NEW TIMES, NEW BUSINESS

Housing Provision in Times of Austerity

DUNCAN MACLENNAN AND SHARON CHISHOLM (eds)

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THE CHALLENGES AND OPPORTUNITIES OF THE AUSTERITY ERA

The New Times, New Business project was launched in June, 2011 and led by the Centre for Housing Research (CHR) at the University of St Andrews. CHR worked with six partners that are all involved in providing or facilitating the provision of good housing outcomes for lower income groups. The partners included Glasgow Housing Association, Places for People, The Housing Services Corporation of Ontario, Ottawa Community Housing Corporation, Housing Choices Australia and The Norwegian State Housing Bank. PowerHousing Australia was also involved in the early stages of the project.

The partner organisations, largely operating in what is historically described as the non-profit sector, were already using new ways to finance desperately needed housing in the face of government cuts to capital grants and welfare supports as well as difficult financial markets. We were seeking new ideas and innovations and eager to learn from each other and to fashion a constructive conversation.

One of the biggest questions we discussed was ‘what kind of businesses can we become to not only survive but thrive in the tough times that are likely to prevail until the end of this decade?’ Practitioners and academics both saw the need for new models to continue the important work of providing affordable, decent homes for low income households and in supporting better, more inclusive communities. We also recognised that these new times bring not just acute fiscal pressures for governments but also the occurrence of long anticipated demographic and environmental pressures which are characterised by extensive market failures in housing service provision. Dealing with these key policy issues creates new potential roles for effective organisations with long time horizons and patient capital.

Organisations with core objectives that saw effort and entrepreneurship primarily aimed at the wellbeing of individuals and communities have key roles to play not just in delivering redistribution but in shaping better functioning housing systems. As providers and academics we reached the view that housing policymakers have failed to recognise this key issue of better system functioning and continue to see ‘non-profits’ simply as subsidised deliverers of ‘non-market’ housing. We wanted to address a bigger and bolder question of how in an era of austerity shaped and prolonged by market failures, namely ‘how both to ensure the
sustainability of our affordability and community roles in the times ahead but to extend, where possible, the activities that could improve market functioning and potentially earn surpluses to cross-subsidise other activities.

Our partners were already alert to, and indeed involved with these new opportunities. In addition to new financing techniques, new organisational structures, new business lines and new revenue streams were already underway. For some this involved using their existing development expertise to build ‘for-profit’ rental housing to generate new funds and improve the integration of ‘social’ housing within mixed communities. Others were seeking ways to provide services to their tenants that went beyond provision of shelter and that could also provide a new revenue stream. Discussions on how to loosen the regulatory framework were balanced with lessons on how to retain the most important aspects and philosophical underpinnings of our businesses. New times and new opportunities need us to fashion new businesses, not just in their scope but in their style.

In our desire to stretch limited resources, we wanted to better understand how housing investments supported desirable outcomes, in areas such as health, educational achievement, and job readiness, not only for our tenants, but also for the places in which we invest. How would neighbourhoods have been different without ‘social’ housing? The project gave us an opportunity to review the evidence that existed in this area and get an idea of the kind of indicators that were most important to measure in the future.

At our June colloquium, the research papers were reviewed by all partners during a week of meetings held in St Andrews. Papers were revised, enriched and grounded in practice. The experience gave rise to a valuable discourse within our organisations and for non-profit housing providers generally. We were all facing similar issues and constraints despite the fact that governments in some countries were more engaged in housing than others. This relatively longer term collaboration by academics and practitioners helped all partners to understand the context of the changing environment and the opportunities it presented. We are not at the end of this tumultuous period, rather we are just beginning. The choices we make and the actions we take will spell out the future for neighbourhoods and places. Not only do we need new business lines and better outcomes, we need to change the very way we undertake our businesses. New methods of governance, financial management and business practices are required.
We believe that there is merit in sharing some of the general discussions and conclusions from this project. In the volume that follows the successive chapters set out the Changing Context for providers in the case study countries, the Changing Financing of non-profit housing provision, Evolving Management and Governance, Capturing Wider Impacts and, finally, a statement of Findings, Conclusions and Implications. We hope that the New Times, New Businesses project will continue to stimulate debate on fundamental questions for housing policy debate, not least how to evolve traditional social housing and non-profit organisations into forms that serve key system roles in a resilient fashion and be a firm step towards modernising our businesses and making them fit for the 21st century.

2013 marks the 600th Anniversary of the University of St Andrews and that speaks to the longevity of non-profits that are adaptive and knowledge seeking, as the university is a non-profit institution. I am grateful to the university for their support in undertaking this major knowledge co-production project and their aim of contributing to better outcomes for less affluent citizens in Scotland and abroad. I am also grateful to the innovative leaders that supported this project, namely David Cowans (Places for People), Lindsey Reed (Social Housing Services Corporation), Jo-Anne Poirier (Ottawa Community Housing Corporation) Martin Armstrong (Glasgow Housing Association), Baard Oistensen, (The Norwegian State Housing Bank). The cooperation and support that their colleagues provided was invaluable and I thank them all for their time and interest.

I would like to record a particular thanks to Tony McLaughlin from GHA, who was seconded to work with the St Andrews team, and to Judy Sutherland (Housing Choices Australia), Alister Steele (Places for People) and Susan Rath-Wilson (Ottawa Community Housing Corporation) who were the key interfaces with their organisations. At St Andrews, Sharon Chisholm skilfully managed the interactions and the visiting research associates; Derek Ballantyne and Michael Lennon complemented our own team of Beverley Searle, Charles Lovatt and Tony O’Sullivan. Galina Laurie (New South Wales) and Fanchea Kelly (GHA) participated in the St Andrews Colloquium and their insights and advice helped us.

I have been involved in collaborative international research for much of my career, often for organisations such as OECD and the World Bank. This project was quite different as it involved co-production with direct, major providers of homes and neighbourhoods. New technologies helped but it was the drive to learn and innovate within these organisations, perhaps
now outpacing such capacities within governments that drove this project forward. I am grateful for all those involved for teaching me so much.

Professor Duncan Maclennan CBE FRSE AcSS
Director, Centre for Housing Research,
University of St Andrews
CONTRIBUTING AUTHORS

Derek Ballantyne is currently the principal in DKGI Inc., a real estate consultancy that assists in development projects including non-profit housing, housing policy and business development. Derek has consulted nationally and internationally, was formerly the CEO of the Toronto Community Housing Corporation, and has participated in advisory panels on housing program design and reform in Canada.

Sharon Chisholm managed the NTNB project and was Knowledge Exchange Specialist at the Centre for Housing Research. She is interested in the interface between academia and housing stakeholders and is currently researching, for the Province of Nova Scotia, models for assisted housing with a focus on shared equity.

Michael Lennon has played major roles in developing new housing organisations in Scotland (GHA), New Zealand (NZHC) and Australia (HCA). He is currently General Manager, Housing and Property Services of the ACH Group (Adelaide) and advises the Federal Government of Australia on housing strategy and policy matters.

Charles Lovatt is Fellow in Entrepreneurship at the School of Management at the University of St Andrews. He was a Research Associate on the NTNB project contributing expertise on the management of change and on issues of governance & strategic resilience. He is currently a Trustee of the National Library of Scotland.

Duncan Maclennan CBE is a Fellow of the Royal Society of Edinburgh, Head of the School of Geography and Geosciences and Director of the Centre of Housing Research at the University of St Andrews. He is an urban economist who researches the economics of cities, neighbourhoods and housing. He currently advises the Prime Minister’s Department in Australia on the future planning of Australian cities.

Tony McLaughlin works as a Policy and Research Officer in Glasgow Housing Association’s Strategic Planning and Research Team. Tony was seconded to the NTNB project on a part time basis. His current areas of research are the diversification of social landlord activities, sustainability and housing, equality and diversity in housing management and general urban and housing policy.

Tony O’Sullivan is a Director of Newhaven Research Limited and an Honorary Professor in the School of Social and Political Sciences at the University of Glasgow. Tony has been a housing economist for 30 years.
His main research interests are housing market analysis and the economic analysis of housing policy.

**Beverley Searle** is a Senior Research Fellow at the Centre for Housing Research at the University of St Andrews, focusing on trends in subjective wellbeing and social welfare, in relation to housing wealth and intergenerational transfers. This ranges from micro concerns of the social and economic consequences of recession on household relationships to wider concerns about housing systems and tenure flows.
# NEW TIMES, NEW BUSINESS

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CHAPTER 1

CHANGING TIMES, CHANGING CONTEXT
Beverley Searle and Duncan Maclennan

I. CHANGE: CYCLE AND TREND, NATION AND REGION.

The Great Financial Crash (GFC) of 2008 occurred just as economic experts and institutions across the advanced economies had begun to understand the ways in which housing sector outcomes, especially prices, had reinforced the long boom (Smith and Searle, 2010; Maclennan and Priemus, 2011). In the two or three years after the GFC the fiscal stimulus programmes of governments, in most countries, boosted housing investment to forestall reductions in national income and employment. Since 2011, as governments have moved to reduce annual deficits and long term debt to GDP ratios, support for housing investment programmes has waned, arguably when they have become most needed both in relation to meeting rising low income housing needs and boosting economic performance.

At the end of 2012 all of the countries examined in this report, Australia, Canada, Norway and the UK, have downgraded economic growth forecasts and extended the periods over which they expect to meet their debt reduction targets. The great housing and economic cycle of the last ten years has now left governments cutting, trimming or scrutinising their housing policy expenditure programmes. In consequence, non-profit housing providers are facing a new context that is not only placing new demands upon them to meet growing needs and address expanded market failures but is also reducing their access to public finance and subsidy in a context of wider and deeper credit market rationing.

Change is not just cyclical. Organisations also function amidst long term change processes. The particular complexities of the difficult global context for housing are not just the recession-induced housing investment cutbacks but their synchronicity with the increasingly apparent negative effects of longer-term demographic and environmental trends. There is a growing recognition that population ageing and growing greenhouse gas production have to be tackled now. These last few years and the rest of the decade ahead are not best seen as a typical, trade-led cyclical blip and shallow recession that will soon pass with policy roles and public resources reverting to ‘normal’ within a few years of the economic trough. They are better seen as new times, when, for some nations, unprecedented austerity in fiscal support for
housing will be the backdrop for coping with rapidly ageing populations and more pressing environmental effects of everyday life. These are new times for the rest of this decade and perhaps beyond.

This introductory chapter brings together data that describes the changing context for non-market and not-for-profit housing providers in the case study countries. In particular, it focuses not only upon housing low income households but also highlights the sectors and areas in which the ‘new’ policy pressures, and indeed market failures and opportunities will arise. When international collaborative work is undertaken it is often apparent that quite disparate national contexts, shaped by different histories of economics, politics and policies can display quite similar trends in the key factors that drive housing demands and needs. The capacity of different housing systems to cope with these changes then becomes an important question. This chapter does not explain historical differences in the emergence of context but, instead, considers how new contexts emerging in the different nations have important commonalities. The focus is primarily on the period post 2000.

Much housing policy research focuses on national level studies. However with new sub-national autonomies in housing policies emerging over the last two decades (Maclennan and O’Sullivan, 2013) in all the countries collaborating in this project, organisations increasingly have to deal with regional and local contexts and differences. Most of the organisations in this study are multi-locational; they operate not just across different municipalities but, in some instances, across different ‘state-provincial’ jurisdictions too. We have noted these differences where they are relevant to the arguments produced here.

This chapter has national contexts that relate to: Australia, Canada, Norway and the UK. Within these nations the particular focus is on organisations based in Scotland and England (the UK), Ontario (Canada), Victoria (Australia) and for Norway as a whole. Changes are considered within four broad themes; Drivers, Outcomes, Policy and Implications. These headings are not mutually exclusive and there may be overlaps between themes but they serve as a means of identifying key data and grouping information in a manageable form.

II. MAIN DRIVERS OF CHANGE

The evolution of housing demands and needs within any housing system is largely driven by population and economic change. Demographic change clearly drives household numbers and the structure of
households. The age structure of the population also has salience for housing pressures and policies. Economic changes that matter include the growth in household incomes, interest rates and other cost changes that interact with income changes. Together these changes shape new and evolving patterns both of demands for and ability to pay for adequate housing. Population change and economic development are closely and recursively related. Clearly, population growth reinforces economic growth, and economic growth may reinforce population expansion, not least through migration effects. Here, as a simplification we treat them separately, describing how key demographic and economic influences on housing outcomes have unfolded in recent decades. The implications, or outcomes, of these changes for housing systems are discussed in the next section.

II.I New Demographics

The changing contexts in which housing market systems are operating are underpinned by new demographics (Statscan, 2010; Australia Productivity Commission, 2005; Statistics Norway, 2012). Not only are national populations growing, even if most countries contain places of decline, but the changing structure of households and their age structures present new challenges to housing services providers.

Recent Population Growth and Projections

Canadian population growth patterns are a good indication of the pressures emerging. Over the last five years, between 2006 and 2011, Canada (current population 33.5 m) had the fastest population growth rate in the G8 economies at 5.9pc (exceeding the previous quinquennial increase of 5.4pc between 2001 and 2006). Canada’s growth, like Australia’s, is fuelled primarily by immigration and demonstrates sharp interregional differences. For example, Alberta’s five year growth of 10.8pc contrasts with near static populations in the Atlantic Provinces such as Nova Scotia (with a 0.3pc gain). Immigration, ageing and regional and metropolitan imbalances in growth characterise population change, not just in Canada but the other countries too and they all reshape housing demand patterns.

In Australia, Queensland and Western Australia (with population increases of, respectively, 26pc and 22pc between 2000 and 2010) have grown faster than New South Wales and Victoria whilst Tasmania and South Australia (with growth rates, respectively, of 7pc and 8pc) have lagged behind national rates.
Canada and Australia both contain ‘regions’ that face quite different population growth pressures and economic prospects. Similar patterns prevail within the UK, with London and the South East of England outstripping growth elsewhere. The North of England and the devolved administrations of Scotland and Wales conversely face, by international standards, quite modest population growth rates. In Norway the rural north faces population decline whilst the Oslo region has grown significantly since 2000. Looking across the countries as a whole since the start of the millennium, the populations of all 5 nations have grown between 2000 and 2010 (Australia by 11pc; Canada by 8pc; England by 6pc; Norway by 4pc and Scotland by 3pc). The official predictions in all these countries are that this growth pattern will continue (Figure 1, above). Although annual growth rates vary across the nations, there is a common trend in that the rate of growth will gradually slow down by 2035 (for example from 1.2pc to 0.6pc in Australia and 0.3pc to 0.1pc in Norway). It is useful to consider how the key features of these population changes impact housing investment and management challenges.

**Spatial Differences**

Within all of the nations included in the project there have been some similarities in the quite complex geographies of population change. Lying below the national and regional change patterns noted above there have been quite sharp differences emerging at metropolitan and neighbourhood scales. Whilst policy regimes for housing have significant
national and ‘regional’ components local change patterns are critical in housing because housing systems have significant, grounded, local dimensions. Risks and returns for housing investors reflect local factors as well as national considerations (such as interest rates). The New Businesses in housing are facing not just national and regional policy changes but they also have to plan, invest and manage within increasingly different local contexts. As government cushions of subsidy deflate and providers become more concerned about asset values and stability of income streams then understanding local contexts is becoming more important to providers.

### Major Settlement Shifts in Canada

Between 2006-2011 the number of people living in census metropolitan areas continued to grow at a rate surpassing the national average. Between 2006 and 2011, census metropolitan areas grew at a rate of 7.4pc, above the national average of 5.9pc. Even in regions or provinces with low growth rates there were Census Metropolitan Areas (CMAs) with significant growth, for instance amidst overall population stasis Halifax in Nova Scotia expanded by 4.5pc and Moncton in New Brunswick by 6.5pc.

Cities, and their associated metropolitan regions, differ significantly in growth prospects and pressures (Harcourt, 2006). CMAs are defined by Statistics Canada as areas larger than 100,000 people with an urban core of at least 50,000. Such areas now house 70pc of the Canadian population. The 15 fastest growing census metropolitan areas had expansion rates in excess of 5.5pc between 2006-2011, so that there are significant areas of sustained housing demand pressure in a wide range of localities. These were largely in western Canada and in the metropolitan ring surrounding Toronto.

The Greater Toronto Area grew by 5.1pc between 2006 and 2011, setting its population at almost 5.6 million. This increase reflected more modest growth within the core city of Toronto itself but much higher expansion rates, close to 20pc, in the associated new growth centres of the polycentric metropolitan region (in places such as Brampton, Mississauga, Markham, Oakville, Pickering, and Vaughan).

The paragraphs above emphasise growth. However the pattern of spatial change within regions, even cities, is seldom uniform and balanced. Decline coexists with growth at all spatial scales. Suburbanisation and sprawl of major cores have usually meant that city growth masks the decline of old, declining opportunities in some edge towns. Some older industrial and mineral extraction sites may also manifest population decline within quite prosperous regions. A housing provider operating across the Toronto metro area may now be primarily challenged by growth but with significant contraction in older industrial bases. Some detached cities and towns may confront stasis and decline.
Cities and metropolitan areas are facing most of the housing growth pressures in all of the countries studied. Recent statements from the Australian Treasury indicate that not only are the major capital cities of Australian States growing more rapidly than had been expected over the last decade but that growth to 2030 is expected to be almost entirely within the existing metropolitan regions. State capital cities, in particular, constitute the most likely locus of expansion. The geography of drought in Australia and cold in Canada means that the space for national population expansion represents a small proportion of national territory. The key housing challenges facing providers will be set, mainly, within the management of metropolitan growth.

Patterns similar to the broad Canadian experience are apparent in the regions and metropolitan areas of the other countries. In the State of Victoria, for example, whilst Melbourne grows at rates well above past expectations some second order cities, such as Geelong, struggle to sustain population and economic bases. In the UK there are sharp differences between major metropolitan areas that have implications for organisations operating region-wide (or nationally). In some localities, for instance London, they will confront growth challenges and robust property values. In others, such as Glasgow, regeneration and renewal will be the challenge and there will be less likelihood of demand induced uplifts in the value of the asset base of organisations. As governments reduce support, unless residual support is spatially re-targeted, the new times will mean that places of growth will be more manageable for non-profits than places of decline. Performance and risks are diversifying and that has strategic implications both for governments and for organisational choices.

This urban emphasis in population and associated housing growth should not be used as a basis to dismiss the quite significant housing investment and management issues that are appearing in smaller towns, outside metropolitan regions, and in more sparsely populated rural areas. However they were not the focus of the conversations in the NTNB forum.

**Migration**

Population growth can differ in its causalities and reflects the overall balance of emigration, immigration and net natural increase. Much of the growth discussed above, at all spatial scales, is due to migration. In all the nations included (with the exception of England discussed below) net migration has added more people to national populations between 2000 and 2010 than natural changes arising from births and deaths (Figures 2-
6). Norway and Australia in particular experienced a spike in migration from 2006 (Figure 4) and during 2008-2009 (Figure 2) respectively. In Australia the majority of these overseas migrants settled in New South Wales and Victoria (Figure 2a), posing particular challenges of housing provision and planning by state and local governments in these regions.

Population predictions for England set out a different expected pattern for the future. Migration is expected to fall to a constant level between 2011 and 2035 and significant increases in natural change are anticipated over the next decade (Figure 5). Regional analysis suggest that across nearly all English regions replacement levels (i.e. the extent to which births exceed deaths) are predicted to fall from around 2020 onwards, notably in the South West where the birth rate is predicted to fall below the death rate during 2030. It is also predicted that there will be a mass exodus from London from around 2020 with net migration turning negative, and predicted increased migration into the South East and South West.

In Scotland, migration will still be a key component of population growth (Figure 6). However here too, certain areas are predicted to see a decline in population between 2010 and 2035, for example Inverclyde, East and West Dunbartonshire (where out-migration, reflecting the long term decline of these locations that had grown to serve industrialisation from 1880 to 1960, is expected to exceed in-migration). Northern, rural Scotland has much in common not just with Norway but with Northern and Atlantic Canada and with drier rural areas of Victoria in that decline will reflect a failure to reach replacement rates in natural change.

Net Immigration not only raises pressures on metropolitan and local housing systems. It also diversifies populations in relation to ethnicity, culture and skills. It usually significantly raises the proportion of visible minorities, and In Canada, for instance, Statistics Canada (Statscan) report that 16 percent of Canadians can be classed as visible minorities. Canada and Australia, with their high immigration rates, have exceptionally diverse populations and labour forces. A recent study (Forbes Insights, 2012) indicates that a combined population-economic diversity index would place Canada, Australia and Norway (in Norway’s case this is largely because of gender diversity in occupations) in the 7 most diverse countries in the world.

Australia and Canada consistently appear near the top of global cross-national rankings of ethnic diversity. In Toronto, and indeed Melbourne, more than half of the current population was born outside of the country
they now live in. Both these metro systems have to absorb close to a thousand new households every week but also cope with the reality that the vast majority is immigrating from overseas. The nature of demands shifts as it grows. The UK and Norway, if at less extreme rates, confront these patterns too in their main growth regions around, respectively, London and Oslo. Immigration has been significant outside the London region too. In Glasgow, the settlement of Asylum seekers has been particularly significant in some of the places and communities housed by GHA communities.

Immigration, for some people, in some places, may require housing providers to make housing and neighbourhood management responsive to the shifting composition of populations. For instance there needs to be more attention to advice and support being supplied in multiple languages and cultural and religious sensitivities recognised. Cost benefit studies of immigration to the UK, by Her Majesty’s Treasury (2007), have stressed the net economic gains from immigration. In all of our case study countries economic cases comprise the vast bulk of migrants. A major factor shaping these positives of immigration are that immigration is having a marked beneficial effect on the age structures of populations. It is important to note that population is not only growing and diversifying, but it is also ageing.

Figure 2: Components of Population Change 2000-2011: Australia

Source: Australian Bureau of Statistics
Figure 2a. Migration: Australian States 2000-11.

Source: Australian Bureau of Statistics

Figure 3: Components of population change 2009-2014: Canada (Statistics Canada)

Figure 4: Components of population change 2000-2009: Norway (Statistics Norway)
Figure 5: Components of population estimates 2010-2035: England

![Graph showing population estimates for England with components labeled as natural change and net migration.](image)

Source: Office for National Statistics

Figure 6: Components of population estimates 2010-2035: Scotland

![Graph showing population estimates for Scotland with components labeled as natural change and net migration.](image)

Source: General Register Office for Scotland

**Population Ageing**

The ageing of societies is evident across all nations in the study. Although ageing is currently more pronounced in the UK and Norway, it is predicted that by 2035 at least a fifth, and up to a quarter, of national populations will be aged 65 or over (Figure 7). The decline in birth rates means the proportion of people at the younger end of the age scale is falling. In Australia and Canada this is significantly offset by high rates of immigration of relatively younger and more fertile households. At the
same time those who are already alive are living much longer, swelling the ranks at the older end of the age spectrum.

