

# Housing associations

*Who, how and what for?*

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# Today ...

**Part I:** Some context

**Part II:** The framework

**Part II:** The issues (and guilty secrets)

Final thoughts and discussion

# PART I

*Some context*

# Housing associations now

## *At a glance*

- A substantial corporate sector
- Not for profit, mutual
- Diversified into commercial and social activities
- Major employer
- Major presence in many communities
- £90bn+ of borrowing
- 2m+ homes across the UK, similar regimes in all countries
- European parallels – France, Holland, Sweden etc

# Some milestones

## *The sweep of history ...*

- Medieval roots, then 4% philanthropy and Octavia Hill
- Industrial associations
- “Cathy Come Home” and the Shelter associations
- Registration and regulation
- Housing Association Grant – the walled garden
  - *The rehab years - HAG and Mini-HAG*
- Stock transfer
- Private finance and reducing grant rates
- Shared ownership and other diversification
- Sector consolidation - the super-landlords

# Some politics

*Reviled to the left of us, reviled to the right of us ...*

- From the left:
  - *Defend Council Housing*
  - *Resentment from LA partners*
  - *Fat cat salaries*
  - *Unaccountable*
- From the right
  - *A bit left-leaning, not about home ownership*
  - *Nationalise to privatise?*
  - *Blaming the poor for their poverty*
  - *Not commercial enough, not leveraging assets*
  - *Unfair advantages*

# Some current trends

- Ever-reducing grant rates
- Private sector toe in the door (cf Spain, USA etc)
- The lease model problems
- LA development companies
- Community land trusts
- Mergers and consolidation
- Development opportunities often larger sites
- Growing poverty of clients
- Big push on Value for Money (VFM)
- Grenfell disaster

# Grenfell legacy:

*The day we all remembered safety*



***“Grenfell could have happened to anybody in the sector”***



# Grenfell's wider implications

- Focus on Board assurance, compliance
  - *Sources of assurance*
- Scrapping cladding: energy costs
- Fireproofing
- Maintenance programmes
- Leaseholders
- Diversion of funding
  - *Effects on new build programmes*
- Lenders and investors
- Consumer protection
- Data integrity
- Resident engagement
- Regeneration programmes
- Local authority roles
- Government policies & funding
- Demand for high rise
- Property valuations
- Insurance premiums

# PART II

## *The framework*

# Regulation's various guises

- Starts in 1974, then various guises
  - *Housing Corporation*
  - *Tenant Services Authority*
  - *HCA*
  - *Homes England*
  - *Regulator of social housing*
- Also Charity Commission, CQC, Financial Conduct Authority etc
- Currently hands-off, but changing post-Grenfell
- Long succession of problem cases, ongoing
- Nonetheless “no loss on default” - proud record
- Current emphasis on assurance

# The Community Benefit model

## *Board members, shareholders & 'stakeholders'*

- Applies to most but not all HAs
- Mutual in general terms, but not fully mutual
  - *Only cooperatives fully mutual*
- The Industrial and Provident Society story
- Has democratic possibilities
  - *Some have 'open' membership, others 'closed'*
- Charitable but not registered charity
  - *Must be directed at poverty, housing need, age, infirmity etc*
- Boards can be paid
- Makes mergers and amalgamations easier

# The funding model

*Looks simple ...*

## IN

- Rents
- Grants
- Loans and investments
- Trading profits
- Disposal proceeds

## OUT

- Wages, pensions
- VAT and taxes
- Maintenance costs
- Land and development costs
- Interest and loan repayments
- Lease payments
- Commercial losses  
(NB social housing ring-fenced)

# Group structures and complexity

- Charity/non-charity
- Companies, social enterprises etc
- Special purpose vehicles
- Business streams
- Regulatory streams
- Notional ring-fencing of social housing assets
- Joint ventures and PFI
- VAT shelters
- Group parent: registered/unregistered, stockholding or not?
- The issue of group oversight

# Legacy of covenants & conditions

- A real spiders web
- Some loans go back to 1990s
- Covenants, ratios, cover
- Cross-default clauses
- Repricing imperatives
  - *The cat and mouse game*
- The astonishing cost of refinancing
- Bond finance complications

# The governance model

- Basically the 'trustee' model
- Various Codes and standards
- Trend to smaller board, skills-based
  - *The issue of tenant board members and skills requirements*
- Simplification of structures
- Often unitary, ie CE and CFO are on Board
- Board members paid, but not huge sums
- Committees and group structures
- Vital role of audit and risk committees
- Oversight, insight and foresight

# PART III

## *The issues* *(and guilty secrets)*

# Who are they?

## *Public/private/charitable: the ONS saga*

- 1974-88 – purely creatures of the state
  - *100% grant and loans*
  - *Rents set*
  - *Wall-to-wall regulation*
  - *Nobody noticed or cared!*
- Classified as public sector 2016
  - *Now reclassified back to private sector*
  - *Some deregulation*
- Indicates identity crisis?
  - *Obedient delivery mechanism? Co-opted by state ... or*
  - *Social purpose driven?*

# The unit of currency

## *Muddying of purpose, loss of passion*

- What is the single equivalent of a guide-dog, life-boat etc?
  - *Charitable purpose needs to be simple*
- Is it about people, communities, areas, life chances?
  - *The QALY example*
- Or simply building new homes and managing well?
- But what about homelessness, rough sleeping?
- Is a new letting the 'lifeboat' equivalent?
- So much complexity, so much demand, that no real imperative to consider purpose?
  - *An association can fly on autopilot for years, without real thought*

