

**The Co-operative Council:
The Future of Council Housing
in Lambeth**

**Final Report of the Lambeth
Housing Commission**

Foreword

Housing in Lambeth is an issue of huge importance to the council and to our tenants, residents and communities. We know that housing plays a fundamental role in providing stability in people's lives from which all else may flourish. Without a good home – somewhere safe, secure, warm and spacious - life is so much more difficult. A good home is a fundamental building block for a prosperous future.

As a council, we are therefore extremely proud to have such a large council housing stock. Although it is challenging, we are able to provide homes for Lambeth families and in doing so help some of our most vulnerable residents.

However, this pride is not yet matched by pride in the way our homes are managed. And while we are beginning to see big strides in overturning decades of poor performance, we know that greater improvement is needed. Indeed, we are a long way off from the resident focused, well managed, high performing housing service that we all want.

We also know that the quality and standard of some of our council houses, homes in which our residents live, are in too many cases not good enough. They fall short of the government recognised standard of decency. They fall short of our standards as an Administration committed to good quality housing. And most importantly, they fall short of the ambitions and aspirations of our tenants and leaseholders.

The need to drive up standards of housing management and the need to attract more investment into our homes were two of the most important motivations for establishing the Housing Commission.

Both these challenges also sat alongside our political desire to explore something new for the future of Lambeth's housing. We wanted to capture the potential, spirit and innovation behind Lambeth's drive to become the first Co-operative Council. We want to see Lambeth develop housing models of the future, and be a council that empowers our residents, and enables them to do things differently resulting in more cohesive and creative neighbourhoods.

The challenges of how to improve council house management, how to use our limited resources wisely, how to find more investment and how to best embrace co-operative values has been a stimulating process. And this is in a large part due to the commitment of my fellow Commissioners whose energy, insight and passion for improvement have made our many discussions enjoyable and productive. I would like to thank them for all their hard work and the many hours they dedicated to the process.

On behalf of all the Commissioners I would also like to thank all the people who contributed evidence to the report and to the officers who spent a great deal of time digesting it and drafting the report.

It was not the aim of this Commission to become a dust collector. We set ourselves the important task of ensuring that each conversation and idea led to a specific recommendation which, most importantly, comes with a timetable for implementation or further exploration. They range from the very practical to the innovative and the strategic. From ensuring our housing management agencies get the basics right with the focus being on high rent collection, low level of empty properties and a better repairs service to offering options for estates to allow them to move towards co-op models of housing management and ownership.

As a Commission, we have tried to sketch out what we think may have changed as a result of our recommendations a year from now and then a further five years in to the future. As an Administration, we welcome this vision and commit to building on the work of the Commission to turn it into a reality for our tenants, residents and communities in Lambeth

Cllr. Lib Peck
Chair
Lambeth Housing Commission

Delivering better homes for our residents

The Housing Commission, within this report, sets out its analysis of the housing challenges facing Lambeth and a series of recommendations as to how the council, working co-operatively with tenants and residents, can begin addressing these issues. The Commission believes that, if implemented, these recommendations will deliver real change within Lambeth's estates and neighbourhoods.

One year on the Commission would expect:

- Lambeth's housing service to have prioritised getting the basics right so that tenants and leaseholders see increased rent collection, less empty properties and a better repairs service.
- Decisions about the housing service to be more open and transparent with residents much more involved.
- To have customer care at the heart of the housing service.
- To have a new local Decent Homes Standard for Lambeth homes co-produced with tenants.
- To have a shared understanding and agreed timetable of where the investment will be spent in Lambeth to bring our homes up to a decent standard.
- The council to have begun work with residents on those estates which will not benefit substantially from investment, to explore alternative investment.
- To have established small scale pilot schemes on co-operative housing models.
- To have established small scale pilot schemes on using void properties to train up apprentices.
- To have agreed a new strategy for housing across the borough, which will include private sector and social housing.

Five years later – 2016

The Commission would expect:

- Lambeth Council to have one of the best housing management services in London – with excellent performance in rent collection, empty properties, repairs and high levels of resident satisfaction.
- An engaged group of residents keen to participate in decision making on a range of housing issues.
- A radical increase in the number of council homes reaching the Lambeth Decent Homes standard as a result of wise capital investment.
- A wide range of alternative finance models to be in place to draw in private investment into the council housing stock.
- A mixed economy of housing management models with tenants having

agreed with the council how they wish to be managed in the long term. Where there is tenant support, this could include greater use of co-operatives and mutual models.

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1. The Housing Commission and its role

- 1.1 Lambeth Council is proud of its large council housing stock and the innovation it has shown in building and managing affordable homes for residents. Without this housing many residents would have been reliant on an often inaccessible private rented sector or have been unable to gain a foothold on the owner occupation ladder. Lambeth Council has also, in the past, innovated locally and by doing so has shaped national housing policy. For example, it was one of the first councils in the UK to establish a comprehensive housing advice service and more recently it was the first council in the UK to establish a multi Tenant Management Organisation Arms Length Management Organisation (ALMO) or TALMO in the form of United Residents Housing.
- 1.2 Despite this legacy of innovation Lambeth, in the past decade, has been faced with significant housing challenges, such as poor quality council housing deteriorating as result of underinvestment in properties and variable standards of housing management. This has led to a situation where much of the housing stock does not meet the “decent homes¹” standard and, more importantly, the standards tenants expect in the twenty-first century.
- 1.3 The desire to tackle these long running housing challenges coupled with the significant changes in housing policy announced by the government² led Lambeth Council to the view that the time was right to undertake a detailed review of its approach to housing management and housing investment. The ultimate aim of the review is to ensure that the council’s approach to improving housing is both realistic and sustainable for the short, medium and long term.
- 1.4 To take forward this review Lambeth Council’s Cabinet agreed, in December 2010, to establish a time-limited Housing Commission chaired by the Cabinet Member for Housing³. The Commission was established in February 2011 and sat for six months, completing its work in July 2011. The **Terms of Reference for the Commission** were as follows:
- To examine ways to close the investment gap between the resources currently available to the borough and those required to meet the Decent Homes Standard and how this standard should be assessed.

¹ The Decent Homes Standard is a technical standard for public housing introduced by the United Kingdom government. It underpins the Decent Homes Programme which was brought in by the previous government. This programme provided capital funding to ensure social housing (council housing and housing associations) met a minimum standard of housing conditions for all those who are housed in the public sector. The standard was updated in 2006 to take account of the Housing Act 2004, including the implementation of the Housing Health and Safety Rating System (HHSRS).

² These includes major reductions in decent homes funding, wholesale reform of the HRA and changes to housing benefit, which are discussed in sections 3 and 6.

³ Lambeth Cabinet Report (December 2010) Lambeth Housing Commission.

- To examine the implications of Housing Revenue Account (HRA) reform for the housing service, in terms of investment and funding, management and maintenance.
- To identify all the options available to the council to ensure that the housing management service is efficient and effective and meets tenant expectations.
- To identify all options available to promote high-quality and responsive local area management, empowering communities through a range of resident-led models including co-operatives and specifically to build on the findings of the Co-operative Council Commission report relevant to housing, including identifying housing co-operative pilot projects.
- To make recommendations on the most appropriate investment and management strategies for the council's housing stock.

1.5 The Commission was chaired by Cllr. Lib Peck (Cabinet Member for Housing), and comprised nine Commissioners:

- | | |
|-------------------------|--------------------------|
| • David Lunts | Greater London Authority |
| • Nigel Minto | London Councils |
| • Emma Stewart, MBE | Women Like Us |
| • Claire McCarthy | 4Children |
| • Rita Fitzgerald | Tenants Council |
| • Ron Hollis | Tenants Council |
| • Jean Kerrigan | Tenants Council |
| • Cllr Rachel Heywood | Lambeth Council |
| • Cllr Lib Peck (Chair) | Lambeth Council |

Process

1.6 The Commission met nine times from February 2011 to June 2011 and received evidence from 28 national, regional and local organisations who were invited to present on the issues being considered by the Commission⁴. In addition, the Commission also received research reports and written evidence submissions both from organisations that attended Commission meetings and those that wished to contribute, but were unable to attend. A full list of participating organisations is available in annex two. The minutes of the Commission were also placed on the council's website⁵.

1.7 In addition to external evidence gathering, Commissioners were provided with reports from Lambeth Council officers on the levels of investment needed in the borough, briefings on proposed reforms to housing finance and information on the profile and satisfaction levels of tenants in Lambeth. Commissioners also participated in a tour of five

⁴ Delegates giving evidence were drawn from the public, private and third sectors, universities, think tanks and local partner organisations.

⁵ <http://www.lambeth.gov.uk/Services/CouncilDemocracy/MakingADifference/HousingCommissionMeetingMinutes.htm>

housing estates⁶ in the borough, each with a range of differing investment and management needs. During this tour they had the opportunity to assess the level and nature of investment needs first-hand and to speak to residents about their housing experiences in Lambeth, in a very open (and sometimes sharply critical) way. The Commission would like to extend its thanks to all those that participated in these visits as they proved very helpful in giving Commissioners a real insight into the challenges facing tenants and leaseholders on the borough's estates.

- 1.8 As a time-limited body, the work of the Housing Commission represents the start of a broader piece of work which will, in the hope of this Commission, lead to sustained positive change in the way in which Lambeth Council's housing stock is managed.

⁶ Estates visited were Valley Road (Streatham), Loughborough TMO (Brixton), Myatts Field North (North Lambeth), Cotton Gardens (North Lambeth) and Central Hill (Norwood).

2.0 Executive summary of recommendations

- 2.1 The Commission has developed 31 recommendations over the course of its deliberations in several key areas including: immediate financial investment in council housing, long term financial investment models, housing management in the short term, housing management in the long term and the wider vision and strategy for housing in the borough.

The Housing Commission therefore recommends:

Welfare reform

- (1) Lambeth Council should establish a senior cross-departmental group, including housing, to assess the impact of the welfare reform changes and ensure there is an understanding across the organisation about how this will affect services and residents. This work should start by September 2011.

Lambeth: The Co-operative Council

- (2) Lambeth Council should note the integration of Co-operative Council thinking in the Housing Commission's final report.

Housing vision and strategy for Lambeth

- (3) Lambeth Council should work with its citizens to co-produce a new vision and strategy for all housing in Lambeth, to be approved by Lambeth Council's Cabinet by July 2012.
- (4) Lambeth Council should use the Co-operative Council principles and the Housing Commission values⁷ as a basis on which to develop the borough's new housing strategy.
- (5) Lambeth Council should undertake an updated housing needs assessment as part of the annual Joint Strategic Needs Assessment.
- (6) Lambeth Council should co-produce (with its housing tenants and its housing management partners Lambeth Living and United Residents Housing) a borough-wide Lambeth Decent Homes Standard which will underpin capital investment in the borough's council housing stock. This work should start in October 2011.

Housing finance

- (7) Lambeth Council should borrow the full amount possible, under the reformed HRA, to invest in its council housing stock.

⁷ See paragraph 5.12 for more detail on the proposed values.

- (8) Lambeth Council will decide, by December 2011, whether it is able to complete investment in better homes over a five year period or if possible over 3 years.
- (9) Lambeth Council should complete its housing investment strategy by February 2012.
- (10) As part of the budget setting process, by February 2012, Lambeth Council should make a decision as to whether it will ring-fence capital housing receipts so that this income is always re-invested in the council's housing stock and in improved neighbourhoods for residents.
- (11) Lambeth Council should front load its capital investment in its housing stock from April 2012 in order to make rapid improvements to the quality of the properties and the wellbeing of tenants.
- (12) Lambeth Council needs a clear rent policy for the borough. This work, with tenants, should start in 2011/12.
- (13) Lambeth Council should start work in April 2012 to take forward a range of social and private sector finance options which will augment public sector housing finance.
- (14) Lambeth Council should have completed work, by 2014, to rebalance its spending on housing repairs and maintenance to ensure that a greater proportion of revenue is spent on planned maintenance. The aim should be 60% planned maintenance to 40% reactive repairs.
- (15) Lambeth Council should continue its work with local partners and London Councils to lobby central government to increase funding for building new social rented homes and amending the current policy relating to HRA debt overhang.

Housing management today

- (16) Lambeth Council's Cabinet should use the findings of the Housing Commission to decide whether Lambeth Living will continue to operate until the end of its current housing management contract.
- (17) Lambeth Council should continue to thoroughly monitor the performance of its housing management agencies. Specifically this should prioritise the importance of getting the basics right with the focus being on high rent collection, low level of empty properties and a better repairs service.
- (18) Lambeth Council needs to improve the transparency of decision making within the housing management service with much greater and measurable emphasis placed on the customer and resident being at the heart of the service.

- (19) Lambeth Council should undertake a review of its management agreements with United Residents Housing which must clearly set out the actions the council can and should take when performance fails. Should the council decide to continue with Lambeth Living a similar exercise should also commence at the same time for this ALMO. This work should start in October 2011.
- (20) There should be reserved seats on the Lambeth Living board for the council's Cabinet Member for Housing and a representative from Tenants Council.
- (21) Lambeth Living should engage and work more directly with tenants. This would include spending more time on estates and in neighbourhoods and providing a range of options for tenants to influence decision making.
- (22) United Residents Housing to concentrate on further service and governance improvements across their four TMOs before considering taking on additional management responsibilities.

Housing management tomorrow

- (23) Lambeth Council continues to operate a mixed-model approach to council housing management in the borough.
- (24) Lambeth Council should make clear its commitment to the principle of equity – including equality in the level of resources available for management and maintenance. This equality should be a precondition of any future changes in management, and where possible, should be applied to existing management.
- (25) Lambeth Council to identify a number of empty properties which can be used, as part of an apprenticeship scheme, to train individuals and give them an opportunity to learn a trade. This work should start in September 2011.
- (26) Lambeth Council should use a small amount of its existing short life properties to pilot co-operative housing. This work should start in September 2011.
- (27) Lambeth Council, while supporting council house provision, will continue to support tenants who want to explore the viability of other ownership/management options for their estates.
- (28) Lambeth Council should build on the evidence presented to the Commission to develop options for co-operative housing models to form the starting point for discussions with tenants that are interested in this option for their estate.

- (29) Lambeth Council should further investigate and monitor the progress of the Rochdale housing management model, which seeks to mutualise its ALMO.

Implementing the Housing Commission report

- (30) Lambeth Council should endeavour to secure cross-party support for the Housing Commission's recommendations and for its longer term work on developing a housing strategy for the borough.
- (31) Lambeth Council should work with tenants and residents to monitor how the Commission's report on council housing is incorporated into the overarching vision and strategy for housing in Lambeth.