Figure 7: Age structure: Population predictions 2000-2035

The detailed breakdown of age distribution in Figures 7a and 7b demonstrate, by way of illustration, the patterns for Norway and Canada (patterns for the other countries are readily available from national statistical agencies) and make clear the rapid increase amongst the oldest old. In all nations the proportion of those aged 80 and over will nearly double between 2010 and 2035. This age group contain those with the most intense care needs. This not only has implications for health and social service providers (including, for example, stock utilisation), but will also impact on the types of housing provision needed in terms of bespoke sheltered accommodation or adaptations to existing properties. For those who continue to age well in-place, this will have wider implications for the neighbourhoods in which these older people are located, in respect of local and accessible shops and services.

Population ageing has potentially critical implications for housing providers, some of which are only being recognised and all of which require some consideration in organisations strategies. The key issues are that:

- As the population ages the official and actual ages of retirement tend to rise so that more older households remain in work
- Despite that increase, the ratio of retired to working age population rises
The public spending burden of providing elderly services will have to be supported by a smaller proportion of the population (assuming that income taxes remain the main sources of tax revenue); this is the rising dependency ratio.

The rising numbers of very, and often frail, elderly households means that the post retirement requirement for health, care and potentially housing supports is rising per capita; that is potential expenditures per capita are rising as the dependency ratio rises.

If housing assets begin to form a rising component of the resource base that households have for ‘looking after themselves’ then housing funders and providers may be able to help provide owning/renting mixes and trajectories that allow ‘equity descent’ without losing housing security.

Increased longevity has also meant that households, or more particularly individuals, are facing more complex stages in their housing pathways.

In the last two years of life many individuals are facing the prospect of moving from independent living, to living at home with care, then intensive care, then residence in nursing homes with increased use of hospital care.

These changes confront housing providers with new roles as tele-healthcare moves to full service delivery and raises key questions as to who will manage changing living arrangements for the (often) single elderly.

Rising per capita expenditures in (interrelated) housing, health and care services, increasing dependency ratios and the likely requirement for housing equity descent are all likely not just to impact but redefine the roles of non-profit providers in the decade ahead.
Household projections

Future housing demands are commonly identified through household projections. Growth in population does not correspond precisely with growth in households. For instance, rising incomes relative to house prices encourages more households to form, both through younger individuals leaving home earlier and through marital splits. Similarly, growing longevity will, usually, lead to rising numbers of single households. The pace of growth of household numbers is now expected to rise faster than population growth due to the significant shift towards single person households (Figures 9-13).
In England this group will account for 41pc of households (11.2m) by 2033, rising from 34pc (6.2m) in 2008; similar growth is predicted in Scotland (36pc to 45pc; 0.8m to 1.3m). The growth is less pronounced but still predicted in Canada (27pc to 30pc; 0.3m to 0.5m) and Australia (24pc to 26pc; 2m to 3m). Forward predictions of household type are not available for Norway, but here single persons account for the largest household type which rose from 38pc to 39pc (0.7m to 0.9m) between 2001 and 2011. Rising proportions of single person households means that the ‘overhead’ cost of housing increases.

Closer scrutiny of single person households in England (Figure 13) shows that whilst a rise in numbers is predicted across all age groups this is expected to be greatest for those aged 85 and above. In Scotland where a breakdown by gender is available, indications are that most growth in single older persons will be among female headed households, with growth among male headed households concentrated among those of middle age (Figure 14).

The fall in the proportion of younger people in the population is also evident among changes in household type. Couple households with children who accounted for nearly one-fifth of all households in England (18pc; 3.7m) and Scotland (22pc; 0.5m) in 2001, are predicted to fall to 12 pc ( 3.4m) and 11pc (0.3m) respectively by 2033. Lone-parent households however are predicted to grow; 6-8pc of all households in both England (1.2m to 1.3m) and Scotland (0.1m to 0.2m) (Figures 8 and 9). This may account for the predicted growth in single male (through divorce or separation) headed households noted above.

**New Times, New Demographics, New Business**

The new times involve new demographics. Indeed it is arguable that the present prolonged recession in some countries will shape further rearrangements in how families form and evolve. For instance high housing costs for younger households (amongst other things) have encouraged younger people to live longer at home and to return to parental homes after periods in higher education. More middle age households are now providing housing space, and care, for their elderly parents. The proportion of children raised by their grandparents is rising. These are small scale changes at present but they hint at further possible demographic changes that will reshape housing needs and demands.
The trends towards increased dependency ratios are however well established and that is likely to squeeze all but the best-argued spending programmes. With a potential new reliance on housing assets for old age support and with new complex life courses towards the end of life there are already well established cases for rethinking housing, care and health provision.

Figure 8: Household growth and projections: England

![Figure 8: Household growth and projections: England](image)

Source: DCLG Live Table 404

Figure 9: Household growth and projections: Scotland

![Figure 9: Household growth and projections: Scotland](image)

Source: GROS
Figure 10: Household growth and projections: Australia

Source: Australian Bureau of Statistics; 32360DO0001_20062031

Figure 11: Household growth and projections: Canada

Source: Statistics Canada
Figure 12: Household growth: Norway

Source: Statistics Norway

Figure 13: Projected growth in single person households 2008-2033: England

Source: DCLG
II.2 Economic Change, Growth and Redistribution

The nations included in this study have all been impacted by the major economic changes of the last two decades. The background has been a relentless globalisation of trade and information flows and increasing integration, albeit unevenly, of capital and labour markets in a context where the weight of demand growth influences have shifted from West to East. The long boom from the mid-1990’s to 2008 saw surplus savings from petrodollar surpluses and Asian expansion fuel substantial growth at low real interest rates throughout the advanced economies. That economic era ended abruptly in the GFC.

The changes in clients, costs and other constraints that public and non-profit housing providers now face reflects not just the depth and length of the post 2008 slowdown but the strength and height of the prior boom. Against the backcloth of still growing globalisation it is useful to consider the consequences of the long boom and then the subsequent downturn.

The Long Boom

As GDP grew unemployment first fell and remained low, in the UK and Australia from in excess of 6pc to under 4pc. In Norway unemployment was lower and fell to under 3pc in 2008. Unemployment rates in Canada are typically higher than in the other countries but also fell to just under 6pc by 2008. Despite sustained economic growth inflation rates remained low by post 1970’s standards and, in consequence, policy interest rates, although higher than post 2008, remained relatively low. However progress within these nations was not even in all places or indeed equal for all income and skill groups. Sectorial and spatial differences in income growth became more important. In the advanced economies there has been a sustained tendency for the lowest decile or quintile of the income or wage distribution to have income increases at less than national average rates.

This pattern is well documented in the UK (Hills et al 2010). In Australia the government survey of households with low economic resources (LER) (households in the bottom quintile of both equivalised household incomes and net worth) indicates that the incomes (equivalised) of LER households in 09-10 was 45pc of other households and that whilst average incomes grew by 21pc between 2003-2009 this fell behind the 27pc growth experienced by others. The survey also notes a trend that can also be observed in Canada and the UK that the net worth, or wealth, of poorer households is falling further behind others, and especially the more affluent decile. In Australia, between 2003 and 2009, net worth did not grow at all for LER households whereas it increased for other households by 29pc. The Charts below, for Canada (Figure 15a) and Norway (Figure 15b), also demonstrate inequalities in the distribution of and growth in, incomes across different family types.

Figure 15a: Average after-tax incomes by family type: Canada

Source: Statistics Canada
OECD assessed, with some concern, the increased patterns of inequality across the advanced economies around 2005. The results are reported in Figure 16 that indicates reported Gini coefficients of income inequality, where the four countries sit within these patterns and the extent to which government effort reduce market income inequalities. The UK has a relatively high market income inequality (comparable to the US) but taxes and transfer efforts reduce it significantly. Canada and Australia have similar mid-range market based inequalities but make less fiscal effort to reduce them than the UK so that all three countries have a post policy Gini coefficient in the range 0.32-0.34. Norway not only has lower market inequalities but also makes a greater fiscal effort to reduce them and is the third/fourth most equal country in the OECD with a Gini coefficient of 0.25
Despite income growth, associated rising inequality is always likely to raise housing needs and challenges for the non-market housing sector. These challenges are greater in the places that lag or that experience decline amidst broader growth. There are, as noted above, consistent patterns of spatial growth in the countries included in this study. Rising populations and rising incomes have been associated with growing urbanisation so that cities, and particularly large metropolitan areas, have experienced the most substantial growth. Over the two decades to 2008 the common features of spatial development have been that:

- Growth has impacted most regions but with remoter rural areas experiencing significant ageing and decline of population; in Australia and Canada the significance of mineral and food exports has driven exchange rates higher in ways that have made economic progress more difficult for places engaged in more traditional manufacturing, such as south Australia and southern Ontario
- Within regions, metropolitan cores have experienced significant upward shifts in population and property values and the ‘inner city’ decline that preoccupied policymakers into the 1990’s no longer constitutes the key policy problem
- Rates of suburban and polycentric growth in outer metropolitan areas have exceeded city cores and that this growth has included
not just increasingly detached, large and energy intensive homes (‘McMansions’ as they are labelled in Canada and Australia) but also much expanded provision for lower income households on cheaper, inaccessible land and small homes with low amenities

- Smaller towns exhibit the greatest variety of experience so that some are booming where a new economic base emerges or where spillovers from proximate cities drives change; but even within metropolitan regions some older market and manufacturing towns are in decline as technologies, resources and demands shift
- Within cities and metropolitan areas there has been an increasing concentration of the poorest households into the poorest areas

These observations make clear that in many instances non-profit providers faced growing challenges in the decade of growth and that they had not been resolved prior to the crash in 2008. These spatial growth patterns also highlight how the cost pressures, risks and roles that providers face have consistently diversified prior to 2008. To illustrate these points further it is relevant to consider the ways in which economic progress was transmitted into different, key housing outcomes in each context.

II.3 Housing Outcomes/Policy to 2008

Sustained economic growth, low inflation and low policy interest rates are, potentially, a very favourable macro-economic context for housing investment and progress. However the extent to which that potential is transformed into adequate housing outcomes within countries depends on the effectiveness of the housing finance system (and its regulation), fiscal arrangements that shape household investment and savings decisions and the responsiveness of the housing supply system to price signals. Differences in these key financial, fiscal and supply systems can mean that the spatial and sectorial impacts of change drivers can differ from place to place.

The significant deregulation of capital markets and mortgage finance arrangements in all of the countries in this study in the decades prior to 2000 meant that elastic market supplies of housing finance were available to fund residential investment through the long boom. In Canada, for instance, the share of residential investment rose sharply in the late 1990’s back towards its long run average of 6pc and then rose steadily to 7.5pc, fell after the GFC, but through 2011-12 has risen back to exceed 7pc. Until 2007 housing investment shares of national output
were above (post 1980) long term averages, though the patterns of temporal change varied from country to country (see figures below). These charts highlight a number of important considerations:

- New housing output was high through much of the decade and was significantly disrupted after 2008
- The Australian data highlights the sharp differences between some regions (in this case Victoria) and national trends
- Canadian data highlights the widespread tendency towards multi-unit construction to have risen faster than for single family dwellings
- The Norwegian figures indicate how much 2008 impacted the construction sector in even the most robust of economies and also indicates how housing turnover, of existing homes, is strongly correlated with rising new starts

The figures from the UK indicate how uneven supply responses were by different housing tenures and how private growth outstripped expansion of non-market homes; elsewhere there were minimal expansions in non-market rental provision in the period to 2008.

Figure 17a. Forward Indicators of Dwelling Investment, Australia.

This Table was sourced from the Commonwealth of Australia Budget Estimates (2012), Statement 2: Economic Outlook.
Figure 17b. New Construction of Dwellings, Canada.

This Table was sourced from The Monetary Policy Report, Bank of Canada, July 2012.

Figure 17c. Housing Supply and Turnover in Norway after 2000.

This Table was sourced from The Risk Outlook, Finanstilsynet, Oslo.
Two broad inferences can be drawn from these supply side changes in relation to non-market housing sectors. First, although private housing output expanded at faster rates than in the social sector it did so much less rapidly than overall housing demand. In the decade after there have been official concerns in a number of countries that the supply side of the housing system was needlessly sluggish, for instance the Barker reviews (2005, 2006) in the UK and the continuing National Housing Supply Council (2012) review in Australia. The outcome remains, however, that,
albeit to different extents, rising housing demand had driven significantly rising real house prices and rents and impacted on the ability of households to pay for average or adequate homes. Secondly, the relative capacity of non-market sectors to address the emerging issues appears to have declined despite the conjunction of rising inequality and rising housing costs. These context issues need to be considered in more detail.

**House prices and affordability**

In the period between 2000 and 2011 nominal house prices in Scotland and England rose by 60pc, indeed prices had raised 75pc by 2008 before falling back. The other countries have had similar experiences, Norway had substantially higher price increases and, in common with Australia and Canada, after a small dip in 2009-10 has seen prices rise again. The longer term pattern presented for Canada demonstrates how after almost a decade of relative stability prices rose sharply and steadily after 2000 though the overall increase (around 45pc) was less than in the UK. Nominal house price increases in Australia were remarkably similar to the UK between 2000 and 2008, with increases of a similar magnitude. Since 2008 there has been a more divergent pattern of change across states with price pressures in Victoria remaining strong until the start of 2012 and driving the national average increases into small positive growth.

In all of the countries included in this study there were marked differences in the performance of different regional housing markets. In Australia the capital cities generally rose faster than other locations. In Canada, Vancouver, Toronto and the oil locations in the West saw well above national growth rates whilst in Norway and the UK the southern and capital city regions displayed the fastest rates of growth.

Figure 18a: House Price Changes: Norway

This Figure was sourced from The Risk Outlook 2012, Finanstilsynet, Oslo.
These rising house prices were generally reflected in rental markets and similar increases have been experienced in the rental sector. For example average weekly rents in the private sector in England\(^1\) increased from £98 in 2000 to £149 in 2009/10, an increase of 68%. In Scotland\(^2\) weekly rents increased from £38 in 2000/1 to £55 in 20010/11, an increase of 44%. Latest figures for Australia indicate average rents for houses have increased 1.7% in the year 2011-2012 with unit rents increasing 4.1%\(^3\). In general, rents as well as house prices rose ahead of average incomes in all of the countries for the period 2000 to 2010. Clearly this has significance for the ability to pay for housing, especially for the poorest deciles of the income distribution whose income growth, as noted above, have lagged behind national averages.

**Affordability: Concerns about Outcomes**

Christophe Andre (2010) has reported on how house price to income ratios and price to rent ratios have evolved over the last 30 years. In Norway, after a late 1980’s boom, the house price to income ratio fell until 1992 and has since risen to an index (in relation to the long term average) of 130. Canada, similarly, after a late 80’s rise saw the index fall to less than 100 for almost the whole decade prior to 2000 and indeed has risen from

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\(^1\) Analysis of Survey of English Housing/English House Survey

\(^2\) Data obtained from Shelter Scotland

\(^3\) www.news.com.au
92 in 2001 to an index of 120 in 2008, and that index prevails through 2011. Australia had a different pattern of ups and downs but like Canada the index hovered in the 90’s though the 1990’s before rising sharply to 140 by 2008. The UK, with a particularly unstable housing market, saw the index also rise from the high 90’s to 140 by 2008.

A common measure of affordability is where housing costs do not exceed 30% of household income. In England (Figure 19) all regions were moving beyond the realms of affordability for first time buyers, with mortgage payments exceeding 30% of mean net incomes during 2007 (reaching 70% in London and only falling to 49% in 2012). In Australia the proportion of the population paying a third or more of their incomes on housing costs (across all tenures) increased from 14% in 2000/1 to 17% 2009/10. In Canada around one-fifth of all households paid more than 30% in any one year between 2002 and 2004 (Rea et al, 2008). The research from Canada (Rea et al, 2008) shows that those who persistently exceed the affordability benchmark are more likely to be in low income households, renters (especially those who are paying full market rent), female lone parents or single people, and recent immigrants.

Regional variations are also apparent with Vancouver and Toronto residents being among those who are persistently likely to exceed the affordability threshold.

Figure 19: Mortgage payments as % of mean take home pay: First time buyers, England

Source: Nationwide
One of the starkest measures of affordability and housing need is reflected through levels of people living in temporary accommodation or those lacking any suitable shelter. Homelessness by its nature is difficult to count. International comparisons are further complicated by the varying definitions used and the impetus of national governments to acknowledge and tackle homelessness issues. Caution must therefore be expressed with the data as a rise in numbers may not only be indicative of a worsening situation, but may be due to better data recording.

Irrespective of recorded trends in homelessness, it nonetheless remains an issue in all nations. Cross national differences in the ways in which homelessness is defined and counted, not only across countries but across different sub-national jurisdictions, means that comment here is limited. The latest data available indicated that 49,000 households are in temporary accommodation in England, in Scotland the figure is around 11,000. In Australia homelessness stood at just under 105,000 in 2006 whilst estimates for Canada vary between 150,000 and 300,000.
Affordability: Concerns about the Concept for the New Times

Across the board patterns of house price rises have resulted, as shown above, in a number of different pressures on paying for housing. Clearly, low income households faced with rents rising more rapidly than incomes face the problem of affordability as conventionally defined. Simply paying for their ‘flow’ of housing services will leave such households insufficient residual incomes to be able to maintain an adequate standard of living. This pattern has also brought into play much wider uses of the term ‘affordability’ that, allied to relatively thoughtless estimation of actual affordability parameters, have had the consequence of often muddying understanding of the payment issues involved.

In these new times some non-profits are moving beyond traditional low income rental housing provision to fashion a new involvement in rental housing markets and to build ladders of equity sharing and part ownership to allow their tenants and others to move from renting to owning. They, like policy makers, need a much sharper, nuanced and precise approach to measuring problems of paying for housing. This issue is revisited throughout the chapters below.
After 2000 it became commonplace to consider the problem of housing affordability for home-owners, not least because younger households facing rising starter home prices (whilst entry employment incomes and wages relatively stagnated) were encountering increasing difficulty in entering home ownership. The home ownership rates for households under 35 years fell in Britain, Canada and Australia after the end of the 1990’s.

However, lumping the problems of sustaining rents for the poor with the homeownership acquisition costs for the aspirational young into an overall affordability index or singular policy argument does not help effective policy making. Where governments make affordable housing provision promises and then find budgets constrained they may then reduce per dwelling support rates in ways that shift investment programmes away from poorer to middle income households. This shift has typified British housing policies since 2010.

The different decade of the 2000’s really required a new policy language and precision to appear so that the different problems involved could be adequately understood and addressed. The new times require new policy language.

Housing affordability involves, aside from the ethical decisions of governments, or others providing support, three different ideas. In the rental sector the traditional notion of affordability, although better expressed as an equivalised residual income measure than rent to income ratio, deals adequately with the problem it addresses. The problem arises in using price to income measures as an estimate of a household’s capacity to pay for homeownership. An asset is being acquired as well as housing services secured.

Rather than price to income ratios two other measures are required to understand the cost of ownership and the burden of sustaining it. The price of a dwelling does not represent an effective measure of the cost of a dwelling to an owner. Economists are familiar with the user cost of capital for an asset. For an owner occupied home (assuming for simplicity here that mortgages cover 100 per cent of purchase costs) the annual user cost of capital for the home, c, is:

\[ c = P(1+r+t+d-h) \]

Where \( P \) is the house price, \( r \) is the interest rate paid, \( t \) is any pro rata tax advantage for housing, \( d \) is payments for depreciation and maintenance and \( h \) is the expected rate of house price appreciation. Through the early years of the millennium, although \( P \) was rising, \( r \) was at low historic rates, \( t \) and \( d \) changed little and \( h \) was at historic high levels (as consumer expectations of house price rises remained buoyant). In these terms owning housing was in fact historically cheap relative to incomes and in consequence demand grew even as prices continued to rise. The second measure that needs to be understood is the capacity of household income, as annual cash flow, to support mortgage repayments. With interest rates changing as well as mortgage terms and durations, then price no longer adequately proxies what needs to be afforded. Rather attention has to be focussed on the capacity to sustain mortgage outgoings, say the monthly mortgage to income ratio. There is also now a need to understand whether in the absence of 100 per cent mortgages and new pressures to place significant equity deposits on purchase households have adequate deposit capacity. Indeed looking forward, and dealing with low cost home owner initiatives, not-for-profits need to abandon simple price to income measures of payment pressure and separately identify whether the real user cost estimate makes purchase rational, whether income flows will sustain mortgage payments and whether there is adequate deposit capacity. We return to these ideas in assessing the post GFC period.
Tenure Patterns

Throughout the study period governments in the four countries were strongly committed to home-ownership growth as a key housing policy aim. Prior to 2008 only the UK, at the national government level, showed any significant commitment to investment in new social rental housing.

Figure 21a: Tenure trends: England

Source: SHE/EHS

Figure 21b: Tenure trends: Scotland

Source: SHS
Figure 21c: Tenure trends: Australia

Source: Australian Bureau of Statistics

Figure 21d: Tenure trends: Canada

Source: Statistics Canada
The figures above show some common trends across all of the countries:

- The social or non-market rental sector was experiencing absolute and relative decline and within that sector there was a growing significance of non-profit as opposed to public providers of social housing.
- It is also apparent from lettings records and housing subsidy reports that there has been further ‘residualisation’ of the social housing sector in all of the countries studied here; pressure on waiting lists to enter and house price gain incentives for better off tenants to leave and buy homes means that in the non-market sector there is a growing preponderance of low income elderly, lone parent families and unemployed housing; non-market housing providers now primarily house those with least economic resources.
- In contrast, the market rental sector has generally expanded in scale and in Australia and the UK has expanded more rapidly over the decade than did home-ownership; private rental markets in these countries have been the most significant sector accommodating the growth of the last decade.
- Home ownership numbers have continued to expand but with a decline in outright owners.

These trends look set to continue into the future. However the expansion in home ownership needs further scrutiny. It was noted above that home-ownership rates have been declining for younger households for...
the last two decades. The charts below illustrate this for England and Norway but similar processes are apparent in Australia and Canada too. In effect the rising numbers of older households living longer with high rates of home ownership has masked the significant fall in younger households entering ownership. We believe that governments in all of the countries studied here have failed to recognise how rising home-ownership has been achieved and in consequence have failed to grasp the need to rethink and re-emphasise rental sector policies and provisions. The new times need a new focus on how rental housing is shaping emerging patterns of housing consumption.

Figure 22a: Proportion of owner-occupiers by age group: England

Figure 22b: Proportion of owner-occupiers by age group: Norway

Data source: Survey of English Housing/English House Survey
One of governments’ responses to the entry problems of first time buyers has been to develop forms of tenure that are beginning to blur the long-standing boundaries between renting and owning, for example the emergence of shared-ownership.

