

Resident Services Organisations: Lessons from the pilot projects

Resident Services Organisations (RSOs) are community-led enterprises, based in neighbourhoods, employing local residents to deliver local services. PEP developed the RSO model in the mid-1990s as a new tool for regeneration, drawing on the experiences of a range of community enterprises in the UK and France. This study involved the development of pilot projects to test the model in practice. Between 1998 and 2001, PEP worked with partners to develop RSOs in Ore Valley, Hastings, and in Stepney, East London. The study found that:

-  Although only in the development stage, the two pilot projects had already: established effective management and administration systems, successfully bid for funding, found work for 15 unemployed residents and made close links with local regeneration programmes.
-  The RSO idea can stimulate a high level of interest and commitment from residents, service-providers, and other local 'stakeholders'. RSOs can create sustained partnership working between an unusually wide range of agencies.
-  Many neighbourhood jobs could potentially be delivered by community-led enterprises such as RSOs.
-  RSOs can be developed alongside, and complementary to, other renewal initiatives. Indeed, RSOs can act as a catalyst for other projects, building confidence and stimulating entrepreneurial activity.
-  Despite their potential benefits, RSOs are not easy to set up. There are particular conditions for their success which can be tested through an initial feasibility study.
-  RSOs need support from the local authority, social landlord or other significant potential clients.
-  Residents and community representatives can play an active role in steering developing RSOs, but the process requires professional expertise and considerable staff time. A development manager is needed long before the RSO starts trading.
-  RSOs need a range of income sources to be sustainable, including fees from clients for the services the RSO delivers in the neighbourhood, and income to pay for the RSO's training and employment development activities.
-  In many cases RSOs will find it easier to develop new services to satisfy unmet needs in the community, than to take existing services away from other providers.

The RSO model

Resident Services Organisations (RSOs) have three complementary aims: improving local services; tackling unemployment and community empowerment.

Key elements are:

- **A neighbourhood focus.** Each RSO would be developed to meet the particular needs of a particular neighbourhood; its scale and location would keep it close to the community.
- **Community-led management.** Residents would have a sense of ownership, and gain skills and confidence through their role in managing the RSO.
- **Delivering neighbourhood services.** The RSO would provide services within or near the neighbourhood which (a) are needed but not being provided, or (b) are being provided but inadequately and could be provided better by local people.
- **Income from mainstream revenue sources.** Whereas most local labour schemes get their income from short-term capital programmes, an RSO would be paid from ongoing revenue budgets.
- **Employing local residents.** An RSO would employ local people, not least because their local knowledge and commitment to the neighbourhood result in a higher quality, more sensitive and accountable service.
- **Targeting jobs and training.** The RSO would offer employment and training opportunities to those who might otherwise remain excluded from the labour market.
- **Transitional employment.** The RSO would offer some of its jobs as a stepping-stone, helping trainee employees move on to other, more secure jobs outside the neighbourhood.

The model drew on elements from many existing forms of community enterprise, but attempted to combine them in a new way (see Table 1).

The RSO idea, first promoted in 1997, was greeted with considerable enthusiasm in some quarters. However, projects describing themselves as Resident Services Organisations proved, on closer inspection, to be tackling just one or two dimensions of the model. The point of the model was not to employ residents *or* involve the community in managing services or tackle local unemployment; it was to *combine* these objectives and through this synthesis underpin a powerful process of regeneration.

The pilot projects

The neighbourhoods selected for the pilot programme were in Hastings and in Stepney, East London. The study lasted from 1998 to 2001.

Ore Valley is a neighbourhood on the outskirts of Hastings, consisting of three estates with around 1,400 homes. There is higher unemployment, greater benefit dependency, and lower income than in most other wards in East Sussex. The development of the RSO has been supported by 1066 Housing Association, the landlord for most of the housing, and by a committed group of residents, together with a range of other partners. The RSO will act initially as an employer or manager for neighbourhood-based services which were already in place (caretaking and grounds maintenance), or which have been developed through Sure Start. It hopes to bid for contracts and develop new services to meet other local needs, and is being supported in this by an SRB (Single Regeneration Budget) programme.