3. Context

Profile of the homes in Lambeth

- 3.1 In Lambeth, council housing is managed using a range of different approaches and models. Currently, the borough has two Arms Length Management Organisations (ALMOs)⁸ which undertake day-to-day management of the council's housing stock. This includes collecting rent, undertaking repairs and provision of some local services. The borough's smaller ALMO, United Residents Housing, clients⁹ four Tenant Management Organisations (TMOs) and together manages 2,400 homes (1,900 tenanted and 500 leasehold). The much larger ALMO, Lambeth Living, clients 11 TMOs and manages 33,600 (23,900 tenanted and 9,700 leasehold).
- 3.2 Council properties managed by these two organisations have been built over the past 80 years and includes homes built by the Greater London Council and Lambeth Council. They also include properties transferred to Lambeth during and after the Second World War. As a result there is a very wide range of council housing each with differing investment needs.
- 3.3 Lambeth also has 80 Registered Providers (housing associations) that own stock in the borough. Since 2001 there have been five large/estate scale voluntary transfers (LSVTs), or stock transfers of estates, where registered providers now own and manage the transferred stock¹⁰. Where transfers have taken place, the council retains some responsibilities to ensure the new landlords are delivering on undertakings agreed as part of the transfer agreements. The council also maintains a longer term strategic interest in the landlords' financial viability, investment strategy and quality of services provide to tenants.
- 3.4 The council has also recently worked with residents to develop a private finance initiative (PFI) scheme on the Myatts Field North housing estate. Over the years Lambeth has also lost stock through the Right to Buy¹¹ and has disposed of some housing – usually because it is uneconomic to retain. Some of the resulting receipts have been invested back into the housing stock or used to bring void properties back into use.
- 3.5 Overall a greater proportion of Lambeth households live in social housing (39%) than do households across England (18%), and even those in inner London (24%)¹². However despite the borough's large

⁸ Arms Length Management Organisations or arm's length management organisations (ALMOs) are UK not-for-profit companies set up by local authorities primarily to manage and improve all or part of their housing stock. Ownership of the housing stock itself normally stays with the local authority.

⁹ Clienting means defining service outcomes and managing overall performance.

¹⁰ Since 2001 Lambeth Council has transferred 5,545 properties in 5 stock transfers (Clapham Park, Stockwell Park, Bolney Meadows, Ashmole and Kennington Park).

¹¹ The Right to buy scheme is a policy in the United Kingdom which gives tenants of council housing the right to buy the home they are living in.

¹² (2011) Lambeth Tenancies and Diversity Weekly Digest – 5 June.

housing stock, as of 5 July 2011, Lambeth has 28,660 on its housing register waiting for housing.

- 3.6 Other housing services not directly associated with managing the stock remain with the council. These include responsibility for strategic decision-making, housing regeneration and partnership with registered providers, a range of private sector housing services, allocations (through a choice based lettings (CBL) system), homelessness as well as housing options and advice¹³.

Recent housing investment

- 3.7 The government's minimum standard for social housing is the Decent Homes standard, which was established by the previous government. This standard has four criteria for housing – that they:
- Meet the current statutory minimum standard for housing
 - Be in a reasonable state of repair
 - Have reasonably modern facilities and services
 - Provide a reasonable degree of thermal comfort.

Whilst the use of this standard has driven up the quality of council and social housing within England and Wales, the Commission acknowledges that the standard is a relatively basic one and arguably does not meet the aspirations of Lambeth Council and its tenants.

- 3.8 In the past 3 years Lambeth Council has spent £77.6m on Decent Homes. Of this 65% has been spent on external elements which tend to be the most expensive and a further 19% on heating systems. Total capital spending on housing, including elements not counted in the Decent Homes Standard, in the past three years has been £159.1m (for more information see annex three).
- 3.9 Despite this significant investment, the council estimates that 54% of its housing stock does not meet the decent homes standard. This is higher than the average across the rest of London, where 24% of council housing stock is non-decent¹⁴. Unless further capital investment is carried out this low level of decency will increase over the next four years¹⁵.

Tenants' profile

- 3.10 The wide range of communities within Lambeth is reflected, although not mirrored, in the make up of our social housing tenants. Whilst Black and Minority Ethnic (BME) residents only make up 38% of the total

¹³ <http://www.lambeth.gov.uk/Services/HousingPlanning/>

¹⁴ (2011) Lambeth Council Performance Digest, End of Year (Quarter 4) 2010/11

¹⁵ If Lambeth Council was to undertake no further decent homes capital work on its housing stock the following number of homes would fall out of decency: 1420 (2012), 525 (2013), 394 (2014) and 901 (2015).

population in Lambeth, over half of social housing residents come from a BME background – with the largest group being Black African¹⁶.

- 3.11 The gender of residents in social housing shows that it has more female residents (62%) than male residents¹⁷. In the borough as a whole the split is 51% male and 49% female. This suggests that there is a greater social housing need for women than there is for men, which is likely to be linked to women being the head of the household in the majority of lone parent families. The total population of the borough is a predominantly young one, but the make up of council housing tenants is likely to be older and also more likely to suffer ill health¹⁸.
- 3.12 8% of tenants are registered as disabled, with physical disabilities being the most common disability at 4%. Whilst 8% of social housing tenants might appear to be a small proportion, at 1,883 tenancies this represents a significant amount of social care need in the borough¹⁹. This official data collected by housing services is also likely to be an under-representation, as data from Lambeth Council's Residents' Survey suggest that around 28% of tenants classify themselves as suffering from a long-term illness or disability²⁰.
- 3.13 Overall, the population of tenants living in Lambeth's social housing are more likely to be older, have a disability, be from a BME group and be a lone parent compared to the borough as a whole.
- 3.14 In terms of tenant perceptions, the council's quarterly Residents' Survey²¹ and annual Budget Consultation 2011 show that council tenants are less satisfied than other Lambeth residents on a range of issues which are not just related to their housing. Further these perceptions are continuing to deteriorate. This includes being more dissatisfied with their local area as a place to live.

Changes in national policy: The wider picture

- 3.15 Lambeth's council housing investment needs and the imperative to drive up housing management standards cannot be seen in isolation from the regional and national housing and welfare reform context. A number of significant changes to national policy have been made, or are being proposed, by central government. This section sets out some of these key changes and the potential impact they may have on Lambeth.

¹⁶ (2011) Lambeth Tenancies and Diversities Weekly Digest – 5 June.

¹⁷ Ibid.

¹⁸ (2010) Lambeth Research and Consultation Briefing: Social housing tenants – 09/10.

¹⁹ (2011) Lambeth Housing – Tenancies and Diversity Weekly Digest - June 5.

²⁰ (2010 – 11) Lambeth Council Residents' Survey April 2010 – April 2011.

²¹ Ibid.

Welfare reform

- 3.16 As of June 2011 Lambeth Benefits Service caseload includes 43,490 households, a number which has increased by 12.7% since January 2009²². At a time of increasing welfare need the government has announced plans to take forward some of the most significant and wide ranging welfare reforms in a generation. As part of these reforms the government has proposed capping, and ultimately reducing, housing benefit entitlement. This, in the Commission's view, has the potential to increase housing need in Lambeth as a result of population movement in London. It also has the potential to reduce access to some housing associations and private rented sector homes for families/individuals that are 'in work' poor and those who might be workless. The Commission believes that these proposals could very well alter the demographics in inner city boroughs such as Lambeth and specific areas of concern are set out below.
- 3.17 As a result of these reforms some Lambeth tenants receiving Local Housing Allowance (LHA) will see a decrease in their benefits, as the £15 Housing Benefit excess payment will be abolished. It is estimated that this will affect 2,700 Lambeth households who will be worse off by an average of £9.00/week²³. From 2013 size criteria rules will also be introduced in the social rented sector. This change will restrict housing benefit for working age tenants who are occupying a larger social rented property than required for their household size (size restrictions already apply to private sector tenants claiming housing benefit).
- 3.18 In the longer term, the government has signalled that the LHA will be adjusted for inflation using the Consumer Price Index (CPI) rather than the Retail Price Index (RPI)²⁴. CPI inflation rates, generally, tend to be lower than RPI rates²⁵ and housing experts are concerned that this will result in lower annual increases and an increasing gap between the LHA and the actual cost of renting property. Projected mapping of how housing benefit changes will affect affordability across London has shown that the picture for Lambeth over the next few years is one of declining affordability²⁶.
- 3.19 Other changes proposed by the government's welfare reform legislation include changes to the Single Room Rent Restriction (SRRR). From 2012, the SRRR will be applied to those aged under 35, rather than 25 as currently, which in effect means that anyone under

²² Information provided by Lambeth Council's Revenue, Benefits and Customer Service Division

²³ As estimated by research conducted by Lambeth Housing Department.

²⁴ CPI is the consumer prices index. It is the measure adopted by the Government for its UK inflation target. The Bank of England's Monetary Policy Committee is required to achieve a target of 2 per cent. In the June 2010 Budget, the Chancellor announced that the CPI will also be used for the price indexation of benefits and tax credits from April 2011. Prior to 10 December 2003, the CPI was published in the UK as the harmonised index of consumer prices (HICP). RPI is the retail prices index - the uses of the RPI and its derivatives include indexation of index-linked gilts. Historically the RPI has also been used for indexation of pensions and state benefits.

²⁵ By way of example: In May 2010 CPI inflation was 3.4% and RPI was 5.1%. Further, in May 2011 CPI inflation was 4.5% and RPI was 5.2%.

²⁶ (2011) Fenton, Alex, The effects of housing benefit changes on London. University of Cambridge.

35 can only qualify for housing benefit at the shared room rate. This change will reduce benefit payable to those currently between 25-35 and could arguably increase homelessness in Lambeth. It also has significant implications for vulnerable tenants (such as those with mental health challenges or substance misuse).

- 3.20 Finally, as part of the government's proposals around welfare reform it is creating a single Universal Credit through which all tax credits will be delivered to the individual (including housing benefit payments). Housing benefit is currently paid direct to the landlord thereby ensuring low rates of rent arrears. The Commission understands the importance of individual control and responsibility, but from a housing perspective, it is concerned that paying housing benefit directly to individuals will lead to an increase in the non-payment of housing rent. If this was to happen it would reduce the amount of revenue finance available to maintain Lambeth's council housing stock and increase the problems for those who do pay, because of the possibility that rents would need to be increased.
- 3.21 In order to gain a more complete understanding of the impact of welfare reform on Lambeth's residents it is felt that, following the outcome of this Commission and Lambeth's Housing Benefits Commission, a cross-departmental council group should be established to ensure the negative impacts of welfare reform are mitigated and an understanding of these impacts is rooted through all services the council provides.

Recommendations

- (1) Lambeth Council should establish a senior cross-departmental group, including housing, to assess the impact of the welfare reform changes and ensure there is an understanding across the organisation about how this will affect services and residents. This work should start by September 2011.

In summary

- 3.22 Overall, therefore, Lambeth Council faces a range of complex and inter-related problems with regard to its council housing stock and delivering any new council housing. Some of these problems are down to actions undertaken within Lambeth and others are the result of decisions taken or, due to be taken, by central government.
- 3.23 Limited housing investment has led to high rates of non-decent council housing stock in the borough. These high rates of non-decency are impacting disproportionately on specific groups such as women and ethnic minority communities. In addition tenants managed by Lambeth Living have lower rates of satisfaction with council services and are

unhappy with the current performance of the organisation. Further, changes (and proposed changes) made by the government have significantly reduced funding available for social housing and could worsen the position of tenants who are currently accessing welfare benefits.

- 3.24 **The remainder of this report seeks to set out the Housing Commission's analysis and recommendations as to how Lambeth Council can work with its communities to address these inter-related challenges – with a specific focus on housing investment and housing management.**

4. Lambeth: The Co-operative Council

- 4.1. Throughout its deliberations the Housing Commission has been aware of Lambeth Council's work to become the country's first Co-operative Council²⁷. This section sets out, at a high level, core elements of Lambeth's Co-operative Council idea and how it has informed the proposals within this report.

What is the Co-operative Council?

- 4.2. The Co-operative Council is Lambeth Council's new idea for transforming public services in the borough, so that they better meet the different needs of our citizens and communities. It aims to radically alter the way in which services are designed and delivered by giving more power to service users and changing the relationship between the council and citizens. Rather than having services provided to them in a top-down manner, the Co-operative Council is about citizens and the council working jointly together to commission and deliver services.
- 4.3. The Co-operative Council draws inspiration from the values of fairness, accountability and responsibility that have driven progressive politics in this country for centuries. It is about putting the resources of the state at the disposal of citizens so that they can take control of both services and the places in which they live. More than just volunteering, it is about finding new ways in which citizens can participate in the decisions that affect their lives.
- 4.4. The Co-operative Council seeks to realise this transformation by making changes in four broad areas:
- **Co-operative leadership:** Involving citizens more directly in determining the priorities for Lambeth, getting councillors to work with citizens in their ward and helping community groups organise and make improvements in their local areas.
 - **Community-led Commissioning:** Currently when Lambeth Council develops public services it undertakes research, develops proposals, consults on these with citizens and decides for itself how a service should be delivered. The Co-operative Council wants to change this approach and have citizens actively working with the council, from the very outset. This involves the council working with our communities to understand their specific needs, the types of services which would best address these needs and the most effective ways in which these could be delivered. This requires the council to completely change the way it works, finding new and better ways to hold this ongoing dialogue with citizens. It also

²⁷ (2011) The Co-operative Council – Sharing Power: A new settlement between citizens and the state, Co-operative Council Citizens' Commission

requires the council to stop seeing members of the public as service users and to genuinely work with them as equal partners to (using the technical term) co-produce²⁸ the public services provided by the council.

- **Incentives:** Asking citizens to become more involved in the design and delivery of local services requires local people to give up their time to support their local community. The more people that become involved in this, the greater the benefits for Lambeth – through local knowledge and extra support for local services. To encourage as many people as possible to get involved the council believes that a menu of financial and non-financial incentives should be established. These could include discounts on council services, opportunities to experience cultural activities undertaken in Lambeth or opportunities to undertake training/adult learning courses.
- **Public service models:** As part of the community-led commissioning process the council will work with citizens to explore the best ways in which a council service could be delivered. This could include looking at moving a service to a different organisation – such as a mutual, co-operative, social enterprise etc. However it is not a requirement for the Co-operative Council to move services to a different organisation.

Integrating Co-operative Council thinking into the Housing Commission report

4.5. The approach advocated by the Co-operative Council and the ethos of greater co-operation between citizen and state has informed the Commission's thinking. Key elements of the Housing Commission report which reflect the Co-operative Council ethos include:

- **Co-producing a new housing vision and strategy:** This report argues that this vision and strategy should be co-produced with tenants and residents. This goes beyond good consultation and community engagement and seeks to actively involve tenants, citizens and those on Lambeth's waiting list as equal partners in the development of it.
- **Co-producing a new local Lambeth housing standard:** Building on the development of the new vision and strategy for housing, the

²⁸ Co-production is an approach to how public services can be designed and delivered. It is one of the key concepts which informed the development of Lambeth's Co-operative Council concept. Co-production means delivering public services in an equal and reciprocal relationship between professionals, people using services and the wider community – this means professionals and citizens working together to understand need, designing a public service together and agreeing how both professionals and citizens can deliver a service. When it comes to delivering a service together there is no pre-set expectation as to what the council and members of the public should be doing, rather the extent of citizen involvement in the public service will be agreed between citizens/the council through their deliberations. It is important to remember that co-production is not consultation, it is not volunteering and it is not about giving people individual budgets.

Commission believes the council should co-produce a new borough-wide housing standard with its tenants and councillors.

- **Housing management models:** A key part of the Housing Commission report looks at what the future of housing management should be within the borough. The Co-operative Council ethos has impacted on the Housing Commission's deliberations on future housing management models in four critical ways.
 - In the first instance the Commission is clear that, where there is support from tenants to find alternative ways in which to manage their properties, alternative options must be co-produced between tenants and the council.
 - The Commission has also looked at a range of different housing management models that could be adopted within Lambeth, if they are supported by tenants. Examples of these include Housing Co-operatives/mutuals –such as the Watford Community Housing Trust, Liverpool Mutual Homes and the proposed mutualisation of Rochdale's ALMO.
 - The Commission has proposed identifying a number of its void properties and opening them up to potential co-operative housing pilots.
 - The Commission has proposed that Lambeth Council should build on the evidence it gathered, to develop a co-operative housing model, which could form the starting point for discussions with tenants that are interested in this specific ownership/management option for their estate.

