



HPQS.104

**HOUSING
ORGANISATIONS**

Preface

The block will serve as an introduction to other themes in later blocks in this module, such as decentralisation, performance review and communication. It will identify the different organisations involved in housing and examine their role and they how they operate. It will investigate the functions and structures of local authorities and housing associations. You will also look at the role of the private rented sector as a housing provider.

This block will help you to understand how the provision of housing services are organised and highlight the benefits and disadvantages of different structures.

Learning Outcomes

On completion of this block you will be able to:

- identify the key players in the British housing scene;
- analyse the different organisational structures that these key players have adopted;
- highlight the factors that affect the type of structure of an organisation;
- appreciate the role of national and local housing organisations;
- identify the different functions of housing organisations.

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A. Who Are The Housing Organisations?

1. Introduction

In this module we will look at the main organisations involved in providing housing, consider their structure and examine the way they have changed in recent years.

We will examine the changing roles of local authorities and registered social landlords (the name given to housing associations in the Housing Act 1996). We will also look at the part that the private sectors plays in providing housing.

2. Why organisation and Management is Important

It is important that housing organisations are organised in the most appropriate way for a number of reasons. If an organisation is badly organised it is not able to provide the best and most efficient service to its customers. The customers of a housing organisation are many and varied. They might include people living in housing owned by the organisation, people who might wish to live in their housing or companies working with the organisation. A well managed organisation will strive to identify and meet the needs of all its customers in order to provide an effective service.

A well managed organisation also has responsibilities to its staff. If the organisation neglects their staff it will not get the best out of them. For example if it does not provide adequate training, the staff will not be able to provide as good a service as they could and will become disillusioned with the organisation. This module will look at how the well managed organisation operates in Britain today.

3. The Key Players

In this section we will consider who the key players are in housing in Great Britain. This will build directly on your work in the first Unit *Housing Policy*.

Activity

Make a list of all the organisations that are involved in the provision of housing in Britain.

When looking at the organisations that are involved in housing you should have looked beyond the main providers of social housing and considered who provides privately rented and owner-occupied housing in the country. You should also have considered who is involved in the funding of housing and the supervision of housing organisations. If you adopted this approach in response to the activity your answer was probably a long one. The main players in housing in Great Britain are:

- Local housing authorities.
- Housing associations.
- The Housing Corporation, The Welsh Assembly through its housing responsibilities, and Scottish Homes.
- The Government (Department of the Environment, Transport and the Regions).
- Building societies and banks.
- Private landlords.
- Housing developers.
- The Chartered Institute of Housing and the National Federation of Housing.
- Pressure groups, such as Shelter, CHAR.

Of course, there are many other organisations involved in housing. We could have included planners from local authorities, architects and surveyors, solicitors, financial advisers, housing consultants and academics, all of whom play some role in housing today, but it is the key players which we will concentrate on in this block.

We have identified a very wide variety of types of housing organisations. We tried to include significant organisations or groups operating in housing markets. But, very clearly, they have a variety of different roles to play in those markets: they are not all the same “animal”!

Let’s see now if we can begin to classify these types of organisations, in ways that might be useful to us.

This classification may have some value when looking at some specific issues such as the finance of housing, but for many management issues, it seems likely to be of limited worth.

We see a key distinction as being whether they are responsible directly for the **provision** of housing, or whether they have some other role, as a **non-provider**. Another important difference is whether they are public or private sector bodies.

Activity

Try to classify the types of housing organisation by whether or not they are housing providers, and whether they are in the public or private sectors.

Complete the matrix below:

	Providers	Non-providers
Public Sector		
Private Sector		

	Providers	Non-providers
Public Sector	local authorities housing associations Northern Ireland Housing Executive	central government Housing Corporation Welsh Assembly Scottish Homes
Private Sector	house builders private landlords estate agents	building societies banks insurance companies

Time allocation 10 minutes

This is how we completed the matrix. Check that yours is the same.

There are a few “grey” areas. For example, Scottish Homes manages some housing, and some building societies have a private renting section. In general, the classification is valid.

Looking at our list above, we can see that providers are of two distinct types: either public or private. For the most part, **private** providers are in business to make profits. They are in business to meet the needs of anyone who can translate these needs into effective demand, by being able to pay. The private organisations that are non-providers help private sector providers to provide accommodation by providing the capital to build housing.

Public sector providers, on the other hand, are primarily concerned to identify needs which remain unmet in housing markets. They assist people who may be *unable* to gain access to appropriate dwellings. This may be due to a lack of appropriate accommodation or cost may play a role. Public sector housing providers are, at least partially, funded by the government through taxes. Public sector non-providers aim to facilitate and regulate public sector housing provision.

Summary

1. The structure and management of an organisation is important to ensure that the most effective and efficient service is provided to its customers.
2. Organisations involved in housing can be separated into providers and non-providers. Providers manage accommodation while non-providers provide the back up services needed for the housing.
3. Housing providers can be split into public sector and private sector providers. Providers that are in the private

sector operate on a profit-making basis. Providers in the public sector are supported, either directly or indirectly through organisations such as The Housing Corporation, or by the government.

4. Organisations that are non-providers provide the means to support and finance housing providers. This may involve providing services such as town planning or the provision of the capital to fund housing development.

Self Test 1

1. *What is the role of non- providers in the housing market?*

2. *Who provides the funding for public sector housing?*

Now turn to the Answers at the end of the block.

B. Local Authorities

1. Introduction

In the latter half of the twentieth century local authorities became the main providers of rented housing taking over from the private rented sector.

In this section, we will examine the different types of local authority and their roles. We will also look at how the provision of housing services is organised into departments within local authorities and the different ways in which staff can be organised. The advantages and disadvantages of the different structures will be considered. The changing role of local authorities in the provision of housing will also be considered.

2. The Main Providers of Housing

Not all local authorities are housing authorities. In England and Wales the main providers are the:

- Metropolitan District Councils.
- Non-Metropolitan District Councils.
- London Borough Councils and the City of London Corporation.
- Unitary authorities.

In Scotland the unitary authorities and the 3 Islands Authorities are housing authorities.

Let us look at each of these providers in turn.

2.1 Metropolitan District Councils (England)

These councils are found in the great urban conurbations of England and include borough councils in Tyne and Wear, Greater

Manchester, Merseyside, West Midlands, South Yorkshire and West Yorkshire.

There are a total of 36 metropolitan district councils in England and they were established in their current form by the 1972 Local Government Act. Following the abolition of the metropolitan county councils in the mid-1980s these councils are now 'all purpose' or 'unitary' authorities and carry out all the local government functions in the area, with the exception of a small number of functions which are jointly managed by a number of authorities.

The majority of the 36 metropolitan district councils have significant stocks of council housing. For example, local authorities such as Birmingham City Council, Newcastle City Council, Manchester City Council, Liverpool City Council, Bradford City Council and Leeds City Council are all major providers of social housing within their area. The largest, Birmingham City Council, owns over 90,000 homes.

In the metropolitan councils, housing is one important function amongst other key local authority functions including education and social services. In comparison, in the shire counties, housing is often the biggest service provided.

2.2 London Borough Councils

With the abolition of the Greater London Council in the mid 1980s, the 32 borough councils, together with the City of London Corporation, became the only tier of local government in the capital. There is a wide variation in the number of homes they own or manage from 2,000 in the City of London to over 40,000 in the London Borough of Tower Hamlets. The election of a London mayor in 2000 along with the creation of a London assembly provides the city with a body that is responsible for the overall co-ordination of services.

2.3 Non Metropolitan Councils (England and Wales)

Outside of the metropolitan areas and London there is a mixture of local authority structures with some unitary authorities and some two-tier structures. In unitary authorities all local government functions are provided by one organisation. In other areas the county councils provide umbrella functions including education and social services. Housing, a more local service, remains with the district councils. Following a review of local government in the mid-1990s a new structure has been introduced in some areas of England and Wales. The devolution of some powers to the elected Welsh Assembly has ensured further changes.

In Wales the 8 county councils and 37 district councils were abolished in 1996 and replaced with a new structure of 24 new unitary (or all purpose) authorities responsible for all local government functions in the area.

In England the Local Government Commission agreed a rolling review of local government. The first new councils set up in the review came into being in April 1996. In some areas the county council (such as Cleveland) was abolished with the functions transferred to new unitary authorities in the area. In other areas, County Durham for example, the county council remains to run county council functions with district councils fulfilling their traditional role. However, Darlington Borough Council, although within the geographic borders of County Durham became a unitary authority at the same time and took over the county council's role in the Darlington area. In other parts of the country small district councils have merged to form all purpose unitary authorities, all with housing powers.

2.4 Local authorities in Scotland

A similar review of local government took place in Scotland where prior to 1996 there were 9 Regional Councils, 53 district councils with housing powers and 3 Islands Councils.

The new structure has 32 unitary authorities throughout Scotland together with the 3 Islands Councils.

The devolution of power to the Scottish parliament has not changed the pattern of local government.

2.5 Control in local authorities

The current system of control in local authorities is usually the committee system. This means that decisions regarding the planning and financing of services are taken in a series of committee meetings attended by councillors from all political parties. Individual councillors are often members of a number of committees. There is a move towards a 'cabinet style' system of control. This is similar to the structure of central government where a single councillor would be responsible for the control of specific areas of activity. For example, there would be a specific, named councillor responsible for the housing services provided by the local authority.

There have also been measures to allow regions to directly elect a mayor. This individual, along with a regional assembly, would have a role in the overall planning of services in the area.

3. Voluntary Transfer Authorities

In recent years an increasing number of local authorities have, after balloting their tenants, voluntarily transferred their housing stock to registered social landlords.

By May 1999 there had been a total of 361,416 voluntary transfers of units of council housing to local authority housing associations, with others in the pipeline. A number of other authorities are actively considering transfers and it is estimated that at least 150 councils are now seriously considering the transfer option. However, one of the constraints on large scale voluntary transfers is the ability of the capital markets to finance the transfers. The Government has also restricted the number of local authorities who are allowed each year to go down the voluntary transfer route. The main reason for this is that when a local authority carries out a voluntary transfer almost the full cost of housing benefit for the transferred tenants is met by the Department of Social Security.

