

# Acting on Localism

The role of housing associations  
in driving a community agenda

Pete Duncan and Sally Thomas

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*ResPublica (the ResPublica Trust) is an independent, non-partisan think tank. We focus on developing practical solutions to enduring socio-economic and cultural problems in the UK.*

*Our ideas are founded on the principles of a post-liberal vision of the future which moves beyond the traditional political dichotomies of left and right, and which prioritise the need to recover the language and practice of the common good.*

*Based on the premise that human relationships should once more be positioned as the centre and meaning of an associative society, we aim to foster a 'one nation' approach to social and economic inequality so that the benefits of capital, trade and entrepreneurship are open to all. A vibrant democracy and market economy require a stronger focus on virtue, vocation and ethos. Consequently our practical recommendations for policy implementation seek to strengthen the links between individuals, institutions and communities that create both human and social capital, in order to achieve a political space that is neither dominated by the state nor the market alone.*

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## Authors' Note

*Many people have contributed to the research for this report. We would particularly like to thank: Andy Williams, Chester and District Housing Trust; Lawrence Ainsworth, Cheshire West and Chester Council; Martin Carey, Urban Hope/Avenue Services; Ken Ivatt, Cheshire West and Chester Council; Matt Leach, HACT; Mark Cook, Anthony Collins Solicitors LLP; David Alcock, Anthony Collins Solicitors LLP; Stephen Rolph, Locality; Steve Clare, Locality; Kevin Williamson, National Housing Federation; Sara Cunningham, National Housing Federation; Babu Bhattacharjee, Poplar HARCA; Alistair Jeffs, Cheshire West and Chester Council; Brendan Doyle, Blacon resident; Clare Babbs, Blacon Community Trust; Denise Hitchin, Blacon resident; Gus Cairns, Blacon resident; Hannah Brockenbury, Blacon Community Alliance; Ian Wilson, Cheshire Police; John Rippon, KPMG; Jamie Carswell, Tower Hamlets Homes; Julia Nundy, Chester and District Housing Trust; Judith Stainthorpe, Blacon resident; Karen Collins, Blacon resident; Lydia Orford, Blacon Health Partnership; Marie Nelson, Blacon Councillor; Pat Johnston, NHS West Cheshire; Ray Shaw, Avenue Services; Reggie Jones, Blacon Councillor; Rosemary Burns, Blacon resident; Tony Stacey, Place Shapers; Vicki Devonport, Blacon Community Trust; Simon Huish, DCLG; Nick Atkin, Halton Housing Trust; Steve Jennings, Weaver Vale Housing Trust; Angela Lockwood, North Star Housing Group.*

*Special thanks to John Denny, Chief Executive at Chester and District Housing Trust, Caroline Julian, Senior Researcher at ResPublica and the project manager for this report, Phillip Blond, Director of ResPublica, the support staff at ResPublica, particularly Nevena Deligineva and Elias Papadopoulos, and to Mark Lupton who provided valuable advice during the early drafts.*

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## Foreword

### Phillip Blond, Director, ResPublica

The Localism Act of 2011 will I suspect be this Government's most progressive legacy. Localism is now firmly in the mainstream of British politics as a necessary means to revive our democracy and our society.

But localism has to be more than the act of the state; it has to involve the citizen as well. Yet between the big state and the citizen, the gap is often too large and the distance too far. Civil servants and policy specialists wonder what will revive civic demand and group association. Most citizens are preoccupied with just getting through the day and are unaware of what rights are available to them; those who are more knowledgeable sometimes despair of persuading others to join with them and make a difference to their locality and their community. For many communities and their citizens, all of the rights and powers granted through current legislation offer a potential that remains too far off to be realised.

All of which testifies to the importance of intermediary associations. Without linking, bridging or grouping institutions, top down localism will fail to connect. Looking around our country for the intermediate associations that could provide the bridge between the state and the citizen, we need to find institutions that are almost everywhere.

ResPublica believes that the institutions we have in this country have to change and innovate in the face of the pressures we face and the increasing needs our people have. This report concerns the role that housing associations can and indeed should play in brokering a new political and social settlement. With housing often concentrated in certain neighbourhoods or areas, and with the resources to change and shape the immediate and outlying vicinity, housing associations are uniquely placed to play a broader role in the localities where they are present.

In our view, housing associations are ideal change and place makers - they can and should make a difference in the communities they serve. After all, they are well positioned to do so; they already contribute an annual investment of almost £746.5 million to community and neighbourhood activities. Housing associations hold an established relationship with, not only their tenants, but also the wider community. They are embedded within communities and are in an ideal position to generate both social and economic capital by acting as guarantors, enablers, investors, capacity builders and facilitators.

There is now a 'new normal' for the sector, in which housing associations perform this role. They can be highly effective vehicles for community ambition, and great capacity builders for those who feel distanced from the opportunities that localism can bring. We argue in this report for new rights to empower tenants and their wider communities to challenge housing associations to fulfill this higher social purpose, but also for the removal of barriers at a national and local level, to help them do it effectively.

This new social role must be part of the sector's core ambition and the Government should both facilitate and encourage housing associations to fulfill it. The judges of how successful they are - and indeed, how successful 'localism' is - should be both the tenants themselves and the wider communities in which they live.

## Foreword

### John Denny, Chief Executive, Chester and District Housing Trust

Chester and District Housing Trust and Cheshire West and Chester Council are delighted to be partnering with ResPublica on this timely and innovative report about the role of housing associations in radicalising localism. Many housing associations are already enabling communities to harness emerging opportunities, changing the way assets are managed and services provided, and offering much greater power to our most disadvantaged communities. They are doing so because they rightly believe that, as well as building homes, they also need to build stronger and more self-reliant communities. Those housing associations with the greatest concentrations of homes in a given area are best placed to do just that. Others should now be helping by working in partnership to ensure this happens more widely.

The Avenue Services initiative in Blacon is the outcome of a community and its partners focusing on what matters to residents, what would really deliver lasting change and then breaking down the cultural and practical barriers that have prevented it happening in the past. The key to this approach has been the positive relationship which has been built between the people of Blacon, Liverpool Hope University/ Urban Hope, Cheshire West and Chester Council and Chester and District Housing Trust. The 'what matters' includes asset ownership, local responsibility, community aspiration and a recognition that being cynical and resistant to change is too easy an option for service providers. Despite all the odds, the Avenue Services initiative is beginning to demonstrate that, if communities and their partners really want change, then it can be achieved. There has probably never been a better or more relevant time for housing associations to genuinely ask and answer with honesty the question: why do we exist and what is our social purpose?

For Chester and District Housing Trust, a large scale voluntary transfer from the then Chester City Council, the answer to the 'why do we exist' question has never changed: despite some difficulties in its early years, it has always been about people and community. We expect community and service providers to work as one; we want to move away from headline tokenism, fundamentally shifting the relationship between communities and service providers to one of joint responsibility for creating social value from all aspects of all our roles and confronting whatever detracts from it.

We exist for the benefit of society; our visions must reflect that in our actions. In a small, but important way, a housing association, an enlightened local authority, a uniquely innovative university and an aspirational community are doing just that.

# Executive Summary



A year has passed since the enactment of the Localism Bill, the Coalition Government's flagship policy agenda designed to shift power from central government into the hands of local communities and the citizens that comprise them. As stated by the Department of Communities and Local Government, 'localism isn't simply about giving power back to local government.'<sup>1</sup> Localism is based on the involvement of diverse public, private and community groups in driving forward local ambition. However, whilst laudable in theory, many of these groups do not have the capacity to deliver on this agenda, or to take up the opportunities that such initiatives can bring.

A number of smaller charities and voluntary sector groups have recently suffered due to the lack of resources and support, many unable to deliver on local priorities as a result. With recent dips in the levels of civic participation, the gap between communities and government is also in danger of becoming much wider. Beyond the binaries of the state and the individual, the public and the private, there exists an untapped terrain of groups and institutions already embedded within localities across the country, of which housing associations are a prime example. Government must recognise such groups as potential enablers, facilitators and drivers of community ambition - and as crucial intermediaries for the use of new local powers and community rights.

Some housing associations already play a central role in the delivery of the localism agenda, investing in places where they have assets to deliver a range of initiatives which complement their core role. Others – the majority – now need to follow their lead.

There needs to be a 'new normal' in the sector. Housing associations need to be bolder, more strategic and more radical in their approach to localism, making it and the good that it facilitates a core part of their operations and not the add-on it has often been in the past. They need to enable stronger community-led partnerships, transferring assets and services to community control where communities are ready and able to take them on, and growing and augmenting that capacity where they are not.

Housing associations should inject social value into every aspect of their operations. This is not an easy task for most of them. At a time when tenant incomes are under pressure from welfare reform and many of the communities in which they work are struggling to adjust, housing associations are being pulled in different directions; they are facing increasing demands to build more homes, whilst at the same time being exhorted to do more for their tenants and the communities in which they live. Unsurprisingly, housing associations have big choices to make about what they prioritise and where. They need to get the balance right.

These difficult choices are not helped by mixed messages from Government, which often isolates localism and its manifest benefits from other housing and social policy. There is much that Government can do to 'oil the wheels' of localism through housing associations, which have the financial clout and, in many cases, the motivation, to make a significant impact. Now is the right time to act. This report is not intended to be prescriptive; it is about opening up new opportunities for housing associations and re-defining their social purpose. True localism requires bespoke responses specific to local conditions and contexts.

<sup>1</sup> Localism Act 2011 (England and Wales).

**Chapter One: Reacting to localism** examines the social, economic and cultural background to localism and the current policy context. A number of significant changes are taking place in society which impact on many of our disadvantaged neighbourhoods, including increasing inequality, a lessening of opportunity, an ongoing democratic deficit, the changing role of the public sector, a new central government emphasis on social enterprise and community-based partnerships and the changing relationships between individuals and service providers. This all falls within a wider policy context for localism, including the Localism Act itself, the national planning policy framework, open public services and welfare reform.

Recent changes in regulation, allied to growth and consolidation in the housing sector and the steady expansion of association's work in local communities, have further implications. Housing associations have the potential to do more, and can overcome the potential pitfalls of localism as it is played out. But in doing so they must act more radically in response to it, by harnessing partnership potential with individuals, local communities and public service providers; building social value into all their operations; and opening up the potential for wider asset ownership and devolved services to local communities.

**Chapter Two: Harnessing partnership potential within communities and localities** outlines the potential for housing associations to deliver non-housing, or housing-related services in places where they have concentrated stock, using their skills and experience to deliver localism initiatives beyond basic consultative processes to more meaningful and collaborative terms of engagement. Housing associations could, for example, lead new active partnerships around community budgeting. Alongside government-provided support and guidance to partners developing local models, housing associations must develop a strategic approach to community investment, and act as community anchors by making the best use of their own neighbourhood assets for wider community benefit. That said, not all communities will be ready or able to take advantage of localism. Housing associations can play a strong role in capacity building many communities, helping them become more self-reliant. This chapter includes case studies from a number of housing associations which have recently been pioneering new ways of tackling what can be a complex and challenging agenda.

**Chapter Three: Supporting Social Value and Innovation in Local Delivery** looks at how housing associations can respond positively to the new policy emphasis and legislation on social value. Outcomes and return on their investment should now be measured in both social and financial terms. Achieving the diversity and inclusivity necessary for successful localism means weaving social value into procurement practices and supporting emerging social economies, for example, by providing a 'wrap around' business environment for social enterprises to grow. We make the recommendation for a government initiative to facilitate appropriate public procurement contracts for these smaller scale association-backed initiatives, and call on housing associations to embed social practices as part of their core business model and services.

**Chapter Four: Opening up Ownership of Assets and Services to Communities** focuses on radical localism and how housing associations can support and facilitate asset transfers and devolved services down to neighbourhood level. Housing associations can play a key role in generating a more local, participative and asset-driven economy, which can open up the possibility of ownership for both social tenants and the wider community. Associations should work with a range of community-led development projects, particularly development trusts, community land trusts and community self-build (or custom build). The case study of a relatively small housing association in Chester with a big vision is an example of a pioneering approach to assets and services, in partnership with a local authority and a well-organised local community. Although still in its infancy, this initiative has already highlighted some important barriers around tax and procurement which the Government is encouraged to remove, to ease the path for similar initiatives elsewhere.

Finally, the **conclusions and recommendations** highlight the big choices ahead for housing associations, in a world where they are under pressure to build more homes, with less public subsidy as well as upping their game in local communities. For some, the emphasis will be firmly on their core business of providing social housing; for others, the opportunities presented by localism will be increasingly woven into their corporate planning. Genuine change is only achievable if accompanied by a strategic and holistic view of localism and associations must work not just with their own tenants, but invest much more widely in whole communities as well. This needs to be mirrored by a positive Government response which supports, encourages and facilitates this central aim of the localism agenda.

There needs to be a radical re-think of the role that housing associations and the regulator play in driving forward widespread social practice. The Homes and Communities Agency and the Department for Communities and Local Government cannot sit back and allow localism to be a missed opportunity, especially when such agendas are so crucial to the country's most disadvantaged communities. The Cabinet Office and HM Treasury must also review the barriers to real community-led and -owned partnerships in order to enable transformational structures to take place. Without such changes, localism is unlikely to succeed.

## Summary of recommendations:

Localism will not flourish through increasing layers of bureaucracy, but there are a number of measures that can be taken to clarify key principles, encourage community self-reliance and 'oil the localism wheels', maximising the potential of housing associations as key agents of change in our communities. This report makes sixteen specific recommendations:

- **The Department for Communities and Local Government** should review how the community right to challenge could be effectively merged with initiatives directed at social tenants alone, such as the Tenant Empowerment Programme. Housing associations should be recognised by government as potential key vehicles for tenants and wider communities to hold existing local services to account, through community budgeting and the community right to challenge, and in brokering new partnerships with, or on behalf of, the community where needed.
- **Housing associations** should regularly conduct a scoping exercise, through close engagement with tenant panels, the local authority, neighbourhood-based organisations, community budgeting groups and other partners, to assess the needs of both the tenants and wider community. Housing associations should play a key role in facilitating, with partners and where appropriate, the community right to challenge, to hold neighbourhood-wide services, including their own, to account.
- The **Department for Communities and Local Government** should pool all learning from the early pilot stages of both whole-place and neighbourhood-level community budgets, through the community rights support networks, the Homes and Communities agency and trade bodies. Easy access to appropriate advice, whether co-ordinated by government or housing trade bodies, drawing on the experience of local civil servant support for the community pilots, would help to ensure that these types of initiatives become much more inclusive and widespread.
- The **Department for Communities and Local Government** and the **Homes and Communities Agency** should review how the present co-regulatory model could allow greater freedom for housing associations to manage their assets more effectively, for community benefit. The HCA should include the possibility for releasing housing associations from obligations to automatically reinvest surpluses from historic public funded assets in future land acquisitions and housing developments, enabling them to use some of these surpluses for investment in local community and social action.