Recommendations

- (2) Lambeth Council should note the integration of Co-operative Council thinking in the Housing Commission's final report.

5. A Co-operative Council approach: A new vision and strategy for Lambeth's housing

The challenge

- 5.1. As set out in section three, Lambeth faces multiple challenges with regard to its council housing. In order to address these challenges, and the wider issues around housing across Lambeth, a Housing Strategy for the borough was approved in 2009²⁹. This strategy set out six priorities for improvements over the life of the strategy:
- Improving the supply of dwellings in the borough.
 - Improving neighbourhoods.
 - Improving access to housing and supporting vulnerable people in the borough.
 - Mixed and sustainable communities.
 - Tackling worklessness.
 - Empowering residents.
- 5.2. The Commission believes that whilst the outcomes set out above continue to be relevant it recognises that the 2009 strategy was developed in very different circumstances. Since then local government has seen:
- The proposed introduction of a completely new funding structure with the ending of the HRA subsidy system from April 2012.
 - The reduced availability of capital for decent homes investment.
 - The planned complete reform of welfare support and in particular, limits to (and eventually complete removal of) housing benefit.
 - A new model for developing publically-funded housing and the likely supply and affordability impacts of that model.
 - New housing requirements set out in the Localism Bill.
- 5.3. At the local level the housing strategy was developed before Lambeth sought to become a Co-operative Council and radically alter the way in which it designs and delivers public services (see section four).
- 5.4. **Although the Commission was tasked with looking specifically at housing management and investment in the council's housing stock, it came to the strong view that these challenges cannot be resolved in isolation. Therefore any strategic decisions on the future of council housing must take account of, and be part of the wider housing debate within Lambeth.** This wider debate, in the Commission's view, must answer questions such as; the role and importance of all social housing in the borough, the approach being

²⁹ (2009) Lambeth Council, Housing Strategy 2009-13

taken to provide affordable homes and the most effective ways to address housing need.

A new vision and strategy?

- 5.5. **The Commission believes that Lambeth Council must therefore move quickly to develop a vision and strategy for housing in the borough which is fit for purpose.**

Developing a new vision and strategy for housing

- 5.6. The Commission is clear that a new vision and strategy for housing cannot be developed by the Commission or the council alone. This strategy is too important and must reflect the housing needs facing the borough and the aspirations of all of Lambeth's citizens. Building on the Co-operative Council ethos the **Lambeth Housing Commission believes that this vision and strategy must be co-produced³⁰ with local residents** (tenants, leaseholders and other citizens within the borough).
- 5.7. The benefits of "co-production" rather than just consultation or a public sector led piece of strategy work have been set out in numerous studies³¹. These include the promotion of equal participation, the development of better more sustainable services (as the expertise and knowledge of citizens is used) and ultimately the delivery of more cost-effective services (as they are designed to specifically meet the needs of citizens rather than what public sector workers perceive their needs to be)³².
- 5.8. Co-producing this vision and strategy should be a top priority for Lambeth Council once there is more clarity on key national housing policy changes which have been proposed by the government. These include the Localism Bill and further analysis of the approach that will be taken to invest in Lambeth Council's housing stock. The Commission believes that the new strategy should be approved by Lambeth Council's Cabinet by July 2012. Ideally this strategy would also receive cross-party support.
- 5.9. It is important to stress that the development of an updated vision and strategy is not an excuse for inaction and introspection by the council. The work to develop this strategy should take place in tandem with

³⁰ See footnote 26 for further information on co-production

³¹ NESTA and New Economics Foundation (2009) The Challenge of Co-Production, NESTA and New Economics Foundation (2010) Public Services Inside Out: Putting Co-Production into Practice, NESTA and New Economics Foundation (2010) Right Here, Right Now: Taking Co-production into the Mainstream, New Economics Foundation (2008) Co-Production: A Manifesto for Growing the Core Economy, Elke Löffler, Tony Bovaird, Salvador Parrado and Greg van Ryzin (2008), "If you want to go fast, walk alone. If you want to go far, walk together": Citizens and the co-production of public services. Report to the EU Presidency. Paris: Ministry of Finance, Budget and Public Services.

³² NESTA and New Economics Foundation (2009) The Challenge of Co-Production. This report cites numerous examples of how co-production has led to better services which more accurately meet the needs of citizens. These include the Nurse Family Partnership and re-offending programmes for young people in the USA and the Expert Patient Programme in the UK.

immediate actions to improve housing management within the borough (see section 6).

Improving Lambeth's understanding of housing need

- 5.10. A key part of the development of this new housing strategy must be the development of an up to date understanding of housing need, through the completion of a new Housing Needs Assessment (HNA)³³.
- 5.11. The Commission believes that this assessment could be undertaken as part of the development of the borough's Joint Strategic Needs Assessment (JSNA)³⁴. As a statutory needs assessment, produced annually, undertaking the HNA as part of this work would provide opportunities to link analysis of housing need with social care and health need. It could also promote closer working between these inter-related services. Expanding the scope of the JSNA in this way would also address the evidence received from AgeUK Lambeth and Disability Advice Service Lambeth (DASL) which stressed the need for better joint working between housing, social care and health services³⁵.

Values

- 5.12. Whilst the Commission is clear that the **new vision and strategy for housing must be co-produced with our citizens it has, through its deliberations, identified a series of core values which it feels should underpin the development of this new vision and strategy:**
- **Equity of standard:** Council housing should be of an equal standard across the borough, with all tenants provided with a decent and safe property to live in. To achieve this, all council housing properties, however managed, should benefit from equality in the level of resources available for management and maintenance. This equality should be a precondition of any future changes in management, and where possible, should be applied to existing management. Equity of standard must also be realised in the services tenants and our wider resident base receive.
 - **Importance of neighbourhood:** Providing good quality council housing is not enough on its own. The council and communities must work together to improve the look and feel of the borough's neighbourhoods. This includes not only the quality of the physical environment, but also the intangible issues such as community spirit and community cohesion.

³³ Housing needs assessments provide valuable insights into how housing markets operate both now and in the future. They should provide a fit for purpose basis upon which to develop planning and housing policies by considering the characteristics of the housing market, how key factors work together and the probable scale of change in future housing need and demand. The last full HNA was undertaken in 2004 and was refreshed in 2007.

³⁴ Joint Strategic Needs Assessment's are a form of statutory needs assessment all local areas are required to carry out. The legal duty to develop a JSNA is set out in the Local Government and Public Involvement in Health Act (2007). Local government and the health sector are required, under this act, to work together to gather and analyse a range of data on health and wellbeing need within a local area. Once analysed this information should form the basis of a series of recommendations which public sector organisations use to improve/better target the services they provide.

³⁵ Oral evidence received from AgeUK Lambeth and DASL at Commission Meeting

- **Joined up services:** Services provided to our council homes must be co-ordinated so that tenants can access the full range of services they need easily.

Local Lambeth housing standard

- 5.13. Linked to the Commission's discussions on vision, strategy and values to underpin improvements in council housing, has been a debate around the standards the council should aspire to realise for its housing stock when it invests capital resources. Currently Lambeth is using the Decent Homes Standard (defined in section three) which was created under the previous government. The Commission accepts that whilst this standard is important (and that far too much of the council's housing stock does not meet it³⁶) it is also the case that frequently this standard does not meet tenant aspirations for their housing and local neighbourhoods.
- 5.14. Through the course of its deliberations, the Commission heard evidence from a number of local areas which have developed their own localised standard such as the Southwark Decent Homes Standard and the localised standard developed by Liverpool Mutual Homes (LMH). The LMH Standard, for example, goes beyond the Decent Homes Standard and includes specially selected high quality materials, which are all designed to be energy efficient³⁷. These standards were often developed (or co-produced) with tenants and encompassed elements not included in the Decent Homes Standard. **The Housing Commission believes that a co-produced local housing standard has the potential not only to lead to housing improvements which tenants want but to also puts tenants at the heart of decisions around how their homes are improved.**

Case Study: Liverpool Mutual Homes – The Liverpool Standard

The Liverpool Mutual Homes (LMH) Standard describes improvement works which have been implemented in 3,000 homes so far, as part of a five year, £380m investment programme. LMH Standard goes beyond the government's Decent Homes Standard and includes specially selected high quality materials, which are all designed to be energy efficient. Some examples include:

- Dual flush toilets that exceed current regulations and save water.
- 40% recycled metals in electrical components, and low energy lighting.
- 'Envirovent' ventilation which is 80% more efficient than a traditional fan.
- Vaillant Boilers with a high efficiency band 'A' rating and low energy circulation pump.

³⁶ Currently 54% of Lambeth Council's stock does not meet the Decent Homes Standard.

³⁷ Oral and written evidence provided to Lambeth Housing Commission by Liverpool Mutual Homes.

- Total Glass 'A' and 'B' rated windows that reduce energy lost by up to 90% and have PVC-U frames expected to last 40 years (and can then be recycled).
- Kaldewei Baths that are specifically designed to last longer. The baths have a 30 year guarantee, are self-cleaning and have adjusted water capacity. They are compatible with Eco-Homes regulations, exceed regeneration standards and can be recycled into high quality steel without any separation.
- Structherm insulated rendering that reduces fuel consumption and environmental pollution from each property.

- 5.15. A localised standard also allows for the inclusion of important areas requiring investment and maintenance that are missing from the national standard – including, for example, improvements to the neighbourhood environment, sustainability or works to address community safety concerns.
- 5.16. Given the potential benefits of a localised housing standard such as: better targeted investment in council housing stock and greater tenant satisfaction with improvement works **the Commission believes the council should work with its tenants, councillors, Lambeth Living and United Residents Housing to co-produce a Lambeth, borough-wide housing standard.**
- 5.17. The Commission however is acutely aware that local housing standards have been proposed in Lambeth before and is therefore anxious to avoid suggesting proposals which over-promise and are never delivered³⁸. Therefore, whilst the local housing standard must set the benchmark which Lambeth expects to achieve, it must also (a) ensure it takes account of the limited capital finance available to invest in the council's housing stock and (b) enable the improvement of as many council houses as possible.

Recommendations

- (3) Lambeth Council should work with its citizens to co-produce a new vision and strategy for all housing in Lambeth, to be approved by Lambeth Council's Cabinet by July 2012.
- (4) Lambeth Council should use the Co-operative Council principles and the Housing Commission values³⁹ as a basis on which to develop the borough's new housing strategy.
- (5) Lambeth Council should undertake an updated housing needs assessment as part of the annual Joint Strategic Needs Assessment.

³⁸ For example, written submission to Lambeth Housing Commission from Blenheim Gardens TMO.

³⁹ See paragraph 5.12 for more detail on the proposed values.

- (6) Lambeth Council should co-produce (with its housing tenants and its housing management partners Lambeth Living and United Residents Housing) a borough-wide Lambeth Decent Homes Standard which will underpin capital investment in the borough's council housing stock. This work should start in October 2011.

6. Housing finance: Funding the investment needed to realise Lambeth's housing vision

The challenge

- 6.1. By the late 1990s council housing across the United Kingdom had suffered from prolonged periods of limited capital investment. The effect of this lack of funding had led to run down, poorly maintained council housing in desperate need of investment. Lambeth was no exception to this. Under the previous government a significant amount of capital funding was made available under the "Decent Homes" programme to improve council housing. Local authorities, such as Lambeth, could access this capital finance if their housing stock was transferred to a RSL or ALMO when the Audit Commission judged it as reaching at least a "2 star" level of performance.
- 6.2. Lambeth decided to move towards an ALMO model relatively late, and Lambeth Living only went "live" in 2008. As a result, the council was unable to access this funding before it was substantially reduced under the Emergency Budget/CSR 2010⁴⁰. This inability to access sufficient capital finance to improve the housing stock was compounded by poor management of the council's Housing Revenue Account (HRA), over many years, which led to a deficit of £12.2million in 2008/09⁴¹.
- 6.3. In order to recover this financial position maintenance work on council housing was significantly reduced. In effect no planned maintenance was carried out throughout 2009/10 and limited planned maintenance was undertaken in 2010/11 as backlog repairs were carried out⁴². Whilst the effect of this has led to a substantial improvement to the HRA (it is now back in surplus) the reduction in maintenance spending, required to tackle the unsustainable deficit, has further contributed to the scale of the housing investment needed within Lambeth Council's housing stock.
- 6.4. Current estimates suggest that bringing all council housing stock in Lambeth up to the Decent Homes Standard would require an investment of £260m. However this figure could be much higher and as a result of reductions in public sector spending it is unlikely that the council will receive anything like a sufficient level of funding from government.

⁴⁰ The Decent Homes Programme has been reduced by 60%, from £4 billion to £1.6 billion over a four year period. The government has also reduced the amount of finance for the National Affordable Housing Programme (NAHP) from £8.4bn over 2008/11 to £4.3bn over the next four years (2011/15). This is the main source of funding accessed by Registered Social Landlords (RSLs) to build new social housing. The shortfall is expected to be made up in part by increasing rent income and moving away from "social housing" rents to a new "affordable" rent model⁴⁰. RSLs are now expected to review the rents they levy and charge up to 80% of market rents rates for the new housing they build to rent.

⁴¹ (2010) Lambeth Council Cabinet Report, Housing Revenue Account Budget and Rent Setting Report 2010/11. The HRA is required to balance each year and it is therefore important that having been in deficit a surplus is generated to build up a prudent level of contingency funding against unexpected and unavoidable expenditure requirements.

⁴² This meant that the council did not undertake routine repairs or repairs that were not urgent. Critical reactive repairs and health and safety related repairs did though continue throughout this period.

Capital and revenue housing finance: Background and context

- 6.5. Against this backdrop of local financial challenges and reductions in national funding for housing, the government has also proposed one of the most significant reforms to housing finance undertaken in many years. This involves an end to the current HRA subsidy system and its replacement with a new “self financing” HRA system – which allows local authorities to plan their housing revenue and capital budgets over a 30 year period. As a result of these changes Lambeth Council, over the medium-long term will have two sources of public sector finance to fund investment in its housing stock. This includes Decent Homes funding and funding available through the new self-financing HRA, which will be implemented in 2012.
- 6.6. The council has undertaken an initial analysis of the impact of these changes to housing finance and has tentatively profiled the capital and revenue finance that will be available for council housing stock for the next thirty years 2012/13 – 2042/43. It must be stressed that these results only reflect an initial analysis of the implications of the reforms to housing finance. Further work will be undertaken throughout 2011/12 to model the likely income and expenditure during this period. This initial analysis provides a useful explanation of the challenges facing Lambeth with regard to investing in its stock and indicates the major strategic decisions the council, tenants and wider community will need to make with regard to the future of council housing.
- 6.7. **At a general level capital finance of £100.5m will be available to the council from the new (reduced) Decent Homes funding programme** from central government. This funding was secured in January 2011 and will be available from 2011/12 – 2014/15. However only the first two years of funding is guaranteed (totalling £19m). The remainder, totalling £81.5m for 2013/14 and 2014/15 is currently only indicative.
- 6.8. **The other major source of capital finance will come from the proposed self financing HRA.** The reform removes the Housing Subsidy system. As a result of these reforms central government will reset the level of local authority debt held in HRAs and will set new debt ceilings up to which borrowing in the HRA can take place⁴³. This will allow all local areas to borrow capital finance to invest in their housing stock over the next thirty years. In Lambeth the current proposal is for the government to reduce the HRA debt from £419m to £239m and to set a debt ceiling of £386m. This will allow the council to borrow £147m over the next 30 years.
- 6.9. When borrowing any/all of the £147m available to the council the interest payments from this borrowing will have to be paid out of the HRA. Therefore if all of the £147m is borrowed this will mean an

⁴³ Debt ceilings are the maximum level of capital finance borrowing a council can undertake to invest in their council housing stock. It is similar to a credit limit on an individual's credit card.

additional cost of £7m per annum which will need to be met from the HRA's rental income stream. Any residual housing rent income, which is not committed to meeting revenue costs associated with council housing, would then be available to fund investment in the stock.