**SHARED OWNERSHIP AS AN ENTRY ROUTE**

‘Shared-ownership’ combines private ownership of a property (usually a minimum of 25%) with rental from a social housing provider. Different models of shared-ownership have emerged in the UK since their introduction as part of move towards increasing availability of low-cost home ownership. They have become a significant feature of housing association business plans, as the surpluses generated are increasingly being used to cross-subsidise social renting.

Shared ownership style products have been available in England since the 1970s. The stock of shared ownership properties grew 28% in the ten years from 68,000 in 1997/8 to over 86,000 in 2006/7. In Scotland shared ownership was not established until 1990s. Unlike England the stock here has reduced from 7,620 in 2001 to 5,822 in 2006.


A second important development has been a growing tendency for governments to shift support for needy low income households away from traditional public housing and into the non-profit sector. In addition, there has been a marked move from capital support into rental allowances that are used in the private rental housing market. Both these tendencies are apparent in developments in the ‘supported’ rental sector in Australia over the last decade or so see Figure 23 below.
Figure 23. Support for Low Income Renters in Australia, 2000-2010.

The chart makes clear the slow stagnation of the total stock of public housing units that lie in the hands of Australian state authorities. The expansion in the non-profit sector (the community sector in the Figure), has accelerated in the last few years but the growth of that sector has simply kept the overall non-market stock over the decade as the population has grown significantly. However the total number of income units in supported rental tenures (i.e. non-government landlords) has risen significantly, so that market providers are providing an increasing total and share of the homes for Australia’s poor. The position in 2009-11 is summarised in Figure 24 below. Private rental providers now house twice as many of Australians eligible for rent support and assistance than does public and community housing.
Similar developments have occurred in the Affordable Housing Programme in Canada where some provinces have chosen to use Federal funds to provide low income housing allowances rather than support new housing development. In the UK there has been a significant extension of market rental provision to households in receipt of housing benefit (Called Local Authority Housing Allowance paid in England and Scotland).

Some of the housing issues that emerged in the long boom, such as homelessness, the low quality of much social housing, the high rent payments of low income households and the frustrated tenure objectives of younger households were unresolved by the middle of the decade to 2010, although governments did devote more resources to housing than in the previous decade. Non-profits adapted roles and structures to play wider roles in the emerging boom with greater access to private finance. But the changes that they had begun to make, and that we consider in subsequent chapters, were overwhelmed by the GFC. After 2008 the world for housing providers has changed, new challenges have come to coexist with the new roles and problems embraced in the previous decade. How did the GFC impact the context for housing providers?

III. AFTER THE CRASH

After 2008 countries have had to cope with three different, but interacting, sources of economic difficulty. All three of these crises, in some countries, have implications for the future development of their housing systems.

The crash was triggered by a banking crisis underpinned by the soaring
default rates on mortgage backed securities (MBS). This not only led to the demise of the MBS market but also the fracturing of financial institutions and confidence in these systems in at least some of the countries studied here. The UK was most obviously impacted and the sector survived only with a £1000m bail-out from government but the other three countries, as their banks had made wiser asset decisions, did not suffer this fracturing to the same extent. Banking failure is not the most serious of the current problems in Norway, Canada and Australia. The banking crisis disrupted trade and investment, immediately triggering a reduction in employment and income in most advanced economies. All countries then faced a more conventional recession reflecting dampened trade. As a response to rising unemployment governments, after 2008, introduced ‘stability’ fiscal packages to increase domestic demand and employment. Housing policy investment was raised markedly in the UK and Australia, in Canada infrastructure investment received somewhat greater additional support than housing, and the least significant demand boost, indeed where it was least needed, was in Norway.

By 2009 the problems of banking sector debt and household debt also, being unwound by government spending, transmuted into growing global concern about rising levels of sovereign debt. Strategies to reduce outstanding government debt also required reductions in government deficits and this had, by 2010, begun to put downward pressure on support for housing spending. Housing policy investment budgets are now falling in all the countries in the study. In some countries the level of outstanding public debt and a perceived incapacity to reduce it has fuelled a sovereign debt difficulty largely within the EU that has in turn threatened the stability of the Euro. With China slowing its demand for imports and the EU hovering on recession the period since 2011 has been a difficult one for the global economy.

The consequences of these changes have impacted the countries included here in quite different ways. Norway, Canada and Australia have largely met their growth targets for 2011, indeed economic growth forecasts suggest that in 2012-13 or 14 they expect to return close to long term average growth rates. The UK, with larger public debt to unwind, is still struggling into positive growth after the end of a double dip recession through much of 2012. Monetary policy in all countries is still committed to record low interest rates into 2013 but the national banks in all these countries have indicated that by the end 2013 there is more likely to be a return to higher interest rates.
There is a widespread growing concern about the rising indebtedness of, especially, younger households. Australia and Canada, although they have relatively low levels of public debt, have made domestic political commitments to return to balanced budgets and to do so without raising taxes. In Norway and the UK governments have espoused similar aims. In the UK, with government support for housing investment set to fall by 80pc from 2011-15 this process is likely to extend well towards 2020. And the process will press down upon not just housing budgets but also on the welfare resources that support rent payments by low-income households in both market and non-profit sectors. The new times are not good times for public investment in housing nor for low income rent payers.

The new times, in politics, seem to remain blind to the role of tight housing markets and rising prices in destabilising the real economy as well as the financial sector and it is difficult to see how planned economic progress is consistent with the housing policies that are now developing with waning government support. Housing output has now slumped and not even in Norway do expected recovery levels in construction match the scale of the growth in household numbers. In the forward economic forecasts for all of the countries, in contrast to the boom decade, housing sector investment is now expected to make a negligible contribution to future economic growth. Housing is falling off the radar of national Finance and Treasury ministries. Social housing output is now falling sharply in Canada, Australia and the UK and there is currently no clarity as to where and how programmes will develop. The new times bring new uncertainties as well as new opportunities to housing providers.

The consequences of the long boom, with its housing legacy of unmet needs and unfulfilled expectations, now interacts with the severity and duration of GFC effects to create a dramatically new context for non-profit housing providers. In all the countries there is no longer the resources available to work through agreed and identified housing needs with subsidy streams of the scale and structure that prevailed in the pre-GFC decade. But there are also new roles and opportunities as well as new difficulties in these new times. As a preface to the remainder of this volume it is pertinent to set out what some key features of the new context are.

**IV. IMPLICATIONS**

Non-profit housing providers confront changing patterns of social and
economic development that make their current roles, in their current modus operandi, increasingly difficult to fulfil.

- They face the prospect of falling rather than rising support for both investment and rent payment support programmes and these resource reductions are likely to persist; governments will increasingly have to think about promoting efficient provision systems rather than simply favouring particular tenures.
- Credit rationing has emerged, and is likely to persist within the banking sector and, in the UK at least, there will be a shift from bank to bond and equity financing.
- Most already deal with unmet needs from the boom period but it is clear that rising household numbers and sustained income inequalities will persist over the next decade so that new needs are inevitable; there will be pressures to provide.
- Patterns of growth will increasingly favour some places rather than others; uneven spatial growth will raise place related risks for development and the concentration of low income households within particular neighbourhoods will reinforce management challenges where providers are neighbourhood based; development and management risks may be rising.
- Fiscal pressures on local governments are likely to see substantial restructuring on the governance of metropolitan services, including housing and the non-profit sector will have to be well organised within metropolitan markets.
- There are likely to be renewed pressures to move public housing ‘off the balance sheet’ and to transfer to non-profit providers.
- There will be growing policy needs not just for the poorest households but for the younger ‘squeezed middle’ and novel and mixed tenures will be important issues for providers to consider; this will require a rethink of rental sector policies and the efficacy of relying on fragmented ‘non-professional’ small scale landlords.
- Population longevity means longer and more complex careers and there will be new mixes of housing, care and health support required as well as new multi-generational arrangements within families.
- Although fuel costs may not rise as rapidly in the next decade as had been expected just a few years ago there will be new pressures for providers to engage with energy provision for and environmental outcomes from constructing and owning dwellings.
- The wider roles that are required to deliver complex outcomes,
such as sustainability and neighbourhood renewal, require local integration and non-profits may have significant roles to play in integrating and delivering services for their tenants.

The challenges are how to deliver some of these required outcomes and changes with reducing resources. There are also, however, new opportunities. The first of these is for housing policy advocates to argue that policy provision is about more than ‘affordability’ (even if well specified arguments are made) but also for not-for-profit housing providers to argue that they are more than market providers. The role of housing policies, and non-profits within them, addresses not just the challenges of providing affordable homes to different income groups but also to make markets and provision systems more efficient. Housing policy, as demonstrated over the last five years, has to cope not just with low incomes and state failures but with market failures too. These new times have been hastened by massive market failures in the financial sector and they will unfold in contexts where failures in other markets, say for environmental and elderly care provision, are likely to matter too. Market failures formed and define these times.

Uncertainty about prospects and understandings of change, lack of trust in institutions and governments and austerity, for individuals and nations, prevail in these times. They are not the end of capitalism but they are the end of a set of ideas about what works for housing provision in a market led economy. A key feature of assessing the new institutions and approaches needed is to recognise that markets are not always efficient and that they frequently embody elements of failure. There is, from the last decade, and indeed before, a case for considering the housing and housing finance markets as key devices but with significant failures.

In that context the opportunity for not-for-profits is not just to manage themselves better, to reorganise, and to leverage their own assets, to price more effectively and so on. These are all important organisational changes to make. But the major opportunity is to emphasise that as effective organisations they do have a long term view and concern for the wellbeing of particular places and people. As patient but effective corporations that aim for surpluses, not to support shareholder dividends, but community of interest benefits they have incentives to deal with serious market failures in effective ways. In that community of interest should involve not just their traditional poorer clients but more affluent clients well able to pay for service options that markets simply do not provide. They have the opportunity to create a more mixed housing
system driving the wellbeing of non-for-profit housing organisations and the places in which they are located.

The remainder of this volume explores whether and how not-for-profits are likely to perceive and implement these changes. The next chapter examines changes in the public and private financing of non-profits, Chapter 3 then assesses emerging and required changes in governance and management and Chapter 4 the development of wider roles. The final chapter draws out summary conclusions from the collaboration and their implications for policies and providers.
CHAPTER 2  
NEW TIMES, NEW ROUTES FOR FUNDING NON-PROFIT HOUSING.  
Duncan Maclennan, Michael Lennon and Derek Ballantyne

I. A NEW GENERATION OF HOUSING PROVIDERS?

Systems of housing provision differ markedly across the advanced economies in relation to the balance of market, state and third sector provision. That balance has also shifted markedly since the start of the 1980’s when, after the significant expansions of non-market housing post 1950, there has been a relentless critique of public housing and fluctuating interest in third sector roles. The discussions in the New Times project highlighted that sector roles and potentials are still unsettled issues in national housing policy debates. The New Times are shaping different possibilities for providers, and they differ sharply by provider type, scale and ethos.

Some clear overarching themes have emerged from discussion and debate on the contemporary provision of what is widely labelled non-market housing4.

These include:
- There is still an almost universal trend away from public funding for new housing investment by monopoly providers of public/municipal housing. Those places that continue to prioritise public ownership of housing face escalating challenges through underfunding of services, growing asset liabilities and demand pressures
- In most countries the traditional, small scale-community housing providers, that attracted much policy support from the 1960’s into the 1990’s, (with few scale economies, small asset bases and a reducing interest in development activity), are now emerging as localised sectors of relative inactivity
- The ‘emergent non-profit providers post the 1990’s have forged a new path of blended funding, governance more freed from politics, diverse management, customer participation and wider local action in non-housing outcomes
- Within the latter grouping, organisations formed or expanded from...
public housing stock transfers have become critically important organisations with income streams and asset bases that offer scope for innovation in the current times

- However, in relation to new investment both traditionally formed and stock transfer organisations (for investment in new homes) remain fundamentally connected to government and, often, extensively reliant upon public support for their investments
- As national governments have implemented debt reduction strategies they have also seemed keen to promote ‘Localism in the government of housing’ with localism and municipalism unnecessarily fused together as ideas.

Post Great Financial Crisis, GFC, the successful organisations of the 1990’s onwards, the non-profits, now face a quite different set of issues, expressed in funding shortfalls, constraints in capital markets, cuts to income sources and higher costs. They start to do so with capacities and scales shaped by fast growth prior to the GFC. New housing policy challenges are emerging in dealing with market failures in rental provision, energy descent within communities and in reshaping elderly care, health and housing provision, all areas in which non-profit providers could make significant contributions.

These emerging patterns fashion a difficult context for providing affordable homes for low income renters but they also create new opportunities for non-profits as local housing system change agents. These new times send different signals for non-profits, and indeed others. Housing the poorest will only become more difficult.

Governments offer reduced, sometimes no, support yet new roles with surplus and cost spreading potentials are emerging. New roles, new boundaries of provision and debate and new businesses are likely to emerge. The purpose of the NTNB project is to understand these dynamics identify which organisations appear to be making progress in this new environment and postulate what this might mean for the future. Policy settings and organisations in England, Scotland, Norway, Canada and Australia are examined in this chapter.

**II. CHANGING HOUSING SYSTEMS**

Most advanced economies, as noted in the introduction, have a sector or
sectors of housing provision that is non-market. Within these sectors, houses are let at rents that fall below market rents and the providers are in the main either public housing authorities, that are formally owned by some level of government (and in consequence secured by tax revenue) or non-profit providers. Recent pan-European work by Whitehead and Scanlon (Whitehead and Scanlon, 2007) shows how social housing comprises more than third of housing in the Netherlands and Scotland, a quarter in Austria and close to a fifth in England, France, Sweden and Denmark. Outside of Europe, in the OECD, sector shares are smaller, running at 6 per cent in the US, Canada, New Zealand and 4 per cent in Australia. In recent decades some non-profits have also come to part-own equity shared units (that they jointly own with the residents) and they are also, in some instances, allocated by queues at prices less than market levels. We discuss these expanding roles further below. Since the 1980’s the overall aggregate share of these sectors of provision have fallen in national housing systems (Maclennan and Williams, 1990) and, mostly, the non-profit sector has grown relative to the public sector.

The reasons for these shifts are well documented.

- Rising individual incomes and aspirations have fuelled tenant demands to shift from renting, market and non-market, into home ownership (Maclennan, 2007).
- A move away from dwelling subsidies to income related subsidy supported that shift as have other policies to sell public homes to tenants at substantial discounts (Murie et al., 2005).
- Non-market housing developments from the earlier post-war period had often produced homes and neighbourhoods that were not regarded as successful and in some societies, stigmatisation of the tenure stimulated choices in other sectors (Jacobs et al 2011).
- Most governments have sought to reduce on-balance sheet capital expenditures for housing (often halving housing investment shares of public capital budgets between 1980 and 2000) and raised the shares of non-market provision by non-profit providers that were supported by non-government capital investments.

These changes have, over the last quarter century, also shifted business models. They have had major impacts upon the way organisations are managed, the balance of in-house production and market procurement and the ways in which investment is financed (see Mullins and Pawson, 2008; Mullins, 2011).
Again there have been long term trends operating:

- Households have become more concerned about value for money in public service provisions and seek more personalised service provision as their real incomes rise.
- Organisations have learned how to use different combinations of market and hierarchies to produce their key outputs.
- Deregulation of financial markets and the end of special housing finance circuits have opened up the non-market sector to capital market connections and possibilities that were unknown or untried until twenty years ago (Maclennan, 2006).

### II.1 Four Experiences of Change

It is useful to consider how these different strands of change have impacted on the case study countries.

**United Kingdom**

In the UK, the share of households living in the non-market sector has halved since 1980 and within the broad sector ownership has shifted from 90 per cent dominance by councils to near parity in provision between municipalities and the non-profit sector. In both sectors organisations have become more diverse. For instance, within the municipal sector there has been a steady growth in the number of arms-length management organisations (ALMO’s).

In the English housing association sector the average size of providers remains small, at 1400 units and some 70 per cent hold fewer than 200 units. Non-profits formed by transfers of municipal stock are usually larger, averaging some 5,500 units. Two thirds of associations now operate within group structures. And there are also some very large national associations that operate throughout England and Scotland and have more than 60,000 units. Work by Mullins et al. (2011) indicates that the larger associations have grown faster so that the ‘concentration ratio’ or share of output produced by the largest 10 associations has grown significantly and now stands at 25 percent.

In Scotland, where policy for the sector has largely been separately developed since the early 1970’s, the combined social sector still houses almost 30pc of the population and ownership is now equally split
between associations and municipalities. Scottish associations are often small and frequently community based, especially in western and urban Scotland and no more than 6 providers have more than 6,000 units. Glasgow Housing Association, formed from the transfer of Glasgow’s public housing stock a decade ago, owns 41,000 homes, is the only Scottish based association that has scale comparable to the leading English providers.

As the decades have unfolded, non-profit providers have become more diverse in their roles. At the end of the 1980s most were either special needs or general needs housing providers with the emphasis squarely on housing development and management. Since then roles in neighbourhood renewal, elderly care and support and managing carbon decline have developed for many, if not all. An increased share of their output has been devoted to low cost homeownership and equity sharing projects. The growing emphasis on finance raised from the capital markets and banks, allied to a steady reduction in project grant rates (from 65 percent in 1988 to 20 percent in 2011) has also seen the vast majority of associations become non-developers and reliant on larger associations to construct for them. Over time the balance of government support for the sector has shifted from an up-front capital grant (known as Housing Assistance Grant or HAG in the late 1980s and managed by the Housing Corporation, now known as Social Housing Grant and managed by the Homes and Communities Agency) to a growing reliance on income related housing benefits for lower income households.

That set of changes arguably took place within a relatively linear development of national policy over a long period of time with pressures moving generally in the same directions until 2008. Firm government support and easy access to credit markets were key ingredients of changes that enabled non-profits to flourish and diversify.

Australia

The Australian experience that is well reviewed by Milligan (2012) displays some commonalities, with budget pressures on housing capital spending, but also some significant contrasts. After 1992 there was an extensive withdrawal of federal government support for public housing and little effort to shape a new non-profit sector to replace the lost impetus of the old model. With few exceptions, public housing has remained resolutely in the hands of the state governments until shifts
towards stock transfer have developed, especially in Western Australia and New South Wales after 2010. There is no equivalent of housing benefit for public housing tenants (with rents mostly restricted to 25 percent of household income, the subsidy comes from a combination of Federal, State or other tenants).

Public housing provision, in absolute terms declined steadily after the mid 1990’s. By 2008 Australia had 375,000 public housing units, or over 4 percent of the stock. In some administrations, Northern territories, ACT and South Australia, the sector share has been considerably higher, at up to 10pc and is lowest in the large states of Victoria and Queensland (at just over 4pc). Australian researchers (Burke, 2010; Jacobs, 2010) have highlighted the decline factors that have impacted upon the stock since 1990. Aside from the processes of residualisation, adverse maturation and immiserisation noted above, they also draw attention to confused pricing systems, the increasing size of operating deficits and the pressures on State housing providers to sell stock into the market to cover deficits or repay debt.

During the 1970’s there was a nascent community housing sector in many states but it stagnated throughout much of the last 25 years. Providers were small and specialised and often viewed sceptically by the political system. Milligan and Pawson recently reviewed the non-profit sector in Australia (2010) and their informed critique highlighted potential barriers to the transfer of state housing stock into the non-profit sector (an important policy development in the UK and Canada too). They saw the sector as small, possessing limited capabilities, dominated by the state monopolies, unable to access significant grant aid and with difficulties to address in relation to income related subsidy for their tenants.

Some States, after 2000, had recognised the merit of creating an active non-profit sector (numerous older, very small cooperatives funded from the 1970’s were consolidated into larger groupings). For instance, in 2002 Victoria announced plans to develop up to 6 associations with at least 2000 units and drew up a State level regulatory regime based on the English housing corporation model. Funding for the programme largely came from burgeoning stamp duty taxes on the Melbourne housing market with rising prices and volumes sustained over the last decade. In other States, e.g.: New South Wales and Western Australia, a willingness
to transfer limited state stock to non-profits has given the development of the alternative sector a significant boost. So too have renewed Federal housing policies since 2009, most notably the fiscal stimulus through housing requiring active participation and growth of the non-profit providers. In contrast to the UK, in Australia the national shift to a more diverse strategy did not predate the GFC but followed it.

Canada

Canadian policy after the early 1990’s drove the social housing system in broadly the same directions as Australia (pre-2009). Canada has seen a contraction in the share of non-market housing since 1990, from 8 to 6pc. Currently, there are approximately 630,000 units of social housing, most owned by community-based groups and municipal non-profit provider groups. In Canada, public housing agencies dominated the social housing system until into the 1980’s. A policy shift to funding community-based organizations (non-profit and cooperatives) resulted in the growth, and eventual dominance in terms of number of organizations and volume of production, by non-governmental groups. Most community groups operate independently of government bodies, have small portfolios (on average close to 150 units), more limited organizational and financial capacities, and therefore are less likely to continue to develop new housing in the current economic and policy context. Larger housing portfolios are owned by municipal or special purpose government agencies (as large as 58,000 units). While these organizations operate under many of the same programmatic and policy context as community-based housing organizations, they largely come under the influence of their local political structures.

Most Canadian social housing was built between 1960 and 1995 with support from federal government programmes, using federal, provincial and, in some cases, municipal grants and operating subsidies. Since 1995 Federal programmes have been intermittent in existence and variable in their scope and detail. After the mid-1990s housing provision was largely devolved to the provinces and the direct provision roles of The Canadian Mortgage and Housing Corporation (CCMHC) has sharply attenuated. The late 1980’s and early 1990’s focus on government debt reduction led to significant reductions in social expenditures, including funds for new housing development. Social housing production targets, set at 25,000 units per year nationally in the 1980’s have not been met since the mid-
1990’s. Production fell to 10,000 units by 2000 and less than 5,000 in 2010. In the main, support for past programmes, when it came, took the form of both capital grants, subsidised development loans and subventions for operating costs and mortgage loan guarantees. Canada, since the 1950’s, has also provided assistance to the development of market rental housing and supported home ownership through mortgage guarantees and a host of first-time home-buyer grants. Over time federal and provincial governments have also looked to the for profit sectors to provide ‘affordable’ and adequate homes in market rental sectors, by choosing to support limited numbers of income related allowances, and in low cost home ownership. This shift in funding policies is also being felt in the non-profit sector, as governments push for the creation of affordable ownership models and replace long term subsidy arrangements with more flexible rent supplement and individual rent assistance programs.

Official estimates of housing need have grown steadily over the last decade. For the existing, perhaps atrophying, sector most of the homes have now reached the end of their first use ‘cycle’; and an estimated $5 to $6billion is required to restore stock quality. Providers have limited capital reserves and new funding for reinvestment requires provincial support and permissions. The confluence of these factors is likely to put a significant number of social housing units in jeopardy.

