Housing associations

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Abstract
Housing associations (HAs) could be regarded as the ‘distant uncle’ of the third sector in England. Their experience of 40 years of capacity building, struggles around combining public service delivery while preserving some independence and shifting from charity to social entrepreneurial models has considerable relevance for other third sector organisations. Their hybrid financial model places housing associations squarely between the state and the market. While the core activities of associations in constructing and managing affordable housing is a crucial contribution to society, greater attention is often given to their social investment and neighbourhood activities when considering their added value. While larger associations are sometimes seen as having grown away from third sector roots, the importance of generating a social as well as a financial return and the impact of successful neighbourhoods on their business results is generally recognised. Recent policy and regulation issues have included a legal challenge to the non-public status of housing associations, a major review of regulation and adjustments responding to the credit crisis and recession and most recently responding to the Coalition Government, including public expenditure reductions and the Big Society agenda. While the housing association field was, for 40 years, tightly structured around a single dedicated funding and regulatory body, the Housing Corporation, since 2008 it has had separate regulatory and funding bodies each of which relate to other social landlords as well. This looser field structure may have important implications for the future evolution and identity of housing associations. Further research on the sector could address the adaptation of the housing association sector to the new government, localism, neighbourhood focus and social investment impacts, mergers and alliances and responding to efficiency and accountability agendas.

Keywords
Housing associations, credit crisis, hybridity, mergers & alliances, neighbourhoods, voluntarism.
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Introduction

This scoping paper is one of five prepared for the housing work stream of the Third Sector Research Centre (TSRC). Housing associations could be regarded as the ‘distant uncle’ of the third sector in England. While they have faced similar issues of capacity building, tensions between delivery of public services and independence and shifts from charitable origins to social entrepreneurial identities, for many third sector actors and scholars they are somehow distant from contemporary issues of third sector policy. With notable exceptions (Kendall, 2003) and recent commentary by Purkis (2010) it is relatively unusual for the dramatic growth of the housing association sector over the past 30 years to be given much attention in general reviews of the third sector (but see also contributions in Harris and Rochester 2000, and Billis 2010). Sometimes they are seen as having the potential to play a supporting role to other third sector organisations, for example in a series of contributions by HACT (the housing action charity)\(^2\) on the ‘opportunity agenda’, ‘community anchors’ (Wadhams, 2006) and later ‘neighbourhood bedrocks’ (Wadhams, 2009a), whose ‘asset base built up over the past 40 years…connected with and supporting development trusts and other neighbourhood groups (Wadhams, 2009b: 50). Similarly in relation to social enterprise debates, it is more common in England to see discussion of housing associations promoting and supporting other social enterprises rather than being regarded as social enterprises in their own right, as for example in the Netherlands (see Gruis 2008, Czichke et al 2010).

This tendency to distance housing associations from the third sector has been equally marked amongst housing associations themselves. Perhaps because of the relative ‘institutional completeness’ of the housing association field with its own set of trade bodies, regulators, funders and consultancy organisations (Mullins and Riseborough, 1997), engagement with wider third sector institutions and debates has often been quite limited except at key moments such as the National Housing Federation (NHF)\(^3\) campaign on the 2007 Housing and Regeneration Bill when full resort was made to third sector identity to assert independence. It has been argued that the up-scaling of the housing association sector through injection of £30 billion public and £38 billion private funding drawn down from secured loans of £50 billion (Social Housing, March 2008) has ‘contributed to a perceived distancing of housing associations from the broader third sector’ (Leach, 2009: 6).

Oddly, the core task of housing associations to construct and manage housing for groups on low incomes or with support needs has often been excluded when it comes to considering the contribution made by housing associations to society. This is exemplified by the National Housing Federation’s (2008) audit of neighbourhood impact which specifically excluded housing management, housing services, supporting people and registered care services. Possibly because of the historic role played by local authorities in this field, the high levels of regulation to which housing associations have been subject to in these functions and the (largely unrealised) potential to incentivise the private sector to meet sub-market housing needs, mainstream housing provision is rarely seen as a distinctive third sector contribution. In contrast neighbourhood and community investment activities (such as tackling worklessness, youth projects and debt advice – see key roles and functions section) have often been seen as part of the distinctive third sector contribution of housing associations and as core to their ethos of being ‘in business for neighbourhoods’ (NHF 2003, 2008b); a sentiment which appears to be supported by Purkis (2010).
Furthermore, 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. One common perception is that smaller community based associations or those concerned with specific social issues such as domestic violence, homelessness or older peoples’ needs have greater affinity with the wider third sector than do larger development oriented associations. Yet an alternative view would be 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 (either implicit or explicit) (Mullins and Sacranie 2009). Large housing associations are often acutely aware of their need to deliver social as well as financial returns and that their business results depend upon building successful neighbourhoods. This paper reviews some of the ways in which such associations have sought to measure and improve their social performance.

Based on the premise that you can learn a lot from your uncle whose stories of past struggles should not be forgotten, this scoping paper explores the origins and evolution of housing associations as part of rather than distinct from the wider third sector. In its own way it addresses the issues raised by Purkis who has asked the question ‘what happens to voluntary organisations if they take over the mass delivery of public services previously entrusted mainly to the state?’ (Purkis 2010: 3).

Definitions
Housing associations have been defined as independent, non-profit distributing organisations governed by voluntary boards to provide mainly rented housing at below market rents (Cope 1999). However, on each of these dimensions there has been some variation in practice and interpretation over time (Mullins and Murie 2006), with the only constant being that associations comply with the terms of their registration as ‘registered social landlords’ (RSLs) under the Housing Act 1996 which entitles them to apply for capital subsidies and in return requires them to be subject to regulation.

Housing associations were explicitly included within the third sector by previous governmental definitions.

The Government defines the third sector as non-governmental organisations that are value driven and which principally reinvest their surpluses to further social, environmental or cultural objectives. It includes voluntary and community organisations, charities, social enterprises, cooperatives and mutuals. We also include housing associations within the third sector’. (http://www.communities.gov.uk/ accessed November 2008).

Housing associations generally fit the structural operational definition used to define third sector organisations internationally (Salamon and Anheier, 1997). They may generally be regarded as:

- Organised (institutionalised to an extent)
- Private (institutionally separate from government)
- Non-Profit Distributing (not distributing profits to owners or directors)
- Self-governing (equipped to control their own activities)
- Voluntary (involving meaningful degree of voluntary participation)
However, again there are variations in practice and perception, with major current policy challenges to the private and self-governing status of associations (see policy and regulation section) and a long-term move away from voluntarism (see section below on third sector characteristics).

Perhaps the critical definition explaining the rise of housing associations over the last quarter century has been that for UK public accounts purposes borrowing by housing associations has been excluded from definitions of public expenditure. This highlights the importance and sensitivity of current legal and policy challenges concerning the ‘public functions’ of housing associations (see section below on key policy and regulation issues). As Wilcox recognises, this definition has been: ‘not only the financial rationale for stock transfers, but also the financial rationale for housing associations to be the predominant vehicle for the delivery of new affordable housing’ (Wilcox, 2004: 60).

The recent adoption of payment for board members and appointment of executive directors to boards together with the low level of voluntarism outside of board membership reinforce Malpass’ statement nearly a decade ago that: ‘voluntary housing has changed, virtually out of recognition, transformed to a point where the voluntary element is if symbolic relevance only’ (Malpass 2000a: 272).

The remainder of this paper follows a similar structure to others in this series of housing scoping papers (Mullins et al 2009, Jones 2010, Joseph 2010, Mullins 2010, Teasdale 2009). It begins by exploring the origins and evolution of housing associations, mapping the numbers and types of organisations and their key roles and functions and characteristics that define their third sector identities. We then consider current policy and regulation issues and in particular the implications of recent High Court judgements on the ‘public functions’ of associations, the emergence of a new regulator the Tenant Services Authority (TSA). Turning to consider the significance of this sector for the TSRC agenda we draw on case studies to illustrate the value added and impact of the hybrid model, the withering of volunteering and voluntary governance, and the emerging notion of housing associations as ‘neighbourhood bedrocks’ and attempts to measure the social impact of housing associations on society.

The research for the paper was mainly conducted in the summer of 2009 when a major focus was on gathering evidence on the impact of the credit crisis on the hybrid financial model that had hitherto proved so successful in the growth of the sector (see recession case studies in key policy and regulation section below). The paper has been edited and updated nearly a year later to consider the early implications of the emerging Coalition agenda on these organisations, particularly in relation to public expenditure reduction and the Big Society agenda. Housing associations provide a continuing rich set of research opportunities for third sector research. We suggest that future research should focus on the adaptation of the housing association sector to the new government, localism, neighbourhood focus and social investment impacts, mergers and alliances and responding to efficiency and accountability agendas.
Origins and evolution

The history of the housing association sector has been documented through a series of commissioned organisational histories (Garside 2000, Gulliver 2000, 2005, Harrison 1999, Holmes C. 2005, Holmes M. 1999, Malpass 1998, 1999a, Malpass and Jones 1995, 1996, Mantle 1995), sector histories (Tickell 1996, 2005) and research based monographs drawing on some of these studies (Malpass 2000a) and on an extensive study PhD tracking the history of the National Housing Federation and its predecessor bodies (McDermont, 2010) and a number of scholarly articles (Malpass 1999b, 2000b, 2001, Mullins 2000). These accounts enable us to construct a long-run trajectory of 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.

Social origins and long-run transformation

One approach to understanding this lengthy history is to consider the ‘social origins’ of housing associations and following Salamon and Anheier (1998) to relate these origins to shifts in the welfare regime and societal responses to these (Mullins 2000). However, as the organisational histories attest, organisations established in response to one set of regime influences have proved adept at transforming to meet the circumstances in subsequent periods (Mullins 2007). A long-run process of merger and amalgamation has seen organisations with very different origins and traditions incorporated into group structures and streamlined entities (Pawson and Sosenko 2008) with heritage being just one influence on contemporary values and strategies. Moreover, 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 history (Malpass 2000b) including the million homes imported to the sector through large scale stock transfers from local authorities since 1988 (Pawson and Mullins 2010).

Three major long-run phases can be identified which linked to liberal, social democratic and neo-liberal phases in the evolution of the position of housing in the welfare state in England (Mullins 2000).

As noted by Malpass (2000b) some would trace the genealogy of modern associations back to medieval almshouses. Less contentiously, the roots of some of today’s associations can be traced back to the liberal welfare regime of the late nineteenth and early twentieth century including the philanthropic housing companies of the Victorian era such as the Peabody and Guinness Trusts (Malpass 1998). It is estimated that 43 such organisations were established in London alone between 1840 and 1914 (Morris 2000); these catered for the needs of a variety of social groups, but only in the case of Octavia Hill’s ‘anti-institutional system’ were the poorest households catered for (Mullins 2000).

After the first world war the main responsibility for housing was taken by local authorities with housing associations adopting a more shadowy role; but in the shadow of the state a new generation of public utility societies were established in the 1920s such as William Sutton Trust and COPEC® (Garside 2000, Gulliver 2000) and Bournville Village Trust (Harrison 1999); many of which became very large enterprises in later years. After the second world war, the social democratic regime associated with the emerging welfare state saw the construction of ‘mass housing’ by local authorities
rather than housing associations and this was to have an important impact on later opportunities for
the third sector (Kendall 2003). However the later years of this era saw the ‘rediscovery of poverty’
(Coates and Silburn1973) and campaigns to reform the welfare state to meet the needs of excluded
groups such as homeless people and new migrants. This agitation spawned a new generation of
associations such as Notting Hill Housing Trust and the various Family HAs associated with Shelter,
the Churches and successful lobbying for core funding for housing associations under the 1974
Housing Act (Holmes 2005). A new cohort of associations was established to undertake inner city
regeneration in the 1970s. Similar in some respects are the origins of Scotland’s community-based
housing associations (Clapham and Kintrea 2000).

1979 saw the dawn of a neo-liberal era in which housing associations came to take an increasingly
central role in social housing provision. This was associated initially with the Conservative
governments and the Thatcherite drive to demunicipalise social housing. Starting with the transfer of
new build of social housing from local authorities to existing housing associations, the process was by
then extended from 1988 by the establishment of new special purpose associations to take transfers
of local authority housing stock (Mullins et al 1995). This regime transition maintained momentum after
1997 under Labour, with the establishment of a further new generation of stock transfer associations
with governance structures and regeneration aims to fit the task of accepting transfers of local
authority housing in urban locations (Pawson and Fancy 2003, Pawson et al 2009).

Growth and transformation since 1974
It is the period since 1974 that 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. Within this period three further phases can be identified:

1974–88
The introduction of public funding for housing associations to build housing for rent in 1974 reflected
multi-party support to expand a sector that for the previous 50 years had played a very small role in
housing provision. There was no vision then that associations might eventually displace local
authorities as landlords, rather associations were seen as a way of ‘fostering a variety of ownership of
rented housing’ and part of a policy shift from slum clearance to urban renewal (Malpass 2000b: 157).
As Kendall (2003: 139) observed housing associations ‘were in the right place at the right time’ to take
advantage of political disenchantment with both private landlordism and council housing. They had
escaped association with mass housing estates and were boosted as described above by alliances of
social activists who had rediscovered poverty. In addition to urban renewal, associations were involved
in specialist niches such as housing for older people and other vulnerable groups. Public funding led
to the formation of many new bodies, the transformation of existing voluntary bodies and the
development of financial and organisational capacity that would serve associations well later on. The
price paid for generous and risk free funding was a reduction in independence. There was a gradual
move away from the independent voluntary character of a sector that had had its roots in philanthropy
and, to a lesser extent, in mutualism. Some local authorities had been actively promoting housing
associations since the 1960s, but many associations had few local authority links. There were frequent
exchanges of personnel between associations and the Housing Corporation which combined the roles of promotion, funding and supervision (Cowan and McDermont 2006). Housing association market share increased from less than 5% of social housing in 1974 to 11% in 1988.

1988–97
The second phase involved more dramatic demunicipalisation and transformation of the housing association sector into a mainstream housing provider and a channel for private investment into social housing. Ideological and fiscal factors were the important motivations for change. Housing associations became the pioneers of the mixed economy of welfare, when the Housing Act 1988 led to what was termed ‘re-privatisation’ (Randolph 1993) through a new funding regime that treated associations as non-public bodies with the ability to source private capital leveraged against the asset value of their existing stockholdings. This regime exposed associations to financial risks from which they had previously been insulated. For example, rather than being indemnified by government, cost over-runs in the course of development had to be absorbed by associations themselves. This was seen as incentivising more efficient procurement and, hence, more effective use of capital. However, another effect was to promote a switch of development activity towards ‘easier sites’ and away from more risky contexts such as the rehabilitation of existing buildings (Randolph 1993). Private borrowing became the dominant source of income for acquisition and development of new and existing homes. Competition was promoted between housing associations to build more homes for less public subsidy. This led to significant growth and geographical expansion of larger associations out of the ‘home’ local authority areas. The process of stock transfer from local authorities began creating a new breed of associations with closer links to local authorities, but with aspirations to become ‘proper associations’, stressing the advantages of removing housing from local politics and from resource competition with other council departments (Pawson and Fancy 2003). There was a significant move from niche roles to mainstream social housing provision and housing association market share had grown to 22% by 1997. Housing associations were increasingly seen as a symbol of ‘accountability deficit’ (Davis and Spencer 1995, Nolan 1997). Reforms in corporate governance and the development of group structure arrangements signalled a more commercial orientation and an expanding sector.