The Stepney RSO is focused principally on two large estates – Limehouse Fields and the Ocean – which are characterised by generally poor housing, high unemployment, and educational under-achievement. The community is multi-ethnic, with a big Bangladeshi constituency. SHADA (Stepney Housing and Development Agency), which has been responsible for delivering an SRB capital programme on the estates, has played a leading role in developing the RSO, together with Tower Hamlets Council and other partners. Although the development process has been long and difficult, the RSO has delivered a successful 'pre-recruitment' training course for unemployed local people, and built a good relationship with the Ocean New Deal for Communities (NDC), which it hopes will act as future client for RSO services.

Lessons

1. RSOs could potentially play a significant role in neighbourhood renewal.

The pilot programme covered only the initial development of two RSOs, and it is too early to draw conclusions about their long-term impact. However, the pilot projects did produce some very clear benefits during the period of the study:

- **Many residents became involved** in the development programmes, gaining a great deal of confidence, knowledge and new skills.
- **Effective and sustained partnerships** were developed between a wide range of agencies.
- **Steering-groups identified many local services with the potential for community 'involvement'**, including estate cleaning, bulk refuse collection, grounds maintenance, painting and decorating, household repairs, community cafés, food retailing, handypersons, neighbourhood wardens, home

Table 1: Comparison with other approaches

	Tenant Management Organisation	Community Development Trust	Community business	Local Labour in Construction	Intermediate Labour Market	Resident Services Organisation
Neighbourhood focus	✓	?	✓	✓	X	✓
Community led	✓	✓	✓	X	X	✓
Delivering local services	✓	✓	?	✓	?	✓
Revenue income	✓	?	?	X	?	✓
Employing residents	?	?	?	✓	X	✓
Targeting jobs	X	?	?	✓	✓	✓
Transitional employment	X	?	X	?	✓	✓

Table 2: Different types of income needed

Activity	Examples of activity	Type of income
Setting up RSO	<ul style="list-style-type: none"> • Incorporation • Business planning • Contract negotiation • Employing project manager • Setting up office • Capital equipment • Recruitment 	Subsidy or loans Seconded staff or donated staff time
Trading: delivering neighbourhood services	<ul style="list-style-type: none"> • Estate cleaning and caretaking • Environmental maintenance • Minor repairs etc. 	Fees from clients responsible for services
Developing employment and training for residents	<ul style="list-style-type: none"> • Pre-recruitment training • Recruiting and managing temporary employees • Training and developing temporary employees 	Subsidy for employment, training and support

safety, local transport, environmental improvements, voids repair and redecoration, and child-care.

- **Links were made with other projects** nationally and in France.
- **The RSO pilots were catalysts** for other highly successful initiatives, such as the pre-recruitment training course in Stepney.
- **Regeneration agencies recognised the RSOs** as vehicles by which they can deliver some of their programmes.

2. Despite the potential benefits, RSOs are not easy to set up, and should only be considered where the right conditions apply.

The pilot programme suggests that the following conditions are crucial:

- **Potential contracts** which would be appropriate for delivery by an RSO and with clients who are well-disposed towards the RSO idea.
- A distinct **neighbourhood** for the RSO.
- A clear **need for better or different services**.
- A need for **employment development** in the neighbourhood.
- A need for **community capacity-building**.
- A **lead delivery organisation** capable of championing an RSO.
- The potential for effective **partnership working** involving significant local stakeholders.
- **Access to expertise** such as legal, financial and technical advice.
- **Potential resources** to fund and facilitate a development programme.

Before attempting to develop an RSO, a feasibility study is needed to test whether these conditions apply.

3. A development programme is needed to set up the RSO.

This programme should be facilitated by officer(s) or consultant(s) with the right skills, and led by a steering-group. A full-time RSO development manager is needed at least six months before the RSO starts trading. The pilot programme has demonstrated what the key tasks of a development programme should consist of, and these are detailed in the full report.

4. An RSO needs different types of income to reflect its different types of activity (see Table 2). RSOs are likely to need subsidy, rather than loans, to pay most of their start-up costs. This is particularly true in the case of RSOs attempting to enter an existing market, where substantial start-up costs would render them uncompetitive with established and traditional providers.

The fee income for neighbourhood services cannot be expected to pay for the range of activities involved in recruiting, managing, training and supporting people who were previously cut off from employment.

5. RSOs will find it easier to deliver *new* services, than to take over the provision of *existing* services.

The RSO model envisaged RSOs taking over the provision of neighbourhood services which were failing and which might benefit from a local, resident-led focus. However, the pilots revealed that regulatory barriers – principally TUPE (protecting employment rights of staff when activities are transferred to a new provider) and procurement regulations and practices – would make this difficult in many cases. It is more likely that RSOs will attract contracts for new services, the funding of which can be justified by critical local conditions and which may be provided through regeneration programmes.

