

More and better social homes – HQN submission

What problem is the RSH trying to solve? We are spending record breaking sums of money on maintaining our homes. These works are essential to keep tenants safe. Yet, at the same time we must build more new homes quickly to get 180,000 children out of temporary accommodation (TA). Social landlords are stuck between a rock and a hard place. They don't have the money to do everything. There are no good trade-offs or options to pick from. The RSH is asking if it can adapt its regulatory regime to help. That's a good question to ask and at the right time.

The byelection in Holborn and St Pancras is attracting a lot of interest across the country. Is it a bellwether? Time will tell. Many housing issues are coming to the fore such as:

- Poor building standards
- Housing disrepair
- Leasehold reform
- Impact of housing association mergers
- Social housing voids
- Sales of social housing.

The wisdom of selling off social homes in an area of high demand is puzzling to the public. Of course, we know that the associations will be recycling the money to fix homes or build new ones. And I expect they will be able to prove they have no choice. But this is a very hard trade off to explain to anyone that is not in our line of work. The byelection is laying bare the problems in our sector. Let's hope some good comes of it.

What can regulation do to help?

The RSH insists that all landlords must have a reliable stock survey with a plan showing when they will do the works. Inspections test that the plans are sound with follow-up work on track. It is now proposing that landlords should firm up development plans in a similar way. RSH inspectors could check whether the new homes appear. The point of the exercise is to squeeze out more homes.

There is something to aim at. Our analysis of the most recent association accounts show that there is indeed a cohort who could help. Their finances look robust – interest cover is strong while gearing is low. They could build more. So why aren't they?



Are they worried about high interest rates? That could turn a sea of green lines in a business plan into red quite quickly. In the past, sales of flats have helped to cross-subsidise social homes – that is tougher now. At Holborn and St Pancras and many other places the poor reputation of flats in blocks makes these hard to shift. The RSH inspectors could tease out if an association was just sitting on its hands or acting wisely to ride out a storm.

In the past, one of the most common causes of storms was the government itself. Why are social homes auctioned off? Associations tell us they are still catching up from the rent cut losses and need cash to deal with net zero rules. That's down to Westminster.

When the RSH has an in-depth knowledge of development outputs as well as repair costs it will be in a great position to brief ministers on the impact of their ideas. Sadly, good advice does not necessarily go down well as ministers come and go. But at least we enter into any discussion armed with the facts. And that is our duty. So, the RSH is on the right track here. The engagement with development targets is welcome. For a start, the RSH could show ministers how many real homes the sector would build by diverting the £3bn a year we squander on TA. In fact, higher grant rates are the one sure way to build more homes and bring risk down to acceptable levels.

Our suggestions for more and better homes

- **What sort of questions could the RSH ask when inspecting development capacity?**

Will the developments stand the test of time? Are scheme appraisals robust? Is enough money set aside for management and maintenance in the long term? How do you know the figures are likely to be correct? What are the risks and how will you counter these?

What time period are you using to calculate the net present value of cash flows from schemes? (In simple terms the longer the better. Is there a case for the RSH stipulating a 50-year period to unlock capacity?)

Are the schemes affordable for residents now and in the future? Who sets the service charges? Can you rely on managing agents? What are the projected service charges? Can shared owners afford these? Are residents given realistic estimates of costs? What is the plan if the estimate is wrong?

Do staff bonuses incentivise short termism? Will meeting production and sales targets come back to bite you?

- **Improving the reputation of shared ownership in blocks**

Inspection has improved the management of social rented homes. Could it do the same for shared ownership homes? We think it would. The RSH does give C ratings to the for profits that specialise in shared ownership. Should it go further and report on issues as they affect shared owners at all landlords? It would certainly sharpen the focus of our boards. There is wide public interest in shared ownership so this really ought to be on the agenda.

- **Do we need perpetual due diligence?**

"I'm shocked. Shocked to find out that gambling is going on in here." Captain Louis Renault, Casablanca

Isn't it amazing how much comes to light when a new CEO gets appointed? Isn't it extraordinary how many problems we unearth after a merger? This is embarrassing. Quality control in governance falls down far too often. Can the RSH investigate why this is so? Why can't we see ourselves as others see us? Is there a case for applying the discipline of due diligence more regularly? That said, there would need to be a big hike in quality of this service in some cases.

- **Do we need to break down the C ratings?**

Housing associations and councils are getting very much bigger. The C rating gives the RSH's view of quality of service across an entire landlord. But does one C rating always make sense to the public where they live? Are services delivered to the same standard everywhere? If not, the C rating might lack credibility in places. Where there is a big gap between the C rating and reality that could undermine the whole system. On the other hand, there is a risk that inspection would grind to a halt if the teams needed to produce ever more reports. Perhaps the consultation could seek views on the pros and cons of providing distinct C ratings by:

- Local area and/or
- Type of home (eg, general needs, supported and shared ownership).

- **Should housing be central for all landlords?**

The RSH wants housing to be central and we agree. Our biggest concern was that some of the new councils emerging through LGR would be so strategic that day to day services took a back seat. We are pleased to note that through inspections and engagement the RSH was live to this risk. Any competent council will be in no doubt as to what the RSH expects of them. It will be worth keeping an eye on this.

- **Can the RSH do more to encourage ethical providers of supported housing?**

It was great to see that Golden Lane got C1 while there were many positives in the Look Ahead C2. Can we have more landlords like this? How should the RSH go about encouraging associations like this while deterring others? We realise that the RSH pays close attention to supported housing. Are there ways of stimulating ethical providers? Could this be a theme for the full consultation?

- **Ensure the RSH has access to cutting edge expertise**

New ideas about how to finance and structure social housing are coming thick and fast. Innovation is not always great. So it is odd to find out that it is an aim in and of itself. The RSH needs access to staff that are quicker and sharper than those across the table. What does that mean for staff recruitment and remuneration? Yes, the RSH has many fine people – but do you need reinforcements?