Critical for the Canadian social housing system is the impending ‘sunset’ of current social housing operating support programmes in the period to 2014-2020. The challenge will not just be reinvestment but in securing some continuing social use of the investment made in the past as the sun-setting of operation support will also end old regulatory arrangements about use and disposal. There is an acute danger that much of what currently constitutes the non-market sector in Canada simply drifts into the market sector by 2025.

**Norway**

Norway, unlike the other Scandinavian countries, has provision and policies that are dominated by home ownership. More than four-fifths of Norwegians are home owners and government policy seeks to see that share rise. The growth of a non-profit rental sector in housing has largely been squeezed-out by the development of a large cooperative sector that
also aims at ownership and houses many households on modest incomes. The formal cooperative sector owns 250,000 units and comprises 5,000 housing co-operatives and along with the “independent housing co-ops” provides almost one in six of Norwegian homes, and two in five in Oslo.

The non-market sector of houses, comparable to those we have noted for other countries, comprises less than 5 pc of Norwegian housing provision. It is essentially municipal housing and ownership is spread over more than 400 local councils. It houses poor households, in the main, that require specially adapted dwellings (40 percent of new clients in 2011), or are refugees (9pc) or report some form of substance abuse and or mental illness (12pc).

Oslo is the only municipal provider on a significant scale, with in excess of 10,000 units (although it also rents properties from the market to provide for needs cases). The small and fragmented scale of the sector in Norway has meant that it has not featured widely in major housing policy debates and plans. The evidence from other countries is that such small fragmented public systems tend to be costly and too narrowly defined to be adaptive and resilient. There is scope to think of what the new times mean for Oslo and Norway.

II.2 Shifts Summarised

In summary, the past two decades, saw global pressures shaping reductions in public financing, devolution and deregulation across local landscapes of housing policy and practice. This had varying implications for non-profit sectors. In Canada the consequences have stalled the sector. In Australia they fashioned growing low income housing need that stimulated the States to think about the potential for a non-profit sector. In the UK the switch towards home ownership and the move away from supporting municipal public housing fostered major restructuring of provision, financing and regulation within a generally supportive policy framework.

Looking across the advanced economies it is clear that there has been a sustained redefinition of the nature of non-market sectors. At one time, in the 1920’s, in the UK, municipal housing was designed by municipal architects, financed entirely by the public sector, built and repaired by
municipal labour, owned and managed by the municipality. The supply chain for the development and management of that form of social housing was almost entirely in the public sector. Since then, and in different ways in different countries, there has been a reallocation of parts of affordable housing supply systems that reflects continuing, changing tussles between the state, the market and the non-profit sectors (see Gruis, 2010). In Australia, these public monopolies continue to survive in the form of public housing authorities, albeit under continuing acute financial pressure.

Within these policy debates non-profits have often come to be seen as consistent with quite different political stances on housing, for instance in the UK both centre left (the third way) and centre right (the Big Society shift) have interpreted housing associations as being consistent with different ideological perspectives. Typically, the pro-market lobbies, especially when early post-election appetites for cutbacks induce such adverse housing outcomes that Plan B has to emerge before the ‘next election’, see them as non-state and better than municipalities as providers. The left of centre, recognizing the paucity of public funds for ideological projects, see them as preferred alternatives to the market as rental housing providers for the poor.

One consequence of the decade of policy changes prior to the GFC has been that emerging policy regimes (see Maclennan, 2007) have created, sometimes deliberately and sometimes as unintended consequence, quite different kinds of social housing providers. Some have, as noted above, expanded their range of housing products and others blended other service and neighbourhood functions with their old social housing roles. And in some cases there has, within the same organisation, between a blending of profit and non-profit areas of activity, with the latter cross-subsidising the former.

Common Features of Financial Models for Non-Profits

Across the various jurisdictions a number of elements became, over time, commonplace in the way funding models were assembled and utilised to produce additional supply in the non-profit housing sector. In brief:

- **Rents**: became set with less direct local political influence or control and whilst still constrained by affordability factors and regulatory
requirements are now more defined by economic considerations than local vote seeking

- **Operating Costs**: varied widely but cost conditions (salaries and wages) were set separately from the public sector
- **Rents**: became set with less direct local political influence or control and whilst still constrained by affordability factors and regulatory requirements are now more defined by economic considerations than local vote seeking
- **Maintenance Provision**: sinking funds or provisioning to deal with long-term capital investments determined by individual organisations in Australia but were programmatically determined in Canada and the UK
- **Income Related Subsidies**: Housing Benefit (UK), Commonwealth Rent Assistance, CRA (Aus), social support (Norway) all payable by government to tenants, in some cases directly to providers, thereby subsidising rents
- **Tax Concessions**: tax treatments tending to be more favourable than that applicable to the private or public sector including
  - VAT/GST exemptions
  - Stamp duty
  - Corporation tax
  - Land/municipal tax
- **Access to Capital Grants/ Subsidised Loans**: made available by governments sometimes on a uniform subsidy basis, sometimes on the basis of bridging equity gaps
- **Philanthropy**: especially North America and Australia, tax-driven philanthropy applied to projects via cash grants, land donations, air space rights etc.
- **Planning Gain**: inclusionary zoning (S106 in England, S78 in Scotland) provided incentives for land developers to make contributions to schemes
- **Private Debt**: mostly a requirement of accessing capital grants, ‘off balance sheet’ private funding secured against first ranking mortgages and net-free cash via funding models

These elements were combined flexibly in projects and programmes aimed at producing additional supply. In the main, these organisations have flourished in circumstances where publicly-owned and operated modules have floundered.
III. FINANCIAL CRISIS, CREDIT CRUNCH AND PROLONGED AUSTERITY: IMPACTS ON FINANCE FOR HOUSING PROVIDERS

III. 1 Crash and Cuts

As is now so widely established, the reckless borrowing and mortgage lending behaviours of banking systems in a number of countries (but by no means all, Maclennan and O’ Sullivan 2011) have precipitated a consequent 5 years (so far) of evolving and intense crises for financial institutions, firms and households, then governments. The financial sector crises of 2007-8, as the credit crunch bit hard and wide, quickly became the basis of near global recession. Then, as debt and recession spread an initial Keynesian-like commitment to government stabilisation expenditures was supplanted by a new age of fiscal austerity as financial markets came to focus on the sovereign debt positions of weaker economies.

The Euro zone is at the centre of this hurricane of change. However the extent of current crises and ongoing adjustments to post 2008 changes has significant differences. After the first shock of financial crises, the UK quickly adopted fiscal and monetary measures that stimulated domestic demand but, since 2010, have become more concerned with deficit reduction. The UK crisis is not primarily of sovereign debt and euro-membership, but of having to manage a historically long period of recession and austerity. Canada, Australia and Norway are three of the advanced economies that did not have finance systems shattered by mortgage defaults and pursued less risky financial strategies through the boom. Since then the contribution of natural resource sectors to the economies of these nations have meant that they had short recessions and subsequent, if slowed growth. In Canada and Australia new interest in debt and deficit reduction are driven by political choices rather than the urgent demands of the international finance markets of the IMF.
The GFC severely fractured the extensively deregulated UK banking system. Some £400bn of government support was required to recapitalize and stabilize the banks in 2008 (as they had incurred significant losses on US and other mortgage backed securities held in their asset bases). Credit rationing immediately ensued as banks lost confidence in each other, the consequent recession eroded bank profits further and the combined effects of fiscal expansion to forestall worse recession and the bank recapitalization raised public debt levels to high levels. Fiscal austerity has followed, since 2010 as the UK government seeks to reduce its deficit and debt share in GDP (efforts that were failing by mid-2012). Canada, Australia and Norway have avoided the direct effects of financial collapse as their bank lending in the boom had been prudent but the global depression of demand induced by events in Europe in particular has now seen these economies also begin some fiscal retrenchment although their fundamental debt and deficit numbers are exceptionally good.

Despite the good repayment records of the housing associations sector experience since 2008 has seen mortgage lending halved in the UK since 2008. Although base rates are at record low levels banks have been raising margins on mortgages, with the bans arguing that it is the crisis in the Eurozone that is driving up rates, and also severely rationing available loans. This new era of credit rationing has implications for existing loans, new loans and general innovation within the HA sector:

- ‘The back book is the albatross that sits on the sector, and funding costs is the biggest factor in HARPs profit and loss accounts’ Clive Barnet, RBS.
- There is a widespread view in both Scotland and England that the banks are using lending covenants to prevent Housing associations from undertaking new development, preventing green energy installations and repricing old loans at every opportunity.
- Banks can seek re-pricing is there is a default, if an HA wishes to borrow more, or if lender has to give consent to changes in business and organisational structures, mergers and acquisitions
- A significant share of the larger and medium sized associations in the UK has been formed since the mid 1990’s through stock transfer (Large Scale Voluntary Transfer - LSVT). Many of these early LSVT’s have now refurbished their existing stock and have significant free cash flows and are now poised to take off into development; however they are being forced into difficult financial terms on their old loans if they do so
- Policy changes have also been perceived by the banks as increasing lender risks. In the new Affordable Rent regime for England, the increased risks associated with rents set at 80pc of market rents is pushing HAs to the margins of their loan limits and covenants and this is reinforced by housing benefit changes (see below)
- The increased gearing of associations, with more loans taken against the value of existing stock, has led to some lenders perceiving loans as riskier and suggesting a rethink of the necessary gearing (or asset cover) ratio.
The previous chapter outlined in detail how economic performance has evolved and differed from country to country. It also indicated how housing markets have also had very different experiences across these countries since 2010. It is also pertinent to consider what these changes meant for housing.

In many respects the new times for housing investment postdate 2010-11, when governments have begun to run out of the resources to support the sector or have shifted expenditure priorities to other activity sectors. In the UK, government commitments to public finds for housing investment are likely to have reduced by at least three-quarters between 2011 and 2016. In Australia the expanding support from 2008-11, of an additional AUD$6billion, for social housing programmes is now returning to pre-GFC trend levels. The negotiation of a New Affordable Housing Agreement through 2013 does offer the opportunity to embed some of the significant lessons from post 2008 experience so that the new business that has emerged in that period can be recognized and supported. In Canada the federal government has no planned housing programme beyond fiscal year 2014, although almost all funds committed to that date have already been allocated through provincial policy budgets and the circumstances facing housing providers. What are the shifts that are driving businesses to change?

Although housing policy spending reductions have been forewarned since late 2008 the imperative of forestalling recession, or deeper recession, led to increases in government investment in housing in the UK, Canada and Australia between 2008 and 2010. In all these countries government housing support increased, and in the UK and Australia it increased sharply for the non-market sector. In Norway oil revenues left the housing economy relatively unchanged. Now economic stimulus programs have been curtailed and replaced by even deeper cuts to ongoing funding programs. In Norway the government’s limited interest in the sector continues.

III.2 Consequences for Non-profit Providers

These financial and economic shifts have had very significant implications for the capacity of non-profits to adequately play their chosen roles in housing provision. Consequences largely relate to changes in government funding, the emergence of credit rationing,
adverse effects of recession on clients and house prices and cost fixities within providers.

_Capacities for Public Investment have been Curtailed_

Austerity measures not only have impacted asset values, borrowing capacity and the riskiness of income flows but have also reduced public investment support for development programmes. In all countries, access to capital grants for new supply has dramatically fallen.

- In the UK grant rates have fallen from around 65pc to 20pc and funds for the non-profit sector in England have been quartered since 2008 and the number of “affordable housing starts” for 2011-2012 was a 68% fall on 2010-2012
- In Canada, no new grants have been available at Federal level since the 1990’s, with Provinces then left to priorities and mostly not fund any growth.
- In Australia, nation building grants through the CFC stimulus package have now been exhausted and funding levels resumed a long-term steady decline.

_Credit rationing has demonstrably hit effective investment hard_

Financial sector difficulties have led to a new credit rationing regime

- Banks have tightened credit conditions everywhere, imposing stronger lending covenants on new debt and opportunistically re-negotiating terms of existing debt wherever possible.
- Lengths of loans have shortened considerably and interest cover ratios (ICR) have been sharpened to protect the cost required to meet debt obligations.
- In the UK non-profits have reported that the behaviour of banks now really constrains innovation and flexibility. With any change to investment and borrowing lenders are using interpretations of loan covenants to force an upward re-pricing of existing loans.
- Credit rationing is inducing more and more associations to raise funds directly from the bond markets and at present the share of finance raised in this way is at record levels and close to 40 percent of investment

_Curtailed housing and land prices and trading have reduced investment_

Where house prices have fallen and market sales have become more sluggish there has been a negative effect on the value of non-profits
housing asset stocks, reducing borrowing capacity, on the value of receipts from sales (that can be reinvested) and on the value of land used as collateral in partnership development deals (with achieved values falling below book valuations)

- Static or falling house prices removes the capacity of housing and planning authorities to ‘extract’ low income housing provision through inclusionary zoning measures
- There has been a favourable effect from lower interest rates, and from downward pressure on land and labour costs, related to counter-recession monetary policies

**Consequences for the demand side have raised needs and payment risks**

- Increases in unemployment and downward pressure on low wages have increased the risk of non-payment of rents, whilst at the same time increasing the size of waiting lists for non-profit homes
- Reforms of social security, pensions and tax have had direct and indirect consequences; in the UK major reforms to housing benefit have limited payments and required payments to be made directly to the recipient (rather than to the housing provider). ‘Social Housing’ (page 4, June, 2012) estimate that the switch of benefit to recipients rather than landlords could cost the association sector in England up to £500m per annum with obvious implications for reduced cash flow and increases rental risks. There are now provider and lender concerns, that an effective housing benefit system is no longer ‘guaranteed’

**Consequences have impacted a sector facing significant cost issues**

- Most non-profits have relatively high fixed costs or overheads – salaries, accommodation etc. – with limited capacity to achieve real reductions (unless restructuring in some form)
- Asset improvement costs are high
  - with major waves of new social construction between 1955 and 1975 existing portfolios have now reached the end of their first cycle of use and often with major repairs outstanding
  - stock transfer recipients face cyclical upgrade costs; recent acquisitions require maintenance provisions from current cash flows
  - sales conditions limit the ability to reconfigure assets or re-develop under-capitalised land
- Environment and energy costs have been rising everywhere, reinforced by carbon taxes being introduced in many jurisdictions
In brief, downturn and cutbacks have made the business environment confronting non-profits more difficult partly because of reduced government support and also because of the negative effects of economic change on the capacity of non-profits to operate in private finance markets. This is not simply a crisis in public finance for housing but in how non-profits can re-engineer their interface with market providers of finance for development. And of course, the downturn and the prospect of a long austerity ahead have meant that the demands confronting non-profits in their traditional roles are increasing as unemployment has risen and remains high and as household formation continues apace.

Times have changed for non-profit housing providers in all these countries, albeit through very different economic and fiscal routes, and over different time periods. If they are to thrive these organisations (and indeed policy systems) have to face key questions about their roles and ethos, use of assets and sourcing funds. And these decisions challenge a whole set of core assumptions. Do these organisations exist to provide subsidized housing only or could they have policy serving roles in market and ownership promotion as well? As service providers, is housing management sufficient? And, will some of these activities be ‘for profit’ to subsidise other organisational activities?

Organisations involved in the New Times project are all already facing these issues. How can they move forward?
IV. THE WAY FORWARD: SOME EARLY DIRECTIONS

The New Times, New Business project, seeks to comprehend the nature and impact of the 2007 GFC and subsequent events on non-market housing provision, to review the responses of diverse institutions in different places and to postulate what change and innovation are likely to create success.

In this respect, adaptability, resilience and innovation emerge as key attributes for organisations which appear to be finding ways to move forward. Leadership management ethos and internal culture of an organisation appears crucial. Discussions held by participants in this project confirm that a move towards a more business-like or commercial model is central to current and future strategy. This is expressed in a variety of forms:

- Diversification of products, customers and services. New roles in the private rental market, for example, represent both a business opportunity and a legitimate method of addressing market failure. Moves into retirement housing – a key demographic – are being considered by groups for similar reasons. This can also allow internal cross-subsidisation (including within development projects) to take place.

- Flexible institutional forms allow a variety of products and services – including commercial market activity such as managing private portfolios – to be leveraged off the existing organisational base, without compromising legal or charitable tax status. A variety of Group Structures are now available, providing a range of legal staffing and funding mechanisms to be applied flexibly according to particular circumstances.

- Conscious value extraction from the accumulated asset base represents a key opportunity. Assets facing cyclical upgrades can be divested beforehand and capital re-allocated; under-capitalised assets (e.g.: a small unit on land with diversity potential) can be developed for market or non-market purposes. Asset pooling with public or private partners can allow site consolidation or integrated development strategies.
MORE ACTIVE ASSET MANAGEMENT: UK POSSIBILITIES

In a 2011 report the TSA concluded that ‘there is some general evidence that association stock held in dispersed pockets of 100 or fewer per local authority are associated with higher social letting costs (up to 50 percent higher)’. They identified some 83,000 units held in this way in England. They deduce that this leads to extra letting costs of £100m per year. If transferred this could release close to £1bn.

Savills (the London-based valuers) argue that there are potentially larger gains. They have calculated that considerable volumes of development finance could be released if associations organised their assets more effectively. They argue that active asset management is needed to develop new business plans and that associations need to be prepared to restructure capital assets regardless of where and how they are held. They estimate that up to £31bn of borrowing capacity exists on the books of registered, association providers in England. A quarter of this total could be realised by associations disposing of geographically, and inefficiently dispersed and small holdings of stock. If associations sold 5pc of their 2.5m homes to other registered providers at £55k a unit this would generate some £6.8bn, repay £1.3m debt and have £5.5bn to invest. They suggest that with £25k subsidy per unit this would build 50k new units. For instance, HOME transferred 1800 properties in 25 lots to 11 locally based associations for a sum close to £100mn in Midlands.

Savills say that transfer of stock can generate net benefit, and is not simply a zero sum because

- Sales values often exceed the average values for dwellings to be retained in traditional social housing tenures (2011 programme sales were £10k to £40k per unit greater than EUV-SH)
- Buyers have some costs advantage (local scale, different management system) or more local market insight or can use underlying asset value better than the vendor
- Buying existing stock a lot less expensive that building anew if wish to expand
- May be seeking to reduce local competition
- Purchasers have been small to medium local providers with a limited development pipeline; multi-regional housing associations have been the sellers
In a funding sense, the central strategy is likely to be finding ways to maximise free cash-flows to address business opportunities. Lending covenants will progressively pressure providers to reduce costs and find efficiencies. In this respect, it is reasonable to assume that scale economies will become increasingly important with fixed overheads (e.g.: corporate staff, specialist technical skills, ICT systems etc.) being able to be spread across service provision on a marginal cost basis. This logic is being expressed in the ‘hybrid’ models of blended activities; in turn manifested in a range of new group structures - Places for People especially, GHA in relation to The Wheatley Housing Group\(^5\) and HCA in its formative group structure in Australia.

Underneath all of this is the critical role of more complex financial models, able to apply multiple inputs from diverse sources, integrating cash-flows, flexibly pooling security according to the needs of projects and deploying asset cover to achieve new outcomes.

Sophisticated financing is likely also to lead to credit markets rationing according to capability as well as the commercial conditions applying in a particular transaction.

Similarly if private institutional investment is ever to emerge in a material form, it is reasonable to expect that these more complex, commercial and sophisticated organisations are likely to be the first ‘ports of call’.

Against this, a new range of risk factors are also likely to emerge including:

- the stability and reliability of income streams, given the policy directions of governments everywhere in pursuing welfare reforms
- interest costs, given the current (unique) levels of interest, meaning that funding can only get more expensive
- tenant/customer mix, given changing economic and employment circumstances
- asset values continuing to decline in most countries and the potential to meet loan-to-valuation ratios
- unplanned cost factors – including utility, rates and tax – all beyond the control of the provider

\(^5\) The Wheatley Housing Group was established by the GHA Board in late 2012. Wheatley brings together a number of organisations together under a group structure which deliver housing, property management and regeneration services.
How, then, should these organisations plan ahead? What will housing policies mean in this context?

NEW SOURCES OF LOAN FINANCE: PLACES FOR PEOPLE AND THE BOND MARKET

Since its inception PfP has developed a reputation for using its considerable asset strength, of some 62,000 homes, to access low costs on capital markets. Following a 2010 private placement of £76, which involved innovative yen swap arrangements, in the troubled markets of mid-2011 PfP launched two significant bonds. One was a wholesale bond for £175m (20 year bonds) and the second, an issue of £140m (5.5 years) was PfPs first use of the retail bond sector.

The borrowing was unsecured but PfP provided comfort to investors by committing to holding an announced value of their properties without other secured roles in their balance sheet for the period of the loans. In effect PfP commit to maintaining a reserve on their own balance sheet to the values of the unsecured bonds. PfP argue that the marginally higher costs of unsecured bonds are offset by their greater flexibility in changing circumstances. Similarly accessing the retail bond market allows further ways in which to reduce reliance on bank lending.
NEW SOURCES OF EQUITY FINANCE: REITS AS AN IDEA

Organisations can finance business investment from at least three sources; using their own past savings/assets and current cash flows, by borrowing and by selling shares in the rights to the future surpluses and, often, organisation of the company. Aside from government grants creating equity non-profit housing providers have typically borrowed to finance investment and much of the innovation of the last decade has been about evolving new ways to borrow efficiently and directly from the capital market. However, despite currently low international interest rates, there is a renewed interest in seeking equity investment in rental housing, including from parts of the non-profit sector. Equity investment in other forms of infrastructure and in utilities has become commonplace since the 1980’s and it is widely argued that the long term nature of rental housing investments and the relatively stable cash flows of non-profit providers could attract interest from investors. Investors are concerned not just with overall returns, and these are often much influenced by tax arrangements and policies, but also whether assets are more or less liquid, that is they can be readily sold on without significant transaction and related costs. Direct ownership of houses is an illiquid investment.

In order to create a more attractive investment proposition financial ‘engineers’ have combined the steady returns of rental/social housing with reduced risk of illiquidity by creating real estate investment trusts (REITS). REITS have been used to invest in rental housing in North America, including Canada, and have been widely used for commercial real estate investment in the advanced economies. In essence the initial property owner, seeking new funds, places the asset value and income stream associated with some volume of existing or new homes I a defined REIT. Shares in the REIT are then sold and can be traded and re-traded in the future. The purchasers buy a right to an income stream and the seller receives cash
REITS AS A POLICY AND PRACTICAL REALITY?

REITs were promoted by government in the UK in 2007 as a tax-efficient method for individuals and institutions to invest in residential and commercial property. However investment in UK rental housing via REITs has not flourished. In 2010, a consortium of housing associations tried to establish a residential REIT, particularly to hold the unsold equity in shared ownership properties. A lack of clarity between associations and the tax authorities stopped this from proceeding. The tax authorities are presently working on legislation to clarify these issues.

