

Paula Palmer

Hello and welcome to this episode of Stonewater's *On The Air* podcast. Today, we're celebrating Stonewater's 10th anniversary and discussing the realities and challenges of mergers and acquisitions in the housing sector. We'll explore what drives housing associations to come together, the impact on organisations and communities, and the role of collaboration as an alternative to consolidation.

I am delighted to introduce today's guests, Sheila Collins, Chairman of Stonewater, who will share insights into Stonewater's journey over the past decade and its successful growth strategy. We've got Jonathan Layzell, Stonewater's Chief Officer for Customer Experience and Growth, here to discuss the practical realities of organisations joining Stonewater and the lessons we've learned along the way.

We've also got Andrew van Doorn, Chief Executive of HACT, bringing a critical perspective on mergers and advocating for greater collaboration in the sector. Last but not least, we've got Sharon Thandi, Senior Associate at Devonshires, offering a legal perspective on the challenges and opportunities in housing mergers.

Thanks for joining us, everyone, and we're going to get to know you a bit more as we go along. Let's get started. Sheila, can you tell us a bit more about being Chair of Stonewater's Board, about Stonewater's last 10 years, what have been the organisation's most significant achievements, and how has our growth helped shape our identity in the sector, please?

Sheila Collins

Thank you. Well, I haven't been chairman for all of the 10 years. I've only been chairman since the latter part of 2019, just in time to be there when COVID hit. That was quite a baptism of fire. But it has been, I think, a challenging time, COVID, and then the financial restrictions that there have been. It's been quite difficult, I think, to manoeuvre through all that. Obviously, also wanting to have these mergers with small organisations who have come to us and asked us if we wouldn't mind looking at merging with them. It's been an exciting time.

I suppose when you're asking what are the successes, the milestones we've hit, I suppose I have to start off, and because this is something that Jonathan has been very instrumental in, got to say, first thing is we've built more than 7,000 houses, and I think that is so important. That's 7,000 families that now have a decent home, and I'm really proud of that.

When we build homes, for each home we build, we plant trees, and we've also, in partnership with the Forest Trust, planted over 30,000 trees. In the future, there will be a forest that will be Stonewater Forest.

We've done a lot of public art. Our previous chairman, George Blunden, was keen on public art, and I think rightly so. I think it encourages a sense of community. We've set up a prize called the Blunden Prize, which we now are intending to offer every year to aspiring public artists. We had well over 100 applicants last year to judge. We have some very exciting ideas. I think that's something that I'm proud of, albeit that it wasn't my idea.

I think also, and this is partly as a result of COVID, we now work from home, all of us. I haven't got a figure, but it must be tens of thousands of miles that we have saved and done our bit towards saving the planet and making the air better.

I suppose the last thing is that the mergers have brought to us a sense of resilience and capacity. We've learned, we've got good ideas from other people, we've got some excellent staff. I think it also brings a challenge to us to look at how we work and decide if there are better ways of doing it. I could go on and on. I'm a great enthusiast for Stonewater, but everybody else is here, and they should be given a chance to answer some of your questions, so I'll stop now.

Paula Palmer

Thanks, Sheila. We would expect you to be a great enthusiast for Stonewater. You wouldn't be in your position if you weren't. It's safe to say we've been busy. It's lovely that we've not just focused on growth, but we've looked at communities and how we build those and support them as well. Jonathan, tell us a bit more about you and then continue where Sheila has left off. What do you see as the important lessons we've learned along the way, particularly regarding our cultural integration and service delivery?

Jonathan Layzell

Well, I think one of the really interesting things about Stonewater as it is today is it's about 25% bigger than it was when we formed it in 2015. That feels like a really important point. I think one of the challenges when you're putting together a merger is to take the best bits of each of the organisations, and in particular when you're working with smaller organisations, to look at how they might be able to better deliver services to customers.

That's been really important, particularly in the Mount Green and Greenoak mergers, which have happened over the last couple of years. That has been really at the forefront of our minds when we've been putting that together.

But I also think there's an opportunity here. Stonewater's stock is really scattered. I tend to think of it as from Torbay to Eastbourne and up as far as Harrogate. We got a very scattered stock, around 40,000 homes. That means that the way in which we deliver our

service to our customers is a real challenge for us. It's geographically challenging. We have to look at how we best deliver that service.