6. RSOs will need a solid base of core staff in order to carry out an effective training role.

The RSO model envisaged RSOs targeting a high proportion of their jobs at residents who have become cut off from the labour market. These jobs were to be temporary, offering employees a transition from unemployment to more secure jobs beyond the neighbourhood.

The pilots have illustrated that:

- The RSO teams must have a reasonably high proportion of core staff on permanent contracts, in order to guarantee good quality services and to offer trainees quality support.
- RSOs may have to do intensive outreach work, offering pre-recruitment advice and training, if

they are to reach those people who are most in need of help.

7. RSOs are more likely to succeed in neighbourhoods where traditional local authority structures have been replaced.

The pilots suggest that the best environments for the development of RSOs over the next few years will be where, for example:

- **regeneration programmes** such as New Deal for Communities have been established;
- **housing associations** are the main social landlord;
- **neighbourhood management** is being developed;
- **tenant management organisations** have taken responsibility for housing management.

8. RSOs can be developed alongside, and complementary to, other regeneration initiatives.

In the pilot projects, the RSOs generated enthusiasm, creative thinking, partnership working, and community action, built confidence and helped develop skills. This in turn spawned other initiatives.

In addition, initiatives which were already underway looked to the developing RSOs to fill gaps in their plans, for example as a delivery vehicle for neighbourhood management or as a trading arm of a development trust.

Hence RSOs should be seen as one of a range of options which can be developed in a neighbourhood over time.

Policy issues

The main **difficulties and barriers** suggested by the pilots programme were:

- Although steering-groups identified many neighbourhood activities which they believed RSOs could deliver effectively, **local authority practices, policies and procedures** made it extremely difficult to re-frame contracts so that RSOs could fulfil them. Social landlords and local authorities were willing 'in principle' to support the RSOs, and in practice gave considerable officer time, but this resulted in few contracts for mainstream services.
- **The RSOs' development programme** could not be managed solely by volunteers or as an appendix to officers' jobs. In practice, it must be driven by individuals with considerable time and expertise at their disposal.
- Although many of the RSOs' costs should, in time, be paid for by fee income, **some RSO activities must be paid for through subsidy**, particularly at the development stage. A financial model is needed for RSOs which recognises their multiple aims and functions.
- A number of **statutory and regulatory barriers** were identified – such as TUPE, EU regulations regarding procurement of services, and equal opportunities in recruitment and selection.
- Particular difficulties were experienced in relation to **tax liability** and in identifying appropriate **legal models** for the incorporation of the RSOs.

The study drew the following conclusions concerning policy implications:

- RSOs could make a significant contribution to the government's **National Strategy for Neighbourhood Renewal**. They are most likely to succeed in neighbourhoods where a strategy for renewal is in place.
- The development of RSOs is resource-intensive and requires subsidy. If RSOs are to develop on any scale, a **funding regime** needs to be geared towards them.
- Although **EC procurement directives** do restrict the ways local authorities may award contracts, these restrictions need not prevent RSOs from running mainstream services. The government could provide clearer information and advice on how local authorities may encourage local employment and training without breaching procurement regulations.
- The government could encourage local employment and training by incorporating relevant measures in its national **Best Value** performance indicators. Local authorities could follow suit in their **Community Plans** and **local performance indicators**.
- A range of **legislative and regulatory changes** could be made to encourage the development of RSOs and other social businesses, particularly in relation to charity and company law and to tax liability.

About the project

The study involved the selection of two pilot projects, out of 18 expressions of interest, followed by a development programme lasting 2 years. The programme was co-ordinated by Roger Saunders from PEP, and PEP Consultants Tony Baker and Helen Evans worked with partners providing support and direction in the two projects. A Project Advisory Group helped PEP monitor and learn from the process. The programme included joint visits and seminars, and a study visit to some *Régies de Quartier* in France.

How to get further information

The full report, **Resident Services Organisations: Learning from real life** is published by PEP, price £13.50 (£9.95 for community groups / students), and is available from PEP, 3rd Floor, City Point, 701 Chester Road, Stretford, Manchester M32 0RW, Tel: 0161 877 3223.