Figure 1: English Stock Transfers

Year	LSVT	ERCF	Total Units
1988/89	11,716		11,716
1989/90	14,405		14,405
1990/91	45,552		45,552
1991/92	10,791		10,791
1992/93	26,325		26,325
1993/94	30,103		30,103
1994/95	40,510		40,510
1995/96	44,595		44,595
1996/97	22,248	487	22,735
1997/98	24,432	9,226	33,658
1998/99	57,740	23,826	81,566
Total	327,877	33,539	361,416

(Source: DETR 1999.)

The move to transfer stock has accelerated as the table above shows, as local authorities exhaust other sources of funding to meet their backlog of disrepair. In January 2000 the DETR

announced that 23 local authorities are bidding to transfer about 270,000 homes within a year. Dwindling resources have forced many authorities to consider transfer. The transfer of funds to subsidise the accelerating programme will impact on the amount of money available for Housing Investment Programmes and Social Housing Grant. This shortfall will in turn hasten leaving local authorities with fewer alternatives to transfer. The Housing Green Paper of April 2000 announced Government support for the transfer of up to 200,000 homes each year where the proposals are supported by tenants.

Self Test 2

1. *What are the authorities which operate in large urban areas called?*

2. *How many London Boroughs are there?*

3. *What type of authorities in England and Wales provide housing in the shire areas?*

4. *Which local authority owns the most properties in England?*

5. *What type of authority is responsible for housing in Scotland?*

Now turn to the Answers at the end of the block.

4. Functions of Housing Authorities

As we have just seen there is a wide variation among housing authorities, from West Devon District Council managing just over 1,000 homes to Birmingham with over 90,000. However all local authorities have to carry out a wide range of functions, most of which are set out in the 1985 Housing Act (in Scotland, the 1987 Housing (Scotland) Act).

Activity

From your knowledge of local authorities make a list of all the housing functions carried out by a local authority. For example providing houses for letting, collecting rents, etc.

Time allocation 10 minutes

Housing authorities have a wide range of functions. They are obviously involved in all the tasks concerned with managing houses, but they have additional functions to perform, including the provision of services to the homeless. A list of the key functions appears below.

Key functions of housing authorities

- Provision of housing for letting.
- Managing housing:
 - * rent collection
 - * arrears recovery
 - * allocations
 - * dealing with disputes.
- Repairing the housing stock.
- Assisting housing associations to provide housing.
- Assisting private developers to provide housing.
- Provision of services to the homeless.
- Exercising powers under the Acts in respect of the disrepair of private sector housing, including closing orders and slum clearance.
- Exercising powers in relation to houses in multiple occupation.
- Provision of housing advice.
- Administration of housing benefit for private and public sector tenants.
- Assessment of housing needs in the area and the development of plans to meet those needs.

Local authorities with housing powers may be involved in all these areas and you may have identified others that need to be considered. A local authority's housing powers extend beyond the management of its own stock. They specifically have responsibilities for housing the homeless under the Housing Act 1996 (Housing (Scotland) Act 1987). They have extensive powers in relation to private housing, particularly when this housing falls into disrepair or becomes a hazard to public health. They have obligations to review the housing needs and conditions in the area and to work with housing associations and other organisations to meet those needs.

Indeed the Government is very keen to give greater emphasis to this aspect of work rather than to their role as landlord. In 1987 the Government published a White Paper on housing entitled Housing: 'The Government's proposals'. This publication set out the Government's plans for reforming housing legislation in England and Wales. The White Paper had four main aims:

- To reverse the decline of privately rented housing.
- To give tenants the right to transfer to other landlords.
- To target money more accurately on the most acute problems.
- To encourage further the growth of home ownership.

The Government was particularly critical of local authority housing and argued that the municipal housing system was often not in the tenant's best long term interest. It argued strongly for a change in the local authority role.

Specifically in the White Paper it said that:

... 'the Government will encourage local authorities to change and develop their housing role. Provision of housing by local authorities as landlords should gradually be diminished, and alternative forms of tenure and tenant choice should increase. Some authorities will want to move in this direction themselves and the Government will assist them. Some tenants will want to take the initiative and the Government will give them new rights to do so because this will enable them to improve their housing conditions and to have a say in their own future. Local authorities should increasingly see themselves as enablers who ensure that everyone in their area is adequately housed; but not necessarily by them.'

'In the past building by local authorities was seen as the main way of meeting housing needs. In future, local authorities will continue to be closely concerned with housing needs, and will want to ensure that they take into

account all aspects of the demand for housing, including home ownership and renting from private landlords.'

'The future role of local authorities will essentially be a strategic one identifying housing needs and demands, encouraging innovative methods of provision by other bodies to meet such needs, maximising the use of private finance, and encouraging the new interest in the revival of the independent rented sector.'

(Extracts from Housing: The Government's proposals, White Paper 1987.)

The Government made it clear that there:

'should no longer be the same presumption that the local authority should itself take direct action to meet new or increasing demands.'

This implied a new role for local authorities in which they would concentrate on developing what the Government called a strategic role, looking at the needs in an area and working out how these needs could be met. The main providers of public sector new housing were to be the housing associations, or the 'independent rented sector' as the Government now called them to emphasise their closeness to the private rented sector rather than traditional municipal housing.

The 'strategic' role is one which local authorities have always performed, having duties under successive Housing Acts to keep under review the housing needs of an area. The key difference is the separation of roles with the local authority acting as an enabler – working with other agencies to meet housing needs in the area – rather than a provider. These other agencies might include, among others, housing associations, private developers, special needs groups, social services and health authorities. In the supporting statement accompanying the Housing Investment programme bid, the local authority is now required to indicate how it is fulfilling this new enabling role.

The Government indicated that all the following functions might form part of the enabling role which local authorities could adopt:

- Proper use of planning powers.
- Administration of building regulations.
- Monitoring of housing conditions and developing policies for private sector renewal.
- Assessing housing needs and conditions.

- Bringing together agencies to achieve improvement, redevelopment and new building.
- Offering improvement grants.
- Assisting private renting.
- Sponsoring housing association schemes.
- Dealing with the homeless.
- Nominating to housing associations.
- Contracting with private landlords to meet statutory obligations.
- Working with social services, health authorities and housing associations to provide housing for the vulnerable.
- Retaining housing for the elderly.

(Source: *'Housing Policy and Practice'*: P Malpass & A Murie.)

The reality is that local authorities remain providers - managing large stocks of council homes - and enablers. However, as we have seen, an increasing number of authorities have already transferred, or plan to transfer, their housing ownership and management responsibilities and are now purely strategic enabling authorities.

Scotland

In Scotland, a similar White Paper entitled *'Housing: The Government's Proposals for Scotland'* was also published in 1987. This was preceded by a consultation paper called *'Scottish Homes: A New Agency for Housing in Scotland'*. A unified agency combining the Housing Corporation in Scotland with the Scottish Special Housing Association was proposed which would facilitate the policy aims set out in the White Paper for Scotland.

The policy aims set out in the White Paper were broadly similar to those in its counterpart south of the border with the inclusion of a response to concerns expressed about the role of Scottish Homes in urban regeneration and possible neglect of needs of rural areas.

Scottish Homes came into being in April 1989 as an enabling and funding body with landlord responsibility for the second largest housing stock, after Glasgow City Council, in Scotland.

5. How Do Local Authorities Perform Their Functions?

The lists we have produced demonstrate the wide range of housing functions undertaken by local authorities. How do they perform

them? What types of organisational structures have they adopted?

Given the wide range of housing responsibilities one would expect every housing authority to have a separate housing department providing these services. However, this is not always the case. In a small number of local authorities there is no separate housing department. For example, the engineer's department may deal with the repair of the council's stock. The treasurer's department may collect the rent and deal with the arrears. A section of the chief executive's department may deal with the letting and associated management of the stock, and the environmental health section may deal with private sector housing.

Admittedly, this type of structure is rare. Most authorities will have a housing department to deal with some aspects of housing for the authority, with other elements being carried out by other departments. Private sector disrepair, for example, may be the responsibility of the environmental health department. Repairs may administered through the work's department leaving the housing department to provide core services.

In some, particularly large, authorities there may be a very powerful housing department solely responsible for all of the authority's housing services.

In others, a 'super department' may have been created to bring related services together. Examples of this joint working might include planning, social services, community and economic development.

In its 1986 publication *'Managing the Crisis in Council Housing'* the Audit Commission writes that:

'Very few authorities operate in exactly the same way. Some have a highly centralised housing department; others are almost entirely decentralised. Some have all the housing functions under the direct control of a Chief Housing Officer; others operate with the financial aspects outside the Housing department, under the Treasurer; yet others have no separate housing organisation at all, typically with the Treasurer in control of the management of all Council housing.'

They went on to say that:

'A unified housing function is much to be preferred. It is less confusing for tenants to have a single point of contact with the authority. And perhaps more importantly in this context, there is clear managerial responsibility and

accountability. Yet 12 small housing authorities have no separate housing department (their average stock size is less than 4,000). In 108 authorities the Treasurer is responsible at least for rent collection, arrears recovery and housing benefit; and in these cases the average stock size is below 8,000. Where financial management is assigned separately, authorities ought to ensure that there are worthwhile economies to balance the obvious disadvantages in terms of fragmented responsibility.'

The Audit Commission clearly preferred a unified housing function.

(The Audit Commission reports refer only to England and Wales. The equivalent body in Scotland is the Accounts Commission. There are no equivalent, comprehensive research reports for Scotland but much of the Audit Commission's work is directly relevant.)

Activity

Do you agree with the Audit Commission? Think of the advantages of having a unified housing department where the majority of housing functions are in one department of the local authority.

Write your response in the space below.

Time allocation 10 minutes

6. Benefits of a Unified Housing Department

There are a number of clear benefits in having a unified housing department. From the customer's point of view, if there is only one department providing housing services it should be easier to get things done than if the tenant or applicant has to go to a number of different departments.