What we're moving towards, really, is a model where the bits that we can centralise are centralised, but under no illusion that actually the service to our customers is about how you deliver that service on the ground. That's particularly the case coming out of our partnerships with Greenoak and with Mount Green. It's about a local service delivery, but with the financial resilience of Stonewater at the core and providing those core services and investment in things like new IT systems and the ability to respond to changing regulation.

Paula Palmer

Andrew, I'm going to come to you next. But before we go on, can you tell me a bit more about you and HACT, please?

Andrew van Doorn

Yes. Thanks. I'm really delighted to be here. I'm Andrew van Doorn. I'm the Chief Executive of HACT, which is the Housing Associations' Charitable Trust. Great to be celebrating Stonewater's 10 years. Next year, we're celebrating our 65 years. HACT is an organisation that works across social housing to drive value through innovation, collaboration, and insight. We've been doing that for nearly 65 years.

HACT was originally set up to create housing associations, and we did that for about 40 years of our life, helping people in communities to create organisations to house themselves, their families, their neighbours, their friends. In our history, we helped create shelter, for example. We helped create many of the housing associations we know and love today, particularly those that were born out of the '70s and '80s and the 1960s concern around homelessness. That's who we are. We don't create housing associations anymore, but we do support that innovation and that collaboration.

Paula Palmer

Brilliant. Thanks, Andrew. Going back to mergers, What do you think housing associations need to keep in mind? We'd all agree that change is difficult for customers and colleagues, but we've seen from Stonewater, it can be a positive thing.

Andrew van Doorn

We've seen over the last 20 years, actually, a real move towards more greater mergers and acquisitions within housing. In some respects, there is a very strong case for consolidation of the sector. There's a very strong case for how do we deal with some of the inefficiencies that are there at the moment, how do we make sure that we're delivering impact and we're delivering a really financially viable future for housing associations.

Often what we see is that it's often the financial piece that's driving some of this. That's not wrong, that's fine. I suppose what I often would like to see more of, though, is a different understanding or maybe a different appreciation of the impact that we can make through mergers and acquisitions.

Also, how do we put the tenants, and we can call them customers, tenants, residents, whatever language you want to use, but how do we put them right at the front of the decision-making here? I think that that feels like it is something we're getting to and we're doing more of. I don't think we can put our hands on our hearts and say it's something that's always been at the forefront of our minds in the housing sector. Actually, governance and viability has been a stronger driver, both from the regulator, but also within our boards.

I think that actually, as we move forward, it's about really making sure that whilst the financial conditions our organisations find themselves in are important, so are the social issues that are affecting our tenants, our residents, and the impact and the enhanced impact we can make as organisations going forward. How we do that, how we codify that, measure that, use information, and build that into our appraisals and into our business plans and into our decision-making is really critical.

Paula Palmer

Yeah, agreed. Sharon, can you talk us through some of the other reasons housing associations choose to merge?

Sharon Thandi

Thanks, Paula. I'm Sharon Thandi, as Paula said, Senior Associate at Devonshires. I'm really delighted to be part of this podcast, and supported Stonewater through some of the projects that Jonathan mentioned, such as with Mount Green and with Greenoak. It's great to reflect on some of those journeys.

Andrew has made some really valid points there around the role of M&A in the sector, the role of mergers, what drives some of the mergers, and also then what needs to come out of those mergers. Financials can be really important for why mergers happen or what the key driver is for delivering some of those. But there are some other cases and there are some other drivers.

Jonathan touched on some of those when discussing Stonewater's journey. We see sometimes one of the key drivers, particularly in the sector at the moment, is around building that resilience to all the regulatory changes and some of those environmental and economic changes that we're seeing in the sector.

We've also seen it for smaller providers who possibly feel like they're not quite equipped to meet those future challenges. They may not have the expertise on their board. Sometimes these are very small organisations that are completely volunteer-led, so

they are looking to more experienced providers or providers with more resources to be able to offer that resilience for them. Really, at the heart of that is to safeguard their social housing assets and safeguard the social housing services. That's one of the key drivers we've seen.