- The **Department for Communities and Local Government** should co-ordinate pilot areas to pioneer partnerships between housing associations and key intermediaries as facilitators of and catalysts for new powers of budgetary control, neighbourhood planning, and public service delivery to local communities. For example, housing associations already hold tangible stakes in local assets, provide essential services and often participate in a range of other partnerships – experience which should be central to ensuring that communities make full use of their new powers.
- An independent taskforce should be established by a housing trade body such as the **National Housing Federation** or **Chartered Institute of Housing** to explore how housing associations, in partnership with others, can best perform a community strengthening role, support the move towards greater community self-reliance and help deliver the full spectrum of localism in every community in which they work.
- **Housing associations** should lead in training their in-house commissioning teams, and where appropriate, those of other local commissioning bodies, in how they could most effectively procure services that will deliver the most social value for their communities. This should take place in conversation with their tenants and the wider community in neighbourhoods, to ensure that ‘social value’ is interpreted locally.
- **Housing associations** should assist smaller civil society organisations to ‘scale up’ and form consortia to enable them to bid more effectively for contracts from local or national public bodies to deliver public services.
- Following on from the Public Services (Social Value) Act, **social landlords** should adopt policies of ‘social duty’ that promote social, economic and environmental value, based on the community’s understanding of social value and local needs. All social landlords should consider how they promote social value in both public and private markets.
- The **Department for Communities and Local Government** should extend the provisions of the Public Services (Social Value) Act by requiring housing associations to declare a ‘social dividend’, through which they should produce demonstrable evidence of their social investment and the returns this generates for local communities. The nature of this ‘social dividend’ should be determined in partnership with their tenants and local communities, in order to take into account local variations in ‘social value’ and ‘social return’ priorities.

- The **Department for Communities and Local Government** should extend the community right to challenge and the opportunities offered by the Tenant Empowerment Programme, to ensure that a housing association's 'social value' and 'social dividend' requirements are developed in partnership with their tenants and the wider community. Social housing tenants and their communities should be empowered to call their local housing association to account where they believe that the association's social purpose has not been adequately fulfilled.
- The **Department for Communities and Local Government** and the Homes and Communities Agency should extend the Community-Led Development and Custom Build programmes, to enable more social housing tenants and their communities, working in partnership with local housing associations, to extend their influence and control over the places in which they live.
- The **Department for Communities and Local Government** should extend its Tenant Empowerment Programme to invest in community-led management of social housing and, where there is community ambition, to transfer the ownership of the assets to community control. Government should encourage such investment as part of the sector's core role, and recognise housing associations as intermediaries for more asset-driven initiatives.
- **Housing associations**, in partnership with the local authority and other asset holders, should compile an asset register for each locality where they have concentrated stock, making details available to the local community, enabling them to examine which (if any) might potentially be transferred to community ownership and control.
- The **Cabinet Office**, in partnership with the **Department for Communities and Local Government**, should conduct a review of how partnership companies can more easily be formed, and in particular with a view to eventual community ownership. Housing associations should be considered a key stakeholder in driving forward such models.
- The Government, led by the **Cabinet Office**, should press for the temporary exclusion of community-based partnerships, particularly those that are community owned and led, from 'Teckal' requirements, to enable them to be established before being subject to full competition.
- **HM Treasury**, in partnership with the **Cabinet Office**, should review the VAT Cost Sharing Exemption to ensure that it does not exclude communities from taking a stake in the ownership of partnership companies set up to deliver localism.

# 1 Introduction: Reacting to localism

“The Government’s interpretation of localism, [...] is that power should belong at the lowest appropriate level. Depending on the activity or function in question, the lowest appropriate level may mean individual citizens, public service professionals, local neighbourhoods or local level institutions such as local authorities. For some services and functions, the lowest appropriate level may even be national government itself, either because of the strategic nature of the service or because of the significant economies of scale involved in commissioning the service.”<sup>2</sup>

*Department for Communities and Local Government (2011) Government Response to the Communities and Local Government Select Committee’s Report: Localism*

<sup>2</sup> Department for Communities and Local Government (2011) *Government Response to the Communities and Local Government Select Committee’s Report: Localism*. Available at: <http://www.official-documents.gov.uk/document/cm81/8183/8183.pdf> [Accessed 20 August 2012].

A year has passed since the enactment of the Localism Bill, the Coalition Government's flagship policy agenda designed to shift power from central government into the hands of local communities. As stated by the Department of Communities and Local Government, 'localism isn't simply about giving power back to local government.'<sup>3</sup> The success of localism depends on harnessing the skills and experience of many public, private and community organisations. Housing associations have a key role to play as crucial intermediaries in the drive for a more radical localism. Some housing associations have already taken a central role in the delivery of the localism agenda, investing in places where they have assets to deliver a range of initiatives which complement their core role. Others now need to follow their lead.

The purpose of this report is twofold: on the one hand it argues that intermediaries, such as housing associations, must be harnessed to enable localism to be a success, and on the other, it calls on such intermediaries to deliver at a local and radical social level. It argues throughout for a two-way process that begins to set a 'social bar' for the housing association sector, but also calls on the Government and the regulator to pave the way for this to happen.

## 1.1 The social, economic and cultural context

Many aspects of 'localism' are not new concepts. Empowering people by offering communities a real stake in the issues that directly affect them and their neighbourhoods has been a policy approach by successive governments for decades. Only recently has it begun to crystallise into a comprehensive change agenda.

The Localism Act 2011, which reached the statute book in December 2011, passed through Parliament at a time of significant social, economic and cultural change; but a re-imagining of the relationship between the state and its citizens was already underway.

The first half of the 20th century taught us that poverty, disadvantage and deprivation cannot be tackled without the active involvement of the state. The second half taught us that the state cannot deliver on this agenda without the active involvement of its citizens. The beginning of this century has been about learning something new again – that the state will have to help and nurture citizens to do some of the job it has previously done.

A broad political consensus has developed that now accepts that 21st century public service needs to combine the strength and skills of a reformed public sector with the experience, expertise and energy of citizens.

As a result, the public sector is redefining and reimagining its role, moving from being a paternalistic provider of services to a strategic commissioner and enabler. Dramatic budget cuts, reorganisation and staff reductions have forced a change of direction on central and local government and public service providers, creating a much greater challenge to public bodies that are keen to engage with service users and communities at a deeper level.

3 Localism Act 2011 (England and Wales).



Government is now looking to new models of public service delivery, whether partnerships with social enterprises, the voluntary and community sector, or other intermediaries, to deliver at least some of these services and take on underused or uneconomic public assets. Co-operatives, mutuals and John Lewis-type partnerships are now back on the radar.

At the same time, our expectations, as individuals and communities, are increasing; we want a more equal relationship with the public and private sector; one that is less deferential, more accountable and more personal. As individuals we are more challenging of authority; as communities we are being challenged to be more active and self-reliant.

Many of our neighbourhoods remain fragile. People want to live in places which are stable, harmonious and safe, but many neighbourhoods remain a focus for poverty and disadvantage and the social and economic tensions that go with them. Across the UK, 1 in 5 people live in income poverty, twice as many as in the 1970s; 1.9 million children live in workless households (the highest in Europe) and almost 22% of 16-24 year olds are unemployed.<sup>4</sup> No amount of localism on its own could hope to deal with these depressing statistics.

This 'perfect storm' of social, economic and political change is important because it sets the tone for initiatives like the Big Society and localism. As a society, we are beginning to shift the balance, to put greater stress on the collective, not just the individual, and the social, not just the economic. Every organisation involved with communities needs to make some big changes; to respond positively to the shifting context to localism. Some already have. Housing associations are in mid-stream; most have yet to fulfil their localism potential.

## 1.2 The policy context

Increasing economic activity, mainly through the private sector, diversifying service provision and significantly down-sizing the public sector are all strong themes of the Coalition Government's response to these shifting social, cultural and economic sands. Localism is about doing these things in a way which devolves decisions, responsibility and budgets down from central government to a more local level. Inevitably, there are tensions and even contradictions in many of the Coalition Government's policy announcements and legislative programme. Some ostensibly localist initiatives now have a much more centralist flavour. At community level, localism is seen by some as a way of giving neighbourhoods and communities a bigger say, but in matters over which they have no ultimate control; by others, as a major opportunity for some local communities to run their own affairs and become more self-reliant.

The Localism Act 2011 has brought a host of changes for local government, communities, the planning system and housing. For communities, significant new rights are expected to make it easier for local people to get things done and achieve their ambitions for the places where they live. These new rights include a 'community right to challenge', enabling

<sup>4</sup> Office for National Statistics (2012) *Labour Market Statistics*. Available at: [http://www.ons.gov.uk/ons/dcp171778\\_273802.pdf](http://www.ons.gov.uk/ons/dcp171778_273802.pdf) [Accessed 20 August 2012].

community organisations to register an interest in taking over a local authority service and a 'community right to bid', enabling them to delay the sale of public assets coming onto the open market whilst they secure funding for a bid.

The Localism Act also includes new rights for parish and town councils and neighbourhood forums to draw up statutory neighbourhood plans, and a 'community right to build', enabling local groups to bring forward small scale development proposals following a referendum, without the need for planning permission from a local planning authority.

The new National Planning Policy Framework, announced in March 2012, is intended to streamline the current planning system and free up land, particularly for housing development. More community consultation will now be needed before developers can submit planning applications for certain types of scheme, whilst the community infrastructure levy (which developers already pay for most new construction projects) is being made more flexible, enabling it to be spent locally on a wider range of community priorities.

Housing provisions in the Localism Act focus, in part, on devolving policy to a more local level, for example, by giving local authorities greater freedom to set priorities and criteria for their social housing waiting lists. The removal of guarantees for lifetime tenancies and the introduction of fixed term tenancies are intended to increase tenancy turnover and provide local authorities with greater flexibility. Homeless people will now have to take private rented accommodation if offered it and there is to be a national Home swap scheme.

Alongside this, the Open Public Services agenda is now being rolled out, following the July 2011 White Paper<sup>5</sup>. Whilst broadly focused on wider choice and control for individuals and communities, greater diversity in service provision and improved accountability, the main changes centre around an extension of the personalisation agenda (individual service users purchasing social services directly); large-scale commissioning by public bodies; new ways to bring in private finance; and creating new autonomous and semi-autonomous public bodies.

The White Paper also links directly with the Localism Act by proposing the strengthening of parish, town and community councils, with the prospect of them taking control of some local services. Alongside this the Government is also keen to introduce devolved budgets for local authorities and other public sector services through community budgeting. This involves redesigning services around the needs of people, pooling staff and budgets, reducing duplication and waste and, wherever possible saving significant sums of public money. Having put in place four strategic community budget pilots with local authorities in 2011, ten neighbourhood level pilots are due to start later in 2012.

5 HM Government (2011) *Opening Public Services White Paper*. Available at: <http://www.openpublicservices.cabinetoffice.gov.uk/> [Accessed 20 August 2012].

In addition, the Welfare Reform Act 2012 aims to improve work incentives for claimants, simplify the benefits system, through the introduction of a Universal Credit, and tackle administrative complexity. It also caps the amount of benefit that an individual can claim and restricts Housing Benefit entitlement for social housing tenants living in large properties, a measure designed to free up more tenancies. This legislation has huge implications for housing associations, particularly the potential diversion of significant amounts of staff time to securing rental income from tenants in receipt of housing benefit, where this was formerly paid directly to them as landlords.

Housing associations also now have a new regulatory framework to deal with. The Tenant Services Authority was wound up in March 2012 and its functions transferred to the Homes and Communities Agency. A co-regulation approach now provides associations with greater freedoms and flexibilities, whilst requiring robust self-regulation, influenced and informed by tenants.

These complex and challenging initiatives in the broad policy landscape parallel significant change which has been underway in the housing association sector for some time.

### 1.3 The housing association context

Social housing represents one of the largest single capital investments by the state in our poorest communities. Over the last 35 years, some £43 billion has been invested by Government to provide affordable homes, through capital subsidy and housing benefit.<sup>6</sup> More than 4 million households (1 in 5 of all households) live in social housing, 2.7million of them in homes owned and managed by housing associations.<sup>7</sup> Their combined asset value is estimated at more than £109 billion. Housing associations, therefore, have a critical role in the delivery of a major public service. Most of them have robust asset bases and many now use them to act as catalysts and anchors for the support and development of the communities in which they work.

The 1200 or so housing associations we see today have many antecedents. Some have their roots firmly in local communities; most are quite small and remain focused on providing homes for a specific group or locality. Some have been created by large scale stock transfers from local authorities, most of these retaining their geographical focus and helping to transform the sector in recent years. Others have grown rapidly, through large scale development, acquisitions and mergers, to become complex social businesses operating regionally and, in some cases, nationally.

6 Tenant Services Authority (2011) *Global Accounts of Housing Providers*. Available at: <http://www.tenantservicesauthority.org/server/show/ConWebDoc.21847> [Accessed 20 August 2012].

7 Tenant Services Authority (2011) *Global Accounts of Housing Providers*. Available at: <http://www.tenantservicesauthority.org/server/show/ConWebDoc.21847> [Accessed 20 August 2012].

The sector has undergone a significant consolidation in recent years, driven mainly by reductions in grant support and government pressure to deliver greater efficiency and value for money; 90% of housing association homes are now owned by around 20% of associations. As some of these associations have grown they have become less focused on particular neighbourhoods and more focused on centralisation of service delivery and management. They have always seen themselves primarily as efficient social landlords, viewing community investment as, at best, an optional extra. Where they have diversified, it has often been into specialist housing provision, such as care and support.

