Housing, Health and Environment Unit

April 2011

At the Crossroads

A Progressive Future for Housing Associations

Mark Lupton and Matt Leach

Foreword by Phillip Blond

ResPublica
changing the terms of debate

About ResPublica

ResPublica was established in 2009 by Phillip Blond. We are a multi-disciplinary, non party-political research organisation, which combines cutting-edge analysis with practical impact to create bold solutions to enduring social and economic problems.

Our research combines a radical, civic philosophy with the latest insights in social policy analysis, economic modelling, behavioural economics, management theory, social psychology and technological innovation to produce original, implementable solutions across six major project areas: Economy, Welfare and Public Services, Environment, Children and Families, Security, and Civil Society and Social Innovation.

At the Crossroads

www.respublica.org.uk

In association with Matrix housing partnership

Contents

Acknowledgements

Very many people have helped put this publication together. Our particular thanks go to the Matrix Group of housing associations for sponsoring the report, and to Chris Handy at Accord Housing Group and Ron Dougan at Trent and Dove Housing Association in particular for their ideas and support. Others who helped significantly included Andrew Dench, Clare Miller, David Mullins, Tony Stacey, Sally Thomas and Jeff Zitron.

We would also like to thank others who contributed to this report - some directly by helping the authors with arguments and materials, others through participation in roundtables and interviews during its preparation. These include Nic Bliss, Toby Blume, John Bryant, Richard Capie, Steve Clare, Helen Collins, Andrew Dench, Paul Doe, Jon Fitzmaurice, Steve Forrest, Matthew Fox, Matthew Gardiner, Jo Gooding, Mark Henderson, Grahame Hindes, David Ireland, Ed Mayo, Deborah Rozansky, David Shaw and Karen Wilson. Our apologies to anyone inadvertently missing from this list. All errors and omissions are the writers' own.

- M.L. & M.L.

Foreword

Phillip Blond, Director, ResPublica

Social housing is one of the largest single capital investments by the state in our poorest communities. Over the last 35 years, some £37bn has been invested by Government to provide affordable homes, through capital subsidy alongside the provision of indirect revenue through housing benefit payments. At present one in five of all households live in social housing; 2.2m of them in homes owned and managed by housing associations.

Housing associations therefore have a critical role in the delivery of a major public service and managing a robust and growing asset base. They also, as this paper argues, have immense potential as catalysts and anchors for community enterprise, as a focus for approaches to tackling worklessness and building resilience, and as vital sources of social capital and asset wealth.

However, social housing providers are currently facing unprecedented levels of challenge and change. Reduced capital subsidy for housing development, changes to rents and constraints on housing benefit together represent the most radical and far reaching changes in housing policy for a generation.

Many of the communities housing associations work within are facing pressures associated with reductions in local government and other spending. At the same time, there are new opportunities arising from the provisions in the Localism Bill, in particular around Community Right to Build, neighbourhood planning and the transfer of under-used public assets.

Despite the government's wider ambitions for big society, key aspects of that agenda - in particular issues of mutualism, community ownership and localised decision making - have so far been noticeable for their absence from the social housing debate. Instead, the focus of both government and much of the sector has been on issues of finances and outputs - essentially continuing debates around subsidy, rent, benefits and tenure initiated (if not concluded) by housing ministers prior to the election.

This report, prepared between December 2010 and February 2011, is based around a series of interviews and roundtables with housing associations, policy practitioners and members of wider civil society organisations.

It argues that both government and housing associations should take the opportunity to reconsider the role, purpose and potential of the sector. It proposes a new settlement based around a more diverse sector, with a greater degree of independence encouraging innovation and stronger links to the communities housing associations work within.

Executive Summary

The last thirty five years has seen the transformation of housing associations from a relatively small, diverse sub-sector of civil society into a large, sometimes geographically diffuse, and highly capitalised social business, in what has been described as "the outstanding example of a mass take-over of state services by the voluntary sector in our time".

The housing association sector has grown in response to government intervention and often been subject to significant and fundamental government driven change. But it has developed largely outside of public view, and in a manner which has been notable for the absence of any substantive debate beyond the sector itself as to its broader purpose and role.

Housing associations provide a vital public service to some 2.2 million households. As well as providing a home, many play a wider, catalytic role in helping their residents improve their life chances, providing community based resources, skills and training, and the support needed to move on in their lives. They represent a massive potential resource within many of our most deprived communities. But key aspects of the big society - in particular issues of mutualism, community ownership, localised decision making and the generation of asset wealth within our poorest communities - have so far been noticeable for their absence from recent social housing debate.

Housing associations and government need to consider how to respond to these challenges, as they also look forward to the possibility of a life without grant.

At a Crossroads

Housing associations are currently facing real choices about their future. Reduced capital subsidy for housing development, changes to rents and constraints on housing benefit together represent the most radical and far reaching changes in housing policy for a generation.

Associations are currently being offered the chance to enter into a deal with the Homes and Communities Agency where they will receive an agreed amount of grant over four years, and in return can raise the rents on their new and existing properties to make up for the reduction in direct capital subsidy.

This presents significant risks for associations: if they put their key focus on developing new homes at lower grant for those in most need, they may find themselves over time becoming largely defined as the "landlords of the poorest" with little income to support anything other than the basic property management functions. If they choose to focus on developing market housing, for sale or rent, even where this generates cross-subsidy for the development of affordable homes, they may expose themselves to increased financial risk, whilst also marginalising focus on their core social role.

If associations choose to scale back development, whilst they are likely to become financially stronger, this is likely to lead to pressure from government and regulator, who will wish to find ways to force greater value out of government's historic investment in the sector.

It is in everyone's interest that this unique resource - the housing association sector, combining financial strength, infrastructure, expertise and local presence – confronts those choices in ways that enable it to continue to meet the demands of the communities they serve.

Investing in Communities

Given the concentrations of stock holdings that housing associations have in many of our poorest communities, their commitment to the sustainability of community and neighbourhood is crucial. Just housing people on the lowest incomes without focusing on the wider viability of the neighbourhoods they live within is likely to leave housing associations with deteriorating income streams and asset values. Issues around local sustainability may become particularly important as local services and funding streams come under increased pressure in response to the tightening of public finances.

Many housing associations already have a track record of investment in the wider fabric and capacity of the communities they work within, in particular in relation to education and skills, health and the environment. Where housing associations have a strong local presence, there is real scope for them to build on this, developing their role into being more broadly based providers of services for and on behalf of their communities.

This would bring opportunities to forge new partnerships with both local authorities and local community organisations, transforming housing associations' strong housing-related presence, resource base and delivery capacity into a powerful community development and management offer.

There are **five key areas** where housing associations could look to build capacity and develop new approaches:

Enablers
Housing associations have huge potential to work with or act on behalf of local communities, and in particular those with limited alternative sources of capacity and capital, to help support them in taking on local services or assets. This might potentially be the case where for instance residents had identified a potential scheme under the Community Right to Buy, or are seeking to localise delivery of services under the Right to Challenge.

Investors
Housing associations could more actively support the development of local community-based enterprise by offering support or small scale equity or debt funding to get them established, and seek to support their growth through proactive local procurement approaches, helping develop enterprise, employment and wealth creation within their communities.

Active funders
Some housing association groups have set up funds which support local community activities, often in ways that builds wider community capacity and resilience. As communities seek to respond to the opportunities offered by the Big Society, this may become an increasingly important source of support.

Broader service providers
Housing associations with strong local presence and delivery capacity may be in a position to use their experience of managing services and strong financial base to bid to provide a broader range of services currently being undertaken by other bodies, particularly where changes in public service procurement offer new possibilities for involvement.

Supporters of local cooperation and self-help
Housing associations have the potential to provide support for a new generation of small-scale mutuals and self-help projects to harness the energy and commitment of local communities; to ensure those with time and skills but limited asset wealth are able to access housing; and to develop new and innovative ways to address individual housing aspiration and the the challenge of asset wealth inequality. Such approaches might include self help housing, sweat equity shared ownership and co-housing.

A Stronger Local Presence

Housing associations will need to consider how they respond to the challenges of localism. Over the last 35 years, many larger housing associations have acquired homes across a large number of local authority areas.

If they are to develop on the basis of local markets and needs, and this may see them developing new ways of engaging locally, including new approaches to neighbourhood planning set out in the Localism Bill. This may require an increased focus on:

Rationalisation
Effective localised activity will be more difficult and complex for larger geographically dispersed housing associations, spread across many market areas.

Whilst rationalisation has picked up over recent years as housing associations have sought to improve their efficiency, there are now even stronger reasons for housing associations to actively rationalise stock to concentrate on maintaining stronger and deeper relationships across a smaller number of areas of operation.

Devolving stock
Housing associations with a wide geographical spread may also want to look at the scope for devolving responsibility for managing stock which they own or develop to organisations that have a more specific community focus within that area. There is a strong case for considering whether the right of council tenants to form tenant management organisations ought to be extended to those in housing association properties.

Governance, Accountability and Choice

Whilst most housing associations now have tenants on their boards and have mechanisms for tenants to scrutinise and influence their services, organisations where tenant or communities are a central feature of governance and accountability remain the exception. There is no equivalent to an independent shareholder interest, holding Boards to account. The pre-eminent accountability mechanism remains upwards towards government and its agencies.

There is a pressing need for housing associations to develop new forms of accountability, both to give legitimacy to strategic business decisions that will increasingly have a profound impact on the future shape of their offers to the communities they work within, but also - critically - to re-establish social housing as a shared community responsibility and asset.

Developing scrutiny

Housing associations should look to develop their scrutiny mechanisms to include both a wider community perspective and to consider issues beyond housing management and maintenance. Where these are properly funded and independently supported they have the potential to act as the active shareholder that housing associations are often seen to be lacking.

Declaring a social dividend

Housing associations should explore the concept of declaring a "social dividend" through which they produce demonstrable evidence of their social investment and the returns this generates for local communities.

New Forms of Ownership and Accountability

Whilst improved scrutiny and greater clarity around social impact are important, **there is a case for a more radical reassessment of the continuing adequacy of housing association governance models**.

There has been a perceived tension in the debate about housing association governance between the need for efficiency in management and developing representative structures. However, the current small, inactive shareholding systems are unlikely to be a driver for innovation, efficiency or change, and in themselves create a need for top down regulation.

