Hyde Housing has told residents it “can no longer afford” to run four community centres on estates in the London boroughs of Lambeth and Islington. In a statement, the housing association said its finances have been put under strain by government reforms and that the main priority must be “building new homes to help address the housing crisis”. Local residents and groups that use the centres are campaigning against the moves, which will see the community spaces either knocked down or leased out to outside organisations to manage.

Corporate Watch has gone through Hyde reports and financial accounts to see how Hyde’s justifications stack up. It doesn’t take too much reading to feel sceptical about the claim of financial hardship. The 2016 annual report opens with the CEO and Chairman saying the group is “in great shape” after “yet another strong year for Hyde financially” (more on the dubious backgrounds of those running Hyde below).

They’re not kidding. CEO Elaine Bailey used to run the prisons and immigration business of notorious outsourcer Serco so she knows a thing or two about corporate profits (more on this below). But Hyde is making returns her former employer would envy. The group boasts
revenue of £351m from 2016. After costs were taken off it was left with a surplus of a whopping £95m. Such returns compare pretty well with for-profit housebuilders* and have left Hyde with a £87m cash pile. With no shareholders to pay this out to, Bailey and chairman Mark Sebba promise to “reinvest every penny of our surplus into the business”.

But which part of the business? Read further in the annual report and a major reason Hyde is making more money is because it is selling more homes privately, for a profit on the open market. Hyde made £60m from this in 2016, up from £52m in 2015. Hyde says it built 730 new homes in 2016. Only 382 – around half - of these were for rent, with most of the rest for either shared ownership or more lucrative private sale.

This is in line with previous years. Since 2012 Hyde’s total number of socially-rented homes has dropped by just under 800, from 26,849 to 26,058. The number of supported housing units has also dropped, from almost 4,000 units in 2012 to 2,425 in 2016.

Meanwhile the number of homes sold privately has increased by over a thousand in the same period - from 3,970 to 5,340. The accounts show Hyde is currently building £104m-worth of homes to be sold on the open market.

So new homes are being built, but many are only for people who can afford to pay sky high market rates. A one bedroom flat in Camberwell currently advertised on the Hyde New Homes website [4] will set you back £395,000. A three bedroom costs £665,000. Not much help to the “poorest and most vulnerable members of society” Hyde says [5] it was founded to help.

**Following the money**

To expand the private sale part of its business, Hyde has diverted money – some of which could have been spent on the community centres – from its not-for-profit, social housing operations towards its private, for-profit, activities.

Like all large corporate entities, Hyde has a number of subsidiary companies that run different parts of the business. It sells homes privately through a company called Hyde Vale Ltd [6]. This is run for a profit to “further the non-charitable housing activities of the Hyde Group”, mainly to “develop residential properties for outright sale”.

Hyde Vale’s accounts show this investment has been bankrolled by the charitable parts of the Hyde group, which have loaned it money to set up and then expand its business. Until 2012 these loans came from the Hyde Housing Association, the parent company of the whole Hyde group and the one that owns the vast majority of Hyde’s social housing. Since 2012 it has been funded by loans from two other not-for-profit Hyde subsidiaries: Hillside Housing Trust and Hyde Southbank Homes.

News of the latter’s involvement may be particularly galling to those campaigning against Hyde’s decision to stop funding the centres in Stockwell and Kennington. Hyde Southbank Homes built the Stockwell centre as part of a stock transfer agreement with Lambeth council in 1999 that saw over 2,200 homes transferred to it. The Kennington Park centre came as part of a similar arrangement in 2005.

The Save the Stockwell Centre [7] campaign and Kennington Park Estate Tenants’ and Residents’ Association [8] now accuse Hyde of failing to invest in the centres and of “intentionally running-down services”, in spite of previous commitments to maintain the centre for community use.
The original stock transfer agreement stipulated: “any surplus money that [Hyde Southbank Homes] makes will remain within HSH and will not be shared with any other part of the Hyde Group”.

However, the Hyde Southbank Homes accounts show it had lent Hyde Vale £17.6m as of 2016. It is able to lend this money thanks to surpluses made from managing and letting the homes transferred to it. A £60m bank loan secured against homes transferred through the deal also helps gives it the financial security to fund Hyde Vale's for-profit, private sale business by lending it money.