More recently, however, many associations have recognised the need to work more closely with their tenants and, by extension, the communities in which they live. A 2011 review for the Tenant Services Authority found an increasing appreciation amongst housing associations of the business case for using tenant's views to shape their activities.<sup>8</sup>

This is an important change; most housing associations have not been the key players in social policy and action that other services, such as the police have been. Community and neighbourhood activities have primarily involved a voluntary response by associations and have not generally been at the core of their activity. Most have done enough to respond to entreaties and encouragement by the sector's representative bodies and regulator, but often not much more. But there have been exceptions.

Some housing associations, large, medium and small, have historically undertaken and facilitated a far wider range of community and neighbourhood activities than is normal. The National Housing Federation has estimated that these associations have contributed an annual investment of almost £746.5 million to provide such activities (made up of almost £529.5 million of their own money and £217 million secured from other sources).<sup>9</sup> Although they represent only a small fraction of association turnover, these are not insignificant sums.

A renewed interest by Government in community-led development is already being supported by a number of forward thinking housing associations. The Homes and Communities Agency now has a ring-fenced national capital fund for community-led schemes up to 2015, many of which are likely to emerge as community land trusts – a growing network of local affordable housing initiatives – complementing housing co-operatives, development trusts and community associations which all have a role to play in this form of localism.

8 Tenant Services Authority (2010) *Making Voices Count: Reviewing practice in tenant involvement and empowerment*. Available at: [http://www.housemark.co.uk/hmresour.nsf/lookup/Makingvoicescount.pdf/\\$File/Makingvoicescount.pdf](http://www.housemark.co.uk/hmresour.nsf/lookup/Makingvoicescount.pdf/$File/Makingvoicescount.pdf) [Accessed 20 August 2012].

9 NHF (2012) *Building Futures: Neighbourhood audit*. Available at: [http://www.housing.org.uk/publications/find\\_a\\_publication/general/building\\_futures.aspx](http://www.housing.org.uk/publications/find_a_publication/general/building_futures.aspx) [Accessed 20 August 2012].

Some of the housing associations most closely involved in these initiatives have come together to form a common interest forum and lobby group. Placeshapers, a group of housing associations, now has more than 70 members with half a million homes signed up to its ethos of working with people and places across the board, not just as social landlords. They act as catalysts for community change, provide knowledge, expertise and resources for wider community benefit, focus their activities at community level, re-invest cashable savings to support their work in these communities, create and support a wide range of cross-sector partnerships and encourage new forms of accountability to give communities a stronger voice.

The potential to do more is immense. Building resilience, developing social capital and self-help and working with communities to strengthen and sustain them are activities which many associations have yet to tackle. Now is a good time to get going.

## 1.4 Opening up new opportunities for localism

This report argues that without the involvement of intermediaries, such as housing associations, localism will not realise its true potential. Indeed, it is in danger of becoming something of a damp squib. Whilst there are significant numbers of communities across the country which are eager to take on local assets and draw up neighbourhood plans, many are not and are in danger of missing out. Some neighbourhoods and community groups are not yet geared up to play such an active role, whether due to lack of resources, capacity, or simply not having the right connections.

Although it has now been a year since the enactment of the Localism Bill, many of its community rights and devolved powers have only recently come into effect. It is early days; a significant and challenging journey is still to come. Nevertheless, a number of potential pitfalls and missed opportunities are already evident in the way localism is being delivered. There is a real danger that localism is:

- Consultative rather than collaborative
- Uniform rather than diverse
- Locally centralised rather than decentralised
- Exclusive rather than inclusive
- Passive rather than participative
- Managerial rather than asset-based

To combat these dangers and deliver a genuinely community-focused localism,

intermediaries need to play a number of key roles. Many of them were outlined in a previous ResPublica report, *At the Crossroads: A progressive future for social housing*.<sup>10</sup> This present report shows how both government and housing associations can drive forward this agenda, by turning policy into practice. Many housing associations are uniquely placed to be:

- Partners with and intermediaries for local communities
- Promoters of local diversity
- Localised bodies that are anchored to their neighbourhoods
- Vehicles for community ambition
- Capacity builders for stimulating a participative social economy
- Enablers of an asset-owning democracy

If the housing association response to localism is to be genuinely radical, and if localism is to fulfil its real potential, then the sector needs to be looking at opportunities which go significantly beyond their tenants and support for a range of community-based initiatives in places where they have homes. A holistic, whole community approach, delivered through partnership and meaningful programmes of engagement and empowerment is very much needed. The Government needs to play its part by recognising the immense potential that housing associations have for acting on localism, across the board, and particularly as vehicles and sponsors for community ambition. There is much they can do to 'oil the wheels'.

With this in mind, housing associations need to ask themselves:

- How they might harness partnership potential with communities and localities, to reconfigure their services and create new ones, investing much more of their time and resources in mechanisms like community budgeting and neighbourhood planning
- How they can support social value, enterprise and innovation in the way they run their businesses and deliver existing and new local services
- How they might offer asset transfers and devolved services to local communities and what needs to be put in place to enable this to happen on a cost effective and sustainable basis

This report is not intended to be prescriptive; it is about opening up new opportunities. Real localism requires bespoke responses which are tailored to local contexts. The housing association sector is hugely diverse. Those housing associations that are already beginning to immerse themselves in localism face significant challenges, but also potentially handsome rewards. They are forging a new path for the sector, acting on localism in new and significant ways. Some of them are highlighted in the following pages.

<sup>10</sup> Leach, M. and Lupton, M. (2011) *At the Crossroads: A progressive future for housing association*. London: ResPublica.

## 2 Harnessing partnership potential within communities and localities

“Drive, ambition, determination and commitment are critical to the delivery of localism in the social housing sector. It’s really about changing cultures, strong leadership, having a clear vision and building practical, lasting relationships across sectors and with local communities”

*John Denny, Chief Executive,  
Chester and District Housing Trust*

Housing associations have a pretty good record on partnership working. Over the years they have invested significantly in close working relationships, particularly with local authorities, but also with other public sector service providers across their areas of operation.

At a more local, neighbourhood level, effective partnerships have enabled some housing associations to work for and on behalf of community ambition. They have responded positively to the diversity of local areas, firmly rooting their services in the wider neighbourhood. For those associations which have a strong community base, this is their bread and butter. For larger associations without these roots, there is a different challenge.

Local partnership working can help larger housing associations strengthen their investment in communities, deliver a wider range of services, focus on local asset management and the potential for community ownership and enable their tenants and other residents to call them to account.

## 2.1 Partnering with local authorities and public services

As public sector budgets have been increasingly scaled back, the potential to work even more closely together has grown. But very few associations have harnessed this potential to completely reconfigure public services and share responsibility for delivery with local authorities and local communities. One that has is Chester and District Housing Trust, which has spent the last six years putting together a unique partnership with a local authority and the residents of a large estate in Chester.

Avenue Services is an asset management company, jointly owned by Chester and District Housing Trust and Cheshire West and Chester Council and chaired by a local resident. The organisation, which is already delivering services from a local base, is widely seen as a prototype, able to test out whether public assets can be used to deliver more cost effective services, shaped by a local community through community budgeting. The emphasis on a whole community approach, rather than one focused on the association's tenants, is also very much in tune with the localism agenda.

The profile of the Chester initiative has undoubtedly been raised by the award of community budgeting pilot status to Cheshire West and Chester Council in 2011; Avenue Services is seen as a well advanced prototype, able to test out whether public assets can be used to help deliver more cost effective services, shaped by a local community, and whether this approach is transferrable to other localities. As such, it could have a significant impact on the shape of the national community budgeting programme as it develops.

Other associations are now beginning to look at delivering non-housing services which have traditionally been the remit of other providers. Moving beyond their core business is challenging for housing associations, but they should certainly be up for the challenge. They have skills and experience, for example in supported housing, which provide opportunities for extending their role in the health and social care field. Some important work has been happening for a while, particularly amongst those associations involved in the Placeshapers group, but for others, this is breaking new ground.



CASE STUDY



## Chester and District Housing Trust: Harnessing Partnership Potential

Chester and District Housing Trust is a large scale voluntary transfer association set up to transfer over 6000 homes from the former Chester City Council in 2000.

Empowering residents is a key part of the Trust's vision and it has gone further than most in putting it into practice. It has always shown a willingness to 'push the boundaries' and make bold and ambitious strategic choices. This approach has led directly to a unique initiative – the creation of an asset management company partnership in Blacon, a large, relatively deprived neighbourhood of 2000 homes on the outskirts of Chester.

Before the reorganisation of local government in 2009, four local authorities and eight separate departments were delivering public services in Blacon. Not surprisingly, the potential integration of these services was a major driver for change. Reorganisation offered an opportunity but, unusually, it was a direct approach to the new local authority by Chester and District Housing Trust which set the wheels of change in motion.

The local authority was quick to recognise that there was a natural partnership with the Housing Trust around public services in Blacon. The Housing Trust owned many of the housing assets, the Council owned land and commercial properties, the community was well organised and active and a variety of staff intensive public services were being provided by a range of partners. There was clearly scope for pulling all these things together on a more integrated and cost effective basis – through a Local Integrated Service model. The timing was right.

Some obvious questions needed to be answered before significant progress could be made. How could an estate like Blacon – a large place with significant on-going public service needs and assets in need of a new purpose – be made to work better? How might the localism agenda be used to make a radical step change here and help it become more self-sustaining? What would need to be put in place to make this happen? And how might the association make a significant and lasting contribution to the process?

The answer to these complex questions has found an answer, at least in part, through the development of a unique community-led partnership company, called Avenue Services. It aims to secure and improve local service delivery, introduce a new way of working with key stakeholders, place residents at the heart of the management, design and, in some cases, the co-delivery of services and increase the overall amount of investment coming into Blacon. The local authority and housing trust are working closely with each other and the community as active, long-term partners.

Housing associations need to make much more use of their skills, experience and financial resources to actively partner up with local authorities and other public services to deliver key parts of the localism agenda. Direct involvement in community budgeting initiatives, particularly at neighbourhood level, will be particularly valuable when these are rolled out more widely from 2013.

It is significant that, of the ten neighbourhood level community budget pilots, only one has direct leadership by a housing association. Although there are notable exceptions, this mirrors the apparent reluctance of many housing associations to take a lead in some past government programmes, such as neighbourhood management and the single regeneration budget. There are new opportunities on the table now and most associations will want to have a stake in them.

For community budgeting to reach its potential, government must prompt such involvement. Intermediaries like some of the more locally focused housing associations can often offer a more localised platform for community engagement and in meeting the neighbourhood's needs. Without such partners, processes of accountability cannot be transformed into real ownership and empowerment.

Throughout the research for this report, relationships between the housing association and other service delivery partners differed greatly. But in some instances, there were challenges to partnership working that demanded a much deeper culture change.

#### CASE STUDY



## Community Budgeting in Poplar, East London

Poplar HARCA owns and manages nearly 9000 homes in Tower Hamlets and is a resident controlled stock transfer association. Concentrated geographically across three wards, Poplar HARCA is the only housing association to have been chosen to lead one of the community budgeting pilots, initiated by the Department for Communities and Local Government.

The housing association is keen to work with both its tenants and the surrounding communities to use public money more effectively, channelling funds into existing or new services that residents feel will meet their needs. Poplar HARCA has a long history of resident engagement. A recent participatory budgeting exercise discovered that the community were far more interested in contracting additional services for family intervention, rather than services to combat anti-social behaviour, as predicted by both Poplar HARCA and the local authority. Consistent engagement with the community enabled them to listen closely to people's needs.

One such case is Poplar HARCA in Tower Hamlets. Although in the early piloting stages of community budgeting, Poplar HARCA has already faced a number of challenges. There are continuing negotiations between the local authority and its service delivery partners around localising services and making sure that community engagement is taken beyond the consultative stage. Despite the successes of acting through intermediaries and partners to engage further with communities, local services have tended to remain under the local authorities' direct control. There are concerns that such a model will 'centralise' power at a local level, rather than delivering genuine localism by distributing power to their communities.

***"Local services with strong community engagement are key to the success of Poplar. It's clear that we have some great partnerships, but there are some ongoing challenges which we need to work through to deliver better services for the area that meet people's needs."***

Babu Bhattacharjee, Director of Communities and Neighbourhoods

As an established local partner with its communities, Poplar HARCA is uniquely placed to mitigate such concerns, often being perceived as far more 'local' than the local authority.

***"...Poplar HARCA is both embedded in and accountable to the local community for how services are shaped and delivered. This is not the case with the local authority, which, for a variety of reasons, is seen as distant, their officers unaccountable and their decision-making remote from the people their decisions affect. People know what is needed where they live; their ability, or not, to shape decisions on service delivery will be seen in the services' effectiveness on the ground, where it matters most."***

Christine Searle MBE, tenant of Poplar HARCA housing association

Poplar HARCA hopes that the community budgeting pilot programme will help to release some of these tensions and achieve local transformation, by decentralising power further and establishing strong collaboration between local communities and service delivery partners. It sees its role as an intermediary, to deliver a participative and radical form of localism which will change the way public services and communities work together.

Community budgeting will not be easy to deliver. Devolving budgets, pooling resources, sharing staff and co-locating are all very challenging for housing associations and their potential public sector partners. They will often require significant cultural change within organisations, a commitment to co-production and a willingness to share information across partners. They will also need strong and determined leadership and a long-term commitment to significant change in the way public services have traditionally been provided.

The lessons from the Community Budgeting pilot programme, assuming they are positive, could well be used by housing associations to promote new opportunities for active partnerships with the public sector, focused around community-led social enterprises delivering local services and controlling key local assets.

Government has an important role to play in these initiatives. It can provide support at the development stage, helping housing associations and their partners to develop their models and pool their collective experience and providing appropriate guidance, drawing on the experience of civil servant support for the community budgeting pilots.

Government also has a role in pushing the social housing sector beyond current initiatives, such as the Tenant Empowerment programme and linking it directly with other localism initiatives to deliver a 'whole community' approach. The Department for Communities and Local Government's Tenant Empowerment programme, set up originally to encourage tenants to take on the management of their homes in partnership with social landlords, is now focused on equipping tenants with the skills they need to hold their landlords to account and deliver the sector's co-regulation agenda successfully. These partnerships are important, but they do not go far enough; the linkages with other localism initiatives must be strengthened.

The Government's view on the role of social housing tenants in relation to their landlords is quite clear:

"With the abolition of the Tenant Service Authority and the Audit Commission, Government has removed top-down controls and performance monitoring and enhanced the role of tenants. We want to see more tenants seizing opportunities to engage with their landlord about local services, getting involved in key local decisions, and taking control of local housing services. Beyond this, we also want to see tenants helping to resolve issues that affect them and their wider community and improve where they live."