For the authority itself it should be easier to co-ordinate the different aspects of the housing service if they are all placed in one department.

It should also be easier to find one person who is responsible and accountable for the housing service if there is a unified department. The chief officer of a unified department will be accountable for all the work of the department and for the housing service provided to tenants. If a number of different departments are involved in housing services it will be very difficult to find anyone who holds themselves accountable for the housing service provided by the authority.

Although most, if not all, local authorities have separate housing department, it is not unusual for some functions carried out by other departments or outside contractors. Let us have a look at the types of responsibilities that other council departments, or contractors, might undertake.

(a) Rents, rent collection, rent accounting and arrears control

In a number of authorities, as we have just seen, these functions are carried out by the treasurer's section, as they are seen as financial services.

(b) Housing benefit

Again in a number of authorities the payment of housing benefit to local authority tenants is carried out within the treasurer's department. As you will be aware housing benefit is payable to council, housing association and private tenants and a large number of authorities keep all housing benefit functions together in the treasurer's department. Clearly if the housing department is responsible for rents, the links between benefit and rents means there should to be close liaison between the two departments, particularly in the prevention of rent arrears.

The administration of housing benefit is a function some local authorities have contracted to outside bodies.

(c) Repairs

Following legislation in 1990 local authorities have had to place their house maintenance work out to competitive tender. In some cases outside contractors have won contracts in competition with the council's own direct works department. In most housing departments a small number of staff will be responsible for the administration of the repair service including accepting repair requests from tenants and ordering work.

(d) Private sector housing

In larger housing departments there may be a team within the housing department who deal with private sector housing, disrepair, houses in multiple occupation, and clearance. It is more common for this work to be handled by the environmental health department.

(e) Technical services

These are the services provided by, for example, architects, planners and engineers. Housing departments need to make use

of these people when they are carrying out redevelopment, improvement or modernisation of stock. In most cases they will not be employed directly by the housing department but by other departments of the council, with housing being charged for the services they provide.

(f) Personnel, training, computer and legal services

These services are commonly provided by centralised sections of the local authority.

Let us consider why the housing department does not carry out these services.

7. Taking Services Outside the Housing Department

Activity

Look at the four functions of housing benefit payments to private tenants, carrying out repairs, IT services and housing benefit to council tenants and for each one write down why you think they would be better dealt with outside the housing department.

Time allocation 10 minutes

The very fact that so many local authorities do not place these functions in their housing departments suggests that there are

some very strong reasons for this decision.

7.1 Housing benefit payments to the private sector

It can be argued that as the payment of benefit is a financial matter its natural home is in the finance department of the local authority. Council housing departments will be interested in housing benefit payments made to their own tenants but will be less concerned by the private sector benefit payments. Also, housing benefits are very closely linked to Council Tax benefits that are not the responsibility of the housing department. Many authorities have decided to outsource the payment of all benefits to the finance department or to an outside contractor.

7.2 Repairs

Since 1990 the Government has required local authorities to place their repairs contracts out to competitive tender. In some local authorities all repairs are undertaken by the private sector.

If, however, the local authority does still retain the repairs contract there is a strong argument for it to be managed by another department. If the housing department carries out repairs there may be a conflict between the 'client' and the 'contractor' role. For example if there is a problem with the quality of the repairs the housing department may be more protective of the repairs section than it should be. Equally if the repairs section is within the housing department the competitiveness of the section may be hindered. It may be asked, or told, to do things that would not be required of a private contractor or another department - perhaps reducing its prices to save money on the repairs budget. Ultimately this could jeopardise the viability of the section. In another example a director of housing might instruct the repairs section to provide a higher standard of service than the original contract specification. It would be difficult for the repairs section to object to instructions from their manager.

If repairs are carried out in a different department, or by a private contractor, these problems are less likely to occur.

7.3 IT services

A local authority will require a comprehensive IT service throughout the organisation. There are also significant economies of scale to be gained by centralising the provision.

7.4 Housing benefit to council tenants

The administration of housing benefit to local authority tenants does have natural links with the service provided to private sector tenants. There are good reasons for one department to undertake all processing.

8. Services Retained by the Housing Department

We have now looked at the benefits of providing some services outside the housing department. Let us now look at the other side of the coin.

Activity

Think about the disadvantages that can arise if such services are not in the housing department. Jot down your views in the space below.

Time allocation 5 minutes

8.1 Housing benefit payments to private sector tenants

As we have seen already, a comprehensive housing department is concerned about both public and private sector housing. It should be involved in the payment of housing benefits to the private sector. Delays in paying benefits can affect the housing department directly in that it could lead to higher levels of homelessness if people are forced to leave housing because of benefit problems.

8.2 Carrying out repairs

If repairs are not carried out in the housing department, communication problems are more likely to occur. It may also be more difficult to achieve a high quality service. This can be particularly important in emergency situations when the housing department may require the contractor to be flexible. If the repairs are carried out within the department this can be much easier to achieve.

8.3 IT services

The housing department is a key user of IT services, for rent accounting, arrears, repairs, allocations, homelessness and other purposes. If the computer services are provided by a department outside of housing it may be more difficult to obtain the standard of service required. For example, if a change to the rent arrears recovery programme is required, the housing department will have to request assistance from the IT department to make the change. If that department is under pressure, the housing request may go to the end of the queue. If the department had its own computer section the delays could be minimised because of familiarity with the workload.

8.4 Housing benefit to council tenants

Housing benefit payments to council tenants are a direct concern of the housing department. Delays and mistakes in calculating benefits can have a direct impact on the authority's rent arrears control. If the service is operated within the housing department closer collaboration can be achieved.

9. Organisational Structures

Activity

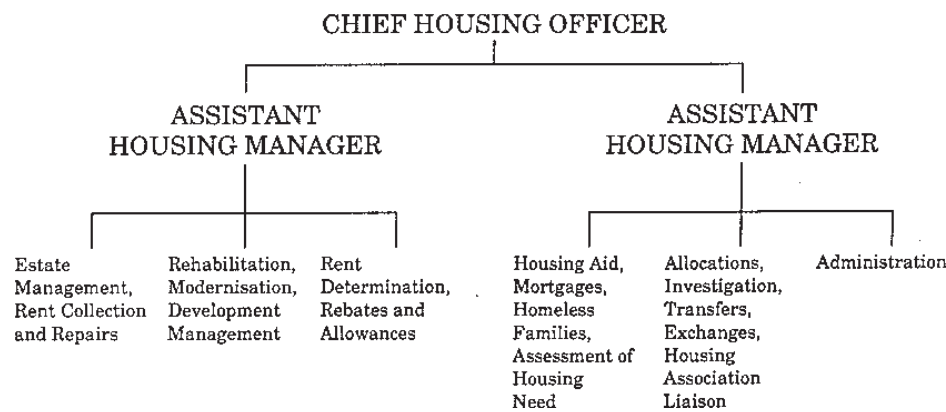
Think about your own local authority, or, if you do not work for a local authority, the one in which you live.

How is the housing service organised? What functions are carried out by the housing department and which ones by other departments? Try to obtain a structure chart of the organisation to assist you in this process.

Time allocation 10 minutes

9.1 Examples of departmental structures

In the 1970s there was a great deal of interest in the organisational structures of housing departments. This came at the same time as the massive reorganisation of local government in the 1972 Local Government Act and proposals for new management



structures contained in the Bains Report.

In 1978 the Housing Services Advisory Group produced a detailed report on how housing should be organised called ‘Organising a Comprehensive Housing Service’. Among the detailed recommendations were suggested organisational charts for housing authorities.

The diagrams below show a suggested structure for the housing department of a district council and a metropolitan council.

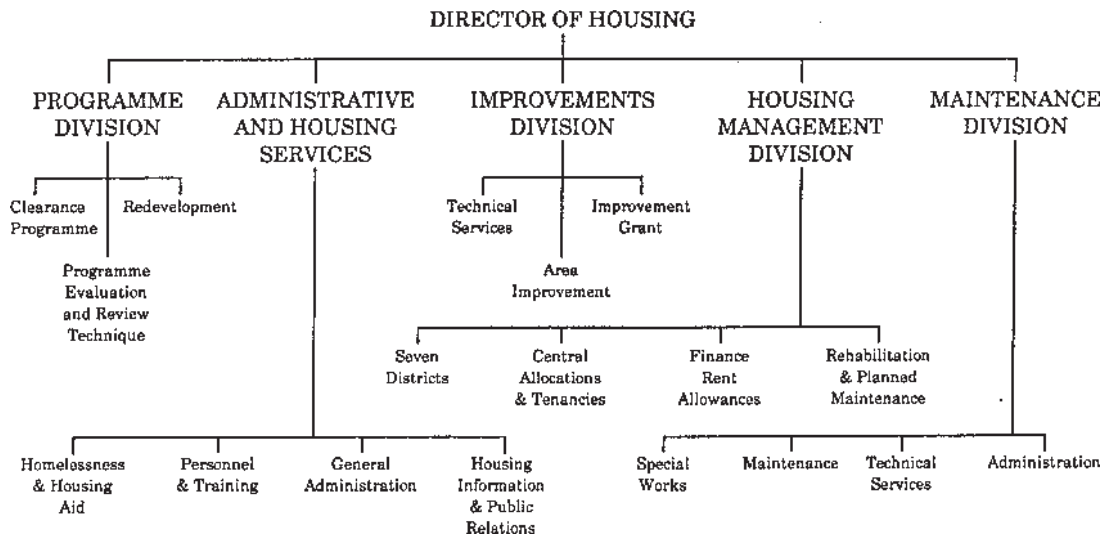
Figure 2: A proposed structure for the housing department of a non-metropolitan district council

The structure proposes a number of elements we have already considered. Firstly it meets the recommendation that the housing service should be under the control of one chief officer, in this case the chief housing officer.

There are two second tier officers called assistant housing

managers who are responsible between them for six main sections. In this proposed structure the housing department is responsible for rents and housing benefits, and there is a section dealing with the rehabilitation and modernisation of the council stock. In this example private sector housing is dealt with outside the department.