What is needed are new models that retain and uphold housing associations' value-based approach and allow the board and executive to manage, but which also provide clear accountability to communities for what they do, and create a genuine stake for communities in the organisations that work with and on behalf of them.

At a time when significant parts of our public services are likely to be spun out into new mutual structures, **we need to consider whether approaches based around community ownership and mutualism offer a way forward for many housing associations**. The creation of an active shareholder base, focused on the efficiency and social impact of the housing association has the potential, if properly structured, to drive innovation within the sector.

Such new structures may vary - the needs of an organisation run predominantly by and for its tenants and serving a locality-focused community differ from broader models of mutualism which would suit larger and more diverse housing associations. A range of models are explored at Part 7.

Setting Associations Free

Finally, in the context of a government committed to encouraging local solutions and ceding authority and responsibility to communities, there must be questions about the sustainability of a social housing investment and regulatory regime which involves national agreements for the number of homes each housing association will develop, rigidly defined funding arrangements, and continuing regulatory scrutiny and control over the use of their assets.

A strong case is emerging for a more radical approach, which recognises that - **where housing associations have adopted models which place community accountability at their heart** - effectively creating a new class of community "shareholder interest" - **they should then be set free from remaining restrictions on the management of their assets**, enabling them to be genuinely creative and innovative in managing their businesses.

Housing associations could be granted a general consent to manage their assets, rather than having to seek permissions for particular transactions and freed from restrictions on the treatment of the historic government grant they have received. This would enable them to properly assess both assets and costs and develop a clear focus on innovative local engagement and getting value for money in relation to local markets and needs.

Where that community-based accountability is established, **housing associations would be obvious, and highly capable vehicles through which communities could exercise the freedoms linked to the Localism Bill**.

Instead of trying to meet government targets, progressive housing associations would be able to focus more clearly on:

- negotiating and meeting the housing needs of local communities
- building the sustainability of the neighbourhoods in which they work
- developing a broader base of community focused services in addition to their core housing role - acting as custodians of community, rather than its landlords of last resort

Lessons can be learned from housing associations in Holland. Independence without clear social purpose and mandate has come back to haunt Dutch associations. **If housing associations are to move beyond their current relationship with Government, they need to be able to demonstrate that their policies are genuinely based on the needs of the communities and individuals who they are there to serve.** Independence must be on the basis of new approaches founded on strong community connection and accountability.

For those associations that aspire to develop a community role at the heart of the big society, and wish to contribute to a new civil economy focussed on community, neighbourhood and localism, and for a government that shares that vision, the challenge and opportunity is there.

Part 1: The Development of the Housing Association Sector

Social housing represents one of the largest single capital investments by the state in our poorest communities. Over the last 35 years, billions of pounds have been invested by government to provide affordable homes, through capital subsidy and housing benefit. As a consequence, the largest housing associations now resemble big businesses in terms of scale and turnover, owning and managing around 8% of the nation's housing stock.

However, many of today's housing associations emerged from – and were rooted in – local communities (or sometimes communities of interest). Often they were founded or assisted by private philanthropy, or action by local faith groups. Some of them operated on a mutual basis. In many cases, they reflected a community-owned and delivered response to housing need. Early housing associations were therefore very different to many of the bodies we know today. Peter Malpass has written that:

> *'They differed in the way that they were financed, structured and regulated ….. Some were endowed charities, with boards of trustees who were accountable only to the Charity Commissioners and their own consciences; others were limited companies with boards of directors, shareholders and other investors, while a third group were registered as Industrial and Provident Societies, and they too relied upon subscriptions from shareholding members.'*[1]

By the early 1970s the sector had grown significantly but they managed only around 1% of homes and consisted of a varied group of bodies, with widely differing business models and priorities[2], including:

- philanthropic trusts
- cost rent societies and co-ownership societies - often linked to estate agencies
- newly formed housing associations based on communities and often backed by churches with the aim of tackling homelessness

However, two major reforms during the second half of the 20th century were crucial in the development of housing associations into the form that we know them today (see boxes below).

The **Housing Act 1974** introduced a new funding mechanism for housing associations called Housing Association Grant (HAG) which was combined with a loan from the Housing Corporation (the then regulator-funder of the sector). HAG made up the shortfall between the project costs and the loan repayable from the projected income from rents and it was payable only to associations that were registered with and supervised by the Housing Corporation.

1. Malpass (2000), The Discontinuous History of Housing Associations in England (Routledge)
2. for further detail on the history and development of housing associations see Mullins (2010), Housing associations (Third Sector Research Centre)

The Act had two major consequences:

- The provision of generous levels of grant led to the significant development of housing association homes.
- To access the grant associations had to register with the Corporation. To do this they had to meet the Corporation rules. This meant significant changes for many associations, for instance associations linked to building societies and private bodies had to sever those links to become clearly not-for-profit, independent bodies.

One particular aspect of the post-1974 regime was the emphasis put on supporting mutual ownership models through the development of housing cooperatives, although despite early enthusiasm, this was an ambition which failed to have as significant an impact as other aspects of 1970s housing reform.

The **Housing Act 1988** marked an equally significant change in the housing association movement, transforming the way that finance was provided with government loans being replaced by private sector funding.

This resulted in a significant expansion of the association sector. Private finance was also used to enable large scale transfer of local authority stock to housing association ownership, with borrowing enabling faster investment to improve homes. Indeed much of the growth of the housing association sector since then has been due to the stock transfer programme - between 1988 to 2008 some 1.3 million homes were transferred from local authority to housing association ownership.

Housing associations have therefore over the last 40 years developed from what was arguably a largely community-based movement into a unique kind of social enterprise which can raise private finance and make surpluses. At the same time associations have limited control over rents, and have been dependent on government support in the form of grants and housing benefit. As non-profit making bodies, there is no mechanism to distribute surpluses, which are mainly ploughed back into developing new homes and services.

Given the reliance on central government grant and significant levels of regulation, as the sector has grown, its activities have closely followed government-defined priorities. This has had implications for associations' independence. As Karen Wilson, Chief Executive of Origin HA, said in an interview during preparation of this report:

> *Associations have been able to do well what they have been actively incentivised to do by government. This focus on government designed frameworks has however constrained them from developing in innovative ways*

Andrew Purkis' 2010 report on housing associations' relationship with the voluntary sector goes further, suggesting:

> *The Government dictates the rules as regulator, supplies the capital grants, controls the housing benefit that makes up two thirds of rental income and fixes rent levels. In many but not all cases local authorities also determine allocations of lettings. So this is a highly managed market dominated by Government.*[3]

Over the last twenty years, increasing housing need and rising land prices has led to pressure on housing associations to produce more homes with less grant, as government has sought to progressively generate greater value from the use of housing association assets. This focus on development has led to a significant level of consolidation and merger within the sector. There remain over 1200 housing associations of a variety of types and size (see table). However 90% of the stock is owned by 18% of associations. Half of associations own less than 1% of the total stock.

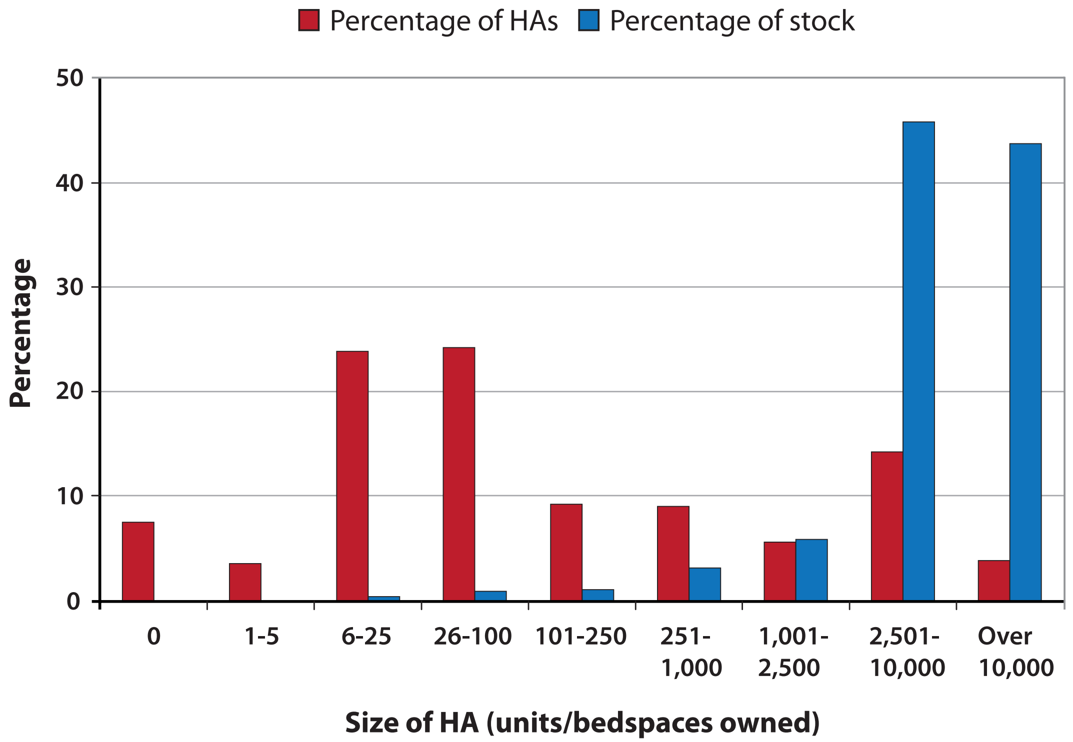

Figure 1: Statistical Release: Regulatory and Statistical Return 2010, TSA

3. Purkis (2010), Housing Associations in England and the Future of Voluntary Organisations (Baring Foundation))

This has led to some associations building or acquiring homes in a large number of local authority areas outside of their core geographical areas of activity (sometimes in the hope of this then opening up future development opportunities). A growing focus on identifying and controlling management costs has driven a degree of rationalisation of stock in recent years, through sales and management agreements between landlords. Part 5 explores the likely pressures for increased rationalisation of stock in the future.

Summary

The last thirty five years has seen the creation of a large, sometimes geographically dispersed, hugely capitalised social housing sector. At a time when Government is seeking to expand the extent to which civil society organisations are able to contribute to the delivery of public services, what has been described *as the outstanding example of a mass take-over of state services by the voluntary sector in our time...the biggest example of state asset transfer to voluntary sector control ever in the whole of Europe*[4] offers a significant case study from which lessons may usefully be learnt.