There are now innovative proposals emerging in the UK non-profit housing sector to develop REITs. Places for People is aiming to create a REIT to raise up to £500 million from some 4000-5000 properties, held in a for-profit subsidiary and with an asset value on the sector of £400 to £500 million, that would be let under the Affordable Rent Regime (80 per cent of market value). This would ensure adequate returns, of around 7pc, for investors. Some large equity investors have already expressed interest in the model. PfP intend that receipts from REIT share sales and their profits generated from the investment could be recycled into both affordable and social housing.

In south east England, 10 smaller associations have formed a consortium to launch a REIT. Their aim is to list a company made up of 10,000 social homes on the junior London stock exchange. The core of the consortium proposal is that the participating associations involved are seeking capital to invest in building homes and buying section 106 sites. They suggest that investors will receive returns of around 4.5 per cent over a 40-year period that will be indexed to social housing rents so that landlord and investor liabilities are matched. At the end of the 40-year period ownership of the properties will revert to the associations, which will continue to manage the homes throughout. As 2012 comes to an end it is yet to be seen whether the UK government will support the development of this funding route.
V. PLANNING AHEAD

Non-profits, as indicated above, have evolved through different forms as the broad political economies of housing policies changed after the post-war settlement into more neo-liberal policy regimes. The recent sharp changes in public and private funding now mean that the broad non-profit housing systems that now exist are inherited, sometimes disorganised and ill-suited to the current environment. In this new context there are decisions for organisations about what they see as their roles and futures and there are related choices for governments as to whether and how they should change support levels to secure better housing outcomes. That is, in looking to the future financing and roles of non-profits we have to assess the potential for change within the system as a whole, not just in the public money available for projects. The whole chain of beliefs, competences and actions that goes from conceiving the idea of housing development through planning, development, financing, management and ownership of capital has to be scrutinised. Funding for non-profits has to be seen not as a grant from government or a loan from a bank but as part of a wider ethos, to deliver effective outcomes for the organisation for governments and households.

Confronted by real adversity, non-profits, and their umbrella bodies, now face significant choices. The first is that they simply sell homes to turnover assets, say to maintain some active development capacity or, (as happened in parts of Australia), to pay debt and operating deficits when revenues did not match recurrent costs. The second is to halt development and to focus on managing the existing stock of homes in the interests of existing tenants, and perhaps staff. In the UK context a significant number of housing associations have signalled that this is likely to be their approach, especially smaller organisations. Some see this as a temporary strategy until the tap of government development support is turned on again. This is a real choice but it has wide implications. It may mean that the existing assets are not then re-leveraged to deal with new needs emerging for those not already housed and it may also mean potentially inefficient scales of management and organisation. Similar issues arise in relation to Canadian providers. In Australia, a post-stimulus ‘lull’, has descended with most non-profits now reducing scale and capacity.
The third choice is for organisations to commit not to sell-off or to stasis but to seek new ways to deliver better housing, and related outcomes. Non-profits have to reassess, then, not just their scope (range of activities) and scale (do they need to partner, merge, grow) but the means they will use to subsidise those who need it in the face of reduced government support.

**Governments, Housing and Policies**

Non-profits will have to adapt to the changing opportunities of the times. Although there is much talk of how some further round of stabilisation expenditures might be needed, and the IMF have highlighted how Australia and Canada could raise domestic demand without debt fears, and the UK may have to recalibrate its debt reduction path with a higher spending, slower trajectory, the key challenge for the sector is not to argue for its next share of stimulus. Rather it is to argue for key roles in emerging housing priorities.

Details differed from country to country, and indeed city to city, but there is a number of emerging government interests that relate to the scope of non-profits.

Over the last two decades in the UK and Canada non-profits primarily concerned with non-market and low income housing provision have become engaged with a number of related policy areas. Some associations have progressed from providing specially designed or adapted homes for the elderly to also providing care and support services, in addition to or in partnership with local, often municipal, service providers. Others and especially those that are community based and located in areas of concentrated poverty, have developed subsidiaries to provide related renewal and economic development services and wider neighbourhood management roles.

UK governments encouraged this ‘wider’ agenda throughout the decade 1999 to 2009, but a new emphasis on municipal leadership or localism in housing and related services has left some doubt as to these roles at present.

In Canada, larger housing providers have engaged in broadening the service reach to communities, largely through service partnerships, and in
some cases through more direct actions. For example, Toronto Community Housing has engaged in youth leadership training, economic development initiatives and neighbourhood renewal processes that fall outside of their traditional housing mandate.

In the UK there are also non-profit development trusts that have non-profit housing subsidiaries (the Coin St Cooperative in south London for instance), with surpluses from core profit oriented activities cross-subsidising social housing provision. Hybrid providers, as such organisations have come to be known in the academic literature, are not new phenomena in that sense. Since around 2005 local non-profits have also been asked to take leading roles in environmentally oriented programmes to lead local energy descent strategies. In selected Canadian provinces, environmental leadership has been incentivised through specific social housing energy grant and renewable energy system subsidies. And non-profits in the UK have also been involved in the provision of different kinds of housing for a decade and more. For instance, close to a fifth of housing output in England by associations between 2000 and 2007 was provision of low cost homeownership and equity sharing products. In Scotland, from 1996-1998, government supported associations to provide near market rental units (in order to demonstrate that rental market provision was a viable activity in the Scottish cities).

These wider roles in housing provision and in providing investment and services related to elderly care, renewal and environmental roles need more careful thought. They have been seen as convenient add-ons to non-profits primarily justified by a low income housing provision role and that perspective may no longer be adequate. The new times pose not just poverty problems but they also are replete with market failures or significant settings where market signals and incentives are unlikely to induce the right provision outcomes for individuals let alone the wider society.

Governments in all of the countries discussed here have come to see housing policy as primarily being aimed at dealing with problems of affordability, and increasingly targeting their spending to those in the greatest economic and social need. Policy debate still focuses in units produced, albeit by different tenure, rather than lives improved, community qualities enhanced and cities revitalised. And it pays little
attention to the systems that are asked to deliver required housing outputs to influence economic, social and environmental outcomes desired.

First is **Clear, Consistent Notions of Affordability**. There has to be greater specificity about the groups for whom affordable housing, at some given expenditure burden, and adequate housing (somehow defined) are to be delivered.

Secondly is the recognition of the imperative to deal with *Market Failures in Housing*. There needs to be a sense in which non-profit mechanisms can help create better housing system to deliver wider goals related to energy, renewal, ageing etc. and in that regard there needs to be greater appreciation of just how important how such outcomes really are.

The third key aspect of future policy design is for governments to recognise how reducing their housing spending has a significant effect on their capacity to readily deliver any policy goals. That is they have to cope with the *Policy Scepticisms of Business Entities* in a context where the policies of (non-profit) businesses may now matter more than those of government.

**Clear and Consistent Affordability**

Policy-makers should consider three areas of policy where households lack the means to achieve a housing goal. They involve quite different conceptions of ‘affordability’ and need to be treated in a disaggregated fashion rather than income lump measure of ‘affordability’ or some grossly over-aggregated notion of ‘affordable housing’ policy. The areas that have attracted attention are:

- The capacity of low-income households to rent housing that is of an adequate standard to match the needs of their household, that enhances or does not erode their capabilities and that does not place undue burden on households so that other areas of housing spending suffer reduction and consequently reduce the capacities of the household to progress wellbeing. This is the traditional concern of low, or lower income housing policies.

- The ability of households of a given age and income group, often amongst younger households, to secure entry into home ownership in ways that does not place the household under undue
financial pressure and also allows them to make housing and neighbourhood quality choices that do not compromise their long term family goals. These so called owner affordability issues were widely (and partly erroneously) highlighted by rising land to income ratios for first time buyers in the long boom.

- The provision of adequate scale supplies of market rental housing for an increasing number of households who are not bound for a long term future in rental housing but who have postponed ownership until later in life; falling ownership rates for 20 to 35 year olds are now well established in the UK, Canada and Australia and this process has been on-going longer that policymakers usually recognise (having started in the mid-1990’s as the long boom commenced)

These different affordability challenges require the provision of decent quality rental homes for low income households at burdens they can afford; it requires efficient ways for households to move between renting and owning over the life course, as tenure and housing preference change; and it requires elastic rental markets supply.

Whilst maintaining a dominant focus on housing provision, providers can make the case that they are effective routes for providing these desired policy outcomes. In relation to low income renters, non-profits can provide an aura of security for households that the market may not. More importantly, in the long term, housing investments supported at some time in the past can often be recycled as asset prices rise over time. In that context non-market ownership offers a different long term prospect from support for market players.

Non-profits can also, in some cases, support entry to home ownership. However where the market needs forms of equity sharing, and this is more likely to be important where households have more severely constrained borrowing capacities, then having a rental/landlord partner with the households interests at heart is an important consideration.

But why would non-profits want to enter the market rental sector, or what has become the near market rental sector? In some countries there is a private sector and investor resistance to investing in private lets. Some still see it as a sector with political risks. Non-profits, perhaps less concerned by rent limiting rent restrictions and with few qualms about
longer tenancies, may see the sector as less risky than private investors would. So that they may provide a pathfinder role, highlighting that rental investment can be stable and successful in particular neighbourhoods and dwelling types. Or it may be argued that they can compete effectively for profits with small scale buy to let investors.

Non-profits can access efficient finance not available to many small rental investors and they may also have scale economies in management service provision. And of course, holding and operating a successful rental market portfolio not only raises the net income stream of the provider but scale economies in housing management provision become possible. The key question is whether this hybridisation damages the non-profit performance and ethos of the overall non-profit. In this study all of the landlords saw this as a natural area for the expansion of business and did not see the area as problematic, (in some cases however, questions were raised around the taxation implications of essentially commercial activity).

Some critics of not for profits providing market rental housing in England and Scotland have argued that this will see organisations shift towards investments and programmes that provide less help to the very poor and more support closer to the middle of the market. In England the introduction of the post 2011 affordable rental programme envisages that rents will be set at 80 present of market rents, well above the rent levels of existing social housing, and that landlords may also shift from social to affordable renting as houses are vacated.

There are two counter arguments as to why such a policy shift is not exclusively anti-poor. First, it could argue that such mid-market rental provision reduced pressures in that sector. If they were unmet then higher income households would simply displace the poor down and out of the rental sector altogether. So a short to medium term case can be made for such actions. A second argument is that if vacant houses are relent at 80 percent of market rents they can be sold on to a subsidiary that releases a significant volume of capital back for new development in the truly social housing sector. In our study Places for People had costed such shifts and found them an attractive proposition.
The Imperative of Addressing Market Failures

The rental market provider role, whilst relaxing some of the affordability aims of traditional low income rental policies, also highlights the existence of market failures in the rental markets, failures that long term non-profits reputations and commitments can address or redress. This brings us to the much wider topic of market failures and the roles of policies. Housing policies are not simply about making affordable efficiently produced homes. They also have to be about constructing systems of prices, incentives and responses that shape an effective housing system. Market failures are a long established set of rationales for policy interventions in a range of markets, ranging from the credit market through the labour market to the provision of many goods and services. Markets fail when they do not produce clear price signals or where information asymmetries betwixt buyers and sellers shape problems of moral hazard, adverse selection and spillover effects.

A characteristic of the new times, not an exception but a defining feature, is the prevalence of market failures. Credit rationing is a form of market failures, and in this instance necessitated by the failure of signals and incentives within the mortgage and capital markets. Sluggish rental housing provision also reflects market failures highlighted above. But the briefest reflection also highlights that market failures are at the core of failures to adopt sustainable economic actions, that is the environmental effects of individual actions are usually unpriced and often unobserved so that optimal long term decisions are not made. There is a strong argument to be made that the longer, more patient investment horizon of non-profits are more likely to shape better environmental decision that the faulty telescope of selfish, short run market actions. In the absence of coherent pricing environmental effects, carbon taxes etc. non-profits can have key roles to play in innovation for better environmental performances of homes.

Along with the economy and the environmental the pressing issue facing governments in this age is the rapid ageing of the population. In all countries there is now pressure from a growing health and care bill for the elderly being pressed upon a smaller share of younger, workers and taxpayers. A case can be made that the passage of elderly households through different stages of care, health and housing support late in their lives, and often when they have accumulated housing assets, often
requires clear decision taking. Where households have difficulty in making such choices then an agent that had an incentive to look after the long term wellbeing of households would play a significant role in better, decisions for senior citizens. It is difficult to see how private firms with no long term commitment to a particular customer can take the rights decisions for individuals as they make quite complex changes in housing and health arrangements, often in short term time periods. Households need a financial and service provision friend as well as medical and nursing support.

Housing associations and others seem well placed to build and deliver this trusting relationship with older households. And if acquired housing equity and its release are to play a role in supporting elderly wellbeing then the non-profit housing sector has potentially major roles to play in providing better elderly services.

When non-profits act to deal with market failures they are shaping a better housing system. But not all of the clients involved will be resources poor, In consequence there are opportunities for non-profits to act not just as the provider of affordable outcomes for the poor but as the agents to deliver a well-functioning housing system that will achieve a nation’s wider housing goals. Is it time for non-profits to move much more purposefully beyond the ‘affordable’ housing role to provide investments and services that deal with market failures? We believe that our study suggests that for many associations the answer is in the affirmative.

**The Policy Scepticisms of Businesses**

In this paper we have stressed how the provision of non-market housing evolved from central-command and control public housing system to the operation of a quasi-market comprising more diverse non-profits. But within these more diverse the key development drivers were government support. Governments could control who developed, when, what was provided and, through regulation, how it was managed. That is, policy design was relatively simple, in the sense that from some given expansion of investment funds governments could be quite certain about the locus, scale and sector of responses. But is this view of policy still relevant?
We have already noted how national and federal governments have, with a few exceptions, pushed housing responsibilities, and their funding, down to more local levels of government. Even within the government sector there is more diffuse spending to outcome systems being put in place. However the major developments in the nature of non-profits in recent years also challenge this notion of controlled top-down policy effects. Governments have asked non-profits to be more efficient and business like and pursue goals strategically. They have moved towards lighter touch regulation. And now supporting development funds are being withdrawn and recourse to market finance and disciplines advocated.

In these circumstances, non-profits actions will be increasingly driven by their own business strategies. That is their first priorities must be to meet their business obligations and the second to deliver the goals that they have chosen. These emerging priorities are likely to mean that centrally or even locally devised policies will not, as in the past, automatically drive the changes governments seek. They will be scrutinised, with a new scepticism, as to whether they are achievable or desirable. Inappropriate policies with short term goals may simply be ignored by core non-profits. And the more governments push non-profits towards equity based financing the more the policy interest will be only one of several key board interests.

Deregulation and delinking activities from direct state intervention can have many benefits. However the experience of the last few years, the state we are in now, has been shaped by the failure of regulation in financial markets. There must be some concern that further deregulation and distancing of non-profit sectors could also end in an inability to shape better housing policy outcomes. This suggests the need for better and mature engagement between policy-makers and housing providers.

VI. FINANCING THE FUTURE

The previous sections have traced the broad evolution of non-profits and the ways in which the GFC, directly and through consequent government actions, have impacted them and the economic and policy environments they operate in. Clearly recent secular and cyclical changes present both
new opportunities for non-profits as well as new constraints in securing finance. In this section of the paper we wish to highlight the ways in which non-profits have to continue to evolve from a culture and competence focussed on meeting needs through securing and using grants and other subsidies to one of meeting diverse needs and demands through the application of efficient and innovative methods of finding and using capital. This is the financial dimension of a culture of enterprise for social purposes.

The financial culture of post-war public housing in the UK, Australia, Norway and Canada had strong elements of a centralised, bureaucratic, non-market ethos. Funding for investment was almost entirely sourced from the public sector or backed by government guarantees, with governments raising resources through the issuance of long term government bonds. Allocation of investment permissions was allocated from central or federal governments. The accounting frameworks for housing, for instance the Housing revenue Accounts in the UK, were shaped by concerns for bureaucratic accountability rather than economic performance and commonly pooled rents and were based on historic costs.

The pricing of housing assets also received little attention. In Canada and Australia the approach to pricing public housing (that still prevails) was to levy rents as a percentage of income rather than in relation to property values or costs, and little or no consideration was given to the need for future re-investment in the housing stock. In Canada, subsidies designed to provide an economic ‘break even’ were not calculated based on the long-term viability of the housing or to incentivise rational management behaviour, leading to distortions in the operation of the housing and long term funding gaps and a lack of sustainability In the UK there was little attention to the coherence of pricing measures within, let alone across, public housing providers. And in relation to costs, management and maintenance costs (non-planned) were funded from current accounts.

In the UK a similar set of bureaucratic rules and public financing permeated the non-profit sector until the start of the 1990’s. After 1974 housing association development was financed through HAG. Associations were given cost guidelines for particular types and sizes of dwellings. Rents on dwellings were set not by the associations but by the rent officers who were part of the ‘Fair Rent’ pricing of the private rental
sector. Allowances for maintenance and management were specified. In this way associations could identify rental income net of allowable costs and the residual income was used to calculate a mortgage amount that could be repaid. That mortgage was sourced from the Housing Corporation; there were no interactions between associations, lenders and the capital market. And the grant that closed the gap between the project development costs and the mortgage amount was also provided by the housing Corporation. In essence, as in the council sector, financing was 100 percent from the public purse, there was no effective cost competition and no need to think through the ramifications of pricing.

The non-profit sectors in Australia and Canada had some more connection to the economic and commercial realities of developing and managing non-profit homes. In Canada, fixed limits on unit costs meant understanding and managing development processes, although there is ample evidence that these caps became price benchmarks and little effort (and no incentive) to deliver units and the lowest cost possible. They had more of a role in unit pricing for rental purposes but their connections to finance were largely through public borrowing or government agencies. Many Canadian non-profit housing organizations operate market rental units, and are dependent on this income to support their operations and maintenance. Achieving rents has a direct impact on financial viability. It is also true that few Canadian housing organizations sought to generate additional non-rent revenues to assist in their operations.

In all these systems there was little thought about the role of net incomes, or net cash flow, as a key measure for lender behaviour (income cover in loan covenants) and asset management was so passive that in many instances organisations had no real sense of the worth of their assets.

These finance systems, and their implications for behaviour, began to change in the early 1990's as governments looked to increase that share of investment in non-market housing that we would be funded off the public balance sheet. In Australia and the UK (after the 1988 Housing Act), capacity to attract and use private finance become a key capacity for non-profits, not least as the act also ended the residual status off HAG and the HC no longer provided loan finance to associations. In Canada, CMHC adopted the role of providing guarantees and insurance for
privately sourced finance for non-profit development to augment any other supports from governments. Lending for social housing production was not based on a rational set of under-writing criteria, but on the absolute guarantee of governments.

Through the long boom in the UK the banking and finance sectors acquired and new familiarity with lending to non-profits and did so at increasingly fine margins. Larger associations, in a few cases, took resources from the bond markets. The Housing Finance Corporation was established to raise funds that would be accessible to smaller and medium sized organisations. And a whole range of organisational sizes engaged in taking loans from the banking sector.

This heralded new competences within associations. However there were significant aspects of policy that still offered a sense of safe lending to banks and credit rating agencies. Grant rates remained high, if falling, so that most projects until the crash had 50pc of higher grant rates, thus providing significant cushion of government funded equity reassuring commercial lenders. Tight regulation also suggested that problems of organisational competence would be managed away rather than induce default of poorer performing associations. And, of course, a continuing commitment to Housing benefit support systems gave lenders reassurance about rental income streams, as especially housing benefit was paid directly to landlords in more than four out of five cases. Setting rents, containing costs and accessing capital markets, if in a highly protected environment, became significant elements in non-profit business.

There were other dimensions of the policy environment that made more connections to a more asset and income based view of the prospect of non-profits. Through the long boom associations in England became increasingly involved in Section 106 activities, that they became involved in partnerships with private developers who were obliged to provide proportions of non-market rentals or lower cost home ownership as a result of planning gain decisions. Associations became more aware of the economics of land development and of the potential of their own roles as land developers.

The development of stock transfer policies meant new awareness of the financing and real economics of non-market housing, both for disposing
council landlords, and potential recipient housing associations. In the council sector the prospect of sale, in the UK, induced a new commitment to measuring outstanding repair costs, valuing stock, assessing environmental obligations and the like, and the development of ALMO’s had similar effect. And in transfers, where banks were involved, where there was no grant to lay down an equity cushion a new attention was paid to the scale and certainty of net income schemes.

Through a two decade long learning process some parts of the UK non-profit sector became familiar with the ways in which asset values and income streams could shape different development potentials. Similar learning’s have taken place in Canada as government subsidies dried up and stock transfers unfolded. New approaches to borrowing are having an impact on the operating practices and management approach of social housing providers. Developing without or with little government subsidy and using past assets and future income streams to support investment (albeit at a much reduced rate than in the past) became more common place in the non-profits sectors of Ontario and BC, for instance. The large scale, 2,100 units Toronto Community Housing redevelopment of Regent Park is largely being done through project generated revenues and corporate debt obligations leveraged against overall cash flows. Government capital is restricted to the provision of additional affordable rental units. These new approaches are likely to be possible only for larger organizations, with significant management and financial management capacities, and an ability to be debt-rated and risk assessed for new forms of private finance. Ottawa Community Housing is proceeding with new capital investments generated through a re-engineering of existing debt obligations (the extension and rate blending of current mortgages).

In Australia the new interest in private finance largely ended the development capacities of 1970’s style cooperatives, and they have been much merged into larger entities set to pre-launch as housing associations. The putative associations developed in the early 2000’s adopted British like approach and were ‘safe’ vehicles but with limited cash for development. Stock transfers in Australia lagged a decade being the UK and Canada and the possibilities from that process are still being understood. Arguably the strength that Australia displayed that the other nations can learn from was in the active asset management of housing and land. Public housing authorities, as well as non-profits, have had few limitations, and even fewer political taboos, on disposing of land or
assets, if it allows them to recycle assets into other new developments (or, more worryingly meet operating deficits).

But in the new times all providers in all the nations face the possibilities of shifting resource capacities not just of governments to give grants and support, but of banks to lend and consumers to pay. More than ever before there is a need to understand what will work, not just in policy terms, but in housing and credit markets, and these are markets now full of uncertainties. In all the countries explored in this project we are entering a new era where increasingly uncertain income streams and often untested capacities to leverage own assets will be at the heart of new investment in the non-profit sector.
CHAPTER 3
FACING UP TO THE FUTURE: MANAGEMENT AND GOVERNANCE CHALLENGES
Tony McLaughlin and Charles Lovatt

I. INTRODUCTION

Early discussions between researchers and partners in the New Times, New Business project identified the priority questions and issues their organisations faced relating to change. These were focused around; the preparedness of organisations for change, the governance implications of new business models and approaches and the drivers of innovation and efficiency in new policy and financial contexts. This paper looks at these different aspects of management and governance of housing organisations as they move towards new times. It first examines the impetus for change, looking at models of change as theoretical constructs. The paper then looks briefly at the operating environment of housing organisations and how shifts within this environment are likely to compel housing providers to change.

