

## Local authorities' influence on the social housing sector

The social housing sector is facing a period of rapid change, with the Government calling for local authorities to develop the strategic housing role by separating this from the landlord function. This study by HACAS Chapman Hendy examined the ways in which local authorities influence the operation and shape of the social housing sector. The study found:

- f** Local authorities are being asked to: develop a more interventionist stance as strategic authorities; protect the rights of consumers; provide community leadership; develop more robust approaches to evaluating and addressing housing need and demand; and intervene in housing markets. Such approaches have a number of implications which need addressing, including how to meet the costs of the new role and how smaller authorities might deliver the role following the transfer of their stock to other landlords.
- f** The new demands of the strategic role have wide-ranging implications for the relationship between local authorities and Registered Social Landlords (RSLs), arising in particular from the expectation that authorities will intervene to influence the capacity and operation of the RSL sector.
- f** The social housing sector is facing a period of rapid change and there have been calls for the 'rationalisation' of the sector. However, there are many unanswered questions about what rationalisation might mean and what the role of local authorities might be in defining the need for and facilitating change.
- f** It is questionable whether local authorities will be able to carry out the strategic housing role as it is now defined without fully understanding the profile of the social housing sector. Local authorities currently seek to influence the operation of the social housing sector in a range of ways, reflecting local priorities, but could do more to evaluate the capacity of the sector to meet strategic objectives.
- f** The researchers conclude that, whilst local authorities need to expand their monitoring role in relation to RSL performance, it is important to avoid increasing the burden of regulation for RSLs and to retain the diversity and independence of the RSL sector.

## The policy context

There has been an increasing focus on the need for community leadership from local authorities and on the need to involve a wide range of local stakeholders in identifying housing needs and planning responses. There has also been a growing emphasis on ensuring that housing strategy reflects wider strategies to promote community sustainability. As a result, local authorities are being expected to influence the activities of Registered Social Landlords (RSLs) in ways that extend beyond traditional forms of interaction.

Local authorities are also being encouraged to develop new approaches to assessing housing need, within the contexts of local housing markets – private and social – and of community sustainability.

There is an assumption that separating local authorities' strategic and provider roles will help to strengthen both. The Government has said it will consider allowing local authorities a greater role in allocating social housing grant and monitoring RSLs where local authorities no longer provide housing. This policy has already been adopted in Scotland.

Questions have been asked about the extent to which local authorities are embracing new definitions of the strategic housing role. Indeed, research into large-scale voluntary transfer (LSVT) authorities suggests that, despite achieving a full split between the strategic and provider functions, many local authorities have not developed the strategic housing role in the way the Government is recommending.

## The changing shape of the social housing sector

Current stock transfer programmes, combined with the impact of Right to Buy and trends in new provision, suggest that by 2005 RSLs could own more homes than local authorities. In addition, RSLs are expected to tackle a much wider range of tasks than in the past. RSLs are also under pressure to increase the quality of their homes and services but at the same time to reduce costs, principally in order to keep rents affordable. The Government's new rent restructuring regime will increase these pressures, as general rent rises are capped and rent levels in some areas reduced.

An increasingly common way of addressing these issues is through the development of a group structure. Virtually all restructuring activity has been initiated by RSLs themselves; even the Housing Corporation has traditionally been reluctant to

broker RSL mergers, other than in rescue cases.

There are concerns that the sheer number of RSLs serving some communities, and the spread of their stock, does not make sense in terms of efficient management or meeting local needs, and there have been calls for the 'rationalisation' of RSL stock. However, there has been little public debate about what 'rationalisation' might mean in practice. There are many unanswered questions, particularly in relation to the role of local authorities in defining the need for and facilitating change.

## The strategic housing role

The strategic housing role is not well-defined in law. There have been calls to provide a statutory basis for the role, making it a requirement for local authorities to:

- produce regular assessments of the housing market, taking account of housing needs and supply across all tenures;
- prepare, implement and monitor a local housing strategy for their areas, taking account of specific issues;
- intervene in the housing market, including duties to promote choice for consumers, good standards of management in rented housing and the best use of the existing stock;
- consult with neighbouring authorities when assessing housing markets and consider the role that external agencies can play in implementing strategy;
- publish in their local housing strategies their funding priorities, including those for local authority social housing grant, house renovation grants, and other assistance to private sector residents.

The study examined how the case study authorities deliver the strategic housing role. Both the London Borough of Brent and Manchester City Council have strongly embraced the strategic and enabling role, although the reasons for doing so reflect local economic differences:

- Manchester's approach is driven by the need to understand and manage local housing markets. It is geared to developing a cross-tenure corporate strategy, focused on the needs of local markets and the intervention required at local neighbourhood level.
- Measures to intervene in and influence the private

sector are a high priority in Brent's housing strategy. This is principally due to the high level of housing need in the Borough, in particular the high incidence of homelessness.

- To date the Welland Partnership has had a strong focus on the provider role. However, the Partnership authorities intend to develop a sub-regional approach to strategy, including a study of local housing markets and the development of a partnership approach to providing new affordable housing.

