Weathering the Perfect Storm
Adventures in Scottish Social Enterprise

Craig Sanderson
Chief Executive
Link Group
April 2015
# Alternatives to Council Housing/Outright Ownership in Scotland

<table>
<thead>
<tr>
<th>Alternative</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Rent</td>
<td>1962</td>
</tr>
<tr>
<td>Co-ownership</td>
<td>1960s</td>
</tr>
<tr>
<td>Improvement for Sale</td>
<td>1970s</td>
</tr>
<tr>
<td>Shared Ownership</td>
<td>1980</td>
</tr>
<tr>
<td>Right to Buy</td>
<td>1980 (LAs) 1987 RSLs</td>
</tr>
<tr>
<td>New build for sale (GRO)</td>
<td>1985</td>
</tr>
<tr>
<td>Equity Sharing (older people)</td>
<td>1980s</td>
</tr>
<tr>
<td>‘Mid Market’</td>
<td>1980s</td>
</tr>
<tr>
<td>Large Scale Voluntary Transfer (LSVT)</td>
<td>1990s</td>
</tr>
<tr>
<td>Market Rent</td>
<td>1990s</td>
</tr>
<tr>
<td>Rural Home Ownership Grant (RHOG)</td>
<td>1990s</td>
</tr>
<tr>
<td>Mortgage to Rent</td>
<td>2000</td>
</tr>
<tr>
<td>Homestake</td>
<td>2005</td>
</tr>
<tr>
<td>LIFT</td>
<td>2008</td>
</tr>
<tr>
<td>Competitive Subsidy</td>
<td>2010</td>
</tr>
<tr>
<td>National Housing Trust</td>
<td>2011</td>
</tr>
<tr>
<td>Help to Buy</td>
<td>2012</td>
</tr>
<tr>
<td>Help to Adapt</td>
<td>2015</td>
</tr>
</tbody>
</table>
Link - Background

- Formed in 1962
- 26 Scottish Local Authorities – a ’national’
- Cost rent, fair rent, co-ownership, shared ownership, self build, students, homes for sale, Foyer, LSVT, wider role, supported / special needs housing, LIFT, Mortgage to Rent
- 300 members – half of whom tenants
- 70 voluntary board / committee members
- 7,000 tenants and 4,000 others
- 580 staff

© Link Group Ltd 2015
1962 - 1967

£1m – 200 new homes
1966 – Link Trust – 100 flatlets
Wider Role
Renovation/Rehabilitation
700 in Edinburgh/Falkirk
Co-ownership – 15 Societies, 650 homes
Managing agents
Housing Action Areas-Improvements
Single-person housing
A Tale of Two Decades – Thatcher, Blair and the Scottish Parliament

- 1979 - 1,000,000 houses for rent in the public sector, local authorities, SSHA and New Towns
- Owner occupation at 35%
- Sales of state assets to the public
- Reduced powers of local
- Tenant’s Rights Etc (Scotland) Act 1980 – security of tenure
- Right to Buy – discounts - 451,000 sold in 25 years. All Link’s 15 co-ownership societies. 800+ of Link’s
- Owner occupation up to 65%
- Best value – competitive tendering, including DLO
- Scottish Homes formed 1989 – 100% grant ends
- Moratorium 1990
- Poll Tax

© Link Group Ltd 2015
Shared/supported housing
Student housing - Stirling
Sheltered housing
Shared ownership - 400
For sale - £1.5m profit
Inverlink- JV, Tulloch/Link Homes
Alliances – Kintry (650) Larach (800)
GAP HA merger – Petersburn
285 mixed tenure – £21/17m
Intermediate Labour Market
Community Benefit Clauses
Dawson, Falkirk
Oatlands, Glasgow
Link’s Dental Surgery
Social Enterprise Clydebank
Petersburn Development Trust
Engaging Other Social Enterprises
By 2008?