A ‘traditional’ model of a housing organisation is introduced, including some analysis of the strengths and weaknesses of the model in relation to housing providers’ issues in partner countries. The nature of public service delivery in the 21st century, and its implications for housing providers in the partner countries are discussed. A case study on changes in public service delivery looks at the Christie Commission on the Future Delivery of Public Services in Scotland (2011). This chapter also considers the main implications for the Scottish housing sector of the Commission’s findings and its transferability across the partner countries.

The paper concludes by looking to the future, by suggesting a new set of principles for management and governance for new times. This section specifically considers; institutional form, governance arrangements, strategic leadership for the housing sector, challenges associated with hybrid organisations and different types of organisations that can respond to the new realities and new opportunities of New Times.
II. THE IMPETUS FOR CHANGE: ISSUES FOR MANAGEMENT & GOVERNANCE

II.1 The Impetus for Change

The ‘New Times New Businesses’ project arose out of recognition that the combination of epochal events, market conditions and austerity policies required systematic innovation and fundamental change in approaches to the provision of affordable housing for low and middle income households. The previous chapter highlighted the ways in which the collapse in global financial markets, after an initial boost in fiscal stimulus support for housing, will influence bring about an environment of government spending cuts to housing programmes and to the welfare payments that low income households require to pay their rents.

New pressures are not the only feature of the new times. New opportunities have also arisen: interest rates are very low, land prices have fallen, construction costs are down and, in some parts of Europe (such as Ireland, Spain & Greece for example), there are distressed asset sales. Liquidity is good (thanks to relaxed monetary policies) though investors are aware that equity markets are highly volatile. The previous chapter has highlighted, for example, how non-profit housing providers have taken the opportunity for the issuance of housing bonds or index linked securities.

This section considers the ‘not normal’ change which is occurring, while also recognising that ‘ordinary’ change is taking place continuously. ‘Not normal’ change is referred to as discontinuous since it has arisen out of disruptive events. Discontinuous and rapid change involves particularly difficult challenges for organisations, managers and governance structures. Most housing organisations are well accustomed to dealing with ‘normal’ change as response to, for example: fluctuation in rates of interest or inflation; shifts in policy emphasis; desire to improve services or achieve greater efficiency. Management systems and annual cycles of corporate planning, reporting and evaluation routinely deal with continuous ‘normal’ change. Discontinuity or disruption occurs which requires change beyond the capacity of established systems and routines. Such is now the case as market reaction and policy responses to events following the twin crises which arose out of sub-prime debt and Euro-zone sovereign debt have fashioned - a seemingly chronic situation of public sector austerity, rising unemployment and economic recession.

Two theoretic approaches are worth considering further and, we suggest,
may be used in starting consideration of capacity for change and route to change:

**Capacity for change – a theoretic framework**

Christensen & Overdorf⁶ outline a framework which is helpful in understanding the capacity of an organisation to handle change. Organisations shape themselves, their processes and structures to deal reasonably efficiently with problems they are familiar with. There are three factors which are critical to successfully cope with normal change:

- **Resources** – well-resourced organisations are more successful in implementing change
- **Processes** – operational systems and procedures
- **Values** – values shape the way an organisation works but also define what an organisation cannot do

However, according to Christensen & Overdorf, when a situation arises that requires transformational change, the (previously effective) routines, processes and values of the organisation mitigate efforts to succeed in transformation. They suggest three possible ways and organisation may develop capabilities to cope with discontinuous change:

- Set up a new business unit within, but somewhat isolated from, the corporate structure for the purpose of creating new capabilities, innovation and designing new processes⁷
- Spin out an independent organisation which is free to adopt new values and develop new processes
- Acquire, but operate separately, a different organisation whose values and capabilities match the newly perceived requirements

**Processes of Leading change**

Kotter and Cohen⁸ suggest an eight stage model to successfully implement large scale change. Their approach is sequential with nested projects or projects-within-projects. They require clear separation between the roles of ‘management’ and ‘leadership’.

1. Establish a sense of urgency – use a crisis to overcome complacency
2. Create a Guiding Coalition - with sufficient expertise, credibility, power and leadership

⁷ Lockheed Martin coined the term “Skunk Works” for this approach when developing jet aircraft in the 1940s
3. Develop a Vision and Strategy – clear and focused  
4. Communicate the Vision – repeatedly use multiple channels keeping the message consistent and simple; engage in two way communication  
5. Empower staff – permission to change process  
6. Generate short term wins which provide evidence of success  
7. Consolidate each change as it happens – plan for a succession of changes  
8. Anchoring the New Approach in organisational culture involving new behavioural norms and a new set of values which become explicit only at the end of the change process

The NTNB project as a whole can be contextualised in terms of stages 1, 2 & 3 above, in setting a new agenda for non-market housing providers.

II.2. The Changing Operational Environment and Housing Providers

The Operating Environment

Figure 1 below shows how housing organisations are influenced by their changing environment.

Figure 1
As we have seen in other sections of this volume the funding mechanisms, which traditionally comprised of direct or indirect subsidy, have changed, and are continuing to change. There is an ongoing and long term government retreat from providing support to non-profit housing providers that it unlikely to be reversed. Funding issues are set against a backdrop of increased demand for social housing. Housing policy trends have focused primarily on increasing homeownership in all partner countries over the past three decades. Probably the aspect of their operational environment which has not as significantly changed is the mission, which is examined below. The factors that influence organisational form have shifted significantly, yet organisational form and governance for most housing organisations have not changed.

The ‘Traditional’ Housing Provider Model

Housing providers in the partner countries are very diverse. For instance, in purely English terms, housing associations range in scale from those with fewer than ten homes, to those with than 50,000 housing units (National Housing Federation 2010: 5). This diversity makes it difficult to attribute a set of characteristics based on organisations across sectors in the partner countries. However, if we consider smaller housing organisations, with an asset base of less than 2000 units, the characteristics below are more appropriate.

Strengths and Characteristics of the Traditional Housing Provider

Table 1

<table>
<thead>
<tr>
<th>Strengths and characteristics of ‘traditional’ housing organisations</th>
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<tbody>
<tr>
<td>Fairly small organisations – less than 2000 homes but often very much smaller.</td>
</tr>
<tr>
<td>Mostly geographically localised, at neighbourhood levels, and born out of community asset ideals – out of diverse origins such as faith groups, philanthropy, the provision of housing for specific groups, community activism, more recently from transfer from governmental bodies and many others.</td>
</tr>
<tr>
<td>Local stakeholder (usually resident led) governance</td>
</tr>
<tr>
<td>Regulated operational context</td>
</tr>
<tr>
<td>Delivery focused</td>
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<tr>
<td>‘Mission’ orientated – specifically created for a local purpose</td>
</tr>
<tr>
<td>Formal structures characterised by hierarchical reporting</td>
</tr>
<tr>
<td>Strong informal networks, with staff highly knowledgeable about their locale and organisations within it and organisations within it</td>
</tr>
<tr>
<td>Some good relations and partnership working</td>
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</table>
The above characteristics represent important strengths of locally based organisations. In the Scottish context, they have been a prominent element of housing policy since the 1970s (Maclennan 1984). Referring to “Community-Controlled Housing Associations” McKee observes:

“...the community housing movement has delivered many benefits for Scotland’s communities”.

These benefits include; physical investment and new supply housing, community empowerment and local accountability, the encouragement of active citizenship and better neighbourhood management. (McKee 2010: 105) Other key strengths are those which allow some such associations to play community anchor roles within the community; community governance structures and being embedded in the local community; housing assets and independent revenue streams; ability to mobilise cross-sector partnerships; strength of relationship with tenants and their credibility in the local community. (McKee 2012: 3)

The concept of what comprises a ‘community’ in relation to management and governance of housing organisation merits some discussion. The traditional housing organisation as described above, in most cases, operates under a fairly tight geographic assumption of what constitutes a community, such as that offered by Long:

“A grouping of up to several thousand households, whose occupants share common experiences and bonds derived from living in the same locality” (Long 2000: 4)

Perhaps such a localised assumption of community has to be revisited to meet the challenges posed by new times, where the socio-economic conditions are quite different to those which prevailed when housing organisations in the partner countries were established. Housing providers must consider that they exist to serve a raft of communities which contain different and divergent interests within them.

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9 2000 is a fairly loose figure - In the English context, Mullins (2010: 14) states that, the trend of larger providers, the average size of a provider is 1,400 homes (RSR 2009) and that 68% of associations have fewer than 250 homes. If Scotland’s largest Social Landlord, GHA, is discounted, the average size of a Scottish Registered Social Landlord is 1340 units, although many are very much smaller, with the smallest managing just 15 units. Scottish Housing Regulator 2011 Data
http://www.scottishhousingregulator.gov.uk/sites/default/files/publications/shr_benchmarkingspreadsheet.xls
In Australia and Canada, the average unit size of providers tends to be much smaller than in the UK. The 2010 figures of the Australian National Regulatory System for Community Housing reported 959 community housing organisations in Australia that managed nearly 46,000 dwellings, an average of 48 units. The average size of a Canadian provider has been estimated at 150 (Discussion with Derek Ballantyne on behalf of HSC Toronto, 26 April 2012)
Other characteristics and weaknesses of ‘traditional housing organisations’

Discussions with partners found, particularly but not exclusively in Australia and Canada, that despite the achievements of small non-profit housing providers, governance and management arrangements can represent barriers to change.

Table 1

<table>
<thead>
<tr>
<th>Other characteristics and weaknesses of traditional housing organisations</th>
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</thead>
<tbody>
<tr>
<td>Industry set-up mitigates against the sector taking a national view of its own interests</td>
</tr>
<tr>
<td>Sector specific competences, experience and skills</td>
</tr>
<tr>
<td>20th Century modus operandi</td>
</tr>
<tr>
<td>Career progression up silos</td>
</tr>
<tr>
<td>Highly knowledgeable locally – perhaps less knowledgeable outside sector</td>
</tr>
<tr>
<td>Responsive to ‘need’ not opportunity seeking</td>
</tr>
<tr>
<td>Focused primarily on operational issues</td>
</tr>
<tr>
<td>Tendency to focus on the delivery of a single housing product aimed at a single customer group</td>
</tr>
<tr>
<td>Tensions for senior staff and boards when considering organisational change</td>
</tr>
<tr>
<td>Small organisations have little research and development capacity</td>
</tr>
<tr>
<td>Limited resources for innovation</td>
</tr>
<tr>
<td>Strong emotional attachment to organisational heritage</td>
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</tbody>
</table>

In the Canadian context, some small organisations are experiencing difficulty building or maintaining governance capacity in the face of challenging circumstances. As one Canadian partner put it:

“A lot of organisations in Canada are finding it difficult to renew their governance; there are fewer people within communities who are driven with the ‘housing mission’. Few are being driven with the idea that they are simply being asked to maintain what is an increasingly challenging situation – financially, asset condition, tenant fees and so on. There is no prospect of being able to develop new housing or create new solutions to the issues that they are facing. Many small organisations report that they have increasing difficulty recruiting individuals that would be qualified to deal with crisis situations”.

10 Discussion with Derek Ballantyne on behalf of HSC Toronto, 26 April 2012
The non-market sector in Australia is characterised by almost 1,000 small organisations, which have typically been adjuncts to mainstream charities or small initiatives that have been funded by ad hoc interventions from government. Typically, these non-profit organisations manage less than fifty units. (Gilmour & Milligan 2012) Recently a small number of not-for-profit providers have pursued an active growth strategy, and the largest organisations (approximately 45 providers) manage 63 per cent of all tenancies in the not-for-profit sector. Despite this recent growth, it has been difficult to mount arguments of coherent service structure because of the fragmented nature of the Australian non-profit sector. It has also been the case that the industry bodies, which represent these organisations, are trapped in on one hand advocating for the sector, while being simultaneously accountable to it.

In the Scottish context, it was suggested that small housing associations have not yet faced significant enough pressures to change. This is especially true when their housing stock is in good condition and they have had sound financial planning. There is a view that in the social housing sector in the UK, particularly in Scotland, housing organisations have been protected from the realities of new times, as business inefficiencies are passed onto the taxpayer as such a high proportion of customers are benefit dependent. The traditional model, by and large, has delivered well functioning housing operations and strong customer focus, and good relationships locally. Existing management structures have evolved well to provide good service under the circumstances within which they are used to operating. The delivery of local services is one of the great strengths of the model.

Common themes in initial discourse with partner organisations were: capacity and the urgent imperative of the respective non-profit housing sectors in partner countries to change and, small organisations could be more effective if there was clearer articulation of their needs and a clearer case for the socio-economic benefit housing organisations can provide. It was suggested, particularly from Canada, that it is the number, diversity and in some cases attitudes and capability of elements of the non-profit housing sectors that reduces their impetus to change. This is in keeping with the change capability model of Christensen & Overdorf, as outlined above. The challenge in moving forward, therefore, is in finding management and governance structures which retain some the local strengths of community-based housing organisations while achieving economies of scale and increased capacity to increase affordable housing supply.

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12 From information submitted to project by Judy Sutherland, Housing Choices Australia

13 Discussion with Alister Steele, Places for People, 24 April 2012
II.3 Changes in Public Service Delivery and Social Housing In partner countries

Policy and financial changes imposed on the social housing sectors in all the partner countries are a key driver for the necessity for change both in the social housing sector, and in the provision of public service delivery generally. The changes have and continue to represent serious challenges to providers of social housing in the partner countries through their nature of being exogenous, deep impact and second order.

Canada

In Canada, the impact of cuts has been a reality for social housing providers for almost two decades. In 1993 the Canadian Federal Government cut government programmes for creating new housing while devolving the administration of existing housing programmes to provincial governments. Most provincial governments, in their turn, reduced their budgets using programme savings from federal transfers (mostly due to interest rate reductions) to cover their historic share of housing budgets. While this policy was successful in reducing the federal deficit over time, it created an increasing burden for low income households and the provinces who must now respond as they hold responsibility for housing and social services. While other countries see Canada’s debt reduction as a success story, the cuts were disproportionately delivered to low income households. We are now beginning to see the same kind of cuts in partner countries as their governments respond to the Great Financial Crash (2008). Canada did ultimately produce a budget surplus and was the top economic performer of the G7 countries in 2006. (Duxbury 2010: 20)

Cuts in government funding have had serious implications for the provision of affordable housing in Canada and the related development of acute housing problems where an estimated 200,000-300,000 people are homeless. (Duxbury 2010: 20) (Laird, 2007: 5-6). Under these circumstances, Canadian housing organisations have, in the main, been attempting to maintain and manage existing stock, rather than grow. The exceptions to this are two provinces, Quebec and British Columbia, and one territory, Nunavut, where there has been significant funding made available for affordable housing.

Australia

In Australia, there was prolonged downward pressure on Federal housing expenditures through the Howard years that outweighed more dispersed state efforts to promote low income affordable housing. Despite
domestic conditions that included rapid population growth, sustained economic prosperity and an unprecedented house price boom, government investment in social housing ceased in the decade until 2007. (Gilmour & Milligan 2012) From 2007, an additional Aus$20 billion has been provided through stimulus spending in Australia. Almost a third of this was allocated to renewing public and social housing and non-profits have also had substantial access to support for middle market rental subsidies through the National Rental Affordability Scheme. This represents the biggest single injection of new capital into the non-profit housing sector for two decades. As a result the number of community housing units increased by 27 per cent between June 2007 and June 2010 with some providers stepping into leveraging their assets and using private debt to fund additional housing activity14.

However, from 2012 onwards the flow of new subsidy is beginning to dry up. In response to these challenges, many Australian non-profit housing providers are cutting their cloth accordingly, with some looking to dispose of assets or lay off staff. Others, such as Housing Choices Australia, aim to position themselves within this environment to provide shared service platforms in order to ‘bulk up’ as the sector undergoes change. With mounting evidence that the public housing system is financially unviable, state housing ministers have set a target of up to 35 per cent of public housing being owned or managed by not-for-profit providers by 2014. Despite minimal progress to date this opportunity provides a glimmer of hope for the sector albeit the recent focus on transfer of management rights rather than ownership resulted in the sector’s limited capacity to leverage capital for new housing supply.

**England**

In England, social housing providers have been presented with significant reductions in government grants. Severe cuts have been made to housing and specifically to the new build budget, which has almost halved for the 2011-2015 spending period. This places severe constraints on ability to deliver affordable homes, and even to invest and maintain existing stock. Welfare reform and sluggish economic growth are likely to increase demand for affordable housing. This creates a compelling case for change. (Sinn (ed) 2011: 10)

Reform of the United Kingdom’s welfare benefit system will potentially have grave implications for social housing providers across the United Kingdom.15 The introduction of the Universal Credit is a key aspect of recent reforms brought in by the Coalition Government. This

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15 Social security is a ‘reserved’ policy area in the UK. This means that it is a policy area which is set at Westminster parliamentary level and therefore applies to the entire UK.
single payment will replace the current system of Housing Benefit and other payments for specific areas of social security, such as Disability and Jobseekers’ Allowances. This is particularly concerning as currently individual tenants' housing benefit is paid directly from the UK Department of Work and Pensions to social providers. The reforms are intended to reduce duplication and bureaucracy and simplify the process of claiming benefits. However, the social housing sector throughout Britain has been consistent in its opposition to these plans as there are important implications for providers. Notably, social landlords under the current system receive direct payments of housing benefit from the British Department of Work and Pensions. Universal Credit, however, will be paid directly to the claimant, in all likelihood presenting landlords with new challenges in relation to rent collection.

Housing organisations are also concerned about the impact of other elements of the reforms, such as the introduction of an under-occupation penalty for those social tenants who live in a property with a spare room. This is likely to make rents unaffordable for many tenants and present challenges for providers in housing provision and allocation.

**Scotland**

The Scottish Government is trying to increase housing supply across all tenures in the country, pointing to a growing, aging population and a falling average household size. This is set against particularly challenging circumstances. There has been a sharp decline in housing construction (and resultant diminished medium term capacity of the construction sector) and greatly contracted accessibility to mortgage markets. This is all against the backdrop, as is explained in the context of the Christie Commission below, of medium to long-term reductions across budgets for public service provision.

Given these challenges, the Scottish Government has stated that “necessity is the mother of invention” in relation to delivering new housing supply, and suggest the need to embrace a “radical agenda with profound implications for the way that we think about housing”. (Scottish Government 2011) This choice of language certainly suggests that change is needed.

The reduction or removal of capital subsidies is likely to act as a driver for change for social housing providers in Scotland, as are the UK wide reforms to the welfare benefits system. It is highly probable that social landlords will be compelled to raise finance from non-traditional revenue streams and employ tighter financial discipline as grants and subsidies are reduced.
II. 4 Changes in Public Service Delivery – A Case Study

As figure 2 illustrates, Scottish public spending projections show significant reductions over the next two decades, which creates obvious pressures for the delivery of all public services. This situation has pertinent implications for Scottish social housing providers. In order to attempt to find solutions to the conundrum of how to deal with increasing demand for public services, the Scottish Government initiated the Christie Commission. The Christie Commission on the Future Delivery of Public Services was led the late Dr Campbell Christie and reported its findings in 2011. It was initiated by the Scottish Government, with a remit based on examining how Scotland’s public services can be delivered in the future to “secure improved outcomes for the communities across the country” (Christie Commission 2011: 78).

Figure 2: Independent budget review: the report of Scotland’s independent review panel: Forecast Public Sector Spending in Scotland

![Graph showing forecast public sector spending in Scotland](source: Scottish Government (2010))

The Commission’s findings were very clear about the imperative for change:

“The Commission believes Scotland’s public services are in need of urgent and sustained reform to meet unprecedented challenges...Unless Scotland embraces a radical, new collaborative culture throughout our public services, both budgets and provision will buckle under the strain” (Christie Commission 2011: 45).
Christie identified that the four key principles upon which any reform should be based on as:

- Empowerment of individuals and communities
- Partnership and the integration of public services
- Early intervention and the prevention of negative outcomes
- A more efficient system of public services (public, third and private sectors)

Specific recommendations, if implemented, would have consequences for the way that housing organisations in Scotland are organised. Examples of recommendations are; a new set of statutory powers and duties common to all public service bodies, with a specific focus on intervention, legislative provision for community participation in the design and delivery of services and a review of public services in terms of the difference that they make to people’s lives. Christie presents opportunities for housing organisations in Scotland, and also presents a number of challenges. These as presented by the Commission require that any reform based upon it should be ‘bottom up’, based on the reality of frontline services, rather than employing a top-down approach. The principles and recommendations can be interpreted as an opportunity for housing organisations to play to their strengths as organisations which are closely involved with and close to local communities. This is connected to the notion of housing systems being essentially local by nature, from which follows that housing associations have an important local role to play. (O’Sullivan et al, 2004)

Indeed, the Chief Executive of the Scottish Federation of Housing Associations was eager to make the point that housing organisations can be part of the solution to the public service reform at the launch of Christie’s findings:

“As not-for-profit social enterprises which provide a range of services, including housing for specialist need, housing associations and co-operatives are ideally placed to deliver this. Investing more in housing adaptations, for example, is one failsafe way the government can help older people and others to stay in their homes, while saving millions on hospital admission costs”

The Commission, however, also presents challenges for the Scottish housing sector in that the new, ‘bottom-up’ and collaborative ways of

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17 Scottish Federation of Housing Association Chief Executive Officer, Dr Mary Taylor, quoted on the SFHA’s website http://www.sfha.co.uk/sfha/latest-news/sfha-welcomes-christie-report-on-public-services/menu-id-8.html
service delivery would represent a departure for many housing organisations from long established modus operandi. For instance, the nature of regulation of the social housing sector, through the Scottish Housing Regulator, which, although it is a body of the Scottish Government, might be described as ‘top down’, given its Scotland-wide remit. Social housing sectors have been protected, to varying extents, from the harshness of the financial world. In the Scottish case, social landlords currently derive the majority of their income either from ‘top down’ direct subsidy from the Scottish Government or from indirect subsidy in the form of housing benefit or other welfare payments. This reliance on subsidy represents a challenge to social housing provider’s structures and behaviour in Scotland in the context of these new times.

In Scottish terms this is very significant when one considers that around 45.7% of social housing tenants in Scotland pay all of their rent through housing benefit, with over half of social housing income coming from direct payments of housing benefit.

To further contextualise this, in the case of Scotland’s biggest social landlord in Scotland’s biggest city, GHA, almost 58% of tenants pay all of their rent through housing benefit, with over two thirds of GHA’s rental income coming from housing benefit payments

The Christie Commission presents the case for change in public service delivery in Scotland in unambiguous terms. The continuation of current methods of public service delivery is presented clearly as not being an option. Perhaps a similar approach might be employed when examining the other contexts that NTNB partners operate in.