The analysis highlighted a need to address the resource implications of expanding the strategic role. It found that some authorities, in particular smaller authorities, would not be well-placed to maintain a statutory strategic role in isolation from the landlord role. If a statutory basis for the strategic role is to be introduced, there will need to be sufficient flexibility to allow the function to be delivered in partnership with other authorities or to enable authorities to delegate responsibility for some aspects.

### The relationship between local authorities and RSLs

The new demands of the strategic housing role - in particular the expectation that authorities will influence the capacity and operation of the sector - have wide-ranging implications for the relationship between local authorities and RSLs. As the Housing Corporation is responsible for ensuring that RSLs achieve appropriate performance standards and consult and involve their residents, this implies that a re-appraisal of the respective roles of and the relationship between local authorities and the Housing Corporation will also be needed.

The research looked at how the case study authorities currently seek to influence the social housing sector. Approaches include:

- Attaching conditions to grant allocations (in Manchester and Brent this will now be handled through a joint commissioning process with the Housing Corporation);
- Promoting best practice, through liaison and consultation with RSLs;
- Special requirements for large-scale voluntary transfer RSLs, involving contractual performance monitoring requirements and Board Membership for local authority nominees.

Each of the case study authorities has tried to influence RSL standards of management practice to

some extent. There is also an agenda to obtain 'added value' through the commissioning process. However, case study authorities' views on the need and scope for intervention to influence the shape of the sector varied:

- In Brent, there is no formal agenda to rationalise the stock. The authority has, however, actively promoted the transfer of new homes to black and minority ethnic RSLs and views diversity of provision as an essential feature of the sector. The authority wishes to preserve some flexibility within its joint commissioning arrangements for bids from non-partner agencies.
- In Manchester, rationalising the sector is viewed as important to underpin the delivery of corporate housing strategy, with its focus on cross-tenure approaches to address problems with the housing market. However, the council is clear that its ability to influence the shape of the sector is ultimately dependent on intervention by the Housing Corporation.
- Whilst the Welland Partnership has no formal position on rationalisation, officers believed that there might be value in exploring the issue. Officers felt that any such debate would need to be based upon a willingness on the local authority side, as well as the RSL side, to give up the management of stock where this is in the interests of communities and efficiency.

### Options for local authority intervention in the sector

It is questionable whether local authorities will be able to carry out the strategic housing role without fully understanding the extent to which landlords are capable of meeting local requirements. This implies that local authorities should have a role in influencing the shape and operation of the sector (in addition to an understanding of how RSLs are performing).

However, government policy emphasises the importance of preserving the sector's diversity. In order to deliver the strategic housing role, local authorities need to work with consumers, RSLs, the Housing Corporation and other stakeholders to ensure that patterns of provision meet local needs.

The study evaluated three alternative models for local authority intervention:

- The directive approach – rationalisation of stock management or ownership with some element of compulsion, with a role for the local authority in ensuring that provision meets local needs;

- The managed market approach – systematic collaboration between authorities, RSLs and the Housing Corporation but supported by available statutory and contractual powers, to enable local authorities to influence the sector in a way that addresses local needs;
- The open market approach – with open competition for all commissioned/grant-aided activities, rather than the development of partnerships.

The study concludes that the ‘managed market’ approach has a number of benefits: it respects the independence of the RSL sector whilst equipping local authorities to be more active in the sector’s management. To be effective, the managed market approach needs to include a more effective evaluation of the profile and capacity of the RSL sector and greater collaboration between local authorities and the Housing Corporation to influence outcomes.

### Conclusion

The researchers conclude that:

- The Government needs to clarify its expectations on the issue of separating the landlord and strategic roles and the implications for local authorities that do not achieve separation. This would help underpin the debate on resourcing the role and on establishing a statutory requirement.
- The resource implications of expanding the strategic role need to be addressed. This might be handled by reviewing Revenue Support Grant provision to local authorities.
- For some authorities it may be necessary to consider alternative methods of delivery. Options include:
  - Local authorities could be given the power to delegate any statutory function to an external agency (including ones formed as joint ventures with partners) in order to facilitate social and economic regeneration.
  - Local authorities that have transferred their housing stock could be permitted to create a strategic housing service with neighbouring authorities.
- Further consideration needs to be given to the relationship between the Housing Corporation and local authorities, and particularly to

monitoring and information sharing arrangements. (The report sets out principles to underpin the redefinition of relationships.)

- Authorities need to consider how they will promote best practice, and Best Value, amongst all providers of social housing, and develop a monitoring role that extends to all RSLs.

### About the study

The study involved: an initial workshop for representatives of a range of interested agencies; case study visits to three areas; and desk-based research, drawing together previous research reports and good practice guidance, and an evaluation of examples of good practice drawn from HACAS Chapman Hendy’s client base.

### How to get further information

The full report, **Partners in strategy: RSLs, the local authority strategic role and the shape of the sector** by Sarah Rowe with Celia Cashman and Jeff Zitron, is published by the Chartered Institute of Housing (ISBN 1 903208 10 6, price £15.00).