

# *active response*

turning problems into solutions

No 4 – coordinating social housing investment with private sector schemes



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turning problems **into** solutions

Welcome to **active response** - a series of briefings from **i2i** – inform to involve.

**i2i** is an Assembly Government supported project that works to support local authorities and RSLs reach the Welsh Housing Quality Standard and the maximum benefits attributed to this. **active response** aims to take topical housing and regeneration issues for local authorities and RSLs, identify problems and propose solutions. The views expressed are not necessarily those of **i2i** but of participants that gave up their time to contribute to discussion.

## *active response 4* - Coordinating social housing investment with private sector schemes

**active response** focuses on capturing the lessons of **coordinating social housing investment with private sector schemes** by drawing on the experiences of a range of 'experts' involved in delivering social housing and private sector improvement programmes. The aim of the day was to identify issues, challenges, opportunities and a vision for progressing with aligning social housing and private sector improvement programmes.

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## 1. Broad Issues

A number of issues have been identified that act as barriers to aligning social investment programmes and private sector schemes which are given attention below. This is followed by a series of national and local recommendations that we would like to be taken forward within the Welsh Assembly Government (WAG), local authorities and RSLs.

Making the case for private sector investment is becoming more and more imperative in this time of significant change. More importantly, in a time of budget cuts, joining up programmes to deliver 'more for less' is absolutely critical.

The great growth in homeownership in the last 50 years is being reflected in the growing numbers of older people who are homeowners. Although there is huge value in the asset, increasingly, there are retired homeowners whose incomes allow them to do little more than 'get by', even though their home is valuable – this has initiated the phrase 'asset rich but income poor'.

Some general issues include:

- Historically regeneration has been split in Wales into 2 approaches – 1- social and people (e.g. Communities First) and 2 capital and physical (estates and property) with very little or no cross over between the two aspects
- As was noted in the recent Review of Renewal Areas in Wales, there is support for strategic area based renewal to continue to form a key part of the Welsh Assembly's future strategy for local regeneration, tackling poor housing and living conditions. However, it was noted that the Assembly's policy of releasing NRA funding in small amounts over 10 years makes it difficult to link with WHQS
- WAG is still perceived to be 'silo'd' in the way it organises its funding and activities, particularly across housing and regeneration
- Unhypothesized private sector funding is not always being used in the right way  
It was agreed that the current sum for area renewal was not enough as it did not allow for:
  - alignment with other programme
  - resources to go further
  - creativity

## 2. Data

### **Main recommendations include:**

- a 'one housing system' approach has to be taken nationally and locally in order to achieve fluidity, alignment of policies and programmes
- Strategic area renewal has to be more coordinated and cross-cutting
- aligning programmes such as WHQS and area renewal more strategically in order to deliver sustainable communities.
- At a political level there needs to be a greater understanding of the contribution of housing to wider regeneration
- continuation of a unified housing and regeneration ministerial portfolio and realising the potential that this joint portfolio could deliver

## 2. Data

A lack of data has been identified as a crucial issue on a national and local level in Wales to align social and private housing investment schemes, particularly in relation to the energy performance of the existing stock. On a national level, much of the Energy Performance Certificate information is kept by the Communities and Local Government department which is preventing the Welsh Assembly Government from targeting its funding and programmes effectively.

On a local level there is a lack of evidence on what improvements need to be made to what housing, particularly in the private sector where it is difficult to measure need without a 100% stock condition survey.

Information is also needed on the social and economic position of householders and consumer perception of equity release for various funding models to work e.g.

- do we know how much equity people have in their homes?
- do we know the income levels of our households?
- if their mortgage was increased, would they be able to pay it back?
- equity is usually within the homes of older people who have been in their homes for a long time who will not want a mortgage
- do people want to release equity when it may affect their children's inheritance?
- what levers and incentives could be introduced to make this more palatable?

## 3. Funding and Resourcing

Although the data issue is much broader than understanding the energy performance, EST has a database of all measures that are put in through CERT and EAGER funding which illustrates the alterations that have been carried out in the private sector. Participants felt that this would be a useful starting point / baseline for local authorities to be able to access.

### 3. Funding and Resourcing

- There was a general recognition that funding was limited for private sector improvements and there was a feeling around the table that private sector wasn't given a priority at a local and national level.
- However, as much as we would welcome an increase in funding it was acknowledged that this was unlikely and that efforts should be concentrated on alignment of funding with other schemes and looking at using funding more creatively to reap wider benefits.
- A requirement on funding to e.g. explore contributory models of funding / deliver TR&T would also deliver wider Assembly objectives and would deliver a whole community approach (Arbed was seen as a good example of this).
- Considerable resources are also needed to ensure that procurement processes are 'innovative' rather than 'obstructive' – procurement needs to be seen as having a strategic purpose rather than a complicated process and the procurement needs to support the direction of travel that the project takes.