You will notice that the proposed structure appears to be very



centralised with no provision being made for area/neighbourhood management offices. This may well be because this diagram was drawn in the mid 1970s before the development of interest in decentralisation after Walsall Council's pioneering efforts in the early 1980s.

If you selected a non-metropolitan district council for your case study in the last activity, how does its structure compare with this model?

Figure 4: A proposed structure for a housing department of a large metropolitan district council

This is a proposed departmental structure for a much larger organisation. Which are the key features?

Again, as recommended, there is a director of housing who has ultimate responsibility for the management of the housing department. The director is assisted by a number of second tier of officers. A separate programme division is carrying out private sector clearance work together with an improvements division, which has responsibilities for technical services and improvement

grant administration coupled with area improvement work.

This diagram shows a housing management division with seven districts and a central allocations section.

Its greater size means that in the metropolitan council a much wider range of functions has been taken on by the department and the structure consists of more specialist sections than in the structure proposed for the district council.

What these examples and your case study should demonstrate is that there is no common structure for the organisation of council housing services and, probably, no two departments are organised on the same lines.

Many organisations are forming small 'client' units that will be responsible for developing service specifications and administering competitively awarded contracts and a 'contractor' organisation to deliver services. Often the Director of Housing will head both parts of the organisation, wearing a 'client' and a 'contractor' hat.

10. Size of Local Authorities

As we have already seen, there is a great diversity in the way in which housing organisations are structured to deliver a housing service for the area. In *'Managing the Crisis in Council Housing'* the Audit Commission said that:

'there was a great diversity in terms of dwellings managed, the nature of the stock, the types of problems encountered, the social and demographic conditions and the policy decisions which affect service levels.'

This was borne out by major research conducted by Glasgow University for the then Department of the Environment into 'The Nature and Effectiveness of Housing Management in England'. In this study they showed the way in which local authorities in England are distributed in terms of stock size.

Figure 4: Local authorities by size of stock

Group	% of all housing authorities	
	England	Scotland
<5000	26	38
5,001-10,000	41	23
10,001-20,000	17	23
20,001-30,000	6	5
<30,001	9	11
Mean size	12,200	

Median size 7,300

(Sources: The Nature and Effectiveness of Housing Management in England, DoE) HMSO, 1989. Scottish Office Statistical Bulletin, November 1991.)

What does this table tell us about housing organisations? Most housing organisations, 67%, have fewer than 10,000 units in management. As we will see in the next section very few housing associations have as many as 10,000 dwellings in management.

The table also shows that about 10% of housing authorities have a housing stock of over 30,000 units. Most of these will be in the urban areas of the great metropolitan cities.

Clearly the management task in a very large authority with more than 30,000 units will be very different to that of a smaller authority with a few thousand dwellings.

Activity

In what ways do you think the larger authority will be different from the smaller authority?

Put your answers in the space below.

Time allocation 10 minutes

There will clearly be a large number of differences between a large local authority housing department and a small one. Imagine

comparing Birmingham City Council Housing Department, managing over 90,000 dwellings with West Devon's, which manages a few thousand dwellings.

10.1 Staff

The first key difference is likely to be the numbers of staff. As departments get larger they tend to employ more staff. This is not only because there are more properties to manage, more allocations to make and more repairs to be completed, but also because the larger the department the greater the range of functions carried out by the department.

The higher numbers of staff in the larger departments is reflected in the table below.

Figure 5: Number of housing management staff by size of department in England

Stock size	Average number of staff
<5,000	30
5,001-10,000	82
10,001-20,000	140
20,001-30,000	258
30,001+	831
Average for all local authorities =	172

You should remember that this figure only includes staff directly involved in housing management. Direct labour workers, caretakers, wardens, clerical and secretarial staff have not been counted.

10.2 The management task

The management task will be different in each organisation. In smaller authorities where a number of housing functions are undertaken outside the housing department, a key role for managers will be try to retain effective control of these functions. They might, for example, try to ensure that:

- the finance department collects the rents efficiently and carries out arrears recovery in a satisfactory manner,
- other departments repair the stock satisfactorily and maintain good relationships with tenants,
- the computer department provides an adequate service.

Staff working in smaller authorities will be less specialist and have

a greater range of responsibilities. This 'generic' form of staffing will be examined in more detail in a later part of this module.

In large departments more functions will be operated within the housing department. The task of management here will be to co-ordinate and control a complex organisation with large numbers of staff and huge budgets. Indeed the Glasgow study showed that:

'there was a very strong relationship between the range of functions carried out by housing departments and the size of authorities.'

The York survey also found that larger Councils were more likely to be situated in areas of relative socio-economic deprivation and this makes the management task more difficult.

The Glasgow survey showed that as the size of the stock grew the more likely functions were to be undertaken in the housing department, rather than in other departments of the local authority.

The Glasgow team report that:

'... in all of the group of larger authorities the housing departments were responsible for rent collection compared with only half of the group of smallest authorities. About 88% of the group of larger authorities administered repairs through the housing department whereas only 52% of the smallest authorities did.'

In its 1986 report the Audit Commission also recognised that the management task would be different according to the size of the departments and argued that more should be done, in terms of pay and conditions, to attract the best qualified staff to work in the more demanding local authorities.

The Audit Commission felt strongly that the pressures involved in managing large inner city urban areas were such that authorities had to do far more to attract the best staff to work in these areas. In particular it recommended that senior staff should be paid increased salaries and that the professional independence of housing officers should be strengthened, with appointment panels including independent external assessors.

10.3 Extent of decentralisation

One of the common responses of housing organisations to the problem of size has been to consider decentralising their

management service to provide a local management service. As organisations get bigger, they manage more stock and encounter more difficulties in providing a responsive service from one central location.

The Glasgow study showed many larger authorities had adopted decentralised structures. The average number of dwellings managed from local offices varied. The average number of dwellings managed by the local office of a local authority with a total stock of 5,001-10,000 dwellings was 2,890, but an authority with a stock of over 30,000 homes would on average have area offices managing 7,416 homes. (The Glasgow study also showed that 12% of the sample authorities had developed neighbourhood offices, below area office level, managing on average about 1,000 dwellings).

The types of functions frequently decentralised to local offices included:

- Rent collection;
- rent arrears recovery;
- arrears prevention;
- repair reporting;
- pre-inspection of repairs;
- post inspection of repairs;
- estate management.

This link between larger housing authorities and decentralisation had also been identified in the earlier study of housing management carried out by the Audit Commission. The Commission found that of those authorities which were managing over 10,000 dwellings, 65% had some form of area based management. The Audit Commission advocated further decentralisation and argued that areas managing 4-5,000 homes could carry out functions such as rent collection, arrears control, voids inspections, viewing and letting of property, tenant liaison and receipt of repairs requests.

The York survey (Managing Social Housing) found that 59% of local housing authorities had some decentralisation of services with larger authorities more likely to have local offices than smaller ones.

10.4 Tenant participation

All authorities are obliged to consult with their tenants. As larger

authorities will obviously have more tenants, there are some differences in this area between large and smaller authorities.

The Glasgow study found that larger local authorities (in the 10,000+ range) were more likely to have produced a range of leaflets, handbooks or information packs. The study found a clear link between other forms of tenant participation and size of the local authority with the larger local authorities more likely to have established tenant participation structures. 66% of the local authorities with over 30,000 units in management had a joint advisory committee compared with only 24% of local authorities as a whole and over 50% had tenant representatives with full voting rights on a sub-committee compared to only 7% as a whole.

Self Test 3

1. *What was the name of the 1987 White Paper on housing in England and Wales?*
2. *What was the key role envisaged for housing authorities in the White Paper?*
3. *What is the title of the 1986 Audit Commission report into council housing?*
4. *What were the four most common housing functions which were not carried out by local authority housing departments?*

5. *What percentage of local authorities manage fewer than 10,000 dwellings?*

Now turn to the Answers at the end of the block.

Summary

1. This section has looked at how local authorities organise their housing service. We saw that there is no common organisational structure and that in a very small number of authorities there is no separate housing department. Only in the very large housing authorities is there a 'comprehensive' housing department carrying out almost all public and private sector housing functions.
2. The section referred to the increasing numbers of housing authorities that have voluntarily transferred their housing stock to a registered social landlord. It also examined the change in Government policy that shifted a local authority's role from one of provider to that of 'enabler'.
3. Housing functions are provided in diverse ways; by the housing department itself, by other departments of the local authority or by outside contractors. The section looked at the reasons for the use of other departments and

the problems that might result.

-
4. ~~Over 67% of local authorities manage fewer than 10,000 dwellings and a small number manage over 30,000 units. This difference in size has important implications for the provision of housing service. Larger authorities are more likely to have comprehensive housing department employing many staff. The management task will concentrate on co-ordinating the work of staff in the different sections of the department. In smaller authorities the function of management will involve liaising with other departments to deliver the services necessary to the housing department. We also considered how decentralisation is linked to the size of the authority and degree of tenant participation adopted by the authority.~~

C Registered Social Landlords

1. Introduction

In the last section we looked at the way local authorities deliver housing services. We will now turn to housing associations as the main providers of new social housing for rent in Britain today. Housing Associations have long history in Britain with some dating back to soon after the Norman Conquest. The more recent history can be traced back to 19th century philanthropists.

The sector has had two recent substantial periods of growth. The Housing Act 1974 laid the foundations of the modern housing association movement and the Housing Act 1988 provided the framework for the government of the time's changing direction in housing policy. Today, housing associations operate under a variety of different structures providing a range of accommodation.

2. Definitions

As we saw earlier the 1987 White Paper (enacted in 1988) set out an expanded role for housing associations as part of the 'independent' sector.

Section 1 of the 1985 Housing Associations Act defines a housing association as:

'a Society, body of trustees or company that;
(a) is established for the purpose of, or amongst whose

objects or powers are included those of, providing, constructing, improving or managing, or facilitating or encouraging the construction or improvement of, housing accommodation, and which

(b) does not trade for profit'

Most housing associations are societies under the Industrial and Provident Societies Act 1965. A smaller number are trusts under a trust deed and come under the jurisdiction of the Charity Commissioners. An associations can register as Industrial and Provident Act societies with charitable objects. Registering as a charity offers important tax and other benefits but it can impose restrictions on their work.