"We are already encouraging greater transparency amongst landlords about spending, and placing responsibility on landlords to give tenants opportunities to get involved, for example, by forming tenant panels and providing performance information so that tenants can scrutinise and compare landlords' performance. We are also encouraging tenant cashback, so that tenants can take control of repairs and pocket any savings. Together these changes will ensure that landlords are more accountable to local people."<sup>11</sup>

These measures and the funding that accompanies them, may well help to ensure that housing associations become more accountable to their tenants, but what they will not do is open up associations and other neighbourhood services to challenge by the wider community. Such initiatives could be harnessed, in company with community budgeting and the community rights in the Localism Act, to enable social housing tenants and their communities to work through housing associations to challenge wider neighbourhood

<sup>11</sup> Department for Communities and Local Government, *Tenant Panels and Empowerment: Training and Support Programme Prospectus*. Available at: <http://www.communities.gov.uk/documents/housing/pdf/2205662.pdf> [Accessed 28 August 2012].

services. If housing associations are to perform the key role we envisage for them in most local communities, there must be opportunities for these communities to hold them, and others, to account.

The Community Right to Challenge provides opportunities for properly constituted community-based organisations to question how local council services are provided and, in certain circumstances, take over the service themselves. The Tenant Empowerment Programme has, over the years, provided similar opportunities for tenants of public sector housing. Such tenants already have a statutory 'Right to Manage' which gives local tenants' groups the right to set up their own tenant management organisation, provided that they can demonstrate competence and that the majority of tenants support the proposal in a ballot. Now would be a good time to bring these rights and opportunities together for 'whole communities' and extend their scope to embrace the housing association sector and its greater role in delivering the localism agenda. Housing associations can act on and drive forward localism by listening to the community and brokering partnerships which challenge the way local services, including their own, are provided.



## Recommendation

The Department for Communities and Local Government should review how the community right to challenge could be effectively merged with initiatives directed at social tenants alone, such as the Tenant Empowerment Programme. Housing associations should be recognised by government as potential key vehicles for tenants and wider communities to hold existing local services to account, through community budgeting and the community right to challenge, and in brokering new partnerships with, or on behalf of, the community where needed.



## Recommendation

Housing associations should regularly conduct a scoping exercise, through close engagement with tenant panels, the local authority, neighbourhood-based organisations, community budgeting groups and other partners, to assess the needs of both the tenants and wider community. Housing associations should play a key role in facilitating, with partners and where appropriate, the community right to challenge, to hold neighbourhood-wide services, including their own, to account.



## Recommendation:

The Department for Communities and Local Government should pool all the learning from the early pilot stages of both whole-place and neighbourhood-level community budgets, through the community rights support networks, the Homes and Communities agency and trade bodies. Easy access to appropriate advice, whether co-ordinated by government or housing trade bodies, drawing on the experience of local civil servant support for the community pilots, would help to ensure that these types of initiatives become much more inclusive and widespread.

## 2.2 Community anchors – investing in communities

Across the UK, housing associations have been acting on localism in other ways, creating new and often dynamic partnerships with community-based organisations to deliver local priorities. Partnering with community anchors – organisations that are well established and supported within the community – makes sense. It can help ensure that meaningful engagement and collaboration within neighbourhoods is achieved. A common criticism of the community rights delivered through the Localism Act is the potential it offers for individuals and narrow interest groups to dominate neighbourhood agendas. Housing associations, working with community anchors, can help to mitigate these concerns, by strengthening the local infrastructure and broadening the community base.

In 2011, the Housing Association Charitable Trust reported on 12 pilot projects from around the country which had been awarded nearly £300,000 from the Community Builders fund, to help demonstrate the impact that partnerships with housing associations can have on building resilient and confident local communities.<sup>12</sup>

The outcomes were positive; the pilot projects were all:

- **Sustainable** – Even in the current economic difficulties, housing associations, with both assets and a secure revenue stream are amongst the most robust and sustainable organisations in the social enterprise, voluntary and community sectors.
- **Replicable** – Housing associations and community anchors exist in pretty well every corner of the UK.

<sup>12</sup> Wadhams, C., Carter, M. and Coburn, J. (2011) *Together for Communities: Experiences from partnerships, transforming neighbourhoods*. London: HACT. Available at: <http://www.hact.org.uk/sites/default/files/uploads/Archives/2011/11/A5-T-for-C-web.pdf> [Accessed 20 August 2012].

- **Accountable** – Housing associations have systems in place to ensure transparency – adequate consultation, tenant empowerment and effective governance which can benefit wider partnerships; community groups often have close and direct links to the communities they serve.
- **Complementary** – Most housing associations are not primarily involved in community development. Community anchors are not primarily housing organisations. But together each can benefit financially and organisationally.
- **Innovative** – Inter-trading between partners can be important – the energy and imagination shown by the community anchors and the social entrepreneurs at their heart is impressive; many housing associations are also led by individuals whose entrepreneurial skills offer significant opportunities for joint working.

An increasing number of associations are now taking forward such partnerships by developing a strategic approach to community investment, acting as capacity builders within those areas that may not yet be prepared for the opportunities that localism can bring.

A review of 16 PlaceShapers initiatives in 2011, which set out to demonstrate how housing associations were already playing a proactive role in the investment of their communities, led to the following conclusions:

- Localism takes time and effort – it is an intense and demanding business
- Housing association involvement in localism needs to be costed, evaluated and be just as rigorous as other investments they make
- Investing in communities often delivers unexpected positive benefits; diverse projects produce diverse results
- The qualitative outcomes of community investment are just as important as the quantitative and now both can be successfully measured
- Localism investment by associations in one community can be replicated elsewhere if the overall approach is right<sup>13</sup>

<sup>13</sup> PlaceShapers (2011) *Localism that Works: How housing associations make things happen*. Available at: <http://www.placeshapers.org/?ob=1&id=11> [Accessed 20 August 2012].



## Flagship Housing Group and Keystone Development Trust

The Keystone Development Trust and the Flagship Housing Group have worked together for the benefit of deprived neighbourhoods in Thetford and the surrounding areas since 2003. Thetford is a rural market town in East Anglia.

Both organisations have been involved in multi-agency partnerships, involving developing Keystone services, for example, a Credit Union, Fast Track Furniture, Food Box schemes and a number of neighbourhood development projects. In 2009, the two organisations began discussions aimed at creating improved and sustained partnership working. This was partly in response to the opportunities created through the Moving Thetford Forward regeneration scheme in which social housing estates were to be remodelled and improved. At the same time Flagship Housing recognised that its community engagement role would benefit from a review and commissioned Keystone to produce a “critical friend” report.

A further report researching the needs and aspirations of local residents highlighted a broader problem of the fragmentation of service delivery and the need for stronger co-operation between the community and public sector agencies across the whole district.

The partnership has enabled both organisations to strengthen their response to the increasing levels of worklessness in Thetford; work together in the development of a neighbourhood plan; and has enabled Keystone to deliver its community outreach work to all Flagship Housing tenants who live in the area.

The partnership enables each partner to play to its strengths, with Flagship Housing Group now concentrating more on the ‘bricks and mortar’s issues, whereas Keystone Development Trust are entrusted to empower and engage all Housing Group tenants through their extensive community development and worklessness programmes. This approach ensures that decreasing budgets can be maximised so that resources can be deployed by each partner on the services that they are best suited to provide.

*Extract from Together for Communities: HACT November 2011*

Some housing associations now have, or are developing, **community investment strategies**, re-focusing their business plans on community as well as corporate priorities and putting in place a challenging process of cultural change amongst both their staff team and board members.





## North Star Housing Group: Using a Prioritising Community Investment Tool

North Star is a medium sized housing association group with stock across Teesside and rural parts of Durham. It has recently developed a new, refreshed approach to all its community-related work, focused on building resilience, developing self-help and working with communities as equal partners to strengthen and sustain them. It was important to the Group that the approach was targeted, prioritised and practical; it had to be commensurate with the staff and financial resources available.

The Prioritising Community Investment (PCI) model was used to develop a strategic approach and action plan. This involved a rigorous six-month process of research by Social Regeneration Consultants, based on quantitative (facts and figures) and qualitative (views and opinions) information. The PCI stages included:

- **A Sustainability Index**, which brought together statistics for each geographically defined area where the Group has stock, including housing demand, crime and anti-social behaviour, unemployment and other socio-economic data; a traffic light ranking was then applied to identify those areas at greatest risk both in terms of day to day management and sustainability and 14 neighbourhoods were identified as priorities for further investigation
- **Social Research Questionnaires**, developed to gather quantitative (closed questions) and qualitative (open-ended questions) information
- **Structured Interviews**, by telephone and face to face, carried out with staff, tenants and residents, partner agencies and local services who had 'on the ground' knowledge and experience (rather than strategic)
- **A Community Strengths Assessment matrix**, ranking the outcomes from the questionnaires and interviews against a series of 9 indicators on a scale of 1-5 for every neighbourhood (which were applied equally, although they can also be weighted)
- **Community Profiles**, which brought together all the material gathered about each neighbourhood, including community activity and facilities, strengths and areas for improvement, overall priorities for action and those specific to the Group as well as the community strength rankings
- **Community Investment Strategy and Action Plan**, setting out a strategic approach for the Group and a prioritised three-year action plan
- **Governance, Organisational and Financial Plan**, detailing the Board, staff and structure changes necessary to deliver the strategy and action plan, along with budgets

These changes have not been limited to medium sized associations with a long track record in community based initiatives. Some of the sector's big players have ring fenced significant parts of their budget to support local communities.

## CASE STUDY



## Community Investment at Affinity Sutton

Affinity Sutton owns and manages 55,000 homes across the country. It has set up a charitable investment fund designed to generate returns which will fund its community projects. They did this by setting aside £20 million from their £44 million surplus in 2009/10 for this fund.

Affinity currently spends £2-3 million annually on community investment and the idea of the fund is to ensure that this is a clearly defined part of their activities, applicable throughout the organisation, which is sustainable over time. The focus is currently on three areas:

- employment and training
- financial exclusion
- improving neighbourhoods and health

The fund is administered by a separate community foundation which determines the strategy for using the fund. This also means that it is defined in the overall Group accounts and what it is to be used for is therefore clearly transparent.

Partnering up with local communities and investing in them can also provide significant development opportunities for housing associations, not least through neighbourhood planning. Housing associations have considerable expertise in planning, particularly through their partnerships with local authorities; many are well placed to provide an active support role for the new neighbourhood planning regime. So far, few have done so.

Neighbourhood planning is one of the main planks of localism, giving communities an opportunity to shape development in their areas. Neighbourhood development plans will be statutory plans, drawn up by local communities and backed by a local referendum. Housing associations need to have a role in this process – partnering with and empowering communities to take more control of their neighbourhoods.

Although the front runners are generally being funded through local authorities, those that follow are unlikely to be; parish and town councils and neighbourhood forums will be looking for specialist help and possible funding to help them prepare their plans. Where housing associations have stock in these communities and there is support for future development, it may make sense for them to provide this role. As ResPublica's report, *At the Crossroads*, pointed out:

*“Those housing associations that are able to engage with planning processes at a neighbourhood and community level stand to benefit from a more proactive approach to development, built on community consensus and support...associations perceived as lacking a community base may find it increasingly expensive and challenging to develop within the new planning regime. Having a clear local presence is therefore likely to be important in terms of business development.”<sup>14</sup>*

Further, without the presence of housing associations and their partnerships with community anchors and neighbourhood groups, it is likely that communities will begin to be left out of the process. As argued in ResPublica's paper on neighbourhood planning, published earlier in 2012, without the right partners and level of investment, neighbourhood planning will be in danger of becoming simply a consultative process, rather than a meaningful engagement through which the community truly prospers.<sup>15</sup> Housing associations can act as facilitators and intermediaries to mitigate such concerns, offering their experience, influence and connections to community anchors and groups to deliver greater inclusivity and more meaningful terms of engagement.

### 2.3 Making the best use of neighbourhood-wide assets and resources

Partnering with local authorities, other agencies and local communities and being prepared to invest time, money and energy for community benefit is an important aspect of the housing association response to localism. But acting on localism should also be about associations making the best use of local assets and resources, particularly in localities where these are concentrated. There are real opportunities here for creating and sustaining active partnerships, focused around community-led social enterprise, delivering both new and existing services and controlling key local assets.

There is a strong business case for associations looking at the wider issues of the neighbourhoods in which they work, something that is well understood within much of the housing association sector. In a report on the management of assets, specifically aimed at housing associations, published by the National Housing Federation last year,<sup>16</sup> the authors argue:

14 Leach, M. and Lupton, M. (2011) *At the Crossroads: A progressive future for housing association*. London: ResPublica.

15 Parkinson, J., Fox, W. and Kaszynska, P. (2012) *Re-thinking Neighbourhood Planning: From consultation to collaboration*, London: ResPublica.

16 Jones, M., Lupton, M., Kiely, J. and Rickaby, P. (2011) *Managing the assets: a guide for housing associations*, London: National Housing Federation.

*“...the economic sustainability of an individual asset can be as much dependent on the neighbourhood and local amenities as on the condition of the property itself.*

*Many landlords have found that the issues which influence residents' views of their neighbourhood are often wider than those aspects which landlords have under their direct control. Landlords therefore may wish to look at wider factors which impact on their properties, such as the performance of schools, crime statistics, and whether there is wider regeneration work taking place within an area.*

*The overall reputation of an area is particularly important and the views of residents and local managers and other staff should be valued highly in getting a clear impression of how an area is perceived.”*

It is also the case that, as associations are now focusing on how they best utilise their assets, there is a move in some parts of the country to rationalise their housing stock, concentrating on key areas, and potentially working more intensively in those areas. This is partly driven by associations realising that they have to be very clear about understanding local markets and how they work if they are going to be able to use their assets most effectively in a world where grant is increasingly scarce.

Making the best use of all their assets - housing and non-housing - is a priority issue for housing association's business plans. Matching this to community needs and expectations and bringing local people into the decision-making process is the next challenge. Now that housing associations have been given greater freedom to manage their own businesses, through co-regulation there is a strong case for them also having greater freedom to manage their assets more effectively, for community benefit. This freedom might usefully be extended to releasing associations from obligations to automatically reinvest surpluses from historic public funded assets in future land acquisitions and housing developments. A narrower emphasis on economics and bricks and mortar by Government would inevitably undermine this important contribution to localism by housing associations.



