

Building Homes, Building Trust

The unique role of housing associations in responding
to the housing and social challenges of the 2020s

FUTURE SHAPE OF THE SECTOR COMMISSION

JUNE 2018

L&Q



CLARION
HOUSING GROUP



Network
Homes

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Foreword from Lord Turnbull

The past decade has seen a progressive deterioration in the housing market – too few homes built, rents and house prices becoming more and more unaffordable, homelessness rising, and limited improvement in the planning system.

Perhaps most disturbing is the increase in the number of families with children in the private rented sector with poor security of tenure. For much of this period government policy prioritised home ownership to the neglect of other tenures. Housing associations were on the receiving end of a number of unhelpful policy changes, including severely reduced grants, rent cuts and the effects of benefit reductions for residents. Meanwhile, existing homeowners enjoyed huge increases in their wealth.

But in the last 18 months we have seen a major rethink across the whole political spectrum. Remarkably, the Government entitled its White Paper of February 2017 'Fixing our Broken Housing Market'. There was explicit recognition that the numbers of homes built had to be substantially increased from a range of 150-200,000 a year to around 300,000. This figure has been adopted by the opposition. It has been recognised that action is needed by all players - the private housebuilders, local authorities, housing associations, and the government - and action is needed on all tenures: renting as well as owning, and all the hybrids in between, an effort that will need to be sustained for a decade or more.

This change of direction and the accompanying increase in funding has been widely welcomed. But while the creation of elected mayors has given new impetus in their areas, local authorities are still constrained by the housing funding regime. The private housebuilders have access to finance and have planning permissions, but they are reluctant to expand significantly. Planning system reform remains work in progress.

All this creates special opportunities for housing associations. There is a renewed political consensus that housing associations are part of the solution, rather than part of the problem. Housing associations, collectively the largest social enterprise movement in the country, are keen and able to respond.

The challenge for housing associations addressed in this report is to convince their stakeholders and partners that they can make a major contribution to increasing housing supply. Historically, their core role has been to provide homes for people who cannot meet their reasonable needs through the open market.



This is a much larger proportion of the population than used to be the case, and now includes people who are struggling to get into home ownership as well as those dependent on social or affordable rents. But unlike private developers who seek to minimise the number of affordable homes they build, for housing associations providing affordable homes and secure tenancies is central to their social purpose.

If housing associations are to take on a more ambitious role, they must first and foremost retain the trust of those they are currently serving, most notably by improving the service they offer as landlords, by being quicker to respond on repairs, and easier to contact and interact with. To do this they will need to develop new digital responses as well as better face-to-face responses where this is wanted, and they will have to respond effectively to the significant implications arising from the Grenfell Tower tragedy. Residents are also seeking a greater input on major regeneration projects.

These are the circumstances that have led us to convene this second Future Shape of the Sector Commission twelve years after the first report. That report presented a future direction for the largest housing associations. We have tried in this second report to look at the whole sector, large, medium and small, recognising the diversity within it.

Many of our questions are aimed at housing associations themselves, but some are larger issues for government, local authorities and government agencies to ponder. We hope the report will stimulate debate and change.

I am extremely grateful to the Commissioners and our more than 60 contributors for their substantial and valuable input to our deliberations. I am delighted to have chaired the Commission and I commend its report to you.

Lord Turnbull

Why hold a second commission?

The first Future Shape of the Sector Commission report in 2006 encouraged a number of housing associations to undertake significant changes in the way they operated to meet coming social challenges. But the world does not stand still.



Why hold a second commission?

Twelve years on, it is time to consider the consequences of a decade of unprecedented change for housing associations and to think through some of the issues for the next decade, where England will be facing a new set of enormous social and economic challenges.

In particular, fixing the broken housing market will not only require development of 300,000 new homes per year by 2025, but to then sustain at least that figure over ten years or more if affordability is genuinely to improve. Three million homes – it is a daunting challenge and one that will need housing associations, local authorities, central government and private developers to rethink how they work to all maximise the contribution they can make.

For housing associations, the urgency of the challenge is accentuated by the fact that many of their core customers and potential customers – people on low and insecure incomes – will see those incomes fall further in real terms during the 2020s, and by the issues highlighted by the Grenfell Tower tragedy, a truly shocking event which has changed the whole dynamic around social housing.

Network Homes, L&Q and Clarion Housing Group therefore established this new Future Shape of the Sector Commission to explore how housing associations should evolve over the next 10-15 years to meet these great challenges and ensure sectoral change and growth is managed effectively and in the best interests of customers, stakeholders and society at large.

While the focus of the 2006 Commission was squarely on the largest associations, this second Commission broadened its remit across the whole sector. There was a recognition from the start that the nature of the issues at stake were as pertinent to the smallest as to the largest housing associations.

To come to its conclusions, the Commission developed an evidence base of key social and economic trends,

took 35 detailed Call for Evidence submissions, conducted 15 in-depth interviews, held three roundtables around the country, undertook one day study visits to exemplar projects, and consulted engaged young professionals working in the sector.

It considered views from housing associations, local and regional authorities, government and government agencies, resident groups and individual residents, consultancies, lenders, think tanks and trade bodies. On some issues there was strong consensus and on others a wide divergence of opinion.

The resulting report is the Commission's best attempt to present the range of views heard and establish a broad direction of travel for the sector for the 2020s. Inevitably, this often focuses on what housing associations should do better or differently. So it is important to emphasise that the sector starts from a position of real strength and opportunity.

Housing associations have substantial financial power turning over £20bn a year; they are well established developers building close to a quarter of England's new homes each year; and a large majority of residents express satisfaction with the tenure and with their homes. Housing associations play an important role in the communities where they work.

This report is about ensuring they build on that valuable platform, with social purpose preserved and protected as the sectoral guiding star even as the challenges escalate, and about how housing associations seize the opportunity of the new political dynamic on housing to produce a step change in supply, in their service to customers and in their governance and leadership to deliver what the country needs of them.

SOCIAL PURPOSE should be
PRESERVED
AND PROTECTED
as the **SECTORIAL GUIDING STAR**

3 MILLION  **homes**
IN 10 YEARS
– it's a **DAUNTING** challenge

Six key findings

ONE

The new political consensus about the scale of the housing crisis, the value of social rented and affordable housing, and the key role housing associations can play in tackling the broken market **presents a crucial moment of opportunity for the sector which housing associations must recognise and seize.**

TWO

The flexibility and diversity of their business model, their commitment to social purpose, and the differing constraints on other providers make housing associations uniquely well placed to respond to the housing and social challenge of the 2020s. They can achieve a great deal through their own resource and commitment, but even more with additional support and subsidy from key partners in local and national government.

THREE

Housing associations must earn that support and subsidy by demonstrating their unfailing commitment to their customers and communities. The combination of the move to digital service, the need to respond to the wide ranging implications for social housing of the Grenfell Tower tragedy, and a rising sense of loss of trust among some stakeholders mean **housing associations should remake the contract with customers, reviewing the landlord service offer from beginning to end.**

FOUR

To support delivery of 300,000 homes a year, **housing associations will need to at least double their development output to around 80-100,000 new homes annually and sustain that figure.** This is a major upscaling and will require real change in financial innovation and risk management, strategic use of assets, use of new technology, inter-association collaboration and co-operation, and partnerships with others. Continued access to affordable land and government subsidy will be needed to increase delivery of homes at sub-market rents and prices.

FIVE

Housing associations should focus on areas and products where they can make the biggest difference, whether to affordability, particular client groups, or the economic prospects of communities. As long-term community investors rooted in social purpose, housing associations can deploy patient capital to deliver a rounded social and economic offer, operating powerfully across the full spectrum of the housing market, and cyclically or counter-cyclically depending on the country's needs and as subsidy support allows. This is their unique and differential offer.

SIX

All of this will demand significant change to the governance model. Housing associations will need laser-like clarity of strategic direction, with board members more knowledgeable, involved and integrated into the working of their organisations than ever before. Associations will need to recruit greater diversity of skills and experience at board level, be more open and transparent to customers and stakeholders, and substantially upgrade their succession planning and talent management programmes.





Executive summary

**An overview of the key themes
that emerged from the evidence reviewed:**

- **Social purpose & brand trust**
- **Delivering high quality landlord services**
- **Delivering in the market**
- **Strategic direction, structures
& governance**



SOCIAL PURPOSE & BRAND TRUST

Housing associations should ensure social purpose is transparently at the heart of their work. This is what delivers customer and stakeholder trust.

Housing associations should seize the opportunity of the new political consensus on housing to increase delivery of social rented homes in the 2020s. Yet the housing affordability challenge now runs across all different tenures. It is therefore right and within social purpose that associations operate across the full housing market in meeting the needs of the 2020s. The mixed economy development model will continue, including the use of commercial skills and approaches.

At the same time, associations should critically re-examine their approach to customer service, the quality of service and how they communicate with, listen to and engage with residents to maintain or, where necessary, rebuild trust.

Associations should work to manage their reputations effectively, building stronger relationships of trust with MPs, local councillors and local authority officers.

Growing and retaining customer and stakeholder trust is in housing associations' hands. It is dictated by practical, day to day behaviour.

DELIVERING HIGH QUALITY LANDLORD SERVICES

Housing associations should 'remake the contract' with their residents for the 2020s, reworking every aspect of service for the digital age, taking account of increasing diversity in the customer base, and responding to the wide-ranging implications of the Grenfell Tower tragedy and stigmatisation of social housing. The quality of the landlord service is fundamental to housing associations' social value.

Technological change will revolutionise the way associations transact with customers day to day, manage building components, monitor appliances, evaluate service performance and monitor more vulnerable residents with care needs. It presents a real opportunity to deliver customer services that are more easily accessible, better quality and lower cost.

Housing associations should invest as a sector in developing bespoke digital solutions. The costs of digital change will be ongoing, very substantial and better shared.

Digital service should be co-designed with residents to ensure its primary focus is on delivery of great customer service.

Part of any reduced costs and released resources from digitisation should be redirected to ensure those who need it receive the intensive, hands-on management service that will enable them to maintain their tenancies and independence.

Associations should maintain the resident voice within governance structures and ensure activities stay relevant and valuable to local communities by effectively listening and engaging with residents. But the precise form of resident involvement in governance should be for individual housing associations to decide.

Housing associations should become smarter in gathering, management and use of data to help understand how customers are acting in reality, to monitor performance and drive service improvement. Effective use of data will also be a primary way of targeting services better towards different groups of customers.

Housing associations should change their management of serious service issues, creating clear escalation triggers, overhauling communication procedures, and developing 'rapid response' procedures to manage the worst cases of failure.

DELIVERING IN THE MARKET

With 300,000 or more new homes a year required to meet the country's housing needs, housing associations must double their development output to 80-100,000 new homes a year and sustain that level.

Doubling output and ensuring a good majority of their new homes are for affordable tenures will require a potent mix of associations' own resources and borrowing power, more partnership and joint working, better access to more affordable land and direct government subsidy.

A critical role for housing associations is to operate in the housing market in ways others cannot. As long-term investors in communities, housing associations can deploy patient capital and wait for the economic uplift it eventually delivers. But it depends on substantial balance sheet strength, cashflow generation, and strong risk management.

Housing associations should concentrate on areas and products where they feel they make a genuine difference - whether to volume, affordability, to particular types of customer, or to the economic prospects of local people. Different places will have different priorities and require different models. Building strong relationships with local policymakers will help associations determine their own essential local role.

Increasingly, affordable housing development will be carried out by those able to do it best and most efficiently, whether housing associations, private companies or, over time, local authorities. This will challenge housing associations to adopt new ways of working. Ownership and management of homes may be less intrinsically tied than in the past.

DELIVERING IN THE MARKET

(CONT)

Ensuring a good majority of homes provided are for affordable tenures is central to housing associations' social purpose. Beyond social rented homes, there is a place for an intermediate rent product for people with middle incomes excluded or struggling in the open market, and while the housing market remains dysfunctional shared ownership will also continue to grow.

More housing associations will need to develop homes to support homeless people and the growing older and frail elderly population. Smaller, specialist housing associations will work with the bidding power and development skills of larger associations to help manage the looming crisis in social care.

Housing associations can deliver a value added, differentiated offer for the burgeoning private rented sector, delivering better security of tenure, better terms and conditions, and better management services than many existing landlords, particularly in the lower to middle end of the market. Associations can also create a compelling management offer for institutional investors entering this market.

Building for open market sale will remain an important part of the housing association mix, both to support home ownership aspirations and to deliver the cross-subsidies which will continue to be needed to develop social rented homes.

Better collaboration, co-operation and partnership will be essential to manage the greatest housing association challenges of the 2020s. Prime examples may be offsite construction, where individual initiatives have generally struggled, and joint bidding for land.

Offsite construction will be a key way of scaling up production without growing costs commensurately. It can bring speed, environmental, labour and materials cost benefits. Homes England could play a vital role through investment and rallying housing associations behind a unified solution.

A stronger market in disposals and acquisitions will emerge as a result of deregulation and as housing associations strive to use assets more strategically to deliver extra capacity and focus on areas where they can make the greatest difference.

The pace and price at which public sector land is released and the willingness of government to invest further in housing will help determine the pace at which housing associations can up their game.

To maximise their effectiveness in the 2020s, housing associations should work closely in mutually beneficial partnerships with critical land holders and investors, including local authorities, NHS Trusts and transport bodies.

STRATEGIC DIRECTION, STRUCTURES & GOVERNANCE

Doubling development outputs and remaking the contract with residents will challenge the strategic thinking of housing associations as never before. It will require them to be more agile, 'can-do', collaborative and self-deterministic.

Board and executive responsibilities will grow further across a range of areas, including finance and risk management, effective asset use, value for money and consumer issues, including as government responds to the legacy of Grenfell.

A path through some of these pressures is for housing associations to ensure they have carefully defined their top priorities and use these to provide a relentless focus to activity and how they organise their businesses.

Further 'giant' associations will emerge, albeit a limited number, as the sector seeks to build the resources to increase new homes output while controlling risk. The largest associations are likely to move to more regional structures to manage different market conditions and local service requirements effectively.

Mid-sized associations (c.5,000-30,000 homes) can stay successful by maintaining a powerful role in a small number of core communities or establishing a valuable product niche, while the nature of several of the major social challenges of the 2020s will support a crucial role for smaller and more specialist housing associations.

As the sector looks to rapidly increase housing supply, associations will seek more innovative financial arrangements to build borrowing power and offset risk. More joint ventures and other special purpose vehicles will appear, and private equity could play a role in more commercial business streams.

The present model of non-executives often only being involved bi-monthly for a board meeting is unlikely to be sustainable. Governance structures and skills will need review and change.

Board membership and executive structures should reflect the diversity of the communities where the association operates, including ethnic diversity and an effective gender balance, and take full account of all functional priorities. It will be vital to avoid group-think and the potential relegation of core customer concerns as financial and structural complexity increases.

Associations should improve succession planning by developing more systematic and high quality senior management training and investing in talent management programmes to retain the best quality staff. A sector-wide system of brokering placements and skills exchanges could help housing associations grow more of their future leaders and skill up apprentices to support greater supply.

Housing associations should be more open and transparent to counter the sense of erosion of confidence from some customers and stakeholders. The pressure for openness and public disclosure will grow.

The scale of challenge for housing associations presents a complementary challenge for sector regulation. The Regulator for Social Housing will need to respond to a range of issues, including the entry of new non-traditional providers, astute revision of consumer regulation, and finding an effective balance in regulating increased sector ambition and risk.

England in the 2020s

The social utility of housing associations is bound up with their ability and willingness to meet specific needs of society as it changes. Understanding how housing associations will need to evolve requires understanding of the likely social and economic direction for the country in the 2020s.



TIMELINE of Housing in England

INTERWAR

1919-1938



Addison Act 1919 - Local Authorities building "Homes fit for heroes"

POSTWAR

1945-1960

Need to rebuild. Increased subsidy for councils to rebuild, clearing the slums. New towns started. Town & Country Planning Act 1947



CATHY COME HOME

1960s

New wave HAs Shelter formed High rise development & system build towers, City building, Parker Morris space standards ensure space in new homes Roman Point



1988

Housing Act 1988 Introduction of assured & assured shorthold tenancies

1970s

First housing bubble, strong desire for home ownership Housing Act 1974 - Grant available to fledgling Housing Associations Public investment in maintenance & improvement of council housing



THATCHERISM

1979-1987

Housing Act 1980 -

Right to Buy for council tenants



PHILANTHROPISTS & SOCIAL REFORMERS - QUALITY HOUSING FOR THE WORKING POOR

1860s - Peabody first estate, Octavia Hill First homes

1890 - Guinness Trust set up

EARLY 1900s - Rowntree, Sutton, Bournville & Samuel Lewis established First Garden Cities



NEW LABOUR & BRIT POP

1997 - 2010

The third housing bubble global economic crash
Intermediate tenures
2004 Barker Review of Housing Supply



BREXIT & BEYOND

NEXT 10 YEARS...

