



Where is housing
heading?

Social housing's alternative futures

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In December 2013, the Chartered Institute of Housing (CIH) began a new series of policy discussions on the key issues facing housing over the next five years

Two years after the coalition government published its housing strategy *Laying the Foundations*, and 18 months ahead of the General Election, we wanted to take the opportunity to pause and consider developments since 2010: where we have ended up, what's worked, what hasn't, what we've learnt about the policy positions of the main parties and where things might be heading next.

We've commissioned a series of leading commentators to give us their views on these and other issues across different policy areas over the coming months. In this twelfth essay, Alex Marsh, Professor of Public Policy at the University of Bristol, looks at what the future might hold for social housing, and the different roles that housing associations might play in the future.

We hope you will enjoy the essays and that they will stimulate debate over the critical period in the run-up to the election.



12. Social housing's alternative futures

These are challenging times. The arrival of the coalition government in 2010 has brought profound change both within and beyond the social housing world.

Things we'd taken as the foundation upon which social housing organisations could build their strategies have turned out, in the face of a pervasive rhetoric of austerity, to be much less stable than we had come to believe. The government has made changes – to funding for development, to the nature of tenancies, to revenue subsidy, to regulation – that mean the game is now being played by different rules.

This less hospitable environment has been the catalyst for innovative responses from social landlords, individually and in collaboration.

Of course it is not that the political response to the 2007-08 global financial crisis has sparked change in an otherwise somnolent social housing sector. Over several decades the sector has witnessed substantial changes to structure and processes, often induced by policy innovation rather than changing socio-economic context. But the period since 2010 has perhaps been unusual in confronting social housing providers with a broad range of pressing questions about the sustainability, and desirability, of business as usual.

This essay will not dwell on the details of the changes affecting the social housing sector over the last five years. These have been reviewed in some detail in earlier essays in this series. Nor does this paper focus particularly on how housing might feature in, or influence, the general election campaign that is now getting underway. Rather, the aim is to step back and offer some reflections on the bigger picture. It offers a perspective on where housing may be heading in the coming years. It does so under four broad headings: The squeeze; Looking beyond housing; Narratives; and Marginal voices.

The focus is primarily upon housing associations, but in order to offer a perspective on what is happening to social housing the discussion necessarily touches on broader policy developments affecting the sector. The focus is also on policy in England although the broad arguments apply in Wales and to a lesser extent in Scotland and Northern Ireland.

The squeeze

Where are we heading politically? Six months ago it might have been meaningful to explore the implications of the policy trajectory charted out by the Conservatives and then consider the potential for disruption to that trajectory. We might have reflected on what alternative trajectories could look like and considered whether the rapidly-approaching general election 2015 constituted a critical juncture that sets policy off down a different path.

But I'm not sure approaching the issue in that way is particularly meaningful right now. That is for two main reasons.



First, the political economy is horrible for rented housing. The mainstream political parties are almost entirely gearing their agendas towards the interests of older homeowners because older homeowners are more likely to vote. The concerns of renters – social or private – or those excluded entirely from the housing market are not so pressing as to demand a decisive response from politicians.

Second, all parties are signed up to a very similar fiscal policy. For all the talk of housing crisis, spending serious money on housing doesn't feature very prominently on anyone's to-do list. There are surely differences of emphasis, and the parties diverge over the wisdom of borrowing to invest in housing and infrastructure. But no party likely to have meaningful leverage over the next government's agenda is looking to invest in housing on a scale commensurate with the scale of the problem.

That is not for want of ideas. The National Housing Federation's (NHF) *Ambition to Deliver* report, for example, made a decent case for what needs to change to get things moving. But I'm not sure anyone in the Westminster bubble is really listening yet. Housing isn't far enough up the agenda.

Six months ago we were still awaiting the publication of the Lyons Housing Review. Many were hoping it would chart a new course for housing policy, on supply at least. Now we have seen what Sir Michael had to say. The report contains some sensible recommendations to address housing supply problems, but the overall aspiration is modest. A target of 200,000 new dwellings per year by 2020 carries with it the implication that, even if the aspiration is realised, housing supply will still fall well short of the level required to meet housing need. Excess demand for housing in high pressure housing markets is likely to continue. That implies affordability problems will continue for a while yet.

The Lyons Review contained plenty of interesting and important material. Yet, its peculiarity is that, on crucial points, it lacks the courage of its own convictions. For example, the report develops a solid argument for swapping housing support away from funding housing benefit and back towards bricks and mortar subsidy. But it then doesn't argue that more investment in housing supply should be a policy priority. Here, presumably, the report is constrained by a requirement to adhere to Ed Balls' overall spending plans.

