

## **Delivering Social Housing Services in the 21st Century**

I'm very pleased to be here today to talk about service delivery. Because it is something that ought to be the focus of everyone's attention.

Instead the attention - and the headlines - have been focussed elsewhere. Firstly the new institutional arrangements, under which we wave goodbye to the Housing Corporation, and say hello to OFTENANT and HCA. By April 2009 - and perhaps before - the government's delivery structures for social housing will have changed forever.

The next headline has been the excellent news about the Comprehensive Spending Review settlement – quite rightly a front page grabber - with £8.4 billion of new Government funding, which should raise the number of homes for rent built each year from 30,000 last year to 45,000 by 2010-11. Taken together with LCHO output of 25,000 homes that should bring the number of affordable homes being built each year to 70,000. That's a doubling of output over 5 years with a 50% rise in spend to achieve that.

Then attention shifted to the issues thrown up by the Housing and Regeneration Bill, where there seems to be a confusion between accountability, independence and the delivery of excellent service. Yes it is right we avoid falling into a classification trap, but ultimately our view is that these three issues – accountability, independence and excellence are not and should never be seen as mutually exclusive. The number of MPs in the House willing to stand up for RSLs at the end of the debate on the bill suggests that there remains an accountability gap longing to be filled.

And NOW, the headlines have been captured by the credit crunch, and the long-anticipated but stubbornly slow to arrive, slow-down and eventual “correction” in house prices.

I think it's fair to say that delivery of services in the social housing sector hasn't been catching the attention in the same way.

But actually, it has been at the heart of the thinking behind the proposed changes contained in the Bill.

That doesn't mean we've all been getting it wrong up until now. The foundations of the new regulatory system are those developed by the Housing Corporation, that have enabled and fostered a stable environment for the investment of over £35 billion of private finance over the past 20 years, which have ensured the effective and at times tough enforcement of standards and a level of quality service delivery that can be excellent.

Our Effective Regulatory engagement is at the heart of our response to the issues thrown up by the credit crunch. Declining market sales and the toughening lending market are both challenges for providers of affordable housing - and quite rightly the effect of market conditions will be getting attention here today. But the need for affordable homes remains high and will remain so.

And the proper management of those affordable homes is crucial. Just housing those in need is not enough. Be they new homes, or existing homes - since even with greatly increased levels of housebuilding, in 2050, three quarters of stock then occupied will be homes that exist now – therefore getting neighbourhood management right is crucial. Service delivery, and ongoing community development work, and the so-called value added services offered by social housing providers all support and promote sustainable communities, and help regenerate those that have fallen into decline. If anything, a slowing housing market will make this work even more important.

The scale is huge. Currently, one in every 10 homes across England is subject to Housing Corporation regulation. With the recommendation that OFTENANT will in time be the regulator for local authority and ALMO homes as well, this will rise to one in every 5 homes - 4 million homes and 10 million residents.

Add the fact that successful social housing managers are already operating in the private sector as well, with this activity set to increase, delivery of high standards by registered providers in the social sector should have an increasing effect right across communities.

So how can the regulator help create an environment that will give us service delivery fit for the 21st century?

The answer is part of a wider movement for change. The whole ethos of the changes taking place in social housing are designed to break down barriers, increase competition, enhance accountability and improve choice - choice of tenure, choice of landlord, choice of manager. The mixed market of providers and provision is here - and here to stay. We've begun to see it already.

That's the national policy perspective. Now let's turn and look at this from a tenant's point of view.

The picture painted of tenants experiences in social housing in John Hills' report was not particularly encouraging. There was dissatisfaction amongst many tenants, especially with housing quality - despite higher standards - and this was generally higher with younger tenants and minority ethnic tenants, while landlords were often perceived to be paternalistic or even patronising, in their approach.

Undoubtedly there are a series of complex reasons why these trends appear as they do but it is clear that in the long run this is one of the biggest challenges landlords are likely to face - how to improve the experience for tenants.

The NHF Tenant Involvement Commission set out the challenge clearly - tenants want landlords to get the basics right. That doesn't seem an unreasonable expectation.

Our view is that the more we can encourage and require landlords to involve their residents in establishing standards of performance and monitoring those standards the more successful we will be in getting the basics right.

And the principle that an affordable housing tenant should have the same service and same expectations whether that service is provided by an RSL, by a local authority or by the private sector, is surely right.

But then, once you have established a minimum standard, how can you drive up competition and choice, and give tenants a way to shape the nature - and the value - of the services they are offered? A regulatory construct that accepts compliance with minimum standards is not a regulator that aims to transform service delivery. This question is key to shaping OFTENANT's

new approach to service delivery. The Chair and Chief Executive designate will have the task of putting together the new regulatory framework, but the principles are becoming clear already.

There will be a cultural change within the regulator to modernise, and mark a clear and distinctive shift from a provider focussed outlook to a consumer-focussed outlook. From custodian of the club to champion of the consumer, Ofwat will be there identifying ways to give tenants, leaseholders, residents and neighbours a greater say over where they live and how their homes are managed.

Because despite excellent initiatives like the Decent Homes Standard, Hills and others tell us that many tenants remain dissatisfied with their housing, their landlord, and their neighbourhood. But unlike other residents, homeowners and some of those in private rented sector, they are very rarely in a position to pack up, move somewhere else and try something different.