Associations are not allowed to trade for profit but they are expected to generate a sufficient surplus to meet their current and future obligations. An association must, for example, make adequate provision for future major repair schemes. Associations have published membership policies. Some are open to anyone interested in the work of the association; others are more restrictive perhaps limiting the number of members to a specific total. Each member holds one share usually valued at £1. This entitled the shareholder to vote at the annual general meeting and to elect the board of management.

Associations vary in size from the very small owning only one property and no staff to the large multi-regional group structures of the very biggest employing hundreds of people to provide housing and related services. One uniting factor is the voluntary commitment made by the board of management that has direct responsibility for running the organisation. Although the Housing Act 1996 gave associations the power to pay board members a maximum of £50 per year for their services, no organisation has yet voted to make a payment.

2.1 Registered Social landlords

The Housing Act 1996 introduced the concept of a registered social landlord. This is defined as a landlord organisation registered with the Housing Corporation and eligible for grant support.

A registered social landlord can be a:

- * registered charity which is a housing association
- * an industrial and provident society
- * a company

but the landlord must be non profit making.

3. Scotland

Prior to 1974 the development of housing associations in Scotland was mainly restricted to a small number of co-ownership societies and a small number of national associations. Since then there has been a rapid development of housing association activity and in March 1995 there were 210 registered housing associations with a stock of over 78,500 homes.

A significant feature of development work in Scotland has been the emphasis on tenement rehabilitation work, particularly in Glasgow.

4. Growth of Housing Associations

At 31 March 1998 a total of 2,084 housing associations were registered in England with the Housing Corporation.

Social Trends 1996 (HMSO) reported housing associations increased their stock by an average of between 4 and 5 per cent a year between 1981 and 1991. Since then this has doubled to nearly 9 per cent a year. This increase is due to the concentration of new development of social housing with housing associations and the programme of Large Scale Voluntary Transfers from local authorities. The recent acceleration in the transfer with bring about another rapid increase in stock housing association stock at a time when development funded through the Housing Corporation's Approved Development Programme is declining.

The Department of the Environment, Transport and the Regions estimates that if the 23 authorities seeking to transfer their stock in 2000 are successful, 270,000 homes will change sectors. The bids from Birmingham, Sunderland and Walsall alone total 161,000 homes.

There are now over 1,048,500 (at 31 March 1998) homes owned by registered social landlords in England, according to the Housing Corporation.

4.1 General needs

The majority of associations are 'general needs' providing housing for rent. Although in the past some category associations have specialised in providing housing for young single people or families and the elderly, increasingly they provide for a wide range of client groups.

4.2 Abbeyfield Societies and Almshouses

Abbeyfield Societies are, usually, small locally based associations that manage shared housing for the independent elderly. Most societies own one or two houses converted into bedsits. They employ a resident housekeeper to cook two meals a day and supervise the running of the house.

Almshouses are one of the earliest types of voluntary housing with roots back to the 12th century. They typically provide half a dozen homes and cater mainly for the elderly.

Few almshouses have plans for further development. The majority of the 1700 almshouses are not registered with the Housing Corporation. Most are members of the Almshouse Association; a body that provides support and advice to almshouses. The Almshouse Association is developing a standard of management that will, when fully adopted, lessen the Housing Corporation's regulatory role for this group of small associations.

4.3 Hostels

Many housing associations have concentrated on the provision of supported housing for clients who would benefit from intensive housing management. Although the emphasis is now on the development of self contained accommodation, historically associations have often provided specialist hostel accommodation. Client groups can include;

- Women fleeing domestic violence,
- homeless people,
- people with learning difficulties,
- people with physical disabilities,
- people with mental health problems,
- ex-offenders,
- people with AIDS or HIV,
- frail elderly people.

This list is not exhaustive. The level of support provided in supported housing schemes can vary from staff being available 24 hours a day at one extreme to a visit once a fortnight by a floating support worker.

4.4 Co-operatives and Co-ownership associations

Co-operatives are a specialised form of housing association where the housing is collectively owned and managed by the members who each own a £1 equity stake. In fully mutual co-operatives all

tenants are members and only tenants can be members.

Co-ownership associations own their homes collectively but differ from co-operatives because members can take a share of any increase in the value of the property.

Unfortunately, there is now some confusion in the use of the term co-operative, because the Department of the Environment also used the term to define what should more properly be termed **management co-operatives**. In these organisations, the dwelling occupiers have collective responsibility for some, or all, of the management functions but do not own or lease the properties. The landlord (most commonly, the local authority) retains ownership.

The DoE's *Final Report of the Working Party on Housing Co-operatives (HMSO, 1975)*, generally known as the **Campbell Report**, described the benefits of co-operative housing organisations.

“Co-operative housing represents a highly desirable departure from traditionally remote and depersonalised forms of housing management. It can on the one hand provide a greater sense of community than individual owner occupation, underpinned by shared responsibility and involvement, and on the other hand provide people who would otherwise feel the insecurity (and perhaps indignity) of being subject to the arbitrary decisions of even an efficient and well meaning landlord with the right to self determination where their own houses are concerned.” pp5

Now, let's stop to consider the exact nature of the advantages that are being suggested for co-operatives.

Activity

Identify the sorts of benefits which, it is suggested above, co-operative ownership can provide for housing occupiers:

Time allocation 5 minutes

We think the benefits proposed fall into several categories:

- There may be social benefits, deriving from “a greater sense of community”. The occupiers may feel a greater sense of “belonging” to their locality and neighbours,
- There are psychological benefits, deriving from the greater sense of security and self determination.
- They may receive a better quality of service provision, reflecting their particular needs, as the landlord is no longer “remote” or “de-personalised”.

5. Size of Housing Associations

Most housing associations are small in terms of stock managed and staff employed. Figures for the year ending 31 March 1998 show this clearly.

Figure 6: England; Homes managed at 31 March 1998

Total stock	Number of associations	% of all associations
0–5	727	35
6-1000	1135	54
Over 1000	222	11

The housing association movement in England is dominated by a very large number of small associations, with over 90% of associations managing fewer than 1000 dwellings. Only 222 associations manage more than 1000 units, and ten have more than 13,000 homes in management.

A similar pattern exists in Scotland and Wales.

Activity

Compare the composition of housing associations in terms of size and numbers with the local authority sector. What are the main differences?

Time allocation 5 minutes

Clearly there are a number of important differences between local authorities and housing associations. Firstly there are far more housing associations providing housing than there are local authorities. This means that associations tend to be much more specialised than local authorities and some associations concentrate on providing specialist housing. In contrast local authorities provide a full range of housing for their local population. The majority of associations manage very few properties. Only ten associations own and manage more than

12,000 units. In the local authority sector, there are, as we have already seen, a large number of authorities that manage over 12,000 units.

The majority of housing association stock has been built since 1974. ~~The Housing Act 1974 introduced Housing Association Grant to subsidise the development of social rented housing.~~ In contrast local authorities have been building homes since 1919. Associations tend to have fewer of the management or maintenance problems associated with older stock.

As we will see later this difference in the number and type of properties can have important effects on the ways in which housing organisations are structured to deliver their services.

6. Functions of Housing Associations

In this section we will look at the activities housing associations are involved with to allow us to compare them with our knowledge of local authority housing departments.

Activity

Think about the activities housing associations undertake and make a list of the key ones in the space below.

Time allocation 5 minutes

There are strong similarities between housing associations and housing authorities. This should not surprise us as both are involved in managing and developing rented housing.

Which are the key activities? We asked a housing officer of a housing association to do this activity. Here is her list.

Key housing association activities

Housing management

- Rent collection.
- Arrears control.
- Arrears prevention.
- Administering the waiting list.
- Allocations.
- Nominations from local authorities.
- Void management.
- Repairs.
- Cyclical and planned maintenance.
- Tenant consultation and participation.

Development

- Finding development sites.
- Producing development proposals.
- Appointing consultants.
- Preparing schemes.
- Completing building works.

Finance

- Budgets and accounts.
- Payroll.
- Development finance.

Administration

- Committee servicing.
- Recruitment and selection.
- Personnel.
- Public relations.
- Publicity.
- Computer services.
- Liaison with outside agencies.

This is quite a long list but it is still not comprehensive. You may have included elements our housing officer omitted.

What are the similarities with a local authority? Most of the housing management functions are similar: collecting rents, dealing with arrears, managing voids, repairing properties and letting empty housing. Perhaps the biggest difference is that housing associations do not have any direct responsibility for the homeless although they do have a key role in assisting local authorities to house homeless people, mainly through the nomination procedure.

Housing associations are now the main providers of new social rented housing and will often have active development departments. Although local housing authorities continue to modernise their stock, their main contribution to development is through their enabling role.

The financial and administration functions are the similar for both associations and authorities. The key difference is the centralisation of those functions within the association in contrast to the outsourcing to other departments or external contractors that is more common in local authorities. For example, although it is common for IT services to be a centralised function in local authorities, an association would usually have total control of its computer operations. In contrast a local authority would have access to a central personnel or human resources function but an association may be too small to support a dedicated worker and

might purchase services on an agency basis.

A study by Glasgow University found that as associations tend to undertake all the key functions in housing, the average the number of housing management tasks carried out by a housing association was 26 compared with 24 in a local authority housing department.

The Glasgow study reported that:

‘Housing associations were more likely to have a full range of management tasks under their direct control.’

This finding was also shared by the York study ‘Managing Social Housing’ that said:

‘Housing management and related administrative functions were generally unlikely to be outside the direct administrative control of housing associations. Rent collection and arrears recovery, void control, repairs functions and allocations were managed within the association in over 90% of cases’.

7. Impact on Organisational Structures

How does the range of functions impact on the organisational structure adopted by housing associations? As we saw earlier there is no common structure for local authority housing departments. The diversity within housing associations is even greater given their huge variety.

The organisational structure adopted by housing associations will depend on a number of factors including size and the geographical spread of properties.