FSSC recommendations to the sector

- Create a strong differential offer to make a difference
- Remake the contract with customers
- Double development of new homes
- HAs uniquely placed to respond to the housing crisis and must seize the opportunity
- Upgrade the governance model

2010 - PRESENT

HOUSING IN CRISIS

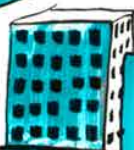
Acknowledgment that housing is in crisis - affordability & quality issues.

GRENELL

Welfare Reforms hit the poorest households
Housing crisis impacting on middle-income families

1988 - 1997

1988 Housing Act
Decline of Council housing
Second housing bubble - repossessions of mortgaged home owners take off.
Demolition of high rise begins





England in the 2020s

Future trend forecasts are inevitably uncertain, but the Commission found the following headline trends useful in considering the role of housing associations in the next 10-15 years and the kind of changes they may need to make. The trends also indicate the urgency of action. An appendix to this report gives a fuller picture of relevant economic and social trends.

ECONOMIC GROWTH AND LIVING STANDARDS

The UK is likely to be reworking its economic model, building new trading relationships and managing the consequences of leaving the EU through much of the 2020s. The Office for Budget Responsibility is forecasting GDP growth of around 1.4% a year into the early 2020s, below the long-run average. Welfare reforms will continue to put the incomes of the lowest paid under severe pressure, with more deprived areas faring worst. The respected Institute for Fiscal Studies expects average incomes in real terms to remain below their 2008 level up to the mid-2020s. People at the lower end of the income spectrum will be most affected, including many housing association residents. Child poverty is expected to increase.

HOUSING AFFORDABILITY

Housing affordability will remain poor. Incomes are unlikely to grow quickly enough to dent the impact of a generation of prices and rents rising faster than incomes. Many middle income earners are shut out of the housing market and the number of families with children living in the insecure private rented sector has tripled since 2003. Younger generations are particularly disadvantaged in the housing market. While the affordability issue is most acute in London and the South, it is evident too in parts of the Midlands and North. Housing costs will continue to be a driver of increasing in-work poverty.

HOMELESSNESS

Homelessness acceptances have risen 48% since 2009/10, and rough sleeping has increased by 169%. The erosion of local services around mental health and alcohol/drug abuse issues, ongoing welfare reform, living standards under continued strain among low and middle earners, and housing affordability remaining poor means homelessness will stay at high levels unless further concerted action is taken. The Homelessness Reduction Act may help, but the nature of the extra duties and the limited funding available seem unlikely to be transformative.

THE AGEING POPULATION

The UK population is expected to rise from 65.6 million in 2016 to around 69.2 million in 2026, including an increase of around 2.5 million in numbers aged 65 and over (ONS). Longer-term projections show an ageing society more dependent on a smaller working age population. Health and social care funding is not keeping up with demand. Local authorities have had to scale back adult social care. The Adult Social Care Precept through to 2020 is providing some marginal relief but effective long-term solutions still seem many years off.

TECHNOLOGICAL CHANGE

Technological change will continue at pace and will drive further significant social and economic changes.

**Number of families
WITH CHILDREN
in INSECURE
private rented sector**

**TRIPLED
SINCE 2003**

THE POLITICAL AND POLICY ENVIRONMENT

Both main political parties have now committed to a target of 300,000 new homes a year. The Labour Party argues 100,000 of these should be affordable homes. The government has recognised the housing market as 'broken' and there is a new consensus about the need for low cost social housing.

New investment in genuinely affordable homes is being made and the government is implementing its White Paper planning reforms. The price of land and construction remains a significant barrier to affordability of homes.

The Labour Party has already published its Social Housing Review. The government's own Social Housing Green Paper is imminent, promising a fundamental review, and responding to the lessons of the Grenfell Tower tragedy and its nationwide consultations. A Health and Social Care Green Paper is also expected this year, responding to the worsening social care crisis.

Around the country, city deals, combined authorities and devolved budgets are creating a new environment for partnership in meeting housing and other local needs.

**Political consensus
FOR 300,000
NEW HOMES a year**

Social purpose & brand trust

Pursuing social objectives is fundamental to the purpose of housing associations. It is the reason they exist. If housing associations lose their social purpose they will lose their legitimate place in the world.



Social purpose & brand trust

For the future, social purpose should be more transparently at the heart of housing associations' work. This is what delivers customer and stakeholder trust in the sector.

Concerns from social housing residents about service quality, feelings of stigma and communications have been brought more starkly into focus since the Grenfell Tower tragedy.

There are concerns too about the affordability of rents and, from some, the more commercial approach larger developing housing associations have needed to adopt to cross-subsidise low rent homes.

But it should be recognised that the world has changed. The land and housing economics are different and the challenges are different. A mixed economy model for housing association development will continue. Housing need and affordability problems now stretch across the full spectrum of the housing market.

Housing associations can only meet the needs of the 2020s using a much more varied model than in the past. Commercial skills will remain important in

associations maximising delivery of affordable homes and helping deliver the 300,000 homes target.

Positively, after a turbulent decade, the operating environment has changed as well, with a renewed focus on social housing development, which looks set to continue.

Housing associations should grasp this opportunity to increase their provision of genuinely affordable homes and make compelling arguments to government about the need for additional capital subsidy to support this.

The government is also seeking to respond to the lessons from Grenfell Tower. For their part, housing associations should critically re-examine their approach to customer service, the quality of service and how they communicate with, listen to and engage with residents to rebuild and/or maintain trust.

“ How good a service housing associations provide to existing residents is part of the test of sector legitimacy. ”

“ We have to help communities flourish economically. Just building homes misses the point. It’s about economic benefit and local impact. ”

WHAT IS SOCIAL PURPOSE FOR HOUSING ASSOCIATIONS?

All registered housing associations have social objectives. Their fundamental not-for-profit purpose is defined in the Housing Associations Act 1985. Most are charitable Community Benefit Societies, ie. they explicitly exist to provide social and economic benefit in communities and are required to pursue charitable objectives.

But how they do so is a matter for their boards and executives. Different housing associations see their social purpose in different ways. The most effective strategies in one era or place may not work in another. Associations do not work in a vacuum. The social, economic and policy environment constantly evolves and housing associations need to move with it to remain relevant and socially valuable.

Associations have different histories. There are older associations with philanthropic roots; traditional housing associations often founded in the wake of the new consciousness of homelessness and poor housing conditions in the 1960s and with growth supported by the introduction of public financing from 1974; and newer housing associations born from large transfers of stock from local authorities in the 1990s and 2000s to enable major investment in deteriorating homes.

So it is unsurprising that associations come at this question from different perspectives. However, there are ties that bind:

- they are not-for-profit organisations, reinvesting all surpluses back into their businesses
- they can operate flexibly in the market, taking advantage of a range of different market conditions, and using funding from both the public and private sectors
- they are long-term investors in communities able to deploy patient capital to deliver important economic and social benefits
- they exist primarily to help people who are unable to meet their needs through the open markets for rent or sale, who the markets are failing
- they aim to be high quality landlords, delivering good management services
- they offer a high level of security of tenure

Housing associations are, generally, financially strong third sector bodies, able to bridge social and commercial ways of working. They are the largest and most powerful social enterprises in the country. Beyond individual choices, this is what makes up the housing association sector brand.

Case Study | LOVE LONDON WORKING

Love London Working is an employment programme led by Clarion Futures and delivered by a consortium of 15 housing associations.

Every individual who registers on the programme is paired with a specialist employment adviser (employed by one of the housing associations) and provided with a bespoke plan to support them into work.

The project has supported 2,750 people into employment across the capital since it launched in 2016 and is a great example of how collaboration can be used to maximise the social impact of housing associations. The £13m project is co-funded by the housing associations and the European Social Fund (ESF) and is managed by the Greater London Authority.

Specialist employment advisers' activities include CV drafting, interview practice, assistance in searching for vacancies and the provision of formal training. The emphasis is not only to help people into work, but for them to sustain these roles for the long-term, with support from advisers lasting up to six months after they gain employment.

Love London Working is open to anyone aged over 16 living in London who is not in education, work or training. The project has proven to help those who might face particular barriers to entering the workforce, for example those who have been out of work for an extended period. It caters to the needs of a wide variety of Londoners, from young people seeking their first full time role, to parents returning to the labour market after a period of absence. Over a fifth (22%) of all those who took on a role were previously unemployed for longer than 12 months.

Those in the BAME (Black and Minority Ethnic) community are more likely to be unemployed and face barriers to work so it is really encouraging that 2,000 BAME Londoners have secured work after participating in the voluntary employment programme.

Although the gap has been narrowing in recent years, women are more likely to be economically inactive than men and those who have been inactive will likely need greater support to enter the labour market. Of those supported into work through Love London Working, over half (56%) are women.



DEVELOPING AND MAINTAINING RELATIONSHIPS OF TRUST

Growing and retaining trust is in housing associations' hands. It is dictated by practical, day to day behaviour.

There are substantive things associations must do if they are to support improving affordability, better management of problematic service issues, improved transparency and accountability, and gain support for important regeneration initiatives. These are discussed in later sections of the report and are fundamental to the issue of customer and stakeholder trust in the sector.

But they should also give attention to managing their reputations. Associations do many things well and are a force for good in society. However, at present, they are too often defined by others.

Building stronger relationships of trust with MPs, local councillors and local authority officers in core operating areas will have multiple benefits. It will help generate support for new development and potentially ease planning. Pro-active, regular engagement programmes will also offer an opportunity to enhance reputation.

Politicians judge housing associations by the quality of the service they provide locally. For many associations, political engagement is too often based on constituent complaints around service. Creating more solid, positive and long term relationships, based on a rounded knowledge of the association's activities, is important to generating trust and future success.

However, these efforts will only work if housing associations are getting the basics of providing homes and quality services right, including communicating effectively with residents.

“ The binary view – social or commercial – is nonsense; a false choice. It’s morally right for us to do the full range of what we do. ”

“ We are close to the point where inability to get our message across is becoming a major inhibitor to what we do. ”

“ We too easily allow ourselves to be defined by others. We need to be more adept at political influencing. ”

Case Study

A PARTNERSHIP OF TRUST TO ACHIEVE MORE

The collaboration of Hyde and Brighton & Hove City Council is an example of a successful joint venture between a housing association and a local authority to deliver more homes.

Through a Special Purpose Vehicle, the venture will enable the development of 1,000 new homes in Brighton, of which 500 will be affordable, with rents linked to the national living wage.

This might not have been possible if either side had attempted the development alone. A housing association would have needed significant loans to cover land and development costs, leaving less capacity to build homes with low rents. And although local authorities are often rich in land assets, their capacity to develop is restricted by governmental regulations on borrowing, the use of Housing Revenue Accounts, and the use of receipts from Right to Buy (RTB) sales. By combining, Hyde and Brighton & Hove City Council avoided these restrictions and set up a Limited Liability Partnership (LLP) to pool resources and funding.

The LLP, Homes for the City of Brighton & Hove, was created on a 50:50 basis with both sides contributing £60m of equity as non-interest bearing loans.

Hyde, which owns and manages 50,000 homes, raised the capital from their reserves, while Brighton & Hove City Council provided land. The LLP holds the housing stock outright, and the partners expect a stable, long-term commercial rate of return on their investments from rent and staircasing receipts. As the project is fully funded, there are no plans to involve further investors. However, a venture such as this could foreseeably scale up delivery and attract institutional investors.

The benefit of these kinds of partnerships is shared resources. Hyde accesses council-owned land without having to allocate additional finance. In turn, the council accesses Hyde's technical and commercial developer skills, supply chain arrangements, and volume buying power. The council also avoids the government's financial restrictions on local authority borrowing and RTB sales receipts. As both sides share risk of the project's failure, both must be transparent about the project delivery.

Further reading: 'Innovative affordable housing finance delivery model in England', Morrison, N, G Van Bortel & V Gruis (eds), 'Affordable Housing Governance and Finance across Europe' (in press – due Sept 2018).





Questions and challenges

Does the association conduct regular perceptions surveys of stakeholder and customer opinion?

How is it seeking to drive up net promoter scores among stakeholders and customers?

Does the board regularly take time to critically examine the organisation's strategies and activities against its guiding social purpose and objectives?

Delivering high quality landlord services

The quality of the landlord service is fundamental to housing associations' social value. With over 2.7 million homes and five million residents already, there is a critical responsibility to deliver high quality housing management.



Delivering high quality landlord services

Housing associations should ‘remake the contract’ with their residents for the 2020s.

The next decade will see associations re-engineering their services for the digital age, while managing the impacts on residents of welfare reform. In doing so, they will have to rework every aspect of the service offer, and also take account of growing numbers of leaseholder and market rent customers. This is an opportunity to tackle areas which are feeding into questions of trust for some associations. Clarity of offer, well communicated is key to a relationship of respect on all sides.

At present, around 83% of housing association residents nationally express satisfaction with their home and 82% with the tenure, according to the latest English Housing Survey. While that is good, there is room for improvement and the development of digital service as the norm for the majority of residents will challenge those numbers unless carefully managed.

Associations must also respond to the lessons being identified as a result of Grenfell Tower and becoming more apparent from their own experiences. Instances of serious service failure cause genuine distress and undermine the sense of trust, while the loss or reduction in public services and financial stress are further changing how associations interact with residents.

Security of tenure, affordability, good service quality, local responsiveness, continued commitment to investment in maintaining decent homes, and effective customer and community engagement will mark out the successful housing association landlords of the next decade and help differentiate the service.

DIGITAL SERVICE

Technological change will revolutionise the way associations manage building components, monitor appliances, evaluate service performance, monitor more vulnerable residents with care needs, and transact with customers around day to day issues. It presents a real opportunity to deliver customer services that are more easily accessible and, if managed well, better quality and lower cost.

As more government and public services are moved online, including the management of Universal Credit claims, digital service is becoming the default option for interacting with customers. People are becoming used to increasingly sophisticated technology-based service offers.

Most housing association residents are now able to access digital services at least through a mobile phone and this will only grow further. Previous housing association concerns about many lower income and older residents not having access to the necessary technologies are looking increasingly dated.

“Housing associations have been successful at providing a holistic service to their residents, but they cannot continue to be all things to all people.”

“ Place matters more than it used to, despite progress in IT. Trust requires a closeness within the exchange. Human relationships are important. ”

BIGGER, MORE COLLABORATIVE THINKING

However, a lack of internal knowledge and technical expertise at senior levels could inhibit the big thinking around digitisation which seems necessary. This is a critical challenge for the 2020s and an area where relatively few of the current generation of housing association senior managers or board members have the technical understanding that may be necessary.

The Housing Associations Charitable Trust (HACT) has done valuable work around future digital thinking and best practice. Housing associations should invest as a sector in developing bespoke digital solutions. The costs of digital change will be ongoing, very substantial and better shared.

Leadership is needed to create ‘coalitions of interest’ and establish ‘big data’ priorities and exercises to support improvements in service development to residents. But these will stand or fall on the quality of the data they are based on.

KEEPING THE CUSTOMER FRONT AND CENTRE

The focus on digitisation must be about delivering great service to customers. There is a risk it becomes primarily an ‘invest to save’ project based on the association’s needs. Using new technology to deliver improved value for money is important, but it will be vital if these services are to be implemented without alienating customers and de-humanising the customer experience that residents help to co-design change and that the broader implications of digital change are properly considered.

Residents will be the recipients of the end quality of any newly designed systems and as more services are automated it is reasonable to expect they will engage around the quality and value of the experience. At the same time, digitisation will lead to a radical reshaping of the internal structures of housing association customer service, asset management, and possibly development departments, with people doing different jobs and in different ways.

STAYING LOCAL

As digital service takes hold, associations should consider again how to maintain effective local services, particularly where geographic distance from the nearest office is a factor. It will be hard to maintain the necessary relationships of trust and to create customer advocates or ‘net promoters’ for the association where the relationship is almost exclusively at arm’s length.

Inevitably, some residents will continue to struggle with the new complexities of the welfare system, the ongoing pressure on their incomes or because of other vulnerabilities. Part of any ‘digital dividend’, in terms of reduced costs and released resources, should be redirected to ensure these people receive the intensive, hands-on management service that will enable them to maintain their tenancies and independence.

The quality of mobile technology will be vital, allowing officers on estates to provide a fully integrated service. Digital technology should also transform the role customer service centres can provide while people are on the phone or pursuing web-based enquiries.

As digital change continues at pace, there will be a need to constantly review and redesign all aspects of the service in ways associations have not been used to up to now.

Case Study

TRANSFORMING SERVICE USING DIGITAL TECHNOLOGY

Mobile access to the internet has become integral to how people live their lives, including most people who live in social housing.

Halton Housing's Digital First strategy aims to get 90% of customer-led transactions online by the end of 2018. The strategy is based on robust internal data and information from customers, gathering details about their access to online services and comfort levels in using them, and using this to develop tailored and focused solutions.

Halton has rolled out a customer app, website portal, community TV channel, proactive LiveChat, automated payment lines and intelligent voice queues.

Around 70% of households now contact Halton digitally, accounting for 87% of all customer led transactions. 40% of all repairs are reported digitally and 99% of rent balance queries, reducing individual transaction costs from approximately £15 to less than £1.