- Scottish Parliament/Government – SNP
- 200 Housing associations (Registered Social Landlords)
- Total development borrowing £1.5bn
- LSVT – varying results
- End Homelessness by 2012
- Still obsessed with home ownership
- Overheating economy, house prices
- Stock transfer stopped
- Credit Crunch - financial crisis
Scottish Government response

- Crisis – current arrangements unsustainable, market failure, unaffordable
- Increased supply and choice of housing
- Mixed –tenure communities
- ‘Most for owner occupation’
- Land supply/planning issues
- Enhanced role for LAs and the private (rented) sector while sustaining RSLs
- Efficiency in procurement
- Regulation
Proposals

- 35000 completions p.a overall
- Strategic, cross-boundary planning
- Remove blockages to delivery
- New settlements
- Central/local govt./national co-ordination – planning and land assembly
- Support for ownership – LIFT
- Affordable Housing Policy (s75) – developer (cross) subsidy
Housing Choice

- Need more – and of good quality
- Need to reverse trend of concentration/marginalisation/stigmatisation
- Range of tenure/prices – social, mid, mid-market and market rent
- Support for non-RSLs?
- Competition for subsidy
- Reduce 67% subsidy to 35% within 5 years (even less already in England).
Hopes/Intentions

- 3500 target
- Co-operation among LAs
- Developers provide at no subsidy
- Increased use of private rented sector e.g. for homeless
- Balance tenants rights with encouragement to landlords
- Recycle empty properties
- New social housing be RTB exempt
- Subsidise LAs
- Fit with Regeneration/Wider Role. Not just a numbers game
- RSLs ‘sweating assets’
- Broader view on VFM e.g. Social Return on Investment (SROI)
- Development Funding retained ‘centrally’ apart from Edinburgh Glasgow.
- Consortia of developers (inc. RSLs) – like Kintry, Larach
- Bulk procurement, across LA boundaries
- 5-yr. (guaranteed) programmes
- Economies of scale
- ‘Expert’ RSLs
- More mergers (Link has 11 – but 6 ‘broken engagements’)
- Increasing recognition of Social Enterprise
The Perfect Storm (1st Wave)

- Credit crunch
- Recession
- Austerity measures
- Lenders’ squeeze
- Private development stalled (inc. Link Homes)
- Reduced Scottish Government subsidy – LIFT, Shared Ownership, Adaptations, Wider Role
- Council house building and ‘preferred partners’
- European procurement rules
- CPPs
- Concordat – Council Tax Freeze
- Local authority budgets cut - inc. Care/Support
- Local authority commissioning
The Perfect Storm (2nd Wave)

- Wider role funding halved than scrapped
- Westminster Govt. Outsourcing – huge/international private companies
- Repairs contractor went bust
- Youth unemployment
- Escalating cost of living
- Rising housing costs (inc. to rent)
- Low / insecure wage economy
- ‘Renewables’ cuts e.g. FiT, ECO
- Covenants/gearing
- Pensions time bomb
- Welfare reform – ‘making work pay’
- Scottish budget re-profile
- New Regulator
- Independence referendum
Horizon HA
Working with Developers/Councils

- Site transfer (3)
- Purchase ‘off the shelf’ (51)
  £10m spent in March 2009 alone
  - 50% from Govt.
Low-cost Initiative for First-Time Buyers
Help to Buy  Help to Adapt

© Link Group Ltd 2015
Edinburgh PSL
National and local govt. contracts

- LiFT Open Market Shared Equity. £800k per year. 2300 +
- Help To Buy. £4.5 m over 3 years
- Help to Adapt. £7m over 3 years
- PSL. £13m over 3 years
- Care and Repair, West Lothian. £483k over 3 years
- Care and Repair, N Lanarkshire. £1.16m over 5 years.
Fuel Poverty
Digital Links Project
Digital Inclusion Officer
The Bruach, Dalmuir – Link and two others. SE Hub and IT Training suite
I was depressed and didn’t have the will to look after my home – I am living in another world now.