## Chester and District Housing Trust and Avenue Services: Making the most of neighbourhood assets and resources at Blacon, Cheshire

Chester and District Housing Trust's Avenue Services initiative was formally launched in April 2012. In common with so many similar places around the country, Blacon's local public services are under increasing pressure. Some community assets are now under threat too and there is a strong feeling amongst community leaders that the neighbourhood needs to hold on to what it's got. In most communities this would be a tough ask in the current climate, but in Blacon there are grounds for optimism. Avenue Services is already:

- Providing a one-stop shop for a range of public services, operating from a central location in Blacon with co-delivery and co-managed budgets
- Expanding its range of services, which started with caretaking, cleaning and grounds maintenance for the Housing Trust and the local authority, to include housing and estates management, community development and resident engagement, an adventure playground and management of other community based assets
- Planning to further extend delivery to existing co-located services covering community safety, anti-social behaviour, financial inclusion and employment support
- Anticipating that, by year three, youth services, through Connexions, will be included in the mix, with the potential to also include adult services and health provision

36 staff are being progressively seconded to Avenue Services, from the Housing Trust, the local authority and the Police. Around 50% of these staff will be local residents. Avenue Services is working very closely with a well-established Community Trust, which is based in a centre leased from the local authority.

Avenue Services has its Head of Integrated Services in place and will appoint a permanent Managing Director by the end of 2012. It will take over the management of a number of community assets in its first two years before moving on to specific acquisitions from the local authority, with transfers at nil value on a freehold or long lease basis.

The first of these transfers is likely to be Avenue Service's future base in a new community enterprise centre, a key element in the redevelopment of the local shopping parade. Once complete, the local authority intends to transfer this part of the parade to Avenue Services at no cost on a 99 year lease, accelerating and supporting the asset transfer process and social enterprise development.

Housing associations are also in a good position to stimulate community initiatives and partnership working by supporting the development of community-run social enterprises to take on management and maintenance services for both their own stock and that of other landlords. The concept of 'sticky money' – where money earned in a neighbourhood stays there and helps to attract more – fits well with localism, and can enable its success to continue in the long-term.

**CASE STUDY**

## **Soha Housing and Berinsfield Community Business: Transforming an isolated neighbourhood through community-led housing management and services**

The Berinsfield Community Business (BCB) provides intensive, local housing, cleaning and grounds maintenance services to a South Oxfordshire village of 1000 homes. The village is affected by high rates of unemployment and deprivation, low aspirations and poor transport links. It started up in 2002.

The community business aims to provide capacity building, sustainable jobs and training and local business opportunities to complement the physical regeneration of the area. It directly manages Soha Housing's 320 homes in Berinsfield, but all village residents can get help and advice. BCB is part of a range of structures to help local people and groups work together, access funding and find the best ways to meet needs.

51% of BCB's income now comes from contracts with other housing associations and parish councils. The majority of the eight permanent jobs created and places on the BCB board are held by Berinsfield residents. Criminal damage, anti-social behaviour and complaints have reduced because of the intensive local management and effective partnerships. In 2009, 79% of residents rated Berinsfield as a good place to live - up from 66% in 2002.

BCB has proved that it's viable and sustainable. It now plans to develop wider training and employment support, including apprenticeships with contractors. To make Berinsfield greener, it is also exploring community recycling and improvements to open spaces.

*"With its intensive approach, Berinsfield Community Business shows that localism works. It has promoted the idea of 'sticky money' – money earned in the village stays there and helps to attract more money"*

Mark Williams, Berinsfield Community Business.

*Extract from Localism that works: how housing associations make things happen PlaceShapers 2011.*



### Recommendation

The Department for Communities and Local Government and the Homes and Communities Agency (HCA) should review how the present co-regulatory model could allow greater freedom for housing associations to manage their assets more effectively, for community benefit. The HCA should include the possibility for releasing housing associations from obligations to automatically reinvest surpluses from historic public funded assets in future land acquisitions and housing developments, enabling them to use some of these surpluses for investment in local community and social action.



### Recommendation

The Department for Communities and Local Government should co-ordinate pilot areas to pioneer partnerships between housing associations and key intermediaries as facilitators of and catalysts for new powers of budgetary control, neighbourhood planning, and public service delivery to local communities. For example, housing associations already hold tangible stakes in local assets, provide essential services and often participate in a range of other partnerships – experience which should be central to ensuring that communities make full use of their new powers.

## 2.4 Strengthening the community base

Most housing associations invest in communities every day – in maintaining their homes, providing new ones, supporting individual tenants and tenants associations, and in some cases funding individual community projects and helping create local employment. None of this is unusual, but in many places local communities are not well organised, most people are not engaged and it is often hard to see how investment in the social and economic side of community life is making a significant difference. So what do housing associations need to do to help a wider range of communities take advantage of localism?

Investing in the social infrastructure of communities, not just the bricks and mortar, only makes sense if it helps to make the housing stock more sustainable, by strengthening the communities in these places, leaving behind a community which is more robust, cohesive and self-reliant. This is not something that many housing associations have experience of. A different approach may be needed.

Traditional community development approaches often start from a community's needs and problems. These then translate into approaches and actions which focus on deficiency and the role of services as the answer. People see themselves as having special and complex needs which can only be met by professionals and services. This can reinforce positions of dependency and control which characterise so much of the relationship between disadvantaged communities and external service providers. Moreover, looking at communities from this perspective usually results in:

- Services being extended rather than communities being funded
- Community capacities and strengths being overlooked
- A perception that only outside experts can provide the help needed (weakening the importance of neighbourliness and community spirit)
- Problems being seen as the way to get funding (rather than strengths)
- Targeting support and intervention on individuals rather than communities

An alternative way of developing communities is starting with the assets, or strengths, of a community – the capacities, skills, intelligence and expertise of people. Significant community development often takes place when people are committed to investing in themselves and their resources. Communities are rarely built from the top down or the outside in. An emphasis on internal assets is particularly valuable in the current climate, given that the prospects for outside help and support are bleak.

Community strengthening involves an external organisation working in a defined local community or neighbourhood in a way which builds social capital by tapping into the skills, knowledge and experience that residents have and helping them to release that for community benefit.

Strengthening can come in many forms, including the removal of bureaucratic barriers, individual and collective confidence building, making new connections and networking, identifying and supporting community leaders and investing in their training and skills.

The central aim of community strengthening is to help create, support and/or develop more self-reliant communities which have a positive and equal relationship with local service providers and have a measure of control over their own neighbourhoods.



Housing association involvement in community strengthening can also take other forms, including:

- The provision of 'support in kind', through unpaid work by the association's employees and/or volunteers to work with community organisations and their leaders to promote and develop self-reliance
- Asset transfers and/or management agreements for buildings and land within neighbourhoods, moving overall control to a local community
- Facilitating and/or brokering positive involvement by other organisations with an interest in a specific community
- Partnering with other external organisations to target human and/or financial resources on specific projects or programmes which help communities become more self-reliant
- The provision of direct grant or loan finance for specific/one-off community-led or based initiatives
- Establishing a Community Investment Fund, which communities can bid into for community-strengthening initiatives

Traditional tenant participation and community involvement teams may not have the right skills to deliver what's needed on the ground. With the right people, community strengthening can make a significant contribution to raising awareness and capacity within communities as well as helping associations deliver real social value from their investments.



### Recommendation

An independent taskforce should be established by a housing trade body such as the National Housing Federation or Chartered Institute of Housing to explore how housing associations, in partnership with others, can best perform a community strengthening role, support the move towards greater community self-reliance and help deliver the full spectrum of localism in every community in which they work.

# 3 Supporting social value and innovation in local delivery

This report calls for the introduction of a 'social duty' for the sector, urging, in line with, and beyond the Public Services (Social Value) Act, that social value must be integral to the core role of their business and corporate strategies, but also that this be firmly rooted in the locality and qualified through local collaboration. Such a partnership could really anchor social value into the neighbourhood, allowing for greater diversity in the way that communities determine what is of value to them in their local area. It could also enable communities to compel their local housing associations to 'go social'.

Housing associations are in a good position to respond positively to the new legislative and policy emphasis on supporting social value, and to match this effectively with localism and the needs of their surrounding communities. The Public Services (Social Value) Act, which came onto the statute book in February 2012, is already beginning to 'nudge' improvements to the economic, social and environmental well-being of communities and their neighbourhoods into the forefront of public service procurement. From January 2013 the Act makes it a legal requirement for local authorities and other public bodies, including housing associations, to consider these social value elements when procuring goods and services.

'Social value' is a way of thinking about how scarce resources are allocated and used. It involves looking beyond the price of each individual contract and looking at what the collective benefit to a community is when a public body chooses to award a contract. Social value asks the question: 'If £1 is spent on the delivery of services, can that same £1 be used to also produce a wider benefit to the community?'<sup>17</sup>

As more housing associations invest in communities where they already have a stake, they need to be able to measure the return on that investment and the outcomes they deliver, both socially and financially. At the Crossroads introduced the concept of a social dividend<sup>18</sup>, encouraging associations to produce firm evidence of their social investment in communities, through quantifiable figures in their accounts, benchmarking standards and social auditing. HACT is now developing a community framework toolkit, designed to align strategic approaches to neighbourhood and community working around a common framework. It should help associations to integrate and prioritise their community activities, evidence and measure their impact and place social purpose as a key part of their core role.

Many housing associations are clearly moving in the right direction, but there are good arguments for going further. What is considered as 'social value' is likely to differ from one place to another. The needs, aspirations and interests of local communities will inevitably play a crucial part to the development of what is meant by 'social value', and what it means to them. Social value certainly needs to be married with localism, and vice versa. Housing associations could play a pivotal role in this, acting as intermediaries and champions of the social value concept, working in partnership with local communities where they have assets. They could do this by:

- Weaving social value into their procurement practice
- Facilitating and supporting the development of a local, social economy
- Inspiring social value across private markets and enterprise
- Embodying social value as part of their core business practice

<sup>17</sup> Social Enterprise UK (2012) *Public Services Act 2012: A Brief Guide*. Available at: [http://www.socialenterprise.org.uk/uploads/files/2012/03/public\\_services\\_act\\_2012\\_a\\_brief\\_guide\\_web\\_version\\_final.pdf](http://www.socialenterprise.org.uk/uploads/files/2012/03/public_services_act_2012_a_brief_guide_web_version_final.pdf) [Accessed 20 August 2012].

<sup>18</sup> Leach, M. and Lupton, M. (2011) *At the Crossroads: A progressive future for housing association*. London: ResPublica.

### 3.1. Weaving social value into housing association procurement practice

The Public Services (Social Value) Act sits alongside other procurement laws, but now effectively requires housing associations to give serious consideration to procuring directly from social enterprises and local small and medium enterprises. It also expects them to consider 'supply chain diversity', requiring prime contractors to deliver social value through their second and third tier suppliers. By passing social value along their supply chains, housing associations can begin to prompt socially-oriented behaviour and 'nudge' private enterprises to invest in their communities.

In practice, this is likely to mean:

- Linking an association's corporate priorities directly to social value commissioning
- Mapping supply chains and market testing how social value might best be delivered in local communities
- Developing a social value commissioning policy
- Incorporating social value requirements into every commission or tender
- Developing social value weighting criteria
- Establishing performance monitoring systems and criteria to assess the impact of social value commissioning

This is a new area for many housing associations, but some have already begun to integrate social value into their commissioning. One is Selwood Housing in Wiltshire.



## Selwood Housing: Integrating Social Value into Procurement Contracts

Selwood Housing is a charitable enterprise and housing provider, formed by the transfer of homes from West Wiltshire District Council in 1996 & 2006. It now manages over 5,750 homes with 140 staff.

The housing association has recently introduced a 'Silva Social Enterprise Clause', a contract clause which is part of the tender process for their outsourced work. Contractors pledge specific offers against a range of options for wider community benefit, scored for the amount that they can contribute to each one. The current options are:

- The Silva Community Investment Fund
- Work placements & apprenticeships for Selwood tenants
- Donations to fund tenant events and prizes
- Community labour days

The results have been highly successful so far. £22,500 has been pledged to the Silva Community Investment Fund (an average of 0.45% of contract value per year), plus 19 work placements and 5 full apprenticeships. With companies not constrained by what they include in their clause, there have also been other offers, such as directors willing to give their own time up to help start up social enterprises, as well as some pro bono legal work.

The Social Enterprise Clause helps organisations to fulfil their corporate social responsibility objectives, and to make a contribution to the social economy. Within the association, it has also helped Selwood's own staff to think about other ways that they can support and improve their communities beyond the traditional work that they have been involved in, extending the social value of their overall activities.



## Recommendation:

Housing associations should lead in training their in-house commissioning teams, and where appropriate, those of other local commissioning bodies, in how they could most effectively procure services that will deliver the most social value for their communities. This should take place in conversation with their tenants and the wider community in neighbourhoods, to ensure that 'social value' is interpreted locally.

### 3.2 Facilitating and supporting the development of a local, social economy

Housing associations can do more than adapting their procurement practice to incorporate social value criteria. Some are already doing so. They can play an instrumental role in facilitating local and social economies, offering their services, resources, space and assets to encourage social innovation and enable social entrepreneurs to thrive. They can act as facilitators, incubators and guarantors to support a whole range of social initiatives, whether at the early ideas or 'start-up' stage, or throughout the development of a sustainable business model. Where they do this as part of a community investment strategy, the linkages with localism are clear and likely to deliver multiple benefits.

Housing associations should have a natural affinity with social enterprise because, in many ways, that is what they are - not for profit organisations with a social purpose. A recent survey carried out to inform the Green Light report found that associations have a range of motivations behind their interest in social enterprise, which included, amongst others, creating employment for tenants (91%), improving service delivery for tenants (69%) and delivering wider community benefit (78%).<sup>19</sup> Nevertheless, the same survey also found that 50% of associations don't currently procure from social enterprises at all; 69% spent less than £50,000 a year with social enterprises; 76% have no social enterprises on a preferred suppliers list; and 80% have not yet modified their procurement processes to accommodate them. So how should associations respond?