Other drivers can be linked to strategic growth and expansion. Providers can come together where they want to achieve some strategic growth or expanding into areas, whether that's geographically, there's an interest in expanding into certain areas or to deepen the presence. Jonathan, again, mentioned around having geographical spread. It might make sense for providers to come together there so that they can consolidate some of that geographic spread and deliver that enhanced service, delivering that value for money.

Another thing is around pooling resources in a different way. We've seen this with mergers, even with Stonewater, where providers, they bring different things to the table. You might be partnering with an organisation that has a specific expertise. They might have a really strong development function, for example, or a really strong local offering. Mergers can help facilitate some of that collaboration.

Andrew did mention collaboration, and merger is just one piece of the collaboration spectrum. But those are some of the things we've seen. Of course, as Andrew mentioned, there is the financial pressure. We have seen providers facing financial difficulty, which has resulted in them going ahead with merger proposals and merging with organisations. I also don't want to pretend that it isn't important because it is one piece of the puzzle we're seeing.

Paula Palmer

Thanks, Sharon. I think you said there about drawing on the strengths of particular housing association, bringing them in. We saw that with Greenoak, didn't we? Then we used their special in sustainable technologies and drive for that and created the Greenoak Centre of Excellence. Continuing on that theme, what are the biggest legal and regulatory challenges that housing associations are facing? Do you think there's any way we can mitigate them?

Sharon Thandi

Yeah, of course. If we think about it in the lens of the mergers, there are lots of regulatory challenges. We are dealing with a new consumer standards regime now. I wonder how long we'll keep calling it new as well because we are a few, what is it now, 8 months into the regime. Although it is still fairly new, obviously, we are only those many months into a 4-year programme of inspection yet, so lots of learning to be had.

Usually, when we're advising organisations that are considering a merger, at the outset, we'll always advise organisations on what the different options are for achieving a

merger. I know I'm the lawyer here, but I promise I won't get too technical with lots of legalese and different options. But there are different legal routes to achieving a merger, essentially.

Often, one of the challenges can be is ultimately organisations deciding what their optimal option will be and also understanding what some of the trade-offs will be for why they end up going with one option or another. For example, they might prefer a certain legal route for a merger, but if it means renegotiating favourable loan covenants or things like that, that might not be so preferred. Maybe that's a trade-off and they'll go for a different option.

I think that can sometimes be a challenge we see at the outset, making sure that whatever route is used aligns with what the strategic objectives are. It's always worth having that plan A and plan B. Some mergers we've seen in the sector have taken a two-stage approach where we'll have a day one structure where a provider might join a group structure. Then further down the line, there might be further integration.

Or we see some organisations that go for, sometimes what we call the Big Bang day one, where they'll merge completely from day one. We see a different spectrum, even in the mergers realm of how they can be achieved. But thinking more closely in terms of what some of the legal and regulatory challenges are.

However, what I would also say is, if you're a housing association that has a bond, listed bond, you also have duties around the market abuse regulations and confidentiality obligations. You really need to balance for what are our obligations under quite strict market abuse regulations? You mentioned the importance of having residents involved right at the outset.

We know we've got a consumer standard, the transparency influence and accountability standard that sets out how residents, tenants, again, whichever phraseology you use, should be consulted. That standard sets out that residents should be consulted at the formative stage. That's very important to build into processes.

We've also seen in the news that providers are being scrutinised on how they're engaging with residents on any proposals that involve things like mergers. Consultation processes need to be accessible. There's a whole list in the standards of what your consultation process should cover. It needs to be accessible. It needs to be genuine. You, as a provider, need to demonstrate how you're taking that feedback from a consultation to inform your decision going forward. It has to be meaningful.

Organisations should really be considering how they consult with their residents, and not just on a merger, but any change in delivery of services can involve a need for consultation, and ensuring that consultation is truly meaningful and truly accessible.

Residents really feel informed when they're being consulted with and feeding back. I would say those are some of the challenges that providers can face.

Paula Palmer

Thanks, Sharon. Jonathan, joining with another housing association can create significant efficiencies, but also come with data challenges. How does Stonewater manage the integration of data systems when another provider joins, and what improvements could the sector make in this area? That was a long question.