The case for change is clearly relevant to all partner contexts. Stasis as an option for housing providers might allow them to remain true to tradition and be focused on core business of letting and maintaining stock. However, some likely outcomes are; declining revenue in real terms, inflating costs, limited free cash flow and declining access to credit.

II. 5 Christie’s Transferability to other Contexts

The Christie Commission is obviously aimed at the reform of Scottish public services. However, the Commission is also useful in the context of the New Times, New Businesses project in that it presents a range of principles for reform that can be considered in relation to chance in all partner countries.

18 Data from Scottish Government Housing Statistics – data for 2010 and GHA ASPR data submission to Scottish Housing Regulator, submission for 2010-11 http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration/HSfS/KeyInfoTables
For instance, in the Australian context, there are pressures on the public and social housing sectors to do more with fewer resources. These pressures have similar origins to the Scottish challenges referenced in Christie. For instance, demographic change is a key imperative for change within Australian non-profit housing. Demand for housing for older people is projected to increase by 75% in 2016 compared to demand in 2001, with housing demand for over 85 year olds predicted to double over the same time period. (AHURI: 2009)

In the Canadian context, reference has been made to the lack of joined up thinking in the attempting to tackle the country’s aforementioned growing problem of homelessness. (Duxbury 2010: 21) Given that emergency funding is often provided to attempt to house people in a crisis situation, perhaps Christie’s focus on early intervention is appropriate to transfer to the Canadian situation.

Christie’s focus on partnership is also mirrored in the Federation of Canadian Municipalities’ stress on a collaborative approach from all levels of government, community based agencies (housing and social service agencies) and private sector agencies, in planning a way forward for affordable housing provision in Canada. (FCM 2008: 26)

The Commission’s local empowerment and ‘bottom up’ principles have relevance to the localism agenda championed by the current Coalition Westminster Government. Housing Associations in England might take note of Christie given the opportunities they have to fulfil a number of roles within localities such as; enablers for local initiatives, community investors, funders of community businesses or social enterprises, providers of a broader range of services or supporters of local cooperation and self-help initiatives. (Lupton & Leach 2011)

III. CHANGE, HOUSING POLICY AND REGULATION

Housing policy makers in all partner countries tend to shape policy at a level which is several levels away from the delivery of housing, which in essence is a locally delivered service. Consideration might be given to the appropriateness of centrally delivered policy making mechanisms and regulatory systems. Do such systems stifle or at least discourage housing organisations from changing? Could changing these systems help organisations to evolve and innovate?

In policy terms, it has become more difficult to consider a ‘British’ housing policy context in the 21st Century, given divergent policy
approaches in devolved Scotland and at Westminster. (Maclennan& O’Sullivan 2011) However, the priority afforded to housing by British politicians has led many housing academics and commentators to refer to housing as the “wobbly pillar” of the British welfare state (Malpass, 2008: 3). This view suggests that housing outcomes, and budgets, are more vulnerable to be sacrificed in difficult times than other ‘pillars’ of the welfare state such as health and education. This detachment is also reflected in an apparent unwillingness or inability to see or to articulate the case for better housing outcomes and how housing connects to the wider economy. (Maclennan & O’Sullivan 2011)

With the exception of The Norwegian State Housing Bank, all partners viewed regulation in their respective countries, (except for the reforms of the recent regime in England and in the very recent context of Scotland), as either passive towards change and or as bureaucracy that actively discourages it.

**Canada**

Canada’s housing regulation system consists of a series of regulations set out by the state within a legislated framework. The responsibility for the administration and compliance with these regulations is at the regional government level for the most part. Changes in regulations in the past have not had a significant impact on whether Canadian housing organisations have changed their management. Canadian partners point to three barriers to change in the Canadian non-profit housing sector. These are; a strong dependency on current financing and regulatory arrangements with government, institutional inertia in the face of increased financial and governance challenges and finally organisational capacity. The institutional inertia is an important point. It seems that organisations are too busy and concerned with dealing with financial pressures and attempting to maintain current stock.

There is little capacity for organisations to think about change and how they might surmount the barriers to it\(^\text{19}\). Because of the nature of its community building programmes of the 70s, most of Canada’s housing providers are very small, which reduces their ability to take on new business forms. However, the regulations which guide and direct housing providers are gradually moving from the federal government to other governments, whether they are municipalities, territories or provinces. These new orders of government may find it easier to make regulatory changes. Canada is a large country with diverse regions.

\(^{19}\) From initial questionnaire (February 2012) and interviews with Derek Ballantyne on behalf of HSC Toronto and Ottawa Community Housing and the City of Ottawa (April and May 2012)
In the past, it has always tried to identify a one size fits all approach. This is no longer required.

**Australia**

In the Australian context of the state of Victoria, in which Housing Choices Australia operates, the state Housing Act provides for a Registrar of housing with specific powers and oversight over the community housing sector. The level of scrutiny, according to Housing Choices Australia staff who have also operated in UK contexts, is relatively modest in comparison to that required in the UK. Regulation in this context has not been particularly active in the structuring or restructuring of organisations. The main concern has been to ensure the financial viability of the organisation going forward.

Separately, there are proposals underway for the establishment of a national regulatory system. In 2012 the Federal Government released a discussion paper setting out various options for the national system. The proposed system is for the retention of the state and territory regulators, who will oversee a harmonised Regulatory Coder established under a model National Law enacted by each participating state and territory. Housing Choices Australia is not convinced of the merits. Usefully for this paper, Housing Choices Australia sets out a vision for the purpose of national housing regulation, which suggests regulation should have a proactive role in increasing the supply of affordable housing:

”The goal of national regulation should be to expand the supply of affordable housing by fostering the establishment of a viable not for profit sector capable of delivering significant growth in housing assets. This is to be achieved through efficient use of public and private resources, to meet the challenges of short supply”.

**England**

In England, encouragement for change has only emerged, according to Places for People, in the last two years through the regulatory system concerning English social housing organisations, or Registered Providers. This change has come through the adoption of a system based on a more

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20 Housing Choices Australia (2012) National Regulatory System for Community Housing Providers – Submission by Housing Choices Australia

21 This approach is officially referred to as “co-regulation” which emphasises that it is boards and councillors who are ultimately responsible for the effective performance of their organisations, compliance with the standards and being transparent and accountable to stakeholders. The regulator will continue to regulate proactively the economic standards”. TSA website http://www.tenantservicesauthority.org/server/show/nav.15065
hands-off self-regulatory approach. The framework for regulation was updated in 2012, updating a framework laid down in 2010. Now the regulator only expects to take a proactive role in economic regulation, which is separated from customer regulation. Registered Providers are expected to look after the latter side of their business with the regulator (Tenant Services Authority or TSA) only getting involved in cases where there is evidence that Registered Providers are acting in a way that is severely detrimental to customers.

Interestingly, Places for People, and many within the English social housing sector, expressed concern at the prescriptive nature of some of the initial proposals at consultation stage, which perhaps reveals an example of what regulators should not do, in that regulation becomes a burden for housing providers. This focused on initial proposals for TSA to undertake ‘proactive regulation’ on value for money, which is a service standard under the regulatory framework in England. Places for People’s response made clear that while regulators should be involved in the regulation of Registered Providers finances and actions; there is a limit to this role. The Registered Providers is the key player in the setting of business strategy and priorities:

“In essence, the purpose and overall business strategy of a Registered Provider provides the context for how it judges efficiency and by definition this will drive different Value for Money strategies for different types of organisations”. (Places for People 2012: 3)

**Scotland**

In Scotland, there have been significant developments in the way that social landlords are regulated in recent times. The most significant developments are in the establishment of a New Scottish Housing Regulator, and the development of the Scottish Social Housing Charter. The new Scottish Housing Regulator (SHR) came into being in 2012. Its establishment represented an important departure from its predecessor organisations in that it is, through legislation, an independent Non-Ministerial Department, directly accountable to the Scottish Parliament, as opposed to a ministerial department. The new regulator appears more ‘hands-off’ than its predecessors, with a departure from on-site inspections which were a common feature of previous regulatory regimes. The SHR operates a risk-based approach, only intervening when it feels there is a necessity to do so. Individual landlords’ own assessment of their performance is a central part of the regulatory system. The SHR in the main sets out standards and outcomes that tenants can expect to receive “in terms of the quality and service they
can receive, the standard of their homes, and opportunities for communication and participation in the decisions that affect them”.

The Charter also sets standards for the services received by specific client groups of social landlords; namely homeless people and property owners who receive property management services. It is still early days for the new regulator, but the new regulatory approach appears to give social landlords more flexibility and a system that should take up less staff time. However, it remains to be seen whether the new framework will facilitate or permit change. The SHR has suggested, while being receptive to new types of landlord activity, that business diversification activities will make their regulatory role more complex22.

IV. NEW BUSINESS MODELS, INSTITUTIONAL FORM, LEADERSHIP AND GOVERNANCE – CONCLUDING THOUGHTS

There is broad consensus among the partners that a more businesslike, commercially minded organisation involved in diverse activities and operating in commercial environments represents the future for the provision of affordable housing. Key areas of focus are also the retention of local focus and the retention of community engagement, and the ability to deliver excellent services to customers.

The key area of discussion, therefore, is ultimately around what the organisations that provide affordable housing might look like in the future. What is the core purpose of such organisations? How do organisations tackle the tension between the social role on one hand and commercialisation on the other?23 This paper is intended to stimulate debate on the range of options available to non-market housing providers. Some concluding principles for this debate and for change are offered below.

Institutional form and leadership

Housing providers are faced with addressing ‘wicked’ problems24. Housing is central to many chronic social problems, such as; multiple

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22 Michael Cameron, The Scottish Housing Regulator’s Head of Inspection, at NTNB event June 22 2012, Edinburgh
23 These questions are also considered in Simm (ed) 2011: 12
24 The term ‘wicked problem’ was first proposed by H. W. J. Rittel and M. M. Webber, both urban planners at the University of California, Berkeley, USA in 1973. The authors observed that there is a whole realm of social planning problems that cannot be successfully treated with traditional linear, analytical approaches. They called these issues wicked problems and contrasted them with ‘tame’ problems. Tame problems are not necessarily simple—they can be very technically complex—but the problem can be tightly defined and a solution fairly readily identified or worked through. For further discussion of policy perspectives on wicked problems, refer to ‘Tackling Wicked Problems: A Public Policy Perspective’ (2007) from the Australian Public Service Commission (from which this précis is taken) available from http://www.apsc.gov.au/publications-and-media/archive/publications-archive/tackling-wicked-problems
deprivation, economic and social exclusion, chaotic lifestyles and drug and alcohol abuse.

These challenges require action that, in the spirit of the Christie Commission, should involve the pooling of resources, expertise and excellent leadership exercised in a collaborative way. This type of collaborative leadership presents significant challenges such as:

**The need to align Organisational missions**

- Clear focus on outcomes for customers & communities

**Organisational processes**

- Need to be dynamic, high quality, adaptable & open to innovation
- But - implications for human resources development, recruitment and continuing professional development

**Individuals managing in situations of collaboration must have**

- Excellent inter-personal skills, good transactional ability & knowledge
- Excellent understanding of policy landscape

**Governance arrangements**

To respond to the challenges, and opportunities, of New Times, governance arrangements should be fit-for-purpose and capable of driving and managing transformational change. Specifically organisational governance should:

- Respect the principles upon which the Organisation was founded
- Charge the Board with prime responsibility for setting strategy and managing risk
- Have regard for the multiple communities served by the Organisation - gaining and retaining their trust and respect
- Have regard to the principles of stakeholder accountability at local, regional and national levels
- Be appropriate for more the complicated organisational structures that will be required to serve multiple communities
- Be capable of coping with the increased risk that larger scale, less secured funding and more diverse product offerings will bring
- Enable innovation of products, processes and financing
- Governance arrangements should add value to Organisation

This chapter has explained that non-profit housing providers face some “wicked problems” such as; population growth, changing and ageing demographics, income inequality and therefore more housing need, housing problems that cannot not to be resolved solely by markets, as well as the financial issues analysed in the previous chapter. The principles discussed are intended to assist organisations in looking at how they might reorganise themselves to meet the challenges of New Times.
CHAPTER 4

DEVELOPING WIDER ROLES AND WIDER OUTCOMES

Tony O’Sullivan

I. INTRODUCTION

In their role as housing providers, housing associations, Registered Social Landlords (RSLs) and other non-profit organisations (‘non-profits’) seek to improve the places in which they work by delivering better, more secure and more appropriate housing, by regenerating property that requires investment and by involving tenants in new roles. Some go further, setting up homework clubs, hiring social enterprise groups and so on. Given that they retain ownership of housing over a very long period of time, their interest in community sustainability is multi-facetted. Thus, they typically seek to develop housing that is resilient, requires minimum maintenance over time and is energy efficient.

Through their actions, the outcomes that housing organisations create for their tenants and for the neighbourhoods in which they invest can be significant. Long term security of tenure for example, can have major impacts on the lives of children, enabling them to make stable long term friendships, stay in the same school and in their turn to play a positive role in the long term well-being of the communities that nurtured them.

Across the countries participating in this study, recognition of ‘wider-than-housing’ outcomes and participation in ‘wider role’ activities varies significantly. This paper pools the experience of study participants, drawing conclusions for where next and establishing the challenges that must be addressed to move forward. More specifically, the paper:

- Explores the meaning of ‘wider outcomes’ and ‘wider roles’ for housing organisations
- Explains the differing country contexts for the further pursuit of wider outcomes and roles
- Evaluates the evidence base pertaining to wider outcomes and roles
- Poses some key questions for the future and offers some conclusions.
II. WHAT DOES ‘WIDER ROLE’ AND ‘WIDER OUTCOMES’ MEAN?

There is no official definition of the terms ‘wider role’ and ‘wider outcome’ - terms which explicitly occur most frequently in UK contexts. Places for People was formed in the belief that delivering effective outcomes for individuals and communities will often require local provision of more than traditionally defined housing investment and services and they have led the way in promoting the ‘wider agenda’ in multiple locations across the UK. More recently the GHA have taken a key role in delivering integrated neighbourhood renewal within Glasgow.

Norway has little history of engagement with this agenda. Canadian policy makers have long accepted that social housing projects can contribute to municipal goals of sustainable community development (CMHC, 2011), while the Australian Productivity Commission (2010) notes that:

“...community housing providers can better understand the local environment and make linkages to other local organisations and individuals, to serve clients. These opportunities are said to contribute to a sense of security, lead to development of self-reliance, and lead to the acquisition of social and work-related skills. In the long term, those assisted may enjoy better life prospects and require less assistance than otherwise”

In practice however, Australian engagement with this agenda has also been limited to date.

In Scotland, where dedicated financial support in the shape of a ‘Wider Role Fund’ was available between 2000 and 2012\(^{25}\), the Scottish Government considers the wider role to cover:

“...activity that RSLs are involved in that goes beyond the provision, improvement and management of housing with the aim of improving the economic, social and environmental circumstances of the communities within which RSLs operate.” (Communities Scotland, 2003)

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\(^{25}\) Through its new regeneration strategy, the Scottish Government (2012) has replaced the Wider Role Fund with a ‘People and Communities Fund’. This new fund aims to build on the Wider Role Fund but has an important difference in that it is not restricted to housing associations. Under the new regime, other agencies active in communities, such as Development Trusts or Regeneration Partnerships, can also apply for funding. (précis is taken) available from [http://www.apsc.gov.au/publications-and-media/archive/publications-archive/tackling-wicked-problems](http://www.apsc.gov.au/publications-and-media/archive/publications-archive/tackling-wicked-problems)
The most recent (2011-12) statement of Governmental priorities in this regard\(^{26}\) stipulates the following priorities for wider role projects:

- investment to address the causes of poverty, community decline and worklessness
- making early interventions for vulnerable individuals, families and disadvantaged communities
- improving employability as a key means of tackling poverty
- income maximisation

In addition:

“Priority will also be given to projects which demonstrate the RSL’s ability to work effectively with other RSLs, Third Sector organisations and, where possible, local authorities and community planning partnerships”

This forms the context in which Glasgow Housing Association (GHA) has pursued its wider role activities (see Annex 1).

Governments in England and Wales have also recognised a wider role for non-profits, but have never established a formal funding stream to support it. Instead, external funding has been made available as part of broader regeneration policy budgets, including the Single Regeneration Budget (SRB) (1994 – 2004) and New Deal for Communities (NDC) (1998 – 2008)\(^{27}\).

Historically, English non-profits have invested in the wider community around their housing stock with examples of young people or financial inclusion products dating back to the 1930s. This was predominantly designed to reflect the values and purposes of funders, founders and supporters of social housing associations (TRSC, 2011) and their charitable status. Many housing associations chose to spend their surpluses on projects to improve the quality of life in the communities they serve because this felt like the right thing to do. From a public policy perspective, the argument for non-profit housing organisations undertaking wider role activities ultimately comes down to the benefits they can thereby deliver. In Scotland, Wider Action Funding

\(^{26}\) http://www.scotland.gov.uk/Topics/Built-Environment/Housing/access/widerrole

\(^{27}\) In the Scottish case, Wider Role Funding has run alongside broader regeneration initiatives and public policy delivery frameworks. Most recently, this has involved RSLs integrating their wider role activities within local authority ‘single outcome agreements’ and ‘community planning’ structures.
was initially expected to support six key (“Closing the Opportunity Gap”) regeneration objectives. These were to:

- increase the chances of sustained employment for vulnerable and disadvantaged groups
- improve the confidence and skills of the most disadvantaged children and young people
- reduce the vulnerability of low income families to financial exclusion and multiple debts
- regenerate the most disadvantaged neighbourhoods
- increase the rate of improvement of the health status of people living in the most deprived communities
- improve access to high quality services for the most disadvantaged groups and individuals in rural communities

More recently, policy frameworks have increasingly been recast in terms of expected outcomes. At the most general level, these have been packaged by the Scottish Governments securing wealthier and fairer/smarter/safer and stronger/greener/healthier communities.

Reflecting this varied international experience, for project purposes the following working definitions were employed:

- ‘Wider outcomes’ refers to the contributions housing providers make to ‘other than housing’ social goals (for example economic growth and stability, health and social care, sustainability etc) just by doing the basics well – allocating, managing and building homes.
- ‘Wider role’ refers to active engagement in the delivery of broader service packages encompassing employment support, skills acquisition, health, social and financial wellbeing etc. Key here is the requirement for the participating organisation to move beyond ‘plain vanilla’ housing management and development functions and engage in other types of activity in the service of individuals, neighbourhoods and communities.

Tables 1 and 2 also provide two complementary representations of possible RSL contributions to ‘wider outcomes’. These frameworks are used below to help assess the evidence base.

III. COUNTRY CONTEXTS

As well as differing in terminology used, participating country experience differs with respect to underlying housing policy priorities and broader economic contexts.
In Australia, which, like Canada and Norway, weathered the ‘Great Financial Crash’ of 2007 much better than the UK, affordable housing is designated as a core national service delivery area, along with disability services, schools, health care, and skills and workforce development. Housing system priorities include integration of the homelessness service system with mainstream housing services; reducing concentrations of disadvantaged people on public housing estates; improving the capacity and scale of the not for profit sector in housing; promoting greater efficiency in the supply of housing through planning and land supply processes and improving the access of indigenous people in urban and regional areas to mainstream housing services, including home ownership.

In the past, active involvement of the national government in urban renewal in Australia has been confined to very brief time periods, (Milligan and Pinnegar, 2009). A Major Cities Unit was established in 2008 to provide leadership and co-ordination across all spheres of government on issues surrounding the infrastructure and governance of cities, but the housing role in this is under defined (Australian Government, 2011).

The centrepiece of the housing reform agenda is facilitation of the growth of a number of sophisticated not-for-profit housing organisations to operate alongside existing state-run housing authorities (Marchingo, 2011):

“there are perhaps 2,000 or more community housing organizations (however defined) and among them are the 35-45 organizations across Australia that will make the ‘jump into hyperspace’ that we call growth housing associations. Most of these organizations are members of PowerHousing Australia”

There is financial inducement in place to support stock transfer from State housing agencies to community housing organisations (State housing agencies are ineligible for ‘Commonwealth Rent Assistance’ (CRA) because they must limit rent on their stock to 25% of tenant income; non-profits in receipt of transferred stock can raise rents on the back of CRA eligibility and thereby generate revenue streams to support investment in stock, either directly or via private borrowing). However, State enthusiasm for the transfer agenda is variable. Marchingo (2011) comments:
“It is inconceivable and counter intuitive that some states are not moving at all on this opportunity for fundamental reform. Some however, such as New South Wales & Tasmania are embracing it. Others such as South Australia are dipping in and out with a lack of coherent policy; others such as Victoria are apparently studiously ignoring the potential”

More generally, Marchingo notes:

“Business transformation as a concept in the Australian experience may well be premature, in the sense that ‘business invention’ is in reality where many of our NGO providers, associations and members find themselves! There are opportunities however, but this is a sector that either needs to remain captive to government ‘development’ with all of the perverse outcomes that this involves or a sector that looks to harvest incomes by working as the specialist providers to the wider private sector as it moves to meet demands that government cannot or will not”

Canada

In Canada there has been an understanding since the mid-1970s that community development, social and economic, should be part of what non-profit housing organisations deliver. However, while this was initially supported with public funding, during the period 1986 to 1993 many federal social housing programs were discontinued or merged with other programs and impetus was seriously undermined in the early 1990s through budget cuts.

Canada’s national housing agency, Canada Mortgage and Housing Corporation (CMHC, 2011) has recently expressed the view that: “In all jurisdictions, it is becoming increasingly clear that the most successful housing interventions are those approaches which are coordinated with other social supports to address specific or persistent client and community needs, and which involve local participation.”

“There is growing awareness of the effectiveness of community-driven social housing, increased coordination with support services and the role of housing in poverty reduction strategies. Cooperation across (and within) orders of government and the not-for-profit and private sectors, are setting the stage for more flexible and responsive models of organization and administration”.

25 The delivery of federal programs was largely transferred to provinces and territories as part of the 1986 Social Housing Strategy.
However current social housing policy emphasis is largely centred on the physical renewal of existing and ageing stock, with the social dimension of regeneration interpreted through the notion of ‘mixed communities’.

**England**

The emergence of a Coalition Conservative-Liberal Government in 2010 opened the way for profound reform of the broader policy frameworks within which housing and regeneration policy operate:

- The Welfare Reform Act 2012 introduces a wide range of changes aimed at making benefit and tax credit systems fairer and simpler. A number of these changes will have a direct impact upon the social housing sector and not just because it houses many of the most vulnerable in society. Changes such as ‘Direct Payments’ (whereby the housing element of a new Universal Credit will be paid direct to the claimant, not the landlord) and new ‘Under Occupancy’ rules (which will force people to pay a ‘bedroom tax’ if they have a spare bedroom) could undermine neighbourhood and tenancy sustainability and increase levels of rent arrears.

