger and smaller associations, with the exception of tenant satisfaction. It is significantly higher among tenants of smaller associations

2. London's smaller housing associations

The term 'smaller' in this report refers to registered providers, thereafter termed housing associations, operating in London and with up to 1,000 homes in ownership or management.

It is interesting to note that the average number of homes owned nationwide by housing associations is just 930. So although smaller housing associations are viewed as niche and have a lower profile nationally than their larger counterparts, they are in fact typical of this diverse sector.

London's 368 housing associations own and manage over 430,000 properties - providing a home to one in 10 Londoners. Older persons and

supported housing account for around 59,000 homes. London's smaller housing associations own 39,745 homes, or about 9% of the housing association stock.

Smaller housing associations are contributing to meeting London's housing needs. Much of their work concentrates on niche provision, especially providing housing with care and support.

Specialist homes represent about half of smaller housing associations' stock as opposed to just 15% in associations with more than 2,500 homes. The health of the smaller housing association sub-sector is therefore particularly important to London's vulnerable households.

General needs lettings in London by smaller HAs¹

Chart 2.1 illustrates the household composition of lettings to general needs homes. Despite most of their stock being smaller homes, 45% were let to households with children.

Single adults made up 42% of the people housed. 28% were considered homeless (29% for all housing associations). 15% were statutorily homeless 'with a main duty to assist' (22% for all housing associations in London).

Chart 2.2 highlights the proportion of households housed that depend on benefits. Of them, 47% were

wholly dependent on pensions and/or state benefits. A further 17% derive part of their income from pensions and state benefits.

55% of new residents were nominated by local authorities and 24% were housed through internal transfers. This compares with 70% and 20% respectively for all housing associations in London.

Stock differences could account for this variation – smaller housing associations have a greater proportion of one bedroom homes and supported stock.

Providing homes with care and support²

In 2010/11 smaller associations housed 3,750 people with support needs – 26% of the 14,360 housed by London housing associations.

Of them, 21% were statutorily homeless (and owed a main duty) compared with 18% for all London associations. 18% were statutorily homeless (but not owed a main duty) compared with 9% for all London associations. 20% were 'other' homeless (the housing association considered them

homeless) compared with 33% for all London housing associations.

The largest groups assisted were young people at risk (41%) and single homeless people with support needs (36%) as illustrated in chart 2.3. Older people with support needs accounted for 9% of lettings. Local authority, housing or social services departments referred 55% and 24% were referred by voluntary agencies.

Housing management performance

The research compared the performance of London's small housing associations with all housing associations nationally and in London³.

It found some variations and, while some performance is 'good' and in some cases better than that of larger associations, as noted at the outset this report is more concerned with value added than whether or not they out-perform larger associations.

In 2012, research by the Chartered Institute of Housing (CIH) emphasised this when it concluded that, 'there is little evidence that size, better quality services and lower costs are related, with significant variations in cost between associations 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 noted that, 'scale alone does not automatically provide efficiency - data analysis provided no statistical evidence of economies of scale achieved through size. What matters is value. All housing associations need to make clear decisions about how they get best value for money when pursuing organisational values and priorities'.

The CIH emphasised that the focus should not principally be cost savings and financial improvement, or driven purely by a regulatory standard, but integrated into an association's culture as a matter of course.⁴

Does Size Matter also noted that TSA analysis of overall housing costs shows four measured factors explain over 50% of cost variations: deprivation, regional wages, decent homes and supported housing. Two of these lie outside the control of housing associations.⁵