Capital and revenue finance analysis: Assumptions and tentative results

6.10. As stated in paragraph 6.6 Lambeth Council is currently in the process of populating a housing finance model, developed by housing finance specialists working with the council. Indicative housing finance figures have been produced based on a series of assumptions about the future housing context.

6.11. In developing this model the council has used eleven key assumptions to inform its initial analysis. These can be identified as either under the control of the council or under the control of external organisations. The risk to the council increases the further away the responsibility for the control of the activity lies from the council and how much is known about the future of the activity being modelled. Figure 1 below summarises the level of risk and extent of council control around each assumption. The subsequent bullet points explain the assumptions in more detail.

Figure 1: Financial assumptions, level of risk and level of council control

Financial assumption	Level of risk (lower the better)	Level of council control (higher the better)
Securing years 3 & 4 of Decent Homes funding	High	Low
Empty properties (voids) increasing	Medium	Medium
Rent collection falling	High	High
Rent convergence occurring as expected	Low	Low
Rent rates – control of the level of rent	Low	High
Leaseholder charges – level of charges	Low	High
Cost of borrowing	Medium	Low
Stock levels – change in number of stock	Medium	Medium
Revenue costs – increases of	Medium	Medium
Management and maintenance costs increasing	Medium	High
Capital receipts	High	High

- Empty properties (voids):** In the past Lambeth had a high number of void properties (4% of stock). However as a result of sustained political pressure and a focus on performance, Lambeth Living has now reduced this to 1% of tenanted stock (240 properties) and United Residents Housing is working toward the same 1% target. This represents a very significant improvement and given the day-to-day turnover of tenancies will be challenging to sustain. HRA modelling has assumed a prudent void rate of 2% of stock. If the council does not maintain a void rate of less than 2% it will impact on the rental income available to the HRA to cover expenditure and further investment. Management of this risk currently lies with the two ALMOs and is monitored by the council⁴⁴.
- Rent collection:** Lambeth Living and United Residents Housing together currently collect around 93.5% of the rent. High performing ALMOs collect 97% of rent or more. Whilst both organisations are improving their performance around rent collection, performance in collecting rent arrears is more problematic. Currently the council is owed £10m in existing tenant arrears and £7m in former tenant arrears. Under the current system councils and RSLs are paid rent for properties directly for those on benefits by government. When the current proposed reforms are implemented, benefits will be paid to the individual and they will be responsible for paying their housing rent. The council expects this will lead to a rise in non-payment. To account for current poor performance a budget of £1.2m has been set to contribute to the bad debt provision for rent⁴⁵. This is maintained in the model going forward. The risk is that this will increase in future years because of welfare reform changes leading to an increase in rent arrears or as a result of deterioration in performance on rent collection. This will reduce the surplus available for further investment⁴⁶.
- Rent convergence:** The HRA is subject to government's rent restructuring guidelines which are due to come into effect in 2015/16. These changes mean rents in the HRA (i.e. local authority housing rents) will be brought in line with average RSL rents. This is called rent convergence. Rent increases are set at a level of RPI inflation increase +0.5% to a maximum of the guideline rent set for each authority. The council has assumed that rent convergence will be completed in 2015/16 as set out by the government. The target date for rent convergence has been changed several times since the policy was first introduced and it may change again. The risk is

⁴⁴ See point 2 in footnote 55.

⁴⁵ This figure is calculated using a formula to identify the level of bad debt provision the council needs to plan for. Bad debt (debt which is doubtful and unlikely to be recovered) provision also no longer includes debt provision made for leasehold charges as these are deemed collectable. Further it is anticipated that there will no longer be a need to make provision for bad debts arising from Section 20 charges (charges leaseholders are required to pay relating to major works undertaken on their properties by the landlord) as these too are collectable through the courts.

⁴⁶ See notes in footnote 55

limited to the assumptions made because modelling continues to use the same formulae.

- **Rent rates:** The council has assumed that rent increases will continue to rise at the rate of RPI inflation +0.5% following convergence. The current RPI inflation rate is 5.3% used for the first year of the model. This is forecast to fall in future years and the model uses 4% RPI going forward. Inflation for expenditure is at the same RPI rate and therefore rents will continue to increase over rates of expenditure. There will be freedom to vary rents following rent convergence in 2015/16 but the potential impacts referred to above should be noted.

There is no direct penalty if rents are raised above the guideline level. However where tenants are in receipt of housing benefit the grant to cover this cost, the Housing Benefit Grant subsidy, is not paid above the guideline rent level. This is normally recharged back to the HRA. Therefore there is an indirect penalty for raising rents above the guideline.

A rent policy for the council will have to take into account the impact of reforms to housing benefit to ensure that there is no adverse or perverse impact of rent increases. To avoid this risk the policy needs to be set when all the variables are known and understood⁴⁷.

- **Leaseholder charges:** The assumption is that the cost of leaseholder services are fully covered by leaseholder service charges and that collection continues at the current levels.
- **Borrowing modelling:** The assumption is that the council will borrow to the maximum ceiling level. The initial assumption is that this £147m investment will be utilised fully in the first 5 years, which is equivalent to £29.4m per annum over 5 years. Borrowing will follow the asset management strategy that is currently being developed by Lambeth Living and United Residents Housing in partnership with the council. An initial assumption has been made that capital funded schemes will be carried out over a 5 year period to coincide with the Decent Homes investment. It is assumed that early investment would reduce the need for revenue repairs and maintenance in the medium term. However, it is understood that in the longer term, investment requirements would once again increase. Modelling can be flexible but it will be determined by the reality of procuring, mobilising and delivering large capital schemes across the borough and being able to fund the increased debt charges⁴⁸.
- **Cost of borrowing:** The council is not projecting to repay debt in the model. The cost of borrowing, debt charges, the interest

⁴⁷ See point 2 in footnote 55.

⁴⁸ See point 1 in footnote 55.

associated with borrowing in the HRA will rise from £15m per annum to £22m based on borrowing to the maximum ceiling. This is based on the Public Works Loan Board, the council's main source of borrowing and uses current rates of interest and assumes inflation rates as above. This is inclusive of debt already within the HRA and new debt taken on as part of the reformed HRA. Obviously interest rates are outside the council's control. Any increase in inflation will further reduce the surplus available for further investment⁴⁹.

- **Stock levels:** Within its model the council has assumed that its stock will remain constant in the future apart from the stock transfers which are being progressed (but are subject to a ballot). Further right-to-buy and disposals (both of which are at low levels) have also been incorporated. One of the impacts of the new self-financing HRA model is that stock transfers will no longer result in the debt being written out of the HRA. This would result in "overhanging" debt. This makes stock transfer less likely in the future unless the government reviews this policy⁵⁰ (stock transfer is discussed in more detail in section eight).
- **Revenue costs:** The council has assumed that revenue costs will remain broadly constant and will increase at the inflation rates outlined above. However this may be subject to change. For example the cost of insurance rose dramatically in 2010/11 from £1m to £2.4m. Revenue budgets will have to reflect closely the anticipated changes and risks outlined above to ensure that there is sufficient surplus income over expenditure to finance the borrowing made by the HRA as well as contribute to further investment. Close budget monitoring will need to be maintained in order to ensure that revenue expenditure is kept within the overall budget⁵¹.
- **Management and maintenance costs:** Included in revenue costs in Figure 2 below, are the costs of managing the council stock. These cover the management fees of Lambeth Living and United Residents Housing, repairs and maintenance to the properties, the allowances for the TMOs and the Client Team in the council. Lambeth has the highest housing management costs when compared to other inner London boroughs. Lambeth also has a high number of TMOs and these increase the overall cost of housing management in the borough. The costs modelled are based on current costs increasing by inflation in future years. Any increase over and above inflation reduces the surplus available for further investment⁵².

⁴⁹ See point 7 in footnote 55

⁵⁰ See point 2 in footnote 55

⁵¹ See point 4 in footnote 55

⁵² See point 4 in footnote 55

- **Capital receipts:** The current model does not assume further capital receipts for housing⁵³. In addition it is assumed that right-to-buy income will remain low based on the numbers forecast in the future and that 75% of income will continue to be pooled i.e. paid to the government⁵⁴. The Commission recommends that the council lobby central government to change this policy to allow all receipts to be retained in the HRA.

The Commission is clear that the link between income and resources available for investment will be much stronger under the new HRA regime and, as outlined above, assumptions about rent are important to effective modelling. The Commission therefore believes the council should develop a rent policy to provide a clear framework for financial business planning.

6.12. As a result of these assumptions the council has projected revenue and capital spending for the first five years of the new regime to consist of the following:

Figure 2: Lambeth Council: Capital and Revenue Projections 2012/13 – 2017/18

£M	Subsidy	New self-financing regime					
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
1) Debt at year end	239	268	298	327	357	386	386
2) Housing rent	114	123	129	135	141	147	154
3) Paid in subsidy	(119)						
	(5)						
4) Revenue costs	(77)	(81)	(84)	(88)	(91)	(95)	(99)
5) M&M subsidy allowance	68						
6) Interest subsidy	9						
	0						
Net income (2-4)	-5	42	44	47	49	52	55
7) Interest		(15)	(17)	(19)	(20)	(22)	(22)
8) Net income after cost of		27	27	28	29	30	33

⁵³ Capital receipts are money generated through the sale of buildings or land. The council operates a single pot into which any capital receipts are placed and this fund is facing significant pressures from numerous council services.

⁵⁴ See point 12 in footnote 55

£M	Subsidy	New self-financing regime					
Year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
borrowing							
9) Borrowing		29	29	29	29	29	0
10) Self financing resources		56	56	57	58	59	33
11) Major repairs allowance	25						
12) Decent Homes Funding	7	12	30	52			
13) Total capital resource	27	68	86	109	58	59	33

Source: Lambeth Council⁵⁵

Note: Figures in brackets denote deductions

Repairs and maintenance

6.13. In order for Lambeth Council to ensure that it can maximise the capital finance available for its housing the Commission believes that there must be a shift away from reactive repairs to planned maintenance. Currently the focus has been on undertaking reactive repairs and it is possible that some of these repairs occur because of failures to items, which should have been maintained as part of a planned programme.

6.14. The Commission believes that, as part of ongoing investment in the council's housing stock, the bias of planned maintenance to reactive repairs focus should be moved, by 2014, from a 50:50 ratio to a 60:40

⁵⁵ 1) This shows the opening and closing debt in the HRA following the introduction of the new self financing regime and the level of new borrowing in 9 in the table to the ceiling cap of £386m.

2) Rental income is increased after the first year as the level of voids are assumed to be reduced from 4% to 2% of stock.

3) Subsidy shows the adjustment made to the HRA under the current housing subsidy regime. This is removed in future years when the HRA is set to be self-financing.

4) This line shows the running costs of the HRA. This includes the management and maintenance costs as well as the contribution to bad debt provision.

5) The amount paid to the HRA to supplement the costs of management and maintenance based on the notional amount in the Housing Subsidy regime.

6) The amount paid to the HRA to supplement the costs of debt charges based on the notional amount in the Housing Subsidy regime.

7) The cost of borrowing showing the increasing costs as the level of overall borrowing increases.

8) Net income after the cost of borrowing.

9) The level of borrowing each year, assuming a five year requirement. The opening and closing debt in 1 in the table shows the increases in debt to the ceiling cap.

10) The total self financing resources from borrowing and surplus income.

11) The amount paid to the HRA to provide for major repairs which is spent as capital based on the notional amount in the Housing Subsidy regime.

12) The Decent Home funding of £100.5m allocated by government

13) The total available for capital investment in the HRA.

ratio – with planned maintenance receiving 60% of the investment. This is in line with long-established best practice for social housing. However, it is recognised by the Commission that progress towards this ratio has been constrained by the historic lack of funding and lack of coherent investment planning (in part because of the uncertainty around levels of resources from one year to the next).

Investment in the housing stock

- 6.15. Recognising the significant caveats and tentative analysis undertaken to date this financial model suggests that over the first five years (2012/13 – 2017/18) the council will be able to invest a total of £380m⁵⁶ of capital finance to improve the council's housing stock. **Given the significant need to make a step-change in the quality of housing the Housing Commission recommends that the council frontloads its investment as currently proposed over a five year period and explore the viability of undertaking this investment in a shorter 3 year time period.** To underpin this investment the council needs to both develop a coherent housing investment strategy for this period and also consider how investment resources can be maximised in the longer term. Further, it needs to consider the capacity of the organisation to manage such investments over the two proposed time periods.
- 6.16. A key finding, of the model set out above, is the long term revenue finance position facing Lambeth once the initial wave of capital investment is made in the borough's council housing stock. **From 2017/18 additional public sector capital finance will not be available to Lambeth for the remainder of the 30 year period under the reformed housing revenue account regime.** Current government policy assumes that public sector investment in council housing stock will be limited to the annual surplus in the revenue budget within the HRA, which the initial analysis is projecting to be around £33m per annum. Given the age and condition of Lambeth's housing stock and the large number of high-rise blocks the Commission is extremely concerned that, on its own, this level of surplus will not be sufficient to continue to maintain and improve the housing stock. The Commission also recognises that any surplus is not guaranteed due to the potential of increased rent arrears caused by reforms to welfare. Set out below are some of the options the Commission believes need to be considered both in planning investment for the next few years and for ensuring investment continues after the initial period.
- 6.17. **Enhancing capital receipts:** There are a number of ways that capital receipts could be enhanced. One is to review the criteria by which properties are identified for disposal. This could increase the pool from

⁵⁶ This £380m includes funding for Decent Homes and capital for additional investment for works which do not count against the Decent Homes standard. Examples of works not included in the Decent Homes standard which require capital investment are: work undertaken on communal areas, fire safety, lifts, communal boiler replacement and environmental works to estate roads/paths.

which the selection is made. Currently this is based on a property being void and requiring more investment to bring to a decent homes standard than a target level of expenditure based on value for money analysis. Criteria could be changed on the void status, value of the property or level of investment required or a combination of these.

- 6.18. **Ring-fencing capital receipts:** The council operates a single capital pot whereby income from all capital receipts across the organisation are pooled and bids are made in order to secure capital funding for competing schemes. In order to maximise investment for housing the current practice could be changed so that the HRA retains all funds from council homes which are disposed of. The Commission strongly advocates this approach although it is recognised that clearly this may place additional pressures on the council's ability to meet other priorities, outside of housing, which require capital finance.
- 6.19. **Estate regeneration:** In developing a coherent investment plan for the borough, it needs to be recognised that some estates or groups of properties present design, layout or structural problems that go far beyond the capacity of ordinary types of investment. For these properties a more radical approach may need to be considered because either (a) the decent homes standard (or a local variant) will not deliver an adequate level of improvement or (b) because the investment needs are such that it will be many years before they can be improved to the extent required.

