

The feasibility of 'Residents' Democracy'

Research by Aldbourne Associates into the transfer of the Danish system of Tenants' Democracy to a housing association and a local authority in the UK concludes that it can lead to a real role for tenants, giving them a greater influence (rather than major responsibility) on how resources are spent. However, it also requires traditional ways of housing management to be turned upside down. Key lessons from the first two years of the pilot schemes are:

- f** **Implementing the scheme successfully requires a change of emphasis from 'top-down' to 'bottom-up' management. This in turn requires a strong commitment from senior management and may entail a major rethink of the managing organisation's culture. Central staff must be prepared to respond to the local manager in much more of a supportive role than is usual in a traditional management hierarchy.**
- f** **Initial staff reaction in the pilot schemes was very positive, with staff experiencing improved understanding and communication with residents.**
- f** **The involvement of residents in one pilot scheme increased as it progressed. Interest was lower in the second scheme where it was generally felt that staff led the initiative with residents taking a more reactive role.**
- f** **The scheme has a better chance of success where an identifiable local community already exists. The pilot scheme in a rural location found it more difficult to get established.**
- f** **Good preparation and early consultation is critical. This includes investment in training for both staff and residents and in IT systems capable of producing information at an estate level.**
- f** **Residents' democracy works best for organisations with sound management practices and with reasonably well-maintained properties.**
- f** **The system is vulnerable if too few properties are included; for example, one long-term void requiring major works can swallow up a major part of the discretionary repairs and cleaning budget, severely constraining residents' ability to manage this element.**

Background

For more than 20 years housing associations in Denmark have worked within a management framework called tenants' democracy. For the last two years, one Danish housing association, AKB, has worked with Aldbourne Associates and with two pilot schemes, Wherry Housing Association and Sutton London Borough Council, to introduce the concept into their organisations as 'residents' democracy'. The key features of the management model used were:

- **An estate budget** - agreed with a Residents' Board and resulting from tenants setting part of the rent for the estate.
- **A local manager** - employed by the landlord but with real authority to make decisions regarding the estate.
- **A revised management relationship** - between local and central staff, where local staff act as customers with central staff as providers of support services.
- **A Residents' Board** - meeting regularly with the local manager, with an AGM to agree priorities and the budget with residents.
- **Input by residents** - over local issues such as repairs and maintenance; other functions, such as allocations, are kept outside residents' control to ensure fairness in interpreting policy.

Implications for the landlord

The Estate Budget - The Danish System

Each of the AKB estates operates as an autonomous business unit. An 'estate' can be anything from 10-20 properties up to about 1,000 homes. The association must balance its books for the fixed budget and each estate must balance its own for the discretionary elements. The difference in the ratio between fixed and discretionary costs varies from one estate to another depending on the age and loan profile of the stock.

Figure 1: The estate budget

Fixed costs	Discretionary costs
loan repayments	cleaning
council tax on land	day-to-day repairs
electricity/water	landscape maintenance
insurance	planned maintenance
central admin fees	tenants' facilities/activities
contribution to rent pool	

This results in different rents for different estates - the Danish personal rent subsidy system ensures that those on low incomes can still afford to live on a high rent estate.

Applying a local budget to the UK pilots

In Sutton, the local budget was established using two methods of calculation. Services directly attributable to the estate, for example, caretaking and cleaning were set using the actual costs. Other budget heads were calculated by a formula, apportioning costs according to the size of the estate in comparison to the rest of the stock.

Appropriate management and IT systems were found to be crucial. Because it was difficult with the existing systems to provide accurate information in an estate format, residents on the Board did not receive monthly financial information until the end of 1993. This made it hard for them to make meaningful financial decisions during the first year. However, a more robust system came into operation during the financial year 1994/5.

Wherry Housing Association (a voluntary transfer housing association) had some advantages when it came to establishing estate budgets for their two Residents' Democracy schemes. The work put in for the stock transfer meant some sophisticated and user-friendly financial systems were already in place. This made it easier for the Residents' Board to monitor the budget. Nonetheless, Wherry did still experience some difficulties in getting the apportionment right on certain budget heads, due in part to the lack of historic cost information. The Wherry pilot also demonstrated the vulnerability of the initiative if too few properties are included, as a long-term void requiring major works can swallow up the major part of that budget.

Staffing implications

In Denmark, the local manager of the association is a key player. Although employed by the housing association, the manager in effect works to one or more estate boards made up of local tenants. Senior management and committee members operate in much the same way as their English counterparts - developing overall company strategy. The extent to which management responsibility is devolved varies from one housing association to another - in AKB's case the local managers have responsibility for managing each estate as a stand-alone business unit with its own budget, in close co-operation with the estate board of local tenants.

Responsibility for the implementation of a number of key policy areas is retained by the landlord to ensure objectivity. Allocations, rent arrears and the employment of staff remain the landlord's responsibility.

One of the major considerations for the two pilot schemes was the implications of turning the structure 'upside down': the whole organisation has to change to operate as a support system for the local manager. In effect he or she becomes the customer of the central and support services and has delegated responsibility to make decisions for each estate. This can be a difficult concept to accept. Although not fully implemented in the two pilots, staff reaction to the principle was very positive and both sets of staff found the experience beneficial in terms of improved understanding and communication with residents. Both pilots are continuing to make progress along the devolved management route.