1997 to date
This period has seen the most rapid growth of the sector, mainly as a result of acceleration in the pace of stock transfer and its spread to urban areas with poorer housing stock (Malpass and Mullins 2002). The incoming Labour Government made it clear that it would discourage local authorities from being landlords, indeed in 2000 it required authorities with remaining stock to undertake option appraisals to identify how they would secure resources to meet the new ‘decent homes standard’, a minimum standard that all social housing was required to meet by 2010 (ODPM 2002). In addition to transfer to housing associations, authorities could also consider Arms Length Management Organisations (ALMOs). These are semi-autonomous and independently governed organisations to which management is delegated while local authorities retain ownership. A third alternative was a public/private PFI contract for long term improvement and management. By 2005 only 40% of social housing was still managed by local authorities, with 45% owned and managed by housing associations (including 20% by newly established stock transfer housing associations) and the remaining 15% by ALMOs (Pawson 2006). Wider regeneration goals were set for transfer
organisations (National Audit Office 2003) and the virtues of specialist ‘housing only’ organisations separated from other local public services, which had been an early justification for stock transfer (Mullins, Niner and Riseborough 1995) became more questionable.

In this period there was continued organic growth by associations, and a new system of procurement of social and affordable housing was introduced that would have significant effects on the sector and its boundaries with the private sector. Known as Investment Partnering, the aim was to concentrate public subsidy on a small number of ‘the best performing associations’ (Housing Corporation 2003, Zitron 2004). The first programme adopting this system, for 2004/6, focused 80% of new funding for 2004/6 to just 70 ‘lead partner’ associations (CIH and Tribal 2005). This created incentives for other associations to join consortia or to merge with associations selected as lead partners. The 2004 Housing Act made provision for public funding of private house-builders, and after a small pilot programme had demonstrated their interest, they were invited to bid alongside housing associations for the 2006/8 programme. In the event provisional allocations were made to 74 lead housing associations and 9 private sector bodies, who accounted for 2% of the overall programme of £3.9 billion (Housing Corporation 2006a). This rose slightly to 4.2% of the rented programme in the first round of allocations for 2008/11 (Mullins and Walker 2009) and was expected to increase further as private developers responded to the recession by increasing their interest in this funding.

The scale of larger associations increased further in this period through mergers and the formation of group structures consisting of a parent body and several controlled subsidiaries. The distinction between stock transfer and traditional associations became blurred as both became intertwined in groups with decreasingly local sounding names. A new ‘accountability deficit’ was evident as the absence of procedures for tenants to vote for mergers and groups contrasted with their experience in local authority transfer ballots and there were also concerns about the lack of transparency of group parents to tenants (Audit Commission 2001). More streamlined and professionalized governance structures provided fewer opportunities for local committees or tenant board members. As in other parts of the third sector a new breed of ‘super organisations’ has developed. New organisational archetypes are evolving to manage the premier league of associations with 20–50,000 homes in management following growth through merger and group structure. The top 20 associations now control just under 30% of all housing in the sector and the process of agglomeration is continuing, albeit gradually (see later section on numbers and types of organisations). These larger housing associations appear to mark the culmination of the emergence of hybrid organisations as a sector in their own right for which new forms of organisation and governance are deemed to be required. For example a commission set up by one of the largest English housing associations aimed to address the problem of ‘nineteenth century constitutions (that) are no longer adequate to govern twenty-first century organisations’ (L and Q Group 2005). This ‘Commission on the Future Shape of the Sector’ argued that ‘there is a real difference between managing an organisation of 30,000 … (and) one of 50,000 homes’ and that new ‘structures, methods, technology and mindsets’ are required for such organisations to operate effectively.

The election of the Coalition Government in 2010 seems likely to herald considerable further change for housing associations with public expenditure reductions, the localism agenda, bonfire of the QUANGOs and regional government all posing challenges to existing models. Meanwhile the Big
Society agenda and further reforms of public services may provide new opportunities for these well established third sector organisations to contribute to empowered communities and new forms of engagement between state and society in the delivery of essential affordable housing and related services (particularly in relation to employment opportunities for their tenants (see post-election update section below).

**Issues emerging for wider third sector**

This history of incorporation of housing associations into the delivery of public services as contractors or agents of the state, the adoption of increasingly commercial models of finance and operations and associated struggles over values and independence has resonance for many other areas of third sector activity today. Yet while there is much potential read across, somehow housing associations are seen as outside of the sector and communication quite limited, especially between larger housing associations and other TSOs. In this section we identify a few key issues emerging from the history of the housing association sector that may be of wider relevance to the third sector today.

The relevance of the housing association experience outlined in this paper for voluntary and community organisations currently being drawn into the delivery of public services is worth considering. Our first conclusion is that a long process of change under several different political administrations has been 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 were crucial in building the asset base and managerial skills to become competitive. These circumstances 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. Voluntary and community organisations reliant on revenue funding, without property assets, and with earlier exposure to private competition 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.

A clear finding in relation to the capacity building agenda in the third sector is the importance of historic subsidies and the gradual accumulation of assets. These assets matured and appreciated in value and were of fundamental importance in enabling the more independent and social entrepreneurial operation of the housing association sector over the period before the credit crisis. However, there are suggestions that pressure from governments to ‘sweat these assets’ to maximise investment in new homes contributed to the scale of the problems faced by some organisations when the credit crisis impacted.

The impact of highly geared business plans and commercialisation on the treatment of service users has been explored by a number of writers on the housing sector, with authors variously suggesting a shift in focus from people to property, tougher tenancy management and even equating transfers to associations with privatisation (Walker 2000, Ginsburg 2005). While large private loans influenced business plans, financial management and organisational culture, there is little evidence that organisational indebtedness led to ‘harder nosed’ management. Pawson (2004) found that transfer associations (the most heavily indebted sub-group) recorded eviction rates well below local authorities and ‘traditional’ associations. However, the theme of potential conflicts between commercial and social objectives is an important one for any organisations adopting hybrid social
entrepreneurial aims; is being actively explored in TSRC research on homelessness and worklessness (Teasdale 2009); and would repay closer examination in the housing association sector which now has over 30 years experience of working with such a model.

In earlier work the author identified three main tendencies changing the internal governance of associations in recent years; increased scale, streamlining of structures and professionalisation of membership (Mullins 2006a). These tendencies have combined to challenge traditional voluntary sector governance models, which have been described as ‘nineteenth century models applied to twenty-first century organisations’ (case study interview). Complex group structures emerged from the bout of stock transfer, merger and diversification activity in the late 1990s (Audit Commission 2001). There is now an increasing vogue for smaller strategic business boards and fewer regional committees and subsidiaries. Professionalisation of governance has included provision to pay non-executive directors since 2003, and increasing adoption of single tier boards with both executive and non-executive directors. These reforms have enjoyed different levels of support across the sector, and this was reflected in divergence of views among a panel of chief executives on the importance of voluntary identity, board member payment, and having tenant and executive directors as board members. Overall, however the panel anticipated ‘fewer people being directly involved in governance and decision making in housing associations, with more consumerist models being developed for consultation and involvement’ (Mullins 2006b p.246).

Malpass (2005) ends his account of housing and the welfare state by putting forward his modernisation thesis in which housing is at the forefront of change in the welfare state. He identifies ‘a new organisational settlement of the welfare state implicit in New Labour references to the modernisation of public services’ (Malpass 2005: 185). In this new settlement, network forms of co ordination between fragmented delivery organisations supplant the vertically integrated functional departments of government. While notionally independent of government they are heavily managed and regulated and subject to control. Housing is seen as illustrating the moving frontiers of the welfare state and stock transfer of council housing is seen as ‘showing what can happen to apparently entrenched public services in a relatively short run of years’ (Mullins, 2006b: 216).

Purkis (2010) has approached similar issues to this paper from a broader experience in the third sector as a Board member of the Charity Commission, Chair of ActionAid UK and various charity trusteeships. His account broadly supports the analysis of this paper that housing has largely developed its own institutions and has interacted in only limited ways with the wider voluntary sector, but that its experience of taking on delivery of mass delivery of public services is of wide relevance to other voluntary organisations. His analysis concludes that involvement in mass service delivery has led to a withering away of core characteristics of voluntary organisations: independence, relationships with users and communities, campaigning and voluntarism. In particular his critique emphasises the changing character of large associations who ‘have become commercial in character and lost their civil society heart beat’ (p. 14) with consumerist approaches displacing wider social purposes. While some associations and their trade body (the NHF) are seen as having ‘experienced an epiphany’ (p. 16) in attempts to reassert voluntary identity, particularly through involvement in wider roles and services in neighbourhoods, ultimately this has been limited for Purkis by their failure to campaign with their residents despite being ‘in day to day contact with 2.5 million families, including many toward the
bottom of the social heap’ (p. 23). He attributes this silence to dependence on government, having earlier also argued that independence has largely been artificial being based on ability to harness private borrowing which has itself led to tight regulation to meet the demands of the credit rating agencies. Whatever the dependencies, government or the market, these have left associations less free to engage with fellow voluntary organisations or to harness ‘the wellspring of uncompelled giving and volunteering’ (p.25) even within the rubric of their own Corporate Responsibility strategies. In summary the price of growth appears to Purkis to have been a severing of the connections between associations and their civil society origins. This analysis supports the stance taken by HACT to build bedrock partnerships back to civil society: ‘they are in the unique position of being able to facilitate partnership bids with community partners, open up office space, meeting rooms and other facilities to those groups who are always the lifeblood of communities – regardless of the latest policy fad’.9

### Numbers and types of organisations

There are around 1,700 housing associations registered with the regulatory body (Tenant Services Authority, TSA) and 1,200 are in membership of the trade association (National Housing Federation, NHF). Excellent information is available on many aspects of registered associations as a result of their completion of an annual regulatory and statistical return (RSR) and publication of annual accounts.10

There are a number of different and overlapping ways in which various analyses classify types of housing associations: notably by size and constitutional structure, by split between stock transfer and ‘traditional’ associations, between general needs and supported housing specialists and by identifying a number of further types of specialism:

#### Size

As earlier discussion in this paper has indicated the increasing size of associations and a process of merger and concentration of ownership within the sector has been seen by many as a major dimension of change. This has affected the external perception of housing associations including by other third sector organisations.

It therefore comes as some surprise to many observers that the average size of associations is still only just over 1,400 homes (RSR 2009) and that 68% of associations have fewer than 250 homes and are therefore nor required to complete a full regulatory return (thereby limiting the information available on the smaller more volunteer-based part of the sector).

However the skewed pattern of ownership is captured by Figure 1 showing the mirror image of distribution of associations and of stock holdings in 2008. The largest 50 associations each with over 10,000 stock accounted for less than 3% of all associations but 36% of all stock holdings. Conversely the smallest 1,100 associations with fewer than 250 stock accounted for 68% of associations but only 2% of all stock holdings. Meanwhile a small proportion of housing associations do not own any housing at all, some of these are non-asset holding parents within group structures, meanwhile some smaller associations manage stock on behalf of larger property owners.

Most attention and discussion of the housing association sector is given to around 500 associations with more than 250 homes who complete the long RSR return and who have been the main players involved in developing new social housing since 1980. Annual lists of the 200 largest individual
associations and the 60 largest groups are published by the TSA. In 2009 the largest group, Sanctuary, owned over 60,000 homes, 7 further groups each of whom owned more than 40,000 homes. The emergence of group structures as the dominant organisational model in the sector is discussed below (under constitutional structures).

Figure 1: Distribution of housing associations and stock holdings by size of association 2008

Source: RSR 2008 Table 1, https://rsr.tenantservicesauthority.org/

Transfer v traditional

Reflecting the different origins of associations reported earlier, one of the most common ways in which associations are classified is to distinguish between stock transfer associations and ‘traditional associations’, the latter being a residual category covering a diverse range of non-transfer associations. By 2008 the 160 or so transfer associations 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. The dramatic shift in composition of the sector from the latter to the former since 1988 has changed character of sector – both more public (less associated with particular needs, more continuity with the previously dominant local authority model) and more private (higher levels of debt in relation to asset values, more constrained by committed repairs and stock modernisation commitments, interest payments and loan covenants). Analysis of Global Accounts (TSA 2009) pays greatest attention to the distinction between transfer and traditional associations because of the very distinct financial characteristics of transfer associations, as outlined above, in relation to the ratio of debts to assets and higher interest payments particularly in their early years.

Since 2002 an alternative option for the transfer of management of local authority housing to Arms Length Management Organisations (ALMOs) has resulted in a further reduction of one million homes
in the directly managed local authority housing stock. ALMOs have some distinctive features which deserve further research in a third sector context. ALMOs are usually constituted as companies limited by guarantee and operate on a non-profit basis with delegated management responsibilities for local authorities who still own the properties. ALMOs enjoy a degree of autonomy from local authorities and qualify for capital funding to improve the housing stock if they are deemed to be ‘high performing’ by the Audit Commission Housing Inspectorate. They are governed by boards that usually include a third tenants, a third council nominees (usually councillors), and a third ‘independents’. They are able to pay board members but less likely to do so than housing associations of a similar size. Tenant board members are often elected by fellow tenants and many ALMOs have made strong claims in relation to local accountability and resident empowerment. Unlike many stock transfers ALMOs have preserved a strong geographical focus on their host local authority areas, this could have considerable accountability advantages. The absence of ownership of the assets is a major difference to housing associations, and one that is perceived by many ALMOs as a limitation on their ability to operate as independent social enterprises. For this reason several ALMOS have been moving towards registering as housing associations and transferring their housing from local authorities, while others have transferred the management of all or some of their stock to tenant-led organisations while councils retain ownership, meanwhile the recent public expenditure cuts have led some local authorities to consider taking their housing stock back in house to save money. These options highlight the uneasy position of ALMOs between the state, market and society and the potentially transitory nature of this status. ALMOs are not considered further in this working paper which confines its scope to registered housing associations.

Other forms of management transfer such as Tenant Management Organisations (TMOs) are like ALMOs not an option for housing association tenants and are not covered in this paper either; but are discussed in two other papers in this series; on co-operatives and mutuals (Rowlands, 2010) and tenants’ and residents’ associations (Jones 2010)

ALMOs have been very little researched and further research from a third sector perspective on governance, community empowerment and the benefits and limitations of locally focused, non-asset holding large scale service providers would be very timely for debates about the Big Society.

General needs v supported housing

Another common distinction is between general needs and supported housing associations. While the majority of general needs associations also provide some specialist support, care or housing for older people, the latter specialise mainly in this field. 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 particularly affected by recent changes in public procurement arrangements which have separated support and care funding from housing and imposed increasingly competitive arrangements for support funding under the ‘Supporting People’ funding (Riseborough 2006). Supporting People funding has recently been integrated within local area agreements reducing even the limited funding certainty that ring-fencing had previously provided. The high and specialist staffing requirements and competitive public funding environment are causing a number of general needs housing associations to consider either floating
off their care activities into special purpose organisations or withdrawing from the field (Source: scoping interviews). This could reinforce tendencies identified by Mullins and Riseborough (2000) for housing and care providers to form a distinct and increasingly separate sub-field. It could also lead to a shift in sector boundaries, for example with public and private care providers, as a recent merger proposal may signal. One large supported association specialising in local authority care contracts has recently been involved in a £19.5 million bid to acquire a public company in the same field, in what could be the first acquisition of a PLC by a housing association (Inside Housing, 4 September 2009: 7).

Other special types of association.