The Commission believes that council also needs to consider the investment potential of its assets and needs to link the investment required in its housing stock to the development of unused or under-used housing land and property. Further, the Commission believes the council needs to ensure the benefits of links to wider local regeneration initiatives are realised. This approach has been used in the past in Lambeth and, moving forward, any stock investment plan needs to ensure that account is taken of development opportunities on estates to both provide capital to reinvest and to simultaneously provide much-needed new housing. Such schemes require close partnership working with RSLs and/or developers who will also work in close partnership with local residents. They will need to align with the council's Local Development Framework which sets out the council's long term strategy for physical spaces within the borough. Another option the council may want to consider is developing a special purpose vehicle (SPV) to develop estates, which could then borrow off balance sheet and use the profits from sales of new properties to invest in current stock. There are a number of different SPV models currently being explored.

- 6.20. **Stock transfer:** The transfer of stock to RSL partners has been the means by which additional investment in estates in Lambeth has been achieved in the past. To date there have been five estate transfers and work on the potential transfer of three estates is currently underway. It

is still an option for the future although there is some concern that transfer may be restricted because of the overhanging debt left behind in the HRA when a transfer occurs under the new regime. This may be overcome by the government amending the settlement to take this issue into account for councils that wish to transfer stock in the future. Alternatively there may be options to ensure that any losses on the HRA are offset by stock valuation based on the tax impacts on the transfer. This option is dependent upon suitable estates being identified, genuine interest from tenants and full consultation before a transfer can be taken forward.

- 6.21. **New build:** The previous government introduced the ability for local authorities to once again build social homes. This has not proved to be particularly successful with only a small number of authorities building a handful of homes. This is unlikely to be appropriate for Lambeth until our current housing management is more financially stable and is providing a good service. Building new homes could also, crucially, divert resources from investment in the current stock. The Commission has not considered these options in any detail, but clearly the council should not discount them in planning for future investment (see section eight for additional commentary on new build social housing).

Alternative Investment Models – ALMO-based

- 6.22. It is not possible to exceed the public borrowing cap set by the government for the HRA and as described above the potential for additional capital receipts are limited. There is the possibility of additional capital funding from government in the future. However, this is dependent upon the Department for Communities and Local Government being successful in bidding against other government departments in future Comprehensive Spending Reviews. **An alternative approach though is to borrow in the private finance sector. However, this approach requires a number of conditions to be met, in order to ensure that the council does not compromise its position as a public body. Three alternative models are outlined below – all of which require there to be an ALMO.**
- 6.23. In order to attract private finance the ALMO must transfer out of the public sector with options for reduced council ownership and opportunities for tenant and community ownership with equal holdings. This means that if followed through to the final model the ALMO becomes a Registered Provider. The contract for management of the stock will have to go through a competitive procurement process. The alternative models are seen as a gradual progression for the ALMO to a Council and Community Owned Organisation (CoCo) rather than an immediate move to a CoCo. Briefly the models maximise the opportunity to borrow from the private sector. In order for the debt to be secured there needs to be an “additional consideration”. What this

means is that the private investor needs to see that there is security for the loan they are being asked to make.

- 6.24. In Model 1 the security is based on the management fee paid to the ALMO by the council for managing the stock. The term of the contract with the council must be longer than the period of the loan. The cost of borrowing is high. This is quite a costly approach as it is based on a revenue stream which is perceived by banks as more of a risk than a fixed asset.

Model 1 - Long term management contract

- 1) Private finance is off balance sheet
- 2) ALMO is no longer owned by council – tenant ownership options
- 3) New 30-year self-financing business plan
- 4) No ballot – council remains landlord
- 5) No TUPE transfer
- 6) VAT still recoverable by council on all services provided under the
- 7) contract
- 8) Section 105 Housing Act 1985 consultation
- 9) ALMO has to compete for new, much longer contract – which transfers risk and is performance-driven
- 10) How much leverage/value is there in contract fee to generate worthwhile investment?
- 11) Council has to service its self-financing debt from a continued HRA

- 6.25. Model 2 is a variation of model 1 but there is a transfer of stock ownership during the period of the contract. This enables a better rate of borrowing to be achieved by the ALMO. However, the transfer also means that there is a less efficient VAT and taxation regime than in Model 1

Model 2 – Long term management contract with some asset transfer

- 1) Private finance is off balance sheet
- 2) ALMO is no longer owned by council – tenant ownership options
- 3) New 30-year self-financing business plan, with some asset-backed borrowing
- 4) Able to generate somewhat higher levels of private finance than Model 1 but significantly less than Model 3
- 5) Council has to service its self-financing debt from a continued HRA
- 6) No ballot – council remains landlord of all tenanted stock, only land/vacant stock transferred/'trickled'
- 7) No TUPE transfer
- 8) Section 105 Housing Act 1985 consultation
- 9) ALMO has to compete for new, much longer contract – which transfers risk and is performance-driven
- 10) VAT still recoverable by council but some VAT costs for ALMO on activities related to transferred assets

- 6.26. Model 3 sees a full transfer of stock to the ALMO with debt covenant similar to an RSL transfer. This maximises private sector borrowing but in the current assessment is less tax efficient in relation to VAT. Solutions are being explored which could involve the CoCo being registered with the Charity Commission.

Model 3 –Transfer to a Council and Community Owned Organisation (CoCo)

- 1) CoCo is landlord
- 2) Ballot – uses ALMO brand
- 3) Covenant (with charge) by CoCo to service self-financing debt
- 4) CoCo is off balance sheet
- 5) No longer owned by council (max one-third influence) – tenant ownership options (Gateway/Mutual models)
- 6) CoCo to register with TSA (and possibly Charity Commission)
- 7) No TUPE transfer
- 8) No new (management) contract to have to compete for Irrecoverable VAT after transfer – but solutions being explored

- 6.27. This is a very brief outline of three possible ALMO-based alternative investment models, which build on the five proposals set out in paragraphs 6.15 – 6.21. Currently these ideas are being developed by experts and professionals within the housing sector and there is an expectation that the best performing ALMOs will begin to explore these options in due course. The Commission believes the council should closely monitor these ideas as they develop, whilst exploring the viability of the proposals in paragraphs 6.15 – 6.21.

- 6.28. The decision on what housing finance options to pursue cannot be made in a vacuum. Commissioners strongly believe there to be a clear dependence between the investment models used and the housing management models that will be delivered. An analysis of housing management models is set out in section eight of the report.

Recommendations

- (7) Lambeth Council should borrow the full amount possible, under the reformed HRA, to invest in its council housing stock.
- (8) Lambeth Council will decide, by December 2011, whether it is able to complete investment in better homes over a five year period or if possible over 3 years.
- (9) Lambeth Council should complete its housing investment strategy by February 2012.

- (10) As part of the budget setting process, by February 2012, Lambeth Council should make a decision as to whether it will ring-fence capital housing receipts so that this income is always re-invested in the council's housing stock and in improved neighbourhoods for residents.
- (11) Lambeth Council should front load its capital investment in its housing stock from April 2012 in order to make rapid improvements to the quality of the properties and the wellbeing of tenants.
- (12) Lambeth Council needs a clear rent policy for the borough. This work, with tenants, should start in 2011/12.
- (13) Lambeth Council should start work in April 2012 to take forward a range of social and private sector finance options which will augment public sector housing finance.
- (14) Lambeth Council should have completed work, by 2014, to rebalance its spending on housing repairs and maintenance to ensure that a greater proportion of revenue is spent on planned maintenance. The aim should be 60% planned maintenance to 40% reactive repairs.
- (15) Lambeth Council should continue its work with local partners and London Councils to lobby central government to increase funding for building new social rented homes and amending the current policy relating to HRA debt overhang.

7. Providing high quality and effective housing management today

The challenge

- 7.1. One of the central issues which the Housing Commission considered was housing management i.e. how the council's housing stock is managed on a day-to-day basis. Effective housing management within Lambeth is beset by multiple challenges such as a wide range of property types, high levels of non-decency and variable housing management in the past. Improving the quality of this service and the borough's housing stock is therefore always going to be a long journey.
- 7.2. Currently council housing is managed by Lambeth Living and United Residents Housing. The primary focus of the Commission's deliberations, with regard to current housing management, was the performance of Lambeth Living, the larger of the two ALMOs within the borough. What is clear from the data presented to the Commission is that while the service is improving the quality of housing management standards and customer service is inconsistent.

Housing management in Lambeth – Lambeth Living

- 7.3. Lambeth Council resolved to move toward an ALMO model in June 2006, as a means to access decent homes funding⁵⁷ and Lambeth Living, the borough's main ALMO, went "live" in 2008. It should be noted that with regard to current housing management issues the Commission has focussed primarily on Lambeth Living for two reasons: (a) it impacts on so many more residents than United Residents Housing and (b) its levels of performance is much worse than United Residents Housing. The Commission's focus on Lambeth Living should be tempered, however, with recognition that the sheer size of their stock, the cost per property management and the numbers of staff per property of Lambeth Living is almost incomparable to the small-scale of United Residents Housing.
- 7.4. **From its inception Lambeth Living has struggled as an organisation. Despite recent improvements in performance, Lambeth Living still suffers from the legacy of weak management of services, a poor organisational culture and the transparency of the organisation.** In addition, at a basic level, it was felt that Lambeth Living was not providing good value for money for the council or tenants. The Commission does, however, acknowledge that many of these problems were the result of existing management and service delivery weaknesses within the council when Lambeth Living was established, which were a function of poor implementation of this

⁵⁷ (2006) Lambeth Council Cabinet Report, Housing Investment Strategy Update, (2007) Lambeth Council Cabinet Report, An ALMO for Lambeth Update

ALMO rather than inherent problems with ALMOs as a model of housing delivery⁵⁸.

- 7.5. In response to these ongoing service failures, and stakeholder concerns about the capacity of Lambeth Living to improve, Lambeth Council has introduced multiple layers of control/scrutiny to drive improvement and help Lambeth Living perform effectively as an organisation. For example, the Housing Cabinet Performance Advisory Panel is currently monitoring eighteen performance indicators (PIs) on a monthly basis, (see annex four). These performance indicators are shared by the council with their stakeholders, such as tenants and leaseholders⁵⁹.
- 7.6. **Over the past 18 months Lambeth Living has responded to this increased pressure and oversight from Lambeth Council to address four main priorities for improvement (rent collection, service charge collection, void numbers and repairs⁶⁰). As a result of this pressure Lambeth Living has achieved on or above target performance in all but one of these areas. The relationship between the council and Lambeth Living has also greatly improved.**
- 7.7. However the Commission notes that these layers of performance scrutiny are resource intensive and can have the unintended consequences of diluting management accountability, creating unnecessary duplication of effort and sometimes causing confusion and mistrust⁶¹.
- 7.8. Given the significant concerns around Lambeth Living the Commission has considered whether Lambeth Living should continue to provide housing management services up until the end of its current contract with the council in 2014, or whether the only way to make immediate improvements to housing management is to move to an alternative model. In addressing this issue the Commission sought to answer two key questions:
- If Lambeth Living ceased to exist – what are the alternatives?
 - If Lambeth Living continues – what would a credible improvement plan look like?
- 7.9. **The Commission has not specifically made a recommendation as to whether Lambeth Living should continue to operate or cease to exist. This, in the Commission’s view, is a political decision which Lambeth Council’s Cabinet must take** – and be held accountable for. The Commission does though strongly urge Cabinet to use the

⁵⁸ See section eight for further analysis of ALMOs as a management model.

⁵⁹ Lambeth Council Cabinet Report (2010) Housing Performance Cabinet Advisory Panel: Establishment.

⁶⁰ As measured by responses to members enquiries and complaints at the end of 2010/11.

⁶¹ Oral and written evidence provided to Lambeth Housing Commission by UNISON.

analysis and deliberations and findings of the Housing Commission to inform its final decision.

- 7.10. If Lambeth was to move away from its ALMO model two broad options would be open to it. These are transferring council housing stock to an RSL or other provider (such as a new housing co-operative) or bringing council housing management back in-house. It is the Commission's view that neither option meets the test of being able to secure an "immediate improvement" to the quality of housing management.
- 7.11. **While some stock transfers to an RSLs or other provider may be an option for Lambeth in the future, the Commission felt that was not a feasible option in the short term.** Tenants, over the course of the past ten years have been very clear that they do not wish to move, en masse, to a different provider⁶². For example, it was clear during the ballot process to set up Lambeth Living that tenants would not have supported wholesale transfer to an RSL. Whilst this may be an option in the future for housing management, if tenants and the council come to this conclusion together (see discussion in section 8), the Commission does not believe there is support for this option at present. In addition, the process of moving housing to a different provider is not something that could be undertaken quickly and the Commission was concerned that this option may be a time consuming distraction from the detailed and sustained focus that is needed to improve housing management.
- 7.12. The second option, moving housing management back in-house, initially seemed like an attractive option to the Commission. For example, the Commission heard evidence from local tenants and local union representatives which expressed continued support for the in-house management approach. Much of the argument for in-house provision focused on the belief that this management model ensured that housing managers were held accountable for their actions by elected politicians, in a way that other housing management models did not allow⁶³.
- 7.13. **The Commission is not convinced that an in-house housing management would deliver on improvements any faster than Lambeth Living.** As noted in paragraph 7.4 many of the problems Lambeth Living is grappling with are a result of a legacy of the poor in-house housing management function Lambeth Council used to have – these would not be solved by moving the organisation back into the council. Further the process of winding up Lambeth Living before the end of its contract and reintegrating this organisation back into the council will take time, potentially up to one year. The Commission is concerned that this process of organisational change will create further

⁶² Lambeth Council (2002) Housing Commission 2001/02, Lambeth Council Cabinet Report (2006) Housing Investment Strategy Update and oral evidence provided to the Commission by Tenants Council representatives

⁶³ Oral evidence provided to Lambeth Housing Commission by Tenants Council, Lambeth Unison and Lambeth GMB

instability within Lambeth Living and could well delay/undermine further improvement that could be made.

- 7.14. A second argument made by advocates of in-house provision was that moving housing management back to the council would reduce costs by minimising the duplication of services which may occur when a separate housing management organisation is set up. Arguments which focus on financial savings being made, as a result of bringing housing back under the direct control of a local authority, have been made by other councils. For example, the London Borough of Hillingdon has projected immediate savings of £300k and ongoing savings of £750k by bringing their ALMO back in-house⁶⁴. London Borough of Hillingdon argued that savings will be made from governance costs, reducing duplication in support services and efficiencies from service integration⁶⁵. The London Borough of Ealing, in oral evidence to the Commission, made similar arguments stating that bringing housing management back in-house would reduce duplication and led to better service integration – ultimately leading to cost savings⁶⁶.
- 7.15. The Commission though is cautious about arguments which claim that moving housing management back in-house will lead to financial savings and notes that information provided by other local authorities are based on projected savings. There is no evidence, as yet, from these councils that these have been realised or will be realised due to the fact that many of these local authorities have only just brought these services back in-house. There is also a risk that bringing housing services becomes a relatively costly exercise. The London Borough of Newham, for example, in the process of bringing their housing back in house, incurred costs around rebranding and moving employees through TUPE⁶⁷.
- 7.16. In addition the Commission also acknowledges that bringing housing management services back in-house means that, rather than having organisations which have a complete focus on housing management (such as the ALMOs), housing management will be one of the many areas of priority for the organisation. Ironically, moving housing management to this organisation, has led to an even more corporate focus on housing than before the ALMO was set up.
- 7.17. The Commission was also encouraged by the improvements made by Lambeth Living in the last year on key areas such as collection of rent and service charges, repairs, voids and stage one complaints⁶⁸.

⁶⁴ London Borough of Hillingdon Presentation “Returning the ALMO back to the Council”

⁶⁵ Ibid

⁶⁶ Oral evidence provided to Lambeth Housing Commission by London Borough of Ealing. The delegate from London Borough of Ealing noted that customer services, anti-social behaviour team and housing management teams were integrated into existing teams within the organisation.