It is a sector that has grown in response to government intervention and often been subject to significant and fundamental government driven change. But it is also a sector which has - with the exception of periodic local debate around stock transfer - developed largely outside of public view, and in a manner which has been notable for the absence of any substantive debate beyond the sector itself as to its broader purpose and role.

4. Ibid

Part 2: The Use of Assets and the Challenge of Development

One of the strengths of housing associations is that, as a consequence of the long period of sustained investment, supported by capital grants from government, they have accumulated considerable assets that have given them a highly reliable income stream. The gross book value of association assets was £94.5bn in the last published version of the global accounts[5] which included £37.3bn in capital grants.

We saw in the previous section how they have in recent years been under considerable pressure to produce more homes for less grant. The current government has taken this a stage further by significantly reducing the total amount of grant available to associations, whilst at the same time encouraging them to produce more homes.

Associations are currently being offered the chance to enter into "a deal" with the Homes and Communities Agency where they will receive an agreed amount of grant over four years to build more affordable homes, and in return can raise the rents on their new and existing properties.

> The Homes and Communities Agency and DCLG have produced a framework paper[6] setting out the basis for housing associations and others to qualify for the 2011-15 Affordable Homes Programme.
>
> The amount of government grant available to fund individual properties is significantly reduced from previous programmes. Instead associations will be expected to let their new properties and vacancies arising in their existing properties at "Affordable rents". These rents are to be at 80% of market value, and will generally be higher than the "social rents" which associations have been expected to charge up to now.
>
> The aim therefore is to replace the funding lost from the reductions in the grant programme by increasing rents.
>
> Associations must enter into a contract with the HCA setting out how they will do this and the additional financial capacity generated must be applied to support delivery of new supply, it cannot be spent on other activities such as sustainability measures or community investment.

This approach presents significant risks for associations who are being expected to continue to house the poorest members of our society at higher rents and at a time of significant benefit reform.

5. Tenant Services Authority (2010), 2009 Global accounts of housing associations (TSA)
6. Homes and Communities Agency (2011), 2011-15 Affordable Homes Programme – Framework (HCA/DCLG)

One type of risk is to associations' finances. One London-based CEO, interviewed during the preparation of this report said:

> *The scale of our development in the future will be smaller...The question is whether [the HCA] have slow poisoned the golden goose by upping the debt ratio too much. So we will probably do a little bit of development but not much.*

As noted in the last section, since the late 1980s, housing associations have borrowed significant sums of money from banks at what have been - historically - relatively low levels of interest. This has been because of the stability of the sector, and the security of the cashflows generated, much of it backed up by Housing Benefit. It has enabled them to both meet requirements around the maintenance of their homes and build new homes with a reducing amount of government capital subsidy.

However, since the banking crisis of 2008, the number of active lenders on the market has decreased, and many lenders with existing debt have taken a much tougher approach to compliance with the conditions of their lending, seeking opportunities to reprice debt to increase the strength of their own balance sheets. Whilst a number of larger housing associations have issued bonds, this has not yet become a mainstream funding route for associations.

Associations will be subject to lenders assessments of their exposure to risks associated with the volatility of the market. When applied to new homes produced with lower percentages of grant this will result in higher borrowing against the security available in their existing housing stock. These changes will put pressure on the key financial covenants which might stretch available security. This could also lead to lenders looking for higher margins, particularly at a time of continued uncertainty in the housing market.

Ongoing concern about Housing Benefit changes may also affect risk profiles. A recent report has highlighted the way that increasing rents will lead to significant increases in dependency on Housing Benefit and says that:

> *a number of the changes to the benefit system that are being introduced will make it more challenging for Family Mosaic to collect rents from its current profile of tenants. This raises identifiable risks and numerous uncertainties to our business and all those we serve*[7]

There is also a reputational risk for associations. Already there are significant instances of an association's development being opposed because of a poor reputation within their communities arising from problems with other properties.

Housing those on low income at higher rents whilst being forced by government to spend all surpluses received from those rents on development - rather than other means of strengthening communities - is unlikely to enhance an association's local reputation in the medium term. This may affect the future ability of housing associations to secure community support for future new development.

7. Lupton (2011), Mirror, signal, manoeuvre: our drive to provide more social housing (Family Mosaic)

Moreover these risks are not being accompanied by associations being given the scope to manage their assets and utilise their balance sheet in a way which would give them real freedom to innovate. Associations are only being allowed to charge higher rents for "affordable tenancies" on the basis that all revenue raised is to be spent on building new homes, rather than the wider freedoms that we discuss in Part 8 below.

How great these risks are will depend to an extent on the local circumstances which associations face. In some areas of the country social rents are already close to the 80% of market rent which the government is encouraging associations to move towards in order to generate more borrowing capacity to finance development.

At the Crossroads?

Individual associations therefore have a choice about the extent to which they continue to develop new homes with government assistance. Housing associations clearly do have the option of continuing to manage risks and focus on delivering much needed affordable rented housing using government grant.

The danger for associations is that if they concentrate principally on maximising the number of new homes developed at lower grant - instead of providing good quality housing in strong communities - they may find themselves in a race to the bottom, forced to cut back on broader community investment, in effect becoming the "landlords of the poorest". There is already a problem in terms of the perception of social housing, as pointed out by Leon Feinstein et al:

> *social housing has changed from being a growing sector with new, relatively high-quality housing and little stigma, to a shrinking, ageing sector with a poor reputation.*[8]

If housing associations judge that the risks involved, or that the need to raise rents is not the right one for their business and their tenants, then they will need to explore alternative approaches.

Diversifying into market rent

Some social landlords may well seek to redefine themselves as primarily development focused players, moving away from what may become a residual social focus.

Most rented housing in this country is provided by small scale landlords. Housing associations, as the main significant example of large-scale bodies that provide rented housing operating in England, have a significant base from which to diversify into the market rented sector, should they wish to take up the opportunity.

This is a role they could choose to develop, becoming large-scale residential property companies, widening the range of income groups who they house and owning and developing a variety of different types of rented and intermediate products - an approach advocated in a report last year by the Chartered Institute of Housing[9].

8. Feinstein (2008), The public value of social housing (Smith Institute)
9. Davies, Lupton (2010) Widening the rental market (CIH/L&Q)

One Chief Executive of a large national association interviewed for this report said:

> *We do intend to bid [for HCA grant], but with numbers significantly smaller than in the recent past. There are a number of long term thoughts we are toying with. One is managing existing assets more intelligently so we can market rent some existing assets to generate additional income to generate capacity for future development and could do quite separately from any government investment framework. Secondly developing and buying a private rent portfolio to generate cross subsidy.*

However, given current pressures on the mainstream development market, it may be that developers and private investment houses will now move more actively into the social rented sector. In recent years the government has opened up the availability of grant for new development to private bodies. Associations focusing on being value-based, rented property companies may find themselves in direct competition with developers and private investment houses.

If this is the case then as housing analyst Derek Joseph has recently pointed out[10]

> *Efficiency and financial returns then become the benchmark and existing providers will have little income to support anything other than the basic property management functions. Any other services will require contractual support from separate revenue streams.*

Cutting back on development?

If associations choose not to develop on the basis of the government's proposals, or on a non-grant funded basis, then they are likely to become financially stronger, with increasing surpluses, as loan debt steadily reduces and rents still rise faster than costs.

This is an issue for associations and for public policy, as the wealth trapped within the sector not only increases but gets harder for both government and communities to access, as there are currently few sanctions or incentives over non-developing associations.

Given the emphasis put on value for money in the government's proposals for changing the way that associations are regulated[11], it is likely that if it perceives that associations are not producing enough homes, government will seek other ways to try and utilise the assets that associations own. This has been resisted on grounds of sectoral independence, and an unwillingness to risk housing association debt being placed on the public sector balance sheet. However, this has not stopped government in the past from noting the under-utilised capacity within some housing associations balance sheets[12].

10. Joseph, Article in Social Housing magazine, February 2011
11. CLG (2010), Review of Social Housing Regulation (CLG)
12. Housing Corporation (2007), Unlocking the Door,(Housing Corporation)

Prioritising investment in community

Some associations may choose to scale back development activity in order to focus more resources on (or protect investment in) existing communities. This may be particularly relevant where communities are facing challenges as a result of reductions in local funding.

As one housing association CEO, planning to decrease exposure to development and increase levels of community investment put it:

> *Our communities, the ones we've got homes in, are hurting at the moment. We can't stand back from meeting their needs, particularly around jobs, otherwise we'll be facing bigger problems down the line.*

The change in the incentives to develop, and the impact of this on housing association balance sheets may therefore represent a unique opportunity for those housing associations that wish to place work with communities and neighbourhoods at the centre of their business vision. By prioritising a broader social mission above the short term maximisation of mainstream development, they would become more clearly social entrepreneurs committed to promoting change within their communities rather than being creatures of centrally driven government housing priority.

Hard Choices

The challenge with the government's new funding regime is that if surpluses and asset capacity are to be used **only** to offer the keenest development deals then there is likely to be little capacity left for the wider community activities. This effectively forces associations to choose between being developers or maintaining their wider community role, when in fact they may believe that they can deliver more effectively when the two roles are in balance.

However, without the ability to maintain development activities housing associations risk losing a considerable range of skills and resources which would harm their capacity to do other things - this is not just an issue about losing development staff, but also the fact that development picks up a fair amount of overheads within an organisation.

Summary

Striking a new balance between development and broader, community-based activity will require associations to make hard choices about the way they structure their business and how that needs to change in an environment of decreasing grant subsidy.

In making these fundamental decisions about the purpose of their business and the deployment of their resources, it will be critical to ensure that decisions are seen to have legitimacy, in particular in the eyes of the communities which housing associations serve. Housing associations need to consider how they respond.

Part 3: Investing in Communities - Risks and Opportunities

Housing associations have evolved as a social response to the housing needs of our poorest communities. As we have seen, unlike most other types of third sector body they have the advantage of an asset base and an income stream which makes them genuine and sustainable social businesses.

Given the concentrations of stock holdings that housing associations have in particular areas, that commitment to the sustainability of the neighbourhood is crucial. As noted in the previous section, just housing the poor without focusing on the wider viability of neighbourhoods they live within is likely to leave associations with increasing residualisation of stock, deteriorating income streams and asset values.

Moreover - because associations are social businesses - "investment" must be assessed in terms of both financial and social returns. This means getting the best return for both landlord and tenant in terms of both economic performance and social and economic sustainability. In thinking about assets associations need to recognise that the people they house and the communities in which they work are also assets that require investment. Their health will have a direct impact on the business of associations.

