

Briefing Paper 16

Housing Scoping Papers – housing associations

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Introduction

This briefing paper summarises one of the six scoping papers prepared for the housing work stream of the Third Sector Research Centre. It is concerned with housing associations who now provide homes for two million households in England, a market share of over 50% of social housing.

Forty years of capacity building and growth, combining public service delivery with a degree of independence, shifting from charity to state to social enterprise models is an experience of clear relevance to other third sector organisations.

This briefing begins by defining and exploring the origins and evolution of the housing association sector, mapping the key roles, functions of associations, numbers, and types of associations and third sector characteristics. Next we consider policy, regulation and funding issues and suggest further research contributing to wider knowledge of the third sector.

Defining the field

Housing associations have been defined as independent, non-profit distributing organisations governed by voluntary boards¹ to provide rented housing at below market rents. They are included in Government

definitions of the Third Sector, and generally fit the structural operational definition used to define third sector organisations internationally². For UK public accounts purposes borrowing by housing associations has been excluded from definitions of public expenditure; arguably this has been the most important definition explaining their growth. This explains the importance of current legal and policy challenges concerning the 'public functions' of housing associations (see below).

Housing associations developed a relatively complete set of institutions dedicated to their field. This includes a trade body, the National Housing Federation (commonly known as the Federation) www.housing.org.uk, with many special interest sub-groups including a smaller HAs group, numerous specialist consultancy, services and lobbying organisations including the housing associations charitable trust (hact) <http://www.hact.org.uk/> which acts as a bridge between housing associations and the wider third sector. For 40 years the field was tightly structured around a single dedicated funding and regulatory body, the Housing Corporation. In 2008 this was split into separate regulatory and funding bodies: www.tenantservicesauthority.org and <http://www.homesandcommunities.co.uk>, whose remit now extends well beyond the housing association field (to include local authorities and ALMOs³ in the former case, and private developers and landowners in the latter). This looser field structure may have important implications for the future evolution and identity of housing associations.

Origins and evolution

The origins and evolution of the housing association sector are well documented in a series of organisational histories, scholarly articles and text books. In summary this is a sector which pre-dated the emergence of council housing in the early years of the twentieth century, lived in the shadows thereof for half a century and then gradually expanded after 1974 to take on a majority role in social housing provision in England today.

The period since 1974 has seen the most significant growth and transformation of the housing association sector, its integration into the delivery of public services and the adoption of increasingly hybrid models of mixed public and private funding and cross-subsidy of social goals from reserves and commercial income.

While history matters at sector level it is important to recognise that a majority of the largest housing associations today are the products of recent history⁴ including the million homes imported to the sector through stock transfers from local authorities after 1988.

The relevance of the historical experience of housing associations for other third sector organisations currently being drawn into the delivery of public services is worth considering. A long process of change under several different political administrations was required to move from small scale complementary roles to large scale delivery of mainstream public services. Early capacity building through generous public funding and longer term protection from private sector competition was crucial in building the asset base and managerial skills to become competitive. This allowed a local accountability logic to survive in the face of scale and efficiency logics. Despite this, many larger associations are now seen as distant from their voluntary sector origins.

Third sector organisations without property assets, reliant on revenue funding, and exposed to private competition at an earlier stage could find it hard to replicate the experience of housing associations either in building competitiveness or in maintaining their values base and civil society identities.

Key roles and functions

The provision of housing for rent is the main activity for the majority of housing associations. 1.7 million general need homes were owned by housing associations in 2008. There were 99,000 supported places, a further 316,000 rented homes for older people, and, in addition 126,000 leasehold properties (including those sold under the right-to-buy, the right-to-acquire and shared-ownership). In addition to core social housing, housing associations own a further 42,000 non-social housing dwellings which include student accommodation, key-worker housing, open market and intermediate renting, and residential care homes. These properties have generally been provided with a more commercial aim, to generate surpluses to support core social housing business in line with the 'hybrid business model'.

Housing associations global accounts show an aggregate turnover of £1.5 billion from all activities other than social housing lettings, equivalent to 15.3% of housing association activities. This share increased up to 2008, and had grown by nearly 50% since 2006 mainly as a result of the growth in low cost home ownership and outright sales programmes. These activities 'cooled off' considerably during the credit crisis when asset values fell and potential purchasers could not secure mortgages.

Oddly, the core task of housing associations to construct and manage housing for groups on low incomes or with support needs has often been played down when considering the contribution made by housing associations to society. This lacuna is exemplified by the Federation's Neighbourhood Audit¹ which specifically excluded housing management, housing services, supporting people and registered care services.

Mainstream housing provision is rarely seen as a distinctive third sector contribution. In contrast neighbourhood and community investment activities (such as worklessness, youth projects and debt advice have often been seen as core to the ethos of associations being 'in business for neighbourhoods'.

In 2008 the Federation published a Neighbourhood Audit of the community investment work undertaken by member associations. This Audit generated some impressive numbers, the headlines being an annual investment of £435 million, £272 million for housing association's own resources, directly employing 4560 staff and benefiting 5.5 million people. The breakdown by activities in available in the Working Paper provides a good picture of community investment by the sector.