**Almshouses and Abbeyfields** are often identified separately because of their small size, specialist clientele (mainly older people requiring sheltered housing and support services), institutional links and local governance. These two sets of associations both had average stock holdings of only 40 in 2002 and together accounted for over 40% of all associations but only 2% of sector stock. Since 2002 Abbeyfield UK Housing Association has been actively consolidating the management of formerly locally based Abbeyfield associations, with the number of separate associations halving between 2002 and 2007 and the average size of Abbeyfields doubling to 90. Almshouses have also been subject to a different process of consolidation through de-registration and merger but with no increase in the size of those remaining as independent associations. By 2007 the two sub-sectors accounted for 34% of all associations.

**Black and minority ethnic (BME) associations** were established mainly from the 1970s to meet the specific needs of new communities who as a result of poverty and discrimination had poor access to housing. These associations were defined as a separate sub-field by virtue of their governance; they were characterised by majority BME membership of governing boards. However, they also were distinguished by their aspirations to provide greater access to decent housing and employment and training opportunities for community members. Sixty-three associations were established and secured state support in the 1980s through a series of Housing Corporation five-year programmes providing capital funding, revenue support and to promote financial viability (Harrison, 1991, 1995) and the sector had grown to manage 25,000 homes by 2003. However, ‘although firmly established in the policy arena, they remained vulnerable to distinct pressures related to their funding opportunities, stock acquisition, limited assets, size and periods of growth’ (Harrison and Phillips 2003: 9). These pressures were leading a number of BME associations to seek partnerships and mergers, resulting in a reduction on the number of registered associations from 58 to 51 between 2002 and 2008, with many of the remaining associations becoming part of group structures. Two of the largest BME associations have faced well publicised financial difficulties and have been absorbed through merger into large existing associations.

The rise of BME associations attracted considerable policy attention, being feted as a leading example of positive action in Europe, the more recent experiences of the sector and the twin impact of a competitive financial environment and changing policy paradigms (e.g. community cohesion) would warrant further study to update reviews undertaken in the early 2000s (Harrison and Phillips 2003, Lupton and Perry 2004, Beider 2007). The more hostile environment faced by BME associations in
recent years may have as much to do with increasing emphasis on scale and efficiency and the impact of wider merger and consolidation of the sector, but the assumptions underpinning the shift away from ‘single group funding’ in the interests of community cohesion deserve more critical attention. There has been relatively little research on the impact of BME associations on community cohesion, but Flint (2008: 179) argues that existing research evidence ‘suggests that BME housing associations do not create divided local neighbourhoods or undermine civic development through their separatism… and have been identified as good practice in fostering community cohesion’. A recent review (Beider 2010) has argued that in recent years there has been a decline in the significance of race in housing generally and the role of black and minority led housing associations specifically.

Further research to understand more fully the reasons for and implications of this decline as well as the wider lessons that could be learned from the extraordinary history of the BME housing sector warrants further research from a third sector perspective and plans for a collaborative project have been discussed with Professor Beider at University of Coventry.

Co-operatives are the subject of another scoping paper in this series (Rowlands 2010). They remained stable in numbers between 2002 and 2007 while the total number of registered housing associations declined resulting in a small increase in their representation amongst all associations (from 12% to 14%) , while retaining a market share of around 0.6% of all social housing stock.

Table 1: The changing makeup of the housing association sector, 2002–2007

<table>
<thead>
<tr>
<th>HA type</th>
<th>2002</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No of orgs</td>
<td>Total stock</td>
</tr>
<tr>
<td>Abbeyfield</td>
<td>376</td>
<td>15,587</td>
</tr>
<tr>
<td>Almshouse</td>
<td>419</td>
<td>15,146</td>
</tr>
<tr>
<td>BME</td>
<td>58</td>
<td>21,122</td>
</tr>
<tr>
<td>Co-op</td>
<td>237</td>
<td>12,152</td>
</tr>
<tr>
<td>Non-asset</td>
<td>40</td>
<td>0</td>
</tr>
<tr>
<td>holding parent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supported</td>
<td>87</td>
<td>25,282</td>
</tr>
<tr>
<td>Transfer</td>
<td>114</td>
<td>521,778</td>
</tr>
<tr>
<td>All</td>
<td>1,910</td>
<td>1,558,552</td>
</tr>
</tbody>
</table>

Source: Pawson and Sosenko (2008)\textsuperscript{12}

While the main types of associations discussed above are shown in Table 1, there are many other ways in which the characteristics of different parts of the sector may be distinguished. Neighbourhood focus is one such dimension which has been particularly important for the presentation of distinctive contribution the sector, for example through the National Housing Federation’s ‘In Business for Neighbourhoods’ campaign (NHF2004). Our discussion of third sector identities below returns to the question of neighbourhood focus and links with other third sector organisations. Table 1 shows how the mix of association by types was changing between 2002 and 2007. The most obvious trend is the
increasing size of associations, growing market share of stock transfer associations, the marked decline in the number and increase in the average size of Abbeyfields.

**Constitutional structures**

A key element of the concentration of ownership has been the growth of group structures. Group structures are defined as formal associations of independent organisations in which one organisation, the parent, has ultimate legal control over the other ‘subsidiary’ organisations (Audit Commission and Housing Corporation 2001). More specific definitions have been developed for regulatory purposes in the housing association sector drawing on Section 60 of the Housing Act 1996. Control by the parent is evidenced either by the power to appoint or remove board members of subsidiary organisations or by owning more than 50% equity stake (Marshall 2003). Housing association groups may include a number of registered housing associations and other non-registered subsidiaries which may deliver a range of housing related and other services. The parent must be a registered housing association.

Of the housing association stock, 72% is now in group structures of various sorts (RSR 2008) and increasingly these structures embrace the different types of associations (such as stock transfer and traditional, general needs and supported housing) outlined above, sometimes in separate subsidiary bodies, but increasingly in single streamlined entities).

Detailed analysis of the anatomy of housing groups (Pawson and Sosenko 2008) distinguishes three main types of group structure (original, mixed, and umbrella) and Table 2 shows the size of stock held within these different types of groups.

**Table 2: Size of stockholding by group from 2007**

<table>
<thead>
<tr>
<th>Total stock owned by group</th>
<th>Original</th>
<th>Mixed</th>
<th>Umbrella parent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;2,500 dwellings</td>
<td>1</td>
<td>18</td>
<td>3</td>
<td>22</td>
</tr>
<tr>
<td>2,500–4,999 dwellings</td>
<td>3</td>
<td>30</td>
<td>7</td>
<td>40</td>
</tr>
<tr>
<td>5,000–10,000 dwellings</td>
<td>2</td>
<td>18</td>
<td>18</td>
<td>38</td>
</tr>
<tr>
<td>&gt;10,000 dwellings</td>
<td>1</td>
<td>23</td>
<td>26</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>89</td>
<td>54</td>
<td>150</td>
</tr>
</tbody>
</table>

Source: Pawson and Sosenko (2008) Housing Corporation RSR

In supporting analysis of ‘constitutional change transactions’ Pawson and Sosenko track the involvement of different types of association in the process of sector restructuring between 2002 and 2007. It is apparent from Table 3 that stock transfer associations had high levels of involvement, that smaller associations other than Abbeyfields were less involved than larger associations in constitutional changes and that co-operatives enjoyed greater stability than other sub-sectors during this recent period of sector restructuring. Thus contrary to the view that sector consolidation is involving the takeover of smaller associations by larger ones, it can be seen that the majority of activity is in fact between larger associations, in particular those initially established through stock transfer. If we exclude the specific restructuring process initiated by Abbeyfields UK, it can be seen that smaller
association in general have been more involved in de-registrations\textsuperscript{14} than in mergers and that the level of involvement in merger activity is positively rather than negatively correlated with size of association.

Table 3: Breakdown by association size of housing associations subject to constitutional changes 2002–7

<table>
<thead>
<tr>
<th>Stock in ownership 2002</th>
<th>HAs subject to constitutional changes</th>
<th>HAs otherwise de-registered</th>
<th>Total HAs in 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>%</td>
<td>No</td>
</tr>
<tr>
<td>Transfer*</td>
<td>77</td>
<td>60</td>
<td>0</td>
</tr>
<tr>
<td>BME</td>
<td>10</td>
<td>17</td>
<td>4</td>
</tr>
<tr>
<td>Almshouse</td>
<td>9</td>
<td>2</td>
<td>86</td>
</tr>
<tr>
<td>Abbeyfield</td>
<td>111</td>
<td>30</td>
<td>81</td>
</tr>
<tr>
<td>Co-op</td>
<td>5</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>Supported provider***</td>
<td>25</td>
<td>26</td>
<td>8</td>
</tr>
<tr>
<td>&gt;10,000</td>
<td>20</td>
<td>77</td>
<td>0</td>
</tr>
<tr>
<td>5,000–9999</td>
<td>34</td>
<td>52</td>
<td>0</td>
</tr>
<tr>
<td>1,000–4,999</td>
<td>121</td>
<td>58</td>
<td>0</td>
</tr>
<tr>
<td>250–999</td>
<td>51</td>
<td>34</td>
<td>6</td>
</tr>
<tr>
<td>1–249</td>
<td>195</td>
<td>15</td>
<td>196</td>
</tr>
<tr>
<td>Nil</td>
<td>41</td>
<td>37</td>
<td>21</td>
</tr>
<tr>
<td>Non-Abbeyfield 1–249 dwellings</td>
<td>89</td>
<td>9</td>
<td>123</td>
</tr>
<tr>
<td>Non-Abbeyfield nil stock</td>
<td>38</td>
<td>40</td>
<td>14</td>
</tr>
<tr>
<td>Non-asset holding group parent</td>
<td>32</td>
<td>71</td>
<td>0</td>
</tr>
<tr>
<td>Grand Total</td>
<td>494</td>
<td>26</td>
<td>225</td>
</tr>
</tbody>
</table>

Source: Pawson and Sosenko (2008) Housing Corporation RSR

The highest level of restructuring activity involved the 26 largest organisations that already had 10,000 homes in management in 2002. Mullins (2005) identified two distinct processes involved in the recent restructuring of the largest housing association groups; group formation and consolidation. Given the continued appetite for new organisations to form and join groups he predicted that ‘acquiring organisations’ would play a ‘long game’, with several new members being encouraged to join the group before fuller integration is progressed to secure the full advantages of scale. On its own this behaviour would be likely to fuel increasing complexity of group structures over the next few years. However, new drivers for increased efficiency in procurement and management costs could induce many existing group structures to move from the group formation to group consolidation phase and review the costs and efficiency of governance, strategic and operational integration. This is likely to encourage a move towards simpler structures but is also likely to increase the political tensions.

Since 2005, there has been an acceleration of simplification of existing groups in response to growing efficiency pressures, to the advantages of consolidating assets into a single portfolio for
borrowing purposes and emerging concerns about the disadvantages of complex groups in governance terms. However, while the credit crisis and recession have increased the financial drivers to consolidate, they have also increased the financial costs of doing so. Banks and other lenders have taken the opportunity of any events which might be interpreted as breach existing loan agreements and covenants, such as constitutional changes, to re-price the group’s entire loan portfolio at higher margins. Case studies undertaken for this report show the impact of the credit crisis and recession in these processes (see discussion of credit crisis impacts in funding section below).

Table 4: Change in concentration of housing association stock ownership, 2002–2007 (Groups treated as single entities)

<table>
<thead>
<tr>
<th></th>
<th>20 largest groups/HAs</th>
<th>50 largest groups/HAs</th>
<th>100 largest groups/HAs</th>
<th>200 largest groups/HAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>26.3</td>
<td>45.7</td>
<td>64.5</td>
<td>85.5</td>
</tr>
<tr>
<td>2007</td>
<td>29.2</td>
<td>50.0</td>
<td>70.2</td>
<td>91.0</td>
</tr>
<tr>
<td>2007 excl post-2002 transfer HAs</td>
<td>32.0</td>
<td>53.8</td>
<td>73.6</td>
<td>91.4</td>
</tr>
</tbody>
</table>

Source: Pawson and Sosenko (2008) RSR data

The process of concentration of ownership in the largest associations can be tracked through measures based on the top 20, 50, 100, and 200 associations. Pawson and Soskeno (2008) concluded their analysis of constitutional changes and their impact on the structure of the sector by allowing for the ‘distorting’ effect of new stock transfers the proportion of total stock in the ownership of the largest 20 associations/groups increased from 26–32%. Hence, while the profile of the sector is becoming increasingly ‘skewed’ this process is taking place much more slowly than might be assumed. In 1995 the largest 1% of charities captured 62.1% of sector income. This share was essentially identical in 2007.

There are close parallels between Pawson and Sosenko’s analysis and more recent work by Clifford and Backus (2010) on whether large charities are becoming increasingly dominant in the wider charity sector in which they challenge the ‘tescoisation hypothesis’. In a more detailed analysis of the data Backus and Clifford (2010) analyse trends in income concentration and report that in 1995 the largest 1% of charities captured 62.1% of sector income. This share was essentially identical in 2007. After taking account of the increasing number of charities, many of which are very small, their evidence suggests that charitable income has become less concentrated. Furthermore, the very largest charities have not necessarily grown at the highest rate. The picture is complicated when different ‘industry’ subsectors are considered. Some such as health, have become more concentrated, whilst others, such as education, have become substantially less concentrated. In the social services sector, where ‘tesco-isation’ claims have been most common Bachus and Clifford (2010) show that the largest organisations have not grown faster than medium sized ones.15
Evidence presented in this working paper suggests that the housing sector is somewhere in between, the largest 20 housing associations are quite dominant but their dominance has increased at a relatively slow rate in relation to the rapid growth of the sector as a whole.

**Trends in concentration of ownership and broader changes in the structure of the housing association sector and its component organisations is worthy of further research to update the data presented in this chapter and to engage with the wider third sector debates.**

### Roles and functions

The provision of housing for rent is the main activity for the majority of housing associations. 1.7 million general needs homes were owned by housing associations in 2008 and there were 99,000 supported places and a further 316,000 rented homes for older people. In addition 126,000 leasehold properties (including those sold under the right to buy, the right to acquire and shared ownership). Building for outright sale and shared ownership had become an increasingly important function of housing associations (at least until the recession impacted in the ability of prospective buyers to secure mortgages). These activities not only enabled a wider range of housing needs to be met and more mixed customer base to develop, but income from sales began to constitute an important income stream in its own right, providing the potential to cross-subsidise housing for rent, particularly in periods of rising property prices. Implications for the balance sheet and the development of hybrid business model are discussed in greater detail below (both in this section and regulation and policy impacts in relation to the recession).

In addition to their core social housing business, 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 the core social housing business in line with the ‘hybrid business model’ outlined below. It could also be seen as a contribution to avoiding the stigma associated with the provision of social housing as a residualised service by catering to a wider range of social groups. However, this potential is often reduced in practice by the establishment of specialist commercial divisions or subsidiaries with very little day-to-day overlap with social housing and serving segregated client groups.

Housing associations are also involved in a wide range of non-housing activities, many of which relate to their landlord role, being associated with either the provision of care and support services to residents or the of sustainable communities and neighbourhoods through regeneration and community development activities in areas where associations have significant housing stock.

Another measure of the extent of diversification outside of core social housing provision is provided by Global Accounts (TSA 2009b) data on turnover. This shows an aggregate turnover of £1.5 billion from all activities other than social housing lettings, equivalent to 15.3% of housing association turnover. This share has been increasing in the years up to 2008, and had grown by nearly 50% since 2006 when the turnover was £1.06 billion mainly as a result of the growth in low cost home ownership and outright sales programmes. Subsequent global accounts are likely to show a sharp decline as a result of the impact of the credit crisis and recession on the market for these products.
This analysis includes three main subcategories of activity other than social housing lettings, with different scales of activity and contributions to surpluses:

- **Other social housing activities**
  This is the largest category with turnover of £977 million and an expenditure of £1.1 billion in 2008; and overall deficit of £32 million. It comprises a mix of supporting people contract income, and community based regeneration (for which there is not necessarily an income stream) and associations may also include non-capitalised development expenditure and un-apportioned central overheads. About 80% of associations include this category in their accounts.