As a consequence of this, housing associations have a history of significant investment in their communities. Many, particularly smaller associations and those which retain strong geographic links - such as the members of the PlaceShapers group[13] - place a considerable focus on the value of their work in localities. Associations formed out of the transfer of stock from local authority ownership also generally remain close to and rooted in their particular communities.

Some larger, geographically spread associations have made explicit commitments to their communities. For example, Affinity Sutton who recently established a community fund (see box).

Affinity Sutton Community Foundation

Affinity Sutton has set up a charitable investment fund designed to generate returns which will fund its community projects. They have done this by setting aside £20 million from their £44 million surplus in 2009/10 for this fund.

Affinity currently spends £2-3 million on community investment and the idea of the fund is to ensure that this is a clearly defined part of their activities which is sustainable over time. The aim is to focus on helping with the sustainability of their properties by tackling worklessness and debt and improving neighbourhoods and health.

The fund is administered by a separate community foundation which will determine the strategy for utilising the fund. This will also mean that it is defined in the overall group accounts and what it is to be used for is therefore clearly transparent.

13. see, for example, the PlaceShapers Manifesto at www.placeshapers.org

The National Housing Federation's audit of neighbourhood level activity[14] supported by housing associations valued that investment at some £272m in 2006/07, matched by some £163m of external resources. The range of activities are broad, although as would be expected most activity tends to focus on issues which support the role of housing management and the needs of the tenants. Thus there is a strong emphasis on direct environmental works, tackling worklessness and improving skills (an example of this is outlined in the box below), neighbourhood safety and associated activities. It should be noted that where this work is dependent on income from statutory funders, it is likely to be placed under pressure in the current fiscal environment.

Brokering pathways into work

Trent & Dove, a medium sized Staffordshire based housing association runs a Careers Service, which provides information, advice and guidance for those seeking work in their East Staffordshire area of operation. This includes one to one advice and paid placement services for unemployed local people. Through the scheme's Tenant Careers Service, they have successfully brokered roles and provided skills training enabling formerly unemployed tenants to take on roles working with their maintenance contractors.

Sport, volunteering and skills in the community

Bend it like Birmingham, led by Ashram Housing Association, and involving four other associations - Waterloo, Harden, Midland Heart and Friendship Care and Housing - provides a framework for volunteers and participants to organise sporting activities. With match funding from Sport England, the project seeks to provide diversionary activity for young people and the wider population, to encourage community participation and engagement, to support community capacity building and empowerment and community cohesion across participating neighbourhoods. Some 190 volunteers work together for four hours a week on the project, and almost 80 people having gained training qualifications. By summer of 2010 over 2,300 young people were involved in its activities, which include football, cricket and netball, as well as fitness classes, Asian Beauty and arts and crafts.

But despite many housing associations' aspirations towards defining a clear community role, and the many case studies highlighting individual success stories, over the last twenty years the dominant public and policy discourse about associations has been principally about facilitating the large-scale development of new homes.

14. NHF (2008), iN business for neighbourhoods – the evidence: The scale and scope of housing associations activity beyond housing (NHF)

As a consequence, perceptions within the community sector of housing association's willingness to support community level activity (as opposed to delivering community level services) remain mixed. Toby Blume of Urban Forum, interviewed for this report, suggests that:

> *Housing associations have too often seen their responsibilities as ending at the door of their properties and only a few regard themselves as part of the wider community. There is so much that RSLs could do to support community action and local collaboration, but their way of working tends to be so alien to local community groups that effective partnership is the exception rather than the rule. The real shame is that if they did work more closely with the local community sector, it would break down barriers, which would of great value to(among others) their tenants.*

The case for investing in community services and developing community based partnerships is likely to become a more significant issue for housing associations as reductions in public expenditure and services begin to bite.

Housing associations will have to take a view as to the extent to which community activity to address resulting gaps may need be invested in and enabled in order to support their communities and protect the value of their assets. In doing so, they will need to consider how they can overcome perceptions that they sit beyond the community, and establish effective partnerships and alliances at a local level.

Local Alliances

The Housing Association Charitable Trust (HACT) has proposed that work to strengthen communities could be transformed by bringing together "two of the strongest social enterprise movements in the country, the housing organisations – housing associations and ALMOs – and "community anchor" organisations[15].

HACT argues that there are many community groups with rich social capital, a significant level of community activity and sustained local support that would be interested in working with housing associations with their significant asset base and management and procurement skills.

Housing associations seeking to develop their community role might seek to actively provide support to community anchor groups working to develop and sustain community enterprise, volunteer networks and funding, work related education and training programme, taking advantage of associations' strong corporate back office services, asset development skills and efficient procurement chains.

In some cases this may be expressed through their housing activities. When interviewed for this report, Paul Doe, CEO of Shepherds Bush Housing Group explained:

> *In the future our development will be expected to add value to communities as a spin off. For example by buying redundant public buildings, building homes in and around them and then returning the buildings to the community to use.*

15. Heather Petch (2010), essay in *Big society challenge (Keystone Development Trust)*

Practical Support for Local Voluntary Groups

Many housing associations already have a history of such partnership working - in particular where they are involved in care and support. Some are taking this forward by formal alliances. South Yorkshire Housing Association have made a specific decision to try and support the development and and growth of local community enterprises within their area of operation. SYHA are also currently in discussions with FareShare - the community food network which won the Britain's Most Admired Charity award last year – about them joining their group.

Back office support: new 'fiscal sponsorship' models

The Accord Group of housing associations already provides a range of back office support services to local business operating within its area. It is looking to radically expand its offer by creating capacity for the UK equivalent of a US-style "fiscal sponsorship" (see www.nnfs.org) business within its group, extending that back office support to many more smaller groups, providing a single charitable registration, and through that breaking down barriers to local community and social enterprise.[16]

Paul Doe explains his association's approach:

> *We're looking to take charities into the group where they have synergy with our activity - and providing IT, HR, group support, finance all for free. For example, we are giving a home for two recycling charities and others we rely on but might otherwise go bust on their own because of wider cuts. We need to be backing and sustaining these sort of projects. Its as important to us as building 10 more units.*

These provide interesting possibilities for associations to build on, but there are limitations which have to be recognised, not least the fact that many potential partners are currently seeing reductions in their own income where they have been funded by local authorities and other public bodies. Housing associations will have to make judgements about the financial stability, skills and ethos of potential partners.

Associations will also have to be sure if they are diversifying the type of activities they are undertaking that they have the skills and structures to help make this happen. This may well include taking a hard headed view about what the association is capable of doing by itself and how much it might be better to develop partnerships with others who have the right skills for particular activities.

16. for more information, see http://www.civilsociety.co.uk/finance/news/content/8130/accord_group_adopts_us_model_for_accelerated_new_charity_growth

Priorities

Housing associations will therefore have to decide as to how far they consider focussing the use of their assets and resources principally on their core business of housing and how far they wish to diversify into a wider social role.

We have already seen that if associations are not using their financial resources to support development then they are likely to become financially stronger. This suggests that they should they wish to, they could develop the capacity and resources to innovate and develop their wider social investment role.

However, associations growing a broader community-focused offer may face different risks from those involved in developing new homes. Supporting a range of community initiatives is likely to require resources to set up and maintain, and carry with them a different type of financial risk (e.g. abortive work; exercising financial control; acquiring and managing assets that don't have the Housing Benefit-backed income stream that makes affordable housing so financially attractive). These may be significant and will have to be properly managed and planned for.

This is important in that associations' finances are provided principally by rents paid by the poorest sections of society. There may well be a tension between using rents for purposes of providing wider community investment, rather than focusing exclusively on services to tenants.

One way to resolve this tension is to have mechanisms in place that will ensure there is a real accountability to tenants and communities around housing associations' strategic priorities.

A recent report published by the TSA on tenant involvement[17] highlighted the importance of tenant views;

> *The more providers become adept at obtaining their tenants' views, the more they realise the importance of dealing with the wider issues that arise in particular localities. Some of the issues that arise, such as ASB and ground maintenance, relate directly to service delivery. But they can just as easily be wider issues around such things as youth facilities, street lighting and enhanced policing or around quality of life issues such as family support, housing advocacy and employment.*

Summary

If associations do choose to move away from a primary focus on the development of new homes to one which sees their business growth encompassing a wider range of community activities, this has serious implications for their structures, skills and accountability framework.

This raises the question: what might an association committed to embedding itself in communities actually look like and what are the implications? This is explored in the next section.

17. Tenant Services Authority (2010), Making voices count (TSA)

Part 4: Strengthening Housing Associations' Community Offer

We saw in Part 3 that there were strong arguments for housing associations to focus more clearly on supporting the communities they work within, and strong examples of good practice. This section looks at a number of key areas where associations might seek to develop new approaches:

Enablers

Housing associations have potential to work with or act on behalf of local communities, and in particular those with limited alternative sources of capacity and capital, to help support them in taking on local services or assets. This might potentially be the case where for instance residents had identified a potential service they believe could be more effectively delivered at a community level, or where the public sector is disposing of community facilities.

The Localism Bill includes proposals for a Community Right to Buy. This opens up the opportunity for neighbourhood assets to be secured and managed locally. The transfer of significant assets to community control may require significant support in particular in the early days, when community capacity, skills and confidence may just be developing. Housing associations have the potential to act as key players in supporting and developing such approaches - offer back office support, management services and support in the creation of vehicles through which communities can own those assets.

This would involve associations developing strong community links, a strategic understanding of the requirements of communities and mechanisms to build consensus within that community over the outcomes to be achieved.

Investors

Housing associations could more actively support the development of local community-based enterprise by offering support or small scale equity or debt funding to get them established, and seek to support their growth through proactive local procurement approaches, helping develop enterprise, employment and wealth creation within their communities.

Many locally based associations themselves own significant non-housing assets such as shops, offices and community facilities. There has been little incentive to develop these, or indeed to convert poorly performing housing assets into community infrastructure. Yet these facilities are often embedded in the neighbourhoods where associations work. This might be an area where associations can work in partnership with other groups by investing in these facilities.

Active Funding

Some housing association groups have set up funds which support local community activities, often in ways that builds wider community capacity and resilience. As communities seek to build their capacity to respond to the opportunities offered by the Big Society, this may become an increasingly important source of support.