A big driver of the Digital First strategy was the introduction of Universal Credit – one of the biggest risks to housing association business plans of recent years. At Halton Housing, while just 24% of customers are in receipt of Universal Credit, it accounts for more than 60% of all rent arrears. The aim is to reach a position where Universal Credit has a net nil impact on the organisation.

The main benefit from the Digital First strategy has been to automate a large number of processes. This has reduced incoming and outgoing calls by over 60% and freed the people resources to focus on three added value areas for customers and the business:

- collection of income in response to Universal Credit and other welfare reform changes
- supporting customers around digital inclusion, assisting them to gain access to online services and providing ongoing help
- supporting the most vulnerable customers who need more intensive support

Halton has further invested in a team of 'disruptors', tasked to challenge the way the association works and to seek innovative solutions for customers, for example using sensor technology. They also look to improve internal processes, planning and delivery of new homes.

As well as continuing to promote the new digital offering to customers, Halton Housing now works with partner organisations to assist other housing associations working towards the same digital vision.



“ Managing the digital journey without alienating residents will take a big effort. ”

TAKING FULL ACCOUNT OF THE RESIDENT VOICE

The move to digital offers new options for associations to engage with a wider cross-section of their customers. Existing mechanisms for resident involvement in service development and scrutiny are becoming increasingly hard to sustain and are rarely successful in attracting a genuinely representative sample of residents.

Technology presents the chance to survey resident opinion more regularly and more cost effectively around a range of issues. Data feedback from residents' homes, for example around the use of smart appliances, will also inform service development in different ways to today.

But some form of regular sounding board of opinion will remain important. Actively engaging residents, talking face to face, is an essential ingredient in developing understanding and ensuring housing associations stay relevant and valuable in local communities. This can be supplemented by digital channels, social media interactions, the direct testing with pilot groups of different service options, and a range of other mechanisms.

RESIDENT INVOLVEMENT IN GOVERNANCE STRUCTURES

Perceptions around the benefits and quality of resident board members were varied. The Commission's view is that any prescription around involvement of residents in governance structures would be a mistake. As independent and hugely varying social businesses, housing associations should be free to choose the governance arrangements which best suit their range of legitimate purposes. This should be done in collaboration with residents.

Housing associations can also do more to clarify the purpose of different forums and to support engaged residents through training or other methods to build their role and influence. Improvements in openness and transparency will also help develop resident knowledge of the intricacies of housing association working. This is discussed in Section 8.

AN EVOLVING PICTURE

Several other significant pieces of research are taking place, examining the future much more directly from the resident perspective, including projects being carried out separately by the Chartered Institute of Housing, Shelter, and the National Housing Federation. The Commission has liaised with these organisations and supports their work.

How best to engage residents and ensure they are properly influential in the shaping of service is an area where thinking needs to evolve further, taking into account the findings from all of these projects, alongside proposals in the forthcoming Social Housing Green Paper. Housing associations should be ready and prepared to act as this new thinking develops.

“ Engagement needs to encompass the ‘armchair enthusiast’ as well as the committed community activist. More online engagement is a way to reach a broader base of customers. ”

UNDERSTANDING THE CUSTOMER

THE POWER OF DATA

As digital practice develops, housing associations should become smarter in their gathering, management and use of data to help understand how customers are acting in reality, monitor performance and drive service improvement.

Many housing associations have acquired homes and systems from different sources and struggled to fully integrate them. This has an impact on data quality and the ability to use data to drive service improvement.

There are growing implications of this as associations become bigger and more complex businesses and the need to use resources efficiently and effectively grows. High quality data is the basis for better evidence-based decision making, performance monitoring and effective service development. Digitally based service will accentuate the effects of associations getting this either right or wrong.

BETTER TARGETED SERVICES

Effective use of data will be a primary way of targeting services better towards different groups of customers. Segmentation using data can help identify residents struggling with the effects of welfare benefit changes, for example. Digital change and data harnessing should also create opportunities for a differentiated offer to the growing numbers of shared owners/other leaseholders and build to rent customers, particularly as they are likely to be willing adopters of good digital service offers.

RETHINKING REPAIRS

MANAGING SERVICE FAILURES

Housing associations should change their processes and management of major service issues. While the most serious examples of failure are few given the volume and range of homes associations manage, when things do go wrong, they can go badly wrong. These cases often have a powerful impact on customer and stakeholder trust.

Complex repair issues can take time to resolve and communications with residents are too often poor, with insufficient attention devoted to keeping people properly informed. Housing associations cannot afford to appear indifferent or ineffective in dealing with service failures and complaints.

There should be clear internal triggers for escalating problems or where issues are ongoing beyond clearly established timescales for specific types of repairs. Communication procedures should be overhauled to ensure regular updating of those affected. For the worse cases, 'rapid response' procedures should be developed.

Perceptions of poor service reinforce the stigmatisation of social housing, and have a real impact on residents' quality of life, as the government's recent nationwide engagement exercise demonstrated.

TACKLING FUEL POVERTY

In reworking development and refurbishment procedures in response to the Hackitt Review, associations should take the opportunity to reinvigorate their work around the energy efficiency of their existing stock. The valuable focus on reducing fuel poverty in housing association homes has stalled somewhat in the wake of responding to the fire safety issues raised by Grenfell Tower. Yet the requirement to meet government targets for reducing CO₂ emissions remains and with resident incomes under continued pressure energy efficiency gains will have benefits for customers as well as stock quality.

“ Maybe we don't want to be 'engaged', we just want a good service at a reasonable cost. ”



Questions and challenges

Is the association rethinking its customer offer for the digital age and taking full account of the wider implications of digital change for service structures?

How are customers involved in ensuring new digital service offerings meet their needs first and foremost?

Is the association giving adequate attention to ensuring quality and completeness of data to understand customers and drive service performance?

Which housing associations or other bodies are best placed to establish sector-wide approaches to digital systems change and big data exercises?

How are associations rethinking resident engagement and involvement in the light of new service offers and possible erosion of customer trust?

How are associations rethinking processes and communications to respond to serious service failures better and maintain trust and reputation?

Delivering in the market

Research from the National Housing Federation and Crisis indicates that 340,000 new homes a year will be needed until 2031 or later, even higher than the new political consensus figure of 300,000 a year.





Delivering in the market

Building three million or more homes over a ten year period, will demand fresh thinking and concerted action from all the main players in the market – housing associations, local authorities, private developers and the government.

Housing associations will have to at least double their development output from the current 40-50,000 a year to around 80-100,000 homes a year and then sustain that level.

The critical need is for more affordable housing of every tenure. As the government has acknowledged, the housing market is broken. It does not work for people in either the rental or home ownership sectors. For the next ten years or more, even as new home building ramps up, large swathes of people will continue to find housing costs too expensive.

The new Homes England, the Greater London Authority (GLA), regional mayors and new combined authorities are all seeking to work with housing associations more strategically and are willing to invest in different ways to the past. Housing associations have to bring their own strategic thinking to this new investment framework and capitalise on the enormous opportunity it represents in tackling the housing crisis.

Associations should use the advantages of their highly flexible business model and strong local market knowledge to deliver a differentiated offer at scale, operating across the full range of tenures and maximising reinvestment of profits into the frontline. Doubling output and ensuring a good majority of their new homes are for affordable tenures will require a potent mix of associations' own resources and borrowing power, more partnership and joint working, better access to more affordable land and direct government subsidy.

This will create new pressures for housing association boards around financial capacity, controlling risk, balancing investment between competing priorities, and improving organisational efficiencies, including assessing appropriate business structures. Some of these issues are discussed in Section 8.

the **CRITICAL NEED**
is for **AFFORDABLE**
HOUSING of every
tenure

“ Places shape us. So we have to wrap our businesses around those local communities and make them better places for people to live in. ”

COMMUNITY BENEFIT ORGANISATIONS

Housing associations should concentrate on areas and products where they feel they make a genuine difference. It may mean a difference to volume, or to affordability, to particular types of customer, or to the economic prospects of local people. Building stronger relationships with local policymakers will help associations determine their own essential local role.

Different places need housing associations to deliver in different ways. The challenge in many parts of the North and Midlands is very different to that in parts of the South. The great advantage of the housing association model is that differential approaches are entirely possible.

PLACE-MAKING AND REGENERATION

A critical role for housing associations is to operate in the housing market in ways which others cannot. A strength of being long-term investors in communities is that housing associations can deploy capital and wait for it to provide a return through the general economic uplift eventually delivered. This patient investor model has big advantages when looking to place-make or regenerate communities or in other economic development activity. But it depends on substantial balance sheet strength, cashflow generation, and strong risk management.

Associations are already leading new and exciting place-making models, with major projects scheduled to last sometimes decades and aimed at entirely transforming communities. This kind of long-term transformative economic activity represents a key differentiator for housing associations in the 2020s market, delivering true benefits to markets which have frequently been neglected for many years.

However, in many areas of multiple deprivation and market failure, the funding tools available to housing associations and local authorities are inadequate to manage the problems. Deprived areas of the UK are receiving over £8bn from the European Union Structural and Investment Fund between 2014 and 2020. When this ends, it will accentuate the lack of funding and the government should now decide how it continues to support deprived communities. These are often areas where housing associations have a strong presence and role in supporting local people. At present, associations are having to make tough choices, including disposals. While the right thing to do in the circumstances, this can undermine local trust and needs extremely careful management.

It underlines that funding for new social rented homes should be made available across the country, not restricted solely on the basis of local affordability, and for a more coherent regeneration strategy for the most deprived places.

Case Study

THAMESMEAD – LONDON'S NEW TOWN

Thamesmead is a unique town, with a unique history. Started in the 1960s, it was intended to be a model city, with utopian architecture and a vast network of green spaces and waterways, taking advantage of its location on the banks of the river Thames.

Over 45,000 people live in Thamesmead today and the area has a strong sense of pride. Already benefiting from access to the Elizabeth Line at Abbey Wood station, Thamesmead has unrivalled space and scale to grow. With further transport infrastructure, there is capacity for Thamesmead to provide 20,000 new homes for London.

Peabody is London's oldest housing association and now manages over 55,000 homes. Their ambitious plan is to regenerate Thamesmead using patient capital, working closely with the London Borough of Bexley, Royal Borough of Greenwich, Greater London Authority and Transport for London, and providing or co-ordinating £1bn of transformative investment over a 30 year period.

In an area measuring 750 hectares, Peabody owns around 65% of the land. As the majority landowner, the association has brought together assets owned and managed by disparate organisations. This includes a significant amount of the town's housing stock, most of the town's extensive green and blue infrastructure, and a range of community, commercial and industrial spaces.

The regeneration approach at Thamesmead is a 'whole place' philosophy: a placemaking, holistic approach to investing and management across the whole town. As well as new homes, Peabody is investing in improving the day to day experience of living in Thamesmead. Residents will see major refurbishment to their homes and transformed public realm in their neighbourhoods, including major plans to improve Thamesmead's parks and waterways, making it one of London's most bio-diverse urban environments.

The plans also involve making great culture part of everyday life. That includes providing new and better venues, giving a voice to Thamesmead's creative people and celebrating its identity with events that will put Thamesmead back on the map.

Alongside this, residents will be supported to make the most of these changes through growing local enterprise and a more diversified economy, providing access to employment and delivering a range of learning and skills development programmes.

Peabody's role in Thamesmead is a unique responsibility. It is reflective of the sector's ability to act as the patient investor, bringing the skills, mind-set and resources needed to address the underlying causes of an area's challenges. This approach will finally fulfil Thamesmead's original potential to be London's New Town.



AFFORDABILITY AND PRODUCTS

Given the nature and scale of the housing and social challenge of the 2020s, it is entirely within social purpose that housing associations operate across the entire housing market, from building social rented homes to producing homes for market sale.

At the same time, a fundamental part of housing associations' social value is the provision of homes for people who cannot meet their reasonable housing needs through the open market and associations should therefore ensure a good majority of the homes they provide are for affordable tenures.

The new NHF and Crisis research suggests 90,000 new homes a year will be needed for social rent, another 30,000 for intermediate affordable rent, and 25,000 a year for shared ownership.

The housing affordability crisis has been a generation in the making and will take a generation to fully unwind. The strains on people's finances are intense and housing associations have a duty to try to do more to alleviate affordability problems throughout the market.

SOCIAL RENTED HOMES

Both political parties are looking to support new social rented housing (though even enhanced grant rates leave very large sums to be found for each new home) and are interested in 'living rent' products based against local incomes. This is a vital shift and housing associations should seek to build more 'genuinely affordable homes'. The development economics are not easy (see Section 8), but this is an important component in how stakeholders perceive associations and their social value.

It is important also in ensuring housing associations are providing for the continuing large numbers of homeless people and developing a new offer for the growing population of older and frail elderly people. More housing associations will need to get involved, either developing and redeveloping homes themselves or supporting specialist associations to do so. This is a huge social challenge which as major social enterprises the sector cannot legitimately ignore. But it is an area where government investment and intervention will remain essential. The new supported housing finance regime needs to provide the revenue certainty providers require for their reasonable business planning.

SUB-MARKET AFFORDABLE HOMES

Because of the wide-ranging affordability crisis, an intermediate rent product is needed for people with middle incomes who find themselves excluded or struggling in the market in a way they never used to. This includes many of the key workers communities depend on, including some teachers, nurses, and other public sector workers, as well as younger professionals in the millennial generation.

And as the NHF and Crisis show, in a dysfunctional housing market, shared ownership will also continue to play a useful role. Shared ownership programmes will grow and housing associations can maintain their role as the main providers of this product. A renewed focus on resolving the problematic issues around maintenance responsibilities and service charges would help the market to grow.

“ There is a responsibility for the largest to work with the smallest, using their balance sheet power and recognising the community contribution smaller housing associations make. ”



A VALUE ADDED MARKET RENT OFFER

The private rented sector has become the default option for people unable to access other markets. Many more families are having to bring up children for long periods in insecure and poor quality homes and many are paying a high proportion of income in rent. And while more households privately renting are now dependent on benefits to help meet housing costs, changes in the Local Housing Allowance regime have led more landlords to refuse to let to benefit-dependent people. According to the English Housing Survey, resident satisfaction with private sector rent as a tenure stands at just 67%.

There is a major gap for more secure, reasonably priced and good quality market rent housing which housing associations can fill. This can be a vital differentiated role for housing associations during the 2020s, particularly in the mid-to-lower ends of the market. Associations can also create a compelling management offer for the institutional providers now entering this market.

Homes England expects to encourage further growth in this market. A good part of the government's £8bn guarantees fund will go into this sector in coming years.

SUPPORTING HOME OWNERSHIP

While land prices and build costs remain so high, it is unlikely government will be able to provide sufficient grant per home to avoid housing associations having to finance the substantive part of scheme costs. Private sales will need to stay part of the housing association armoury to cross-subsidise more affordable homes and reduce the very large borrowing requirements doubling new homes output will demand.

Over and above the need to produce cross-subsidies, building for market sale will continue to be a legitimate role for housing associations looking to support social and economic aspiration. Home ownership remains the preferred choice of the majority of people and is an important factor in enabling families to build assets to improve their living conditions and provide for old age.

OPERATING EFFICIENTLY

Housing associations can operate more efficiently in the market to stretch their capacity to deliver the homes needed, ensure value for money, and to compete or collaborate with a growing number of private companies involved in affordable housing development.

Increasingly, development will be carried out by those able to do it best and most efficiently. Housing associations' near-monopoly position as the main providers of affordable homes will be challenged. Major institutional investors, such as the huge American private equity company, Blackstone, and L&G, one of the UK's largest financial services companies, see big potential in the UK affordable housing market, and others will inevitably follow. Over time, under the new political consensus, local authorities also seem set to play a more direct role in new affordable housing development again.

The new-look Homes England is interested in ensuring any investments it makes work to the greatest effect and will channel funding accordingly. Ownership and management of properties may not be as intrinsically tied as in the past, with more development partnerships likely and some associations potentially creating a niche in housing management for other organisations.

“ We will see major disruptors from the private sector, looking to do things better or cheaper. Associations cannot be complacent about their role as either landlords or affordable housing developers. ”

Case Study

CREATING ECONOMIC BENEFIT IN LOCAL COMMUNITIES

‘we are aspire’ is the group brand behind Aspire Housing. It comprises three businesses, Aspire Housing, PM Training and the Realise charity, working together to provide homes, training into employment and support.

The unusual business model demonstrates the flexibility the sector has to respond to different challenges.

In 2010 Aspire Housing recognised that unemployment - in particular youth unemployment - and poor skills were the key challenges facing their heartland communities around Staffordshire and Cheshire, with benefit dependency and a cycle of poverty the result.