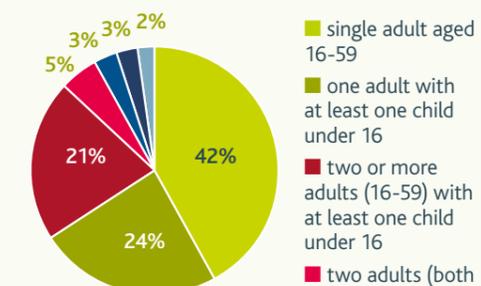


CHART 2.1
HOUSEHOLD
COMPOSITION

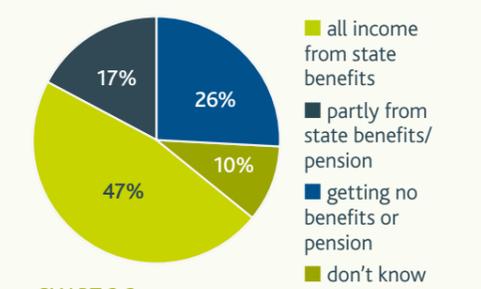


CHART 2.2
HOUSEHOLD HEAD'S
INCOME SOURCE

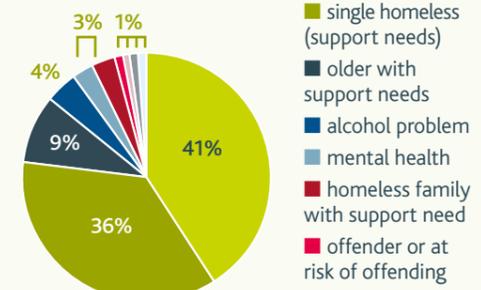


CHART 2.3
SUPPORTED HOUSING
BY TYPE OF NEED

1, 2 Many thanks to George Marshall, research systems officer at the National Housing Federation, for providing the data for these sections

3 Many thanks to Skills & Projects and Housemark who provided the housing management performance data referred to in this section.

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

5 Ibid



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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

Tenant satisfaction⁶

Analysing the data provided by all housing associations in London by size shows similar outcomes for performance and cost, but a striking variation in tenant satisfaction.

Average 'headline' satisfaction with services for all London housing associations is just under 73%, but rises to 79% for smaller associations.

Overall 65% of tenants also agreed that they were satisfied that their views were taken into account, but this rose to 72% for smaller associations.

Published data also shows that, nationally, smaller housing associations performed better than larger housing associations on tenant satisfaction.

Tenant satisfaction is one of the most important indicators of a landlord's management quality. It is important to regulators and boards and is evidence that services meet residents' needs and that tenants are listened to.

High satisfaction rates may also reduce turnover so improve the stability of a community even where housing choices are limited. The high rates for London's smaller associations are just one indication of the value they add and show that they can provide high quality homes and services despite often limited resources.

⁶ Many thanks to Skills & Projects and Housemark who provided the tenant satisfaction data used for this section.

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 and sustain their tenancies.

The YMCA offers social work placements for Anglia Ruskin University students which has enabled 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*

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

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 the 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 provide 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

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 support from 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.'



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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 continue to launch 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 trust and commissioners around £2 million 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.

3: Challenges and strengths

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

Unlocking value for stakeholders

Smaller housing associations were asked which of their activities they believed to be of greatest value for their stakeholders.

Smaller associations recognised the value of their local knowledge and supported housing expertise to local authorities especially. Their input helps local authorities to discharge their statutory duties to single homeless people and older people, and meet specific needs.

They also work with younger vulnerable people (aged 18 to 35), helping them to learn how to live independently and providing move on accommodation.

Having a local base is perceived as a further strength. Many smaller associations are locally accessible, able to offer a bespoke response to local needs and they may be willing to work on minor issues that are more difficult for bigger landlords to engage with.

Housing management is seen as a strength, borne out by indicators in the previous section. Positive factors listed by one respondent were: good housing management, good maintenance, and being physically and therefore responsive to tenants.

Some associations said they provide homes in areas of London becoming increasingly inaccessible to others, such as the West End. Smaller associations tend to build new homes close to their offices so they can manage them with small teams.

The associations also 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 home. Smaller associations were seen as best placed to access charity funds and volunteer support.

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

Challenges and strengths

Respondents were asked to rate as challenges or strengths the factors illustrated in **chart 3.1**. Housing management, local knowledge, knowing customers' needs, governance, financial viability and meeting customers' needs were considered the top five strengths.

The top challenges were developing more homes, and funding for both development and supported housing. This is to some extent offset by the smaller associations' financial viability.

Looking to the future

Smaller associations were mainly confident about the future, with 59% confident or content but 41% concerned. Confidence was closely linked to performing well and being financially sound.

Many are taking positive action to overcome the challenges of development funding in particular. Several are planning long term strategies to use their financial capacity.

Others are raising private finance at competitive rates and exploring alternative funding streams for affordable homes, including their own reserves.

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New development is an issue because opportunities have been scarce in recent years, although it is likely that most smaller associations have low gearing (loans to assets).

As the Chartered Institute of Housing notes, 'the pressure to unlock capacity may increase focus on how non-developing associations are using their surpluses – doing nothing may no longer be an option. New arrangements may emerge with associations trading surplus capacity for managing the properties or some functions of developing associations'.⁷

They are monitoring services for evidence of value for money, some through benchmarking groups like the bm320, SOLFED and Solomon.