Great Places Tenant Dividend

Great Places' Tenant Dividend is open to all tenants to apply for and is allocated by tenant panels. This year the Tenant Dividend was £50,000 and aims to help tenants and tenant groups make positive differences in their communities and give tenants life-changing experiences.

Over the past few years funds have been given to tenants for many different activities, including: funding of educational courses to improve tenants lives where they cannot access funds elsewhere; setting up of local small businesses; funding for relatives to visit unwell children; youth schemes which build stronger communities in the area

Broader Service Provision

David Orr, the chief executive of the National Housing Federation has emphasised the scope for associations to "deliver a wide range of public services"[18].

Housing associations have typically limited their broader public service role to that of housing related care and support. Where associations have a strong local presence and delivery capacity they may be in a position to use their experience of managing services and strong financial base to bid successfully to provide a broader range of services currently being undertaken by other bodies, particularly where changes in public service procurement offer new possibilities for involvement. This could include taking responsibility for such things as street cleaning and lighting in areas where an association had a significant community presence and investment in the wider built environment.

Supporting Local Cooperation and Self-Help

Housing associations have the potential to provide support for small-scale mutualism and self-help projects. This could include the promotion and development of cooperative or other localised tenant management approaches (see below) and supporting the sort of models suggested by the Commission on Co-operative and Mutual Housing[19]:

- Mutual home ownership and equity sharing mortgage schemes with variable equity stakes (these schemes should be structured to ensure access to mortgages for purchasers)
- Mutual retirement schemes (either at full rental or ownership or a mix of both)

The trading of time and skills for a stake in an affordable home formed a part of the early business of many housing associations. In recent years despite a range of community land trust initiatives emerging these efforts have to date remained relatively marginal.[20]

18. Guardian, ninth of February 2011
19. financing cooperative and mutual housing. CCMH 2010
20. Wyler, Blond "To Buy, To Bid, To Build" 2010

Against a background of increased interest in building the strength and social capital within our communities, and growing barriers to accessing mortgage finance for first time buyers, the time appears right for a reappraisal of locality and community-based approaches to housing which harnesses the energy and commitment of local communities, and enables those with time and skills but limited asset wealth are able to access housing. Such approaches, explored in more detail in the recent BSHF report *Self-Help Housing: Supporting locally driven housing solutions*[21], might include:

Self help housing

Bringing empty property back into use on a temporary basis can provide a good source of housing for many people, who for one reason or another do not qualify for mainstream social housing and who can't access the private sector.

Latch & Canopy, Leeds

These are two community-driven projects which work with volunteers and homeless people, renovating disused and derelict properties in inner city Leeds. Between them, they now manage around 80 properties, many of which are leased from Leeds City Council. Both provide hands-on training in building skills to their service users and are committed to helping to regenerate their local communities.

Sweat equity shared ownership

Each year social landlords dispose of significant numbers of street properties. Whilst many of these are sold to raise funds for new development, others are disposed of because of issues around the financial viability of repairs needed to bring them back into use as a social rent.

There is a risk of un-renovated properties being recycled into the private rental market by unscrupulous landlords, impacting on the quality of life of both subsequent (non-social) tenants, and those around them. This is the reverse of the reason that associations acquired the properties in the first place – to improve them and the neighbourhoods in which they are located.

An alternative option for such properties would be for social landlords to place a proportion of these property on the market as a "sweat equity" shared ownership opportunity, enabling those with time and skills (or network-accessible skills) to renovate the house to an agreed standard, in exchange for an equity share in the property with the remainder being rented on a shared ownership basis.

In such cases, where appropriate, the purchase might be accompanied by an element of skills training or assistance.

21. Pattison, Strutt, Vine (2011) BSHF, available from www.bshf.org

Building Capacity and Supporting Community Self-Organisation

Key to the establishment of a successful big society will be the development of social capital and capacity within many communities. Housing associations contribute significantly to this, both as sources of practical support, but also through their work with their residents. The government is intending to train 5,000 community organisers, working with national community umbrella organisation Locality. Housing associations will need to consider how they link into new community organisers where they exist, and involve them in the development of their activities and plans.

Summary

Associations who are committed to an increasing emphasis on the local, the smaller scale and on individuals aspirations within communities will have to think deeply and imaginatively about the ways they develop capacity within communities. If neighbourhoods and communities are going to be transformed then the people in them will have to be empowered, both individually and collectively. This requires a real focus on understanding and building on the networks within communities and also developing mechanisms for ensuring that there is accountability to communities. This is addressed later in this report.

Part 5: Localism and the Housing Role

The maintenance of strong relationships between housing associations and local authorities has been important (if not always successful), not least because of the need to manage nominations, share strategic priorities, access land and navigate the planning process. The growing importance of localism will mean that housing associations' relationships with local authorities become even more important in the future.

Local councils will make crucial decisions on planning policy and facilitation, the use and price of public land, and how to invest rental and other new sources of income as the Housing Revenue Account (HRA) is reformed, borrowing powers increase and New Homes Bonus monies come on stream. Associations have a real opportunity to work closely with local authorities and take a lead in creating powerful local development partnerships, special purpose vehicles and joint ventures.

Engaging with neighbourhood planning; supporting and taking advantage of the community right to build; and increasing engagement with local government will require associations to consider how to build strong local relationships.

This may well be the way to develop more dynamic partnerships than have previously existed. Moreover with the financial pressures which local authorities are currently facing, such partnerships might look to consider how housing associations can contribute to the locality in ways which have not been possible in the past.

Such approaches might meaningfully move further if the local authority role changes in line with the way the governments policies are pointing:

- commissioners as much as providers of services
- a democratic back stop to organisations who are providing services
- linking together a range of services provided by other bodies in the communities it is elected to serve

Housing associations with strong local connections, relationships and credibility have a potentially valuable role in channelling the 'community voice' of local residents to assist local authorities in identifying local priorities and encouraging partner action to identify and implement solutions, and as partners in the delivery of services.

Community Budgeting

In areas where there are limited alternative sources of community support and capital, housing associations might be well placed to support the development of community budgeting.

Some local authorities have begun to undertake detailed mapping of what goes on in particular neighbourhoods and the different streams of public funding going into these areas. This is highlighting a degree of duplication of services and assets.

Associations may be able to develop a coordinating role in neighbourhoods, whereby they use their asset management expertise and strong links to their resident base to act as an umbrella within communities/areas to support this work.

Neighbourhood Planning

The abolition of Regional Strategies and top down targets for housing development will place a particular premium on local engagement to ensure that housing need can be met.

Communities will take on responsibility for shaping local areas through neighbourhood plans, defining specific developments or types of development which will have automatic planning permission without the need for any application, and enabling neighbourhoods to grant outline permission and establish general planning policies for their communities. Local councils will have a duty to adopt neighbourhood plans that have been successfully passed by a referendum. Greg Clark has said:

> *Neighbourhood planning will give people the chance to exercise meaningful choice over the look and feel of the places where they live - from the location of new homes, shops and offices, to the choice of materials used. That way, developers who work with local people are likely to benefit from a smoother process for obtaining planning permission.*[22]

Local communities will also be given the power to take forward development in their area without the need to apply for planning permission, subject to meeting certain safeguards and securing support through a referendum.

Those housing associations that are able to engage with planning processes at a neighbourhood and community level stand to benefit from a more proactive approach to development, built on community consensus and support. But that will require an ability to operate and relate at a neighbourhood level. Associations perceived as lacking a community base may find it increasingly expensive and challenging to develop within the new emerging planning regime.

Having a clear local presence is therefore likely to be important in terms of business development. Housing associations will need to ensure they are structured in a way that enables them to build and maintain strong local relationships down to neighbourhood level.

This may require an increased focus on rationalising the distribution of their housing stock.

Rationalisation

Over the last 35 years, many larger housing associations have acquired homes across a large number of local authority areas. If associations are to manage their assets effectively and prioritise working in particular localities they will need to undertake robust analysis of communities and markets on a localised basis and will need to look closely at how their own actions might be most effective in particular areas.

Effective localised activity will be more difficult and complex for larger geographically dispersed associations, spread across many market areas. In interviews during the preparation of this report, the CEO of a large national association said:

22. CLG News Release March 2011 - see http://www.communities.gov.uk/news/housing/1860826

We've already reduced significantly our geographical footprint - down from 65 to 45 and aiming at 35. However, we will still be in a number of local authorities where we don't have an active presence. There will be greater pressures to consolidate because of this. In order to make the new development system work, there will need to be an ability to strike a series of individual deals, which will require close relationships with local authorities. In due course we will no doubt need to rationalise further.

This would fit with the conclusions of the most significant report on rationalisation to date which emphasised the need for effective engagement with the locality to be a key consideration of rationalisation decisions. It said that:

'…the key factor in determining whether or not rationalisation activity should be actively considered is engagement — particularly in the context of area regeneration and neighbourhood management. Engagement should be with a variety of players, chiefly the local authority/ parish councils, local stock owning associations and the local communities (in particular tenants and residents) in which stock is owned. It should also be undertaken with a view to delivering the local authority's strategic objectives and solutions to particular local problems.' [23]

This will mean that associations will not be able to rely on having a local "presence", but have to be able to demonstrate that they are fully engaged with the locality and delivering effective local services. Trying to do this across a wide range of communities and local authority areas may stretch resources. This may provide real incentives for associations to further rationalise stock holdings to concentrate on a smaller number of areas and localities.

Devolving Stock

Generally speaking associations have chosen to manage the stock they have developed within their own organisation or group. However, pressure for rationalisation may lead to a more diverse range of approaches.

One option for associations that work across a number of areas would be for them to devolve responsibility for managing stock which they own or develop to organisations that have a more specific community focus within that area.

However, in 2007, a CIH report[24] argued that associations business plans should include provision for promoting the transfer of appropriate stock to neighbourhood bodies, where this would contribute to successful neighbourhoods, as well as to deliver local housing objectives".

Associations could also promote more tenant or community focused bodies to manage their stock. Housing association tenants do not currently have the right to set up Tenant Management Organisations in the way that local authority tenants do. There is a strong case for considering whether the right of council tenants to form tenant management organisations ought to be extended to those in housing association properties. However, in the absence of such a right, housing associations looking to develop different ways of working within their communities may wish to work with their tenants to explore the potential of greater opportunities for tenant management.