<sup>19</sup> Richardson, M. (2012) *Green Light: Creating jobs through social enterprise*, London: Social Impact Consulting and the National Housing Federation.

The Green Light report highlighted a number of ways in which associations can work much more closely with social enterprises, in ways which mirror how parts of the private sector already operate:

- Mapping social enterprises in their areas
- Capacity building social enterprises to help them become competitive and understand association requirements and protocols and providing soft loans paid back through earnings on work carried out for associations
- Educating their procurement teams about social enterprise, improving accessibility for them and brokering partnership arrangements

This report also pointed the way for housing associations which might want to grow their own social enterprises or set up franchise arrangements with those already up and running elsewhere.

Research for HACT has shown how some associations are already helping community-based social enterprises to compete more successfully for association commissions; provide a 'wrap around' business environment to incubate new community initiatives and make premises available to provide a physical focus for these activities.<sup>20</sup>

Housing associations might also use their skills and resources to support community and voluntary sector organisations, which are not social enterprises, but want to play a role in the delivery of local public services. They can also broker the development of community hubs, which bring community facilities together with public services, such as libraries, one-stop shops and commercial space to maximise efficiencies and share costs. Through a number of different means, housing associations can play a pivotal role in not only considering social value on an internal basis, but in stimulating a much more ambitious community-focussed social economy.

Government must also play its part in these changes. It needs to provide easier access to public contracts for social enterprises and other community-based suppliers supported by housing associations. The current arrangements have mainly benefited large organisations; attention now needs to turn to how smaller scale, community partnership initiatives can deliver localism through public procurement.



## Aspiring to Social Value

Aspire Housing is a large association with 20,000 homes across North Staffordshire and South Cheshire. In 2008, the association acquired a business, PM Training, which it turned into a social enterprise. It works mainly with young people who have limited formal qualifications, to give them work experience and skills. Aspire then acquired another training provider, Indigo Training Solutions, which operates from training centres in Stafford and Leek. 'Aspire created a new group structure, including a social enterprise arm Enterprising Futures to grow its social enterprise activities' In addition to PM Training, Enterprise Futures has recently also acquired a local Furniture Reuse Charity Furniture Mine to further its social objectives.

**PM Training** provides 1,000 employment and training opportunities per year, including workforce development, apprenticeships and foundation learning in such sectors as housing, business administration, and painting and decorating. PM Training, which is 100-staff strong, turned over £4.2 million in 2009/10 with a profit of £225,000 - all of which was gift aided to the Realise Foundation to create apprenticeships and develop lifelong learning.

Will Nixon, Director of Regeneration and Business Development at Aspire Group, who heads up the association's social enterprises, says that PM Training provides, 'young people who often have not have had the best start in life the chance to gain skills and get into work. We benefit the community through contracts for work such as gardening for older people in social housing, which results in better understanding of older people by young people.

**Homeworks** is the 'direct works' arm of PM Training. They provide a comprehensive range of home, garden- and estate-based services to public and private sector organisations, which transform homes, businesses and communities. They include: Gardening; hard and soft landscaping; carpet fitting; furnishing; painting and decorating; estate caretaking; bulky item collection; environmental improvements; planting; fencing and public art.

The aim is to create more attractive living, working and public spaces and to provide young trainees with the valuable skills and experience they need to secure sustainable employment.





## Recommendation:

Housing associations should assist smaller civil society organisations to 'scale up' and form consortia to enable them to bid more effectively for contracts from local or national public bodies to deliver public services.

### 3.3 Social value for private markets and communities

Housing associations can also support social economies by innovating across sectors to deliver social value with private business and enterprise. At a local level, they can help create or sustain a local 'social' market where the social economy can thrive alongside the private sector by offering space and incentives for social enterprises and services to come together, trade and grow. In urban areas particularly, associations can help create the conditions and platforms for new, start-up businesses to develop, particularly where these have community support. This concept was central to the Mary Portas Review of the High Street,<sup>21</sup> and the Government's response that followed.<sup>22</sup> In some places, housing associations can help facilitate the new local and 'social' high streets, which so many communities aspire to have. One housing association which has already made great strides on this aspect of localism is Phoenix Community Housing in London, a tenant-led community gateway association.

21 Portas, M. (2011) *The Portas Review: An independent review into the future of our high streets*. Available at: <http://www.bis.gov.uk/assets/biscore/business-sectors/docs/p/11-1434-portas-review-future-of-high-streets.pdf> [Accessed 20 August 2012].

22 Department for Communities and Local Government (2012) "Grant Shapps offers 'Portas-Plus Plan to revive ailing high streets'", Available at: <http://www.communities.gov.uk/news/corporate/2120114> [Accessed 20 August 2012].



## Phoenix Community Housing: A New Social Market Place

Phoenix Community Housing is a community-led housing association in the Bellingham, Whitefoot and Downham area of Lewisham, London. Properties were transferred from Lewisham Council in a large-scale voluntary transfer in 2007 following a positive ballot of tenants, forming London's first Community Gateway model for housing. The housing stock is now owned by the members of Phoenix Community Housing, comprising over 2,000 shareholders, 700 Gold members and 100 staff associates.

Phoenix Community Housing has recently acquired a pub – “The Green Man” – and its surrounding land from an asset swap with another housing association. With this building and land, works are now on site to build and develop a new headquarters and community facilities for residents and the wider community, which will host a number of services and organisations. These include a credit union, a community café, a pop-up restaurant, a training kitchen and educational programmes delivered by Lewisham College. The complex will open in 2013.

Amongst the facilities, Phoenix Community Housing is setting aside indoor and outdoor space for the development of a community ‘market square’, which will offer ‘pop-up’ business units and trading space for small businesses, local services and start-up enterprises. The space will open up an opportunity for local residents to sell their own wares, and ambitious entrepreneurs to begin to enter the local market place. The planned flexible design can also accommodate a range of different services and products. By virtue of being owned by a housing association, Phoenix can offer the business plots at a rental price much lower than a standard stall hire in London, incentivising new and start-up businesses and services to develop and engage with the wider community. By enabling such a dynamic local market to flourish, this could mark the beginnings of the new local and, specifically, ‘social’ high street.

*“Building the Green Man is about using our headquarters for maximum benefit to the local community – we want to open our office space to others to not only return the site to the centre of the community, but also to return the former village green and square to them too, encouraging the widest variety of interactions with our residents.*

*“The local community has been incredibly supportive and enthusiastic. We listened to our residents and the wider community and have put their considerations at the centre of the design process. In addition, we have a great advantage in that myself and David Cummins, as chair and vice chair respectively, live in Phoenix properties, and many of our residents live a short distance from the Green Man so the organisation’s priorities are very in tune with those of residents.*

*“The Green Man is right at the heart of the community and will breathe life into our promise of being more than just a landlord. We will make the most of this location to create a social hub for our community that will see genuine economic and social benefits for local people”.*

Pat Fordham, Chair of Phoenix Community Housing

### **3.4 Social value as part of the housing association core business model**

Delivering on social value through localism should not be seen by housing associations as an add-on or optional extra. Like so many of the ways in which they can act effectively on localism, it needs to be at the core of association’s business planning and corporate strategies.

Housing associations need to re-think the way they operate their businesses to enable them to deliver the maximum possible social value for their communities across every part of their organisation. How they work with social enterprises and support community entrepreneurs, how they run their procurement processes and the way in which they deliver existing and potentially new services in neighbourhoods are all important aspects of this change. For many associations, this re-think will require significant internal cultural change.

Some housing associations have already rebranded themselves, putting social value at the heart of their organisational planning and business ethos. One that has made good progress on this is the Plus Dane Group on Merseyside, which has recently rebranded itself as a Neighbourhood Investor.



## Plus Dane Group: Embedding Social Value on Merseyside

**Plus Dane Group** works as a Neighbourhood Investor. Rather than adopt 'social value' as an ad hoc practice, the housing association has rebranded and reformed its business model to embed the 'social' at its core. Plus Dane generates income, provides jobs and directs wealth into neighbourhoods with the aim of creating and sustaining vibrant places to live, acting not as managers or leaders, but specifically investors and intermediaries to generate an array of social returns.

Tenants and residents have a strong voice in shaping the business and have played a leading role in setting its mission, vision and values. They are active in every aspect of the way it does business. Concentrated in seven local authority areas, the housing association has been able to deepen its engagement with the community and more effectively respond to their needs at a local level. It has established seven promises which were drawn up with tenants, residents, staff, unions and key private, public and third sector stakeholders. The promises guide corporate and neighbourhood activity.

- Increased investment in existing property
- Ensure neighbourhoods enjoy good wellbeing
- Increased community safety measures
- Further supporting vulnerable customers
- Working in partnership with residents so they are involved in everything we do
- Increased creation of local work
- Increased supply and choice of homes to suit a broad spectrum of lifestyles

This renewed focus has not impeded the success of the business. Plus Dane has this year reported a £2 million increase in turnover with only a £400,000 increase in costs. The housing association has shifted the balance in all its operational resources and costs, amounting to an additional £5 million, which is now directed at investment in the neighbourhoods it serves.

This radical agenda could and perhaps should change the direction of the housing association movement, with many more associations reinventing themselves as holistic community anchors and neighbourhood investors, not just social housing providers.

This report calls for the introduction of a 'social duty' for the sector. To comply with and go beyond the Public Services (Social Value) Act, housing associations need to respond positively both strategically and at neighbourhood level. Working with key partners and local communities, the expectation should be that housing associations will not only 'act local', but also 'go social'. In practice, this means providing local communities with a new right to challenge which can hold housing associations to their social duty and giving tenants and their communities a clear role in working with their housing association to decide how this should be interpreted locally.



## Recommendation

Following on from the Public Services (Social Value) Act, social landlords should adopt policies of 'social duty' that promote social, economic and environmental value, based on the community's understanding of social value and local needs. All social landlords should consider how they promote social value in both public and private markets.



## Recommendation

The Department for Communities and Local Government should extend the provisions of the Public Services (Social Value) Act by requiring housing associations to declare a 'social dividend', through which they should produce demonstrable evidence of their social investment and the returns this generates for local communities. The nature of this 'social dividend' should be determined in partnership with their tenants and local communities, in order to take into account local variations in 'social value' and 'social return' priorities.



## Recommendation

The Department for Communities and Local Government should extend the community right to challenge and the opportunities offered by the Tenant Empowerment Programme, to ensure that a housing association's 'social value' and 'social dividend' requirements are developed in partnership with their tenants and the wider community. Social housing tenants and their communities should be empowered to call their local housing association to account where they believe that the association's social purpose has not been adequately fulfilled.

## 4 Opening up ownership of assets and services to communities

Acting on localism suggests that where there is a real appetite for local control, housing associations should now be actively considering how they might break up centralised management to work with their tenants and leaseholders to localise management and pass some or all of it over to soundly based, community-led organisations. This could and should then become a stepping stone to asset transfers and community ownership, where it fits with community ambition.

Housing associations can play a strong role in making localism more radical through their approach to asset ownership and devolved service delivery. There is no strong tradition of associations passing over the ownership, or even the management, of their housing stock to local communities - unlike local authorities, which have embraced many tenant management organisations and a handful of community gateway associations. However, some housing associations are now supporting a range of community initiatives which involve potential asset transfers and/or significant devolution of responsibility for service delivery to community level. Others have responded positively to community-led initiatives, acting as enablers and financial intermediaries for localism.

## 4.1 Community-led development

Housing associations can support community asset development and management by working closely with community-led initiatives, particularly community land trusts, housing co-operatives and development trusts. Some associations have worked closely with housing co-operatives in the past, but interest in supporting this type of local provision has been largely dormant for many years, whilst the growing network of development trusts has only occasionally embraced a social housing role. Associations need to connect (and in some cases reconnect) with these localism initiatives.

A small number of associations have already negotiated partnership agreements with community land trusts to develop small, community-owned sites for affordable homes; the scope for doing more is considerable. The Homes and Communities Agency has set aside a ring-fenced budget for community-led development as part of its 2011-2015 Affordable Homes programme and there are similar opportunities within the Empty Homes element.

There are also significant opportunities for housing associations to support and facilitate other forms of community-led development, for example through the new Custom Build programme,<sup>23</sup> which aims to stimulate community self-build projects as part of new housing association developments. Some associations have already acted as 'parents' for community-led housing projects, helping to build the community asset base, by establishing locally-based subsidiaries within their group structures. There are important links across to neighbourhood planning and the role that housing associations might play in facilitating community support for housing development.

Housing associations have so far been generally reluctant to encourage their tenants and leaseholders to get directly involved in the management of their homes. Most of the 200 tenant management organisations that have emerged over the years have been in public sector housing, where tenants were given a Right to Manage in 1994. The Government's Tenant Empowerment Programme (£1.3 million in 2012) offers support to tenants to gain the skills and confidence to set up tenant panels, to challenge their landlords to provide a better service, and take a lead in organising the local community. It also provides

<sup>23</sup> HM Government (2011) *Laying the Foundation: A housing strategy for England*. Available at: <http://www.homesandcommunities.co.uk/ourwork/custom-build> [Accessed 20 August 2012].

opportunities for tenants to manage their own housing, and transfer homes to a new landlord under the Right to Manage.<sup>24</sup>



## Community-Led Development in Northumberland

**Stocksfield Community Association** is leading a pioneering housing project in this Northumberland village. Working in partnership with Isos Housing, a 12,000 home association based on Tyneside, the community-led development will provide seven much-needed new homes for rent by local people.

The Government is keen to see local communities take the lead in providing new affordable homes for local people. £364,000 of Government grant is being provided through the Homes and Communities Agency's Affordable Homes programme and this is one of the first schemes to be approved in the country.

This is the first time that a genuinely community-led, non-profit housing scheme has been built here and the first affordable rented homes to be built in Stocksfield for more than two decades. It will put the village on the national housing map and meet a really pressing local need.

Money spent on site purchase is to be recycled within the village, to improve the local cricket club pavilion and provide new facilities for young people.

The community association, which is not intending to register with the Homes and Communities Agency, will buy the land and lease it to Isos, which will draw down the Government grant and build the homes. The two organisations will draw up a partnership agreement, setting out how the new homes will be designed, managed and maintained. There will be a clause in the agreement which gives the community association the option of taking over the ownership of the scheme at some point in the future.

Tenant Management Organisations currently look after nearly 90,000 homes, have generally performed well and the Coalition Government clearly wants to see more of them.