- **Non-social housing lettings**
  This is a smaller but more profitable stream of activity with turnover of £160 million, expenditure of £118 million and surplus of £51 million in 2008. Operating margins are around 1.9% overall. It includes student and key worker housing, market renting and care homes.

- **Non-social housing other activities**
  The final category from the Global Accounts analysis includes sales and low cost home ownership and had a turnover of £399 million and expenditure of £389 million in 2008, a small surplus of £10 million. The Global Accounts report commented that ‘it is perhaps surprising that with the increasing activity in low-cost home ownership and outright sales recorded as other activities, the operating margin has not increased significantly over previous years’ (TSA, 2009b: 29). This suggests that in the housing market recession it was increasingly difficult to generate surpluses from building for sale; there were particular difficulties for households with low incomes to secure mortgages on shared ownership properties.

Thus the provision of social housing remains the core function for most housing associations. Nevertheless, there has been an increasing focus on other activities. For example in the 1990s there was a recognition of the need for ‘housing plus’ activities to enable housing organisations to tackle the social exclusion of their residents (Clapham and Evans, 1998); an initial regulatory backlash seeking to restrict the extent of non-core activities (Housing Corporation, 1999) was subsequently softened (Housing Corporation, 2000) and stock transfer landlords in particular were positively encouraged through stock transfer guidance (ODPM, 2003a) to attend to the wider well-being, employment and training needs of their residents in order to support the policy mantra of the time to build ‘sustainable communities’ (ODPM, 2003b). Many housing associations have longstanding commitments to wider activities to support their residents and communities ‘reflecting the different values and purposes of the founders and supporters of each association’ (Mullins et al, 2001a:17–18). More recently such commitment has been incorporated into the sector brand through the National Housing Federation’s ‘In Business for neighbourhoods campaign (NHF, 2003).

In 2006/7 the NHF conducted, for the first time, a full audit of neighbourhood services and facilities provided by housing associations to uncover the scale and scope of housing associations activity beyond housing (NHF, 2008b). This study was a significant landmark in quantifying a previously uncertain area of activity that is often seen as close to the values base of housing associations as
independent social purpose organisations (Mullins and Riseborough 2000). The timing of the audit was significant as it coincided with the debate about the scope of the powers of Government and the proposed new regulatory body (which was to be the TSA) to externally regulate these activities (see section above). For the NHF the audit would demonstrate the value that had been created independently in the absence of regulation, from a regulatory perspective it could be argued that counting is a necessary prior step to regulation.

The audit is important for third sector studies because it provides a set of definitions for the types of community activities housing associations are involved in and a basis for ongoing comparisons within the sector and potentially with other third sector organisations providing similar services. The Audit provided a useful classification of the types of community investment activities the sector is engaged in and the relative scale of different types of activity measured as numbers of activities, levels of investment and whether this investment was funded directly by the associations or by leveraging in external finance. The audit also quantifies human resource inputs to these activities by counting the number of ‘services’ provided and estimating the number of people to benefit. It quantifies the financial inputs housing associations have contributed to different types of community activities both from their own resources and from external leverage.

The NHF report uses responses achieved from members owning 64% of the entire housing association stock to gross up estimates of the scale and scope of activities to cover the entire sector. This exercise 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 equivalent of one in ten of the population). An attractively presented report uses graphics to map inputs and outputs of each group of activities and case studies to give a fuller account of benefits.

Table 5: Audit of neighbourhood Investment by housing associations

<table>
<thead>
<tr>
<th>Domain</th>
<th>Activity Levels (total investment and investment from associations’ own resources, number of services, number of people benefiting)</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment and enterprise</td>
<td>£45 m. invested, £26 m. own resources 574 services, 67,000 people benefit</td>
<td>Community led enterprises</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Welfare to Work</td>
</tr>
<tr>
<td>Education and skills</td>
<td>£66 m. invested, £46 m. own resources 1,238 services, 406,000 people benefit</td>
<td>School projects and clubs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Parenting skills</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IT training</td>
</tr>
<tr>
<td>Well-being</td>
<td>£41 m. invested, £23 m. own resources 656 services, 264,400 people benefit</td>
<td>Health advice</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Community Health Workers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sport</td>
</tr>
<tr>
<td>Poverty and social exclusion</td>
<td>£44 m. invested, £33 m. own resources 984 services, 368,000 people benefit</td>
<td>Debt advice</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Welfare advice</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fuel poverty</td>
</tr>
</tbody>
</table>
Safety and cohesion

| £91 m. invested, £55 m. own resources | Community events  
1,878 services, 1.7 m. households benefit  
| Youth activities  
Crime prevention |

Environmental services

| £79 m. invested, £62 m. own resources | Recycling  
1,472 services, 1.7 m. households benefit  
| Energy conservation |

Neighbourhood facilities

| £351 m. invested, £152 m. own resources | Nurseries and childcare  
1,000 facilities provided and maintained  
| Community cafes |

Source: Based on NHF(2008b) The scale and scope of housing associations activity beyond housing. London, NHF.

The audit explicitly excluded core services of housing management, care and support services. Whilst understandable in terms of the purpose of the audit and the much better existing performance monitoring of those areas, this omission seems odd if we are trying to map the social benefits of housing association investment, much of which is concerned with providing quality homes and support in situations that residents would not otherwise be able to afford. These key social benefits should not be missing from the overall social accounts of the sector.

Third sector characteristics

As we noted in our introductory metaphor of the ‘distant uncle’, housing associations have in many ways grown away from their voluntary sector origins, and indeed half of the housing stock managed by the present sector originated in the state sector anyway. Nevertheless, the position of associations between state, market and society and their lengthy experience of managing the tensions associated with this position does we believe have relevance for wider third sector debates. Earlier work by Mullins and Riseborough (1997, 2000) made explicit connections between housing associations and other third sector organisations and asked the question ‘what are housing associations becoming?’. This work picked up an early alignment with the social enterprise model that was to become a major theme within wider in the UK and elsewhere over the next decade.

Since then social enterprise models have been widely promoted by both civil society interests and state policies across Europe (and globally) (Brandsen et al 2005, Defourny 2009, Crossan and van Til 2009, Teasdale, 2009, Lyon and Sepulveda, (2009). Implications for housing organisations are currently being explored (Czichke et al 2010). Another emerging approach highlighting tensions between social and commercial objectives, are theories of organisational hybridity (Evers 2005, Billis 2010). In many European states social housing organisations increasingly occupy the space between the state, market and community and display a variety of forms of hybridity (Billis 2010).

In this section we review four aspects of the third sector identities of housing associations. We begin by considering the limited claims to principles of voluntarism within the housing association sector, continue by exploring the ways in which some housing associations are aligning themselves to the wider third sector through partnerships often at the neighbourhood and community level, and end by exploring questions of independence and hybridity. This argument move us from a starting position
that third sector identity is of marginal or historical relevance only, to a conclusion that housing associations embody the tensions and issues that are at the heart of the third sector today.

**Voluntarism**

Historically, housing associations were often labelled as the voluntary housing movement, partly to distinguish them from council housing. Kendall and Knapp (1996) saw housing associations as characterised by a meaningful degree of voluntarism in terms of money or time through philanthropy or voluntary citizen involvement (p.18). However, as Malpass commented a decade ago ‘voluntary housing has changed, virtually out of recognition, transformed to a point where the voluntary element is if symbolic relevance only (Malpass 2000b: 272).

Developments during the 2000s have in general only served to reinforce this critique of any pretensions to voluntarism as the involvement of volunteers has been increasingly confined to board and committee membership rolls and these positions have themselves become eligible for payment in line with developments in other areas of public service such as local councillors and NHS Trusts.

With regard to voluntary governance, the decision in 2003 by the Housing Corporation to allow housing associations to pay board members (Ayton 2006), provided that their turnover exceeds £250,000 and that payments account for no more than 0.5% of turnover, was fiercely contested. Some of the arguments of the time are recalled by Ferman and Appleby (2009) in NHF guidance on the principles and practicalities of board member pay who note that ‘many of the perceived costs and benefits are intangible (like reputation or perceptions), or highly judgemental (better skilled or the wrong sort of people’). Perhaps the most relevant argument to this paper was the view that payment would ‘undermine the voluntary ethos’ or ‘attract people who are in it for the money’ (Ferman and Appleby 2009: 2).

A survey of NHF members undertaken five years after the introduction of payments reveals a highlight differentiated process in which voluntary governance has all but disappeared from the largest associations, but take-up falls off rapidly as organisational turnover falls, until the de minimus thresholds of turnover of £250,000 below which payment is not permitted. Overall, 62% of associations responding do not pay board members and most of these do not expect to do so. However, 94% of associations with turnover above £100 million and 60% of those with turnover above £25 million have introduced payment. Payment is most common in group structure organisations (where complexity and number of subsidiaries also increases cost) and least common in independent traditional HAs. Adoption of payments peaked in 2005/6 two years after payment was first allowed and has fallen off in the past two years, however no adopters have yet decided to discontinue. While to date the general view appears to be that payment has led to improved governance, in the post-election context of closer scrutiny of all costs and general reductions in expenditure together with a reassessment of the value of voluntary led bodies in ‘building the Big Society’ may lead some associations to take this step. Moreover some respondents to the 2009 survey had identified problems particularly in relation to resident board members in receipt of benefits, but also in relation to taxation and to councillor board members ‘wanting to be paid on top of their member allowance’ (Ferman and Appleby 2009: 28).

Payments are proportionate to turnover and generally well below those of NHS Trusts and of local councillors; with Chairs earning between £6,000 in associations with below £6 million turnover and £20,000 in associations with over £100 million and ordinary board members picking up between
£2,350 and £7,500 across the same turnover bands. Only in the lower turnover bands were costs approaching the 0.5% of turnover threshold, group structures that had not rationalised board arrangements after mergers had proportionately higher total payment costs.

A related aspect of voluntary governance is the opportunity provided by many associations for residents to become members of boards and committees. Research on the impact of board member payments indicates that one of the main problems encountered as been with the interaction with the benefit system for resident board members (Ferman and Appleby 2009). Resident involvement in governance had already been under pressure in many larger housing associations from the growing dominance of consumerist over representational approaches to tenant accountability. These associations tended to adopt consumerist checklists covering customer care and stressing quantitative measures of customer satisfaction (Mullins and Murie 2006). However, there were countervailing pressures in favour of more representational models of tenant involvement from the new TSA regulator who in 2009 commented that ‘many tenants want to be involved in decisions about their homes …they want genuine involvement and not a tick box approach’ (TSA 2009a: 9)

With regard to other voluntary activity, the mainstream activities of associations were increasingly professionalised after the injection of significant public funding in the 1970s. Thus Kendall (2003) comments that ‘amateurism’ in smaller housing associations related more to the capabilities of paid staff than to inappropriate use of volunteers. Where volunteers have remained it has usually been in connection with the social and community activities managed by some associations alongside their core housing management and development roles. Recently, some associations have revived their volunteer programmes often with a particular focus on involving residents and as part of initiatives to tackle worklessness. A review of indicators of performance in social investment activities for the G15 group of large London based associations in 2009 found that numbers into volunteering and numbers into accredited training courses were the only indicators used by all associations reviewed (Mullins et al 2010a). A discussion with a large association outside London indicated a renewed interest in providing opportunities for volunteering, for example taking part in national volunteer day.

Some associations have developed employee volunteering programmes, providing opportunities for their employees to ‘give something back to society’ through external volunteering. Interestingly in a housing association the author has been working with in the Republic of Ireland found that it had harnessed Corporate Social Responsibility (CSR) in precisely the opposite direction, to provide opportunities for volunteers from the commercial business sector to give their time to do up properties for the association. Purkis (2010) comments on limited evidence of employee volunteering polices and corporate donations within large housing associations’ corporate social responsibility statements. Citing one example of a large association outperformed by many private sector companies in relation to corporate volunteering, Purkis wonders whether this is attributable to the day job being seen as the social purpose, hence more volunteering is found in the Finance team rather than the front-line service departments. Similar internal tensions in the perceived relevance of CSR approaches within housing businesses that already have a clear social purpose have been discussed by Sacranie (2010) and Mullins and Sacranie (2009).
**Links with the wider third sector**

It is important to remember that the majority of housing associations are still relatively small in scale and have been much less subject to the move away from voluntarism than the larger players who account for a majority of the stock. These associations have often retained greater links with other third sector organisations through local partnership working. Moreover, challenging the dominant sector logics of scale, efficiency and ‘buying big’ are competing logics of localism stressing accountability, community focus and supportive relationships with other third sector organisations (Mullins 2006a).

This logic has been consistently supported by HACT, notably in a series of reports and articles by Wadhams (2006, 2009a 2009b) in support of the ‘opportunity agenda’ and the notion of housing associations as ‘neighbourhood bedrocks’, and by other blocs within the wider housing association sector including the Place Shapers group of medium sized locally focused housing associations. Critiques of the logics of scale have been articulated by Place Shapers who have stood against the tide of mergers and associated moves away from local community identities. Their website identifies four principles that sum up the ethos of their 50 or so members:

**Box 1: Place Shapers group principles**

1. put our residents and customers at the centre of what we do and ensure that they have real influence on how our organisations evolve;
2. provide more than simple landlord services because we care about the people and places where we work;
3. recognise the importance of the local authority role and support all of our LA partners in improving and shaping places at both a strategic and operational level; and
4. believe there is strength and benefit to residents and stakeholders in maintaining a strong, independent, diverse, non-profit making sector.


Building on the fourth strand of the Place Shapers principles, a separate initiative by HACT entitled Supporting the First Steps (Wadhams 2009a) based on research undertaken for CapacityBuilders outlines how some housing associations in the West Midlands are aligning themselves to the wider third sector through partnerships at neighbourhood and community level. HACT had already argued that housing associations had the capacity to support smaller third sector organisations, could provide a sustainable base from which to support voluntary and community groups, were capable of contributing to broad based neighbourhood programmes and that this would have the added benefit of driving up housing associations’ housing management standards since ‘a bad landlord could not be a good neighbour’ (Wadhams 2006). In the West Midlands research these propositions were tested and further developed in a project to improve the capacity of at least 25 smaller neighbourhood based organisations and promote the business case for housing associations to take on this capacity building role.
Wadhams (2009a) found a wide range of examples of existing engagement between the case study associations and local third sector organisations. Support provided by the housing associations included an accreditation scheme to promote excellence in small community organisations, community newspaper and radio, tenant management organisations, referrals to and development support for credit unions, and a resource centre for refugee community organisations. These examples highlighted the types of capacity building work that can be undertaken by generalist bodies such as housing associations rather than by specialist capacity building or infra-structure organisations. The report outlines some of the structures that have been developed to deliver neighbourhood programmes distinguishing ‘independent’ and ‘integrated’ approaches; the former involving arms length delivery bodies, the latter being part of housing associations’ delivery structures.

Further examples of this approach are housing associations and co-operatives such as the Eldonians in Liverpool, who have fostered the development of other social enterprises to create local employment opportunities and provide services such as property management, gardening and cleaning services to the themselves and other businesses in the neighbourhood. A well developed example of such trading relationships involving a larger housing association is provided by the TREES group established in partnership with Leicester Housing Association in 1995 and which now comprises a gas servicing company, a conference centre and a landscaping and maintenance firm; all aiming to generate employment and training in deprived communities in the Midlands.