Jonathan Layzell

It is a long question. I think inconsistent ways in which people use data. Anybody who's brought together two organisations will know that two people can think that they're talking about the same thing, and unless you get into the nitty-gritty of the detail of what they're actually talking about, you might be talking about measuring things in two different ways.

It's hugely important in terms of our responsibility to our customers, in terms of the way in which we're regulated by the regulator for social housing, that we get a really good grasp on the data quickly when we're bringing other organisations into Stonewater and making sure that we understand what that data is and how it relates to things like health and safety, rent setting, and any of the other myriad things on which we're monitored and held to account.

I think it's hugely important that we understand that in order to make sure that we deploy the resources that we've got effectively. But I also think the sector is probably a bit of a turning point in terms of the way in which it uses data. There's a lot of challenges for the sector at the moment in terms of things like damp and mould, and Sharon has talked about the new, whether we're going to still call them new, but consumer regulation.

Making sure that you've got a good grasp of your data is a really pivotal starting point, if you like, in order to be able to deliver those services. As I say, I think we're at a turning point. I think one of the things which the sector has really not good at in the past is that we've got a myriad of different systems gathering data in loads of different ways because everybody thought that the business that they were operating or the organisation that they were operating was unique in some way.

Now, it's unique in some way, but actually the data that you want to capture is pretty common across all housing associations. You need to know who's living in your property, who holds a tenancy, how much rent they're paying, where they live, when the property was built, and beyond that, what heating system and what windows and those sorts of things.

The reason I say we're at a turning point is I think we're about to see a step change in the way in which organisations invest in new systems. I think this is one of the things which has driven some smaller organisations to seek to collaborate with larger organisations, because the investment required in those IT solutions is just unmanageable for a really small organisation.

I think what we'll see is some consolidation around those systems. I think probably most people have turned the corner in terms of understanding that they're not entirely unique. I think my reading of the way in which the sector is going is that we will consolidate that into effectively two systems, which is good. I don't want to have just one supplier with a monopoly across the sector. But that will really help, I think, in terms of data quality.

I just wanted to pick up on one of the things that Sharon talked about as well in terms of what the motivation is for some of the smaller organisations and how customers feel about that. Because I think this is really important. I think most housing associations started off in some way, shape or form being run by well-meaning volunteers, which is fantastic. There are still a number of those smaller associations out there. One of the associations that we brought into Stonewater is a smaller 15 properties, one five properties.

There's a number of other smaller organisations that are under 100 properties that we're talking to. A common thread when you talk to the board members of those housing associations is that they've reached the end of the line, if you like, in terms of being able to deal with the complexity of the regulation as it is now for housing association.

Also, that a lot of those volunteers, and I think there's probably a wider thing here, we can have a different debate about volunteers across the piece. Those volunteers are ageing, and they can't find enough younger volunteers to come in and run those organisations. What they are seeking to do is to hand those customers, if you like, into an organisation that they know will look after the customers.

The customers actually, generally, and I've dealt with a lot of the public consultations around the smaller organisations that we've brought into Stonewater. The customers are pretty empathetic towards the board members in that sense, because the board members are saying, "Look, we've got it to this point, but this is not sustainable for us as a board. We need to hand you over to a more professional organisation."

There are plusses and minuses from that experience from a customer perspective. We have to be honest about that, as Sharon has said. What are the housing associations we talked to if somebody wanted their tap to be fixed or their door to be mended, they'd talk to the chairman of the housing association while he's buying his Sunday newspaper, and he'd say, "Okay, well, somebody will pop around on Wednesday to sort that out."

Now we had to be really honest that we weren't going to be able to replicate. We weren't going to be able to replicate that. But I think customers are generally pretty understand it. They want to know that the organisation that's taking their properties on is going to be responsible, that it's going to follow the regulation.

Fundamentally, they want to know that their rent is not going to change significantly through this. We make this change. Am I, personally, worse off? I think we'd probably all think about that as our instinctive reaction when being told of that change. But it is a really interesting thing that we've had a number of organisations approach us because they are saying that having a volunteer run organisation of perhaps, well, in one case, 15 properties, but quite a few that are under 100 is simply not sustainable.

Paula Palmer

Andrew, would you like to come in at this point? You said earlier that HACT was part of that thing, building those smaller housing associations to begin with. Are there alternatives to mergers? What do you think smaller HAs can do?