Numbers and types of organisations

There are around 1700 registered housing associations, 1200 of whom are Federation members. The increasing size of the largest associations through mergers and organic growth to own over 50,000 homes nationally has affected external perceptions. 72% of the housing association stock is now in group structures of various sorts, and there is a recent tendency to streamline such groups to reduce governance overheads. However, despite a strong sector logic of scale and efficiency¹ the average size of associations is 1,400 homes and 68% of associations own fewer than 250 homes. The Working Paper shows the skewed distribution of associations and of stock holdings in 2008.

There are distinct divisions in the housing association sector relating to scale, types of activity and value base with certain types of associations paying much greater attention to third sector identity and links with other community based organisations.

The transformation of the sector through stock transfer from local authorities is highlighted by the 160 **stock transfer associations** which in 2008 accounted for 10% of all associations, but around 46% of total stock, their average

size of over 5,000 homes is at least five times that of all traditional associations.

There are over 100 specialist **supported housing associations**, accounting for 7% of associations, but only 1.5% of total stock. They typically provide a range of support services requiring higher staff to property ratios, and have been affected by recent changes in public procurement arrangements separating support and care funding from housing services.

A common perception is that smaller community based associations or those concerned with specific social issues such as domestic violence, homelessness or older people's needs have greater affinity with the wider third sector than do larger development oriented associations.

An alternative view is that larger associations have been in a better position to exploit the opportunities that have been created to operate 'between state and market' with a degree of relative autonomy through hybrid financial models that enable commercial surpluses to be generated and distributed to social goals in an approach that may be seen as akin to corporate social responsibility.

Challenging the dominant sector logics of scale, efficiency and 'buying big' are competing logics of localism stressing accountability, community focus, measurement of social impact and supportive relationships with other third sector organisations.

Large housing associations are often acutely aware of their need to deliver social as well as financial returns and that their business success is dependent upon building successful neighbourhoods. The role of such associations as 'neighbourhood bedrocks' has been explored in recent work on the capacity building role of associations in supporting smaller community based third sector bodies⁷; a key area for further research.

Policy, regulation and recession impacts

A recent legal challenge to the non-public status of housing associations under Human Rights Act⁸ could have far reaching implications for the treatment of HA borrowing as outside of public accounts that has underpinned sector growth.

A major review of regulation, was initially associated with challenges to legislation (Housing and Regeneration Act 2008) in which the Federation asserted the independence of housing associations as TSOs in their social investment activities. This stance was recognised by the new regulator which later adopted a co-regulation and tenant led approach, emphasizing local standards⁹.

“Housing associations do not do this because a housing regulator told them to. They do it because they see the local need and work with tenants and communities to meet that need,”¹⁰

The resilience of the hybrid model has been challenged by the credit crisis and recession and anticipated public spending reductions. A few associations encountered financial difficulties, reflecting reduced land and asset values, scaling back of projects reliant on cross-subsidy from property or land sales. While most associations were better placed than many private sector developers to ride out the crisis, the future public spending environment presents a challenge and associations may be less willing to risk ‘sweating their assets’ to the degree that had become expected prior to the crisis. The position of smaller associations that had not become involved in development or sales programmes may have been less impacted by the credit crisis, but could be badly affected by rent deflation and public spend cuts

Housing associations have set out their stall for the 2010 election, identifying nine solutions to the problems the incoming government will face.¹¹

Key issues for further research

Further research on housing associations of relevance to TSRC might include:

- impact of credit crisis on the hybrid model and adaptation to changing times;
- **measurement of social investment and social responsibility and performance;**
- changing relationships with state and market, implications of legal and regulatory changes;
- **neighbourhood focus and potential role of housing associations as bedrock of a thriving third sector – links to community land trusts and asset transfer agenda;**
- mergers, alliances and partnerships: responding to efficiency and accountability agendas;
- **adaptation of the housing association sector to a new government.**

Footnotes

- ¹ Although since 2004 it has been possible for associations to pay board members.
- ² Salamon L and Anheier, H (1997) Defining the non-profit sector. Manchester University Press.
- ³ Arms Length Management Organisations who manage more than a million council owned properties on behalf of local authorities.
- ⁴ Malpass P (2000) Housing Associations and Housing Policy. Basingstoke MacMillan
- ⁵ National Housing Federation (2008) The Scale and Scope of Housing Association Activity Beyond Housing.
- ⁶ Mullins D (2006) Competing Institutional Logics. Local Accountability and Scale and Efficiency in an expanding non-profit housing sector Public Policy and Administration 21.3 6-24.
- ⁷ Wadhams C (2009) Supporting the First Steps. From Capacity to Community. London, hact. Wadhams C Localism must find its bedrock . New Start August 2009 48-50.
- ⁸ Weaver v London and Quadrant Housing Trust (QBD, 2008)
- ⁹ TSA (2009) Consultation on New Regulatory Framework.
- ¹⁰ National Housing Federation (2008) Peers Second Reading Briefing, 28 April 2008, p 2, 4
- ¹¹ National Housing Federation (2009) The Tools for Success. Election Manifesto. London, NHF.

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