So, the framework will challenge current social landlords to raise their game – with a more tightly focused regulatory system that sets higher standards and demands action where services are poor. And this must not be viewed as all stick and no carrot. Our experience in leading debates in this sector – such as our work on ‘unlocking the door’ tells us that under a co-regulatory approach good governance and engaged executives will raise their game if the prize is worth fighting for.

This is about improving housing services, mobility and choice. Turning the rhetoric into reality remains a significant challenge for us all. That means not only offering greater choice when people first apply - it also means giving them more choice to move later on in life - when they have children, or when those children grow up - or simply if they need to move to get a better job.

People who own their own homes, and many who rent privately, have much greater freedom than social tenants do - and if we want to ensure that social housing is an asset for aspiration rather than a trap of deprivation this needs addressing. The Housing Minister, Caroline Flint, has said that social housing should be a 'springboard' for tenants, helping them to improve their lives.

Choice based lettings schemes across local council boundaries and sub regions; common housing registers; help for people wanting to downsize or conversely to escape; more steps out of rented accommodation into shared equity - excellent work is going on in all of these areas. But we need more than pockets of excellence and examples of good practice. Our job must be to challenge all providers to raise their game.

As for the majority of tenants, they just want more say in what services they receive, and how their neighbourhoods are run. So, how can the new regulatory framework promote competition and consumer choice in a world where demand exceeds supply?

Working with Tribal Consulting we have just published a report which examines a lot of the current thinking in the sector about how choice over who provides services might be developed under the new system, within the current landlord and tenant relationship.

At the moment, nearly all the competition is concentrated on development (for the landlord) and allocations (for the tenants). There is very little, if any, competitive pressure on services.

And you can see the effect of that if you look at the Audit Commission's inspection reports. The majority of housing association and local authority landlords gain only one star for their services to tenants. ALMOs do rather better, with the majority scoring two stars, and by far the greatest number of three star ratings. You might say this is not surprising when you think that they are actually set up to provide housing management services - but I don't think *anyone* should be satisfied with one star - they can all do better!

And they should all be looking at efficiency too. We already know the difference in costs between associations can be over 100%. Over a five year period it should not be unreasonable to expect a 10% reduction in the cost of management and maintenance and such a saving would liberate £400 million a year for associations to use to support their wider objectives.

For now, though, landlords can settle for being 'average' - or what I would call 'mediocre' - if they wish. Zero star ratings have consequences, but one star ratings, with 'prospects for improvement' will qualify you for developer status. Not enough

pressure there. In fact you could argue that the landlords who provide excellent services, simply 'choose' to do it. That's concentrating the choice in the wrong place!

The first thing we need is a variety of service providers. There are specialist managers out there already; and small RSLs providing services for larger ones in particular areas of their operation, inside and outside group structures; and there are ALMOs managing on behalf of councils, and expanding into offering services to others. We want this market to grow and diversify, to give both tenants and landlords choice. And we see a very useful role for self management options such as local management or estate agreements.

But this is very much a market in development. We also need to see a change in the approach of all landlords, including those providing services themselves, to increase individual choice for their tenants. Choice is also an excellent mechanism for landlords to get closer to their tenants - some big RSLs have been criticised for being distant . Choice should encourage more responsive services. So we need to encourage excellent RSL managers to be as eager to share their management expertise as they are to grow through acquisition and development.

Our tenant involvement policy requires all RSLs to have at least one tenant on their boards - which is an important step forward, but in future I expect more thought to go into how to empower the wider body of tenants to make effective choices, rather than just an 'active' minority.

For its part, Oftenant could give tenants more information about how their landlords perform, and look at reforming Performance Indicators to provide more local information and make them more useful for tenants. This is not an easy debate. We must tread carefully and avoid a mechanistic checklist ] approach where the information is what is easiest to collect administratively, but may not tell tenants what they need to know or is at odds with their own experience

And there are some paradoxes at play which can mean better informed tenants becoming less satisfied. So perhaps satisfaction will get worse before it gets better. However, just as every parent gets to see the result of OFSTED's view of their child's school so

the new Regulation must put information in the hands of those it acts for. Informed tenants will always be better placed to exercise or influence choice. Overall, under the new regulatory regime Oftenant expects to gather less information and publish more.

Other options include looking at giving tenants a greater role in triggering regulatory action and in having a say in who a new manager should be if their landlord does not perform. And where there are merger/group proposals, expecting choice and competition to be one of the issues which partners are expected to address in their proposals.

A more challenging area is looking to give tenants a choice in what they pay for - a higher rent for an enhanced service, or a lower rent in return for a more basic service or taking on more responsibility. And yes, it would require a change to the current rent regime to make this practical.

If landlords can genuinely offer tenants choice, about levels of provision, and what they pay for, there should be an improvement in services across the board, and there should be an increase in efficiency as well. All of which should lead to less work for the regulator and a reduced regulatory burden. An advantage in a world where the regulator charges for its services!

There's a lot to work out, but we expect that the effect of this pressure for change will be that all the partners working in housing will have to make a fundamental re-assessment of their reason for being owner, manager or developer. Doing everything well everywhere is not the path to excellence. And through this debate landlords need to challenge themselves as to whether their housing management approach is designed to deliver excellence.

And there will be a better outcome for tenants. More involvement, more mobility, more choice, better life chances. There are many people who are living in affordable housing today, who are already investing their time and energy, enthusiasm and passion, in their communities. We owe it to them to make their services they pay for the best they can be.

Thank you.