Many are exploring ways to generate income by providing services to others or exploring new partnerships with larger associations and each other through procurement clubs, development consortia and the potential of shared services arising from changes to the VAT regime.



CHART 3.1
KEY CHALLENGES
AND STRENGTHS

■ challenge
■ strength
■ neutral

⁷ Op. Cit 8



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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 it set up a **wholly owned limited company** – Ducane Commercial Services Ltd – to trade as the charitable organisation's commercial arm.

DCS Ltd quickly won contracts to manage student housing owned by 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 4.1
PERCEPTIONS OF
SMALLER HOUSING
ASSOCIATIONS

4. Stakeholder views

External respondents to the survey were also asked what smaller housing associations offered that was of greatest value for their stakeholders.

This group included local authorities, larger housing associations, voluntary sector agencies, the Greater London Authority and some MPs. On the whole their views matched those of the associations.

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.

The plurality of smaller housing associations is recognised as a positive attribute. The g320 will continue its work in progress to help raise the bar for all smaller housing associations.

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

Being a care and support contractor got the second highest rating in this category, followed by being a supplier of services to smaller housing associations.

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.

Leadership, organisational ability and communications were less positively rated than other attributes (chart 4.1, left).

There are a number of possible reasons for this disappointing perception. One is that it could be shaped by experience of only one or two associations. Smaller associations are very diverse and this can lead to difficulties, with others generalising about the sub-sector.

Stakeholders recognised that owing to capacity and approach the smallest of the small may be driving down the perception of the group as a whole.

The least valuable relationship was procurement services, which stakeholders felt added either a little or not much value at all.

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

- a 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 due to a good understanding of local needs, with tenants more likely to know who makes the decisions and able to influence those decisions.

One agency noted that smaller associations 'know their stock' and 'what really needs to be done' and had a clear understanding of 'how planned or reactive repairs and

Services, organisation and outcomes

Stakeholders ranked local knowledge as the highest aspect of service delivery (81.3% rated it as good or excellent - chart 4.2, page 12). The ability to meet customers' needs also scored very positively (66.7% said good or excellent).

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

development will affect tenants, their homes and the community'.

The larger housing association respondents echoed these feelings. In addition they valued smaller housing associations':

- input on development schemes, helping with particular groups or in meeting local authority objectives
- ability to make quick, clear decisions and very short decision-making chains that aid creativity.

Local authorities valued the fact that most remain true to their charitable roots, with some adding that drive and enthusiasm to succeed could lead to more innovative approaches to housing issues. This view was not always shared.

Responsiveness to local issues was also valued, with one respondent noting the good ones were locally focused and had not lost connection with their roots and ethos.

Financial viability was good according to 53% of stakeholders, as noted earlier. Less positive ('needs improvement' or 'poor') responses related to providing value for money, procurement and developing more homes.

These aspects of service delivery are often out of the control of small housing associations, however. Limited buying power and the austerity programme, restricted availability of land and funding restrictions are impacting on all these activities.

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.

Leadership and organisational ability were less positively rated than the associations' other attributes.



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CHART 4.2
RATING SERVICE
DELIVERY AND
ORGANISATIONAL
FEATURES

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

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, and only 2% disagreeing. This part of the survey asked respondents to

Focus 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 not 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**
- Maintain the focus on what they do best - **agency**
- Be distinctive and provide something complementary to the mainstream organisations. The world is changing rapidly and organisations need to be able to adapt fast - **housing association**

Local and community knowledge

- Continue representing the smallest and most vulnerable communities - **housing association**
- Provide services that are focused on a particular community that is close to the organisation's management base - **housing association**
- Engage more effectively with local authorities on delivering against the priorities identified in the sustainable communities strategies. Ensure council officers and ward

comment on priorities and approaches that they felt would benefit smaller housing associations. Some views, reported verbatim, are contradictory and one or two may not be palatable to everyone.

- Do what they do well - but that's nothing to do with their size - **housing association**
- Have a clear sense of purpose and raison d'être. For small HAs this is likely to centre around niche services/client groups. Small HAs that 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 small HAs should do the added value projects that the large associations are reluctant to do - **local authority**
- Find a niche that only they can fill
- Retain their 'small' focus, avoid mergers and involve more tenants in the 'smalls' value - **agency**

councillors are aware of the value they are adding at a neighbourhood level through the landlord and neighbourhood services - **local authority**

- Remain locally focused rather than try to provide services for specific groups of people - **local authority**
- Profile what they do at the local level. Be champions of consumers, developing and profiling their innovation on community development - **agency**