Wadhams (2009a) goes on to highlight the importance of an asset base in sustaining such partnerships over the longer term and the scope to expand activity of community land trusts and other development trusts to facilitate this. Bedrock partnerships are advocated that bring together housing associations and third sector organisations with development trusts to build local assets and with them community resilience. In 2009 HACT was supported with funding from the CLG Community Empowerment Fund to develop examples of neighbourhood bedrock partnerships. The potential for this model to assist in strategic adaptation by housing associations to changing times is highlighted by a housing association senior officer quoted as follows:

> Broadly speaking the past decade has been one that has celebrated size in both development schemes themselves and in the organisations funded to deliver them. May be in these more difficult times its appropriate for a neighbourhood based approach to add the human scale to the work of housing associations. It need not be either or. Efficiencies of scale matter but they may be best delivered with a recognition of and respect for work at a neighbourhood level’ (cited in Wadhams 2009a: 35).

**Independence**

McDermont’s (2010) scholarly account of the history of the National Housing Federation argues that independence has been a driving motive for the sector. She sees this as having largely been about independence from the state and largely supported by claims to expertise in relation to specialist skills and knowledge. She quotes one senior Federation officer as defining the distinctive position of associations as ‘having an independent spirit’ (McDermont 2010: 149). This spirit had been challenged by large scale public funding in the 1974 Housing Act and the Federation’s (2003) In Business for Neighbourhoods campaign was seen as an attempt to return to ‘the independent spirit’.

From this perspective it is easy to see why attempts to regulate the added value neighbourhood activities promoted by the In Business campaign would have been resisted so strongly by the
Federation in 2007–8 in the run up to the Housing and Regeneration Act. In one of the strongest statements of third sector identity by English housing associations for many years, the Federation mounted a campaign against certain provisions in the 2008 Housing and Regeneration Bill which it saw as a threat to the independence of housing associations. A press release issued by the Federation in January 2008 was headlined ‘Government breaks agreement not to infringe the independence of charity and third sector organisations’ and the text went on to argue that the Bill as then drafted would have breached the third sector compact because it would have allowed ministers too much control over housing associations ‘which are not-for-profit organisations, with half of them being charities. Another briefing in the campaign described the Bill as the ‘biggest threat ever to the independence of associations’.

The threat to sector independence by a burden of over-regulation particular in areas deemed to be local authority responsibilities (such as regeneration), resulted in the social landlord trade body, the National Housing Federation, lobbying the House of Lords to make changes to the proposed 2008 Housing and Regeneration Bill (Mullins and Sacranie, 2009). A Peers Briefing document read that ‘...The Bill, as it entered the Commons, contained so much potential state control over associations that it risked their being reclassified as public bodies,’ and that one of the key roles of regulation was to ‘protect the independent not-for-profit business model of associations and their non-public body status’ (NHF 2008a: 2). With regard specifically to community investment the same document continues:

Housing associations do not do this (social work) 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

And:

Funders, such as charities and local partnerships, agree what they expect to see in return for their funding. They will not want the housing regulator to step in and steer such work. If it could do so, it could divert associations to concentrate on the ‘flavour of the month’ or what politicians and civil servants think will work (NHF 2008a: 4).

A further potential consequence of increasing state control was the threat that this could pose to the financial status of housing associations as ‘private bodies’ for the purposes of national accounts. The Bill was seen as compounding the ‘risk’ of associations crossing the threshold into the public sector, a potentially highly significant development, since it would threaten associations’ ability to lever in private finance (National Housing Federation 2008a).

However, as Purkis (2010) points out state control is not the only threat to independence; and the growth private borrowing has led to new forms of dependence for example on the credit ratings agencies and the need to keep within loan covenants. This raises the key question of independence from whom and for what purpose. The concept of independence for a purpose has been articulated by the NHF usually with reference to neighbourhood investment activities and the welfare of residents. It will be interesting to see how these aspects of housing association’s third sector identities are shaped by engagement with the coalition government’s Big Society agenda. As Petch (2010) points out independence may need to be constrained by developing closer links by housing associations and ‘the most robust institutions operating in our poorest neighbourhoods where voluntary and community
groups will be hardest hit by the cuts...housing associations that assume they are already meeting the big society agenda may be in for a surprise”.23

Hybrid model

Recent contributions to the debate on third sector organisations have begun to recognise the inadequacy of existing models such as the notions of ‘a mixed economy of welfare’ in understanding the strategic positioning and evolution of such organisations. Brandsen et al (2005) highlight the difficulties in identifying a specific rationality for the third sector based for example on ‘caring’, rather there is a need to look for the hybrid rationalities that emerge from tensions between the competing logics of state, market and community domains.

Billis (2010) argues that ‘What we are now facing are fundamental changes in the nature of the organisations that are financing, planning and delivering welfare. It is not just the "economy", but the organisations themselves that have become "mixed" ”. Billis 2010, p.12) He argues that new theoretical perspectives are needed to understand these ‘hybrid organisations’ and suggests a number of approaches including the attempt to identify ‘principal owners’ and ‘rules of the game’, and the mapping of ‘zones of ‘shallow or entrenched hybridity’ (entrenched hybrids being more subject to state or market influences on organisational cultures and strategies than shallow hybrids) (Billis 2010). Billis’s further distinction between organic and enacted hybridity is particularly helpful in distinguishing traditional housing associations which have become more hybrid over time (organically) through interaction with state and market from stock transfer associations which were deliberately set up (enacted) as hybrid bodies with local government and tenant representatives on their boards but a high dependence on private borrowing (Mullins and Pawson 2009).

There is also a growing literature seeking to understand the evolving organisational strategies and cultures of third sector housing organisations in Europe (Brandsen et al 2006, Heino et al 2006, Gruis 2008, Czichke et al 2010). A key dimension of this work is the location of these organisations between the state and the market but with additional third sector identities that are sometimes depicted as ‘values based’ (Mullins and Riseborough, 2000). Earlier work by the authors (Mullins and Sacranie, 2008) suggests the relevance of hybridity to English housing associations where:

A new scenario is emerging in the context of merging organisational cultures, models of governance and the blurring of the private, public and not-for-profit sectors. In this peculiar sector housing associations use private funding to build houses for sale, while private developers apply for social housing grants....When the private sector finances not-for-profit companies to deliver public realm services, is this the privatisation of public services, or the nationalisation of private equity? (Mullins and Sacranie, 2008: 20)

Work on social entrepreneurial identities is proceeding in the social housing field (Gruis 2009), exploring the contested influences of state, market and society drivers within organisational strategies and cultures. Gruis (2009) adopts the popular image of a triangle with hybrid third sector organisations themselves embodying market, state and society influences. In a study of the emergence of corporate social responsibility within the housing association sector Mullins and Sacranie (2009) have explored the question of how housing associations might set priorities for their social investment activities. Drawing on the triangular model for social entrepreneurial organisations proposed by Gruis (2009) and with some commonalities with Billis’s (2009) model of hybrid zones they suggest four distinct ways in
which the content of socially responsible activities can be constructed, priorities set and performance monitored.

Table 6 and Figure 2 present the four approaches are associated with the market and society angles of the triangle and with the state/market and society/market intersections (depicted as sides of the triangle). In summary, the ways in which organisations construct, prioritise and measure their implicit CSR social investment activities will depend upon whether their principal ownership is primarily market driven, in which case CSR will be driven by their corporate business strategy in the same way as an private company. If, on the other hand they are more society driven (e.g, neighbourhood focused housing associations) then community investment activities will emerge from locally based relationships between staff and residents and success will be judged through local stakeholders’ feedback. The concept of hybrid zones offers the prospect of more complex outcomes. For example organisations with strong state and strong market influences may be attracted by the contractual model put forward by the Housing Futures Network (2009); in this case social investment arises less from the organisation’s explicit CSR strategy than from opportunities to win contracts. Finally for organisations with stronger society and market links (e.g. as members of third sector partnerships), activities may be co-produced and priorities set and monitored jointly. In the first case explicit CSR strategies are likely to be the key influence on an organisations’ implicit CSR activities, in all other cases it may only provide a framework through which external influences are mediated.

Table 6: Zones of hybridity: influences on housing association social investment activities

<table>
<thead>
<tr>
<th>1. Strategy based</th>
<th>CSR becomes the corporate planning framework and priorities for social and community investment activities are set and monitored corporately</th>
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<tr>
<td>2. Local relationship</td>
<td>Priorities are set locally by local managers with residents and community.</td>
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<tr>
<td>based</td>
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<tr>
<td>3. Contract based</td>
<td>Priorities are set externally by contracts won from state (and local state) who are seen has having the legitimacy to make these decisions</td>
</tr>
<tr>
<td>4. Partnership based</td>
<td>Priorities are negotiated externally through partnerships with other social actors (this is a strong theme for NHF and is evidenced in the NHF Audit by the leverage of partner contributions)</td>
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Source: Mullins and Sacranie (2009), drawing on Billis (2010)
Figure 2: State, market and community Influences on social investment activities

Key policy and regulatory issues

Scoping interviews in Summer 2009 revealed a fair measure of agreement on the most significant current policy and regulation issues facing housing associations as third sector organisations. Four main issues are discussed in this section, all of which impinge on the hybrid character of these organisations and their exposure to both state and market drivers. The first issue, a legal case, challenged the status of housing associations as non-public organisations, the second concerned the impact of regulation of the sector emerging following institutional changes in late 2008, the third concerned the wide ranging impacts of the credit crisis and recession on housing associations and other third sector organisations (TSOs)\textsuperscript{24} and the final issues was the potential impact of a change of government in 2010 (now discussed in new section on post-election update below).

Status of housing associations in undertaking ‘functions of a public nature’

The case of \textit{Weaver v London and Quadrant Housing Trust} (QBD 2008) involved a Human Rights Act challenge by a tenant about to be evicted by one of the largest housing associations in the country. The case was significant because of the judgement that in relation to ‘the management and allocation of housing stock’ the association was performing ‘functions of a public nature’ within the meaning of the Human Rights Act. Consequently, the way that such functions were discharged could be subject to challenge under the HRA. Perhaps more importantly, such activities might also be contested via
Judicial Review. Underlying the outcome was the Judge’s view that housing activity is ‘not simply subject to detailed regulation, but is permeated by state control’ (ibid, para 55, cited by Bryant, 2008).

Following a challenge by London and Quadrant, the High Court judgment upholding this decision was published in June 2009 and was seen by our scoping interviewees as one of the most important current policy and regulation issues for housing associations because of potential knock-on effects for further challenges under the HRA but also because of potential impact on the association’s status as off balance sheet for public expenditure purposes.

This judgment distinguished between the letting and management of residential property by private landlords and by registered social landlords. What made the situation of the latter different was ‘not any single factor but the overall relationship between the sector and the state’ (Bryant, 2009: 2). Key elements giving sufficient public flavour to make social housing a function of a public nature included, substantial public subsidy, the duty to co-operate with local authorities on lettings, contributing to government objectives in providing subsidised housing and regulation over matter such as rent and eviction to deliver government policies.

The NHF sought legal advice on the potential implications of the case in reclassifying associations as ‘public’ for national accounting purposes. They reported in a further briefing note that carrying out a “function of a public nature” for the purposes of the Human Rights Act does not necessarily give rise to reclassification as a public body. However it is stressed that classification as a ‘public body’ does not depend on any single factor, but is based on the totality of an organisation’s relationship with the state. In this context a decision such as Weaver is certainly unhelpful even if not determinative in itself. (Bryant 2009: 4)

Coming from a rather different perspective it has been argued that the sheer scale of Britain’s public debt in the wake of the recession, bank rescues and programme of ‘quantitative easing’ could lead to the demise of borrowing conventions that have benefited housing associations since 1988. Writing in the specialist finance magazine Social Housing, Joseph argues that ‘there may still be a need for strong housing association management for political reasons, but their importance in enabling Whitehall’s effective management of public debt will probably weaken’ (Social Housing August 2009: 19).

**Regulatory reforms and impacts**

Changes to regulation were introduced by the Housing and Regeneration Act, 2008 to implement recommendations of the Cave review (Cave 2007) of social housing regulation that had proposed a co-regulation approach with a strong emphasis on tenants’ interests to cover all types of social housing. The Tenant Services Authority (TSA) was set up on the 1st December 2008, took over the Housing Corporation’s regulatory role and planned to champion the aspirations of tenants within the social housing sector. It undertook extensive consultation with tenants, known as the ‘big conversation’ to inform the development of a new regulatory framework. In this process the TSA signalled its intention to support a more participatory role for tenants in the governance of social landlords through adopting a ‘co-regulatory and proportionate approach’, based on boards working with their tenants to agree and monitor local standards within a light touch national framework (TSA 2008). The new regulatory framework was published in April, 2010 and included specific standards for tenant involvement and empowerment and neighbourhood and community management (TSA 2010a). In
addition, the National Tenant Voice, a non-departmental, public body was set up encompassing the 50-strong tenants’ council with an annual budget of £1.5 million. 

During the same period but with substantially less publicity the TSA was kept busy in responding to the impact of recession on housing associations, the risks associated with unsold housing and the depreciating value of land holdings on associations’ accounts, and the much tougher approaches adopted by lenders to re-pricing risk when associations took on new activities of breached existing loan covenants. A new quarterly publication was introduced by the TSA in January 2008 to track the financial impacts of the credit crisis and recession on the sector. This tracked key indicators such as asset sales, stock of unsold properties and ability to raise new funding and by mid 2009 was able to show that while housing associations had been impacted by the wider economic situation they were able to demonstrate their resilience; with for example impairment charges to accounts for 2008/9 being much less damaging than in the property sector as a whole (see section on impacts of credit crisis below).

Co-regulation, together with the lessons emerging from the over-extension of some associations prior to the recession led to a renewed emphasis on corporate governance and for boards ‘to really raise their game in their leadership’ (Claire Miller, cited in Inside Housing, 14 Aug 2009: 10).

A third and more specific regulatory issue during this period was the impact of the recession on the formula used by the regulator to limit average annual rent increases by housing associations. In a business where rent is easily the most important trading income stream, regulation has a very direct impact on financial viability as well as the relationship between landlords and tenants. A negative Retail Price Index inflation measure in September 2009 led to average rent increases for 2010/11 being capped at -0.9% under the formula used by Government to control average increases housing association rents. This came after several years in which rent increases were between 3 and 6% as a result of a period of sustained inflation. This was seen as a substantial problem by associations, not least because by the time the rent increases were to be introduced in April 2010 inflation had returned to a higher level. If nothing else, this episode indicated that the independent financial status of associations is limited mainly to the arena of private borrowing and that in a business where the main source of income is rents, associations remain highly dependent on government policy decisions. This is the case not only concerning rent levels, but also, as became apparent after the election, on housing benefits, the welfare benefits that enable most tenants to pay their rents. Later in 2010 proposals to move from retail prices index (RPI) to consumer prices index (CPI) caused further alarm amongst association finance directors, one of whom estimated that this would ‘conservatively cost the sector £20 billion over 30 years’.

The change in government in May 2010 had an immediate further impact on the regulatory context for housing associations when it became clear that the TSA, and, as later became apparent the Audit Commission who run the housing inspectorate, would be among the QUANGOs in the firing line. The new and extensively consulted on regulatory framework was thrown into doubt by the expectation that the TSA would be wound up once the necessary enabling legislation could be passed. Replacement arrangements were expected to be included in a Localism Bill in 2011. Furthermore, and despite the new administration’s emphasis on community empowerment and localism in July 2010 it was announced National Tenants Voice would not receive further public funding reportedly because it was
‘too distant and did not represent good value for money’ (Inside Housing, 16 July 2010: 2). Further alarm was created in the sector by the targeting of housing benefit, which underpins most housing association business plans, for drastic expenditure cuts. Although early announcements to limit payments to rents within the bottom third in any area would have greatest effect in the private sector, and on poorer private tenants living in high rent areas, there were underlying concerns amongst housing associations.