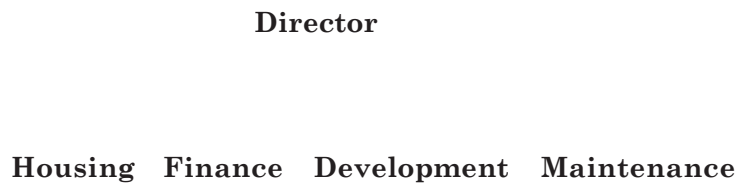
Many associations are very small and manage a handful of properties. In these organisations management functions may be carried out one or two staff or by members of the committee of management.

In larger associations a wider range of staff will be employed and specialist staff may be appointed. As this happens a typical organisational structure based on sections may start to develop.

The head of the association's paid staff will be the chief executive, who will have overall responsibility for the day to day running of the association implementing decisions made by the board of management. There may be a number of departmental heads in charge of finance, development, housing management and maintenance.

To show this in more detail this is the organisational structure of a typical housing association managing about 1000 dwellings.

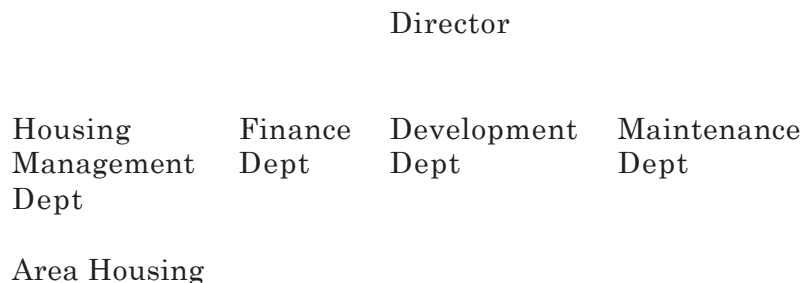
Figure 7: Typical structure of a housing association managing 1,000 homes



If an association manages properties with a wide geographical spread, it may set up local offices to provide a housing management service. How would this affect the organisational structure shown above?

If the association opened local housing offices it would employ area housing managers, responsible to the head of the housing management department and the structure might look something like the diagram below:

Figure 8: Typical organisational structure of a housing association managing 1,000 units, with decentralised housing management through two area housing offices



Office 1

Area Housing
Office 2

The area housing offices would be responsible for housing management services and may also have some responsibility for housing maintenance. The area housing managers may report on this matter to the maintenance manager.

As associations grow larger this type of local management may not go far enough and the association may wish to decentralise a number of its functions in addition to housing management to local level, so that local managers control housing management, maintenance, administration and development. In such cases the area managers will be key members of the senior management team and the structure may look something like this:

Figure 9: Typical organisational structure of a housing association managing through a decentralised structure

Director

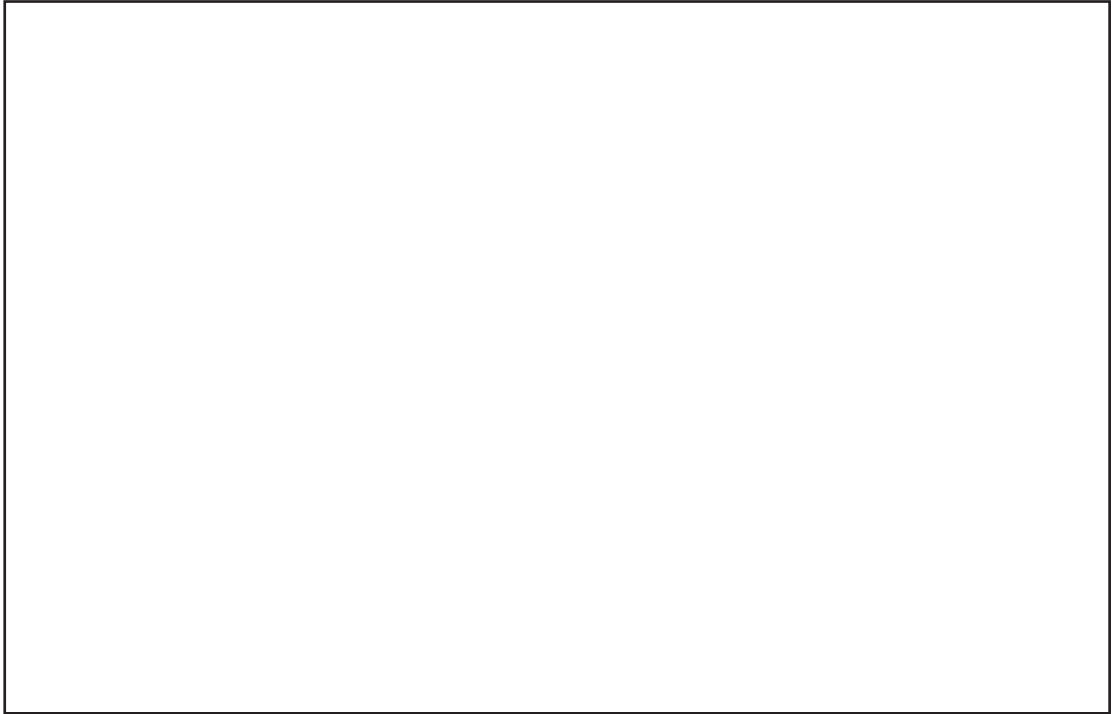
Area Manager Area Manager Finance Admin Services

In this structure the area (or in some cases regional) manager is responsible for housing management, maintenance and development functions in the region, supported by specialist staff at the headquarters. This type of organisational structure has been adopted by a number of associations, such as Family Housing Association in London, Two Castles Housing Association in the North of England, and Bield Housing Association in Scotland.

So far we have been considering the organisational structure of those associations employing a number of staff. But as we have already seen there are a very large number of organisations that do not employ very many staff. How will they be organised?

Activity

Think about a small association managing 25 dwellings (and with no development programme) with 1.5 staff. In the space below draw the management structure which the association is likely to adopt.



Time allocation 5 minutes

In such an association the two staff will need to carry out all the functions associated with managing the association. Most of the functions that you identified earlier will still need to be done albeit on a smaller scale.

Let us remind ourselves of the duties this association must undertake.

Key housing association activities which an association managing 25 properties would need to carry out.

Housing management

- Rent collection.
- Arrears control.
- Arrears prevention.
- Administering the waiting list.
- Allocations.
- Nominations from local authorities.
- Void management.
- Repairs.
- Cyclical and planned maintenance.
- Tenant consultation and participation.

Finance

- Budgets and accounts.
- Payroll.

Administration

- Committee servicing.
- Recruitment and selection.
- Personnel.
- Public relations.
- Publicity.
- Computer services.
- Liaison with outside agencies.

Clearly some of these functions will not be very time consuming. For example, with 25 dwellings the time spent on tenant consultation and participation will probably be minimal. With only 1.5 staff personnel matters are unlikely to be very demanding. Nonetheless there are a large number of tasks to be completed. A full time member of staff would be responsible for most perhaps with part time assistance.

In many associations there are no staff. All the work is carried out by the members of the committee of management on a voluntary basis. In our case study association the committee members would probably assist the paid staff to manage the association by undertaking specific tasks.

Co-operatives

Finally we should consider the special situation of co-operatives. Most co-operatives are small and paid staff rare. The members

themselves will play an important role in the management of the co-operative. Often one member will act as repairs officer co-ordinating all the maintenance for the co-operative's properties. Other members may undertake other important roles including acting as secretary, rent officer or managing the waiting list.

There are also a number of 'secondary' co-operatives providing housing management, finance, development, maintenance and administrative services to primary co-operatives. Often they have a collective form of management eliminating hierarchical structures. Each worker in the co-operative agency is jointly responsible for the work of the organisation. Decisions are taken collectively in workers' meetings. A typical structure might look something like this:

Figure 10: Structure of a secondary co-operative operating a collective form of management

Housing Management Workers	Development Workers	Finance Workers	Admin Workers
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This form of structure can bring enormous benefits in terms of better decisions and a more motivated workforce. It does have a number of disadvantages including the investment of time and effort necessary to manage the work of the co-operative because no one person is solely responsible for the work of the organisation.

8. Agency Services

We have just looked at the work of a very small association. One way in which some of the work could have been done would have been for the association to ask another organisation to carry out some of its activities.

The association could, for example, have contracted a larger association to collect rent and deal with arrears on its behalf. Similarly, it could have contracted another association to maintain its properties. The association would of course need to pay the other agency for these services, but this will often be cheaper and easier than employing staff directly. Such arrangements are becoming increasingly popular with small associations; many small co-operatives which manage perhaps fewer than 50 dwellings will often ask a secondary housing co-operative to provide such services on its behalf in return for a fee.

The co-operative will of course want to make sure that the secondary co-operative does a good job and complies with the co-operative's policies. These requirements can be set down in a

detailed management agreement which specifies exactly what services are required and what the fee will be. The agreement will also specify how the secondary co-operative will report to the primary co-operative on what it has done and will also make clear how any disputes between the two organisations can be resolved.

Such arrangements are not limited solely to the co-operative movement. A number of small associations will often approach larger associations to provide services in the areas of housing management, finance, development and maintenance. Indeed the new regulations surrounding development introduced in the 1988 Housing Act have meant increasingly that smaller associations are going to larger associations for help in developing new housing rather than attempting to do it themselves.

The Glasgow University study into the Nature and Effectiveness of Housing Management in England reported that:

‘10% of associations used another agency to carry out repairs. Specialist skills such as computing services, housing research, staff training, or the management of special needs housing were sometimes carried out by other agencies, either alone or in tandem with the housing association’.

Blairtummock Housing Association

Blairtummock became a registered housing association in May 1990. It has a stock of 126 houses which were formerly part of Glasgow District Council’s stock in the Easterhouse area of the city.

Blairtummock is a community based housing association which means that its management committee is made up of local residents. Blairtummock has a staff of four and undertakes its own housing management functions. It has a large development programme which involves further transfers of stock from Glasgow District Council as well as new build. Financial services to support this development programme (including spreadsheet work) are ‘bought in’ from The new Housing Association which is an organisation without any housing stock but which provides services to other housing associations.