Andrew van Doorn

I would like to get in there. I can't allow the data piece to go without some comment either. The data piece, I think, is a really interesting one. Jonathan, really delighted to hear you think that we're at this moment. Also, really pleased that you used the phrase invest in. Because actually, I think, if we're honest, most housing associations view data as a cost rather than as an investment.

This is a really good example of work that HACT us down in trying to create some collaboration in the sector. We worked with 120 organisations over five years to create the UK Housing Data Standard. The data standard is there. It's free to use. It's available on our website. We did it for a number of reasons. One of the reasons we did it was because we knew that there was a whole load of mergers and collaboration going on within the sector.

Actually, there was a huge amount of cost being driven into organisations through pretty poor data. When bringing together different data systems that were not standardised, were not built on an infrastructure which describes data in the same way. What we were seeing was that the proposition of we're going to merge to deal with our inefficiencies in the sector was actually turning out to be, and we're not dealing with our inefficiencies in the sector.

Actually, lots of work was going on to try and combine organisations. Actually, if you step back from that and say, "Let's get some of the infrastructure right across the sector and organisations through a data standard," for example, it would make some of that easier. You're asking about collaboration. Collaboration, I think, is one of those things in our sector where actually it's a little bit countercultural in some respects.

We're not a very competitive sector. There's really very little in which housing associates compete with each other. You would think that in that environment, actually, collaboration would be really vibrant. It would be something that we would naturally do. We are very good as a sector in going to conferences and chatting. We love to chat to each other, and we love to show and tell. But when it comes to actually collaborating, working together, sharing risk and reward, sharing investment, doing things to actually drive things forward, we're not that good at it.

Actually, I think actually, part of the reason we're not good at it is because sometimes people think that the question of collaboration is immediately followed by a question of acquisition. In some respects, even if we did consolidate the sector to a point where we had a handful of organisations, I don't think that will happen. But if we did, there would still be the need to collaborate because there is real strength in how we do things across the sector together.

We have a significant challenge ahead of us. If we look into the next 10, 15 years, there's huge amounts of real strategic challenges that we have, but also strategic opportunities that we can unlock. That if we work together more, we could actually start to unlock that. That shouldn't be seen as a threat. That should be seen as something which we can do and has real benefit to the people whose homes we are managing and to the communities in which we are working.

We could see that collaboration at a sector level. They could start to do things in a different way. That's what we want to try and explore in the next year. We want to really put that question on the table and say, "Is there more that we can do?" We can see some really great work around decarbonization, the Greener Futures Partnership is an example. We see little glimmers of light around collaboration in our sector.

But what we don't see is a concerted effort to elevate that and say, "Actually, if we're going to address all of those challenges and greet all of those opportunities in the way that we should, we're going to have to start to behave differently as a sector." So, yes, there will be, I'm a supporter of the consolidation of the sector, but I'm equally a supporter of the collaboration in the sector.

They're not the same things. They don't have to be the same things. If we do both with a real focus on the impact that we drive on the social value that we drive as social purpose organisations, and we think into the future about meeting those challenges and those opportunities head-on, in there, I think, is the magic for our sector, and in there is the impact that I know deep down on everyone in the sector really wants to drive.

Sheila Collins

Taking up on Andrew's points, I would say that we do have collaboration already in some areas where we maintain another housing association's properties and vice versa. But I

do agree with him on the general point that collaboration does complement the mergers and acquisitions activity, and although I don't think it replaces it. I think you have to have trust and transparency and shared vision and a similar culture. All of those things are essential for a successful collaboration. It's easy to say. It's not quite so easy to do on the ground, but I think we have tried to work with other housing associations.

We've worked with local authorities and smaller housing providers and community organisations to share expertise and resources. But I do think that mergers probably address the immediate challenges, but collaboration fosters the long term relationships and the sector-wide resilience. I think that's probably how I would see it, and I don't know if Andrew agrees, but I think Jonathan will probably have a bit more information about some of the collaboration that we do.

Jonathan Layzell

I think it's a really interesting point. I think the sector generally is very good at coming together in interrogating government policy and lobbying for change there. The National Housing Federation, we did quite a lot of work with them as part of their Delivering Great Homes Group and the National Delivery Group, specifically around development.