**Impacts of the credit crisis and recession**

One of the issues most frequently raised in scoping work for TSRC has been the impact of the credit crisis for TSOs. The various accounts have referred to the demand side, the supply side and policy responses at central and local levels. The crisis and ensuing recession have affected both the demand for services (such as debt, employment and housing advice) provided by TSOs and their resource sufficiency (resulting from drops in investment income, corporate sponsorship and donations) to continue to meet those demands and organisational survival (Cooke 2009). The Labour Government responded to the crisis in a variety of ways such as bringing forward public expenditure including around 50 recession initiatives, covering economic, labour market, housing and wider social impacts (Audit Commission 2009). Financial support for TSOs has included establishing special funding mechanisms such as £42 million fund ‘Real Help for Communities, Volunteers, Charities and Social Enterprises’ [www.cabinetoffice.gov.uk](http://www.cabinetoffice.gov.uk) for small grants to support TSOs involved in employment, advice, health and well-being services. There has also been strong encouragement for effective local responses to the differential area impacts of the crisis (Audit Commission 2009). This has included an increased emphasis on effective management of relationships between TSOs and local authorities, with for example 82% of local authorities reporting closer working with relevant third sector bodies to help people to find jobs and 63% of authorities providing additional funding to the third sector (Audit Commission 2009).

Examples of effective local responses to housing impacts of the crisis provided by National Council for Voluntary Organisations (NCVO) and Local Government Association (LGA) (Cooke 2009) have focused on the increased risk of homelessness and the need for homelessness prevention, housing advice and housing related support services. These include a partnership between Plymouth City Council, the CAB and Westcountry HA to provide debt advice and mortgage rescue to homeowners, Knowsley Council’s work with CAB on a ‘Tenants Extra Support Service’ and similar schemes relating to mortgage arrears and homelessness prevention in Reading and Gosport. Housing associations are also reported to have been involved in benefit take up campaigns, and fuel poverty. Impending changes in Supporting People funding were seen as significant for TSOs.

The Audit Commission (2009) developed a life-cycle recession model comprising three waves in which different impacts become apparent and policy responses are required. Wave 1 is a relatively short period in which output declines, unemployment rises and real incomes fall. Wave 2 is a longer period in which job losses continue despite a return to output growth. Housing, health and domestic problems increase. Wave 3 is a period of unequal recovery when the economy is expanding again, unemployment has passed its peak, but some areas continue to decline while others prosper.
**Government recession initiatives**

Amongst the 50 Government recession initiatives identified by the Audit Commission (2009) are schemes to prevent homelessness and to support housing developers to meet new build housing targets.

**Table 7: Government recession initiatives and housing**

<table>
<thead>
<tr>
<th>Schemes to Prevent Homelessness</th>
<th>Schemes for new build housing</th>
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<tbody>
<tr>
<td>Mortgage rescue</td>
<td>Growth point funds</td>
</tr>
<tr>
<td>Enhanced support for mortgage interest</td>
<td>Housing and Planning delivery grant top-up</td>
</tr>
<tr>
<td>Homeowners Mortgage Support</td>
<td>Kickstart Housing Scheme</td>
</tr>
<tr>
<td>Preventing Repossession Fund</td>
<td>Homebuy Direct (shared equity scheme for first time buyers: private developers are match funded by public funding)</td>
</tr>
<tr>
<td>Debt Advice funding</td>
<td>Local authority energy efficient new build scheme</td>
</tr>
<tr>
<td>Courts desk scheme</td>
<td>National Clearing House scheme</td>
</tr>
</tbody>
</table>

Source: Audit Commission (2009 : 74)

The Audit Commission was critical of this plethora of schemes, seeing them as complex, inflexible and hard for local authorities to keep track of with eligibility criteria that also reduce take up: ‘complexity undermines effectiveness’ (p.75) for lack of local flexibility to respond to differential local impacts of recession, short notice bidding for new initiatives (but on the other hand long delays in implementation (e.g. Homeowners Mortgage Rescue Scheme announced December 2008, implemented April 2009), criteria that limit eligibility (e.g. mortgage rescue) and lack of integration. The Mortgage Rescue Scheme had 5,000 enquires between January and May 2009, 750 applications, only six of which were successful.

The Audit Commission favoured more local and flexible responses and gives the example of a Metropolitan District Council scheme to help people in mortgage arrears. 45 applications were received and 25 families helped in 2008/9.

Another criticism is of redirection of existing resources to tackle recession issues – e.g. 13% was top-sliced from Regional Development Agency Budgets for the HomeBuy Direct scheme of £300 million to be administered by Homes and Communities Agency (HCA). This was seen as a pragmatic Wave 1 response which redirected funding from deprived to prosperous regions, from economic development to private housing construction, from regional to national control.

Despite policy emphasis on localism, these recession initiatives are seen by Audit Commission as ‘largely centralist, both in terms of numbers of schemes and funding’ (p.78 and Figure 24). The ‘schemes are split between helping business, employment, housing and other, but most of the investment has been in helping business.’ (p.79)

**Specific impacts on the housing association sector**

The experience of housing associations has included all of these elements as well as some distinctive factors associated with their hybrid financial model and their close intertwining with the housing
market. Put starkly the question raised was whether the hybrid model was broken or just resting. Longer term prospects for the sector became less certain.

Prior to the credit crisis housing associations had become increasingly hybrid and reliant on market based cross-subsidies to supplement state funding to support their core business. Two main forms of cross-subsidy had become important. External cross-subsidy involved the use of the planning system to secure sites and developer contributions to build social or affordable homes as part of new private developments (known as ‘section 106 agreements), Internal cross-subsidy involved the use of income from sales and shared ownership properties to hold down the level of public subsidy required for new social housing (in some cases subsidy levels had fallen to just over 30% of total construction costs). Further cross-subsidy was provided by associations harnessing their asset base to borrow and invest in new homes (colloquially known as ‘sweating the assets’, something which associations claimed had been actively encouraged by government keen to extract maximum benefit from historic subsidies).

The credit crisis led to a severe shock to the housing and construction sector succinctly summed up by Parkinson et al (2009) ‘lenders won’t lend, borrowers can’t borrow, builders can’t build and buyers can’t buy’. Whereas historically the social housing sector might have been an appropriate tool for a Keynesian economic stimulus programme, the Chief Executive of the Homes and Communities Agency captures the difficulties now faced in harnessing investment in housing associations in a counter-cyclical fashion. ‘Certainly this downturn has affected them (HAs) more than previous ones, largely because of their closer linking with the private sector through planning agreements, the reliance on cross-subsidy through sales and the use of private finance to fund new build activity’ (Sir Bob Kerslake, Inside Housing, 24 April 2009).

Nevertheless, the Homes and Communities Agency was involved in a number of the 50 Government led recession initiatives, including a kickstart housing investment programme. It brought forward spending planned for future years to enable higher levels of public subsidy for new social housing, changes in the mix of new schemes (including those already constructed) from sale to rent, and purchases of completed schemes from private developers. While associations pursued a variety of strategies to maintain cross-subsidy mechanisms (more intensive marketing of housing for sale and shared ownership), these were undermined by ‘lenders who would not lend’. The shared ownership programme was hit in particular by the withdrawal of mortgages to borrowers requiring 90% of more of the purchase price.

The crisis also hit the value of the assets held by associations including land acquired for future construction and unsold homes completed for sale and shared ownership. This devaluation was reflected in end of year accounts for 2008/9 in which 94 housing associations were required to post ‘impairment charges’ show a combined loss in asset values of £174 million. However, the industry regulator pointed out that these impairment charges were equivalent to just 0.5% of total assets (compared to write downs of up to 35% of value by some commercial builders) (TSA 2009c). Furthermore these write downs had not resulted in any breaches of covenants with lenders (which could have resulted in significant increases in interest costs as case studies reported later in this section illustrate). The use of kickstart funding to enable associations to convert properties already constructed for sale or shared ownership into rented homes undoubtedly reduced the scale of
impairment charges. However, some observers saw this as an example of ‘moral hazard’ in which these associations were compensated by government for their own misjudged investment decisions.

Another important impact of the credit crisis was on the process of restructuring that had been increasing the size and changing the shape of the housing association sector since the 1980s. As outlined earlier the main processes involved were stock transfers from local authorities, agglomeration through merger and streamlining through reduction in the complexity of merged organisations (e.g. collapse of group structures into a smaller number of entities). All of these processes were affected by the credit crisis since they involved either securing new loan facilities from the market or restructuring existing loan portfolios (e.g. in the case of collapse of group structures). Banks and building societies had changed their approach to lending to housing associations, some withdrew from the market, all increased borrowing margins significantly (typically from 2 to 3% over LIBOR\(^{31}\) between 2008 and 2009), and were increasingly keen to use any opportunities to re-price historic loans to the higher current rates. In the short term these changes made stock transfers, mergers and streamlining more difficult to achieve but at the same time increased pressures for efficiency savings which were triggering these changes in the first place. The balance of forces can best be captured by examples at regional and organisational levels illustrated by the three case studies below.

**Regional impact on housing association mergers**

In a small scale survey of eight housing associations in the West Midlands, all but one respondent thought that the credit crunch was having an impact on merger activity (Stevenson 2009).\(^{32}\) Two thirds felt that it had increased the likelihood of a merger in the next few years, principally because of the availability and cost of finance, the need to manage financial risk, reduced income from development programmes and rent (due to the prospect of below inflation rent increases and rising arrears). There were also concerns that the cross subsidy financial model was in turmoil which together with low levels of Section 106 activities was expected to decimate development programmes. The following quotations from Stevenson’s interviews (DS1–5) provide a picture of the impacts on merger activity in the region.

> RSLs have become overly reliant on cross subsidy from property sales to help fund their growth plans. Those RSLs are facing difficult times and with the cost of private finance escalating, they may have to consider merger or other structural change to survive.’

(DS1)

However, despite these incentives to merge, the survey also detected significant barriers associated with the credit crunch, the most important of which was the costs imposed by lenders taking the opportunity to raise interest margins on their entire package of lending to the new group. This new factor specifically linking the credit crunch to the costs of merger was compounded by the indirect impact of the economic climate on the viability of pension funds on mergers.

> ‘A significant potential obstacle to undertaking some structural changes however may be the view of some lenders at present in terms of the impact of any changes on loan facilities. It is quite possible that sensible structural changes such as those intended to strengthen the capacity of a group or association or to improve services to customers may struggle to proceed in the current climate for this reason.’(DS2)

> ‘There will new financial pressures from April 1st 2009 due to the shortfall in the Social Housing Pension scheme which we (a medium sized Housing Association) have
calculated at £300,000 per annum. This will impact negatively on business plans already in turmoil for many RSLs’. (DS3)

The survey provided evidence of a further trend apparent from sector level analysis (Pawson and Sosenko 2008) of consolidation of existing group structures into streamlined organisations:

‘We want to collapse part of our group structure as we believe it is more expensive to have two RSLs instead of one. This should help to save on overhead costs, audit fees etc.’ (DS4)

‘Advantages of such a structure are to provide a more consistent service to customers with greater efficiencies and improved VFM for customers, share good practice and help secure future development.’ (DS5)

However, again while the credit crunch had increased the pressure for such efficiency savings there was also the risk that restructuring would trigger increased interest margins on existing loan finance as a result of breaches to existing loan agreements and covenants. During the credit crisis banks were increasingly keen to take such opportunities to increase the interest payments they received from existing customers. Housing associations who had previously enjoyed very good interest rates as a result of their low levels of perceived risk were particularly affected by this change.

**Case studies**

Three case studies were specifically prepared for this paper to illustrate the variable impacts of the recession on housing associations of different sizes, types and locations have had on organisational strategies within the sector. These case studies also provide a clear picture of the complex and hybrid nature of large housing associations and their exposure to competing influences from state, market and society.

**Box 2: Recession case study A – national group**

**Organisational model**

Case Study A is a large national housing group formed through merger. Its direction of travel prior to the credit crisis was based on the hybrid model. A ‘mega-merger’ took place with the aim of enhancing financial strength, growth and influence. It was planning to boost efficiency further through streamlining its operating companies into a single entity to reduce governance overheads and enable assets to be managed as a single portfolio to maximise borrowing flexibility. Further mergers were on the cards when the time was right.

**Impact of credit crisis**

At a stroke the credit crisis put streamlining on hold (since lenders would have used the opportunity to re-price the overall loan portfolio, potentially adding £100million interest costs over the life of the business plan); this also bought Association A time to manage adjustments to governance structures (following opposition to streamlining by some subsidiary board members). Further mergers were also suspended for similar reasons. Association A took a more cautious approach to its growth strategy – falling values of land banks and unsold stock led to a significant impairment write-downs to accounts and some expenditure was deferred into the next financial year to avoid any risk of covenant breaches (which would have triggered similar re-pricing costs to streamlining).
**Longer term implications**

Case Study A directors believe that financial strength is the key to resilience and that this was demonstrated by its strong credit rating which enabled it to achieve a successful bond issue at the height of a global crisis and to respond to the regulator’s invitation to be involved in on-lending to associations in financial difficulties to achieve rescues without costly mergers. While short-term increases in public subsidy for development were welcomed, the association expects to resume the hybrid model by expanding its market and intermediate rented programme for medium term cross-subsidy.

Source: Case study interviews by the author December 2008

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**Box 3: Recession case study B – regional group**

**Organisational model**

Case study B is smaller and more regionally based than A, but had grown through a similar model and route to form a group structure comprising four HAs and other subsidiaries with very different histories and cultures. One of these HAs had adopted a very commercial approach with a rapidly growing portfolio of student housing and an over-reliance on asset sales to fund operations and commercial expansion. The risk associated with a business plan dependent on asset sales to fund new commercial activities had been underestimated in the due diligence exercise. When the market changed, it ran into difficulties when its bank refused to fund expansion of student housing.

**Impact of credit crisis**

The new group originally intended to streamline by amalgamating the four HAs into a single body and to cross-subsidise the student housing activity from another part of the group. However the first of these plans was deferred (as in Case A) by re-pricing costs (£3–4 million a year), while the second was stymied by charitable rules that prevented cross-subsidy of commercial activities. Furthermore, plans to sell-off social housing stock in a former stock transfer area were halted by concerted opposition from the local authority.

**Longer term implications**

Fresh thinking was required and the group developed a more strategic approach to disposals including two options for the over-stretched (but prospectively resilient) student housing business. First to seek a joint venture partner to inject the necessary finance, second to dispose of the entire portfolio. This does not mean that the group has moved away from the hybrid cross-subsidy model, but its approach has changed. In particular it will place a stronger emphasis on social goals in any future cross-subsidy. The response of the Homes and Communities Agency to the crisis has already provided opportunities for the group to acquire expand its social and affordable housing portfolio in the home stock transfer area where relationships have been restored with the local authority.

Source: Case study interviews by the author August 2009
Organisational model

Case study C is a larger regionally based HA with significant involvement in both supported housing and regeneration. It invests over £100 million a year in new construction, re-investment and regeneration and provides care and support services on a significant scale.