In contrast, elsewhere the report hints at something rather more radical. In particular, it is reminiscent of statements made about housing association independence that we've read in Boris Johnson's housing plan for London or that Nick Boles was inclined to make while planning minister. That is, Lyons clearly has his eye on housing association assets, and the scope for further leveraging those assets to fund new construction. Lyons is keen to see housing assets currently in the hands of those who are risk averse come under the control of those with a greater appetite for risk.

The economic and financial logic of the current policy direction – a low grant/no grant world – is one of greater consolidation, mergers and acquisitions, and increased financial sophistication. This is a direction of travel that Lyons effectively endorses.



The diverse risks of this approach – both to associations and government – are reasonably well-known and well-rehearsed. But I do think that if policy is to push further down this path then we need to attend more closely to systemic, as opposed to idiosyncratic, risk.

The Homes and Communities Agency (HCA) has made it clear that in this brave new world the bulk of the financial risk lies with associations and their boards. That is a sustainable position as long as risks remain largely uncorrelated and organisational consolidation doesn't result in a "too big to fail" problem. But at some point it becomes untenable.

The Liberal Democrats are the only major party proposing a step change on housing supply. Their policy aims to increase new housing supply to 300,000 per year, although it isn't entirely clear how this will be achieved. The policy has the virtue of possessing ambition of the right order of magnitude. But it is debateable whether Liberal Democrat policy, on housing or anything else, is going to be of any great relevance post-May 2015.

So Lyons has come and gone. And, while it made the right sorts of noises, it did not propose a radical departure from current policy trajectories. We can be reasonably confident therefore that, barring some major unforeseen development, housing policy is going to be continuing broadly in its current direction. In saying that we also need to recognise that current policy plays out differently across local housing markets. Whether Affordable Rents diverge substantially from social rents, for example, depends on where you are. Similarly, the implications of welfare reform differ considerably between the English regions. Its impact in the devolved administrations, where it has to mesh with policies formulated with an eye to different priorities, is more complicated.

If policy continuity is in prospect then we face a future characterised by housing providers increasing leverage and pursuing mixed portfolios of development which are, overall, closer to the market. Having to attend ever more closely to the demands of the financial markets will most likely bring the tension between commercialisation and social purpose into sharper focus. There are no doubt some among the larger housing associations who view the prospect of being "freed" from obligations to the government and the regulator, as recently proposed by the Policy Exchange, with enthusiasm. The freedoms and flexibilities that would follow such a move would more than compensate for the greater risk.

This would, I suspect, be viewed elsewhere in the sector as the ultimate triumph of commercialism: housing associations finally slipping their social purpose moorings.

While it is possible to envisage a future in which social purpose is finally extinguished, for at least some housing associations, we also see organisations such as Placeshapers reasserting established values, particularly those relating to community.



How this tension will play out is uncertain. But I suspect commercialisation will eventually prove too powerful to resist. Financialisation has an insidious, transformative power.

A continuation of current policy directions also means that, rather than acting as an economic stabilizer to counteract the volatility of speculative housebuilding, social housing supply is likely increasingly to reinforce the pro-cyclicality of housing development.

Looking beyond housing

When we're thinking about the fiscal squeeze we haven't really seen anything yet. The public spending cuts planned after May 2015 are greater than those we have already witnessed. If there was fat in the system then it has already gone. Future cuts will be much more painful.

We need to understand better how the squeeze is affecting the world beyond housing. In particular, we need to look at what is happening in the health service and the local authority sector. The travails of the health service are front page news: what happens here shapes voting intentions. The difficulties being experienced in the local authority sector are rather less well understood. Many local authorities are in a lot of trouble as a result of budgetary cuts imposed by central government combined with the imposition of tighter constraints on raising additional revenue locally.

Local authorities are going through similar thought processes to those occurring in many housing associations. But they are compelled by circumstance to do so with a greater sense of urgency. They are looking to shed non-statutory services. They are looking to capture savings in operating costs from increasing digital service delivery. They are exploring the scope for co-production of services with service users. They are looking to build capacity in civil society so as to foster greater self-reliance and self-help, because the local authority no longer has the resources to provide those services. We are seeing signs – for example, in developments such as the Welsh care act – the Social Services and Wellbeing (Wales) Act 2014 – that some statutory obligations are being pared back.

You could argue that David Cameron's Big Society was a failure as a political slogan and a political project. It never really got off the ground. You don't hear much talk of it any more. But swingeing cuts to local authority budgets mean it is arriving anyway. Local authorities in collaboration with local populations have to come up with new solutions that move beyond local authority provision, or services and support will simply disappear.

It is very much a case of necessity being the mother of invention.

In the academic literature you will find discussions of the concept of place-based leadership. Part of this argument is that leadership of place may come from the statutory sector, but it need not. It can emerge from another sector locally, or from cross-sector collaboration. Clearly, many housing associations are



organisations with deep roots in particular areas and a commitment to the success of those areas. They are already showing leadership as they seek to help residents in their neighbourhoods improve their quality of life and increase their levels of wellbeing. In doing so housing associations find themselves engaged in a whole range of non-housing activities for community benefit.

