

G15

Investing in neighbourhoods

The G15 housing associations' response to the Government's review of the institutional structure for delivery of housing and regeneration programmes



May 2006

G15 welcomes the proposal to merge the Housing Corporation and English Partnerships if this leads to the creation of a national neighbourhood investment agency with reformed regulatory powers.

A new national neighbourhood investment agency...

The merger of the Housing Corporation and English Partnerships is an opportunity to marry the programme management and investment skills of the Housing Corporation with the development know-how and powers of English Partnerships. We believe, however, that the benefits of merger will only be fully realised if the underlying vision for the new agency is focused on a broad sustainable communities agenda.

We would like the new agency's remit to take a holistic approach, encompassing physical, social and economic regeneration whether by direct intervention or by co-ordinating the funding of other agencies and government nationally, regionally and locally. This means bringing together not just the current activities of the Housing Corporation and English Partnerships but related housing and social investment programmes currently run by the Department for Communities and Local Government and other parts of Government.

We have supported the Greater London Authority taking over responsibility for London's housing strategy and believe that it is best placed to determine London's housing priorities. We do not see this as incompatible with a national agency responsible for programme management, delivery and spend. Quite the opposite – we believe that this division of labour would play to both organisations' strengths and maintain the necessary flexibility to ensure that the national housing investment budget is always fully taken up. This has been one of the Housing Corporation's major successes and something that we would like to see repeated in the new arrangements.

...with a key role in regeneration

We see the primary role of the new agency to be the sustainable regeneration of existing and new neighbourhoods. We think its powers should include:

- Providing capital and revenue funding streams to support both new development but also the regeneration of existing neighbourhoods. This would include solutions to improving existing council housing and intervening in areas of private housing with high levels of disrepair or market failure.
- Providing capital funding for the purchase of land for development and property including existing residential and commercial property by housing associations and other bodies.

- Acting as a land agency and helping with the assembly of larger sites. This would include using CPO powers to purchase land from the private sector either directly or by working in partnership with local authorities.
- To co-ordinate the work of existing regeneration initiatives currently promoted by government including 'The Pathfinder Programme', Urban Development Corporations, New Deal areas, etc.
- Delivering aspects of the 'Respect' agenda working with a variety of government departments to ensure, for example, that NRF funding and other local social regeneration funding is focused on supporting a wide range of local agencies including housing associations to deal with social and economic development programmes.
- Supporting government initiatives around reducing carbon dioxide emissions and promoting environmentally sustainable developments.

...which can harness the strengths and experience of housing associations

Housing associations represented by the G15 have a long and distinguished track record in providing affordable homes for rent and sale to meet the aspirations and needs of the poorly housed, the homeless, people with special needs, and key workers. We build to a high standard (witness our recent publication *Development Capital*) and integrate development with excellent housing management and maintenance because we are long term investors in the areas in which we work.

We have backed all of this with social and economic programmes which are targeted not just at our residents but others in the neighbourhoods in which we work, many of whom are the poorest in the community. This role has been captured in our recent publication *Social Capital* and we are talking to national and London government about how we can develop this part of our business.

Housing associations are, therefore, natural partners for the kind of national neighbourhood investment agency that we would like to see created. We have a track record of working with English Partnerships to deliver specific area-based regeneration largely relating to the development of brown field sites. Our long term relationship is with the Housing Corporation which has an enviable history of working in partnership with housing associations and now other providers to deliver a national housing investment programme informed by local and increasingly regional priorities.

We would want the new agency to:

- Continue to provide capital funding on a programme basis to allow us to continue important work in delivering new homes and regeneration of existing housing. We would want the agency to build on the recent flexibilities that the government has introduced by extending the current two year programme period and by allowing us more discretion about how we manage programmes (particularly scheme substitution) to deliver a set of agreed outcomes on a sub regional basis.
- See us as organisations that could provide a lead on the development of larger sites which the agency holds or assembles on the basis that:
 - we are not for profit and invest any surpluses we make back into providing additional homes and social and economic regeneration programmes,
 - as a sector we have a neighbourhood focus and a long term interest in making neighbourhoods successful,
 - we are now developing homes for outright sale and are therefore capable of undertaking schemes that deliver the full range of tenures and that cross-subsidise community benefit.
- Act as a direct provider of or gateway to funding for social investment programmes that will complement physical regeneration.