I also think things like Homes England strategic partnerships for Stonewater have been a really powerful example of collaboration, which is absolutely not about merger, but we've collaborated with the Guinness Partnership since 2018. In fact, before that on some stock consolidation, which is how we created that partnership, really. But the strategic partnerships between them will deliver more than 8,000 new affordable homes. That's just the Guinness and Stonewater strategic partnership.

That's been a very effective way of us engaging with the central government and also with local authorities. I think there are smaller clusters of housing associations that come together to collaborate on all sorts of things and to share knowledge and to share best practise. I think on the point that you make, Andrew, around how we work together to actually deliver the service on the ground to customers, I think that is a really positive thing to aspire to, but much more difficult to deliver effectively on the ground.

When we've talked to people about whether they might collaborate with us in terms of delivering a maintenance solution on the ground, I think it's fair to say that the challenges that the sector faces in delivering its repair services are such that people quite often don't have that excess of capacity to even think about how they might collaborate.

That said, we have got a very successful CSV with platform in the West Midlands to share the resource of repairing our homes there. So collaboration is absolutely part of our DNA, and we don't view merger as the answer to everything. But I think coming back to the point that I made earlier on about our geography being so dispersed, that

consolidation of the geography, the work to deliver us greater stock density in key areas is really important.

Certainly, that was a real driver for us in terms of bringing Green Oak and then Mount Green into the Stonewater Group across an area where we already had a core amount of stock, so I think 2,000, 3,000 properties, and we've since added 2,000 to that. We've done that with an eye to delivering more effective services to those customers in those areas.

Paula Palmer

Thanks, Jonathan. Thanks. I think we can see there are pockets of collaboration that are going on around, but interested to see what hacks can come through and offer as a way to greater collaborate in our sector, shall we say. Sharon, coming back to you. Many mergers are driven by regulatory downgrades. How do regulators influence mergers, and how can us, housing associations prepare to meet their standards proactively?

Sharon Thandi

Thanks, Paula. I also just wanted to come in quickly first about some of the collaboration points because I think it's an interesting area, and I think it's one where there's lots of discussion about how to do it and probably different opinions on how far we've moved the dial in terms of fostering that collaborative environment.

I think what's key is that there's some issues that are just sector-wide that should have possibly a sector-wide solution, and that's where the collaboration will really help. We've seen things we've mentioned around the partnerships around social housing, decarbonization funds, some things around potentially EDI as well. Sector-wide initiatives around equality, diversity, inclusion, and improving that piece across the sector because this is a sector-wide thing.

It's not just providers can do that a bit locally, but to get real momentum across the sector, we possibly need some of that collaboration across the piece. Jonathan mentioned there about cost-sharing vehicles, CSVs. We're seeing them used for different things now as well. Traditionally, we've seen them with potentially repairs programmes. We've some providers look at potentially using them to share core services like legal services even or procurement services. That can really help smaller providers that do face some of those financial difficulties.

They can use collaboration to really, target and minimise some of those drivers that might otherwise be a driver for having to merge with an organisation. Instead, they can find a solution through collaboration. Then moving more back onto the mergers track. If we think about the role of the regulator in terms of facilitating mergers, I would say that regulatory downgrades are an indicator of weakness, but they're not necessarily a cause for a merger.

It's not every provider we see that gets a downgrade is going to merge. I would also say that it is quite rare to see the regulator using their black and white power to, should we say, force a merger in those kinds of situations. It's not that environment. What I would say is regulatory downgrades because they are an indicator for weakness.

They can drive further pressures for organisations. For example, if you're subject to a regulatory downgrade, it can mean your organisation might struggle to obtain financing at those favourable rates, so it might be more expensive, which then further exacerbates financial pressures on your organisation, which may mean then you have to consider merger as one of those routes for solving some of those pressures.

A downgrade in and of itself isn't a cause for a merger, but it can have a knock-on effect, which is why sometimes mergers happen. When a provider goes through a downgrade or some regulatory intervention, the regulator will always want to see that the provider has a plan of how they're going to fix the situation, what the plan is moving forward. That often means having a plan A and a plan B. Sometimes mergers might be one of the solutions, so one of the plans or one of the options to consider.