The point is that as local authority capacity becomes increasingly curtailed further gaps in provision are going to open up; further opportunities are surely going to present themselves. Are these opportunities that will appeal to housing associations? Are housing associations willing and able to move into positions of stronger place-based leadership? Will they do more to facilitate community capacity building before, potentially, stepping back and allowing greater community self-organisation and self-reliance?

If housing associations do go down this route then how is this greater role going to be rationalised? And how is it going to be funded? If it is to be funded internally through cross-subsidisation – because grant funding is increasingly scarce – then what sort of account can be given of the virtues of this approach? What's the narrative?

Narratives

Convincing narratives are an issue of broader significance. The HCA, in its most recent sector risk profile, flags up reputational risk for individual organisations and the sector as a whole as an increasingly important issue.

The HCA's mind is primarily exercised by the risks associated with development and finance. Housing associations that engage in more complex and exotic financial manoeuvres in order to finance development risk belatedly discover that risks have been misunderstood or inadequately assessed. As a consequence organisations find themselves in difficulty. Given high profile incidents in the relatively recent past, such concerns can hardly be considered unjustified. Such episodes damage the sector's reputation as a relatively low-risk investment opportunity.

While there are undoubtedly risks here, I think the issue of reputational risk is broader and enters the picture earlier.

I took part in one of the NHF HotHouse events leading up to the *Ambition to Deliver* report. One of the housing practitioners who spoke alongside me stated that by 2033 – the time horizon the NHF was working to – housing associations would be perceived as part of the problem not part of the solution. That was, no doubt, hyperbole. But it is worth reflecting on.

A reduction in the overall benefit cap to £23,000, trailed by David Cameron during the autumn, and benefit uprating inadequate to keep pace with rent inflation mean that the effects of welfare reform are likely to be felt ever more sharply and by ever more tenants.



Policy encouraging associations to leverage up and push rents higher in order to service larger loans carries with it the implication that housing associations are increasingly seeking tenants with the financial firepower to cope with higher housing costs. Or they have to have confidence that the benefit system will continue to act as a backstop to secure the necessary income. It very possibly carries with it the implication that housing associations are less inclined to house benefit-dependent households because they are perceived as higher risks.

There is a danger that, for all the arguments about being not-for-distributed-profit or about making profit for reinvestment with a social purpose, housing associations increasingly come to be perceived as seeking to extract as much as they can from the slightly less vulnerable in order to fuel their ambitions. There is already negative talk about the size of the collective surplus being made by the sector.

The seemingly logical conclusion of current policy is a scenario in which housing associations will primarily be in the business of charging high(ish) rents to middle-income households. Housing the genuinely poor would be very much a subsidiary activity, if it is dabbled in at all.

As housing associations offload relatively valuable property or property in high-value locations in order to build new property in lower-value neighbourhoods, in the name of good asset management, they contribute to the realisation of the Conservatives' aspiration for increasing social segregation and the banishment of poorer people from relatively affluent established urban neighbourhoods.

Associations may protest that they are doing the best they can, given the harsh financial and regulatory constraints they have to work under. The big boy made me do it. But that point is likely to be lost when viewed from the outside and in retrospect: when viewed from the perspective of the consequences such moves have for our towns and cities.

In that respect it is quite plausible to see housing associations becoming increasingly constructed in the media and popular opinion as a part of the problem. Unless they can do a better job of explaining what it is they do, what it is they are trying to achieve, and the constraints under which they are operating.

One of the most intriguing recent developments in the housing policy debate is the advent of the term "genuinely affordable housing". It appears that some have concluded that the housing that is now delivered under the label "affordable housing" is anything but. With its Affordable Rent programme the government has done so much violence to the term "affordable" as to render it meaningless without further qualification.

This seems to me to represent a hazard for housing associations. Unless they can keep in touch with the concept of "genuinely affordable" housing they may find themselves on the wrong side of the argument about who can deal effectively with the housing crisis.



And if associations choose not to play the game in the way the government would like it played – if they decline to develop with high leverage and relatively high rents, and instead focus on letting to existing tenants on social rents – then are they ready to explain why they are “refusing to help meet housing need” in the middle of a housing crisis? Arguments could, of course, be made about risk management, stewardship, inclusion, and precisely how best to meet need. But are those arguments honed, close at hand, and ready to be deployed?

Marginal voices

Earlier I said that as we approach the general election the political economy is pretty horrible for rented housing. But the outlook over the slightly longer term is much more interesting and much more positive.

