

Form follows function - things to think about

How should a Registered Provider (RP) review its structure? What's the best way of meeting its objectives? How do RPs put residents at the heart of decision making?

Section 1: Introduction

The government has told the social housing sector that it needs to reduce rents. This is making Registered Providers of social housing (such as housing associations) think about efficiency savings through mergers (joining another organisation), partnership working (sharing services with other organisations) and acting more commercially in the way they provide homes (building homes for sale on the open market as well as affordable rented housing).

The government is pushing the social housing sector on two fronts – it wants to see greater efficiency amongst RPs and it wants to boost housebuilding by RPs making better use of their balance sheets (this is a hallmark of the government – a similar push is happening in the water industry).

Of course mergers, strategic alliances and the rest are not new – and there is a risk that the knee jerk answer is to merge in order to meet these two objectives – but what evidence is out there to back this up? It is also worth countering the myth that RPs are sitting around passively waiting for merger bids – that's not true.

The toolkit we are developing suggests that RPs need to do things in a balanced way. First, decide on the strategic objectives and then look what kind of change can deliver these objectives.

We don't start out by saying that merger is the right or wrong answer. Instead it is an option to be considered when it makes sense to do so – the organisational *form* should be led by thinking about the functions that RPs wish to perform.

It's worth remembering that mergers have not been a magic wand in other sectors (or within housing) – there are other ways to achieve efficiencies. Evidence suggests that some mergers don't achieve anticipated gains and larger housing associations are not always more cost-efficient.

Crucially, the organisations that support our toolkit are committed to making sure that tenants and potential tenants are at the heart of the process – and that is the purpose of our [online survey](#) and consultation exercises.

Section 2: Our principles and how to apply these to a review

We are also consulting with the tenants of the 11 RPs on the steering group, in partnership with [TPAS](#) and the [Residents' Network](#). As Carole Burchett (Soha's tenant scrutiny group chair) says: "We tenants won't leave for another job or when our time on the board finishes. We're in it for the long haul!"



At an earlier meeting the RPs came up with a range of suggested principles that would underline our toolkit. These include:

- Transparency
- Accountability to stakeholders and tenants
- Proportionality (don't spend all your time debating merger bids)
- Appropriate fit between organisations that come together (to avoid being jilted at the altar or paying for an expensive divorce)
- Local impact (don't take money out of the area); and
- Realism (over the level of savings and gains).

The agreed principles will be applied to the process we will set out – and will look like this:

- Setting organisational objectives that are a show stopper if not met
- Understanding the financial capacity of RPs on a stand-alone basis
- Understanding the level of work that must be done to existing homes
- Understanding and responding to the wishes and concerns of existing residents
- Setting out the gap between what RPs need/want to do and what they can afford
- How to pick an organisational option to plug any gaps impartially
- Ways of informing and involving residents in the process throughout.

Section 3: The RP strategy document

One of the key outcomes of the project will be to design a framework/toolkit that RPs can use to develop their own tailored document/strategy (based on the principles that they want to adopt and the tools they have used). This will be essential. The Homes and Communities Agency (HCA) will be asking for one and it is important to ensure that all individual RP strategies are compliant with what the regulator wants.

In short, the framework is likely to include:

- Principles that can be applied to any housing association
- Case studies and examples to help navigate through decision-making
- Guidance on producing an organisational strategic document on structure.

CEOs have received an outline of what the framework will include and an invitation to give feedback and get more involved in its development.

Definitions

A **Registered Provider** (RP) is an organisation, such as a housing association, that provides social housing.

A Registered Provider must register with [The Homes and Communities Agency](#) (HCA) which is the public body in charge of regulating social housing. The HCA is funded by the government ministerial department called the [Department for Communities and Local Government](#) (DCLG).