Again, we have seen that influence that the regulator might have in terms of being comfortable with the plan a provider has to get themselves out of regulatory difficulties. Whilst the regulator isn't necessarily using its black and white powers in terms of forcing a merger, it will want to be comfortable with the options that a provider is considering when they're trying to address their issues, because ultimately it wants to safeguard the residents of that provider, and it wants to safeguard the social housing units.

As I said, a merger might be one of the options that is considered and that the regulator will see. We have seen in rescue situations where we've had instances of the regulator potentially contacting providers to see if they're willing to look at mergers with other providers. We have seen some examples of that in the sector.

More generally, if you're thinking about what you need to be considering regulatory requirement-wise when you're looking at mergers, providers or partners should be looking in whatever the situation is. What will this merger mean for my regulatory compliance? Is my organisation still able to meet its regulatory objectives, meet the requirements of the standards in a way that it wants to, in a way that's fully compliant if this merger happens?

Because it's key that you can still meet all your legal obligations and all your regulatory obligations no matter what you're doing. That's the first test. Organisations also then need to think about, well, what's the impact of us merging with whoever the partner might be? Will that have an impact on your grading? If you're a provider that receives a grading, do you then need to think about what their compliance data looks like, and what impact that might have on your own data and what that might mean for your grading?

That's where things like due diligence really come in, where you carry out investigations into your partner, and they obviously investigate you to see how you're doing, lifting the hood up, so to speak, and having to look underneath on how things are going. Things like looking at compliance information around key health and safety metrics, looking at complaints data performance, looking at repairs performance, TSM data, seeing how your two organisations align, and whether if you're coming together what impact that will have on each other's regulatory position.

I would also say culture is a really important piece if organisations are coming together, whether it's collaboration or whether it's a merger. Often we've seen organisations that merge and integrate successfully will have really paid attention to the cultures of their organisations. That's going to be really important, particularly with the consumer standards.

Is your organisation's culture around consumer standards, how you're engaging with your residents, how residents are engaging with you, what your attitude is to compliance and complaints? Is that aligning with your intended partner so that you can show from day one, you have a piece that matches and that you can be satisfied if the regulator came knocking, you could evidence how you're complying with the regulatory standards.

Paula Palmer

Thanks, Sharon. Thank you very much. One last question for everybody before we wind up. I'm going to start with Sheila, and I'm going to say, looking ahead, what do you see as the biggest challenges and opportunities for the housing sector over the next decade?

Sheila Collins

I think by far the biggest challenge is going to be the government, quite rightly, want more houses built because there is such a demand, and I can't see how that demand is going to decrease. But I think equally, it's got to be understood that housing associations, our cake is only so big. A lot of expectation has been put upon us, our income has reduced, there have been increased demands on what we must do.

We, like many others in the sector, have, in fact, looked at our development plans and reduce the number of houses that we feel that we can provide because of the other things that are demands on our income. I think that somehow that's got to be understood by everybody in the sector. Well, we've either got to make the cake much bigger or people's expectations have got to be reduced because at the moment, they are out of kilter.

But again, for every demand upon us, it provides opportunities. Those of us who can be innovative about how we manage the cake, that will be a great challenge for us, but

could be something that really helps us in the next 10 years to have a strong Stonewater going forward.

Paula Palmer

Lovely. Almost that cake analogy is making me feel a bit peckish. Let's go to Andrew.

Andrew van Doorn

There's a lot of big challenges ahead for the sector, and we're feeling them now. I'm ensuring you talked about just housing supply. Actually, the housing supply is playing out also as homelessness, and actually figures out today from shelter and from government show just that level of homelessness is going up and up and up, and it's getting worse.

I think another big challenge is actually just the level of poverty that's been experienced in the communities in which we work. Social housing is coming and has become a residualised sector. We are housing people who are on low income, people with lots of challenges in their lives, and actually that poverty for them is getting worse. That's a big issue about how do we support the people who live in the homes that we manage now and into the future.

As Sheila said, in there, lots of challenge, lots of issues, lots of questions around how we deliver a just green transition for people in our communities. But actually, there's lots of opportunity in there. There's a huge amount of creativity that we can unlock as social purpose organisations. Rooted in communities who care about the people in the communities where we have our homes, who really care about the partnerships that we need to be able to support that, who actually, whilst we might feel financially vulnerable, are particularly financially robust.