***“There are inspiring examples across the country of where tenants have taken control. But at the moment, only two per cent of council properties are managed by their tenants – I want to see that figure increase substantially”***

Former Housing Minister Grant Shapps, 10 February 2011

<sup>24</sup> Department for Communities and Local Government (2012) *Tenant Panels and Empowerment: Training and Support Programme Prospectus*. Available at: <http://www.communities.gov.uk/publications/housing/tenantempowermentprospectus> [Accessed 20 August 2012].



However, with around half of all social housing now owned and managed by housing associations rather than local authorities, there is clearly scope for significant expansion of these initiatives in the sector.

Recent research for Urban Forum has suggested that the growing distance between provider and tenant as a consequence of expansion and merger in housing associations could create latent potential demand from residents for tenant management. Housing associations face a choice – do they want to lead the way on resident self-management or fall further behind the local authority sector on this issue?<sup>25</sup>

Acting on localism suggests that where there is a real appetite for local control, housing associations should now be actively considering how they might break up centralised management to work with their tenants and leaseholders to localise management and pass some or all of it over to soundly based, community-led organisations. This could and should then become a stepping stone to asset transfers and community ownership, where it fits with community ambition.



## Recommendation

The Department for Communities and Local Government and the Homes and Communities Agency should extend the Community-Led Development and Custom Build programmes, to enable more social housing tenants and their communities, working in partnership with local housing associations, to extend their influence and control over the places in which they live.



## Recommendation

The Department for Communities and Local Government should extend its Tenant Empowerment Programme to invest in community-led management of social housing and, where there is community ambition, to transfer the ownership of the assets to community control. Government should encourage such investment as part of the sector's core role, and recognise housing associations as intermediaries for more asset-driven initiatives.

## 4.2 Transferring assets and services to community ownership

Many housing associations will want to be proactive in their response to localism and, in many cases, this may mean taking the initiative themselves, encouraging communities to take on local assets and services, providing them with support and finding the right mechanisms to make it happen.

Involving the whole community - not just their tenants - will be crucial, as will taking a holistic view of how assets and services deliver community benefit and quality of life for residents. Housing associations will need to work closely with other asset owning and service delivery partners in their local areas, particularly local authorities, and often over a lengthy period of time. They will need to assess what assets and services it would make sense to transfer into community ownership and what would be best retained under external agency control. And they will need to do all this in close collaboration with local people.

None of this is easy and it is no surprise to find that, in this respect, activity in the housing association sector has been very limited so far. Research for this publication found only two associations actively involved in transferring assets and services to local communities.<sup>26</sup> There is clearly scope for significant expansion, building on the partnerships and social value elements of localism outlined in Chapters 2 and 3.

As well as the obvious advantages for communities of asset ownership - securing land and buildings which are important to local people and might otherwise disappear - community ownership of assets has many other advantages, including:

- Enhancing the overall well-being and the quality of life of a local community
- Improved community identity and social cohesion
- Strengthened community capacity
- A better physical environment and local service delivery
- A contribution to community economic regeneration, creating new opportunities for jobs, training and local businesses
- A community 'feel good' factor, created by being in control of key assets or services for the first time

However, recent research by the Joseph Rowntree Foundation pointed to a number of potential complications and barriers which many communities engaged in asset transfers have had to deal with:<sup>27</sup>

26 ResPublica would be interested to hear of any similar initiatives by housing associations for inclusion in future research reports.

27 Aiken M., Cairns B., Taylor M. and Moran B. (2011) *Community Organisations Controlling Assets: A better understanding*. Available at: <http://www.jrf.org.uk/sites/files/jrf/community-organisations-assets-full.pdf> [Accessed 20 August 2012].

- Not putting in place proper business planning and 'due diligence' before taking on an asset
- Taking on land and/or buildings which are a liability with high reinstatement and maintenance costs
- Dealing with asset transferees who are risk-averse, cautious and unimaginative
- Finding and retaining the right leaders and volunteers with the right mix of skills and experience
- Getting the governance arrangements right for the size and complexity of the business
- Ensuring the financial sustainability of the asset – particularly generating enough revenue to keep it running when grant support is difficult

One of the most significant barriers to community asset transfers is the quality or physical condition of the asset itself. Some local authorities in England have been criticised for attempting to 'offload' surplus assets to local communities which are in poor condition. In contrast, some local authorities in Scotland have a policy of improving the standard of assets prior to transfer, whilst also providing capacity building support to community organisations. There are important pointers here for housing associations. Establishing good relationships with communities interested in taking on assets, based on an understanding of their social, as well as the market value, and offering support where needed to make it happen, has much to commend it.

If an asset transfer is to be successful – in the long term as well as the short – a community has to be ready, willing and fully equipped to take it on. Not all communities have the capacity or the resources needed. Financial planning for an asset can be particularly challenging for a community. Housing associations can play a very important role in offering their professional expertise, supporting small groups, building their capacity, often over a long period of time, and helping them develop a sustainable business model. They can work in partnership with communities and others to radically change the way assets are owned and managed and local services delivered. They can also take advantage of new funding streams, for example, the £16.7 million Community Ownership and Management of Assets programme, launched in August 2012 as part of the Government's Community Rights Support initiative.<sup>28</sup>

A number of housing stock transfers from local authorities to new community-led social landlords have been held up recently due to complications with historic debt write-off. Some councils remain reluctant to sell local housing assets to housing associations or communities. Even where there is strong community support, transfer would close off future liabilities and significant external investment would be drawn in. There is a case for government to look at additional incentives to encourage more local authorities to go down this route.

28 Social Investment Business Group (2012) "Community Ownership and Management of Assets". Available at: <http://www.sibgroup.org.uk/our-funds/communityrights/programme/> [Accessed 20 August 2012]. Department for Communities and Local Government (2012) "More than £30 million for communities taking over valued services and assets - Andrew Stunell." Available at: <http://www.communities.gov.uk/news/newsroom/21683021> [Accessed 20 August 2012].



## Recommendation:

Housing associations, in partnership with the local authority and other asset holders, should compile an asset register for each locality where they have concentrated stock, making details available to the local community, enabling them to examine which (if any) might potentially be transferred to community ownership and control.

Asset transfers may not always be one-off events; they can be a multi-stage process, where a housing association works with a local community and other partners, to effectively prepare an asset, group of assets or service for ultimate transfer to community ownership and control, by establishing an intermediary, investing in the asset or service to make it more sustainable in the long term. This may also provide time for the community to get itself prepared.

The creation of an asset management company in Chester is genuinely pioneering, but in common with many initiatives, local circumstances have played their part in making it happen. In many ways, this is what makes localism so interesting and not always easy to replicate. The initiative may not have happened without five key success factors:

- The reorganisation of local government and the creation of a new local authority with new political leadership, a new, progressive chief executive, a corporate determination to deliver local integrated services and delegated executive power to key officers who were able to drive through some very difficult decisions
- The creation of a stock transfer housing trust with a concentration of more than 2,000 rented homes in a neighbourhood with a long track record of community regeneration initiatives and a supportive, pragmatic community
- A progressive Housing Trust with an embedded culture around community investment and a chief executive with a dynamic ‘can do’ attitude
- The involvement of two high profile external advisors, including Urban Hope at Liverpool Hope University, able to overcome the many challenges and barriers which might have otherwise derailed the initiative
- The level of trust achieved with the community of Blacon. This needed hard work by all the partners involved, not least the community representatives involved in the process.

Those involved with setting up the Chester initiative are only too aware that financial viability lies at the heart of its success and its future. The social enterprise route to multiple asset transfers recognises that pressure on public finances will inevitably mean continuing limits on public investment in areas like Blacon.



## Sweating Assets and Devolving Services: The Next Steps in Chester

The creation of a neighbourhood-based social enterprise in Chester, jointly run by a housing association, a local authority and a local community, is a unique, pioneering initiative which puts some real muscle behind the concept of localism and demonstrates the central role that housing associations can play in delivering it. But it is still early days and success is not yet guaranteed.

Essentially, the success of Avenue Services depends on getting hold of public assets in Blacon, 'sweating' them to make money for the local community and reinvesting the profits for community benefit. This commercial approach to community asset development is the key to Avenue Services' long term viability, alongside its involvement in running streamlined and fully integrated services.

### **Towards a community run social enterprise**

Chester and District Housing Trust's ultimate vision for Avenue Services is of a community-run social enterprise which owns and manages a range of community assets in Blacon, using these as a base to widen its area of trading well beyond its area of benefit, managing and possibly owning the local housing association stock and running a broad and integrated range of local services with significant community engagement.

From a Council perspective, Avenue Services is the forerunner of a strategic approach to multiple asset transfers, devolved public services and community budgeting. It is committed to transfers below market value and has ruled nothing out in Blacon, provided value for money and financial viability can be demonstrated.

There is, however, a big tension around economies of scale. The community budgeting pilot is really about providing more targeted services at lower cost and with more efficient working by service providers. Logically this is about local authority-wide provision and more and more being done centrally. If Avenue Services can deliver coordinated services at lower cost at neighbourhood level, this may provide a 'happy medium' which fits very well with the localism agenda and can be replicated elsewhere.

Avenue Services itself will want to look at the potential for taking over the ownership of the Housing Trust's rented stock in Blacon. Although this is not currently on the agenda it is seen by some as a natural progression, if Avenue Services is a success, and one that could potentially be managed within Chester and District Housing Trust's business planning in the future.

Avenue Services also intends to prioritise community engagement, with a menu of neighbourhood agreements, where residents spell out the service standards they expect for their area; participatory appraisals, which residents can use to work out what they want to see change in their neighbourhoods; and neighbourhood action plans, where residents set out their priorities for the future.

The long term viability of these sorts of initiatives requires:

- A rigorous approach to delivering value for money by, for example, benchmarking costs and outcomes
- Continually striving to keep costs down whilst, at the same time, improving local services
- Eliminating duplication and unnecessary bureaucracy
- Maximising the use and value of community assets
- Finding new revenue-generating opportunities and making them work
- Creating surpluses from trading activity that can be reinvested in the local community

There are two specific legal and financial complications around European procurement and VAT which currently make it difficult for housing associations to set up community-based partnership companies, transfer assets into it and deliver local services through it, where a local community is directly involved.

In order to be compliant with European procurement law, partnership companies must be 'Teckal' compliant. This means that company ownership can involve only local contracting authorities - for which both a housing association and local authority qualify. Assets and services can then be transferred into the partnership without contravening tendering regulations. But this restriction effectively leaves a local community out of the picture, at least as far as company ownership is concerned.

This can be resolved in part by retaining the overall vision of a community controlled company, but postponing its realisation for a number of years. A partnership's board of directors can include individuals from a local community, sitting alongside those from a housing association and local authority, but ultimate control must rest with the corporate partners. This is effectively how the Chester initiative has been set up.

Current value added tax (VAT) rules pose a different challenge. Unlike local authorities, housing associations are not able to recover most of the value added tax (VAT) they are charged by suppliers. The amount of VAT incurred can be reduced by an association providing services in-house, thereby removing the VAT on the labour element of the service because it is delivered by employees of the housing association, the cost of which are not subject to VAT. However, where these services are provided by another organisation, which is not part of a VAT group with the association, VAT normally has to be charged. As this VAT is generally irrecoverable, this effectively adds one fifth to the cost of a service provided by a partnership company.

HM Revenue and Customs has recently released guidance, on 17 July 2012, about how costs can be shared that should assist partnership activities in the public interest to remove the additional VAT cost associated with their services to one another.<sup>29</sup> This should make it easier for services to be delivered in accordance with the localism agenda. However, the VAT exemption will only apply where members of an independent partnership, or similar arrangement (called a Cost Sharing Group), meet a specific criteria that includes every member receiving the services of the Cost sharing Group. Services supplied to non-members of a Cost Sharing Group, which would include a local community, would only be VAT exempt if that community had some level of ownership of the company. Since this would fall foul of the 'Teckal' compliance requirements, the prospects for local communities setting up partnership companies with housing associations and local authorities in which they have a stake, let alone control, is rather bleak.

The Government needs to review the current position on VAT and procurement and, where possible, introduce changes that will enable social enterprises, community interest companies and communities generally to have a stake, and ideally leadership, of asset management and local service delivery partnerships, without having to address complex laws, regulations and the often high legal fees involved.

Some Government-commissioned groups are already lobbying for a similar exemption for mutuals which take over services formerly provided by the public sector: The Mutuals Taskforce has recently pressed for the temporary exclusion of mutuals from European Union procurement rules whilst they are being established.<sup>30</sup> This should be extended to community-based partnerships, particularly those that are community owned and led and meet the requirements of the Localism Act.

Above all, what needs to emerge is a model which fits local circumstances rather than one which fits rules and regulations designed for something else entirely. Despite the pioneering work being done in Chester, this important localism model is not yet fully in place.



## Recommendation

The Cabinet Office, in partnership with the Department for Communities and Local Government, should conduct a review on how partnership companies can more easily be formed, and in particular with a view to eventual community ownership. Housing associations must be considered a key stakeholder in driving forward such models.

<sup>29</sup> HM Revenue and Customs (2012) *Guidance on the Cost Sharing Exemption - from 17 July 2012*. Available at: [http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?\\_nfpb=true&\\_pageLabel=pageLibrary\\_ShowContent&propertyType=document&id=HMCE\\_PROD1\\_032269](http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageLibrary_ShowContent&propertyType=document&id=HMCE_PROD1_032269) [Accessed 20 August 2012].

<sup>30</sup> Mutuals Taskforce (2012) *Public Service Mutuals: The next steps*. Available at: <http://mutuals.cabinetoffice.gov.uk/sites/default/files/documents/Public%20Service%20Mutuals%20next%20steps.pdf> [Accessed 20 August 2012], p.36.



## Recommendation

The Government, led by the Cabinet Office, should press for the temporary exclusion of community-based partnerships, particularly those that are community owned and led, from 'Teckal' requirements, to enable them to be established before being subject to full competition.



## Recommendation:

HM Treasury, in partnership with the Cabinet Office, should review the VAT Cost Sharing Exemption to ensure that it does not exclude communities from taking a stake in the ownership of partnership companies set up to deliver localism.



# 5 Embedding localism: Conclusions and recommendations

Localism will not flourish through increasing layers of bureaucracy, but there are a number of measures that can be taken to clarify key principles, encourage community self-reliance and 'oil the localism wheels', maximising the potential of housing associations as key agents of change in our communities.