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Management and customer service

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

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 for shared services or joint procurement. Use reserves to create more homes. Improve existing homes but not to the extent that they put the organisation at risk - **housing association**
- More collaborative working where appropriate *ie* when requiring a development partner, to 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 work with other partner organisations to achieve better value for money and greater financial and political clout, but without surrendering their independence - **agency**
- Work with small and large housing associations to promote the excellent work we do - let's end the divisive and pointless 'large versus small' debate and celebrate our collective successes - **housing association**

Development and growth

- Complex schemes on small local sites with high levels of community involvement - **housing association**
- 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**
- Use asset strength to make a modest contribution to new homes - **agency**
- More joint development with larger partners and making use of their specialist client skills - **local authority**
- Concentrate on delivering small schemes, at social rather than affordable rent - **local authority**
- Acquiring standing stock from developing associations - **agency**

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

survey respondent

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

survey respondent

'Because of very short decision-making chains, the route from a great idea to a decision to implementation can be a very short one and, where this is the case, it produces really creative organisations.'

larger housing association



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Key findings⁸

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

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

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

.....
15% of respondents had recently developed without grant.

5. Development potential

Attitudes to new development

As noted earlier, the financial viability of smaller housing associations is recognised as a strength. 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 as the Affordable Rent programme nears completion in 2015⁹. Non-developing housing associations may have a harder time if asked to argue their case.

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

Some smaller associations have ongoing discussions with lenders, valuers, other providers, the National Housing Federation and the regulator over how smaller and medium-sized providers might best make use of their assets.

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, in the near future, planning to develop homes with a larger provider or to develop in their own right.

Just 12% felt that this was not a realistic proposition. Furthermore, of those intending to develop, 78% were confident that they could do so by 2015, with 45% very confident this would be achieved.

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

Barriers to new development

Reported barriers to new development included a lack of access to grant from the Greater London Authority. This was closely followed by lack of land and borrowing facilities.

Needing to outsource development was seen as a limiting factor by 15%, as was the competitive nature of development, with smaller providers outbid by larger associations or the private sector. Also reported was limited borrowing capacity, as

measured by covenants (mainly interest cover). Rates are currently moderate but some associations reported high loan rates and unhelpful lenders.

A lack of dedicated staff with time and capacity to pursue opportunities was an issue for some, and some specialist associations had a business model that relied on their developing registered care homes, which are not eligible for GLA funding.

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** 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.

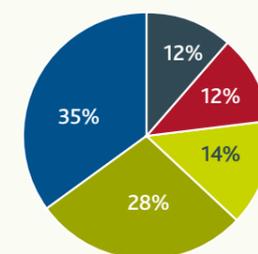


CHART 5.1
ATTITUDES TO
DEVELOPMENT

- it has not featured in recent business planning
- a nice idea but not realistic
- planning to build new homes with a larger developing HA in the near future
- are already developing new homes on our own
- plan to shortly be able to develop new homes

⁸ Credits and thanks to Mike Wilkins, chief executive of Ducane HA, who designed and developed the survey for this section

⁹ *Hard Times, New Choices: a new deal for housing associations* (Price Waterhouse Coopers/L&Q 2010)



Flexible and focused: the specialists at the *heart* of neighbourhoods

Flexible and focused: the specialists at the *heart* of neighbourhoods



6. Policy considerations

Considerations for smaller housing associations

Adding value

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

- Each needs to consider the advantages of being small. 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, for example publicising the high levels of tenant satisfaction reported.
- There needs to be more emphasis on leadership and 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 from their investment. Smaller

Development and growth

The study has found that smaller associations are finding ways to fund the development of affordable homes by using alternative funding streams (including their cash reserves) and monitor how this provides value for money.

Some are exploring ways to generate extra income by providing services externally and others are looking for

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

- What seems to be valued is the qualitative aspects of smaller associations' work. They need to offer continual evidence of this by measuring their social impact.

Many smaller housing associations offer specialisms, for example they will be a black or minority ethnic (BME) association, provide supported housing or meet a specific need.

- Each association needs better insight into its qualitative differences, with a focus on its unique selling point and how it can share that with others.
- Smaller housing associations must show that they are focused on solutions and offer clear evidence that they add value.

ways to forge new partnerships with larger associations or through procurement clubs.

Smaller housing associations need to consider carefully their comparative advantages and options for future growth. They are clear that they want to do more development but face barriers with funding and land availability.

This report shows that they have the capacity to do more but the changed housing investment regime is affecting all housing associations and it is not just the smaller ones finding that development may no longer be an option.