When we compare ourselves to other sectors, we have a significant asset base, we have a significant presence, we are at anchor institutions. When we flip that question of what are all our challenges to where are all our opportunities, actually, our strength of place, our strength of presence, our strength of asset, our strength of talent, and our strength of creativity and innovation, that's what we need to unlock. As I always say, it's through collaboration, it's through trying out the new things. It's about being bold and doing that with very much the people who live in our homes. That's our heart. That's when the magic will happen.

Paula Palmer

Thanks, Andrew. I'm feeling quite boyed up at the end of that what. Sharon, anything from you?

Sharon Thandi

Yeah, me too. I love that response, Andrew. I think it's been great because you've covered off quite a lot of the big challenges. But when you usually do those matrixes, the risks and the challenges are always a mirror of the opportunity. Yeah, there is lots of opportunity. I think some of the collaboration that you've talked about will really come to solve some of those challenges. I just wanted to add there, possibly a challenge, but also an opportunity is the consumer standards regime, because that has fundamentally changed the relationship with providers and their tenants.

I think previously, it was very much a property-centric regime, whereas now this has really put the individual resident at the heart of the regulation. Yes, there's lots of discussion that this should already have been happening, but we do have these standards now, which does reshape that relationship. We know there's lots of changes to come with the consultations around the access to information scheme, our law, the Competency and Conduct Standard. It is still fairly on in terms of learning from what the new consumer standard grading say.

But I think it will be a real opportunity now for organisations to really grasp how they're going to hear their residents' voices in a meaningful way, how they're going to embed that in their governance structures. I think organisations have really invested time in putting strong governance structures in place to meet the requirements of the governance and financial viability standard. Now it's about adapting those structures to meet the requirements of the consumer standards and having that effective engagement with the people who we provide services to.

Paula Palmer

Lovely. I'm going to flip the question slightly for you, Jonathan, as one of our chief officers. How do you think Stonewater's set up to face those challenges?

Jonathan Layzell

Well, I think the starting point for this, from my perspective, is that a housing association is such a fantastic concept. If it didn't exist, somebody have to invent it. We're a long-term organisation. We're interested in the long-term needs of our customers and making sure that we, as chief officers and Sheila's role in the board, leave the organisation in a better and stronger position than that which we found it. Sometimes that's about growth. I talked earlier about the fact that we're 25% bigger than we were 10 years ago. But it's also about making sure that that firm financial footing and that financial resilience is there and remains there.

I think the fact that we've got a government that aspires to one and a half million homes to be built during this parliament, whether people are sceptical and cynical about whether they can do that, I think I talk to a lot of people in the sector who are cynical and sceptical about whether they can do that, that aspiration from government is

symptomatic of the fact that the housing crisis is such that it's near the top of the domestic political agenda. That is a significant change for housing associations compared to when I first came into the sector 20 years ago.

The housing crisis has got worse, and that must provide an opportunity for us. The challenge is how we unlock it, and I think we unlock it through collaboration. Collaboration can mean all sorts of things. It might be working together on development. It might be working together in terms of the way that we manage and maintain our properties. It might be about consolidation of systems and data and all the things that we've talked about. But I think it's a really challenging time to be in housing, but it's a really exciting time to be in housing as well.

Andrew van Doorn

Paula, may I just offer one thought for you and for the listeners? Because it's something that I think about a lot at the moment. Taking what Jonathan said there about us as long term organisations, organisations that have been in communities for past 50, 100 years, and we're going to be there for another 50 years, how are we going to be the good ancestors that we need to be? Because the decisions that we take now and in the next year or 5 years is going to establish the homes and the communities in which people are going to be living in 50 years time. How are we those good ancestors?

Paula Palmer

Fantastic question. Thanks, Andrew. We do certainly hope that we're going to be here in another 50 to 100 years. Got a few birthdays to go yet. Thank you all for such a fascinating and insightful discussion. It's clear that the future of housing will require a balance of strategic mergers and meaningful collaboration. That's it for today's episode of *Stonewater's On the Air*. Thank you to all our guests for your contribution and thank you to all our listeners for listening in. We'll be back soon with more discussions on the future of social housing.