⁶⁷ Oral evidence provided to Lambeth Housing Commission by London Borough of Newham. The delegate from London Borough of Newham noted that the council expects to make savings in the long term.

⁶⁸ Oral evidence provided to Lambeth Housing Commission by Lambeth Living

Although if Lambeth Living was to remain, the Commission believes it would have to rapidly increase this improvement trajectory.

- 7.18. At the end of this part of its deliberations the Commission found itself with two non-ALMO options – neither of which was without significant risk of creating delays in improving housing management. The Commission therefore also considered, if Lambeth Living was to continue, what the core elements of an improvement plan for this organisation must be – as the Commission is clear that significant and sustained improvement is needed if Lambeth Living is to ever be a credible housing management organisation.

Improving Lambeth Living

- 7.19. **If Lambeth Council, on the basis of the Housing Commission’s analysis, decides to continue with Lambeth Living as its primary housing management organisation then a credible, detailed and thorough improvement plan must be put in place. Further, delivery of this plan must be monitored by senior managers within Lambeth Living, by Lambeth Council, Tenants Council and Leaseholders Council.** Based on its deliberations the Commission recommends that the three key areas that need the most improvement and should form the basis of any improvement plan are: value for money; governance; and tenant engagement.
- 7.20. **Value for Money:** In order to demonstrate value for money, and regain the trust of residents, Lambeth Living (and United Residents Housing to some extent) must set out more effectively how much rent and service charges monies they are collecting and where this money is going back into provision of services. Challenging targets for rent collection must also be set and the recent improvements in performance must be sustained and increased. Ultimately tenants should be able to see what each pound of their rent and service fees goes towards, so they have confidence that money is not being directed into areas which will not benefit frontline services.
- 7.21. **Governance:** The Commission has heard evidence regarding problems with Lambeth Living’s governance since its inception which, while improved under the new chair, still remain. The Commission therefore believes that there are immeasurable benefits for Lambeth Living, and the wider community, if the Cabinet Member for Housing sat on the board of the largest management provider of council housing not only to promote and ensure a cohesive agenda but also to bring community leadership skills and strategic vision to the work of the Board. In addition, while seats on Lambeth Living’s board are currently reserved for tenants, seats are not reserved for those tenants who have been democratically elected to the Tenants’ Council. The Commission believes that creating a stronger link between Lambeth Living’s Board and the Tenants Council is critical if trust is to be rebuilt between Lambeth Living and tenants.

Further consideration should also be given to the range of partner views that should be represented on the board – for example, evidence received from NHS Lambeth has highlighted the relationship that exists between inadequate housing and poor health outcomes⁶⁹. The Commission therefore encourages NHS Lambeth and other health providers to work more closely with both Lambeth Living and United Residents Housing at board level.

- 7.22. **Tenant engagement:** What came through strongly during the life of the Commission was the desire and importance for tenants to be involvement in the scrutiny/challenge of their housing management organisations. The importance of effective engagement was also reflected in written submissions to the Commission⁷⁰. The Commission therefore repeats its recommendation for a reserved board seat for Tenants' Council; at the moment seats are reserved for individual tenants, which may not necessarily ensure there is a representative view of tenants across the 21 wards.
- 7.23. **Critical performance indicators:** As set out in paragraph 7.5 Lambeth Living is already being closely monitored through a basket of 18 key performance indicators. If the council decides to continue with the ALMO model in the short term, these performance indicators need to be refreshed and used as a basis for monitoring Lambeth Living (along with value for money, governance and tenant engagement measures) as the basis upon which it is managed. This basket of performance indicators could also include targets around the implementation of the Lambeth Housing Standard as set out in section 5.
- 7.24. When putting together an improvement plan and setting out critical benchmarks, the Commission also recognises the vital importance of organisational culture in any robust plan to improve performance. Evidence received from high performing ALMOs and local authorities such as Homes for Islington, London Borough of Islington and Sheffield Homes all emphasised the need for strong leadership and a culture which promotes business improvement/innovation and rigorous performance management. Organisational development must, in the Commission's view, be central to any improvement plan.

United Residents Housing

- 7.25. United Residents Housing is a unique model of arms length management where the organisation manages 4 existing TMOs in the borough. The Commission are encouraged by United Residents Housing's recent 2-star with "promising prospects" inspection by the Audit Commission, which demonstrates the viability of a community-led TMO model.

⁶⁹ (2011) Written Submission to Lambeth Housing Commission from NHS Lambeth

⁷⁰ (2011) ResPublica, At the Crossroads: Progressive Future for Housing Associations?

- 7.26. **The Commission is interested to note United Residents Housing’s vision to expand beyond their remit of housing management and stock improvement** into a broader, neighbourhood management role which would encompass community health, social inclusion and regeneration⁷¹ and reflects suggestions made by the TMOs⁷². This fits strongly with the values of the Commission. However, we agree with the Audit Commission’s recent assessment that joint working between TMOs needs to be improved before any expansion of United Residents Housing’s management of other TMOs in the borough is considered⁷³.
- 7.27. **Given the evidence received, we recommend that United Residents Housing continue to build on their 2* success driving forward with plans to implement shared services across their four TMOs and deliver on their decent homes agenda.** It is important in the short term for United Residents Housing to concentrate on continuing to support the TMOs within their structure to develop their governance structures and deliver outstanding services to residents.

Management arrangements

- 7.28. Regardless of whatever decision is taken by the council, as to how housing management can be improved in the short term, the Commission believes that Lambeth Council must review its management agreement with United Residents Housing, to ensure it is fit-for-purpose and includes clear steps which can be taken if performance deteriorates. In addition, if the council decides to continue with Lambeth Living as its primary housing management organisation, its management agreement must also be reviewed to ensure it is fit-for-purpose and includes clear steps which can be taken if performance deteriorates.

Recommendations

- (16) Lambeth Council’s Cabinet should use the findings of the Housing Commission to decide whether Lambeth Living will continue to operate until the end of its current housing management contract.
- (17) Lambeth Council should continue to thoroughly monitor the performance of its housing management agencies. Specifically this should prioritise the importance of getting the basics right with the focus being on high rent collection, low level of empty properties and a better repairs service.
- (18) Lambeth Council needs to improve the transparency of decision making within the housing management service with much greater and

⁷¹ Oral evidence provided to Lambeth Housing Commission by United Residents Housing

⁷² Written evidence received from TMOs in Lambeth (Angell Town, Cetra, Cottington Close, Cowley, Holland Rise & Whitebeam, Myatt’s Field North, Pacca, Wellington Mills)

⁷³ The Commission has also received written evidence from two of United Residents Housing’s TMOs which question whether the TALMO should continue in the long term – Blenheim Gardens and Waltham Estate

measurable emphasis placed on the customer and resident being at the heart of the service.

- (19) Lambeth Council should undertake a review of its management agreements with United Residents Housing which must clearly set out the actions the council can and should take when performance fails. Should the council decide to continue with Lambeth Living a similar exercise should also commence at the same time for this ALMO. This work should start in October 2011.
- (20) There should be reserved seats on the Lambeth Living board for the council's Cabinet Member for Housing and a representative from Tenants Council.
- (21) Lambeth Living should engage and work more directly with tenants. This would include spending more time on estates and in neighbourhoods and providing a range of options for tenants to influence decision making.
- (22) United Residents Housing to concentrate on further service and governance improvements across their four TMOs before considering taking on additional management responsibilities.

8. Providing high quality and effective housing management tomorrow

The challenge

- 8.1. In approaching the issue of housing management the Commission's deliberations have focused on addressing today's weaknesses (discussed in section 7), whilst seeking to commence a debate around potential new approaches to managing council housing stock in the future (discussed below).
- 8.2. The Commission is clear that any decision(s) on the future of housing management, and any implications this may have on the ownership of council housing, is a matter for Lambeth Council and its tenants. The analysis below is therefore intended to enable the start of a wider debate on housing management and sketch out how this debate could be taken forward.

Potential future housing management models

- 8.3. The Commission is conscious that residents have experienced various changes in housing management over recent years (the decision to set up Lambeth Living, is an example) and some may be fatigued by further discussions around potential changes in the medium-long term. However, where tenants (as a whole or in groups) express an appetite for a new housing management approach for their properties and the new approach has the potential to improve the quality of the housing stock, the Commission believes Lambeth Council should work with them to explore how this could be taken forward⁷⁴. The table below outlines the types of models the Commission received evidence on and these are discussed in more detail below:

⁷⁴ Through this process the Commission believes that Lambeth Council, as a local leader, will need to ensure that any new model considers the equalities implications of the new approach and ensure specific groups of tenants are not negatively impacted by the proposed changes to the way in which the housing stock is managed.

Table 1: Housing Management Models and Implication for Stock Ownership

Model	Housing Management	Stock Ownership
In house council management	Council manage the housing stock with in house staff.	Council owned
Arms Length Management Organisation (ALMO)	Housing management carried out by an arms length delivery agency. Currently Lambeth Living and United Residents Housing carry out this function.	Council owned
Tenant Management Organisation (TMO)	Some housing management functions carried out by the TMO – managed by a group of elected tenants. The remit of what the TMO manages is agreed between the council and TMO.	Council owned
Stock transfer to RSL	Housing stock is managed by a registered social landlord	Registered social landlord owned
Co-operatives /mutuals	Managed by tenants and/or employees	Co-operatively or mutually owned by tenants and/or employees
Mutualised ALMO	Management initially delivered by ALMO.	ALMO ownership divided between tenants and/or employees and/or the council.

In-house management

- 8.4. “In-house” housing management is where a council directly manages its housing stock and oversees services such as repairs/maintenance, rent collection, gas servicing – and many others. The majority of Lambeth Council’s stock was managed in-house up until 2008, when Lambeth Living was established. In-house management of council housing was not favoured by the previous government and local authorities were encouraged to work with tenants to either establish an ALMO or transfer stock to RSLs. To encourage this move the previous government would only make decent homes funding available to local authorities which had moved their stock out of direct council management. The arguments for and against this approach are

discussed in some detail within section 7 of this report and are not repeated here.

Arms Length Management Organisation

- 8.5. Arms Length Management Organisations (ALMOs) are companies created by local authorities to manage their housing stock on the basis of management agreement or contract. A key strength of this model is that it establishes an organisation that focuses solely on the operational management of a council's housing stock. This allows the local authority to take a more strategic approach, both to hold the housing management contractor to account and to address the wider strategic issues facing housing in its area⁷⁵.
- 8.6. Whilst the Commission has already noted the specific challenges facing Lambeth Living (see section 7) national evidence on the effectiveness of ALMOs is much more positive. Oral evidence received by the Commission from the National Federation of ALMOs highlighted that ALMOs have performed well against housing national performance indicators and audit commission inspections⁷⁶. Further, although some ALMOs are being brought back in-house, a number are also having their contracts extended or are becoming super-ALMOs⁷⁷. These include the ALMOs in the London Borough's of Hackney and Hillingdon which are having their contracts extended and four district council's in Kent which are considering merging their ALMOs⁷⁸. ALMOs were also successful in securing capital investment into their housing stock with 80% of Decent Homes funding, from the last round of funding, going to ALMOs⁷⁹.
- 8.7. Case study evidence of the effectiveness of ALMOs was also received by the Commission in the form of oral evidence from Homes for Islington and Sheffield Homes. For example, Sheffield Homes secured a 3-star inspection rating in 2004, 2005 and 2010, has delivered £83m in financial efficiencies during its existence and will achieve a 92% decency in its stock by 2013⁸⁰. In addition, Homes for Islington, over a 10 year period from 1998 to 2008, saw its tenant satisfaction ratings improve from 19% to 70%, will achieve a 98% decency rating for its stock by summer 2011 and has delivered 3% efficiencies annually⁸¹.
- 8.8. If Lambeth Council wishes to maintain an ALMO model, but move away from Lambeth Living, it could also explore opportunities to place its housing stock under the management of an already successful ALMO from a neighbouring borough.

⁷⁵ <http://www.homesandcommunities.co.uk/ourwork/existing-stock>.

⁷⁶ Oral evidence provided to Lambeth Housing Commission by the National Federation of ALMOs.

⁷⁷ ALMOs which are merged together to form a bigger ALMO.

⁷⁸ Ibid.

⁷⁹ Ibid.

⁸⁰ Oral evidence provided to Lambeth Housing Commission by Sheffield Homes.

⁸¹ Oral evidence provided to Lambeth Housing Commission by Homes for Islington.

Case Study: Sheffield Homes⁸²

Sheffield Homes Limited (SH) was established in 2004 as an Arms Length Management Organisation (ALMO) to manage Sheffield City Council's (SCC) housing and deliver decent homes investment. SH currently manages 42,000 council dwellings and has 2,100 leaseholders.

The company is managed by a main board of directors, made up of seven tenants and leaseholders, three council nominees and five independents. There are also six area boards each with five tenants and leaseholders, four independents and two Council nominees. A citywide Sheltered Housing Advisory Panel (SHAP) oversees services to tenants in sheltered schemes, composed of four tenants, three independents and one Council nominee. The day-to-day running of the company is delegated to an Executive Leadership Team (ELT), headed by a Chief Executive and Directors of Housing Management, Investment and Corporate Services. The ALMO employs 1,100 staff.

The profile of tenants shows 13 per cent are from ethnic minority communities and more than 25 languages are spoken by customers. Over 25 per cent are over the age of 70 and over 40 per cent have some form of disability.

In general, customers are satisfied with the overall services provided by the ALMO and most customer correspondence is responded to within two weeks. In the 2008/09 Status annual survey capturing tenant satisfaction, 81 per cent of tenants were satisfied with the overall service. In addition 34,800 homes have undergone Decent Homes improvements and a further 4,200 are due to be improved by 2013/14. In total this will mean that 39,000 will be improved by the end of Decent Homes programme

Tenant Management Organisations (TMOs)

- 8.9. Tenant Management Organisations (TMOs) have a varied history and have been promoted across the country with differing degrees of enthusiasm over recent years. There are various forms of TMOs including tenant management co-operatives and estate management boards. This housing management model places resident involvement at its core and is seen by many as a powerful way in which to secure greater tenant involvement in the management of their homes.
- 8.10. The Commission, however, believes that TMOs face two key challenges which can make the model problematic. These are the comparatively higher organisational/management costs associated with them, and their variable performance in service delivery. With regard to cost, analysis undertaken by Lambeth Council suggests that if TMOs carried out all housing management functions it would cost £2,160 per property. This compares with the Lambeth Living average cost of £1,936.

⁸² Written submission from Sheffield Homes and (2010) Audit Commission, Sheffield Homes Inspection Report

- 8.11. TMOs also face challenges around viability. For example, the Commission gathered evidence from City West Homes in Westminster which is concerned that smaller TMOs that have over 60% leaseholders may not be sustainable in the future, because the interests of tenants' are fundamentally different to leaseholders'. In order to mitigate this challenge City West is encouraging its TMOs to work in partnership to procure services – thereby ensuring viability⁸³ despite the differing needs of their two client groups. This approach was also suggested by some of the borough's TMOs⁸⁴.
- 8.12. With regard to TMO performance, the evidence is mixed. Two large pieces of research undertaken in the late 1990s and early 2000s found that TMOs were workable examples of co-production, not expensive to set up and provided good quality (and in some cases innovative results) in difficult circumstances⁸⁵. Evidence received from TMOs in Lambeth also supports the view that TMOs in general perform well in terms of housing management and provide useful examples of developing community empowerment and control⁸⁶, which fit strongly with the objectives of the Co-operative Council. Further, in boroughs such as Kensington and Chelsea, TMOs have been very successful and taken on large portfolios of stock – often through the creation of a borough-wide TMO.
- 8.13. However, in other areas they have been less successful, responsible for poor management and leadership and can be part of a fragmented housing model. Many TMOs require a great deal of support to ensure they are able to operate effectively and all require performance and governance monitoring. This means they are inevitably associated with high overheads. This problem is compounded by the legal framework in which they operate – due to the “Right to Manage” which allows TMOs wide discretion to choose what they will or will not provide when their management agreements are negotiated with local authorities. The services not provided by a TMO then must be provided by the council (in Lambeth by Lambeth Living and United Residents Housing). This can mean different TMOs provide a different menu of services resulting in a complex structure of service delivery and associated costs. At a wider level there are also inherent problems for organisations so dependent on the shared interests of neighbours when these may not always coincide.
- 8.14. In Lambeth there are 15 TMOs all with different management agreements and proficiency in service delivery to their residents. A recent series of health check audits by the council's internal auditors

⁸³ (2011) City West Homes – Housing and Community Services Policy Committee, Tenant Management Organisations.