23. Webb (2007), The rationalisation of housing association stock (CIH)
24. Duncan, Thomas (2007), Successful neighbourhoods: a good practice guide (CIH)

It is worth noting here that whilst devolution of management to a local level might reduce the average number of units of stock under management, research by CIH[25] found that there are no obvious benefits in terms of improving efficiency or effectiveness in delivering housing services on a large scale, and that the optimum range for effective management and maintenance service delivery may well be under 5000 units. This is consistent with wider work by ResPublica fellow John Seddon on the design of public services[26].

The example of Redditch Community Homes (see box) demonstrates that mainstream housing associations are in a position to support such development and in so doing supporting the development of co-operative and mutual housing options.

Redditch Cooperative Homes

The Accord group has supported the development of Redditch Cooperative Homes (RCH) a partnership between Redditch Borough Council, Accord and local communities. RCH exists as member of the Accord Group of housing associations, but delivers services to five neighbourhood cooperatives, drawing on shared access to some housing services and development support from the group. RCH has developed over 200 homes on behalf of its member cooperatives, each of which participated directly in the design, management and planning of their homes.

Such an incremental approach to achieving this, focused on building the asset base of communities, might include the creation of a new 'Community Housing Right to Buy' – which would provide communities with opportunities to mutualise their homes into co-operative ownership, as an alternative to individual Right to Buy or tenant management options, devolving themselves into Redditch-style group subsidiaries, or the structures similar to the WATMOS case study outlined in Part 7. Traditionally constituted housing associations wishing to move towards such structures might look to how development activity could create new and viable local mutually owned management units that could sit within their groups.

25. Davies, Lupton (2005), Is Big Really Best - or can small and friendly deliver? (CIH)
26. see for example, http://www.respublica.org.uk/blog/2010/04/economy-flow-not-scale

Part 6: Governance, Accountability and Choice

Housing associations are governed by boards made up of non-executive directors. The increase in the scale of housing association business activity has been accompanied by a range of debates around housing association governance and accountability. These questions include whether association boards should be voluntary or paid, the correct skills mix, the role of tenant board members and the merits of the tripartite board structures (councillors, tenants, independents) emerging from large scale transfers from local authorities.

These debates can be seen as principally about the extent to which the role of the board is principally about the efficiency of the business, or whether they should have a role providing wider accountability for that business.

In general the arguments for efficiency have won, particularly in the larger associations, leading to a movement towards a model of corporate governance that in many ways seeks to mimic the role of the dominant form of private sector business - the public company, with a strong executive and (generally) paid non-executive Board providing oversight.

Yet this has happened without the clear accountability mechanisms that are necessary for this sort of model to work. Whilst associations have independent boards, most do not have any real equivalent to the shareholder interest, to whom they have a duty of accountability and whose interests they are required to serve and protect. Housing association boards therefore have little direct accountability for what they do, and where shareholders exist they have limited personal responsibility, and face little or no risk.

Any complex organisation is likely to have a variety of lines of accountability, though most have a prime, usually legally designated, source. For associations, the predominance of development activity as the major focus in the sector has meant that the availability of grant has been the main incentive within the sector.

This has meant that accountability to the regulator (and to an extent to lenders) has to date been the most significant for them, in that action by, or loss of support from them would have significant consequences in comparison to the actions of other stakeholders. Thus, as noted earlier, the pre-eminent accountability mechanism has been upwards towards government and its agencies. This has therefore tended to favour regulatory compliance and organisational stability over wider community engagement.

Most associations now have tenants on their boards and have mechanisms for tenants to influence their services, however organisations where tenant or communities are a central feature of the governance structures accountability remain the exception.

Whilst successive housing regulators have sought to place a strong focus on effective governance, which has undoubtedly contributed significantly to the stability and strength of the sector, it is also arguable that the much of the focus of that governance oversight has itself been around ensuring compliance with regulatory demands.

This has in many ways distanced many associations from any direct connection with the communities within which they work. In previous ResPublica report "To Buy, To Bid, To Build", Steve Wyler and Phillip Blond argue convincingly that

> *The housing associations that came to dominate the market became accountable in the first instance to their investors and regulators, and on a secondary level to their tenants – but no longer to the local community. The result: housing as a community asset was lost.*[27]

This is however not just an issue of ownership and accountability. Concern has been expressed within the sector that current governance arrangements are outdated and might be seen to be holding back innovation within the sector[28]. This is partly because association's governance arrangements were predicated on a voluntary ethos. This ethos has changed substantially -particularly in the larger associations - but governance arrangements have not necessarily evolved to meet the challenges which these changes have produced.

Accountability for Independence

We have seen that associations are going to have to make fundamental decisions about the extent to which they wish to continue to develop on terms set by government, invest in communities, or otherwise adapt their business models to respond to emerging economic and social challenges.

If one of the key aspects which associations want to pursue in making these decisions is how to gain greater independence from a reliance on government support and oversight then it is critically important that they look at how they might develop ways through which they develop a different form of accountability and legitimacy, drawn in particular from the communities which they serve.

There is a pressing need for housing associations to develop new forms of accountability, both to give legitimacy to their strategic business decisions, but also to re-establish social housing as a shared community asset.

Tenants vs Communities?

It is important to recognise that there may well be tensions between the views and needs of a variety of stakeholders, including between tenants – who are paying for a service – and the wider community. Indeed there are dangers in talking about accountability to tenants without considering the differing views which tenants will have.

This means that any accountability mechanisms will have to be either constructed to take into account that plurality of views or have mechanisms which allow differing views to be aired and mediated.

27. Blond, Wyler (2010), To Buy, To Bid, To Build (ResPublica/NESTA)
28. Jeff Zitron, article in Social Housing magazine, November 2010

However, there is a danger of raising a false dichotomy. Heather Petch has posed and sought to answer this:

> *Do housing associations exist principally to provide good services to paying customers – an extremely important aim in its own right – or do they exist for a wider social purpose: to build social capital and work for people and communities in need? The answer is both. A bad landlord cannot be a good neighbour. But equally, housing associations must not just talk about the importance of a social purpose, they must actively engage as partners in its delivery*[29].

Developing New Models of Accountability and Ownership

If housing associations are to develop new forms of accountability and these need to consider both accountability through structures and ownership - which we will consider in the next section - and more direct measures by which they can demonstrate their value to their stakeholders and can evolve over time rather than the focus being on structural reorganisation. These latter options might include the following:

Making scrutiny count

In its recent reshaping of housing regulation the government has put a strong emphasis on the development of mechanisms for effective scrutiny of what an association does. Associations are also increasingly adopting tenant scrutiny mechanisms.

There has been increasing interest, in particular, within the sector itself in the idea of resident-led self-regulation[30], which is a set of mechanisms for involving residents at the centre of the running of a housing business, and about empowering them to influence decisions made and directions taken.

In resident-led self-regulation, a tenant-led group forms the central point for resident scrutiny within the organisation - establishing resident priorities and coordinating activities - and is the official link into corporate self-regulation. Their independence being underpinned by being properly funded and supported by independent advisors.

The benefit of enhanced resident scrutiny is that it allows another perspective to complement and challenge the perspectives of management or governors. This independence means that directions of scrutiny and conclusions reached will not be influenced by people who have already settled on their own views and preferred directions.

If associations could develop their scrutiny mechanisms to include both a wider community perspective and to consider issues beyond housing management and maintenance, then they could develop as the equivalent of *the active shareholder* that associations are often seen to be lacking. This could be a key aspect of associations identifying priorities and being held to account for their role within communities.

29. Petch - Big society challenge: Keystone development trust publications 2010
30. Davies, Lupton (2010), Resident-led self-regulation: Enhancing in-house scrutiny and performance (CIH)

Declaring a social dividend

David Orr has said that

> *Increasingly as social housing providers invest in local neighbourhood activities they need to be able to measure the return on that investment both socially and financially*".[31]

The importance of housing providers being able to understand and demonstrate what they are doing in terms of their wider community and neighbourhood activities can be seen from the fact that HouseMark - the leading benchmarking service for the housing sector - has recently launched a **Community Impact Tracking Service**. This is designed to help associations to identify and evidence the role played by their social investment activities.

It focuses on helping associations to manage their projects and track their performance. It also seeks to allow associations to evaluate their projects impacts on communities and also to compare those outcomes with those of other housing providers

Associations could develop the concept of at "social dividend" whereby associations produced demonstrable evidence of their social investment.

Under such an arrangement, the contributions to communities made by social housing organisations could be regarded as the payment of social dividend; rather than pay a periodic cash dividend to the providers of share capital, social housing organisations could convert such a dividend into socially relevant activities of the sorts explored in Parts 3 and 4.

This could have two aspects. There could be quantifiable figures in the accounts showing what percentage of their surplus/turnover was being spent on social investment, with benchmark standards against which to judge performance. To reflect the impact on finances of reduced housing development, one possibility might be to have a requirement for a higher percentage of community investment for those associations who are not developing.

Associations could combine this with commissioning periodic social audits and report the results by public presentations in each local authority area where they operate. A social audit would examine the impact that the associations had in its areas of operation, and assess the extent to which it met the aims and objectives of its Corporate Plan.

31. see http://www.housemark.co.uk/hm.nsf/all/Community+Impact+Tracking+Service?opendocument

Trident Group Social Audit

The Trident Group of housing associations have created a single body - Trident Inclusion - through which to integrate their work around income management, money advice and debt prevention; small business advice and support; mortgage rescue and housing 'buy-backs'; affordable credit; education and skills; and environmental clean-up.

As a part of this, Trident Inclusion will measure the impact of the whole of the Trident Group on the communities where it works, based around a social auditing and accounting framework incorporating community impact assessments, stakeholder reviews, resident surveys, environmental sustainability appraisals and measurement of added value, with the ambition of publishing a full set of social accounts in 2011.

Creating local choice and competition

Another option which would complement the devolved management approach outlined in Part 5 would be to introduce localised competition into associations' management activities which would empower tenants and communities to commission services themselves as an alternative to using structures and accounts.

For example, an association could look to introduce a process where they consulted tenants and neighbourhoods in particular localities with a view to specifying the sort of services and approach which people in that area want. This could therefore be put out to tender - with tenants and residents having a clear say in the outcome or devolved to newly developed community organisations.

The CBI has recently published a paper[32] arguing for the introduction of more competition into the provision of housing services. Tribal has also produced a detailed report with proposals as to how competition could be introduced[33]

The Tribal report argued that housing management services could be outsourced as a whole or as geographic units and the tender decision should be based on quality not price. This would mean that competition focused on the customer experience of the service provided. If individual elements of the service are parcelled up and outsourced it diffuses responsibility for that overall customer experience. This is even more important, where wider community issues are involved in the process.