Hyde's bosses claim the money the group makes from its for-profit activities will ultimately benefit the rest of the Hyde group. In 2016 Hyde Vale paid all of its £13.7m profit straight to the housing association (which has the handy advantage of allowing Hyde Vale to avoid paying the corporation tax usually due on a private company’s profits, thanks to the housing association’s charitable status). On top of this it paid almost £1m to Hyde Southbank Homes as interest on the loans.

Hyde Southbank Homes would be in a healthy financial position without that interest. Its overall surplus for 2016 was £2.1m, and its accounts show it has reserves of £45m.

And the overall Hyde group’s finances may be boosted by its move to sell flats privately but, given the “great shape” figures quoted above, they are not dependent on it. Hyde cites the “challenging environment” caused by the government’s one per cent reduction in social housing rent levels over four years as justification for closing the community centres. This will have an impact on Hyde’s finances but it is not as significant as suggested. The Hyde group accounts show revenue from socially rented letting was £151m in 2016, with an operating surplus of £87m, giving them plenty of wiggle room even after the reductions.**

So it is not a question of whether the community centres are affordable but whether they are the kind of 'assets' that those at the top of Hyde want to spend money on. Many of the things residents like about their community centres can't be valued financially, so you're not going to appreciate them by just looking at a balance sheet.

With friends like these...

Unfortunately, a look at the backgrounds of those at the top of Hyde suggests it’s the bottom line that will concern them most. CEO Elaine Bailey’s 12-year tenure at Serco before she joined Hyde saw plenty of scandal. In 2013 she had to defend the company as it faced accusations that it overcharged the government through its criminal tagging contract. A full audit and a £68.5m bill followed. The company also took flak for its involvement in the controversial Work Programme while immigration detention centres it ran were accused of a variety of abuses. In September 2012 for example, women detained in the Yarl’s Wood centre, run by Serco, organised a “Movement for Justice” to challenge degrading treatment that included being paid just £1 to do essential jobs inside the centre.

Her LinkedIn profile boasts that under her Serco’s Home Affairs division won their 2012 bid to continue to run Doncaster prison and also “oversaw [a] successful transition”. Two years later, after she had left Serco, that transition didn't look quite as successful, as inmates were found to be locked up without electricity or running water for over two days. Bailey also says she “opened up three new markets” in her time at Serco, one of which was “supported...
housing for asylum seekers”. By 2016 the company was saying it was “happy” to lose the contract after facing yet more criticism over the neglected, badly-managed service it was providing.

The Hyde job may seem prosaic in comparison but the £242,000 salary Bailey enjoyed in 2016 (up from £189,000 the year before) presumably makes it bearable.

The board is just as corporate. Before becoming Hyde Chairman Mark Sebba ran online retailer Net a Porter. Before that he was an investment banker, as were two of his colleagues. They are joined by a corporate lawyer, former higher-ups at BT and weapons manufacturer BAE Systems, and a chartered surveyor who has “worked extensively in private sector housing development”. Rounding out this motley crew is the boss of G4S’ prisons and justice division, which has a similar record to Serco’s.

Charitable status and a lack of shareholders aren’t guarantees that an organisation will be run for more than money. Hyde is not just a passive victim of outside pressures – it is actively pursuing a strategy that puts corporate success over the concerns of its residents.

Corporate Watch sent all the financial analysis in this piece to Hyde for comment and clarification on any factual inaccuracies. In response, a Hyde Group spokesperson said:

“Our core purpose as a housing association is to provide homes for those most in need. The Hyde Group like many housing associations across the country has to make cost savings, including to our social investment arm Hyde Plus and our Community Centres. Regrettably, the investment we put in is no longer financially viable, a position we completely understand is deeply upsetting for local residents but as a responsible housing association we must focus on creating more homes.”

Find out more:

http://www.savethestockwellcentre.com/  
www.kenningtonparkesteresidents.org.uk/news-updates/save-our-community...  
@ringcrosscentre  

Do you have any information on Hyde or another housing association you’d like to share with us? Email us in confidence at contact[AT]corporatewatch.org (encryption details here) or phone 02074260005.

* They’re not directly comparable but, for example, London-focused housebuilder Telford Homes, which is similar in size to Hyde, made an operating margin of 15% last year. Hyde’s was 31%.

** A rough calculation that deducts one per cent a year from revenue over the next four years and assumes costs stay the same still leaves the group with an operating surplus from its social housing business of £58m in the fourth year of the reductions.

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Housing

Issue(s):
Housing Associations
Social Housing
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Asylum housing [23]
Company(s):
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