The biggest relief is not having to worry about my fuel bills.

I can now pay for a chiropodist to come to my house.

The extra money helps us keep the car on the road.

Wish I had known about Care and Repair before.

I’ve never had so much money in my life.

After my referral to social work services, I got a walk in shower fitted. What a difference!
What is SROI?

- Story of change – making what difference
- Impact measurement - of a project
- Financial values/proxies
- Ratio of investment to outcome
Social Impact and Commissioning

- Commissioners – revert to working with third sector and service users in partnership
  PPP/ co-production/self-directed support/personalisation
- Cost cutting/price musn’t be paramount
- Beware Social Impact Bonds and Social Investors (and academics)
- Take opportunities to influence change eg Procurement Reform Bill, Community Empowerment Bill
- Leadership – break the ‘silo mentality’ and ‘tail wagging the dog’
West Bridge Mill, Kirkcaldy – LinkLiving

SROI

- 76 people 16-30
- Accommodation with support
  - £282k during 2009
- Stakeholders- residents, Fife Council, NHS Fife, UK and Scottish Govts.
  - Outcomes- increased independent living skills/tenancy sustainability/employability/financial capability, reduced alternative housing costs/homelessness, reduced support staff costs

SROI £3.69

Cost £4k
Smaller-scale funding

- Local Authorities – RealLiving, Modern Apprentices
- People and Communities Fund - IT Training Suite
- CARES for renewables
- Charitable Trusts – Robertson, Coalfields
- Dept. Of Work and Pensions (DWP) – Smart Living
- Scottish Legal Aid Board – Welfare Reform Skills and Development
- Scottish Communities Renewable Trust (SCRT)
- Ourselves – Re-Union Canal Boats, Access Ownership
Link Employability Initiatives (2013)

- Youthbuild (25 placements)
- Community Benefits in Procurement
- Link’s Development 2013/14 – 20 apprenticeships, 15 work placements
- Community Jobs Fund - 40 placements  9 of first 10 permanent/fixed term jobs or FE.
- Modern apprenticeships – 9 at present
- School pupil work placements – 6 per year
- Employability Officer
- LinkLiving – 83 young volunteers, 12 employed, 7 to FE.
- Smart Living – 15 on employability programme – 6 to employment, 6 to Further education
Link Employability Initiatives

National Skills Academy (Construction)

First Scottish RSL
Smart Living – Peer education/volunteering
Market Garden into Linkscape
Bringing Trades In-house

- Phased 2013-15
- 70%
- More control
- Better service
- Savings – 40%
- Staff morale
- Employment – 40 staff so far
- 98% tenant satisfaction
- Subsidiary social enterprise – Link Property
Strategic Objectives

Providing Homes

- Build at least 1200 new rented homes over the next five years that meet people’s needs
- Ensure Link homes are well maintained, efficient to heat and are adaptable as people’s needs change

Building Communities

- Work with people to improve their communities
- Support social enterprises through our purchasing choices and provide help to organisations that share our social enterprise principles.
Strategic Objectives (cont.)

- Valuing People
  - Find out from customers what they want from us and work with them to achieve these aims.
  - Support and encourage our employees, volunteers and board members to reach their potential. **Leadership Development**

- Working Together
  - Help more people to fulfil their potential through employment, training or volunteering.
  - Take care of our resources and use them to benefit our customers.
  - Use our networks to learn from and influence others, and use our knowledge and experience to help others to maximise our impact.
‘We’re’ Going to Make Work Pay’

- Keep building !!
- Sweat our assets - landbank, reserves, cheap borrowing,
- Create the jobs, deliver on employability
- Maximise social rented provision (£75 per week)
- Pay the Scottish Living Wage (£7.85 per hr.) (‘Poverty in work’)
- Deliver affordable warmth
- Influence legislation (eg. Procurement, Community Empowerment, Integration of Health/Social Care)
- Win more bids – but no suicide ones.
- Develop sustainable social enterprise
- LAs. – recognise social impact and involve third sector partners
- Funding - banks, pension funds, investors, credit unions
- Scottish Government – maintain adequate subsidy
Link in 2015