Impacts of credit crisis

It reports that the credit crisis and associated public spending signals were causing a major rethink of its organisational strategy for cross-subsidy. The prospect of rent decreases triggered by the inflation rate in September 2009 and keener re-negotiate of Supporting People contracts compound earlier pressures on income from the simultaneous fall off of sales income and public and charitable funding for regeneration. While not all doom and gloom, since the HA benefitted from kick-start investment and more generous grant levels from the Homes and Communities Agency in 2008/9, the long term prospects for public development funding were not optimistic.

Longer term implications

Like Case Study A this association is exploring alternative funding options including the possibility of a ‘private placing’ bond issue without the benefit of a credit rating. It is also undertaking a radical review of its business to reflect more limited opportunities for cross-subsidy. The share of shared ownership and sales units in existing and new developments have already been reduced in response to mortgage availability. Each business unit will be expected to meet rate of return targets, problems with central overheads have led to consideration by the care and support subsidiary to float off in order to remain competitive in an increasingly cut-throat market for care and support contracts.

Once well known for its regeneration programmes Case Study C is likely to restrict new regeneration activities to areas where it has extensive stock holdings and to place increasing emphasis on levering in external funding for such activities through partnerships with specialist and community agencies rather than going it alone.

Case study interviews by the author, July 2009

These case studies indicate on the one hand the resilience of the housing association hybrid model and on the other the exposure of associations to external influence by markets and, in particular, by the behaviours of lending institutions. A common response has been to seek to reduce resource dependences by attracting new forms of finance (e.g. through bond issues), to manage financial risk by close attention to lending covenants and avoiding any actions that might trigger re-pricing of loans and to reduce market risk by refocusing on activities that have sustained incomes streams through the recession (e.g. rented rather than sales properties). A key response to the credit crisis was therefore to retreat into business model that placed more reliance on state funding rather than market based activities.

A recent analysis of housing association resilience during the credit crisis describes as ‘the RSL business model’ as follows: ‘The RSL sector’s business model means that it has been well placed to
deal with the impact of the recession. Its core rental income stream accounts for 80% of turnover and is around 65% government funded through Housing Benefit, ensuring that it has a greater degree of certainty over its revenue than most commercial businesses. This stability, in addition to government support for capital investment, means the sector has been able to continue growing during the downturn and enables it to undertake valuable projects which would be untenable in the commercial sector’ (TSA 2010b: 3). This is a very different business model to the hybrid cross-subsidy model outlined earlier in this paper, and one much less worthy of the description trading based social enterprise, it is difficult to see how it is distinct from a traditional council housing model.

Returning to the case studies, it is interesting that their longer term intended strategies were an anticipated reversion to a more social enterprise business model based on cross-subsidy of social with commercial activities; albeit with a shift in the types of activities expected to provide and benefit from the subsidy. In this respect the shift in focus towards other forms of (market and sub-market) rented housing which are expected to generate a more sustainable return is interesting while the refocusing of the intended targets of cross-subsidy on social purposes rather than further commercial expansion in Case B is noteworthy.

The Credit Crisis and recession provided an opportunity for reflection while historic efficiency mechanisms such as cross subsidy, planning gain and low borrowing margins were in abeyance and mergers were stalled by the scarcity of borrowing and the higher margins applied by lenders to existing and well as new funds by lenders as a condition of funding. Furthermore, the recession has led to greater recognition of the importance of public investment and the vital role played by rented housing. Social investment has an opportunity for much wider recognition as critiques of the bonus culture, securitisation and toxic investments signal the need for forms of investment that are transparent, serve a clear social purpose and are associated with tangible assets. However, it is now clear that in the climate of reduced public expenditure will provide the main context within which housing associations deliver their social objectives in the post-election period (see below).

**Impact and Added value**

Kendall (2003) used social housing as one of three case studies of the impact of the voluntary sector in the UK. He concluded that the voluntary housing sector had derived considerable benefits from being a relatively ‘late starter’ in the UK compared with other parts of Europe, avoiding the problems associated with mass social housing and private renting. It also benefited from a protected niche and a relatively generous funding regime between 1974 and 1988, overcoming common problems of resource insufficiency. Drawing on the few comparative studies (of voluntary sector with other sectors) such as Murie and Walker (2002) he found relatively impressive performance on service delivery compared with other rented housing sectors, but noted significant performance variations between housing associations and difficulty in attribution of performance differences from other sectors to intrinsic voluntary sector characteristics rather than historical legacy, favourable financial environment etc. He found evidence of continued advocacy often involving volunteers alongside service provision and of innovation through diversification into adjacent fields including social care and community building. The most salient weakness identified was problematic accountability.
Impact and value added have become increasingly important considerations for the housing association sector as it has grown to exceed the market share of council housing and has in the process inherited some of the more problematic housing stock (and the responsibility to bring it up to the national decent homes standard) that perhaps underlay the more favourable perceptions identified by Kendall. A long-standing emphasis on regulation and performance management for core functions such as rent collection, letting properties and financial management was ratcheted up by the Best Value regime in the early 2000s (Mullins 2002) and the efficiency agenda in the ensuring years. Now the protected niche identified by Kendall has lost much of its protection as first competition from private developers for capital grants was introduced in 2004, and then the institutional shake-up of 2008 replaced the sector’s dedicated funder/regulator with two more generalist agencies with no special ties to housing associations. The move from regulatory capture (Mullins 1997), in which the interests of large housing associations were reflected in the regulatory framework, to regulated competition, in which housing associations are seen as just one of a number of delivery agents for social housing appears complete. This shift was first signalled by the Housing Act 1996 which introduced the term registered social landlord (RSL) to accommodate types of provider other than housing associations.

In relation to the efficiency agenda that followed the Gershon (2004) review, housing associations were specifically involved in four main activities to increase their efficiency by generating ‘savings’: Annual Efficiency Statements and the Operating Cost Index, Investment Partnering (limiting the number of directly funded associations) and Grant for Developers (introducing direct competition from the private sector). These activities and their impacts are worth reviewing now as the Coalition Government’s expenditure reduction programme signals a new bout of attention to efficiency and cost savings.

Figure 3: The Gershon Efficiency Agenda and housing associations

**Efficiency Scorecard: Gershon Agenda**

- **Investment Partnering (IP)**
  - Grant per home fell
  - Many HAs joined IP consortia or merged with consortia members
  - Fewer Local HAs developing

- **Grant for Developers**
  - Take up only 4% new programme (2008)
  - Costs initially competitive
  - Downturn increasing developer interest
  - Regular market engagement allows increased bidding
  - Little interest in managing the stock for long term

- **Operating Costs Index (OCI)**
  - Efficiency targets exceeded (management maintenance (IP)& capital works)
  - Evidence of OCI scale efficiencies quite limited until third analysis in 2008
  - Became a paper exercise

- **Mergers & Groups**
  - Early savings mainly tax, borrowing, not operational
  - Tougher business cases led to greater savings
  - Streamlining response to efficiency agenda – fewer boards, less local governance

Source: The author based on literature review
These initiatives enjoyed mixed success, but firmly increased the emphasis on and evidence of efficiency savings amongst housing associations. For example annual efficiency statements for 2005/6 reported efficiency gains of £325 million, mainly from management and maintenance and capital works, with a similar level anticipated for 2006/7. Group structures and mergers were a common organisational response to the efficiency agenda, initially resulting mainly in tax and borrowing savings, with limited evidence of organisational savings, for example neither Operating Cost Index (OCI) results nor annual efficiency returns showed particular scale advantages in unit costs. However, gradually mergers and streamlining of groups generated clearer savings in central services and operational costs to meet tougher business case targets demanded by the Housing Corporation from 2004 onwards.

There is considerable interest in the social impacts of increasing scale in the English housing association sector, and regulatory requirements for a business case for mergers to include quantifiable benefits for residents and society.

Large associations are exploring the concept of Corporate Social Responsibility (CSR) and looking to generic business frameworks such as Business in the Community’s (BiTC) corporate responsibility index to provide external validation for their ways of doing business. There is a clear value in developing frameworks at corporate level that can balance the social and financial objectives of these hybrid organisations and there is scope to develop balanced scorecards or dashboards that are becoming increasingly common in the social, enterprise sector. However, as noted earlier there have been concerns about the lack of fit of CSR frameworks to businesses whose primary purpose is social and Purkis (2010) has noted that some large housing associations may be underperforming commercial companies in encouraging volunteering activities by staff.

In addition to corporate level there is a recognised need for tools that can assist in appraising and prioritising programmes and projects to deliver community investment objectives. Furthermore there is considerable interest in measures that can help to assess whether intended social outcomes are actually being delivered by these projects. Tools such as social return on investment (SROI) that compare several of these dimensions, relating benefits to investments through financial quantification of the former to express as a ratio measure against the latter are attractive in this context. They have been actively promoted by government across the social enterprise sector. However, it is important to recognise the caution expressed by Paton (2002), who has played a leading role in developing and evaluating measurement approaches. He notes that ‘although everything can be reported on and even measured the opportunity costs of doing so will often be so great that it is simply not worthwhile’ (Paton 2002: 7). The continued and growing attention to efficiency during the coming public spending downturn will require that measurement, like the services it is directed at, provides an acceptable return for the investment it requires. Housing associations will be more attracted by simple systems that deliver measurement information as part of the transactions processes that they measure and that do not require expensive maintenance or consultancy expenditure and that do not add to external regulatory burden.

Recently completed research by the author (Mullins et al 2010b) found that the role played by social investment activities (e.g. promoting employability and financial inclusion or neighbourhood
services) in building sustainable communities is increasingly recognised by housing organisations. Sometimes these activities are partly funded by efficiency savings (e.g. from mergers and other restructuring) to create a ‘social dividend’. Following the pioneering NHF (2008) Neighbourhood Audit there is growing measurement of inputs and outputs of such work, but limited progress on measuring outcomes and impacts. Case studies undertaken with eight large housing associations found that there were a range of tools available to housing associations to prioritise investment, measure outputs and outcomes and link these to corporate goals. There was a basic division between organisations who were developing in-house measurement tools and those using bespoke tools, which up to the point of the research had all been developed outside the English housing sector. Differences in scale, focus and types of social investment activities undertaken in the sector meant that a wide range of different tools were used and there was relatively little standardisation or homogenisation. However at the time of the research one of the leading housing benchmarking organisations, Housemark, were piloting and market testing such a tool and this is reported in the research (Mullins et al 2010a).

This research on social investment performance measurement in the housing sector could contribute to TSRC work on how impact and value added are being conceptualised and implemented. In addition, a CASE studentship project (2010–13) will work with the NHF on their second Neighbourhood Investment Audit in 2011. This could contribute to TSRC work on economic and social impact, competing concepts of value and links to accountability and legitimacy (Arvidson 2009, Westall 2009) and a conference to be held in 2011 on this topic area.

Representative and umbrella bodies

To date housing associations had developed a relatively complete set of institutions dedicated the their field including a national trade body the NHF www.housing.org.uk, with many special interest sub-groups including a smaller HAs group and numerous specialist consultancy, services and lobbying organisations including HACT (the housing action charity) http://www.hact.org.uk/ which acts as a bridge between housing organisations and the wider third sector.

While the housing association field was for 40 years tightly structured around a single dedicated funding and regulatory body, the Housing Corporation, since 2008 it has been linked to separate regulatory and funding bodies, each of which have broader constituencies including local authorities and Arms Length Management Organisations (ALMOs) who have their own national federation http://www.almos.org.uk/. The new regulator www.tenantservicesauthority.org has responsibility for all social housing providers and has placed a strong emphasis on listening to tenants. A new funder, the Homes and Communities Agency (HCA) http://www.homesandcommunities.co.uk/ has a broad responsibility for affordable housing, bringing land back into productive use and improving quality of life by raising standards for the physical and social environment.

This looser field structure may have important implications for the future evolution and identity of housing associations. This was noted by Bob Kerslake, Chief Executive of the HCA in a trade press article in April 2009

Both the HCA and the TSA will continue to regard housing associations as vital stakeholders. However, it will not be the symbiotic, almost exclusive link that previously
exited. We will need to have equally strong working relationships with local authorities, house builders, arms length management organisations and community based delivery organisations. It will a much more complex and inter-connected world. *(Inside Housing, 24 April 2009: 23)*

Its development of a ‘single conversation’ has emphasised local procurement arrangements involving the HCA and local authorities as commissioners with housing associations one of a number of delivery agents.

Kerslake’s reference to community based delivery organisations chimes with recent thinking on the community bedrocks concept developed by the HACT connected with and supporting development trusts and other neighbourhood based groups housing associations have the opportunity to help fashion important partnerships that will have the strength and power to build capacity in the sector. They can enhance the work of these resident-led community anchor organisations that can make localism a reality. *(Wadhams 2009b: 50).*

### Post election update

#### Budget reductions

The economic recession and the new Coalition Government's efforts to reduce the budget deficit have implications for the demand for and supply of alternative models of housing provision such as housing associations. The Coalition Government, in its emergency budget in May 2010, announced over £150 million of cuts to housing investment; including major area based regeneration initiatives, in particular the Housing Market Renewal Area Pathfinders. The Autumn Comprehensive Spending Review is expected to lead to further reductions to both capital and revenue spending in housing and regeneration. Overall the Treasury is seeking to make between 25% and 40% spending cuts across most departments.

These reductions have already had an impact on the development programmes of housing associations which had previously been boosted by the 2008–11 National Affordable Housing Programme and by expenditure brought forward in 2008/9 under the kickstart programme to combat the recession. The May 2010 budget reductions were followed by a moratorium on new funding allocations by the Homes and Communities Agency pending the autumn comprehensive spending review. The gloomy mood awaiting the spending review was further fueled by the abolition of regional housing targets, and the introduction in their place of an incentives scheme to encourage local authorities to approve new homes through five year credits to their council tax accounts. *(Inside Housing’s review in June 2010 of the top 50 housing association developers who had each completed between 1,000 and 8,000 new homes in 2010, predicted a downturn in 2011: ‘Most experts assume that housing will fall victim to government cuts despite the fact that the amount that can be chopped is tiny compared with the overall savings needed’.*

Meanwhile some commentators even speculated that there might not be a further national affordable housing programme after 2011. *(One such scenario could place the English housing association sector in a similar position to its Dutch peers who, since 1996, have not received new capital subsidies for new building and have been required to develop social entrepreneurial behaviour to exploit their assets to maintain sustainable businesses. Two key advantages which rendered this a*
financially successful process are unlikely to be repeated in the contemporary English case. First the writing off of historic debt which gave Dutch housing associations such a fortunate starting point to their period of independence from government. Second the experience of ten years sustained house price inflation on the value of their assets.

Nevertheless the starting point for English housing associations post election and credit crisis is far from disastrous. A report published by TSA in February 2010 had suggested that ‘RSLs have generally maintained their performance and come through the credit crunch so far relatively unscathed. They do not generate huge returns on capital or achieve high margins – largely as a result of the external constraints on their activities – but do seem to remain steady amid the turbulence’ (TSA 2010b: 19). The report which compared housing associations to other types of companies in the construction sector, who had fared less well, attributed this evidence of housing associations’ resilience to their business model. Interestingly the report conclusion suggested that this relative stability could change if future reductions in housing benefit threaten the level and security of income and increase risks of bad debts, if cuts in availability of government grants reduced ability to expand and if property related non-social housing activities exposed the sector to greater risks. All three of these factors could be greater risk factors in the post-election period.

**Big Society**

One of the emerging policy agendas floated during the election by the Conservative leader, David Cameron was the notion of a Big Society. Although, questions were raised about the detail of this, the Coalition Government since taking office has taken steps to add flesh on the bone which involves reducing the size of government, cutting red tape and liberating local communities and groups by offering opportunities to create social enterprises in the delivery of services; succinctly summarised by the Prime Minister on 19 July as involving three main strands: “first social action, second public service reform and third community empowerment”.  