Implications for tenants and leaseholders

The Residents' Board

In Denmark, tenants have the legal right to information about the services provided for them on their estates. They also have the right to attend an estate Annual General Meeting or to elect a majority to the association's main board. This meeting provides the framework for elections to the estate's Residents' Board. The Board then meets regularly with the local housing manager to review and monitor service standards and the budget. The Board also recommends the budget for the forthcoming year at the AGM, including the rent level for the estate, which residents can then vote to accept or reject. The role for tenants can begin and end at this point. However, the Danish association AKB encourages residents to take as active a role as possible in developing a wide range of community-based activities.

The role of the Boards in the UK pilots

After preliminary work by a steering group of officers and a residents' working party in Sutton, a Residents' Board was set up following a vote by residents on the estate in favour of establishing the Residents' Democracy initiative. The poll recorded 71% in favour on a 53% turnout.

Seven nominees were put forward for the Boards which met twice a month - once with the local Manager and a fortnight later on their own. Board attendance was good but because the full 14 places had not been filled the rules were amended to allow any resident over the age of 18 and registered on the electoral register to be nominated onto the

Board. A second estate ballot in March 1994, recorded an increased turnout of 66%, with 91% voting in favour of continuing the initiative.

Wherry Housing Association got its Board off the ground by establishing a steering group of officers, consultants and representatives from an established residents' association. A residents' working party was set up and elections to the Boards for the two estates followed. Regular monthly meetings of the Boards have occurred since their establishment in March 1993.

Turnout at the AGMs of the two Boards in March 1994 was disappointing. It is generally felt that the initiative in Wherry has been officer-led with residents taking a reactive rather than proactive role. There may be several reasons for this - primarily because the two 'estates' are in a rural area making communication difficult - or it may be that the standard of service and the state of repair of the properties are above average because of the stock transfer.

Determining the local service

One of the key elements of Residents' Democracy is that local people can have a say in determining the level of service delivered on their estate. The determination of the budget at estate level means that the Board and the residents have an influence over the discretionary budget heads and thus influence over the level of rent. Tenants become actively involved in setting service specifications over and above the minimum set by the landlord.

In Sutton, residents were able to vote for a nil rent increase for 1994/5, although residents felt they had little influence over the development of the budget because of the committee cycle and budget deadlines. Opportunity for greater influence is expected to increase in future years. Board members did feel however that they were able to influence local service standards - landscape maintenance, cleaning and caretaking being three areas where standards have improved.

Wherry residents, on the other hand, have had a direct input into re-negotiating certain service contracts - grounds maintenance, for example - although their input into rent-setting is at present limited by the terms of the stock transfer.

Lessons from the pilot schemes

While it is premature to pass a final judgement on the pilots, both have shown that the model can be adapted to work in very different local circumstances and within British legal and financial frameworks. Moreover, Sutton have now extended the scheme to another estate and Wherry have plans to do likewise.

The key lessons can be summarised as follows:

- Good preparation and early consultation are critical. A commitment of resources is required both in terms of staff and support services such as IT. One estimate suggests the equivalent of half a full-time post would be needed during the development stage. There is general agreement that the pay-off from increased satisfaction and improved staff/tenant relations is worth the investment.
- Assessment and implementation of training for local staff and for the Board members is required early on in the process.
- The scheme has a better chance of success where an identifiable local community exists. It is more difficult to establish a local Board in a rural location.
- A strong management and IT system, capable of producing information at an estate level, is required.
- Residents' Democracy works best for organisations with a high standard of service and well-maintained properties.
- The system can fit well within the requirements of compulsory competitive tendering for local authorities.
- A major rethink of the organisations' culture may be necessary if the requisite change of emphasis to 'bottom up' management is to be implemented successfully. This will mean a strong commitment from senior management.

Finally, it is important to recognise that the local manager will need to have sufficient authority to respond to the requirements of the Board.

About the study

A team from Aldbourne Associates and AKB worked jointly with staff and residents in both pilot organisations. The programme involved developing model documents, formal training sessions and informal skills transfer.

Further information

For further advice or information, contact Kate Knight at Aldbourne Associates, Ulmus, Ogbourne Road, Aldbourne, Wiltshire, SN8 2LD. Tel: (01672) 515005. Copies of the full report, *Can Housing Managers Learn to Dance?* at £7.50 per copy (inc. p&p), and copies of a free leaflet for tenants are also available from that address.

Related Findings

The following *Housing Research Findings* look at related issues:

- 46** Tenant participation in Wales (Sept 91)
- 96** First-stage training for tenant participation (Sept 93)
- 97** Estate regeneration at Meadowell (Oct 93)
- 100** Urban regeneration: UK and German problems and approaches (Dec 93)
- 105** Community involvement in City Challenge (Jan 94)
- 106** The purchase and management of leasehold flats by residents (Jan 94)
- 107** Multi-agency working on difficult-to-manage estates (Feb 94)
- 124** The management of leasehold flats by residents (Sept 94)
- 131** Tenant involvement in estate regeneration (Nov 94)

For further details on these and other *Findings* contact Sally Corrie on 0904 654328 (direct line for publication queries only).



Published by the
Joseph Rowntree Foundation
The Homestead, 40 Water End
York YO3 6LP
Tel: 0904 629241 Fax: 0904 620072
ISSN 0958-3084

The Joseph Rowntree Foundation is an independent, non-political body which funds programmes of research and innovative development in the fields of housing, social care and social policy. It supports projects of potential value to policy-makers, decision-takers and practitioners. It publishes the findings rapidly and widely so that they can inform current debate and practice.