*'Approaches to procurement are seen widely as an obstruction to a lot of innovation'*

Other ideas and discussions focussed around:

- The potential offered by new ownership models such as community housing mutuals
- maximising the NRA funding and how to make better use of this
- building in tenure conditions into NRA schemes to sustain communities
- whether grant should only be allocated to areas that deliver and perform / whether distribution should be based on performance and outcomes?

## 3. Funding and Resourcing

- loans system.
- leveraging in private sector investment – for example the Kent Model for empty homes
- The potential for a WHIT / People's bank type model for private sector stock to promote capital market investment in funding a whole community, tenure neutral approach to investment.
- Changing grant structures to loans instead so that providers can access feed-in tariff and pay WAG back over 25 years.
- It has proved to be difficult to get any wider benefits from short-term grants like SCIF and Arbed – a long-term strategy is needed to maximise the benefits of this funding.

### **Action Points**

To address some of these issues, the Welsh Assembly Government needs to:

- enable local authorities to take a more strategic role and understand the wider role of RSLs
- have up to date data on the local housing stock
- improve connectivity internally between WHQS team and private sector – 'One Housing System'
- long-term strategy to maximising the pots of available money
- whole community approach, like in Arbed, should be stated with all housing grant funds for existing properties
- a high level infrastructure needs to be put in place to train and educate procurement professionals of the 'Can Do' rather than the 'better not do' attitude

Locally, LA/LSVT/RSL need to:

- resource it adequately in line with delivery objectives
- partnering approach to identify match funding for renewal
- think about how creatively we can use the grant funding allocated to us

## 4. Partnerships

### 4. Partnerships

#### 'Collective Community Risk'

There are a considerable variety of regeneration programmes currently being funded by WAG (Communities First / Strategic Regeneration Areas / Renewal Areas) where place-making is at the heart of the programme. Many participants praised the SRA status of where they work and welcomed the benefits; in particular access to funding that could be reaped from SRA status.

*'flexibility in procurement, funding and tenure is needed to make partnerships work effectively'*

Partnering on delivering renewal areas also needs to be looked at in a more creative way. Some examples of innovation included:

- A certain stock transfer organisation in south Wales has approached its local authority to become the NRA agent for the area. This will enable the stock transfer to identify match funding and deliver in conjunction with the LSVTs WHQS programme. The NRA will still be managed by the local authority but it will also ensure that improvements are carried out at scale and has longevity as well as solving practical issues such as erecting scaffolding for the whole street rather than taking a pepper potted approach.
- Another RSL has developed a model of delivery between the local authority, the RSL and the contractor where the RSL acts as a broker and gets private funding through the door. The key incentive to doing this was to strengthen the capacity of the local authority by using the expertise of a RSL to handle negotiations.
- Partnerships on a regional basis that focus on area based regeneration rather than a particular tenure were seen as a positive 'local investment model' that could be explored, including possible links to SRAs.
- Discussions also focussed on how RSLs could take their investment beyond the stock it owns and impinge on private sector in partnership with a Local Authority. Since LSVT can secure income stream that LA cannot e.g. land charges / asset transfer, could the private sector be the next project for LSVTs?
- There is also a wider partnership arrangement needed to support other sectors to achieve a whole community approach e.g. commercial premises / shops etc to break the spiral of disinvestment and encourage private sector funding into an area.

## 4. Partnerships

*'Community engagement is key to making partnerships work effectively'*

For these to work effectively we need:

- A consistent universal measurement to align social and private sector schemes on outcomes that bring together social, physical and economic regeneration.
- an improved capacity within the legal sector in Wales to deliver public-private partnerships.
- Procurement departments within local authorities to deliver innovation through procurement
- Partnerships to work outside of normal boundaries e.g. Liverpool City Council gets £1.5m from the local health board to employ environmental health officers where private sector housing is clearly determined as a priority for the local authority.
- CREW Good Practice visits seen as a good thing and something which should be developed further

*'The best projects are in partnership with the local authority where the authority says 'just get on with it'*

## 5. Existing models

### **Action Points**

In order to develop effective partnerships, the Assembly Government needs to:

- Realise the scope to do things differently in Wales and develop a model to align both funding streams effectively
- Encourage public/private partnerships in the terms and conditions for renewal funding
- Align housing and regeneration funding more effectively to reflect 'whole community approach'

LSVTs, RSLs and local authorities need to:

- Assess national funding models which are socially owned and controlled (e.g. WHIT or People's Bank format)
- Get the right people around the table – this is key on specific projects
- Ensure that procurement is seen as having a strategic purpose rather than a process- it should support the direction of travel that the project wants to take

## 5. Existing models

*'the key is making £1 turn into £3'*

### Equity release

Involving owner occupiers was cited as a key success factor in this issue, particularly encouraging them to invest in their properties out of their owner asset accumulation.