32. CBI (2010), Improving homes, improving lives (CBI)
33. Tribal (2009), A real choice tenants (Tribal/TSA)

Part 7: New Forms of Ownership and Accountability

In The Ownership State, Phillip Blond argued for new models of delivering public services which go beyond the prevailing model of top down state approaches and private companies maximising shareholder value.[34]

Housing associations are already major examples of organisations based on values, not driven by profit maximisation. In looking at new models it is important to retain that value base whilst developing more progressive structures. The overall objective must be to maximise the long term welfare of current and future tenants and, although this is very difficult to measure, it is not identical to shareholder value.

A range of associations have been set up or have developed on the basis of a very strong accountability to tenants or other members of the community within their formal structure.

Cooperatives are the most obvious example. The report *Bringing democracy home*[35] highlighted that there had been a range of successful housing cooperatives operating over a long period and that their performance outcomes showed the benefits of cooperative and mutual housing. They have however failed so far to emerge as a mainstream organisation option in this country (in contrast to experience in northern Europe where large scale housing cooperatives have developed on a significantly larger scale).

There are also a range of examples of non-cooperative associations with strong accountability mechanisms, such as Poplar HARCA, which combine significant tenant board representation with a wide range of initiatives to build resident participation into their business model.

The most developed model based on community involvement is the Community Gateway Association pioneered in Preston, and now also used by three other housing associations in England. (See box).

Community Gateway Model

The Community Gateway Association is based on a membership which is made up exclusively from tenants and leaseholders. Membership is voluntary, rather than assumed, with tenants having to take a positive decision to become members. The members elect the tenant Board members and a Tenants Committee.

The association is run by the Board which consists of seven tenants, three councillors and five independent members.

The Gateway tenants committee has up to thirty members and is able to consider decisions prior to Board meetings taking place.

34. Blond (2009), The Ownership State (ResPublica/NESTA)
35. Bringing democracy home: The report of the independent Commission for Co-operative and Mutual Housing (2009)

The stock is divided into ten Local Community Areas (LCAs). In each LCA community representatives, association staff and other local stakeholders form a multi-agency taskforce to look at the area's issues

Alongside this is a framework of Community Options Studies which enable tenants to develop proposals for the management and improvement of their areas, choosing from a menu of management options which include tenant management and community ownership. Tenants' rights to do this are written into the rules.

Associate membership is available to people who live within the LCAs but who are not tenants of the Association.

These examples are however very much the exception. As long ago as 2000 a report[36] argued that housing association governance structures as they existed then were out dated and proposed the development of tenant and employee trusts. Yet to date, despite growing interest in mutualisation across other public services, beyond the examples identified above, no major housing association has yet adopted a mutual structure or sought to develop other innovative, community focused forms of governance.

New Mutual Models

If associations are to become more independent then having a robust governance model will be important. The development of new mutual models may be one way forward. Here the experience of building societies is a useful comparison. Whilst those societies who had abandoned mutuality all disappeared as a result of financial problems, apart from the Dunfermline Building Society, no mutual has ever needed public money to stay afloat.

We saw in the last section how there was tension in the debate about housing association governance between the need for efficiency in management and developing representative structures. However, it is arguable that greater efficiency would be promoted by active shareholders who benefit from the efficiency of the association, and that small inactive shareholding systems are unlikely to be a driver for taking the association forward.

What is needed are models that retain and uphold the association's value-based approach and allows the board and executive to manage but where they are clearly accountable to communities for what they do, and where those communities have a genuine stake in the organisations that work with and for them.

One model that seeks to do this is currently being developed by Rochdale Boroughwide Housing which builds on the employee tenant trust mentioned above (see box on following page).

36. Zitron (2000), Winning structures (CIH)

Rochdale Boroughwide Housing

Rochdale Boroughwide Housing (RBH) the arms-length management company which is responsible for managing council homes on behalf of Rochdale Council, is currently going through the process of turning itself into a housing mutual organisation as part of a stock transfer process.

RBH believe it is vital to have a bigger role than that of traditional landlord as if they are to properly serve their community they must address wider issues such as fuel poverty, financial exclusion and worklessness in addition to core housing management functions. The development and delivery of wider services will require collaboration across sectors.

They are also keen to have an ownership model with membership drawn from tenants and staff as they believe that they will need to fundamentally change the nature of the relationships between these parties so that there is both a shared vision and that tenants and staff are working together at all levels to reduce costs, preserve assets and improve opportunities.

They have therefore worked with Mutuo, an organisation specifically committed to promoting new mutual models. They have therefore developed an approach which:

- seeks to assure board competence
- creates a new accountability framework
- better matches individual capability to roles

The proposed structure for the body involves three tiers of decision-making and accountability:

The membership: the membership is formed from two "constituencies" – staff and tenants – both of whom have specific rights of representation.

The representative body: is principally drawn from the two constituencies but also has the facility for a minority of members to be appointed by key partner organisations, such as the local authority and other public sector, community or voluntary bodies.

It is seen as being the key link between the board and the membership with the following formal roles:

- appointing and removing non-executive directors
- approving the appointment of chief executive
- feeding into and approving future plans
- receiving annual report and accounts from Board

The board of directors
This is designed to be a small board (7 – 10 members) who have the responsibility for running the organisation on a day to day basis;

The majority of the board are to be non-executives, including the chair who are to challenge and question the executives and

- must have relevant skills and experience
- must be objective and independent
- could include tenant non-executives

There is not necessarily one model that is suitable for a wide variety of associations. All associations need competent boards and proper means of accountability. But ownership structures may vary - the needs of an organisation run predominantly by its tenants and serving a locality-focused community differ from a broader model of mutualism which would suit larger and more diverse associations.

Earlier in the report we highlighted the possibility of associations devolving the management of stock at local levels. One possibility is for an association to hold stock on behalf of, and where appropriate provide services on demand, to a range of community scale cooperatives, providing benefits of scale, whilst devolving most significant decisions to a community level. An example of how this might work in practice may be provided by Redditch Cooperative Homes (described in Part 5) and the Walsall-based WATMOS (see box below).

However, if government is to cede more independence to housing associations, it must be on the basis of a conditional deal, whereby freedom from top down control is offered in exchange for associations adopting approaches which provide genuine accountability to their communities.

WATMOS

WATMOS Community Homes was established in 2003 by a group of eight successful Tenant Management Organisations (TMOs), who collectively transferred their homes from Walsall Council into the new association.

WATMOS is governed by a Board which sets the organisation's policies, priorities and strategic direction and monitors its performance. The Board is made up of:
8 - Tenant Board Members (one nominated by each TMO)
4 - Independent Board Members (selected for their expertise and experience)

WATMOS is the landlord and owns the homes on behalf of the TMOs. It is responsible for the strategic development of the organisation and management of its relationship with the Council, the Tenant Services Authority and lenders. WATMOS also arranges major housing improvements and regulates the provision of housing services by the TMOs through a formal management agreement.

The eight TMOs employ their own staff to provide local housing services to their residents. Residents control and shape their own housing services and all services are delivered locally with accessible staff based within walking distance on each of their eight estates.

Debate around mutualism is not necessarily limited to small, localised associations. Mark Henderson, CEO of Home Group, one of the country's largest social landlords, explained their approach to engagement and accountability in an interview for this report.

> *In recent months Home has sought to take the lead on transparency and a natural extension of this is finding ways to become more accountable and engaged at a local level. Home Group does recognise the need to consider alternative structures. There is certainly a lot more detail to be explored, but there is a case to be made for mutuals owned by residents and we very much want to be a part of that debate.*

For larger organisations, covering multiple localities, and with a sizeable employee base, models such as the employee/tenant trust, community gateway and mutual umbrellas may prove problematic to implement. However, models which more closely resemble models of mass housing mutuals in existence in northern Europe, may provide an alternative model, combining modernised governance with a mass social shareholder base.

Community Mass Mutual

Based around a mass membership trust, with share-based membership of the association issued to tenants and members of the communities within which they operate - building a membership and ownership base beyond the existing tenant base. These might be allocated to those seeking homes - as a condition of application; to existing tenants and owners of properties being bought on LCHO schemes; and to non-tenants living in the association's area of activity, providing a broad range of collective interests and accountability.

As with the tenant/employee trust, membership of the trust would provide specific rights laid down in the trust's constitution, such as a right to approve Board appointments through an annual general meeting and active encouragement to become involved in the associations activities.

Critically, all these models offer both practical and symbolic solutions that would enable the establishment of large scale community owned housing and development organisations, able to both effectively manage their assets and deliver services, but with a strong connection to community and a new status as a vehicle for community action to address housing need.

Part 8: Setting Associations Free

This report has identified the tensions between the development of more progressive community-led approaches by housing associations and the way the financial and regulatory regimes are being focused on delivering a central government target driven agenda of "build, develop, raise rents". The likelihood is that the priorities set by the State overshadow any potential of working more closely with communities

In the context of a government committed to encouraging local solutions and ceding authority and responsibility to community, and radical reductions in grant subsidy for new development, there must be questions about the sustainability of a social housing investment and regulatory regime which involves national agreements for the number of homes which each housing association will develop, rigidly defined funding arrangements, and continuing regulatory scrutiny and control over the use of their assets.

Whilst the CSR settlement offers developing housing associations the rather narrow freedom to set higher rents, a strong case is emerging for a more radical approach, which recognises that - where associations have genuinely developed accountability to their communities - they should then be set free to be genuinely creative and innovative in developing local solutions.

Just as government has shown a willingness to step back from a centrally driven model of ownership and control of public services where it can be shown to be better managed and where the accountability for associations' assets can be shown to be clearly focused on communities, government should be willing to hand over responsibility for the stewardship of the assets built up through government investment on behalf of communities.

At the centre of this would be the freeing of associations from the constraints around the effective management of their assets and use of historic grant in exchange for a redefining of their relationships with community.

There is a precedent in that the government has recently announced that local communities will get the freedom to sell, rent or share community owned assets bought with central government money, such as council buildings, shops and business parks.

Greg Clark has said:

> *Community and voluntary groups who know their area best need a real say on how their local services, buildings and businesses are run. I'm determined to bust every centrally imposed barrier that holds communities back from acting in the best interests of local people. Ending clawback rights will put communities back in charge of community assets and gives them the freedom and flexibility to prioritise their current needs over dated central diktats.*[37]

37. Communities and Local Government press release, 8 February 2011 - see http://www.communities.gov.uk/news/localgovernment/1838361

What Freedoms?