The opening chapter in this report posed three key localism challenges for housing associations.

- How they might harness partnership potential with communities and localities, to reconfigure their services and provide new ones, investing much more of their time and resources in mechanisms like community budgeting and neighbourhood planning
- How they can support social value, enterprise and innovation in the way they run their businesses and deliver existing and new local services
- How they might offer asset transfers and devolved services to local communities and what needs to be put in place to enable this to happen on a cost effective and sustainable basis

This report does not have all the answers to these challenging questions, but it does point housing associations in the right direction and offers a radical way forward. Localism is not a passing phase. It was a priority for the previous Labour Government and it has now been enshrined in primary legislation by the Coalition. The concepts need to be embedded in every organisation that has a role in local communities. Housing associations are pretty near the top of the list in this respect.

A 2007 Chartered Institute of Housing report on successful neighbourhoods suggested that housing associations were in pole position to deliver much of the localism agenda, but that they needed to be bold and extend their role well beyond housing provision.<sup>31</sup> That message remains the same.

## 5.1 Big choices ahead

Housing associations now face some big choices. They are being pulled in different directions. They have been given more freedoms and less regulation; they are under pressure from government to build more homes, but with less public funding and let to tenants at higher rents. They are being urged to have a greater community focus and be more locally responsive, whilst at the same time value for money pressures have led to greater service centralisation, call centres and mergers.

So housing associations face a dilemma about their response to localism and how this fits with their corporate priorities. For some, continued growth, building more homes and reducing their dependence on government grant, have significant attractions. For others, making use of their assets and reserves to support and strengthen local communities where they have concentrated stock and coordinating public services at local level is seen as the right way forward. It is, of course, quite possible to do both. It is really a question of balance, good judgement and a radical transforming vision.

31 Duncan, P. and Thomas, S. (2007) *Successful Neighbourhoods: A good practice guide*. London: Chartered Institute of Housing.

Associations need to analyse how their activities in local communities relate to and affect the overall sustainability of their business. Diversifying into non-housing activities will not sit comfortably with every association. There are always potential risks and some associations have learnt some hard lessons in the past. It will always be important for housing associations to manage the risks associated with diversification successfully. But there is no escaping the strong community dimension to the work associations do.

Tony Stacey, who chairs the PlaceShapers group of housing associations, feels that the localism agenda has already begun to change the way many housing associations operate and relate to the communities in which they work:

***“The ‘mood music’ has definitely changed now; housing association mergers are becoming less popular, the value of community based associations is being appreciated and there is increasing confidence in the role of those that are small and medium sized. There is real energy in the sector now – many housing associations are beginning to go back to their core values; they have a new sense of community purpose and direction, perversely encouraged by the difficult economic climate.”***

There is no doubt that having a clear local focus and concentration of stock has real benefits for associations. The close relationship between scale and local impact is well understood in key parts of the housing association sector,<sup>32</sup> but has become increasingly difficult to exploit, given the many and varied pressures of recent years.

The Placeshapers group has called for the Government to express its firm support for the following:

- An independent, diverse, not-for-profit housing association sector that provides a range of options to meet local needs and responds to local influence
- Easier access to public contracts for social enterprises and other community-based suppliers supported by housing associations
- Housing associations to be recognised as primary influencers and partners, integrated into local service provision and investment planning
- Simpler mechanisms for achieving stock rationalisation and asset sales, to support the delivery of more homes and improved local services
- A strong commitment in funding and regulatory regimes to the local management of housing association homes

Whilst this sort of support would undoubtedly help housing associations act more locally, it stops short of being a radical, localist agenda. Associations can and should go much further.

Much of this report has been about assets and how they might be used to help create more self-sustaining communities. There is now significant support at the highest political levels for the transfer of public assets and, where practical, their ownership and management by

32 Lupton, M. and Kent-Smith, J. (2012) *Does Size Matter: Or does culture drive value for money?* London: Chartered Institute of Housing.

local communities. But turning this support into reality on the ground is often a struggle. As Steve Wyler and Phillip Blond have observed:

*“Some in national and local government and in the policy-making community are still resistant to the idea that citizens in general and people in poor communities in particular are capable of owning local assets – and they remain wary of the independence and self-determination that successful community asset ownership confers. They would prefer that assets be owned and managed for others by poor communities, rather than by those communities themselves.*

*This attitude, which is especially prevalent in the middle ranks of public agencies, represents a formidable obstacle to progress, sometimes delaying viable initiatives by many years in wholly unnecessary ways.”<sup>33</sup>*

The Avenue Services initiative in Chester has had its share of these challenges, but the local housing trust and its local authority partner have managed to work round most of them. Other housing associations have also been positive in their support for the concept of community owned assets, although so far these have tended to involve other organisation’s assets rather than their own.

## 5.2 Strategic localism

Those already committed to developing localism initiatives need to be very clear about their aims and where they sit with their other strategic priorities. It makes little sense to continue the rather ad-hoc investment in communities which has been a feature of many housing associations over the years. Community investment has too often been viewed as an add-on to mainstream association activity when what is needed is a clear strategic vision. It needs to be embedded both at the heart of and across the organisation.

Strategic localism is essentially about putting local communities in the driving seat. Housing associations can make a significant contribution through supporting community-led development, building community capacity, asset transfers, devolving services to neighbourhood level and extracting the maximum social value from their operations across the board.

A key part of this vision must also involve a strengthening of relationships between housing associations and local authorities. The Avenue Services initiative in Chester is a prime example of how both can work closely together to deliver something which neither could do alone. In times of relentless downward pressure on public funds, a strong emphasis on value for money and streamlined services, the strategic priorities of associations and local authorities can and should be closely aligned, particularly in places where housing association assets are concentrated. There are important lessons here for large scale voluntary transfer associations and arms length management organisations, but also for traditional associations with similar stock profiles.

<sup>33</sup> Wyler, S. and Blond, P. (2010) *To Buy, to Bid, to Build: Community rights for an asset owning democracy*. London: ResPublica.

### 5.3 How government should respond

With these elements in place on the housing association side, government needs to respond positively by recognising that community activities are part of the core mission for all associations.

Part of the debate around the future of housing associations has focused on their ability – or lack of it – to raise significant private funding through ‘sweating’ their equity.<sup>34</sup> This is hardly surprising. With assets valued at more than £100 billion and legislation now in place enabling them to be registered as ‘for profit’ bodies,<sup>35</sup> the Government clearly sees an opportunity for a significant reduction in public funding support whilst also increasing the production of new affordable homes.

It would be unfortunate if the drive to cut the national budget deficit resulted in disinvestment in our communities by housing associations, rather than their transformation into places that are more self-reliant and sustainable. ‘Sweating’ assets and delivering localism are not necessarily incompatible, as the Avenue Services experiment seems likely to demonstrate. It is how we make the best use of those public assets and who benefits from ‘sweating’ them that is the key.

As ResPublica’s previous report on the future of housing associations pointed out:

***“Just as government has shown a willingness to step back from a centrally driven model of ownership and control of public services where it can be shown to be better managed and where the accountability for association’s assets can be shown to be clearly focused on communities, government should be willing to hand over responsibility for the stewardship of the assets built up through government investment on behalf of communities. At the centre of this would be the freeing of associations from the constraints around the effective management of their assets and use of historic grant in exchange for a redefining of their relationships with community.”<sup>36</sup>***

Acting on localism in a radical way may mean not only extracting community benefit from publicly funded assets, but going much further, with government encouragement for housing associations to progressively transfer the ownership and management of some of their assets to well-founded and sustainable community-based social enterprises.

The medium to long term impact of such approaches will draw in significant additional investment from non-public sources, generating savings to public funds. Given the potential that housing associations have for making these things happen, the Government needs to find new forms of recognition for them and disseminate them widely as good practice which can and should be mainstreamed.

34 Evans, N. (2010) *Housing People: Financing housing*. London: Policy Exchange.

35 Housing and Regeneration Act (2008). Available at: <http://www.legislation.gov.uk/ukpga/2008/17/contents> [Accessed 20 August 2012].

36 Leach, M. and Lupton, M. (2011) *At the Crossroads: A progressive future for housing associations*. London: ResPublica.

The Department for Communities and Local Government needs to be clear what it expects from housing associations on localism. Some aspects of localism do not sit comfortably with practical delivery by associations. Housing associations have the potential to be at the forefront of supporting community ambition through localism, something which needs to be recognised and facilitated by Government. National housing policy should be broadened, deepening the involvement and empowerment of tenants, but widening to a 'whole community' approach.

Government can and should respond positively, but whether mainstream housing associations will act on localism effectively will be largely down to them. The significant challenges posed by the impact of the economic recession on their tenants, the reduced access to capital grant to build new affordable homes, reductions in the supporting people programme, wider welfare reform and changes to the regulatory regime have all been exercising the housing association sector for some time. Looking more closely at how they can contribute to delivering localism now needs to be added to this list.

Acting on localism is a challenging issue for many housing associations. It gets to the core of what they are about and are here to do. There are important and potentially irreversible choices to be made about their future direction. It is crucially important that they get their strategic direction on localism right. Government can do much to set the tone and oil the wheels. Over the next few years the changing socio-economic climate and continuing reductions in public sector budgets and services require a positive and dynamic response from housing associations. The time to act on localism has arrived.

## 5.4 Summary of recommendations:

Localism will not flourish through increasing layers of bureaucracy, but there are a number of measures that can be taken to clarify key principles, encourage community self-reliance and 'oil the localism wheels', maximising the potential of housing associations as key agents of change in our communities. This report makes sixteen specific recommendations:

- **The Department for Communities and Local Government** should review how the community right to challenge could be effectively merged with initiatives directed at social tenants alone, such as the Tenant Empowerment Programme. Housing associations should be recognised by government as potential key vehicles for tenants and wider communities to hold existing local services to account, through community budgeting and the community right to challenge, and in brokering new partnerships with, or on behalf of, the community where needed.
- **Housing associations** should regularly conduct a scoping exercise, through close engagement with tenant panels, the local authority, neighbourhood-based organisations, community budgeting groups and other partners, to assess the needs of both the tenants and wider community. Housing associations should play a key role in facilitating, with partners and where appropriate, the community right to challenge, to hold neighbourhood-wide services, including their own, to account.
- The **Department for Communities and Local Government** should pool all learning from the early pilot stages of both whole-place and neighbourhood-level community budgets, through the community rights support networks, the Homes and Communities agency and trade bodies. Easy access to appropriate advice, whether co-ordinated by government or housing trade bodies, drawing on the experience of local civil servant support for the community pilots, would help to ensure that these types of initiatives become much more inclusive and widespread.
- The **Department for Communities and Local Government** and the **Homes and Communities Agency** should review how the present co-regulatory model could allow greater freedom for housing associations to manage their assets more effectively, for community benefit. The HCA should include the possibility for releasing housing associations from obligations to automatically reinvest surpluses from historic public funded assets in future land acquisitions and housing developments, enabling them to use some of these surpluses for investment in local community and social action.

- The **Department for Communities and Local Government** should co-ordinate pilot areas to pioneer partnerships between housing associations and key intermediaries as facilitators of and catalysts for new powers of budgetary control, neighbourhood planning, and public service delivery to local communities. For example, housing associations already hold tangible stakes in local assets, provide essential services and often participate in a range of other partnerships – experience which should be central to ensuring that communities make full use of their new powers.
- An independent taskforce should be established by a housing trade body such as the **National Housing Federation** or **Chartered Institute of Housing** to explore how housing associations, in partnership with others, can best perform a community strengthening role, support the move towards greater community self-reliance and help deliver the full spectrum of localism in every community in which they work.
- **Housing associations** should lead in training their in-house commissioning teams, and where appropriate, those of other local commissioning bodies, in how they could most effectively procure services that will deliver the most social value for their communities. This should take place in conversation with their tenants and the wider community in neighbourhoods, to ensure that ‘social value’ is interpreted locally.
- **Housing associations** should assist smaller civil society organisations to ‘scale up’ and form consortia to enable them to bid more effectively for contracts from local or national public bodies to deliver public services.
- Following on from the Public Services (Social Value) Act, **social landlords** should adopt policies of ‘social duty’ that promote social, economic and environmental value, based on the community’s understanding of social value and local needs. All social landlords should consider how they promote social value in both public and private markets.
- The **Department for Communities and Local Government** should extend the provisions of the Public Services (Social Value) Act by requiring housing associations to declare a ‘social dividend’, through which they should produce demonstrable evidence of their social investment and the returns this generates for local communities. The nature of this ‘social dividend’ should be determined in partnership with their tenants and local communities, in order to take into account local variations in ‘social value’ and ‘social return’ priorities.



- The **Department for Communities and Local Government** should extend the community right to challenge and the opportunities offered by the Tenant Empowerment Programme, to ensure that a housing association's 'social value' and 'social dividend' requirements are developed in partnership with their tenants and the wider community. Social housing tenants and their communities should be empowered to call their local housing association to account where they believe that the association's social purpose has not been adequately fulfilled.
- The **Department for Communities and Local Government** and the Homes and Communities Agency should extend the Community-Led Development and Custom Build programmes, to enable more social housing tenants and their communities, working in partnership with local housing associations, to extend their influence and control over the places in which they live.
- The **Department for Communities and Local Government** should extend its Tenant Empowerment Programme to invest in community-led management of social housing and, where there is community ambition, to transfer the ownership of the assets to community control. Government should encourage such investment as part of the sector's core role, and recognise housing associations as intermediaries for more asset-driven initiatives.
- **Housing associations**, in partnership with the local authority and other asset holders, should compile an asset register for each locality where they have concentrated stock, making details available to the local community, enabling them to examine which (if any) might potentially be transferred to community ownership and control.
- The **Cabinet Office**, in partnership with the **Department for Communities and Local Government**, should conduct a review of how partnership companies can more easily be formed, and in particular with a view to eventual community ownership. Housing associations should be considered a key stakeholder in driving forward such models.
- The Government, led by the **Cabinet Office**, should press for the temporary exclusion of community-based partnerships, particularly those that are community owned and led, from 'Teckal' requirements, to enable them to be established before being subject to full competition.
- **HM Treasury**, in partnership with the **Cabinet Office**, should review the VAT Cost Sharing Exemption to ensure that it does not exclude communities from taking a stake in the ownership of partnership companies set up to deliver localism.

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