- £3m surplus on £41 Turnover
- 580 staff
- £51m Reserve - £10m landbank
- 214, 112, 299, 192 new homes in 4 years, mainly social rent
- 218 this year
- 1200 more within 5-years – majority social rent (58% subsidy)
- £30m bank facility – re-negotiated
- £45m ‘private placement’
- Big Lottery, PCF, SLAB, etc.
- Govt. Contracts – Help to Buy/Adapt/LiFT/NHT
- LA contracts – PSL, Care and Repair
- Development agents – WHHA, NGHA
- UK Social Enterprise of the Year 2013
Loan restructuring/expansion

- Squeezed (2008) then relaxed (2013) - £30m left
- Raised 50% gearing level – historic cost instead of EUV
- Freed-up security
- Revolving credit - £30m
- Higher margin
- Still using it in 2015
- £45m private placement with M&G (2014) .Long-term.
- Sub-5% floor. Good at the time, but ..........
Private Rented Sector (PRS)

- 12%
- Expand reputable PRS eg HAs ‘Build to Let’
- Review
- Regulation
- Security – 11 grounds for possession
- Model Agreement
- Tribunal
- Rent control? Not yet.... Rent rises<inflation
- Land /investor availability
- Aggregation eg Carduus, HARIS

© Link Group Ltd 2015
Dormant Companies
- Linkwide Ltd
- Link Homes (2001) Ltd T/A Link Homes Ltd
- Link Energy Ltd

Key:
RS – Registered Society under the Co-operative and Community Benefit Societies Act 2014
CLS – Company Limited by Shares
What’s in a Name

WC in the Fields
Cops and Rubbers
Housing Every Single Person
Key Largo
Lumsdun
An Insurance Company with a Reputation to Protect
Hair Dot Comb
Florist Gump
New Gorbals Glasgow
UK Housing Policy Issues

- Supply or better use?
- Supply or demand?
- Rising house prices a failure or success? 6% recently
- Too few options - social or market
- Lowering rents better than capital subsidy
- HAs should sweat their assets
- RTB with discounts (not) to PRS tenants
- More LA control/power/independence
- Taxation reform
- Planning reform eg ‘veto’
Things are different in Scotland

- 2012 – end unintentional homelessness
- Scrap RTB
- Maintain social housing grant – 58%
- Private tenants rights/rent levels, landlord registration
- Land and buildings tax
- Tax/local govt. finance reviews- council, land, local income
- Mitigate welfare reforms/austerity
- Human rights
- Free social care, tuition fees, prescriptions, bus passes
- Iraq/Trident/EU/NHS
- Community/tenant empowerment
- Accessible/empathetic Government, re-distributing wealth
- Challenging the post-’79 consensus

© Link Group Ltd 2015
Final thoughts (1)

- Strong/competent chair/board
- 455,000 social rented homes lost by RTB
- Many stakeholders, not just tenants
- Leadership
- Website – re-focus
- 63% of builders claim serious shortfall in skilled workers/professionals
- Regulation comforts lenders
- Borrow now/unencumber assets
- Risk aware, not risk averse
- Expand networks/influence
Focus (but not too much) – up on the roof, light at end tunnel, etc.

‘Sell’ (and buy) social enterprise

Create certainty

Never assume eg West Dunbartonshire (non-) stock transfer

Hold your nerve

A house is a place to live not a tradable commodity

Remember that ‘Nicola Sturgeon is the most dangerous person in Great Britain.’
Social Enterprise

Valuing People
Working together
Providing Homes
Building Communities

www.linkhousing.org.uk
cs@linkhaltd.co.uk