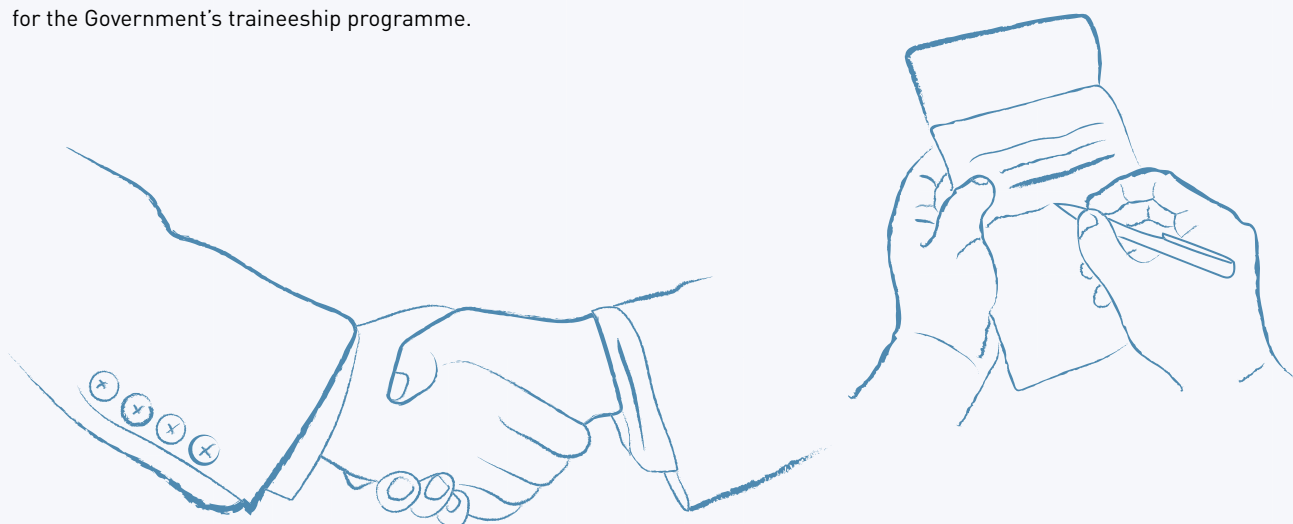
They launched “Aspire 2 Work” in response and this service now supports 300 customers to progress into training or employment each year. This breaks the benefit cycle and results in increased levels of confidence, self-esteem, ambition and wellbeing among those who use the programme.

PM Training is the teaching arm of the business, focusing on work preparation for anyone who wants it, regardless of educational attainment and background. The majority of learners are 16-18 year olds who left school with few qualifications. Through working with PM Training around 70% progress into apprenticeships. PM Training is the largest provider of apprenticeships in Staffordshire and is a case study for the Government’s traineeship programme.

The impact of what Aspire Housing and PM Training do is maximised by the work of the Realise charity. Realise helps prospective new entrants into work by providing them with necessities they might otherwise not be able to afford – a suit to attend an interview, work wear, toolkits and even driving lessons. They also fund apprentices, so trainees can earn while they learn and prevent people from disadvantaged backgrounds from being excluded.

John Adams attended PM Training as a school leaver with no qualifications, completed an apprenticeship and went on to hold a variety of roles in the construction sector. He is now back at PM Training running a painting and decorating course and inspiring other people like him to seize this opportunity.

The wraparound effect of combining housing provision, training opportunities and ongoing support into sustainable employment is key to the success of Aspire.





GREATER COLLABORATION AND CO-OPERATION

Housing associations will be facing a range of big challenges and better collaboration, co-operation and partnership working will be needed to deal with them.

Potential opportunities include creating a viable offsite manufacturing market, the development of bespoke digital service software for the sector, establishing big data exercises to improve service delivery, the development of a better stock rationalisation market, and growing the sector leaders of the future.

Historically, there have been few incentives for organisations to work closely together. However, the scale of the challenges, stronger competition from outside the sector and financial pressures will also push housing associations to work better together.

The car industry was cited several times as a prime example of a sector where companies choose to collaborate to reduce the costs of development and deliver better end product, even as they continue to compete for sales.

“ A danger with competition is you can strip value out and end up delivering less. That’s not constructive, it’s not value for money. ”

OFFSITE CONSTRUCTION

A prime example of opportunity for better joint working is around offsite construction. This will be an essential ingredient in trying to scale up production in the 2020s without simply growing costs at the same rate. As well as its potential speed and environmental benefits, it has a strong part to play in overcoming construction skills shortages on site, particularly if more migrant workers choose to return to their homelands. Costs of labour and materials have risen significantly since 2016.

Numerous attempts have been made by individual housing associations to make offsite construction work and the private sector is now also investing in possible solutions. This is an area where Homes England, in its new active investor guise, could make a vital difference. Investment in the right offsite construction vehicle could rally housing associations behind a more unified solution and provoke the order volumes this nascent industry needs to finally fly.

RETHINKING ASSET HOLDING

A stronger market in disposals and acquisitions will emerge as a result of deregulation and as associations strive to use assets more strategically to deliver extra capacity.

Many associations continue to hold housing in areas where they are neither active nor strategically interested any longer. Some of this is historical accident or opportunity, based around the many ways in which associations have acquired homes over the years.

There is a growing case for releasing assets in non-core locations and rationalising activities, using the receipts more effectively to focus on areas and products where associations believe they can make a real difference. Residents should see service benefits from these changed arrangements.

A more liquid market for housing association assets could also provide a useful bulwark against the possibility of business failure in a higher risk environment where associations are stretching themselves further financially.

BETTER INTER-ASSOCIATION PARTNERSHIPS

A clearer focus on areas of genuine strategic value should encourage better local market knowledge and create competitive advantage, and may reduce the instances where housing associations compete intensively for land, inadvertently bidding up the price.

In the future, more joint bids by housing associations for land are likely, both as a way to compete with private developers for larger strategic sites and for

mid-sized associations to compete for larger sites than they might reasonably win on their own.

Smaller, specialist housing associations will work with the bidding power and development skills of larger associations to help them manage the looming crisis in social care and the need for new supported housing. As the government encourages a revival in SME builders, associations should also consider the mutual benefits partnering with these organisations could bring.

“ If housing associations are doing similar things in similar places, they should be having those conversations about collaboration – you can have economies of scale or diseconomies. ”

MUTUALLY BENEFICIAL PARTNERSHIPS

The pace at which public sector land is released and the willingness of government to invest further, particularly where the subsidy needs are greatest, will help determine the pace at which housing associations can up their game and whether the 300,000 new homes a year target is reached.

National and local government, the NHS and transport bodies hold crucial policy and financial levers around land, planning and investment. Housing associations are natural allies for these organisations. They should make more concerted efforts to promote the sector’s unique capabilities as major community benefit societies willing to work towards mutually beneficial goals and deliver economic gains and added value for local people and areas.

The NHS, for example, needs help to redesign pathways out of hospital care – a task specialist housing associations are capable of assisting if they can in return access land and revenue support at a

reasonable price. Government has set a £3.3bn target for NHS land disposals and created an NHS Property Board to quicken the pace of sales.

Councils will continue to struggle with the effects of austerity into the 2020s, yet will maintain the leading role in determining planning and local housing and community needs, and have the potential to be bigger direct players and partners in building new homes. Housing associations can do more to support their strategies, and the willingness of larger devolved budget and combined authorities to work more closely with housing associations is encouraging.

There is a useful facilitating role for Homes England here in helping to bring organisations together, supporting land assembly and remediation, and potentially in providing contingent guarantees around larger joint ventures to help secure financing arrangements.

Case Study

COLLABORATING TO DELIVER MORE AND BETTER SERVICES

Greater Manchester Housing Providers (GMHP) comprises 26 housing providers who recognise that where they have common goals, their influence and impact can be multiplied by working together.

GMHP house one in five people across Greater Manchester, owning more than 250,000 homes and building more than 8,000 new homes in the last five years. Their shared vision is for 'everyone in Greater Manchester to live in a home they can afford'. Through collaboration, the partnership is working to address key challenges in their region and to influence decision makers.

With 1,770 households across Greater Manchester currently in temporary accommodation and up to 400 people sleeping on the streets, tackling homelessness is a critical issue. GMHP is working with private landlords, social investment partners and voluntary sector delivery partners as part of a new wider collaboration to help Greater Manchester's most entrenched rough sleepers off the streets and support them to build a new life.

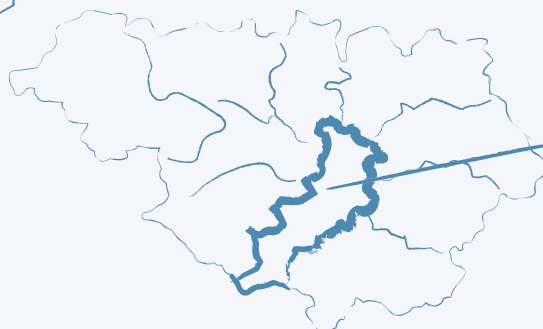
This extended partnership will deliver long-term change for some of the region's most vulnerable homeless people as part of a £1.8m Social Impact Bond. Support to enable people to sustain a tenancy will be offered alongside 270 homes being made

available by 15 GMHP members and two private landlord partners. Because of the wide range of services provided by the partners involved, together they can respond effectively to individual circumstances and make a real and lasting difference to people's lives.

GMHP has also been instrumental in setting up Manchester Athena, a strategic partnership between housing associations to deliver training, employment and initiatives across Greater Manchester and the north west, including investing over £1.6m to support apprenticeships. Overall, GMHP members support over 28,000 local jobs and contribute around £1.2bn annually to the local economy.

GMHP has already established itself as a key sounding board in the newly devolved city region, where housing has become a major priority. It was a lead partner in the development of the Greater Manchester Mayor's housing strategy and provided a co-ordinated local response to fire safety following the Grenfell Tower tragedy.

GMHP's profile in the Greater Manchester administration has allowed it to influence national politicians to pick up key housing related issues, such as concerns around the Local Housing Allowance cap, and to establish a programme of engagement with Mayor Andy Burnham and leaders across Greater Manchester, so a consistent housing voice is now heard where decisions are being made.





Questions and challenges

Does the association have a clear sense of the proportion of output which should be below market levels and for social rent to fulfil its social objectives?

Is the association clear about its core operating areas and products and how it uses this in decisions on development opportunities and strategic asset management?

How are associations responding to the likely arrival of private sector companies with significant financial power into their markets?

How are associations seeking to avoid over-bidding for land?

Are associations actively seeking to work jointly to maximise development and place-making results?

How can Homes England support the establishment of a viable offsite construction industry?

How do housing associations support such an initiative?

How are the government and its agencies acting to quicken the pace of land release at levels that will support meeting its homes target and improved affordability?

What mechanisms is the government willing to consider to constrain the upward spiral of land prices to help improve housing affordability?

Are local authorities willing to consider closer development partnerships with associations and the policies which will enable these to flourish?

How should housing associations promote themselves more effectively to NHS Trusts as NHS land governance arrangements become more favourable to partnership?

Strategic direction, structures & governance

Doubling development outputs and remaking the contract with residents will challenge the strategic thinking of housing association boards and executives as never before.

It will require associations to be more agile, 'can do', collaborative and self-deterministic.



Strategic direction, structures & governance

The government does not intend to present a top down masterplan for housing. It is setting a direction of travel, offering up improved tools, investment and interventions, and expects players in the housing market and local communities to define how the goals can be achieved.

While there is no guarantee that a Labour government would take exactly the same approach, achieving at least 300,000 new homes a year necessitates an enabling environment for housing providers.

It is up to each housing association to decide what it can do and how it can do it. Housing associations will need clear strategies to help deliver government and local authority partners' housing and community goals, and should be able to explain clearly what is needed in return from government and others to help them to maximise their contribution.

Ensuring good governance in these circumstances will be critical. Deregulation has placed more discretion in board members' hands, and responsibilities will grow further across a range of areas, including finance and risk management, effective asset use, value for money, and consumer issues, including as government responds to the legacy of Grenfell.

The revised UK Code of Corporate Governance is proposing greater responsibilities for boards around issues such as engagement with employees and 'wider stakeholders', accelerating more diversity on boards, and providing improved accountability around executive pay. While there is no direct compliance issue for housing associations, this points to the direction of travel on best practice in governance.

The scale of the challenge and the new pragmatic flexibility in the way government agencies expect to operate present huge opportunities for housing associations, but also a need to reconsider strategic direction and governance in multiple ways.

“ The collapse of the association sector in the Netherlands was caused by a combination of loss of focus on fundamental objectives and a lack of accountability. We should take that to heart. ”

“ **The current beauty of the construct is there are 5-6 types of housing association model and they morph over time. Diversity in the sector is good.** ”

DEFINING PRIMARY OBJECTIVES AND STRUCTURES

A path through some of these pressures is for all housing associations to ensure they have carefully defined their top priorities, and use these to provide a relentless focus to activity and how they organise their businesses. Defining an over-riding organisational priority or client group does not mean that becomes the exclusive focus, but it offers a vital reference point when balancing difficult decisions.

DIVERSITY OF SIZE AND BUSINESS MODEL

Diversity of housing association type and focus is universally seen as a great strength of the sector. Different places and client groups have different needs and different priorities and housing associations have to be able to respond to a wide range of conditions. These different business models will help housing associations deliver what the country needs of them through the 2020s.

Further ‘giant’ housing associations will emerge, albeit a limited number, as the sector seeks to build the resources to increase new homes output while controlling risk. The largest housing associations are likely to move to more regional structures to manage different market conditions effectively, with a degree of operational autonomy to ensure local responsiveness within a clear central framework of strategic direction.

Ultimately, the limits of scale may be dictated as much by individual lender exposure limits to single organisations as by other market considerations. The Competition and Markets Authority will also take a close interest if any organisation looks to be gaining excessive power in particular markets.

Mid-sized housing associations (those with around 5,000 to 30,000 homes) can continue to be successful by creating or maintaining a powerful role in a small number of core communities or establishing a valuable niche by focusing on specific products. Smaller and more specialist housing associations (often those with 500-5,000 homes) will be needed more than ever, given the type of social challenges appearing.

FINANCIAL AND STRUCTURAL INNOVATION

As the sector looks to rapidly increase housing supply, associations will seek more innovative financial arrangements to build borrowing power and offset a level of risk.

Even with the higher grant rates now on offer - £60,000 per home for London Affordable Rent (akin to social rent) and, potentially, £80,000 per home from the Homes England programme for social rent in high need areas – housing associations will still need to finance around 65-85% (location dependent) of the cost of each new home. Balance sheet capacity is used very quickly in delivering social rented homes and more borrowing will mean more pressure on consistent cashflow generation to pay the interest costs.

So far, housing associations have been able to meet their borrowing needs mainly through standard finance channels of bank and capital market borrowing. But the scale of the challenge in the 2020s will produce more joint ventures and other special purpose vehicles to help ramp up delivery and partially offset or ‘warehouse’ risk.

Some large housing associations are already on the path of establishing entirely separate commercial business streams, for example around construction, land purchase and assembly, or repairs contracting, either to improve the efficiency of their operations or to provide new sources of income.

There may also be a role for the injection of private equity in the diversified commercial interests of the larger developing housing associations to permit them to do more.

These more complex financial and structural arrangements will place new demands on both boards and the regulator and will require a high level of corporate skill to manage.

Case Study

A DIVERSIFIED BUSINESS MODEL TO DELIVER SOCIAL OBJECTIVES

Places for People owns or manages over 195,000 homes, operates over 120 leisure centres and provides services to more than 500,000 people. They have plans to build almost 20,000 homes in the coming years.

Places for People is focused on creating places that work for everyone. They are active in all tenures and aim to help people access housing whatever their age or economic circumstances. The Group makes a long-term commitment to its communities and works to provide the infrastructure, services and products they need to thrive – whether it is new schools, shops, leisure facilities, job opportunities, access to learning and training or specialist support services.

The diversity of their business model reflects this placemaking ethos. By delivering infrastructure at the outset of a development, both new and existing residents see and share the benefits. The Group provides homes and services at every stage of people's lives, from student accommodation through to retirement villages.

Places for People partners with local services to promote health and well-being. It also provides loans and finance to people who may otherwise be excluded from financial services.

To facilitate this diversity, it works with a number of joint venture partners and national and international investors. Often Places for People manages assets owned by others, developing for funds or through an operating lease. By spreading risk, Places for People is able to withstand market fluctuations; providing both cyclical and counter-cyclical products means they can amend the tenure mix to suit market conditions.

The value from this holistic approach is demonstrated through Places for People being chosen to take the lead on developing new communities in areas such as North Tyneside, Birmingham, Milton Keynes and the Olympic Park. The Group was named both Residential Company of the Year and Housebuilder of the Year in 2016.

Places for People uses commercial methods to deliver social outcomes. In 2016/17 the Group delivered a social return on investment of £85.4m, achieving £14 of social value for every £1 invested.



“ As we get more complex, a non-executive coming in once every two months isn’t going to cut it. They need to really understand it. ”

“ Big, complex housing associations need good leaders, but not necessarily private sector imports. The social purpose ethic is paramount and needs preserving, wherever leaders come from. ”

DIVERSITY OF THOUGHT AND LEADERSHIP

The present model of non-executives often being involved only bi-monthly for a board meeting is unlikely to be sustainable, given the challenges ahead and growing business complexity. Governance structures and skills will need review and change.