Housing associations are on the face of it well placed to contribute to all three of these strands, representing as they do one of the biggest examples of transfer of assets and service delivery to the third sector, being in day to day touch with communities including some of the poorest in the land and having a wealth of experience in harnessing voluntary effort. Yet as this working paper and other recent contributions to the debate such as Purkis (2010) have highlighted they are not always seen in this way and during their rapid growth some larger associations have lost their credentials to do so. These associations will need to develop greater self-awareness and stronger partnerships with communities if they are to be seen as part of the Big Society rather than an arm of Big Government.

One of the key success factors that commentators on the Big Society and its Coalition proponents themselves have recognised is the need to effective intermediary bodies, community organisers if you like, to enable communities to take control. Other working papers in this series have identified the scope for better resourced third sector organisations such as housing associations to help construct the space in which smaller and more community based organisations such as self-help housing organisations, co-operatives and tenants’ and residents’ organisations can survive and thrive.

By making their assets and skills work for these other organisations including those run by their own tenants, by considering the synergies that could develop between their development pipeline and
the needs of self-help groups for short-life properties on reasonable terms for predictable periods and by sharing their management expertise with newly developing co-operatives housing associations have a big potential contribution to make to the Big Society. Umbrella bodies including the NHF and HACT have been compiling evidence of actions of housing associations that exemplify the types of bedrock partnerships that are supporting the kinds of community based initiatives that the Big Society should be about; since 2003 the NHF has labelled this activity as being ‘in business for neighbourhoods’.

**Conclusion**

Housing associations could be regarded as the ‘distant uncle’ of the third sector in England. Their experience of forty years of capacity building, struggles around combining public service delivery while preserving some independence and shifting from charity to social entrepreneurial models has considerable relevance for other third sector organisations. Furthermore their potential as a ‘benevolent uncle’ investing surpluses in supporting a thriving third sector in their areas of operation is still worth exploring notwithstanding the impact of the credit crisis on balance sheets. To be credible though housing associations need to active and mutually based relationships with locally based partners.

Their hybrid financial model places housing associations squarely between the state and the market. While the core activities of associations in constructing and managing affordable housing is a crucial contribution to society, greater attention is often given to their community investment and neighbourhood activities when considering their value added. While larger associations are sometimes seen as having grown away from third sector roots, the importance of generating a social as well as a financial return and the impact of successful neighbourhoods on business success is generally recognised. Their potential role as neighbourhood bedrocks is being actively explored by some associations. There are a large number of small housing associations, some have strong community roots, and many have close affiliations to the wider third sector.

Recent policy and regulation issues have included a legal challenge to the non-public status of housing associations (*Weaver v London and Quadrant Housing Trust*, QBD 2008), a major review of regulation and adjustments responding to the credit crisis and recession including the prospect of rent reductions to reflect negative inflation. The resilience of the hybrid model has been called into question by these developments with a small number of associations encountering major financial difficulties, ‘impairment write downs’ in accounts reflecting reduced land and asset values of around 92 associations and a general scaling back of projects reliant on cross-subsidy from property or land sales. While most associations have been better placed than many private sector developers to ride out the crisis, the future public spending environment will present 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 in 2010/11 and lower public expenditure and the potential threat to the security of rental income associated with current housing benefit reforms.
Housing associations have had a relatively complete set of institutions dedicated to their field including a national trade body the NHF, with many special interest sub-groups including a smaller HAs group and numerous specialist consultancy, services and lobbying organisations including HACT which acts as a bridge between housing associations and the wider third sector. While the housing association field was for 40 years tightly structured around a single dedicated funding and regulatory body, the Housing Corporation, since 2008 it has separate regulatory and funder bodies each of which relate to other social landlords too. This looser field structure may have important implications for the future evolution and identity of housing associations.

In the future housing associations will need to build on the resilience that they showed during the recession to manage the impacts of public expenditure reductions while demonstrating stronger connections with civil society to avoid being seen as simply a part of ‘Big Government’.

### Key issues for further research

Throughout this paper we have identified themes on which further research could generate improved understanding of the housing association sector and contribute to a wider third sector research agenda. These potential themes for further research are highlighted in bold in the text above. Here we have sorted the themes to fit with future work programmes in several TSRC work streams:

- Impact of credit crisis on the hybrid model and adaptation to changing times ([social enterprise and policy streams](#))
- Measurement of social investment and social responsibility and performance; CASE partnership project with NHF in next neighbourhood audit ([impact stream](#))
- Changing relationships with state and market, implications of legal and regulatory changes ([social enterprise stream](#))
- Neighbourhood focus and potential role of housing associations as bedrock of a thriving third sector – links to community land trusts and asset transfer agenda ([social enterprise stream](#))
- Building effective partnerships between large housing associations and smaller TSOs such as community groups, migrant and refugee community organisations and self-help housing groups ([below the radar stream](#))
- Mergers, alliances and partnerships: responding to efficiency and accountability agendas ([service delivery stream](#))
- Black and Minority ethnic housing associations. Updating the evidence base from studies in the mid 2000s and drawing out implications for other parts of the BME sector.
- Adaptation of the housing association sector to a new government (this was the key theme that led to establishment of Delphi panel in 1996/7). Funding applications are being submitted for a follow-up study taking in a wider range of third sector housing organisations linked to similar proposed studies using Delphi panels in Australia and the Netherlands ([links to real times stream and policy stream](#))
- ALMOs were not within the scope of this paper and have been very little researched. Further research from a third sector perspective on governance, community empowerment and the benefits and limitations of locally focused, non-asset holding large scale service providers would be very timely for debates about the Big Society ([service delivery stream](#)).
We use the term housing associations (in places abbreviated to HAs) throughout this paper to refer to registered bodies for social housing provision and management (currently) regulated by the Tenant Services Authority (TSA). These bodies have had a variety of names and statuses over time, with the significance of public funding and regulation only being significant after the 1974 Housing Act.

HACT (established in 1960 and formerly known as the housing associations’ charitable trust has played a leading role in the development of housing associations and their links with the wider third sector. In its Golden Jubilee Year 2010 it describes itself as follows: ‘We work with housing providers, so we can improve the wellbeing and living conditions of poor and marginalised people’. http://hact.org.uk/ (accessed 28 August 2010).

The National Housing Federation (abbreviated as NHF or the Federation) is the trade body for housing associations in England. Its website states that it ‘represents 1,200 not-for-profit housing associations in England and campaigns for better housing and neighbourhoods’ http://www.housing.org.uk/ (accessed 28 August 2010).

While RSL is widely used and technically correct in distinguishing registered bodies from other types of organisation we prefer the more user friendly term ‘housing association’ which we use throughout this scoping paper to refer only to those associations registered with the Tenant Services Authority (TSA).

In practice the majority of the 1,700 or so registered bodies are not in receipt of capital subsidies and since 2004 there has been a policy of restricting eligibility of direct allocation of subsidies to a small number of ‘the best developing associations’ alongside a small number of private developers who since 2004 have also been eligible for subsidy but with different regulatory requirements. Some smaller housing associations also qualify for lower levels of regulation.

However, the final sentence appears to have been included on the CLG website for clarification to the housing sector. It does not appear in an otherwise similar definition accessed August 2009 on the Office of the Third Sector website. http://www.cabinetoffice.gov.uk/the_third_sector.aspx when a slightly shorter version was located on the CLG website definitions page ‘Third Sector: non-governmental organisations with cultural, social and environmental objectives. It includes voluntary and community organisations, charities, social enterprises, cooperatives and mutuals, and housing associations’ http://www.communities.gov.uk/corporate/help/glossary (accessed 25 August 2009).

The Tenant Services Authority (TSA) http://www.tenantservicesauthority.org/ was established under the Housing and Regeneration Act 2008 as the domain regulator for social housing (whether provided by local authorities, housing associations or other bodies such as ALMOs). Prior to this housing associations had been regulated and funded by a field specific regulator, the Housing Corporation. On 24 June 2010 the Coalition Government announced a review into the role and purpose of the Tenant Services Authority and the best framework for social housing regulation. On 1 July the TSA Chief Executive wrote to all Registered Providers to provide clarity on what this
means for their regulation while the review is undertaken. He stressed the continued importance of economic regulation and tenant empowerment and clear support for the new regulatory standards.

COPEC was short for the Christian Conference on Politics, Economics and Citizenship of 1924 which founded four housing societies with this name; one of which was later to become Midland Heart, the larger housing association based in the West Midlands (Gulliver 2000, Mullins 2007).

Heather Petch, HACT Director writing in *Inside Housing*, 13 August 2010, p. 15.

Accessible sources of statistical information about associations include the regulatory and statistical return factsheet (TSA 2008), Global Accounts of housing associations (TSA, 2009a) and a quarterly survey, initiated in January 2008 to establish association’s risk exposure in the economic downturn (TSA 2009b) Access to RSR summary data for 2009 and full profile data for 2008 including 83 tables with information on stock levels, lettings, vacancies, ownership, management, and also sales and additions over the year is now available at http://www.rsrsurvey.co.uk/index.cfm?task=ViewDocs (accessed 4 September 2009). Analyses of these datasets are widely available including through a specialist analysis website maintained by the Cambridge Centre for Housing and Planning Research http://www.dataspring.org.uk/, and a series of 62 sector studies published by Housing Corporation before its demise in November 2008 including a report on the changing sector structure (Pawson and Sosenko 2008) used in this paper.

Although see Chapter 8 by Gilmour (in Pawson and Mullins 2010) for general review of evidence on ALMOs as a short-term expedient or a longer term alternative and Cole and Powell, 2010 for findings from recent interviews with ALMO CEOs on the future of this ‘hybrid sector’.

Based on analysis of Regulatory and Statistical Returns: 2002 and 2007 RSRs. Note: Because the rows in the body of the table are selective (no row for ‘all other’ the organisations and stock figures do not sum to the national totals shown in the ‘All’ row).

Drawing on earlier analysis (Audit Commission/Housing Corporation 2001) the three types of groups are:

- ‘original’ groups – one stock owning group member linked with subsidiary organisations tasked with non-landlord functions – e.g. shared ownership development/management, construction
- ‘mixed’ groups – a stock-holding housing association parent and one or more stock-owning HAs among group subsidiaries, and
- ‘umbrella parent’ groups – a non-asset owning parent agency with ultimate control over group subsidiaries including at least one stock-owning HA.

De-registrations refers to the process whereby small associations not in receipt of capital funding can remove themselves from TSA regulation by ceasing to be registered housing associations. This process is distinct from that of ‘transfer or engagements’ when the organisation ceases to exist as an independent entity and transfers all assets to another registered association.

TSRC Press Release 23 June 2010 on findings of Working papers 38 and 39 in relation to the Tesco-isation hypothesis.

Building on earlier work by Liverpool Housing Trust *Up Your Street*. London, Housing Corporation.
The survey had a respectable response rate of 35% amongst the 650 NHF member organisations contacted, and included a good mix of group structures (36%), independent traditional HAs (20%) and independent stock transfer HAs (12%) (ibid. p. 12).

http://www.placeshapers.org/

http://www.eldioniangroup.com/environmental-services.htm accessed August 28th 2010. Eldonian Neighbourhood Services (ENS) is the environmental service-delivery department of EGL. It aims to provide quality, local, neighbourhood services for registered social landlords and other bodies. Through the delivery of these services, ENS seeks to provide employment and training opportunities for local people and make a genuine quality of life improvement for the community.

http://www.thetreesgroup.org.uk/about.html (accessed 28 August 2010). ‘The TREES Group exists to support the self-contained businesses that operate in a range of commercial and social sectors - from conferences and construction to landscape gardening. First came Thorpete Gas Services, then Newlife Construction & Regeneration was launched in 1999. The outstanding success of both companies enabled the TREES team to focus on developing Highpoint in 2002 – a unique conference venue on the outskirts of Leicester city centre. The Group's most recent success, Braunstone-based landscaping and maintenance firm, Ground Control, started trading in 2004’.

The Community Empowerment Fund was later replaced.

Thanks to Halima Sacranie for the documentary research in this section.

op cit Inside Housing, 13 August 2010, p.15.

TSO used throughout as abbreviation for third sector organisations.

See TSRC Working Paper 18 for a more detailed account of this decision.

Inside Housing, 13 November 2009, ‘The government has told housing associations they should cut their rents by 0.9% next year. It has issued directions to regulator the TSA confirming that rent increases should be set at no more than 0.5% above the Retail Prices Index of inflation. The umbrella body for housing associations, the National Housing Federation, attacked the decision to instruct associations to cut rents. It said the move would provide short term benefits to a small number of tenants but cause ‘substantial long-term damage to the capacity of the sector’.


Circular setting limits to rent increases for housing associations based on RPI in September of previous year, shows limits to rent increases between 2005 and 2009 had ranged from 3.2% in 2006/7 to 5.5% in 2009/10.

Mark Washer, Finance Director of Affinity Sutton, Inside Housing, August 27 2010, p. 2.

See Working Paper 19 in this series for a fuller discussion of the implications this issue for tenants’ and residents’ organisations.

Who ironically were themselves later to become a casualty of public expenditure reductions resulting partly from the recession? Public Finance, 17 August 2010: reported local government minister Bob Neill saying that the decision to abolish the Audit Commission was a ‘logical’ step in the coalition’s agenda and should not have come as a shock to anyone’ http://www.publicfinance.co.uk/news/2010/08/minister-says-abolition-of-audit-commission-was-a-logical-step/ accessed August 17 2010.
LIBOR. The inter-bank lending rate above which banks charge variable percentage premiums depending on their perceived risks in lending to different categories of borrowers.

Thanks to David Stevenson for permission to quote from his 2009 dissertation on the impact of the credit crunch on housing association mergers in the West Midlands towards his MBA which was awarded in July 2010. All quotes in this section are taken from that source.

Thanks to interviewees in these three associations for sharing and corroborating the case study accounts on an anonymous basis.


Mullins and Craig (2005) Testing the Climate; mergers and alliances in the housing association sector.


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Independent, 20 July 2010, p.5 extract from speech by Prime Minister, 19 July 2010. and http://www.guardian.co.uk/society/2010/jul/18/four-authorities-experiment-big-society

See TSRC Working Paper 11

See TSRC Working Paper 17

See TSRC Working Paper 18
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About the Centre

The third sector provides support and services to millions of people. Whether providing front-line services, making policy or campaigning for change, good quality research is vital for organisations to achieve the best possible impact. The Third Sector Research Centre exists to develop the evidence base on, for and with the third sector in the UK. Working closely with practitioners, policy-makers and other academics, TSRC is undertaking and reviewing research, and making this research widely available. The Centre works in collaboration with the third sector, ensuring its research reflects the realities of those working within it, and helping to build the sector’s capacity to use and conduct research.

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Service Delivery and Housing

From housing to health, social care to criminal justice, third sector organisations provide an increasing number of public services. Working with policy makers and practitioners to identify key priorities, this work will cut across a number of research streams and cover a series of key issues. The centre’s research will help to inform the debate on the way in which service delivery is developing, the potential role of the third sector in commissioning as well as contracting, and the implications of different approaches to service delivery on the overall impact of the third sector.

This is part of a series of scoping papers on housing commissioned and edited by David Mullins, Professor of Housing Policy, at the University of Birmingham. Each paper sets out the origins and evolution of a sub-sector, mapping key roles, and functions, numbers and types of organisation and third sector characteristics, outlines key policy, regulation and funding issues and suggests further research contributing to wider knowledge of the third sector.

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