⁸⁴ Written evidence received from TMOs in Lambeth (Angell Town, Cetra, Cottington Close, Cowley, Holland Rise & Whitebeam, Myatt's Field North, Pacca, Wellington Mills).

⁸⁵ Price WaterhouseCooper 1995, Tunstall 2000 and Cairncross et al. 2002.

⁸⁶ Written evidence to Lambeth Housing Commission provided by the following TMOs in Lambeth: Angell Town, Cetra, Cottington Close, Cowley, Holland Rise & Whitebeam, Myatt's Field North, Pacca, and Wellington Mills.

found that although many were performing well, many also had organisational and governance weaknesses that must be addressed. In Lambeth this may be in part because TMOs have not enjoyed the level of assistance and support from the council that they require, but the type of issues thrown up by the health checks are by no means unique to this borough. Similar issues were found in Westminster by City West Homes with a number of TMOs with poor management, outdated procedures and service weaknesses⁸⁷. Further, Homes for Islington (HFI) also found variability of performance in its TMOs with some far better at undertaking repairs and collecting rent than HFI, whilst others performed significantly worse⁸⁸.

- 8.15. TMOs can also present real challenges in terms of the relationships between these organisations, a local authority and an ALMO. For example, oral evidence from Homes for Islington and the London Borough of Newham noted the complexities often around ensuring strong working relationships between the TMOs and ALMOs. Particular challenges are often evident when an ALMO is required to manage the performance of TMOs.
- 8.16. Although the Housing Commission believes a cautious approach is needed with regard to any proposal to establish additional TMOs, it does recognise that TMOs can and do provide a workable model of tenant involvement and control in action, whereby local priorities and decision-making are key. Therefore, the council should be receptive to both the particular needs of its TMOs and to learning from their experience of co-operative ways of working.

Stock transfer to RSLs

- 8.17. The Commission is also of the view that council-owned housing stock should always remain a key part of the borough's housing. However, given the scale of the capital investment needs in Lambeth the Commission has explored housing management options which would require a change of ownership in the stock – one of these is stock transfer.
- 8.18. Stock transfer involves the transfer of council housing stock usually to a RSL. The RSL then takes on both the management and ownership of the housing stock following a ballot of tenants (where the majority agree to such a transfer). Evidence received by the Commission, from RSLs, highlighted the potential benefits from a successful stock transfer – the main one being the ability of RSLs to access private sector finance to invest in the housing stock. This form of finance is not available to local authorities. Benefits of being able access to private finance can be significant. For example, evidence received from Hyde Housing, who operate in Lambeth, showed that as a result of their

⁸⁷ (2011) City West Homes – Housing and Community Services Policy Committee, Tenant Management Organisations

⁸⁸ (2011) Homes for Islington, Tenant Management Organisations and Co-ops in Islington

ability to access private finance all of Hyde's housing stock in Lambeth already meets the Decent Homes standard compared to only 46% of Lambeth Council's stock⁸⁹. In addition, written evidence from London and Quadrant Housing highlighted high tenant satisfaction as a result of significant investment in transferred housing stock⁹⁰. Commissioners also noted that within Lambeth tenant satisfaction levels in RSLs tend to be higher than in the borough's two ALMOs. However, the cherry-picking of the 'easiest' properties by RSL's would indicate that there may be difficulties in following a similar route for much of Lambeth's older stock.

- 8.19. As well as improving council housing, those giving evidence in favour of stock transfer argued that it provides an opportunity to enable the regeneration of estates and communities.
- 8.20. Despite the potential benefits of stock transfer the Commission fully recognises that many of the council's tenants have significant reservations about this approach due to the change in the ownership of the stock. Any move to transfer some of the housing stock would therefore need to be undertaken in close co-operation with tenants, who have expressed an interest in transfer, and taken forward in an open and accountable fashion – culminating in a ballot of all affected tenants. Some interest for small scale stock transfer has been highlighted in written submissions to the Commission, such as the proposal to use United Residents Housing as a vehicle for collective stock transfer of the four TMOs⁹¹. This should be explored further by Lambeth Council. Lambeth Council should also explore with tenants the emerging thinking from the Department for Communities and Local Government for tenant-led stock transfer.
- 8.21. The Commission has noted that the potential for stock transfer in the future is unclear. In the past, where local authorities have sought to transfer housing the debt associated with the stock was usually taken on by central government. Under the new housing finance arrangements this is no longer the case and the debt will remain with the local authority, effectively ruling out new stock transfer initiatives in Lambeth. Whilst the Commission is not recommending that stock transfer is undertaken in Lambeth, it does believe that the council should lobby central government to alter its stance on debt write-off, to ensure that all housing management options are retained for local areas.

⁸⁹ Oral evidence provided to Lambeth Housing Commission by Hyde Housing.

⁹⁰ London and Quadrant, Stock Transfer: Our Approach to Stock Transfer and the Benefits to Residents. Following on from London Borough of Bexley transferring its housing stock to L&Q in 1998 – subsequent investment has led to 86.7% satisfaction with accommodation and 83.5% of tenants satisfied with the overall housing service. Similar high rates of satisfaction are also seen at Lewisham Park, which was also transferred to L&Q; 94% satisfied with reporting a repair, 84% of tenants satisfied with their new bathroom and 90% of tenants satisfied with their new kitchen. Finally 82% of tenants in Grove Park in Lewisham are happier with L&Q.

⁹¹ Written submission from Blenheim Gardens Resident Management Organisation.

Case Study: Stockwell Community Housing Trust

Stockwell Community Trust Housing (SCHT) was established as a result of a stock transfer process which was completed in 2007. SCHT acts as a subsidiary of the Network HA group.

A total of 1,091 tenants were eligible to vote along with 391 leaseholders. 72% of eligible tenants voted with 79.1% of those voting in favour of transfer. The December 2005 ballot result followed an intensive 18-month consultation period during which time a comprehensive master plan for the regeneration of the community was developed.

The resident-led Tenant Management Organisation, had managed council housing in the area since 1995 and had played an integral role in the development of the transfer proposals. The TMO were the catalyst for working towards the establishment of Community Trust Housing as part of the Network Housing Group.

Community Trust Housing has a resident majority board. Seven of the 12 board places are filled by residents. This new resident-led housing association took transfer of the council's homes at the Robsart and Stockwell Park Estates and the associated street properties pending formal registration by the Housing Corporation (scheduled for January 2007).

SCHT has gone on to deliver a significant proportion of their "offer document" promises. They have successfully refurbished a number of residential dwellings and have demolished and redeveloped some for sale in difficult economic times. They have also continued to support community-led activities though an ongoing revenue commitment to the estate-based community centre to the tune of £100K/annum.

Housing co-operatives

- 8.22. Co-operative housing was the fifth housing management model considered by the commission. Co-operative housing refers to an 'an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs through a jointly owned and democratic enterprise'⁹². The key part of this definition, and what separates co-operative and mutual housing from other models, is the democratic aspect. The underlying ethos of co-operative housing is for the residents to take an active role in how their environment is shaped. The amount that residents get involved in housing management and strategy varies, but without resident involvement you cannot have co-operative housing. Another key aspect of co-operative housing is the way that housing is owned/rented – in this model it is assumed that stock has been transferred from local authority ownership to a co-

⁹² International Co-operatives Alliance

operative. Ownership is not usually of a single property or part of a property, but more often a share in the organisation or body that owns the housing.

- 8.23. Co-operative housing did in fact originate in the UK. However, it has not been as successful as a housing model here, as it has elsewhere in the world. In the UK co-operative housing accounts for roughly 0.1% of all housing, which is substantially less than many other places such as Canada, the USA, Scandinavia and Switzerland. In Norway for example, co-operative housing accounts for 15% of all housing⁹³. Mutual housing is similar in ethos but tends to be more flexible in the way co-operatives are set up, and can refer to any form of residents joining together to control their environment and community⁹⁴.
- 8.24. In many ways co-operative housing fits very closely with Lambeth's Co-operative Council approach to designing and delivering services as it engages tenants much more directly with the management of their homes (see section 4 for more information). It is important to stress though that Lambeth Council does not automatically favour establishing housing co-operatives and the Commission is clear in its thinking (as with all these housing management options) that any proposals to move council stock into housing co-operatives must be co-produced with tenants and residents and subject to rigorous consultation.
- 8.25. Analysis of housing co-operatives in the UK by the University of Birmingham presents a broadly positive picture overall with housing co-operatives having lower rent arrears compared with the national average (1.4% compared to 5.2%), lower vacancy rates and lower levels of non-decency⁹⁵. In addition, according to this study, tenant satisfaction is also higher than the national average for social housing with 94.8% of tenants satisfied and 99% satisfied with opportunities to participate⁹⁶. Studies have also shown that being a member of a housing co-operative increases the likelihood that a tenant will become more involved in other community activities e.g. becoming a school governor⁹⁷. Examples of highly successful co-operatives include Redditch Co-operative Homes, which has better maintained homes (due to tenant involvement in the maintenance of their homes) and lower rents than other local housing management organisations and the Watford Community Housing Trust (see case study below).
- 8.26. Establishment of a series of small-medium size co-operatives may also lead to a more responsive housing service. Analysis undertaken by the Chartered Institute for Housing (CIH) suggests that housing

⁹³ 'Bringing Democracy Home', a report by the Commission on Co-operative and Mutual Housing, Edited by Nic Bliss, 2009.

⁹⁴ Commission on Co-operative and Mutual Housing (CCMH) – Bringing Democracy Home

⁹⁵ (2009) University of Birmingham, Forging Mutual Futures – Co-operatives and Mutual Housing in Practice: History & Potential

⁹⁶ Ibid. The data on tenant satisfaction is from a relatively small sample of co-operatives so caution must be exercised in its use

⁹⁷ Oral evidence provided to Lambeth Housing Commission by the International Co-operative Alliance

management and major stock investment is best carried out by organisations with up to 5,000 properties. This scale, according to CIH, could enable a balance to be struck between economies of scale and a more customer-oriented housing management service⁹⁸.

- 8.27. However despite this broadly positive picture, as with TMOs, the evidence on the success of individual housing co-operatives is mixed, with some co-operatives being poorly, run high-cost organisations. There is, also, a concern that the 'membership' structure of co-operatives can sometimes create problems where it is used as a mechanism to exclude some groups in the wider society (Paris and New York for example).
- 8.28. Despite these concerns the Commission was particularly impressed by the community gateway co-operative model used by Watford Community Housing Trust, which had placed tenant engagement and involvement at the heart of the way in which the organisation worked. Building on this, and other evidence presented to the Commission on co-operative housing, the Commission believes the council should develop a co-operative housing model for Lambeth - which could form the starting point for discussions with tenants that are interested in this specific ownership/management option for their estate.
- 8.29. However, given that housing co-operatives require in most cases, a transfer of housing stock to a new/existing co-operative organisation they are faced with the same financial challenges and tenant concerns as other stock transfers (discussed in paragraphs 8.20 and 8.21).

Case Study: Watford Community Housing Trust (WCHT)⁹⁹

Watford Community Housing Trust was created, in partnership with tenants and leaseholders, to assume the ownership and management of more than 5,000 homes and the local neighbourhoods from Watford Borough Council in September 2007. The WCHT is an example of a successful large scale transfer of council housing stock to a co-operative.

WCHT is registered as a not-for-profit social landlord with charitable status. In accordance with the tenants' wishes, the WCHT is founded on the principles of the 'Community Gateway Model'. This refers to a housing association that places the needs and aspirations of tenants and local communities at the heart of the organisation and business plans, in ways that was not possible before.

The governance of WCHT is based on membership and ownership. Members are also owners of the housing stock and as such are able to shape all the policies and direction of the organisation. An elected tenant committee works alongside the WCHT board as an integral part of the governance framework.

⁹⁸ (2005) Chartered Institute of Housing, Is big really best – or can small and friendly deliver?

⁹⁹ Oral evidence provided to Lambeth Housing Commission by Watford Community Housing Trust

The committee enables the tenant leadership to participate in all decision-making and to lead the process of involving tenants.

WCHT have found that its co-operative model for managing housing stock has had a profound effect on community empowerment and their workforce. People regularly attend the AGM, stand for their tenants committee and attend consultation events. There is a genuine community desire to improve the housing and manage it well. In addition, staff at WCHT (who used to work for the council) have felt liberated by the experience of working with residents in this way and are able to focus more of their time on improving the quality of the housing.

WCHT was able to borrow £105 million over 30 years to improve the quality of their stock. As a result it is now well advanced in delivering their Decent Homes programme and the more challenging Watford Quality Standard.

Mutualisation of an ALMO

- 8.30. A further co-operative model which has recently received much national attention and which the Commission reviewed is the mutualisation of an ALMO, a model which is being pursued by Rochdale Borough wide Housing, with the support of Rochdale Metropolitan Borough Council. In broad terms the Rochdale model would change the ownership of an existing ALMO from being council owned to a mixture of tenant/employee/council ownership. This differs from a standard co-operative, where a new organisation is created from scratch and then stock is transferred to it. In this model the transition is subtle and is more about changing the ownership rather than changing the management.
- 8.31. It is still under development the Commission was unable to fully consider this approach to housing management and its implications. As with housing co-operatives, the model being advocated by Rochdale has similarities with Co-operative Council principles and the Commission therefore recommends that the Rochdale model be explored in more detail by Lambeth Council as it progresses.

Case Study: Rochdale Borough wide Housing¹⁰⁰

Rochdale Borough wide Housing (RBH) was set up in 2002 as an ALMO which was responsible for managing council homes on behalf of Rochdale Metropolitan Borough Council. RBH currently manages around 14,000 properties and provides all the landlord services to these properties.

Given the changing policy and financial landscape for social housing, Rochdale Metropolitan Borough Council set up the Investment & Involvement

¹⁰⁰ Final Report of Rochdale Involvement & Investment Commission and Rochdale Borough Homes website.

Commission in September 2009 to examine the future housing revenue account options for the local authority housing service. The review was designed to secure the best possible future of council housing for the long-term benefit of tenants, and to ensure the service was placed on firm financial foundations to meet future challenges and pressures. The review was also seen as an opportunity to improve governance, tenant empowerment and investment processes in the housing service.

The Commission's vision was one of co-ownership, where tenants and employees were members and where co-production would lead to shared priorities. In the end, the Commission recommended that Rochdale MBC and its partners transfer the council's housing stock to a new mutual organisation co-owned by tenants and residents. The Commission believes that the development of a mutual and co-operative model for service delivery will protect the housing investment already made through the Decent Homes programme and will allow the organisation to leverage in private finance for long-term investment in homes and communities.