There will be a new premium on high quality corporate management and non-executive skills, but also, in the light of the wake up call created by Grenfell Tower, on expertise in consumer issues. At present, while the best housing association board members are very good, there is a perception of real variation of quality, reflected in strongly variable performance from organisations of similar size and operating in similar places.

REDEFINING THE EXECUTIVE-BOARD RELATIONSHIP

During the 2020s, executives will need to become comfortable with board members playing a more activist role. Executives have traditionally sought to define the boundaries between their roles and the board members’ role quite tightly. But in some of the largest associations senior board members already find themselves needing to get more regularly involved to meet the increased expectations of them. This will happen more.

To ensure it happens effectively, associations should make their induction and training programmes for board members comprehensive and ongoing.

Boards will not be able to discharge their duties well without strong and detailed knowledge of the organisation’s activities. A bigger role for board members may have implications for their remuneration.

BALANCING PRIORITIES, SKILLS AND PEOPLE

Board membership should properly account for all of the association’s priorities. It should also broadly reflect the diversity of the communities where the association works and an effective gender balance.

As the housing association business model has changed in response to the operating environment of the 2010s, board meetings in many organisations have become more focused on finance, development and governance issues and less focused on core service provision to existing residents. This has also nudged larger associations towards recruiting particular types of board expertise.

There are concerns about group-think in this situation, and a risk that important core customer concerns can be relegated. This is potentially dangerous for organisations managing so many homes.

The proposed UK Code of Corporate Governance argues that appointment and succession planning should be based on objective criteria, not just around gender, but to ensure inclusivity of different social and ethnic backgrounds. It encourages reporting on actions to increase inclusion and diversity and their outcomes. While associations operate under the NHF Code of Governance, this proposal seems sensible to adopt.

THE NEXT GENERATION OF LEADERS

As the 2020s progress, the leadership torch will pass to a new generation and they will need new skills to manage the complex environment they inherit. Many of today's housing association leaders are well into their fifties and succession planning should begin now. The best people will look to work for ambitious organisations with clear strategies that are demonstrably making a social and economic difference.

TALENT MANAGEMENT

More associations should establish systematic and high quality senior management and talent management programmes. The sector should also find further ways to ensure it reflects its highly diverse staff and customer base within its leadership.

While associations have been reasonably effective in developing female leaders, recent gender pay gap reports show more still needs to be done to increase the number of women in senior management positions. A much bigger challenge is to boost the number of people from black and minority ethnic backgrounds at executive level. The Leadership 2025 initiative is seeking to improve this and associations should also consider signing up to the Chartered Institute of Housing's Commission on leadership and diversity ten challenges.

In addition, the digital revolution will create different challenges a new generation of leaders must be able to fully grasp and manage. This needs to be built into personal development programmes for the best managers.

Many associations have invested in graduate schemes and more work experience placements and apprenticeships. These are paying dividends in attracting a younger generation often interested in the social value of their work as well as financial rewards. Building three million homes over ten years would also create the certainty of future workload that can support apprentices to move into full careers in the housing association and construction sectors.

A big task for housing associations is to retain and grow the best young people into managers and then leaders. Housing associations should support these recruits to develop technical skills, high level management competencies, and exposure to the most senior levels of the organisation on a regular basis.

A new system of brokering placements and skills exchange programmes could help the sector grow its own leaders. Talented individuals could be supported into secondments with other associations to further their skills, creating a strong pool of able managers who can gradually assume senior management and leadership posts across the sector.

TRANSPARENCY AND ACCOUNTABILITY

Housing associations should become more open and transparent to counter the current erosion of trust from some customers and stakeholders.

The pressure for more openness and public disclosure will grow. Associations should use this to their own advantage, demonstrating solid health and safety compliance, the reality of service performance, and sound use and value for money of partially publicly funded assets. This has started, with sector-led initiatives like the Sector Scorecard of comparative performance, but it needs to go further.

Housing associations are not public bodies. But they are community benefit organisations and most are charitable, with a level of tax advantage bestowed. They should expect a reasonable level of public scrutiny and respond positively to it.

ACCOUNTABILITY TO CUSTOMERS

New mechanisms need to be found to satisfy customers that their voices are being properly heard through the governance structures, that they are able to influence policies and procedures, and that the landlord is responsibly managing critical compliance issues and pursuing a high quality service. This is discussed in Section 6.

More digital service and the growth of social media offers one potential route both to survey a wider range of customer opinion on different issues more regularly and to create more transparency about the housing association's operations. A few associations have begun to live stream board meetings, for example, or publish summary board minutes on their websites. Measures like these should become commonplace. The more sophisticated use of data (see Section 6) can also be used to present a clearer picture of the organisation's activities to residents and stakeholders.

Case Study

USING STRATEGIC CLARITY TO DRIVE BUSINESS ACTIONS

Housing and community needs underpin Wythenshawe Community Housing Group's (WCHG) business strategy. WCHG's objectives outline a clear purpose to 'provide and sustain community resources' and it has committed to the Manchester Age-friendly charter.

Village 135 is a landmark, 24 hour extra care scheme offering 135, two bedroomed apartments located in Wythenshawe, Manchester, and completed by WCHG in 2017. The scheme demonstrates the role housing associations can play in supporting independent living as customers' needs change with age. Key to the development is ensuring affordability and choice; Village 135 is mixed tenure, with 66 apartments for affordable rent, 39 for shared ownership and 30 for outright sale.

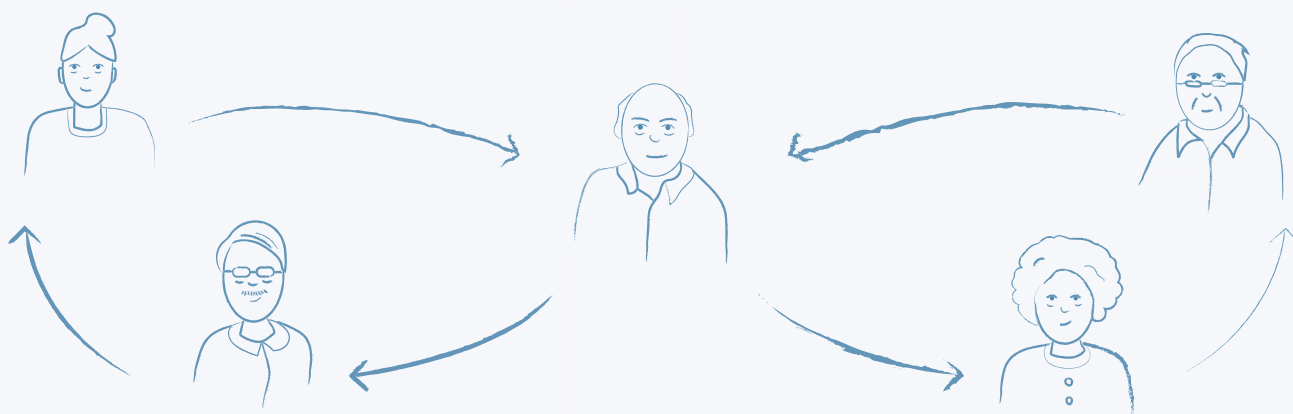
Village 135 combines thoughtful planning of the built environment with social infrastructure. Extensive consultation during the design of Village 135 ensured the community could shape decisions on issues such as external materials and access. Built to the Lifetime Homes standard, it offers 24-hour on-site care tailored around the customer's existing and ongoing needs, while being aspirational in its approach to support independent living.

Though split across four buildings, all areas of the Village are accessible via indoor corridors, including a bridge designed to maximise natural light.

The Community Hub provides a social space to counter isolation and offers onsite facilities such as a spa, salon and bistro. Outdoor facilities include sensory and rooftop gardens further promoting health and wellbeing and an active lifestyle.

Manchester College is the provider of catering and health and beauty services, with students gaining access to practical work experience while providing residents with a valuable service and the added value of intergenerational interaction.

WCHG acknowledge a trade-off between financial and social objectives, with community investment having an impact on their operating margin and older persons' housing tending to generate lower surpluses than other tenures. However, evaluation of the impact of their social investments shows close to £14m of social value generated in 2016/17, based mainly on the well-recognised HACT Wellbeing Valuation methodology, with at least £4 of social value returned for each £1 of investment.



“Associations rarely trip up for being too transparent; the greater risk arises from being seen to be secretive and opaque.”

REGULATING THE CHANGING SECTOR

Regulation provides confidence for sector lenders and supports the sector’s legitimacy and accountability with its stakeholders. Generally, there is sector confidence that regulation is evolving in the right way and becoming more effective, but the significant changes identified for housing associations in this report present a complementary set of challenges for regulation.

“Regulatory trust is based on boards and executives demonstrating skill. The more complex the business, the higher the bar.”

REGULATING COMPLEX BUSINESSES

Lenders will play a part in seeking to ensure a ring-fencing of commercial risk, but the Regulator for Social Housing will need to work through how it manages types of structural change within associations that may not have been seen before, such as direct private equity investment.

REGULATING NEW PROVIDERS

It is legitimate for companies to step into traditional housing association territory where this creates an opportunity to improve services or to produce more homes quicker or better. But what are the rules of engagement?

Regulation will need to ensure acceptable outcomes in terms of delivery, accountability and value for money for any public grants and assets.

CONSUMER REGULATION

As the Social Housing Green Paper is published and policy develops, the Regulator will rethink its remit on consumer regulation of housing associations. This should avoid duplication with the new ombudsman’s role. Communications, information sharing and boundary setting between the organisations requires careful consideration.

BALANCING AMBITION AND RISK

A clear area of contradictory pressure for the regulator is balancing the government desire for housing associations to stretch their capacity while managing risk to prevent a damaging business failure. This balancing act will become harder through the 2020s.

It is up to housing associations to demonstrate the quality of governance skills to manage the risks of their ambitions. But it is up to the regulator to understand effectively each association’s balance of risks and not to intervene unnecessarily or create undue caution. Ultimately, board members are legally responsible.



Questions and challenges

Are all executives and board members clear about their association's 'elevator pitch'?

Can they deliver it well in external forums?

Will the board be able to discharge growing responsibilities adequately under the current governance structure or does this need to evolve?

What steps are associations taking to improve the diversity of their boards and senior management teams?

Are associations thinking through how they improve their openness and transparency to customers and stakeholders?

How should the sector broker skills exchange, secondments and placements to help develop the next generations of sector leaders?

Is the Regulator for Social Housing reviewing its processes and skills base to manage the probable structural changes some associations will make and the entry of new participants into affordable housing?

Are the Regulator and housing ombudsman clear on the boundaries and extent of their respective powers?

Appendices

- 1. Summary of the evidence base[†]**
- 2. List of questions and challenges in full**
- 3. Contributors to the Commission**

[†] The Secretariat of the Future Shape of the Sector Commission reviewed evidence of social and sector trends to provide external context to the Commission.

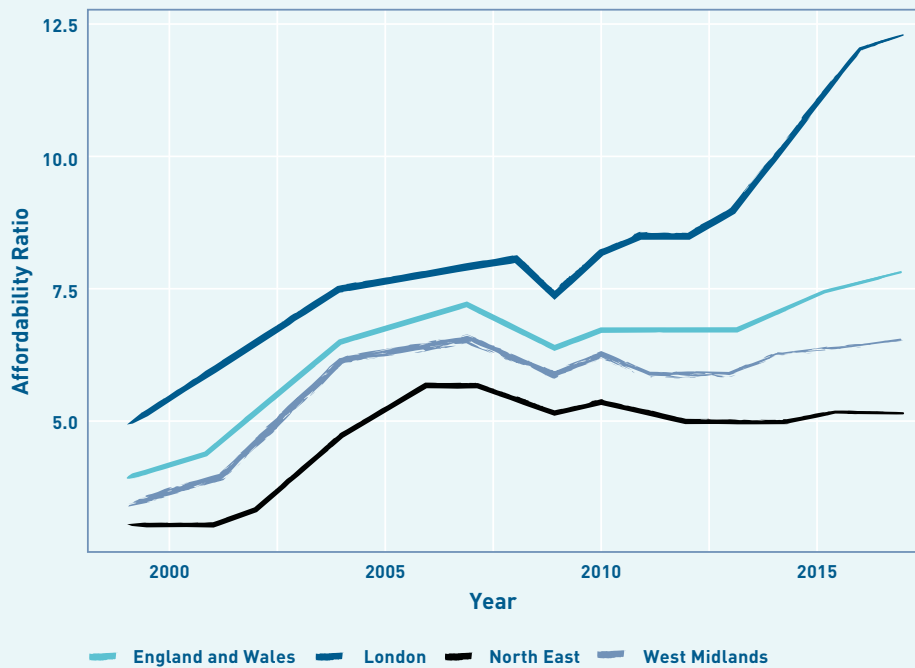


Appendix 1 – Summary of the evidence base

Housing affordability

Housing affordability has deteriorated rapidly over the past 20-25 years, with significant variation between regions. Earnings have not kept pace with rapid house price growth and forecasts suggest this will continue so affordability will not improve over the next five years.

Fig. 1: Affordability 1999-2017 Selected Regions



KEY POINTS

In 1999 the average ratio of earnings to house prices for each region was between 1:3 and 1:5.6 with similar variation around the mean. Since then the affordability ratio in Yorkshire/North/Midlands/Wales has roughly doubled, it has more than doubled in South East/South West/East, and it has nearly tripled in London with the highest ratio of earnings to house prices at 1:38 in Kensington & Chelsea¹.

The spread around the mean has increased indicating greater variations in affordability within areas.

Figure 1 demonstrates the extent of regional variation. Ratios of earnings to house prices increased everywhere, but variation between regions increased significantly after the financial crisis when there was a dramatic increase in London, a steadying in the West Midlands and a slight improvement in affordability in the North East².

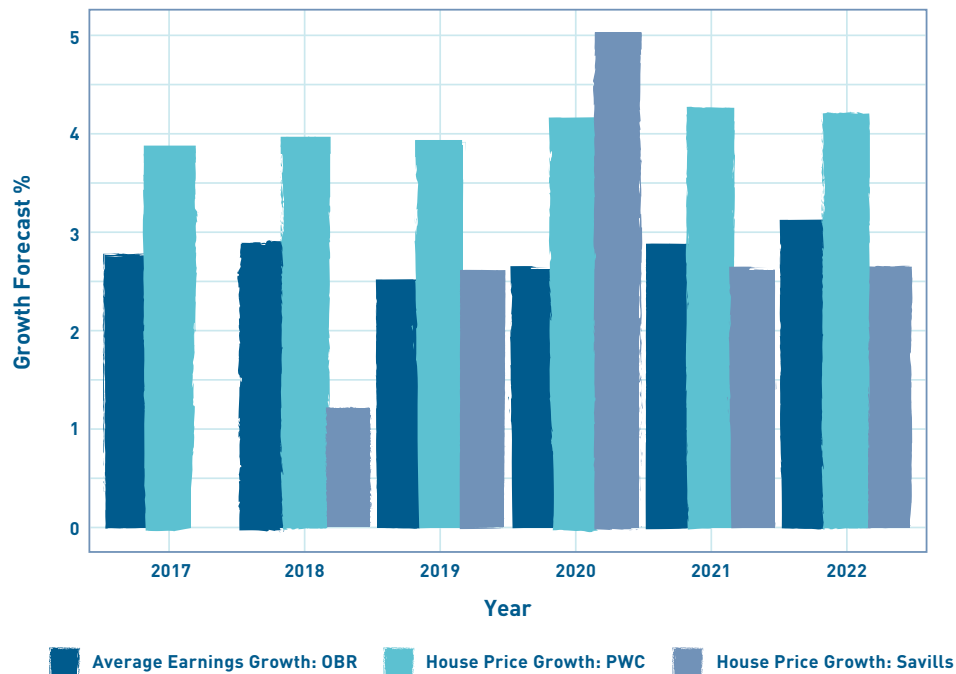
Forecasts of house price growth predict the rate of growth to fall slightly in the short term – due to Brexit uncertainty and the impact of policy changes, including stamp duty – and for there to be a cooling off in London as growth moves outwards into the commuter belt^{3,4}. However, affordability is likely to remain poor. Where affordability has improved in recent years it is driven more by increases in average wages, rather than falling house prices⁵. And house prices are expected to grow at a similar or faster rate than average wages, as shown in Figure 2.

Comparative research indicates that a rise in land prices has largely driven the significant increase in house prices experienced across Western economies⁶. In the absence of a reduction in land prices – e.g. through amendment of the regulations governing compensation of landowners⁷ – or a dramatic increase in the supply of new homes, we should not expect affordability to significantly improve.

The costs of the affordability crisis are clear with rough sleeping estimated to have risen by 169% since 2010, and to have more than doubled in London. A slight reduction in London since 2015 is attributed to a sharp fall in number of Central and Eastern European rough sleepers, whereas the rate for UK nationals has continued to increase.

Research shows that this has been driven primarily by evictions in the private rented sector, for example caused by the freeze on the Local Housing Allowance which restricts access for households at risk of homelessness. There is a general expectation amongst local authorities that the situation could get worse in the next decade due to affordability remaining stretched and cuts to Universal Credit undermining the gains from work⁸.