Some existing schemes that have focussed on this include:

**Property appreciation loans** are designed to meet the needs of owners who do not have the income to support a loan but do have considerable equity within their properties. The loan will be secured as a percentage against the value of the property and there are no repayments or interest charges – the loan is only repayable when there is a change of ownership and the repayment is the same percentage of the current property value. Some UK models have taken a different approach and attached the loan to the property which can then be repaid over 25 years on a 'pay as you save' basis. When the owner sells the house, the loan stays with the house.

## 5. Existing models

Attaching the loan to the property rather than the individual, particularly on energy efficiency there is a strong argument that the loan should be attached to the property because the next owner will also benefit from the improvements. More work needs to be undertaken to understand the mechanics of how this could work as a partnership model in Wales

**EST pay as you save** has been described as an innovative finance solution that will give households the opportunity to invest in energy efficiency (such as solid wall insulation) and microgeneration technologies (such as solar panels) in their homes with no upfront cost. Householders will make repayments spread over a long enough period so that repayments are lower than their predicted energy bill savings, meaning financial and carbon savings are made from day one.

**Partnering with an existing loan provider** can be an attractive model for local authorities. ART Homes is a not for profit organisation that delivers affordable finance to low income homeowners for the purpose of repair, maintenance or clearance relocation.

ART Homes works in partnership with Local Authorities and strategic housing organisations to assist them in meeting local housing strategies by providing access to finance for vulnerable homeowners, helping them to achieve decent homes. The finance is provided to homeowners through their local authority to provide the finance for repair work authorised through them.

The people side of it is critical - we need yes and can do people around the table.

*'we have to be ready to say that we have made mistakes and get over the fear of getting things wrong'*

Others included:

- Introducing a resale covenant but with RSL / LA and contractor partnership
- The review of area renewal in Wales recommended a loan system which Carmarthenshire County Council has started as part of a long-term strategy

It was felt that not enough is currently being done to lever planning gain from contractors and there are huge opportunities to set up planning gain funds that could further bring community and social benefits to areas. Again there are skills and capacity issues that are crucial to implementing this successfully but this is another areas where partnerships between the RSL and local authority could prove beneficial.

## 6. An acceptable model?

### **Action Points**

In order to improve places, the **Assembly Government** should:

RSLs and local authorities need to:

- identify alternative models to grant funding in order to align programmes more effectively
- develop long-term, area based solutions rather than tenure based solutions

As was stated in the review of area renewal in Wales, the Welsh Assembly Government, in conjunction with local authorities and professional bodies, such as CIH Cymru, the Chartered Institute of Environmental Health and the WLGA, should devise a regular programme of seminars on housing renewal to disseminate good practice and strengthen partnerships and networking.

## 6. An acceptable model?

The ideas that were captured on a model that could enable social housing investment programmes to link with private sector schemes included:

- The idea of a 'local investment vehicle' was discussed. The idea was that this could be set up to intervene in specific issues on a joint partnership deal. This would rely heavily on a 'brokering role' which would not be too dissimilar to the rural housing enabler model or the i2i role in bringing solutions that work for local areas on a partnership basis.
- This would need some 'long-termism' with a focus on mixed investment and a whole community approach. It would have to be output focused where impacts of investment are measured.
- Some suggestions included linking together Communities First and Renewal area funding and delivery plans on specific deprivation indicators with housing regeneration at the focus to concentrate on performance, partnerships and funding.
- Bringing together physical, social and economic regeneration under one funding stream and this taking a whole community approach to include private and social housing stock i.e. area based rather than tenure based policy.
- For any of this to happen, thought needs to be given to ***developing a high level infrastructure to train and educate procurement professionals on innovation and using the power of purchase to deliver wider benefits.***

## 7. Further information

### **Action Points**

The **Assembly Government** needs to:

- build upon and improve the current system of NRA and build economic and social regeneration to this
- housing providers need to have an entrepreneurial attitude towards this
- needs to measure outcomes of its funding to existing stock programmes.

**The group** will:

- Put together a research proposal coordinated through CIH Cymru to explore the above ideas with a particular emphasis on RSL and local authority partnerships.
- Explore the potential for facilitating a programme of secondments – organisations that deliver seconding to organisations that oversee or develop the strategy.

## 7. Further information

### Contact Us

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