The political economy of housing is undoubtedly changing. Starting from relative obscurity, organisations like *Generation Rent* and *Priced Out*, though still small, have now become prominent voices on the national housing policy stage. This has in part been facilitated by social media and the greater ability of grassroots organisations to coalesce, overcoming the barriers of distance. But it is also a product of structural change in the housing market. The proportion of households in long-term renting creeps up, seemingly inexorably.

More importantly, the types of households in long-term renting are changing. Renting is touching the lives of those who would previously have felt their destiny lay elsewhere. The pressure for change is building. Calls for longer tenancies and regulation of rents in the private rented sector recur. They originate not just from the left but from several points on the political spectrum.

Yet it is not only the articulate middle-classes in private renting who are finding their voice. A striking characteristic of the British housing scene is that opposition to the increasing marketisation of housing policy has, to a large extent, lacked an effective rallying cry. In other countries opponents of mainstream housing policy have explicitly drawn on Lefebvre’s concept of the *Right to the City* and translated it into a *Right to Housing*. These concepts have been deployed in, for example, the critique of gentrification, be it state-sponsored or otherwise.

This sort of discourse, while prominent in certain corners of academia, has been largely absent from high profile housing activism in Britain. But it would appear that resistance to dominant strands of housing policy increasingly reaches for this type of thinking to find its organising concepts. For example, it is a very clearly part of the way the Radical Housing Network – which secured national attention by disrupting last year’s MIPIM event – understands what it is seeking to achieve. We could find similar types of argument being deployed by the Focus E15 protestors.

Mainstream housing policy has embraced, at a rhetorical level at least, the desirability of self-build, off-site manufacture, or kit building as a means of addressing our housing needs. It has been less clearly supportive



of self-help housing. At the extreme, the coalition has gone out of its way, in the face of near uniform opposition, to criminalise squatting of all residential buildings.

Yet there is another emerging strand to the story. Organisations such as HACT have recently been supporting capacity building in the self-help sector, and local initiatives are burgeoning around the country. In Bristol, for example, a community organisation called Abolish Empty Office Buildings has recently bought its first property.

If mainstream policy fails to make a significant dent in housing affordability problems and housing shortage, and the properties managed by conventional social landlords are increasingly viewed as out of the reach of the poor, then the appeal of self-help and mutual aid will most likely grow. I wouldn't be at all surprised if someone decided it might be an idea to set up a terminating building society.

Perhaps we are destined to rediscover lessons of the past through action, as communities replay the origins of some of today's well-known housing organisations.

But do these self-help initiatives exist beyond today's social housing movement; possibly even in competition with it? Or are they initiatives that more established social housing organisations can and will support on a significant scale? Are they part of social housing 2.0? Or do they represent social housing 3.0?

This takes us to questions of scale. The financial imperatives facing housing associations push them towards scale. We have long known that the efficient scale for financing is larger than the efficient scale for management, at least when management is based on patches or area offices. But the efficient scale for financing is also likely in tension with the appropriate scale to deliver place-based leadership and community capacity building. How housing organisations reconcile this tension and operate simultaneously in the large and the small is a question the sector will be obliged to grapple with further.

An alternative future is one in which the sector bifurcates: much of the housing is supplied by huge landlords – faceless and efficient – that interact with most of their tenants digitally, while much of the community support is provided by smaller organisations with a human face.

Conclusion

The future for social housing organisations will be characterised by the need for innovation; more radical innovation than many will have experienced up until now. If housing organisations are to thrive in an era of constrained resources and demanding consumers then they are going to need to be reflexive and agile.

The squeeze occurring in neighbouring policy areas and bearing down on the organisations with which housing associations collaborate will open up gaps and new opportunities. Unless there is a major reorientation of policy centrally – which seems unlikely – over the life of the next parliament we can expect



quite a few local authorities to take a big step back from significant areas of service provision as funds run out. Whether housing associations sense that it is their destiny to play a stronger place-based leadership role is a question we will find answered rather quickly.

In the short term the political economy of housing is not favourable to rented housing, but pressure is building in the system which means that in the longer term politicians will have greater incentive to attend to urgent new voices. This feels like a necessary, if not sufficient, condition for a substantial change of policy direction at the centre. At the same time, it seems almost inevitable that new solutions – some of which might be relatively old solutions – will attract greater attention. Perhaps we shouldn't be too hasty in ruling out the possibility of revolutionary new answers to perennial problems.

In future will housing associations see it as a greater part of their role to help others to house themselves? I suspect it might well be.

Finally, the financial and regulatory constraints upon housing associations are real. But to assume there is no room for manoeuvre would be unduly pessimistic. The social housing sector is shot through with local innovation. Can this be harnessed more effectively? Can local lessons be captured and shared effectively in order to deliver broader social benefit and to reshape and expand housing opportunities for the many disadvantaged?

The future is not given. It is made.

And we increase the chances of it being a future in which social benefit is maximised if fruitful innovation is not treated proprietorially but shared widely.