Fig. 2: House Price and Average Earnings Forecasts



1. House price to workplace-based earnings ratio. ONS (2018)
 2. Ibid.
 3. UK Housing Market Outlook. PwC (2017)

4. Residential Property Forecasts. Savills (2017)
 5. Statistical bulletin: Housing affordability in England and Wales: 1997 to 2016. ONS (2017)

6. No Price Like Home: Global House Prices, 1870 -2012. Knoll, K., Schularick, M. & Steger, T. (2015)
 7. The Land Question. Daniel Bentley (2017)
 8. Crisis Homelessness Monitor England 2018

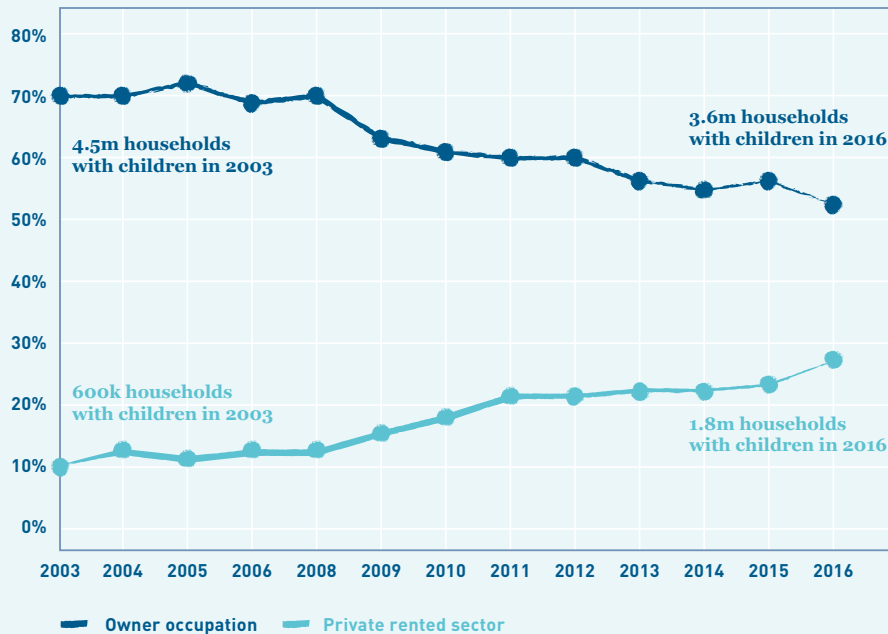
Public opinion

Public opinion will stay volatile, because the underlying economic and social discontents of the ‘just about managing’ (JAMs) are unlikely to be easily resolved and intergenerational inequality continues.

A voter’s stance on globalisation and immigration has become a critical fault line in British politics, and this has cut across the traditional left-right divide to produce a more politically volatile electorate. The diametrically opposing camps of the new political landscape are Labour-Remain and Conservative-Leave; young, urban, geographically mobile voters typify the former, while older, rural, geographically

immobile voters the latter. However, the middle ground is more complicated, where voters are pulled in conflicting directions or choose based upon perceived ability to influence the course of key issues. Additional complexity is introduced by Labour’s official position in support of Leave.

Fig. 3: Proportion of households with children in owner occupation and in the private rented sector: England



Addressing concerns over real wage growth, immigration, health and social care and housing will require a long-term approach; therefore we should expect the discontents of this middle group to continue to inform their choices over the next electoral cycle. However, policy responses may be inconsistent as they represent a heterogeneous group. Housing is becoming an increasingly important issue, with both housing affordability and stability central to the concerns of the JAMs.

This acknowledgement is linked to the national problem that a rising number of families with children are now living in unsuitable PRS for longer periods, with Figure 3 highlighting the urgency to alleviate this trend as it has tripled from 600,000 to 1.8 million in the last 13 years⁹. Housing also matters at the extremes of the new political divide, as intergenerational inequality falls along much the same lines as the ‘Labour-Remain: Conservative-Leave’ dimension¹⁰.



KEY POINTS

Polling by Ipsos MORI found that immigration has risen from being the fifth most important issue to voters in 1994 to the most important from 2014 onwards¹¹.

Research into the drivers of the EU referendum result highlights three factors:

- geographic mobility
- migration flows
- economic prosperity/decline

The political landscape has been redrawn and stances on globalisation/immigration have reinforced the left-right divide in some cases but contradicted it in others.

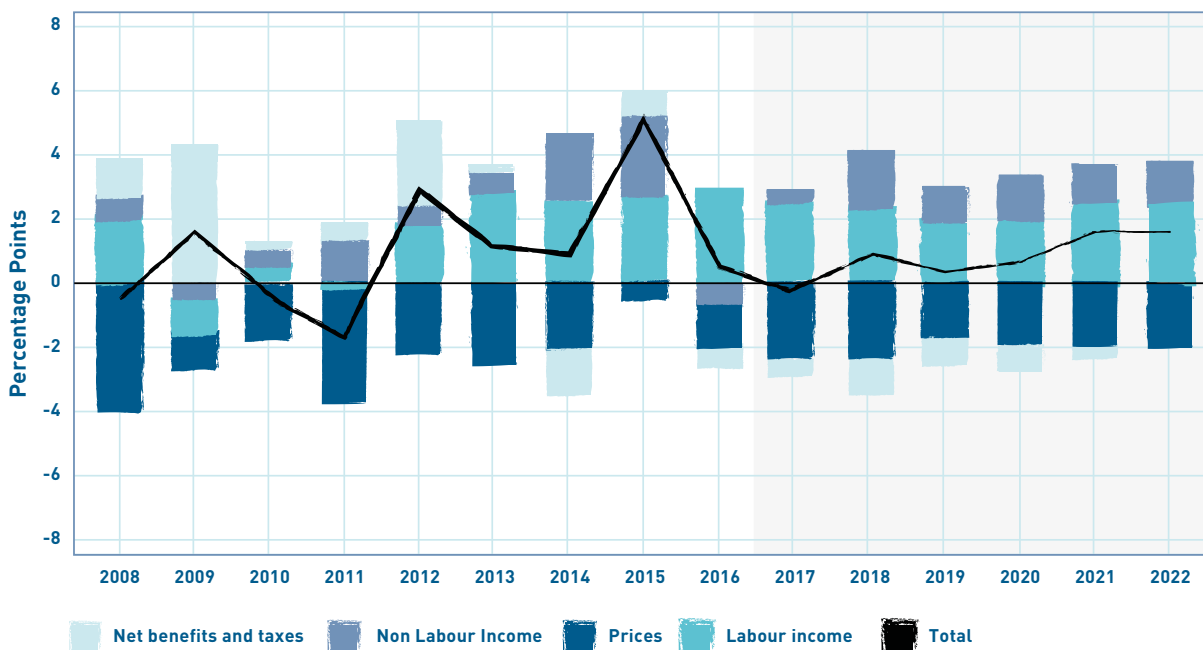
Labour and Remain predominate in London and metropolitan urban areas with large numbers of young people (e.g. Cambridge District, Bristol and Norwich).

Conservatives and Leave are both strong in more rural areas of the South East and Midlands.

But many typical Labour heartlands of the industrial north have a strong Leave vote.

And large parts of the Conservative-led South Western commuter belt voted Remain.

Fig. 4: Contributions to real household income growth. Economic and Fiscal



9. A New Generational Contract: The Final Report of the Intergenerational Commission. Resolution Foundation (2018)

10. See notes on 'changeable government policy' below for further discussion

11. UK Public Opinion toward Immigration: Overall Attitudes and Level of Concern. The Migration Observatory (2016)

GEOGRAPHIC MOBILITY AND MIGRATION FLOWS

Voters were more likely to vote Leave if they were geographically immobile, lived in an area of relative economic decline or an area of significant inward migration. But these factors were also relative in their importance to each other; areas with high levels of inward migration were more likely to be pro-Remain if they had also been economically prosperous e.g. the Cambridge District¹².

Analysis from the British Election Study shows that the issue most sharply dividing voters in the 2017 election was whether they wanted access to the single market or to control immigration¹³.

ECONOMIC PROSPERITY/DECLINE

The OBR forecasts changes to benefits and tax credits to keep real household income growth below 2%, and for those more dependent on labour income, growth may be negligible¹⁴.

Evidence suggests that the ageing societies of Western Europe are likely to be dependent upon migration for the continued provision of services, and this is also related to the rise in anti-immigration politics¹⁵.

The estimated number of years required to save for a first time buyer deposit has increased from three in 1986 to nineteen in 2016¹⁶.

Many existing social housing tenants are due to face financial challenges as they become poorer whilst both Resolution Foundation and IFS also forecast a rise in child poverty based on current policies^{17,18}.

Rising property prices from the early 1990s up to the financial crash primarily benefited the baby-boomer generation. Each successive generation born since 1956-60 has accumulated wealth at a slower pace than their predecessors. The second largest source of wealth in the UK is property wealth, with the majority held by older generations¹⁹.

Promoting home ownership for first time buyers has been a focus of recent government policy (see below for further discussion on policy). The IFS note that increasing supply of new homes may not be sufficient to increase home ownership for younger generations, as the investment value (expressed in rent and capital gains) would also need to fall considerably to avoid new homes being potentially purchased as second homes or for the buy to let sector – the consumption value of housing will need to rise relative to its investment value²⁰.

Growth in private sector rents has fallen in London from 2016 but this is from a high peak and private rents remain high in absolute terms. Moreover, there is a risk the demand for homes as an investment moves from London to areas of stronger growth such as the South East. While there are some signs of the investment value of housing falling, it may be insufficient to redress the imbalance in wealth accumulation between generations.

12. Immobility and the Brexit Vote. Lee, N., Morris, K & Kemeny, T. (2018)

13. The Brexit election? The 2017 General Election in ten charts. The British Election Study Team (2017)

14. Economic and Fiscal Outlook. OBR (2017)

15. Europe's ageing societies require immigration to survive – and that means anti-immigration politics is here to stay. Breznau, N. (2017)

16. Home Affront, Housing across the generations. The Resolution Foundation (2017)

17. Ibid

18. Living standards, poverty and inequality in the UK: 2017-18 to 2021-22. The Institute of Fiscal Studies (2017)

19. The Generation of Wealth, Asset accumulation across and within cohorts. The Resolution Foundation (2017)

20. Autumn Budget Analysis: opening remarks and summary. IFS (2017)

Government policy

Government policy may well be changeable - with less stable governments, unknown Brexit consequences and public opinion volatility. Associations will need to continue taking a long-term perspective.

Housing now has a dual role as both home and financial asset. It is distributed unequally along the political fault-lines described above – in terms of access, affordability and quality – increasing its importance as an electoral issue. We should therefore expect housing policy to be used as a mechanism to consolidate support among each party’s core voters, and appeal to the concerns of the politically transient. We should expect public debates to be increasingly emotive, reflecting the rise of a populist politics that stems from the same forces that drove political alienation at the beginning of the 21st Century.

KEY POINTS

Economic decline was associated with voting leave in the EU referendum. Sociological research suggests that a reduction in perceived social status amongst white males without further education is associated with rising political alienation and anti-immigration sentiment²¹. However only 1 in 25 White British people were unemployed in 2017 compared to 1 in 10 adults from a Black, Pakistani, Bangladeshi or Mixed background²².

Unequal economic performance and growing political distrust are reflected in a growing value-driven and populist politics, moving away from the ‘managerialist’ politics dominating the early 21st Century²³, and instead manifesting itself in Brexit and the improved popularity of Jeremy Corbyn.

Social media has become a more important space for political expression, but risks further fragmenting opinion, as voters tend to interact within their established partisan groups. And the ‘echo-chamber’ effect is greatest the further someone is from the political centre ground^{24,25}.

The Cities and Local Government Devolution Act 2016 has granted powers to Metro Mayors across a number of geographies. Powers vary, but can include: advice and recommendations relating to public space and land, managing large-scale regeneration, compulsory purchase orders, and the provision of a Housing Investment Fund in Greater Manchester²⁶. The devolution deals introduce new stakeholders into the housing sector, but ones more reliant on softer powers of influence than, for example, the London Mayor. Consequently, registered providers in these geographies may have to negotiate through ongoing conversations between funders (Homes England) and those trying to shape public discourse (Metro Mayors).

Over the past two years there has been a shift in tone from government on housing policy:

- a pledge to fund social rented homes where need is greatest
- an agreed rent settlement of CPI+1%
- reversal of the decision to implement local housing allowance rates on social housing
- abandonment of pay-to-stay
- a reduction in funding for starter homes²⁷
- further extension of the timescale to implement voluntary right-to-buy

These policy changes reflect the pragmatic response of a government operating in a politically volatile environment without a majority. This shifting and responsive characteristic of government policy is likely to endure over the next electoral cycle, given the polarising impact of Brexit and the social and economic forces outlined above, and the weaker public support enjoyed by governments.

21. Understanding the political impact of white working-class men who feel society no longer values them, Gidron, N & Hall, P. (2017)

22. Race Disparity Audit: Summary Findings from the Ethnicity Facts and Figures website (October 2017)

23. The political environment and localism: what future? in Housing 2020: Six views of the future for housing associations. Stoker, G. (2012)

24. The social media election. Demos (2017)

25. Ibid

26. Devolution Deals and Housing (England). House of Commons Library Briefing Paper 7841 (2016)

27. Stimulating Housing Supply – Government Initiatives (England). House of Commons Library Briefing Paper 06416 (2017)

Financial clout and resilience

Being a good landlord and building homes has to be achieved by doing more with less than in the past.

To offset less available government grant per home, many housing associations have successfully leveraged private and debt finance and altered the tenure mix and rent levels of their development programmes. Mergers and partnerships have improved some housing associations' financial strength despite the challenges of low grant for development and welfare reforms increasing pressure on residents' ability to pay rents. Higher amounts of borrowing have been sustained through relatively strong fundamentals: long-term, stable rental income, and close ties to the government. Regulation has focussed on the risk that providers might overstretch and become too dependent on the market. However, the focus on development and the resulting more commercially-minded organisations have led to some criticism that parts of the social housing sector have lost their original social purpose. It has also led to the downgrading of leading developing housing associations' long-term credit ratings, potentially impacting their cost of funding.

KEY POINTS

Financial strength has become more important as government grant has been withdrawn. From over 90% a few decades ago, it has fallen to 25%, and often less²⁸. Since 2010, cuts have been particularly drastic, for instance with the Affordable Homes Programme 2011-15 reducing the grant per home from £60,000 to £20,000²⁹. It is too early to say whether the additional £2bn promised for affordable housing in late-2017 will change this trend.

The shortfall has been met initially through debt finance. Increasingly, this comprises bonds, which in 2013/14 amounted to half of the sector's incremental debt funding at £2.9bn³⁰ (compared to bank funding of £2.5bn). The majority of this investment is from well-established annuity and insurance funds. More recently, there has also been some investment from pension and private equity funds. The sector's debt has soared from around £48bn in 2012 to just under £70bn in 2017³¹.

The fundamentals of the sector's attractiveness to investors have stayed the same, namely the low-risk, stable stream of long-term income through lettings.

Grant withdrawal is reflected in housing associations' development programmes, which now use a larger range of tenure types with a general trend towards building affordable, rather than social rent homes and higher proportions of shared ownership and private sale properties³². This also reflects the high cost of land in London and the south-east (where up to £200,000 subsidy is needed for each social rented home)³³.

Property sales are becoming essential income streams for developing housing associations. 2017 is the first time the majority of future development funding comes from sales receipts rather than grant or debt³⁴.

Alongside changes to development programmes the sector has sought to make core business activity more efficient. Average operating margins have increased from 18.1% in 2010 to 30% in 2017, through decreasing costs³⁵.

This more commercial approach has raised concerns among some that the sector has lost its socially-conscious roots, evidenced through the reduction in social rented homes in favour of those targeting the middle of the market. While there are a number of calculators of the sector's social value³⁶, these efforts appear to make little impact outside of social housing's own sphere.

There is a general consensus that some market development is required for cross-subsidisation, but the balance will be different for different organisations and may remain controversial. Government, which has driven a focus on development and higher revenue subsidy, may also be moving to a greater focus on 'genuine affordability', for example with social housing's additional funding and the Mayor of London's pledge for 50% 'genuinely affordable' housing in the capital and London Affordable Rents.

28. Williams, P., & Whitehead, C., Financing Affordable Social Housing in the UK; building on success?, Housing Finance International, 2015, p14

29. National Audit Office, Financial viability of the social housing sector: introducing the Affordable Homes Programme, July 2012, pp5-6

30. Williams, P., & Whitehead, C., Financing Affordable

Social Housing in the UK; building on success?, Housing Finance International, 2015, p15

31. Homes and Communities Agency, 2012 Global Accounts of Housing Providers, p9 and Homes and Communities Agency, Strong year of investment by social housing sector, December 2017

32. National Housing Federation, How public money is spent on housing

33. Evans, J., UK Housing associations use lure of luxury in social mission, Financial Times, September 2017

34. Homes and Communities Agency, Sector Risk Profile 2017, July 2017, p3

Digital communication and service

Digital will be the norm within 10 years in the sector and data will drive service and performance.