...with regulatory powers

Regulation has a crucial role in guaranteeing the effectiveness and accountability of revised arrangements and should not be treated as an afterthought. We strongly believe that investment and regulation should be collocated for the following reasons:

- Regulation is the most effective way the new body can influence and monitor the services provided to communities, and co-ordinate the implementation of new government initiatives to increase sustainability of them. The attainment of the Decent Homes Standard, overseeing the rent regime, and ensuring lettings practices are adding social value, are three important examples of current regulatory practice as delivered by the Housing Corporation, which are of central relevance to a new neighbourhood investment agency.

- The regulator accrues knowledge and lessons learnt of delivery vehicles, historically housing associations, but in future others as well. This informs investment by the government through Social Housing Grant ensuring that financial support is targeted where it achieves maximum delivery of government housing policies. Regulation closely allied to investment especially reassures lenders, who want to see that their own financing is safe. It protects and ensures a continuing supply of private finance at competitive rates. The collocation of regulation and investment means that regulation effectively informs investment, and that investment can be used as a regulatory tool, thus improving both functions.
- Careful regulation, closely related to development and investment policy and performance, would result in well and carefully-run and reliable developers and regeneration vehicles. The job should be easier with fewer developing housing associations exposed, and should be geared to looking at Special Purpose Vehicles and private developers too. If vehicles are to be increasingly pressed to take greater risks and to sweat their assets this is all the more important. One should not under-estimate the extra regulatory clout derived from control over development funding.
- There is no obvious alternative. The Housing Corporation has a track record of successful regulation that stretches back over 30 years, is a repository of knowledge, systems and know-how, and carries credibility with private lenders. It has begun to address the challenges of regulating non-RSL developers which poses major new risks in terms of the use of public money. On efficiency grounds, there seems little sense in creating a new agency and it would be dangerous to vest an increasingly risky regulatory role in existing ones (e.g. Audit Commission, Registrar of Friendly Societies, Charity Commissioners) which were set up for a very different purpose.

...but reformed regulatory powers

However, we do see the creation of the new agency as an opportunity to introduce a new regulatory system that is more proportionate and better able to apply to housing providers regardless of their constitutional structure – private/public limited company or housing association. The need for a new approach was recognised by the Elton Review and is increasingly urgent, especially in the context of a mixed economy of grant recipients.

We think that this new system should bring together what we see as the three streams of regulation activity, focusing upon: constitutional oversight, use of public grant, and the position of the consumer.

We think that it would be beneficial to house these activities in one place, and this would be an opportunity to end the marginal use of the Charity Commission and the Financial Services Authority in the housing association sector.

and finally...

We fully support the National Housing Federation's response to the review, which this paper seeks to complement.

A handwritten signature in black ink that reads "Rod Cahill". The signature is written in a cursive, flowing style.

Rod Cahill
Chair, G15

May 2006



The G15 is a group of 15 housing associations: we are independent social businesses which work by ploughing our profits back into building new homes, improving our existing housing stock, and developing and delivering services to our residents and neighbourhoods. Our strength is that we are neither part of the state nor the private sector but blend the values and skills of both.

www.g15.org.uk

G15 Associations

- Affinity Homes Group**
- AmicusHorizon Group**
- Catalyst Housing Group**
- Circle Anglia Group**
- East Thames Group**
- Family Housing Group**
- Genesis Housing Group**
- Hyde Group**
- London and Quadrant Group**
- Metropolitan Housing Partnership**
- Mosaic Homes**
- Network Housing Group**
- Notting Hill Housing Group**
- Peabody Trust Group**
- Southern Housing Group**

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