Clearly there are a number of services which housing associations will find difficult to provide by themselves and for which they may need to go either to another association or an outside contractor.

Computer services are a good example of this. Only the largest associations are likely to be able to afford the services of a computer specialist and associations will often have to rely on private companies to provide their computer requirements, both for hardware and software. A key problem here is how the association can ensure it receives a good standard of service from its computer suppliers when it is simply a small customer from the supplier's point of view. Some associations are attempting to get round this problem by forming user groups which can speak with a larger collective voice to individual suppliers. If 10 associations use a particular software company the group will be a very valuable customer for the company and service quality should improve.

Another example is the case of repairs. Unlike local authorities few associations will have large direct labour departments and most of the repairs can be placed with private contractors. This can mean that the association is able to provide a repairs service at a very competitive rate, but it can also bring problems.

Activity

Think of the repairs service. What are the advantages to the association of having this service provided by a number of private contractors and what are the disadvantages of this type of arrangement?

Write your comments in the space below.

Time allocation 5 minutes

8.1 Advantages and disadvantages of using private contractors

What are the main benefits of using private contractors as opposed to direct labour? With direct labour there is the problem of managing staff and finding work for them if there is a fall in demand for repairs. Conversely if there is an unexpected upsurge in demand the association may not have enough staff to meet the demand.

If the association uses private contractors it can usually get a competitive price by inviting contractors to tender for inclusion on a repairs contractors' list. If contractors do not deliver a good service they can simply be removed from the list of contractors and a replacement found.

However although these are important advantages, a direct labour force can bring important benefits too. The staff are available all the year round and can respond flexibly to emergencies: if someone's heating system needs attention they can be sent there immediately. The fact that they are directly employed may mean that the staff give a better quality service; after all, they will be around to receive the tenant's complaints.

In fact a number of associations are now trying to get the best out of both systems by employing a small direct labour workforce which can do a lot of the minor jobs and which can be used 100% of the time, and supplementing this by private contractors.

8.2 The impact of the 1988 Housing Act and the 1988 Housing (Scotland) Act on organisational structures in Housing Associations

The 1988 Housing Act and the 1988 Housing (Scotland) Act introduced a new financial regime for housing associations requiring them to seek much of their finance for new developments from banks and building societies in the form of 'private finance'.

The need to raise money from the private sector transformed the management of housing associations. In the same way that someone looking for a mortgage would have to convince a building society or bank that they are creditworthy, housing associations have to negotiate with lenders to obtain the money needed to fund their development plans.

Activity

What might a housing association need to do to demonstrate its creditworthiness to a lender?

Time allocation 10 minutes

If you found this activity difficult, you might like to start by translating the scenario to one where you wanted a loan. The process is very similar.

Here is my list of the things I think an association should do and how it might provide proof;

1. the association would need to show it could afford the loan – it might do this by providing information about rent levels and income,
2. the association needs to show that it can manage its financial affairs – it could do this by presenting audited accounts, budgets and cash flows.
3. the association needs to provide security – it does this by

- letting the lender take a charge on properties it owns,
- the association will need to demonstrate that its business is secure – this can be illustrated by providing a risk analysis, evidence of demand for housing, detailed plans for future commitments such as planned maintenance programmes.

9. Decentralisation

When we were discussing the local authority sector we noted that as authorities got larger there was a tendency for them to decentralise their services to local offices. In contrast most housing associations are very small and will have only one office. The very large associations, and there are only a handful of them, will have decentralised their services to local offices. However associations which have perhaps 1,500 properties in a number of different locations will want to consider setting up a local management structure.

In the view of one director of an English housing association with 1,100 units in management the association would want to set up a local office in every area where it had more than 400 units. This would, of course, be a very small office for a local authority but the fact that the association has to operate over a large geographical area makes it sensible for this particular association to consider setting up local offices of this size.

The Glasgow University study referred to earlier looked at 41 associations and found that the number of properties served by local housing offices was significantly smaller in associations compared with local housing authorities, as the table below shows.

Figure 15: Local housing offices of housing associations in England

Type	Average number of Area offices	Average number of staff per office	Number of homes
Local	2.2	3	485
Regional	2.5	5	702
National	27.3	2	178
All	7.1	4	583

You may recall that when we looked at the issue of local housing offices in the local authority context the average number of dwellings per area office was 4,196, significantly higher than in the housing association sector. Combining the numbers of

properties managed with the number of staff in each local office reveals that housing associations appear to have more generous staffing. In local authorities, offices operate on an average staff to property ratio of one staff member for every 700 dwellings. This compared with the associations' average of one member of staff for every 150 dwellings.

10. Tenant Participation in Housing Associations

One of the other areas where the responsive housing organisation is involved is that of tenant participation. Housing associations,

like local authorities, vary greatly in the extent to which they involve tenants in the management of their organisations.

Housing Corporation Performance Standards require all association to provide basis performance information to tenants. Some use the annual report as a vehicle and circulate it to all tenants. Others provide regular newsletters.

The Housing Corporation's recent launch of a new tenant participation strategy will encourage housing associations to find way to develop meaningful involvement with their tenants.

Summary

1. In this section we have looked at another key player in the provision of social housing - the housing association movement. Housing associations have a very long history and their roots can be traced back to the medieval almshouses, but their more modern origins lie in the philanthropic trusts of the 19th century. However the great growth in the contribution of housing associations to meeting the need for rented housing in Great Britain has taken place since the 1974 Housing Act which introduced a capital subsidy in the form of Housing Association Grant to encourage the development of new housing. The Conservative Government made it clear in the 1987 White papers on housing and subsequent legislation that housing associations are to be seen as the future main providers of social housing. The current Labour government has continued with this approach.
2. There are now 2,084 registered housing associations in England managing 1,0485,00 homes. The numbers of housing association homes has been increased in recent years by the voluntary transfer of local authority stock to newly registered associations.
3. Most housing associations are very small: 80% have fewer than 100 homes in management. Only 222 associations have more than 1,000. This is very different from local authorities that manage an average of 7,000 units.
4. Most associations carry out a similar range of activities as local authorities. Most functions are carried out directly by the association, unlike the housing department where, as we have seen, a number of activities are carried out by different departments of the local authority. We did however note that there are a number of ways in which associations could perform their functions: by employing staff directly, by using other associations to provide agency services or by using private sector firms to carry out the work.
5. Associations will adopt a variety of organisational structures. In the smallest associations the work of

managing the organisation will be shared between a handful of staff and the board. Associations may also use agency services. In co-operatives, secondary co-operatives can provide some services to complement the activities of the co-operatives own staff (if any) and members. In the larger associations a more hierarchical structure will be adopted with for finance, management, maintenance, development and administration departments. If the association has decentralised there may be local area offices. If the association develops decentralisation further it may create an area structure where managers control all aspects of the associations affairs in their patch

Self Test 4

1. *How many homes are owned by Registered Social Landlords in England?*
2. *Who owns and runs co-operatives?*
3. *What proportion of housing associations use an agency to carry out repairs on their behalf?*
4. *What is the main difference between the functions of a housing association and a local authority?*

-
5. *What factors may effect the organisational structure of a housing association?*

Now turn to the Answers at the end of the block.

D. Private Sector

1. Introduction

The previous modules examined the role of local authorities and registered social landlords in housing provision. These organisations operate within the public sector and therefore subject to restrictions regarding lettings and development.

This section will investigate the private rented sector where the only factor in determining lettings and development is the ability to pay. The private rented sector includes a variety of housing providers who operate on a profit-making basis. We shall consider who provides private rented accommodation and some of the reasons why it is important. It will also look at how the government has tried to boost the sector. We will also look at the role of financial institutions, such as building societies, and estate agents in the provision of housing.

2. Private Landlords

In Great Britain the private rented sector has decreased from accommodating over 90% of households before the First World War to housing under 10 % despite attempts by governments of both political persuasion to boost the sector. Elsewhere, particularly in parts of Europe and the United States this sector predominates. The particular characteristics, and problems, of the sector are examined elsewhere in the course.

Activity

Why do we need a private rented sector?

Time allocation 5 minutes

I asked Sam, who teaches on housing courses at a university, to explain. He gave me these reasons:

- It is very easy to gain access to private rented stock – if you can afford to pay the rent, and possibly a deposit, there is no waiting time and little bureaucracy,
 - There is little commitment. Although we stress the insecure nature of private sector tenancies some of which only last for six months, some people prefer to know they can leave.
 - There can be more choice about location. Much private rented stock is in areas that are attractive particularly to young people moving into their first home.
- There is no stigma. As social housing has become more stigmatised some people will choose not to apply.
 - It is frequently furnished. If people do not have furniture of their own it is more convenient to move into furnished accommodation. If the new tenant is claiming benefits and cannot get a Social Fund loan they may not be able to raise money to buy even the barest essentials for a home. The cost of these items in furnished accommodation is included in the rent and would be met by housing benefit.

The private rented sector has been in decline for a long time. Who are the landlords remaining in the sector?

Activity

List as many different types of private sector landlords as possible in the space below.

Time allocation 5 minutes

There are a lot of different people and organisations involved in private renting. When we gave this exercise to a local authority officer in a housing advice centre he produced this list.

- Individual landlords
- Property development companies
- Building societies
- Other providers such as employers who provide accommodation for employees

Some landlords will own and rent one or two properties. They may have inherited a house and not wanted to sell it, they may have work in another part of the country and want to let their own home for a limited period or they may have purchased property as an investment.

Many of these properties will be old. Some will have tenants who have lived there for decades and pay very low rent because they enjoy the protection of old Rent Acts. When the tenant moves to other accommodation or dies the property might be sold. In the past these homes would have been sold into owner occupation. Changing patterns of demand in some cities may make this less likely in the future.

Some people become landlords because they have work in another part of the country or abroad. They may want eventually to return or they may be unable to sell their homes. In the early 1990s this form of letting increased because many people who bought homes in the housing boom of the late 1980s were trapped by negative equity. The housing market was very quiet and prices had fallen.