In April 2011, Rochdale MBC's decided that a stock transfer to RBH was its preferred option on the basis that RBH transforms itself into a new type of housing mutual – co-owned by tenants and employees.

Building new social housing

8.32. Whilst not within the terms of reference of the Commission, some discussion was undertaken around the potential for local authorities to build new council housing. Evidence received by the Commission confirmed that there is scope for councils to build their own homes¹⁰¹. However it was noted that it is substantially more difficult for local authorities to access grants or private finance to build new housing – thereby increasing the pressure to use their own capital finance to fund new building. This is not the case for RSLs, which have much greater access to grants/private finance for new build social housing.

8.33. Given that capital finance available to housing is already significantly constrained (see section 6) the Commission believes Lambeth Council's first priority should be improving the quality of the current council housing stock and any borrowing capacity the council has should be focused on funding existing stock investment. However, if additional sources of finance are secured in the medium-long term, the issue of building new social housing should be revisited by the council.

Empty homes – potential housing co-operative pilots

8.34. The issue of empty homes affects all local areas and represents, in the Commission's view, a waste of vital assets within communities. Historically Lambeth has suffered from high numbers of empty council

¹⁰¹ Wigan Council and Dudley Metropolitan Borough Council are examples of local authorities who have or are planning to build new council homes.

properties. Over the last 12 months though, as a result of actions undertaken by the ALMOs, in particular Lambeth Living, the number of void properties have fallen to 1% of total council housing stock¹⁰². This is a very low rate when compared to other local areas and both Lambeth Living and United Residents Housing have a target to meet this average 1% void level during 2011/12¹⁰³.

- 8.35. Whilst this direction of travel is positive the Commission believes that additional activities may be required to prevent the number of empty properties increasing again.
- 8.36. Evidence received from the Empty Homes Agency on community-led approaches to bringing empty homes back into use was of particular interest to the Commission. Examples of this include work undertaken by the Phoenix Housing Co-operative (see case study below) which trained volunteers in building skills and enabled them to create new homes for homeless individuals. Building on examples such as this Lambeth Council could commence work to identify a number of void properties which could be used to extend the offer of trade based apprenticeships. Another potential area of focus would be to ear-mark a number of properties that would otherwise not be retained for social housing and opening up opportunities for developing co-operative housing pilots. Using such properties represents a creative approach that could provide an exemplar model for the wider adoption of a co-operative housing within Lambeth.

Case Study: Phoenix Housing Co-operative¹⁰⁴

For an anticipated cost of just £6,250 per property (under a Service Level Agreement likely to last for 5 years), Phoenix Housing Co-operative, based in London's East End, has brought back into use four long term empty properties at social rent levels.

The properties, long empty due to chronic rising damp resulting from a fractured Damp Proofing Course (DPC) had been declared 'long term management voids' because their owners, Poplar Harca Housing Association, judged the expenditure needed to bring them back into use 'uneconomic' given that the block has a limited future lifespan.

Beginning work in May 2009, Tower Hamlets-based Phoenix worked with volunteers to bring the ground floor flats back into use for a fraction of the £30,000 per flat previously quoted to the housing association, whilst also providing organised work experience and practical skills guidance for the volunteers.

Co-op Manager, Alison Masterman, explains: "The Phoenix Housing

¹⁰² (2011) Lambeth Council Housing Scrutiny Sub-Committee Report, Voids

¹⁰³ Ibid

Refurbishment initiative is really very simple and we think very elegant: take a housing co-op populated by people who have experienced homelessness, who are committed to self-help and to creating homes for the next generation of those in need; and combine that with a bit of technical 'know how' to bring empty properties back into use at a fraction of the market cost. We can see no reason not to run with this idea, to seek more funding, more support, more partners and in doing so expand opportunities – that is the opportunity for a stable home and the skills from which to thrive.”

The future

- 8.37. **Lambeth is fortunate in that it already has a “mixed-economy” of housing management models¹⁰⁵ and it is clear from the Commission’s considerations that it is a fallacy to believe that there is one housing management model which addresses the different housing management challenges facing the borough¹⁰⁶.** Each model has its own benefits and limitations and any changes from the current housing management approach must be considered on a case-by-case basis.
- 8.38. **The Commission therefore sees this mixed-economy approach continuing within Lambeth for the medium to long term. Building on the Co-operative Council ethos this Commission is also clear that any widespread changes to housing management and/or ownership models must be co-produced with residents, specific for the local area and, if necessary, piloted before being rolled out on a larger scale.** Ultimately this could lead to a selection of the models set out above being used. However, in advance of any large-scale decisions being taken, the Commission believes that alternative models, such as housing co-operatives, should be piloted to test their viability and scalability. The proposed pilots in paragraph in 8.34 – 8.36 are a useful starting point and further such pilots, which involve minimum risk to housing management, should be considered by the council and tenants.

Recommendations

- (23) Lambeth Council continues to operate a mixed-model approach to council housing management in the borough.
- (24) Lambeth Council should make clear its commitment to the principle of equity – including equality in the level of resources available for management and maintenance. This equality should be a precondition

¹⁰⁴ Empty Homes Agency – www.emptyhomes.com

¹⁰⁵ Lambeth’s housing management models in the borough include two ALMOs, many RSLs (Registered Social Landlords or housing associations), eleven TMOs and a few small housing co-operatives.

¹⁰⁶ These include low tenant satisfaction and poor housing management performance. In addition, the Lambeth Housing Strategy 2009-13 notes that Lambeth has an aging, poor quality stock with a large number of high rises and specific problems with securing investment for on-street properties

of any future changes in management, and where possible, should be applied to existing management.

- (25) Lambeth Council to identify a number of empty properties which can be used, as part of an apprenticeship scheme, to train individuals and give them an opportunity to learn a trade. This work should start in September 2011.
- (26) Lambeth Council should use a small amount of its existing short life properties to pilot co-operative housing. This work should start in September 2011.
- (27) Lambeth Council, while supporting council house provision, will continue to support tenants who want to explore the viability of other ownership/management options for their estates.
- (28) Lambeth Council should build on the evidence presented to the Commission to develop options for co-operative housing models to form the starting point for discussions with tenants that are interested in this option for their estate.
- (29) Lambeth Council should further investigate and monitor the progress of the Rochdale housing management model, which seeks to mutualise its ALMO

Annex one: Housing Commission terms of reference

In order to guide the work of the Commission a detailed Terms of Reference was agreed by Lambeth Council's Cabinet in December 2010. This is set out below along with a series of questions which the Commission will also be seeking to consider during the course of its deliberations:

Terms of Reference

- To examine ways to close the investment gap between the resources currently available to the borough and those required to meet the Decent Homes Standard and how this standard should be assessed.
 - Is the decent homes standard the standard we should aim for in Lambeth?
 - What other investment standards are required?
 - What are residents' expectations/desires in terms of investment?
 - What is the estimated level of investment resources available?
 - What is the cost of reaching the desired standard for all the stock?
 - What options exist to maximise investment?
 - What are the implications/risks of these options?
 - What needs to be done to reach a decision on whether/how these options should be pursued?

- To examine the implications of HRA reform for the housing service.
 - How will the self-financing system work?
 - What are the likely financial effects over the next 10 years for Lambeth?
 - What other implications will the new system have for the management of the housing stock?
 - What will be the impact on potential partnership development or stock transfer projects?

- To identify all the options available to the council to ensure that the housing management service is efficient and effective and meet tenant expectations.
 - What are the main priorities for improvement of the housing management service?
 - What are the options for different delivery structures?
 - What processes are required to implement change?

- To identify all options available to promote high-quality and responsive local area management, empowering communities through a range of resident-led models including co-operatives and specifically to build on the findings of the Co-operative Council Commission report relevant housing, including identifying housing co-operative pilot projects.

- What models exist in Lambeth and elsewhere that deliver successful local area housing management?
- What are the resource implications of the various models?
- What options can Lambeth realistically provide/promote to residents?
- What pilots can be taken forward and what is the timetable?

- To make recommendations on the most appropriate investment and management strategies for the council's housing stock.
 - How can the Commission's findings be brought together to produce a coherent strategy?
 - What is the strategy that both maximizes investment, and is most likely to deliver improved services within anticipated financial constraints?
 - How should residents be consulted on this strategy?
 - What are the risks/implications?
 - What are the priorities for action?

Annex two: Contributing organisations and individuals

The following organisations have provided evidence to the Lambeth Housing Commission either through written submissions or oral evidence at a Commission meeting.

Organisations

- AgeUK Lambeth
- Altair
- Blenheim Gardens TMO
- Chartered Institute of Housing
- Clapham Park Project
- Coldharbour Ward (Cllr Matt Parr)
- Cottington Close TMC
- Disability Advice Service Lambeth
- Empty Homes Agency
- Ferndale Ward (Cllr Sally Prentice)
- Herne Hill Ward (Cllr Carol Boucher, Cllr Jim Dickson and Cllr Leanne Targett-Parker)
- Homes for Islington
- Hyde Housing
- ICA Housing
- Knight's Hill Ward (Cllr Jackie Meldrum, Cllr Jane Pickard, Cllr Mike Smith)
- Lambeth Leaseholders' Council
- Lambeth Living
- Liverpool Mutual Homes
- Local Government Association
- London and Quadrant Group
- London Borough of Ealing
- London Borough of Islington
- London Borough of Newham
- London Borough of Southwark
- London Creative Labs
- London Metropolitan University
- London School of Economics and Political Science
- National Federation of ALMO's
- NHS Lambeth
- Odu-Dua Housing Association
- Prince's Ward (Cllr Mark Harrison, Cllr Lorna Campbell, Cllr Stephen Morgan)
- ResPublica
- Sheffield Homes
- Social Enterprise London
- Thurlow Park Ward (Cllr Ann Kingsbury)
- TMOs in Lambeth (Angell Town, Cetra, Cottington Close, Cowley, Holland Rise & Whitebeam, Myatt's Field North, Pacca, Wellington Mills)
- UNISON

- United Residents Housing
- Waltham Estate Resident Management Organisation
- Watford Community Housing Trust

Annex three: Capital programme expenditure

This annex sets out decent homes capital expenditure on council housing stock that is now managed by Lambeth Living and stock managed by United Residents Housing. Figures are provided for the past five years.

Lambeth Living Stock¹⁰⁷

	YEAR										TOTALS	
	2006/07		2007/08		2008/09		2009/10		2010/11			
OUTPUTS	No. of outputs	Expenditure	No. of outputs	Total Expenditure								
Roofs	358	£3,510,548	355	£3,481,254	1144	£7,765,311	1803	£11,771,141	1278	£7,573,000	4938	34,101,254
Windows	1047	£7,491,285	448	£3,205,449	981	£5,081,905	1451	£6,846,010	1278	£6,630,000	5205	29,254,649
Heating	143	£773,630	685	£3,706,202	2230	£10,155,936	79	£594,475	702	£2,953,000	3839	18,183,243
Kitchens							80	£529,718	744	£2,512,000	824	3,041,718
Bathrooms							79	£236,131	744	£2,517,000	823	2,753,131
Electrics							79	£233,682	1362	£3,656,000	1441	3,889,682
Insulation					1306	£226,659	22	£13,144	335	£962,000	1663	1,201,803
TOTAL	1548	£11,775,463	1488	£10,392,905	5661	£23,229,811	3593	£20,224,301	6443	£26,803,000	18,733	£92,425,480

¹⁰⁷(i) With the exception of 2006/07 these figures have been taken from the HIP returns submitted for Central Government. Where information was unavailable at the time of submitting the HIP return, estimates have been made to calculate the number of units benefiting from the works and the associated expenditure. (ii) The figures for 2006/07 have been taken from the information provided by the HRE stock condition officer based on the completion certificates that were received from Major Works as a result of completed capital schemes. The expenditure associated with this year has been based on the cost per unit as per 2007/08. (iii) the figures for roofs and windows equate to the number of units that benefited from the works carried out as opposed to the number of components that were replaced. (iv) the figures for 2006/07 to 2009/10 will largely reflect the works carried out to roofs and windows based on the past policy of carrying out a predominantly external components renewal / replacement programme, prior to internal components. (v) the HIP return for 2010/11 is still subject to verification by Central Government.

United Residents Housing

	YEAR										TOTALS	
	2006/07		2007/08		2008/09		2009/10		2010/11			
OUTPUTS	No. of outputs	Expenditure	No. of outputs	Expenditure	No. of outputs	Expenditure	No. of outputs	Expenditure	No. of outputs	Expenditure	No. of outputs	Total Expenditure
Roofs	0	£0	16	£64,080	41	£291,920	154	£1,096,480	328	£2,135,360	539	£3,587,840
Windows	0	£0	14	£91,000	0	£0	236	£1,334,000	4	£26,000	254	£1,451,000
Heating	0	£0	14	£53,200	22	£83,600	98	£372,400	69	£262,200	203	£771,400
Kitchens					19	£78,000	37	£153,180	124	£513,360	180	£744,540
Bathrooms					22	£43,560	37	£73,260	124	£245,520	183	£362,340
Electrics					22	£44,440	37	£74,740	124	£250,480	183	£369,660
Insulation					0	£0	22	£286,000	0	£0	1182	£286,000
TOTAL	0	£0	44	£208,280	126	£541,520	3593	£3,390,060	773	£3,432,000	2,724	£7,572,780

Total Capital Spending – Housing

The tables above provide information on capital spending which relates to Decent Homes work. However, in addition to this, the council also undertakes capital improvements on the housing stock which are not counted under the Decent Homes scheme. In total Decent Homes capital spending and non-Decent Homes capital spending over the past five years totals fixing/maintaining the housing stock has totalled £264.5m.

Financial Year	Total Capital Spending on Housing
2006/07	£47.205m
2007/08	£58.213m
2008/09	£54.213m
2009/10	£64.820m
2010/11	£40.085m
Total	£264.5m

Annex four: Housing performance indicators

Currently Lambeth Living is monitored on a monthly basis using 18 performance indicators. These are set out below:

Key performance indicators and description	2011 target	March 2011 performance
Members' enquiries: Percentage responded to in time	90% (monthly)	89.40%
Stage 1 complaints: Percentage responded to in time	90% (monthly)	88.90%
Stage 2 complaints: Percentage responded to in time	90% (monthly)	67.7% (December 2009)
Tenant satisfaction	60%	52%
Lambeth Service Centre: Percentage of calls answered in 20 seconds	80% (monthly)	24.90%
Average time to re-let empty property	45 days (end of year measure)	40.2 days
Total number of empty properties (short cycle void only)	160 (end of year)	281 (end of year)
Percentage of collectable rent collected	93.42%	93.40%
Section 20 service charges: Cash collected from leaseholders against section 20 invoices billed	£2 million	£2.084m
Day to Day Service Charge Collected: Percentage of day to day service charges collected	95%	108.96%
Satisfaction with Repairs: Percentage of people satisfied with repairs	87%	93.5% (December 2010)
Percentage of urgent repairs completed on time	96.90%	93%
Non compliance: Percentage of properties without a valid CP12	0%	2.10%
Lambeth Service Centre (Abandoned): Percentage of calls abandoned	10%	17% (December 2010)
In-Year Turnaround time	38 days	50 Days
Number of Squats and UOC	30 Squats/30 UOC	79 Squats and 83 UOC
Current Tenants Arrears: Area offices only	£7.5m	£6.65m (Excluding TMOs)
Former Tenants Arrears: Area offices only	£6m	£5.778m (Excluding TMOs)

In-year rent collected	100.5%	100.7%
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