Partnerships with larger associations is one way forward but, to develop, smaller associations need to be more innovative and creative and to better collaborate with each other.

Several smaller associations feel there are potential ways to raise funds, for example by forming a consortium. The g320 could help drive this approach.

Many smaller associations have assets unencumbered by loans.

- Could these associations trade access to their assets with access to the borrowing capacity of larger associations?
- Could these associations jointly create a vehicle for raising funding through a club bond issue?
- Could they trade their assets for other useful services from larger associations?

An actively developing association could, for example, support a smaller association's cash flow or act as a guarantor for some riskier activities in return for access to the borrowing capacity of a smaller association.

These are radical ideas introduced to illustrate the sort of creative thinking that could work particularly well where several smaller associations work in the same borough.

As noted by the CIH, the growing pressure to unlock capacity in the sector may lead to increased focus on how non-developing associations use their surpluses.

*'Doing nothing may no longer be an option. New arrangements may emerge where associations trade their surplus capacity for managing the properties or functions of developing associations.'*¹⁰

Asset management and energy efficiency are a case in point. So for example, rather than just ask for new homes, a smaller association could offer its assets as security for funding for an association with a large development programme. In return it could benefit from the resources and expertise of the larger association's energy efficiency programme.

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

- This, along with collaborative approaches to procurement (which can be less demanding on time and resources than establishing back office shared services), offer real advantages, among them VAT exemption, so should be further explored.
- Smaller associations could plug into some of the many procurement arrangements already set up rather than establish them from scratch by becoming satellite members of a larger procurement group.

One respondent noted an evident appetite for and opportunities
'for us to develop extra care housing [locally] without need for grant and/or in partnership with other smaller housing providers to pool resources, including available funds'.

One respondent noted:
'Procurement doesn't need 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. The g320 is exploring this now.'



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Tackling worklessness

Examples are given in this report of how smaller associations are adding value through community investment and tackling employment and skills needs.

In the face of welfare reform and benefit changes facing thousands of residents, these approaches are now recognised sector-wide as vital. There is more to be done.

Rather than reinvent the wheel, smaller housing associations could link up more regularly with the work and training programmes of larger housing associations in London.

Conversely, larger associations could enable smaller ones to combine their efforts, providing services to residents at a local level.

Housing and homelessness

Smaller housing associations are particularly valued for the work they do with single homeless people and the supported housing they provide.

There are, however, two areas where smaller housing associations could do more. They may wish to consider

how they could help a greater number of statutorily homeless households with general needs.

They might also want to think of ways to raise their performance on nominations to their general needs homes by local authorities.

Considerations for stakeholders

Development and growth

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

The regulator should consider establishing a framework that requires this type of co-operation if larger housing associations fail to engage voluntarily.

A framework that makes available a proportion of opportunities for grant and public sector sites for smaller associations would be helpful, provided any partner agencies 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 and promote BME associations so a similar approach could support smaller housing associations more generally.

More could be done to support stock transfers from large non-local housing providers to smaller local providers, by ensuring that the process does not exclude smaller providers by stipulating a minimum lot size.

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Larger associations could consider playing to the perceived and actual strengths of smaller housing associations, subcontracting housing services to their outlying sites or estates, and buying in services that deliver better tenant satisfaction.

To assist with the testing issue of cash flow, at least 50% of grant could be paid up front to smaller associations when works start on site, where grant is available.

More generally there may be some sector advantage to providing targeted advice on the main development heads: valuation,

Supported housing

Larger and smaller housing associations could do more work together when reviewing their supported housing portfolios, to consolidate and rationalise services. This would help local authorities commissioning services 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.

property charging, funding, procurement and delivery etc, which could help smaller associations to deliver new homes through this 'latent' development capacity.

Some larger associations have unallocated funds for local initiatives that meet niche housing/support needs and it might be possible to transfer both the funds and risk to smaller local associations.

The empty homes programmes could also offer opportunities to hand the management of these to smaller associations.

This would give more certainty, enabling enhanced services to be developed and more investment in services, and would cut down the time currently spent reviewing contracts for both the associations and the commissioners.

Conversely, where homes are being decommissioned, associations should actively consider alternative uses for these homes, including accommodation for people needing less support such as single homeless people.

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Janet Headley, Housing for Women
Claire Winstanley (until June 2012), John Delahunty (from June 2012), Innisfree HA
John Castelberg, Kingston Churches HA
Nick Wood, Crown HA

‘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