A sale was unlikely to raise sufficient money to repay the mortgage debt. Owners preferred to rent hoping to gain enough rental income to meet monthly mortgage costs. Most of this type of landlord will withdraw from the market either by reclaiming their home or selling when prices rise.

Individuals manage their property themselves or employ agents to make the initial lettings and undertake the ongoing management and maintenance needs.

Property development companies

Some companies specialise in letting property. They may build new homes or purchase and renovate accommodation.

'Up market' landlords

In the larger cities there is often a market in high quality homes for letting. The types of properties could be penthouse flats in London or a mews terrace in the West End of the capital. Typically these properties will be of high quality with very high rents, the tenants being wealthy individuals or companies seeking properties for key staff who may be working in the area but who have their principal home elsewhere.

Some types of organisation, including hospitals, may own property that can be let to their employees. Increasingly housing associations are becoming involved with managing this type of accommodation, particularly as they may be able to raise funding to repair and renovate. Some forms of employed require workers to live in on site accommodation. Examples include tied cottages for farm workers and warden housing in sheltered schemes for the elderly.

Some building societies, particularly the Nationwide, have been involved in developing homes to let.

Business Expansion Scheme companies

The Finance Act 1988 extended the Business Expansion Scheme to cover investment in companies specialising in letting residential property on assured tenancies. The intention was to 'kickstart' the private rented sector by giving tax incentives for private investment in the tenure. The scheme allows individuals to invest in new commercial companies limited to raising £5 million in any one year. Companies are required to operate for at least four years. An individual investor could invest up to £40,000 each year with relief at their marginal (or top) rate of income tax. After four years the investment was free of capital gains tax.

In March 1991 a small research project reported on the BES and its success in encouraging the revitalisation of the sector. (Housing Research Findings No.29 March 1991 Joseph Rowntree Foundation).

The study found that:

- During the years 1988/89 and 89/90, a total of 180 new companies had been formed and successfully raised £461m.
- This money led to the provision of 8,200 units of housing, a small, but significant addition to the sector.
- Company directors felt that the tax relief was more important to them than the deregulation of lettings leading to higher rents.
- Very few companies expected to be in the market after five years with the units either being sold on or sold to sitting tenants. It was unlikely to lead to a permanent addition to the private rented sector stock.
- The research made it clear that the tax relief and higher rents were needed to make the scheme work. If the same money foregone in tax relief had been given to the housing associations they could have provided 80% of the units produced by BES but these would have been permanently available for rent.
- BES schemes tended to own newly built flats or older terraced housing. 66% of schemes were furnished with the rest unfurnished.
- Most tenants were in work although a significant minority were not. Households tended to be small with young adults often in managerial positions. People changing jobs were featured and the average gross income of tenants was £14,606. The average rent was £67 per week, (ranging from £99 to £49 per week). 50% of households said they had difficulty paying the rent.
- In the housing association movement a small number of housing associations have set up BES companies as offshoots to develop these types of schemes. Nomad Housing association has promoted a BES scheme that claims to have been very successful. In 1990 it was letting BES properties at £28.50 per week, and the company intends to stay in the market at the end of the four year period by selling the shares without selling the properties.
- In the South of England, Airways HA set up a BES scheme

designed to allow the association to borrow to buy the houses back at the end of the BES period.

Although the BES scheme had some limited success there was concern at the level of profits made by companies. The scheme ended in December 1993 and no alternative tax break has been created.

As you can see there is no such thing as the 'typical' private sector landlord. There are a number of different groups involved in the sector: the individual with perhaps one house, the management company managing a portfolio of houses, the property developer speculating in housing or the company dealing in high quality, high cost lettings.

3. Housing Developers

Housing development companies also have to be considered when discussing the provision of housing.

There are a large number of firms developing housing for sale. You will be aware of many of these companies, some of which are national and some regional:

- Millar Construction.
- Wimpey.
- Croudace Homes.
- Barratt Homes.
- Yuills.
- Wards Construction.
- Bellways.
- Lovells.
- Hall and Tawse.

You can probably think of some local firms to add to this list. They are all examples of housing development companies. They are involved in developing housing for sale and may work in partnership schemes with local authorities and housing associations.

Developers regard social housing partnership schemes as a major market as local authorities attempt innovative solutions for the revitalisation of their stock. Developers can be involved in schemes to refurbish council stock for sale or rent, building new homes for sale on council sites as part of a package of refurbishment of council stock and utilising council land for low cost home ownership. This way of working provides an opportunity for local authorities to develop their 'enabling' role.

Increasingly these developers also work with housing associations to build and improve their stock. In the past they tendered for building works. Now they are more likely to offer design and build packages to associations or to market completed schemes to associations.

4. Building Societies and Banks

Building societies and banks are also important players in the housing. The wider availability of mortgages from building societies, and increasingly banks, has fuelled the growth of owner occupation. How have these lenders been involved in the development of social housing?

Activity

What role do you think building societies and banks have played in the development of social rented housing?

Write your views in the space below.

Time allocation 5 minutes

Local authorities borrow money through banks and other financial institutions to fund the repair and renovation of their housing stock. These sources were also used to meet the costs of new construction until the 1970s.

Before 1988, housing associations financed new housing by a mixture of Housing Association Grant and loan finance from the Housing Corporation. The Housing Corporation raised these from the financial markets in the same way local authorities obtained funds for capital expenditure. The Housing Corporation's loan book was sold to Orchardbrook, a subsidiary of Natwest Bank, in the late 1990s.

The funding changes introduced by the Housing Act 1988 require housing associations to raise loan finance directly from financial institutions. Banks and building societies have become enthusiastic lenders to the sector with some institutions setting up specialist units to develop creative new financial products. Recently large sums of money have been raised from British and world banks to meet the borrowing requirements of large scale voluntary transfers. The moves towards the de-mutualisation of building societies do not appear to have dampened their appetite for lending to the social housing sector.

Housing Corporation regulation of the housing association sector has been so successful that there have been no financial failures since the introduction of private finance. Indeed, banks have complained of the low profitability of loans to the sector because low risk has translated to interest rates favourable to associations.

The effect on housing associations has been more significant. They have employed new staff to negotiate with lenders, have

developed new procedures to manage finance and have paid attention to the external perceptions of their organisation. All associations now prepare regular cash flow forecasts, produce financial models of new developments in computerised scheme appraisals and prepare business plans for consideration by lenders. Associations now prepare their accounts in the same way a public limited company would in a 'PLC' format. This is in recognition of the fact that most lenders are not used to dealing with social housing organisations or the ways in which they traditionally produced their accounts and valued their assets.

5. Estate agents

Estate agents are key actors in the owner occupied sector. They may also have a role in the private rented sector where they sometimes act as managing agents for property owners.

Estate agents act on commission to sell owner occupied or newly developed homes. They may

- Conduct an initial valuation
- Advert properties in the local press, in 'in-house' publications, on the internet and by the use of sale boards,
- Accompany prospective purchasers,
- Act as agents for financial institutions in selling mortgages and insurance policies for which they receive a commission.

Estate agents will also undertake valuations for banks and building societies to ensure adequate security is available for a loan. They have a crucial role in setting the value of property in the market.

Summary

1. **In this section we have looked at the role of the private rented sector. Despite its continued decline the sector remains important to some groups of people, including those with a need for mobility.**

2. We examined the variety of private landlords. These ranged from individuals who were letting perhaps one house to property developers whose main interest was in refurbishing previously tenanted property and re-selling it. We briefly considered experiment of the Business Expansion Scheme. The increasing importance of private housing developers, such as Wimpey, to both housing association new build developments and local authority 'partnership' schemes was examined.
3. We looked at the role banks and building societies play in rented housing in Britain. We noted the changes brought about by the need to raise private finance.

Self Test 5

1. *What percentage of homes in Great Britain are in the private rented sector?*
2. *What are the advantages of living in the privately rented sector?*
3. *What was the aim of the Business Expansion Scheme, and what incentives did it provide?*
3. *What is the role of banks and building societies in the private rented sector?*

Now turn to the Answers at the end of the block.

Answers

Self Test 1

1. Organisations that are non-providers provide the means to support and finance housing providers.
2. Providers in the public sector are funded either directly or indirectly through organisations such as The Housing Corporation, or by the government.

Self Test 2

1. Metropolitan District Councils.
2. There are 32 London boroughs along with the City of London Corporation.
3. In the shire counties, District councils provide housing services.
4. Birmingham City Council.
5. Unitary authorities are responsible for housing authorities in Scotland.

Self Test 3

1. Housing: 'The Government's proposals'.
2. The White Paper envisaged that the role of local authorities as housing providers would decrease. They would concentrate on enabling people to secure adequate accommodation in all sectors. They would also play a significant role in the planning of housing provision with other organisations such as housing associations and private developers.
3. Managing the Crisis in Council Housing.
4. Housing Benefit for private and council tenants, repairs and IT services.
5. 67%.

Self Test 4

1. There are over 1,048,500 (at 31 March 1998) homes owned by registered social landlords in England, according to the Housing Corporation.
2. Co-operatives are collectively owned and run by the occupiers of the housing.
3. According to the Glasgow University study into the Nature and Effectiveness of Housing Management in England 10% of housing associations use an agency to carry out repairs.
4. The biggest difference is that housing associations do not have any direct responsibility for the homeless although they do have a key role in assisting local authorities to house homeless people, mainly through the nomination procedure.
5. The organisational structure adopted by housing associations will depend on a number of factors including size and the geographical spread of properties.

Self Test 5

1. 10%
2. It is easy to gain access to accommodation, as there are no restrictions apart from the ability to pay the rent. It is flexible as most tenancies are short term (six months) and there is more choice in location and type of accommodation. It may also be furnished.
3. The Business Expansion Scheme aimed to boost the private rented sector by providing tax-breaks for companies investing in the sector.
4. Building Societies often provide finance to the private rented sector in the form of loans secured on property. They may also provide finance to local authorities or housing associations to provide for repairs or capital expenditure (in the case of housing associations).