# Ethical dilemmas

*Is it OK for poor people to subsidise other poor people?*

- The problem of 'Affordable Rents'
    - *Paronymically named!*
    - *Only way to develop new homes at scale*
    - *170,000 tenancies converted or new*
  - Existing vs new tenants
  - Regeneration areas vs the rest
  - Subsidising care and support
  - The risk of trading activity – who pays?
  - How best to listen to the tenant voice
  - The minimum wage dilemma in the contract culture
  - Shouldn't they be tackling homelessness more actively?
    - *(Remember Cathy!)*
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# The problem of Value for Money

- Is really the government's business?
  - *After all, private sector organisations ...*
- Long history of (largely ineffective) regulatory actions
- Still ... large variations in unit costs
  - *Partly explained by nature of stock and clients*
  - *In many cases, no obvious justifications*
  - *Some are very ,very good*
- Massive equity tied up in under-developing associations
- Inherent inefficiency of geographical spread
  - *Itself the result of previous government policies*
  - *Some stock swaps and rationalisation now underway*
- Negative correlation of tenant satisfaction and unit cost!

# The pressure to diversify

- Development and maintenance in-house
- Housing for sale, and market rent
- Key-worker and NHS housing
- Manufacturing (off-site homes)
- Facilities management and outsourcing (remember CCT)
- Care and support
- Domiciliary care
- Community support – social enterprise
- NB: Unwise diversification often the path to perdition!
- Again – easy to overlook purpose amidst complexity

# Defining risk appetite

- Brexit (groan... )
- Interest rates
- Building costs
- Access to labour
- Access to preferential long-term funding
- Sales risk, development risk
- Austerity and poverty risk - area decline
- Regulation and government
  - *The cautionary tale of minus 1% on rents, the long-ago moratorium*
- Post-Grenfell people and safety risks

# How on earth can they still go wrong?

## *Seven deadly sins at a glance*

1. **Delusion** (the greatest of these by far...)  
*fed by ...*
2. **Complacency**
3. **Ignorance**
4. **Negativity**
5. **Recklessness**
6. **Dishonesty**
7. **Misjudgement**

Footnote: *The interesting 'near misses' of 2009*

# Too many HAs? The trend to consolidation

## *Why size may matter*

- Increased financial resilience to risk
  - Clout to work on large sites: equal partner to big developers, LAs
  - Ability to rationalise stock without becoming unviable
  - Ability to attract senior and other staff
  - Reduced overheads and better margins
  - Ability to invest in new IT **BUT ....**
  - Vainglory, ego and hubris!
  - Not all mergers deliver all promised benefits
  - Little evidence of actual lower operating costs
  - The dangers of giantism, becoming remote
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# Tenant power and accountability

## *Involvement, participation, control*

- Decades of debate, experimentation, regulation
  - Audit Commission drove a particular model
  - Tenants on Boards all very well ...
  - Lip service the norm ... tenants seen as consumers
  - UK co-ops & community based organisations never at scale
    - *Scotland different story*
  - TMOs, ALMOs, EMBs so on
  - Mixed results – the life-cycle
  - The energy of the CLT movement, but lack of scale
  - Grenfell legacy has brought back into the spotlight
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# Was transfer a good idea?

## *The iron law of unintended consequences*

- Allowed huge new investment into stock condition
- Improved services and performance
- Created single-purpose organisations with clear focus
- But ... loss of democratic accountability
  - *Debated, but clearly real to some extent*
- Loss of local presence, as mergers proceed
- Ongoing debate about future of ALMOs, council housing

# In conclusion ...

# Summary

- A powerful and well-resourced sector
- Strong human and financial capacity
- Better, much better, than private sector models
- Has generally delivered government objectives
  - *Perhaps forgetting their own along the way*
- Not widely loved, but too useful to ignore
- Generally well-governed, with exceptions
- Highly regulated, constrained by complexity, various aspects of financial and constitutional framework
- But who 'owns' them? A contested space

# Housing associations: a contested space?

- Constitutionally
  - *Shareholding members*
  - *Board members / trustees*
  - *Owned by their charitable/social purpose (circular ...)*
  - *The public good ('Community Benefit')*
- Organs of the state
  - *Legislators*
  - *Grant givers*
  - *The regulator*
  - *Local strategic housing authorities*
- Third parties
  - *Tenants and potential tenants*
  - *Lenders*
  - *The controlling professional / managerial elite*

# A personal view ...

## *(Don't quote me)*

- HAs much better model than pure private sector
    - *Most of them do mostly good stuff, most of the time*
    - *Social purpose is there, but diluted by diversification, regulation etc*
  - They have been – at least partially - colonised by the state
    - *Also substantially in hock to the banks*
    - *Local authorities regaining influence, but hollowed out by austerity*
  - Sector patchy in terms of efficiency, value for money
  - The managerial/technocratic elite largely running the show
    - *The demands of a complex and risky framework*
  - Tenants and communities don't get that much of a look in
    - *Plenty of lip service though!*
  - A sector vulnerable from politics of both left and right
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***So who owns them ... ?***

***.. and who should own them?***

***Discuss ...***