Social housing tenants have been slower to adopt digital than those in other tenures³⁷ and the sector has been similarly slow to adopt digitisation. However, with 80% of social renters now online housing associations have recently started to invest in digital - driven by reduced transactional costs alongside changing resident expectations. Other organisations, both public and private, have led the way in offering digital services, with the example of Universal Credit particularly important to registered providers' revenue streams. There is an expectation of this kind of service among many customer groups, although social housing still contains a higher than average proportion of households that do not have internet access. There are several problems when it comes to implementing digital programmes, including fundamental problems of data quality, lack of skills within the sector, and the difficulty of integrating older systems and complex processes.

KEY POINTS

Following the lead of other customer-facing organisations, including the retail sector and government, housing associations are prioritising technology across their businesses.

Social renters are increasingly online with 60% using the internet several times a day, however they are still significantly less likely to be online than private renters. Both groups still show high internet usage with 72% using it once a day or more. Meanwhile, the profile of housing association and local authority tenants also remain broadly similar³⁸.

Self-service online transactions have a much lower cost-per-transaction³⁹ and other services have already taken the lead. As a result, online services allowing residents to deal immediately with rent payments, repairs or maintenance issues are quickly becoming an expectation whilst Universal Credit will also mainly be administered online⁴⁰. PwC's 2017 Global Digital IQ Survey notes that while the financial driver is important, businesses must focus on 'human experience' rather than 'business-IT alignment'⁴¹.

The social housing sector has been slow to adopt digital initiatives so far. The principal barriers have been the lack of skills and understanding on boards and executive teams, and a reluctance to radically redesign operations⁴². This in turn leads to a reliance on external consultants and existing technological support, making large changes even more difficult.

Opportunities for using 'big data' to create insights into housing association stock and customers have been missed so far because of a legacy of poor data quality, often on several separate systems⁴³. The cost for integrating this data is very high, so is largely left undone⁴⁴.

The financial and social imperatives mean that the sector will overcome the initial barriers faced by transformation programmes. Within 10 years many housing associations will have shifted towards digital communication and services, through best practice sharing with organisations who have made early gains in this area (such as Halton Housing, Your Housing, Orbit and Richmond Housing Partnership)⁴⁵, and from other sectors.

Table of comparable contact costs by channel

Source	Face to Face	Telephone	Online
PwC	£3.39	£13.10	0.08p
Society of Information Technology Management	£5.00	N/A	0.17p

35. Homes and Communities Agency, 2012 Global Accounts of Housing Providers, p8 and Homes and Communities Agency, Strong year of investment by social housing sector, December 2017

36. National Housing Federation, What's the best way for housing associations to measure social value?, November 2017

37. 80% of social renters use the internet compared to 92% of

private renters: Ipsos MORI for Clarion Housing Group (March 2017)

38. Ipsos MORI for Clarion

39. Table cited in Northern Housing Consortium, The Business Case for Digital Inclusion, p2

40. Northern Housing Consortium, The Business Case for Digital Inclusion

41. PwC, 2017 Global Digital IQ Survey, pp3-4

42. HACT, Is Housing Really Ready to go Digital?, December 2016, p2

43. Ibid, p4

44. Leach, M., The Problem with Housing and Data, July 2016

45. Northern Housing Consortium: The Business Case for Digital Inclusion

Housing association agendas

Housing association agendas will remain different between geographies as a result of varying markets and devolution deals to stronger regional administrations.

The social housing sector covers the full range of different housing markets across the country and each area has its own challenges. London, the South-East (and some urban conurbations further north) have the greatest levels of housing need, high rents, and poor affordability. In northern England, welfare reform will have a deeper effect, as benefits comprise a larger share of income compared to the South-East where earnings are higher.

The importance of the local area in housing has also been boosted by the election of Metro Mayors, who hold a range of housing and planning functions across local authority boundaries, although not to the same extent as in London.

KEY POINTS

Very generally, housing need is most concentrated in the South and South East. Indeed, on the government's new proposed measure of housing need, several northern cities have surpluses of net additional dwellings (1,803 in Liverpool, 1,694 in Newcastle, and 1,097 in Salford).

Welfare reform is a sector-wide concern, but will affect northern regions in particular. In general, more deprived areas will fare worse, and benefits comprise a greater share of income in the north than earnings. Blackpool, Blackburn, Knowsley and Middlesbrough all see losses of £1,000 a year per working age adult from cumulative welfare reform between 2010 and 2021⁵¹.

This difference is reflected in rent levels and house prices. The former range from around £1,700 per month on average in the London private rented market to £625 in the North-West, North-East, and Yorkshire and Humber regions⁴⁶. House prices show a similar divide, between £482,000 in the capital and £159,000 in the North⁴⁷. As a result, despite lower wages, housing in general is much more affordable in the North⁴⁸.

The creation of new combined authorities and Metro Mayors reflects some degree of governmental 'localisation', and the medium-sized scope of the role is suited to developing coherent housing and economic strategy. A range of housing-related powers are held by mayors, including over compulsory purchase orders, development corporations, strategic planning, and small investment funds.

Northern housing associations have made the case that while the degree of the problem may be different in their regions, the underlying causes are the same. The Commission for Housing in the North's main findings were the need to boost supply in the right areas and improve access to home ownership, (as well as improving low-quality terraces in former industrial areas)⁴⁹. Lichfields calculated housing need at 50,000 per year over the next decade (an 87% increase on current delivery)⁵⁰ when economic-led scenarios, as well as demographic projections, are taken into account.

There are of course unique housing needs and different markets across the country, and a pure north-south divide is a slightly simplistic dichotomy.

46. Based on differing estimates from the Valuation Office Agency, Private Rental Market Summary Statistics, December 2017, Tables 1.7 & 2.7 and Countrywide, Monthly Lettings Index – December 2017.

47. Office for National Statistics, House Price Index: November 2017.

48. See graph – from Office for National Statistics, Housing Affordability in England and Wales: 1997-2016, March 2017

49. Northern Housing Consortium, Report of the Commission for Housing in the North, October 2016, pp10-11

50. Homes for the North and Lichfields, Future Housing Requirements for the North, August 2017, p4

51. Beatty, C., Fothergill, S., The uneven impact of welfare reform, March 2016, pp21-22.

Regulation will continue to influence how the sector behaves

There will be post-Grenfell regulatory impacts; financial measurement of value for money, and deregulatory measures.

Regulation of the sector has been pulled in different directions, between deregulation (and recently, more funding) on the one hand, and deep scrutiny of housing associations' finances, viability and value for money, on the other. The Grenfell Tower fire has brought a new focus to the health and safety of buildings. The interim judgement that existing Building Regulations are 'not fit for purpose' suggests more strict regulation in this area is likely.

KEY POINTS

Following the ONS' classification of housing associations as public bodies in 2015, the government deregulated the social housing sector to remove the £60bn housing association debt from the government books.

The Regulation of Social Housing (Influence of Local Authorities) regulations 2017 removed the 'consents regime' for constitutional changes and stock disposal, and limited the influence of local authorities on boards, and that of the regulator to appoint officers of registered providers⁵².

The regulator has been taking greater interest in financial performance. The HCA's 2017 Sector Risk profile notes that 'while the finances of the sector have, in general, strengthened over the past five years, much of this has been the result of a favourable economic climate'⁵³ (low interest rates and high house prices). Thus housing associations have taken on increasing amounts of risk through development market exposure and just under £70bn of debt⁵⁴.

The regulator in turn has made much greater use of the V2 grade to reflect these risks, although it has emphasised that V2 does not necessarily imply inadequate management of those risks.

The HCA has been split into two separate bodies, Homes England and the Regulator for Social Housing, finalising the future division of investment and regulation.

The Value for Money (VFM) standard has been revised, with reforms proposed to make it more transparent and consistent. This involves a move towards measurable financial metrics and targets related to the provider's strategic objectives⁵⁵. Boards will be expected to be well-informed and seek VFM gains across the organisation⁵⁶.

Governmental interest in housing associations' effectiveness and value has also increased, in line with housing's ascent up the political agenda and renewed pledges of funding (like the £2bn allocated for the Shared Ownership and Affordable Homes programme 2016-21 confirmed in the Autumn Budget).

The Grenfell Tower fire made health and safety of buildings a renewed priority. While further detailed enquiries into the causes of the fire and the Building Regulations continue at time of writing, an estimated £400m has been confirmed by government to fully fund the removal and replacement of dangerous cladding by councils and housing associations. Dame Judith Hackitt's report found that 'the current regulatory system for ensuring fire safety in high-rise and complex buildings is not fit for purpose'. It is almost certain that regulation will tighten in this area, both for existing social housing and new development, alongside growing support for greater consumer regulation in general.

52. Homes and Communities Agency, Deregulatory measures for social housing regulation from 6 April 2017,

53. Homes and Communities Agency, Sector Risk Profile 2017, July 2017, p2

54. Homes and Communities Agency, Strong year of investment by social housing sector, December 2017

55. Homes and Communities Agency, Consultation on the Value for Money Standard, September 2017

56. Ponting, L., The proposed Value for Money Standard explained, Inside Housing, October 2017

New trends of the 2020s: Older people's housing

Will grow in importance and social care becomes a huge issue.

While the UK's population is set to increase, the over 65s will make up an increasing share of both people and households, compared to working adults. This is the age group most prone to chronic conditions, and in need of the health service and social care; two areas which are among the largest for government expenditure. As a result, great strain is likely to be put on hospitals and care providers, and demand for supported housing may well increase.

KEY POINTS

The ONS estimates the proportion of the population aged over 65 will rise from 18% in 2016 to 20.5% in 2026 – equal to over 4 million people. The increase is primarily down to improved life expectancy; although this has also increased the number of years lived in ill health beyond age 65.

This trend will exist across the UK, with over half of all local authorities by 2025 projected to have 25% or more of their populations aged 65 or above. However, older areas are generally in southern England and coastal areas, with younger areas concentrated in London and the cities.

The median Old Age Dependency Ratio for UK local authorities was 312 (note ONS puts the UK's overall OADR at 285) in 2016, and this is expected to rise to 377 in 2026⁵⁷.

The overall population will continue to grow from 65.6 million in 2016 to around 69.2 million in 2026. Net migration accounts for 54% of growth (compared to 46% for natural change⁵⁸).

Longer-term projections for demographic change (to 2066) also point to an ageing society more dependent on a smaller working population⁵⁹. This has enormous fiscal consequences with the cost to the Treasury highest for the section of the population that will increase the most.

This is principally down to pensions and health and social care – the National Audit Office estimates that around a third of adults aged 65 and over report a need for help with at least one activity of daily life⁶⁰. Age UK estimates unmet need at 1.2 million people, although gauging this is difficult⁶¹.

According to Age UK, average disability free life expectancy has declined in the past few years for both men and women, leaving people living longer with often chronic health conditions.

The government needs to ensure appropriate housing is delivered that can be adapted. It estimates that poor housing creates hazards that cost the NHS £2.5bn per year⁶².

This takes place in the context of health and social care funding not meeting existing demand. According to the King's Fund, NHS spending will be at least £4bn short, and adult social care £2.5bn short by 2018/19. While there have been some immediate injections of cash, a long-term funding solution for these services have not been provided⁶³.

57. Calculated from ONS, Overview of the UK Population, July 2017

58. Office for National Statistics, National Population Projections, October 2017

59. Office for Budgetary Responsibility, Fiscal Sustainability Report, January 2017 – chart 3.2

60. National Audit Office, Adult Social Care in England Overview, March 2014

61. Age UK, Briefing: Health and Care of Older People in England, February 2017, p4

62. Government Office for Science, Future of an Ageing Population, July 2016, p9

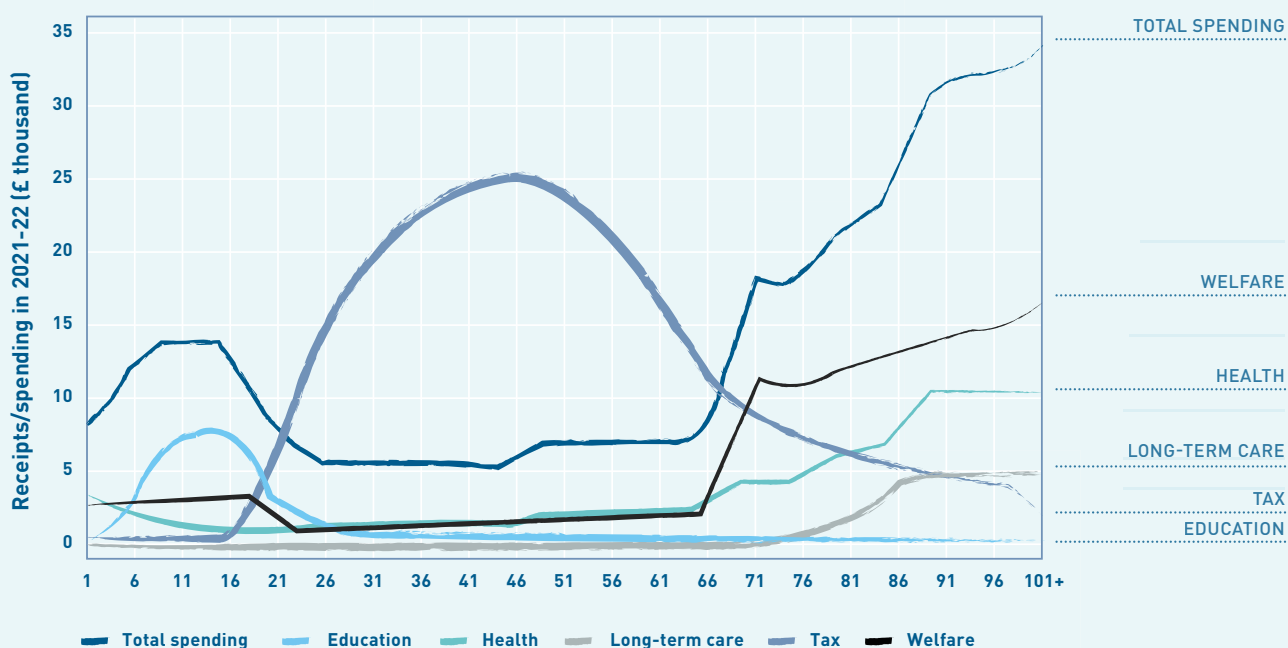
63. The King's Fund, The Autumn Budget: Joint Statement on Health and Social Care, November 2017, pp3-4

Table showing UK population projections

	0 to 15 years (%)	16 to 64 years	Aged 65 and over (%)	UK population*
1976	24.5	61.2	14.2	56,216,121
1986	20.5	64.1	15.4	56,683,835
1996	20.7	63.5	15.9	58,164,374
2006	19.2	64.9	15.9	60,827,067
2016	18.9	63.1	18.0	65,648,054
2026	18.8	60.7	20.5	69,843,515
2036	18.0	58.2	23.9	73,360,907
2046	17.7	57.7	24.7	76,342,235

*Population estimates data are used for 1996 to 2016, while 2014-based population projections are used for 2026 and 2036.

Fig. 5: Receipts/Spending in 2021-22 by Age



New trends of the 2020s: Rising in-work poverty

There will be rising levels of in-work poverty due to stagnating incomes and rising costs. People will work harder and for longer yet still not meet their aspirations.

Real income growth has been slower since the turn of the century, reflecting the long term slower productivity growth and shorter term impacts of the financial crash and subsequent austerity. Forecasts of income growth are more positive for those with higher earnings, but the combined impacts of welfare reforms and expected inflation mean the real incomes of lower income groups will either fall or stagnate. This will likely cause an increase in inequality and in-work poverty, undoing much of the reduction in poverty for high-risk groups such as lone parents and large families. As well as working in a more economically difficult environment, households will also be expected to work for longer, as the retirement age is due to increase to support an ageing population with greater care needs.

KEY POINTS

Real income growth from 2002 onwards has been significantly lower than the years preceding it, and has been distributed unequally. Households in the top 5% of the income distribution have had the highest rate of growth in both periods, while the bottom 40% have seen relative stagnation in incomes from 2002/03 to 2014/15⁶⁴.

The Bank of England predicts that CPI inflation will remain above GDP growth through to 2020⁶⁵.

Real income growth is expected to continue to be distributed unequally. The IFS projects an increase in the 90:10 measure of inequality due to the combined effects of rising real earnings, freezing of working age benefits and a less generous Universal Credit⁶⁶. The 90:10 measure of inequality refers to the ratio of the 90th and 10th percentile of incomes.

The increase in inequality is projected to be greater when accounting for housing costs, with rents increasing faster than earnings and accounting for a greater proportion of the incomes of lower-income households⁶⁷.

Population growth for people of working age is expected to be lower than growth in the number of people of pensionable age⁶⁸. Projections of trends in disability and life expectancy predict a 25% increase in the number of people aged 65+ with care needs⁶⁹. This substantial growth in demand for care services will lead to a corresponding increase in the retirement age to help finance costs.