A recent report by Savills and CIH[38] has suggested that associations would benefit from greater freedoms to:

- make decisions about rent levels for the products they are offering based on local needs and markets
- dispose of stock that is no longer fit for purpose or is inefficient to manage
- release equity to best meet their aims
- transfer stock to better placed landlords
- invest in new homes and/or sustainable neighbourhoods on the basis of agreements with local authorities and communities
- develop a range of products that allows a variety of needs to be met including, utilising the option of more flexible tenancies

This could be done by giving associations a general consent to manage their assets, rather than having to seek permissions for particular transactions. The TSA regulations on consent to disposals state that "We will make as much use as possible of general consents to minimise interference and reduce administration costs for all parties, while bearing in mind the TSA's other objectives." Ideally there would be a form of General Consent for each of the 39 Categories of Consent covered by the determination.

Of particular importance would be a widening of the terms on which associations can recycle the Social Housing Grant (SHG) which they have received.

At the present time SHG sits on the balance sheet as a potential liability. It could be recovered if the property does not remain for social housing use. There are rules laid down about how grant can be recycled for specific purposes. For those associations who qualify for new freedoms, one of these could be further specified ways in which they could use recycled grant. These could include:

- converting existing grant funded rented housing to other, more flexible tenures.
- funding specific projects related to community activities such as acquisitions under the new Community Right to Buy
- investing in Carbon Reduction in line with the Government's commitment to supplement the limited resources being made available

Associations could also be given freedoms linked to the Localism Bill which recognise their new status as agents and expressions of community action and control.

Chapters 3 and 4 of the Localism Bill deal respectively with communities and others expressing interest in taking over council services, and the types of organisations able to trigger the adding of land to the 'land of community value list' – which then enables communities to have the chance to buy.

38. Lupton, Jones, Davies,Tippireddy (2011), Appreciating Assets (Savills/CIH) 2011

There are various types of body listed that are granted the relevant rights. The Secretary of State can make regulations to add other names – where housing associations have transformed their structures to genuinely community based models there is a strong case for classifying them as such bodies. Not least because they will bring with them the potential resources to support community-led service provision and the community right to buy.

Real Benefits

Instead of trying to meet government targets, new community housing associations would be able to focus more clearly on:

- local markets
- their relationships with local authorities
- the sustainability of the neighbourhoods in which they work
- the development of a broader base of community focused services in addition to their core housing role

If associations have to engage positively at the local level and properly assess their costs then they are more likely to develop a clear focus on innovative local engagement and getting value for money than if they are meeting top-down targets.

Moving Towards Freedom

Funders take comfort from the fact that the regulator is assessing the financial viability of associations and acting where problems are perceived. This does allow associations to borrow at rates less than otherwise might be expected, and it would be important that any migration to new governance arrangements was managed in a way that minimised impact on the pricing of housing association debt.

Associations might be given a specific time period – say three years - in which they would have to convince the regulator that they had the mechanisms in place to ensure that they were accountable to their communities. Those associations who can prove this would then sign a contract with government to become self regulating.

This might be supplemented by a move from co-regulation to self-regulation. A central housing fund or trust fund could be established through contributions from associations. This could be used to resolve, with financial support where necessary, associations facing financial difficulty. In return both housing association sector and the interests of tenants would be protected and investors would have a level of comfort in relation to the risks they are taking to enable the continuation of lower margins. For those associations unable to satisfy the regulator that they genuinely had moved to be locally accountable, regulation would continue on the present basis.

The Dutch Experience

If government is to reduce the regulatory burdens on social landlords, following its autumn review of regulation, the experience of the Dutch housing associations would be instructive (see box on following page).

The Dutch Experience – Independence Requires Social Purpose And Mandate [39]

Some of the directions proposed in this report have resonance with the Dutch experience. The Dutch housing association sector is comparatively large accounting for 33% of all housing in Holland and a market share of 75% of rented housing. In 1995 Dutch associations were freed from many government controls and historic debt to government was written off. They were to operate as social enterprises without future state subsidies using a revolving fund principle. They were largely self-regulated by supervisory boards with light touch regulation (by a Central Housing Fund). The end of public subsidy radically changed the incentive structure and public accountability levers leading to conflicts over public policy goals, engagement with society and ultimately taxation.

For the first ten years of freedom they benefited from rising asset values, became adept in portfolio asset management, and sought to cultivate a new identity as social entrepreneurs. While their non-housing activities are not as wide as English associations they developed social real estate activities building schools, health centres and managing neighbourhood hubs staffed by other public services.

In recent years the dark clouds have begun to gather for Dutch housing associations who have been subject to political criticism such as overpromising, underdelivering, overpaying CEOs, and being insufficiently attuned to the needs of their tenants and communities. They have been subject to challenges from European competition regulations for their unfair advantage over the much smaller private rental sector. They continue to be subject to rent controls and new regulations are being imposed, taxation has increased, and a new levy to contribute towards housing benefit costs is being introduced

The main lessons from the experience are that successful independent action requires both favourable market conditions and strong societal connections. Without these social enterprises are exposed to market risks of bankruptcy, political risks of re-regulation and most of all social risk of being insufficiently embedded in the communities they serve.

Independence without clear social purpose and mandate has come back to haunt Dutch associations. If housing associations are to move beyond their current relationship with government, it must be on the basis of new approaches to governance which build in strong community connection and accountability.

39. Source: David Mullins, University of Birmingham and Gerard van Bortel, Delft University of Technology

Conclusion: A Progressive Future for Housing Associations

Where associations have strong local presence, a range of community focused services, and accountability structures that embed them in their locality, whilst retaining a housing focus, there is scope for them to develop their own role into one of more broadly based custodians of their communities.

This would bring opportunities to forge new partnerships between the non-state sector and local authorities, combining housing associations' housing-related community base with a powerful community development and management offer.

There is significant potential for these new associations to work with local communities and local authorities to provide a broad range of services in response to local needs, integrated at a local level. If associations, in partnership with local communities were empowered to take on delivery of local services, this could increase local employment and stimulate social entrepreneurship. Within a developing Big Society, this diversity and variety should be encouraged and enabled as a critical contribution to the resilience and success of our communities.

Where decisions need to be made on the balance between investment in community and in new supply, and on new business models to take the sector into the future, there will be the scope for them be based on a strong dialogue between social landlords and the communities they work within.

Those housing associations who have been at the forefront of embracing community focused approaches, developing new models of ownership, including mutuals and coops, championing community participation and supporting asset transfer will already be well placed to embrace those opportunities and meet that challenge.

Such an approach would represent the biggest recapitalisation of poor communities ever. Transferring control of £100bn of capital, whilst providing them with new capacity to support their community ambitions and establishing a genuinely new class of progressive housing association at the heart of a Big Society.

ResPublica
changing the terms of debate

About the Authors

Mark Lupton

Mark is an Independent Housing Policy Analyst who has written extensively on housing policy issues and has managed a wide range of policy and research projects.

Mark has been the lead author for the following recent publications:
- *Mirror, Signal, Manoeuvre: Family Mosaic (2011)*
- *Repairs and maintenance: A guide to delivery: NHF (2011)*
- *Appreciating assets: CIH/Savills (2011)*
- *Making voices count: Reviewing practice in tenant involvement and Empowerment: TSA (2010)*
- *Widening the rental housing market: CIH/L&Q (2010)*

Mark has wide-ranging experience in the housing sector having worked with the CIH as Director of Operations and Deputy Chief Executive and from 1997 to 2007, was Policy Analyst at CIH with responsibility for co-ordinating the research and policy analysis. Prior to this Mark was for over 10 years the Housing and Development Director of a major housing association. He has been a board member of two housing associations and was for four years chairman of a local authority housing committee.

Matt Leach

Matt is an associate director of ResPublica. Matt has held a range of senior policy and leadership roles at the interface between state and not-for-profit sectors, including as Chief Executive of Capacitybuilders,Director of Policy and Communications at the Housing Corporation and founding Director of the London Thames Gateway Development Corporation.

About Matrix

Matrix Housing Partnership is a Midlands based development and regeneration partnership which aims to achieve efficiencies in procurement, management and service delivery.

The Matrix Housing Partnership is a top quartile performer delivering over £110m of new development. Matrix comprises Accord, Ashram, Caldmore, Rooftop, Trent & Dove and Trident Housing Associations and WATMOS (Walsall Alliance of Tenant Management Organisations). Together Matrix manages over 25,000 homes across the region and supports the partner organisations and their people, residents and service users to benefit from economies of scale, joint working and the sharing of best practice and expertise. Matrix also provides development services to others and has its own in-house design team. Together the Matrix partners employ over 2,500 people, have assets of more than £1.5bn and a combined turnover of £120m. Matrix was formed in 2004.

The partners each bring their own unique experiences and expertise to the partnership, providing a proven track record in areas such as rural and urban renaissance, community cohesion and diversity, the use of green technologies and mutualism.

Social housing is one of the largest single capital investments by the state in our poorest communities. Over the last 35 years, some £37bn has been invested by Government to provide affordable homes. One in five of all households live in social housing; 2.2m of them in homes owned and managed by housing associations.

Despite the government's wider ambitions for a big society, key aspects of that agenda - in particular issues of mutualism, community ownership and localised decision making - have so far been noticeable for their absence from the housing debate. Instead, the focus of both government and much of the affordable housing sector has been on issues of finances and outputs - essentially continuing debates around subsidy, rent, benefits and tenure initiated (if not concluded) by housing ministers prior to the election.

This report, prepared between December 2010 and February 2011, is based around a series of interviews and roundtables with housing associations, policy practitioners and members of wider civil society organisations. It argues strongly that both government and housing associations should take the opportunity to reconsider the role, purpose and potential of the sector. It proposes a new settlement based around a more diverse sector, with a greater degree of independence encouraging innovation and stronger links to the communities housing associations work within.

Matrix housing partnership

ResPublica

www.respublica.org.uk

Price: £15.00

Design for ResPublica by BCDesign - Paris

Housing, Health and Environment Unit

April 2011

At the Crossroads

A Progressive Future for Housing Associations

Mark Lupton and Matt Leach

Foreword by Phillip Blond

ResPublica

changing the terms of debate