Changes to the benefits and tax credits system have been associated with increases in poverty since 2013/14 (Figure 6), particularly among high-risk groups that had previously been experiencing a decrease, such as lone-parents and larger families.

The overall trends as outlined in Figure 6 indicate that a clear increase in relative child poverty rates is expected, whilst London is most likely to exhibit the highest levels in the 3 years leading up to 2021 within the further regional breakdown (Figure 7).

The changes that have had the broadest impact have been the freezing of working age benefits and changes to the tax-credit system, but other reforms have had a significant detrimental impact on the incidence and depth of poverty for affected groups e.g. sanctions, benefit cap and the bedroom tax⁷⁰.

Changes to in-work benefits and tax credits, which acted to reduce poverty by topping up earnings, have changed the composition of poverty in the UK, with in-work poverty accounting for half of all households in poverty in 2015/16.

There has been an increase overall in the number of households spending more than a third of their net income on housing costs, with the largest increase being in the social housing sector⁷¹.

Fig. 6: Relative Poverty Rates, AHC Incomes

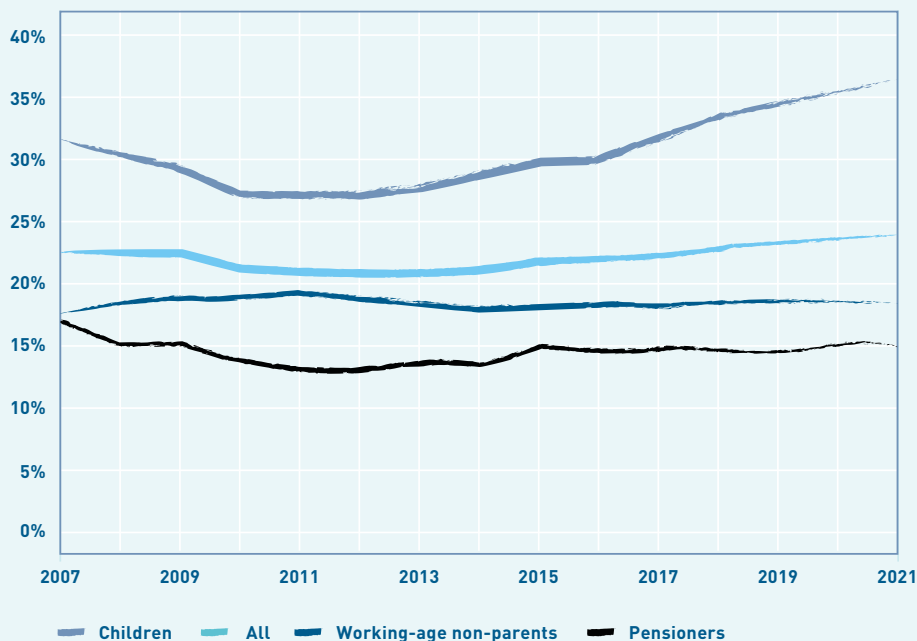
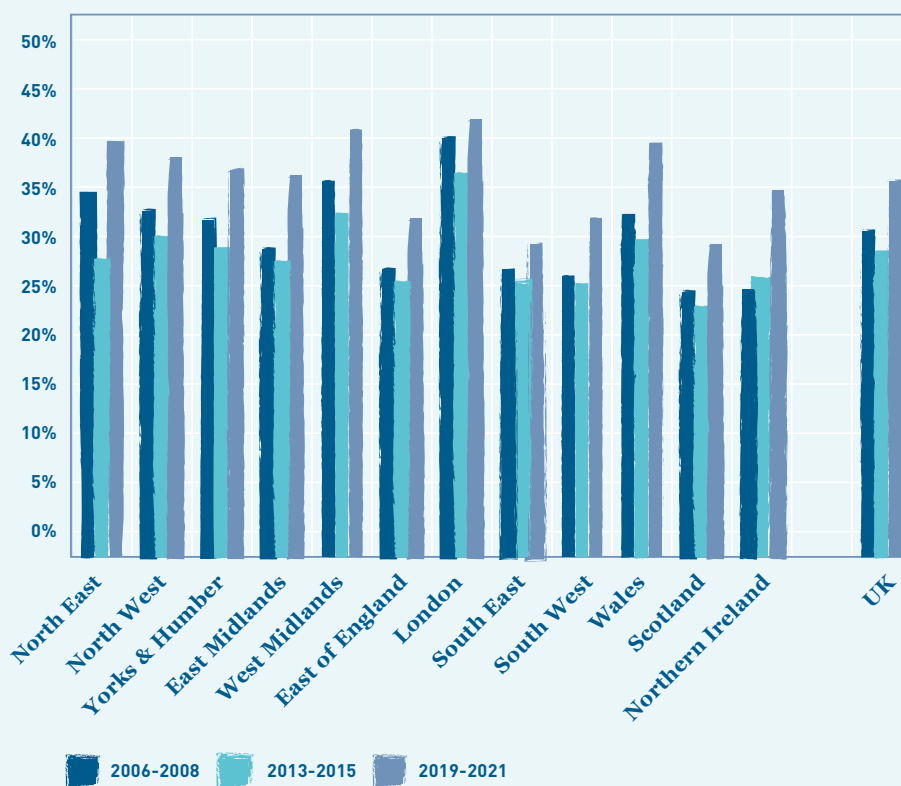


Fig. 7: Relative Child Poverty Rates, Selected Years, AHC Incomes



64. Examining an Elephant, Corlett A. The Resolution Foundation (2016)
 65. Inflation Report November 2017. Bank of England (2017)
 66. Living standards, poverty and inequality in the UK: 2017–18 to 2021–22. Institute for Fiscal Studies (2017)
 67. Ibid
 68. National Population Projections: 2016-based statistical bulletin. ONS (2017)
 69. Forecasted trends in disability and life expectancy in England and Wales up to 2025: a modelling study. Guzman-Castillio et al. (2017)
 70. UK Poverty 2017 A comprehensive analysis of poverty trends and figures. Joseph Rowntree Foundation (2017)
 71. Ibid

New trends of the 2020s: Macroeconomics

Government will be under continuing financial constraints in a post-Brexit, lower growth UK

Since the financial crisis, the UK has seen continued poor growth in productivity, real earnings, and GDP; a trend compounded by the uncertainty around the country's withdrawal from the EU. Government receipts have been lower than expected and the date for balancing the budget pushed further and further back into the next decade.

Thus the government is torn between deficit reduction and higher spending, a choice which will grow starker over time. In housing, this has often meant less capital funding, attempts to reduce housing-related benefit spending, and reallocation of existing (rather than new) money.

KEY POINTS

The UK has grown more slowly and is predicted to grow at c1.4% per year, compared to a pre-financial crisis rate of 2.0%. According to the Office for Budgetary Responsibility, the main reason for this is low productivity growth, with current output per hour 21% below its pre-crisis trend⁷². What had previously been viewed as a 'short-term' trend now appears to be the 'new normal'.

The combined effect of low productivity and economic growth, and the way in which near-record high employment rates have not translated into earnings growth, is to reduce forecast government receipts and thus the speed of deficit reduction. As a result, medium-term borrowing is set to increase (a forecast rise of £17bn in 2020/21), as is the size of the UK's debt⁷⁵.

Real earnings growth has been hampered by rising inflation following the depreciation of sterling after the EU referendum. While the Bank of England expects inflation to have peaked in Q4 2017 before dropping back to 2.4% at the end of 2018⁷³, real earnings are still expected to rise slowly⁷⁴.

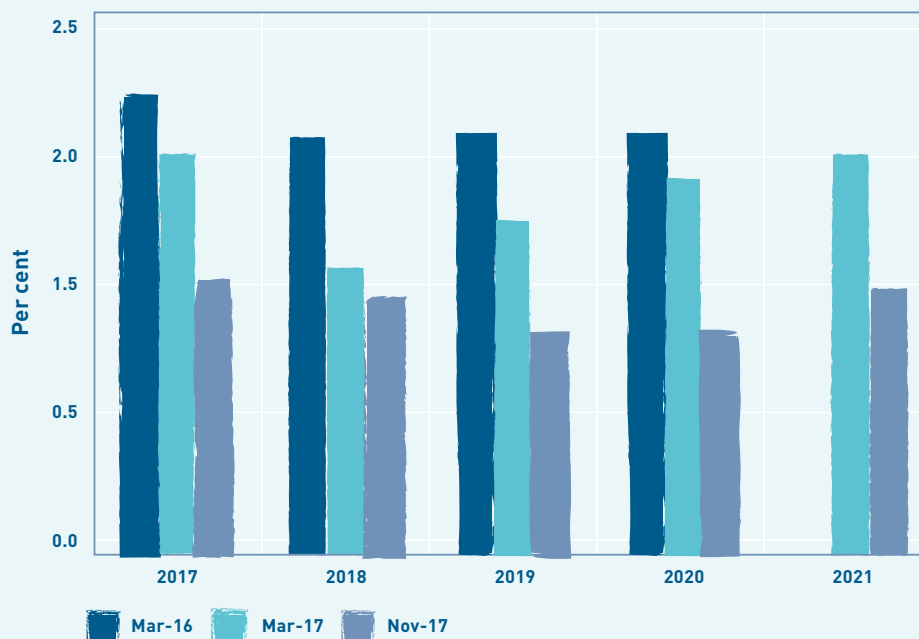
The government's initial response has been to loosen fiscal policy (like stamp duty, additional capital funding for productivity, the NHS, and housing) in the short term, although departmental cuts will continue for a longer period. Unless economic growth rebounds strongly, balancing deficit reduction with the pressure on departments will become an increasingly difficult choice.

72. Office for Budgetary Responsibility, Economic and Fiscal Outlook, November 2017, pp5-6, 9

73. Bank of England, Inflation Report, November 2017, pi

74. Institute for Fiscal Studies, Autumn Budget 2017: Consequences of the Economic Downgrade, November 2017

75. Office for Budgetary Responsibility, Economic and Fiscal Outlook, November 2017, p14

Fig. 8: Successive forecasts for GDP growth

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Fig. 1: Affordability 1999-2017 Selected Regions. House price to workplace-based earnings ratio. *ONS (2018)*

Fig. 2: House Price and Average Earnings Forecasts. Average Earnings Growth *March 2018 (OBR)*, UK Housing Market Outlook – *November 2017 (PWC)*, Residential Property Forecast – *November 2017 (Savills)*

Fig.3: Proportion of households with children in owner occupation and in the private rented sector: England. *A New Generational Contract: The Final Report of the Intergenerational Commission. Resolution Foundation (2018)*

Fig. 4: Contributions to real household income growth. Economic and Fiscal Outlook. *OBR (2017)*

Fig. 5: Successive forecasts for GDP growth. Successive OBR Economic and Fiscal Outlooks.

Fig. 6: Relative Poverty Rates, AHC Incomes. Living standards, poverty and inequality in the UK: 2017–18 to 2021–22. *IFS (2017)*

Fig. 7: Relative Child Poverty Rates, Selected Years, AHC Incomes. Living standards, poverty and inequality in the UK: 2017–18 to 2021–22. *IFS (2017)*

Fig. 8: Receipts/Spending in 2021–22 by Age. *OBR*

Fig. 9: Northern Roundtable for FSSC visual minutes *(2018)*

Fig. 10: London Roundtable for FSSC visual minutes *(2018)*

Fig. 9: Northern Roundtable for FSSC visual minutes (2018)



FUTURE

WHERE does it NEED to BE in the next 10 years?

ROLE

HOW DO WE MEASURE THE VALUE OF WHAT WE DO

WE will make things BETTER!

NOT to the exclusion of others

We do want to bring people IN

It's about people LIVING & WORKING in the local economy

IDENTIFY

why do WE NEED a HOUSING STRATEGY?

STRATEGY



CLARION

Ambition to develop 50,000 homes over 10 years

Reducing HOMELESSNESS



We DON'T Stand still, we're ALWAYS Evolving!



Community based Stock transfer, Mutual Members



Housing that SUPPORTS Economic Growth



Take a more FLEXIBLE APPROACH

Quality of homes

AFFORDABILITY

WHO are WE BUILDING FOR & WHERE?

LOW COST GOOD QUALITY HOMES

HOW do WE BALANCE THE ECONOMY

Housing dominates HOW people LIVE

HOW are we REPRESENTED NATIONALLY?

We need BUSINESSES to INVEST in the NORTH AS WELL AS THE HOUSING

We can't ignore the Housing crisis

community

WE are PART of the ANSWER

WHAT ARE THE PROBLEMS WE CAN SOLVE?



- RIVERSIDE
- TORUS
- ROCHDALE BOROUGH-WIDE HOUSING
- LIVERPOOL MUTUAL HOMES
- CROSBY HOUSING ASSOCIATION
- OWARD HOMES

420 Units in Setton. The Coast is part of our FUTURE

Making a POSITIVE Difference in Communities



Fig. 10: London Roundtable for FSSC visual minutes (2018)







Appendix 2 – List of questions and challenges in full

FOR HOUSING ASSOCIATIONS

Does the association conduct regular perceptions surveys of stakeholder and customer opinion?

How is it seeking to drive up net promoter scores among stakeholders and customers?

Does the board regularly take time to critically examine the organisation's strategies and activities against its guiding social purpose and objectives?

Is the association rethinking its customer offer for the digital age and taking full account of the wider implications of digital change for service structures?

How are customers involved in ensuring new digital service offerings meet their needs first and foremost?

Is the association giving adequate attention to ensuring quality and completeness of data to understand customers and drive service performance?

Which housing associations or other bodies are best placed to establish sector-wide approaches to digital systems change and big data exercises?

How are associations rethinking resident engagement and involvement in the light of new service offers and possible erosion of customer trust?

How are associations rethinking processes and communications to respond to serious service failures better and maintain trust and reputation?

Does the association have a clear sense of the proportion of output which should be below market levels and for social rent to fulfil its social objectives?

Is the association clear about its core operating areas and products and how it uses this in decisions on development opportunities and strategic asset management?

How are associations responding to the likely arrival of private sector companies with significant financial power into their markets?

How are associations seeking to avoid over-bidding for land?

Are associations actively seeking to work jointly to maximise development and place-making results?

How should housing associations promote themselves more effectively to NHS Trusts as NHS land governance arrangements become more favourable to partnership?

Are all executives and board members clear about their association's 'elevator pitch'?

Can they deliver it well in external forums?

Will the board adequately be able to discharge growing responsibilities under the current governance structure or does this need to evolve?

What steps are associations taking to improve the diversity of their boards and senior management teams?

Are associations thinking through how they improve their openness and transparency to customers and stakeholders?

How should the sector broker skills exchange, secondments and placements to help develop the next generations of sector leaders?

FOR GOVERNMENT AND OTHER PARTNERS

How can Homes England support the establishment of a viable offsite construction industry?

How do housing associations support such an initiative?

How are the government and its agencies acting to quicken the pace of land release at levels that will support meeting its homes target and improved affordability?

What mechanisms are the government willing to consider to constrain the upward spiral of land prices to help improve housing affordability?

Are local authorities willing to consider closer development partnerships with associations and the policies which will enable these to flourish?

Is the Regulator for Social Housing reviewing its processes and skills base to manage the probable structural changes some associations will make and the entry of new participants into affordable housing?

Are the Regulator and Housing Ombudsman clear on the boundaries and extent of their respective powers?

Appendix 3 – Contributors to the Commission

The Commission would like to thank the following for their contributions to this report.

Accord Group

Aspire Housing

Bolton at Home

CaCHE

Chartered Institute of Housing

CIH Futures Group

Clarion Housing Group

Confederation of Cooperative Housing

Crosby Housing Association

Dianne Murray (personal capacity)

Fortis Living

g15

Gloucestershire Rural Housing Partnership

Graham Hindes (personal capacity)

Grant Thornton LLP

Greater London Authority

HACT

Halton Housing

Homes England

Innisfree HA

Janet Thornton (personal capacity)

Joseph Rowntree Foundation

Julian Ashby (personal capacity)

L&Q

Lewisham Council

Liverpool Mutual Homes

Midland Heart

Ministry for Homes, Communities,
and Local Government

National Federation of Tenant
Management Organisations

National Housing Federation

Neil Hadden (personal capacity)

Network Homes

Northern Housing Consortium

Notting Hill Housing

Onward HA

Optivo

Paradigm HA

PricewaterhouseCoopers

Regulator for Social Housing

ResPublica

Riverside Group

Rochdale Boroughwide Housing

Rooftop Group

Rural Housing Alliance

Savills

Shelter

Southern Housing Group

Sovereign Housing Association

St Helens Council

Steve Biko Housing Association

Sustainable Homes

Taroo Trust

The Guinness Partnership

The Housing Forum

Torus

TPAS

UK Finance

University of Bristol

University of Cambridge

Walsall Housing Group

WM Housing

Yarlington Housing Group



Future Shape of the Sector Commission

L&Q



CLARION
HOUSING GROUP



**Network
Homes**