- The Localism Act 2011 aims to shift power from central government back into the hands of individuals, communities and councils. The Coalition Government’s motivation for introducing this Act was the view that central government had become too big, too interfering, too controlling and too bureaucratic, undermining local democracy and individual responsibility, and stifling innovation and enterprise within public services.

With respect to broader housing policy, Laying the foundations – A Housing Strategy for England (HM Government, 2011) argues that the current system for meeting housing need is not working, with long waiting lists, inefficient usage of social housing and many residents not receiving the right support and incentives to take up work. The strategy proposes implementing a radical programme of reform including encouraging innovation by housing associations and ‘for profit’ providers into the affordable housing market, self-financing models for local authorities, re-invigoration of Right to Buy and a more stringent approach to tackling tenancy abuse. A combination of increasing demand for social housing and a sustained period whereby lettings have been focused heavily on those with the greatest need now means that the housing sector faces real challenges if it is to be able to meet need and demand within available resources.
At the same time, deep public sector cuts have commenced. Reductions in Supporting People funding (which is used to assist vulnerable people to maintain themselves independently in the community), cuts in youth services and regeneration budgets are likely to put increased pressure on housing providers to address issues that in the past would have been the remit of others. Of the Coalition Government’s most recent regeneration policy statement (Communities and Local Government, 2011) the House of Commons Communities and Local Government Committee (2011) has concluded

“The document gives us little confidence that the Government has a clear strategy for addressing the country’s regeneration needs. It lacks strategic direction and is unclear about the nature of the problem it is trying to solve. It focuses overwhelmingly upon the achievement of economic growth, giving little emphasis to the specific issues faced by deprived communities and areas of market failure”. The Committee also notes a “dramatic and disproportionate” reduction in regeneration funding since 2010.

Norway

The latest government report to the Storting states:
“It is the vision of the Government that all members of society shall have adequate, secure housing. The greatest possible number of inhabitants shall, to the greatest possible extent, enjoy direct access to the housing market and be able to provide for themselves from their own livelihood. It should be pointed out that a major portion of today’s population already lives in satisfactory homes at reasonable cost levels, has direct access to the housing market and is self-sufficient. The Norwegian housing model, based on the goal of home ownership for the majority of the population, has been successful.”

Social renting as a policy instrument is characterised thus:

“In most cases, it will be advantageous for people in Norway to own their own homes. For those needing housing on a short term basis, however, rental housing may prove more beneficial. This applies to disadvantaged groups as well. Social rental housing is therefore not generally recommended as permanent housing for disadvantaged individuals, but rather as temporary accommodation. The availability of a large number of social rental dwellings is not necessarily an indication of a successful social
housing policy. Social rental housing may also represent a poverty trap. Being disadvantaged on the housing market is not a state to which one should be consigned forever. A framework should therefore be in place that allows the individual to experience a housing career in keeping with his or her own capabilities, in which the goal is to become as self-reliant as possible in his or her own home. Both rental contracts and public financial support to tenants in social rental housing should therefore be designed to motivate housing career advancement. Although efforts are to be directed towards ensuring that as many people as possible can own their own homes, it is still important that the municipalities have access to a wide range of social rental housing in keeping with their needs.”

Housing system priorities can therefore be summarised as promotion of owning, housing market deregulation, targeted revenue support for marginalised groups and provision of social housing as temporary support (social lettings are typically made for 3-5 year periods). There is no overall regeneration policy framework or history of wider role activities for housing bodies in Norway per se. On the other hand, social housing assistance is frequently dispensed by organisations with lead responsibility for health policy and increasingly for employment assistance.

There is also no overarching national performance management framework for the delivery of housing policy. The Norwegian central Government formulates the main goals and constructs the legal framework of housing policy, and provides financial support through NSHB. A large degree of local freedom is given to Norway’s 430 municipalities in the crafting of Norwegian housing policy (Langsether et al, 2008):

“The responsibilities of municipalities at the level of strategy include formulation of policy goals, planning, evaluation and institutional design. The coordination of various policy instruments and the different bodies involved in social housing policy, are also a part of the local authorities responsibility at the level of strategy”. Municipalities are also the primary implementers of housing policy (ibid).

The Office of the Auditor General of Norway has recently criticised the extreme fragmentation of social housing policy delivery and has recommended that all municipalities take steps to achieve greater unification and co-ordination of policy (ibid).
Scotland

Overall Scottish Government political priorities involve promoting economic growth; addressing climate change; securing greater taxation powers; promoting social justice and securing public efficiencies (increasingly the latter is focused on achieving more preventative spending, including a policy initiative to ‘Shift the Balance of Care’ in social work and health to community settings). Much of this policy agenda is playing out in the context of a power struggle between the Scottish and UK Governments over independence and devolution.

At the same time, policy implementation is shaped by a Concordat agreed between the Scottish Government and Scottish local authorities in 2007. This framework provides increased freedoms for local authorities to decide local priorities for resource use, within the context of a performance agreement with the Scottish Government linking local actions to national outcomes. Over time, overall resource constraints and increasingly tough financial settlements are placing an increasing strain on central – local relationships.

Housing practitioner fears that greater local government freedom to determine local priorities would lead to resources being leached from housing applications have been realised. Consistent with other parts of the UK, the relative importance of housing and regeneration to Scottish policy makers has been reducing over time.

Current housing system priorities include additional new supply, but strictly in the context of sharply reduced capital subsidies, and shared services between public and non-profit organisations. Regeneration policy is now long on rhetoric but short on resource commitments (Scottish Government, 2012).

Common Themes

The preceding, inevitably selective, pen portraits illustrate the differing points of future departure for participating countries. They point to varying economic fortunes and prospects, but a fairly general re-evaluation of the role of social housing in society and state support for social housing. In particular, they point to a developing consensus on the part of central government that its role (financial and otherwise) should be reined in. More generally, there is increasing governmental consensus that state intervention in the lives of individuals should be redefined, albeit this intention is being implemented with varying degrees of finesse.
A third commonality is not discussed above, but is evident in the paper by Searle in this volume – the ageing of population within participating countries. This demographic trend is putting increasing pressure on health and social care budgets and generating ever greater interest in the redesign of service structures to secure greater impact at lower cost.

In short, there is much in the economic, political and demographic environments that is threatening to the continued operation of non-profit housing organisations as currently configured. On the other hand, the processes of change currently in play are opening up new opportunities to organisations skilful enough to recognise and exploit them. Many of these opportunities fall within the ambit of wider outcome and wider role.

IV. WIDER ROLES AND WIDER OUTCOMES: THE EVIDENCE BASE

What do we know of the efficacy of associations in wider outcome/wider role contexts?

Beginning with consideration of wider role, most of the evidence derives from UK research. Of particular interest in this regard, wider role activities across Scotland as a whole were evaluated in 2008 (Ekos Consulting, 2008). Key findings were that:

- In financial years 2003/4 to 2005/6, 655 projects were approved, with total grant funding of just less than £31 million.
- 95% of approved projects secured funding from sources other than the Wider Role Fund, either from the RSL itself, or from other public or private sources. Over the period the Wider Role Fund brought forward project activity to a value of just over £118 million. The main source of co-financing was other public sector grant funding (£60 million).
- The top five reported activities, in decreasing order of importance, were:
  - employment and training schemes
  - youth services and initiatives
  - community facilities
  - community arts, culture and recreation
  - money, debt and welfare advice
- (Tables 3 and 4 provide more detail).
- 44% of the projects approved received grant funding of less than £20,000; some 5% received funding of greater than £150,000.
While over 60% of RSLs received Wider Role funding and the majority of all RSLs reported a strong commitment to undertaking regeneration work, in financial terms wider role constituted a marginal activity; Assisted RSLs reported an average of 2.7% of income being devoted to wider role work.

Although 93% of assisted RSLs reported that Wider Role funding had enabled them to make some or a major difference for the tenants and communities being served, the evaluation recorded that, given an absence of consistent monitoring data, it was not possible to comment on the overall impact of the Fund in relation to “Closing the Opportunity Gap” objectives. More generally, while:

“...by and large the Fund seems to be contributing to national regeneration and social economy development policy priorities... there is no robust monitoring and evaluation framework in place at programme level. This means that no comprehensive information exists on the ongoing impact or value for money of the Fund, and as such represents a weakness in the Wider Role programme”

The authors of the evaluation recommended that in future priority be shifted from using the Wider Role Fund for pump priming purposes to one of consolidating and deepening RSL involvement in local regeneration. To date this recommendation is unactioned.

In a separate information gathering exercise, interviews conducted with senior staff of GHA and Glasgow City Council as part of the New Times New Businesses project found:

- Broad consensus that there is continuing if varying commitment to wider action in the RSL sector in Scotland; Some organisations see it as central to their core purpose while others are reluctant to get involved in wider action work (in the main due to the possibility of exposure to financial risk). Within Glasgow, GHA is seen as operating on a different scale from most other RSLs in the city and in consequence to be in a position to support wider action activity in a way other landlords cannot.

- Broad consensus also that the wider role agenda has not been clearly defined, with some believing that the position in Scotland in this regard worsened with the demise of Communities Scotland in the early 2000s. However, some see this lack of clarity as a good thing, because it avoids the possibility that a narrow definition ends up stifling innovation and inventiveness.

- A recurring theme that the sector does not speak with a unified voice in regard to wider action and its promotion by housing
associations is a varied and fragmented one.

- That while Government (central and local) broadly recognises the breadth of scope for RSL wider role activities, more could be made of potential contributions in areas like social work, education and training, and in the delivery of regeneration. Housing’s and housing providers’ contribution to local economies are a major area of omission from some key documents.

- While the continuance after 2012 of a dedicated fund for RSL wider role activity is a good thing, there is never enough funding for wider action. It was felt that in overall terms Glasgow had done relatively well out of the funding regime in the last decade or so, although the wider role allocation is a very small proportion of the housing budget. Several of those interviewed considered there to be scope for housing associations to work together in order to maximise funding.

- GHA’s wider action programme has used a partnership approach, building on engagement structures already in place, and this has helped to pre-empt any opposition to the role it has sought to play in terms of wider role activity. However, some concern was noted from other agencies, such as social work services, about housing organisations’ wider action roles in areas such as low level support activity.

- GHA wider action activities have been successful to date and in-depth monitoring and evaluation carried out on its wider action programme backs this up. The picture in Glasgow overall, however, is more difficult to assess, with interviewees believing that there have been varying degrees of success throughout the city.

- The strongest conclusion however, which emerged through all of the interviews, is that the wider action agenda would benefit from a more strategic approach. In this regard:
  - Deployment of funding appears to be arranged in a somewhat haphazard way. Some strategic leadership might encourage housing associations to work with each other and with other partners to ensure that value for money from scarce funding is maximised
  - There is no coherent strategic framework at a Glasgow-wide or Scotland-wide level for assessing and evaluating the impacts of wider action activity – if there were it might help to make the case for the wider role of housing organisations
  - The representative bodies of housing associations, and the Chartered Institute of Housing should be encouraged to take a leadership role.
In addition, more of a case should be made for the impacts of housing and wider RSL activity, particularly in terms of how they contribute to local economies. Evidence on scope and scale of wider role activities for England is provided by the results of a national survey for 2006/7 conducted by the National Housing Federation (undated). Grossing up survey returns, English RSLs were reported to have delivered 6,800 neighbourhood services in that year. To do this they invested £435 million, of which £272 came from internal sources. Neighbourhood services were defined by exclusion for the survey work underpinning this exercise; definitions of housing management, housing services, Supporting People and registered care services were provided and RSLs were asked only to report on activities and investment not included within these definitions.

In more detail the services delivered were classified as follows:

- Employment and enterprise services – 574 (total investment, £45 million)
- Education and skills services – 1,238 (£66 million)
- Well-being services – 656 (£41 million)
- Poverty and social exclusion services – 984 (£44 million)
- Safety and cohesion services – 1,878 (£90.5 million)
- Environmental services – 1,472 (78.5 million)

Between 2002 and 2007, RSLs also provided or maintained nearly 1,000 neighbourhood facilities ranging from community centres to sensory gardens, city farms, and travellers’ sites, investing over £351 million in the process. Tables 5 and 6 provide examples of the types of service and a list of the neighbourhood facilities involved. No direct evaluation of wider role activities has been undertaken for England. However, the overall regeneration programmes of which RSL wider role constitutes an element have been evaluated. Findings for the most recent of these (the NDC Programme, the primary purpose of which was to reduce gaps between 39 of the poorest neighbourhoods (of roughly 10,000 people each) and the rest of England) were as follows (Batty et al, 2010; Beatty et al, 2010):

- Direct expenditure under the overall programme was £1.71 billion, with each area attracting roughly £50 million. Including spending by other partner organisations, the total was £2.52 billion. Local

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29 The NDC evaluation cost a cool £25 million (Lawless, 2010).
30 It is worth emphasising that NDC was not an RSL led programme in most cases.
authorities proved to be the largest single source of other public sector spend.

- Housing and the physical environment (HPE) accounted for the largest share of NDC funding at 32 per cent, followed by community with 18 per cent and education at 17 per cent. Worklessness, health, and crime accounted for 12, 11 and 10 per cent respectively.

- In terms of net additional outcomes:
  - changes in education outcomes were commensurate with those seen in non NDC deprived areas.
  - no evidence was found for positive net additional change in relation to worklessness
  - statistically positive net change emerged in relation to health, much of it relating to improvements in mental health
  - net positive improvements in relation to crime were recorded
  - net positive improvements in relation to household attitudes to area and local environment were recorded

Net outcomes were monetised using a shadow pricing technique, which suggested benefits of between £5.4 and £8.7 billion, and a benefit-cost ratio of between 3.13 and 5.08. However:

“... the value of the programme is generated mainly through non-market net additional outcomes, including improvements in mental health and satisfaction with area. This isn’t surprising given that the key objective of the NDC Programme was to improve the quality of life of NDC residents and this was reflected in the allocation of spend – 32 per cent of NDC expenditure was on housing and the physical environment and 18 per cent on community (both of which would tend to generate the non-market outcomes identified in the analysis) compared to 17 per cent on education and 12 per cent on worklessness (both of which would generate more market outcomes such as employment and improvements in skills).”

Subsequently, one of the main contributors to the evaluation exercise reflected on the lessons learned from the NDC Programme and, more generally, from evaluation of 40 years of area based initiatives (ABI) (Lawless, 2010):

29 “[The] Shadow pricing method determines the compensating change in income that would produce an equivalent change in quality of life as would change in a given outcome. So for example, what extra income would increase an individual’s quality of life by an equivalent amount to the improvement in quality of life from making a transition from, not being satisfied, to being satisfied, with their local area?”
“First, ABIs tend to improve places, rather than the fortunes of individuals within them. There is no evidence of positive net change in relation to worklessness, or education...ABI’s improve places, and that is what they should focus on. The government has placed a strong emphasis on regeneration policy achieving employment and economic development objectives: those goals are better suited to interventions at city-regional and national scales. Second, the community dimension is fraught with problems. The NDC narrative certainly points to individuals benefiting from their engagement with their local Partnership. But there is no evidence that at the area level this is reflected in positive change with regard to social capital indicators, such as trust in local institutions or residents thinking they can influence local decisions. Third, the evidence base points to bigger projects, bigger Partnership boards and bigger [areas being] associated with more positive gains than smaller ones: size matters. Fourth...Partnership[s] have struggled at times to get agencies to see any need to focus on...apparently arbitrary areas, in receipt of time-limited regeneration funding. Why should existing mainstream agencies provide more resources to areas which anyway each receive £50m of additional NDC funding?

Finally, an issue consistently thrown up by regeneration initiatives is that tension in achieving an appropriate balance between central government on the one hand, and local government and local residents on the other”. Lawless also argues for a greater sense of realism in regeneration policy, pointing out that:

“...even in this relatively generous ABI, total per capita funding amounts to about £100 p.a., per outcome: far and away most of the money going into regeneration areas will still come from mainstream agencies”.

These observations very much echo the views expressed by Carley (2002) a decade earlier.

The NDC evaluation exercise encompassed aspects of both wider role and wider outcome. More generally, using Tables 1 and 2 as a guide, a substantial international literature has developed with respect to wider outcomes. This literature encompasses both mainstream research methods (HM Treasury, 2011) and, to a much lesser degree, a range of less well known and emerging approaches to social impact measurement, such as social accounting and audit, logic modelling and social return on investment (SROI) (Lyon and Arvidson, 2010). Zappalà
and Lyons (2009) note the use of these latter types of approach is only just beginning in Australia. With respect to England, Wilkes and Mullins conclude that the current picture of social impact measurement is extremely varied across the third sector, with general recognition of its importance tempered by concerns about cost and which approach to adopt.

While SROI is currently being strongly promoted, particularly in a UK context (Nicholls et al, 2009), and seems to be gaining a reasonable amount of traction as a consequence (Durie et al, 2012), the approach is somewhat controversial (Arvidson et al, 2010). From a technical perspective SROI is much like cost benefit analysis (CBA). However, unlike CBA, the results of an SROI are not directly comparable with those derived from other SROI studies. The key innovation in SROI is actually the emphasis it places on developing an explicit ‘theory of change’ (an explanation of how an intervention leads to a given outcome). In this sense, SROI shares ground with the even more recently developed ‘contribution analysis’ approach to evaluation. However, as Arvidson et al (2010) note, SROI:

“leaves ample room for not only judgement that makes it possible to inflate the value created when there is no assurance system used, but also for misunderstandings regarding how to interpret and use the SROI ratios”

Maclennan and O’Sullivan (2010) sketch out the main channels through which housing may positively affect a range of socially desirable outcomes, but do not explore the evidence base in any detail in this regard. Buzelli (2009) reinforces the point that long term outcomes can apply at different levels as well as across sectors (Table 7) but, having assembled over 130 relevant reports, studies and research summaries, concludes the evidence base for the economic value of social housing is under developed across the board.

In an American context, Mueller and Tighe (2007) review the evidence that house condition is linked to education and health outcomes. Their overall conclusion is that theorising about these connections remains at an exploratory stage and that attaching meaningful social costs to poor conditions remains elusive. In an Australian context, Foster et al (2011) and Mallett et al (2011) confirm these findings for health, as Maclennan and O’Sullivan (2011) in their review of housing and health connections (table 8).

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32 (Wimbush and Beeston (2010) provide a useful introduction to contribution analysis).
Specifically in terms of SROI analysis (bearing in mind the limitations discussed above) Ravi and Reinhardt (2011) conclude that community housing in Australia generates an annual social value of $176 million (see table 9), but do not compute the cost side, leaving them unable to calculate an SROI ratio. More narrowly focused, Kempton and Warby (2012) conclude that property adaptations for older people living in sheltered and very sheltered (or extra care) housing provided by 3 RSLs in Scotland\(^ {33}\) generate a total return on investment of £5.50 to £6.00 for every £1 invested, with the Scottish Government alone recouping £3.50 - £4.00 for every £1 it invests. These authors also report that very sheltered housing provision in itself generates a number of well-being benefits for tenants that are superior to those offered by residential care homes; nearly £18.3 million invested in very sheltered housing was estimated to have generated over £33.7 million of net value. 95% of this arose through savings in care home costs, while the remainder was generated by increased levels of well-being for tenants.

Other (non SROI) examples of claimed net social benefit include the following studies:

- Audit Commission (2009), which estimates that every £1 spent on providing housing support for vulnerable people saves nearly £2 in reduced costs of health services, tenancy failure, crime and residential care. This is supported by studies in Scotland (Tribal, 2007), England (Capgemini, 2008) and Wales (Matrix Consulting, 2006), which all report that the Supporting People programme delivers a net financial benefit to the public purse.

- Heywood and Turner (2007), who summarise the evidence on health and social care savings attributable to investment in housing adaptations and conclude: “Not all adaptations save money. But where they are an alternative to residential care, or prevent hip fractures or speed hospital discharge; where they relieve the burden of carers or improve the mental health of a whole household, they will save money, sometimes on a massive scale”.

- Evans and McAteer (2011) who estimate that for every £100 invested in debt advice, a return of £122 is achieved in reduced arrears and associated costs for social landlords


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\(^ {33}\) Bield, Hanover, and Trust Housing Associations. Very sheltered housing provides enhanced staff cover and additional welfare checks compared to other forms of non-care home housing for older and disabled people (Kempton and Warby, 2012).
outweighed costs by 13% and concluded that handyperson services deliver a relatively high volume of preventive activity at a relatively low cost.

Summarising all this in terms of tables 1 and 2:

- Experience of the wider role in the UK indicates that area renewal through development is considerably more straightforward to demonstrate than community regeneration, the case for which remains in research terms, hard to confirm.
- Research evidence on the current roles of housing providers in securing better education and physical/mental health outcomes is also difficult to tie down, although the intuitive logic of the case is widely accepted.
- The wider benefits of housing providers offering extra management support to vulnerable and disabled households have been confirmed across different administrations within the UK.
- Handyperson and schemes and property adaptations have been found to generate significant returns on investment from a public policy perspective.

It needs to be noted however that much of the available evidence is open to challenge. This is not just because relevant non-profit housing provider objectives, outcomes sought and activities are poorly specified and monitored (although this is often the case). In conducting evaluative work it is often impossible to demonstrate a convincing counterfactual ‘policy off’ position. In the health sector, this is often handled by means of randomised controlled trials, but this approach is not well suited to investigating broader public policy contexts (HM Treasury, 2011).

V WIDER ROLES: KEY QUESTIONS FOR PROVIDERS

In practical terms, an enhanced wider role for housing providers will involve prioritising one or more of the following areas of activity and answering the questions posed:

- Economic Development – housing providers are major employers and procurers of services. Many support workforce development activities such as apprenticeships. How much further should or could they go? Should housing providers invest their own resources in increasing customer skills and employability? Should housing providers get involved in Government initiatives, such as the Work...
Programme in England, as either a prime or sub-contractor? Output related funding models bring significant risk and large cash flow implications; do housing providers have the skills and capacity to do this work? Is it their core business? What is the principal consideration - generating a surplus that can be re-invested, or impacting upon worklessness in neighbourhoods where stock is managed? If people have greater market income, can their rents be increased, therefore providing more cash to RSLs?

- **Education/Skills** – Housing providers house many families and young people in neighbourhoods that are served by local primary and secondary schools. Educational attainment is a key indicator of future success in terms of employment and life time earnings levels. In addition, in many cases the quality of local schools is a key factor for those who have housing choice. Should housing providers get more involved in the education arena? If so, what is the housing provider role and what age ranges should they focus upon? Where can they add value and what are the tangible benefits to the business, the individual/families and the neighbourhood?

- **Environment** – Housing providers make significant investment in the physical fabric of their properties. They also manage large areas of green space which surround these properties. In many cases, these open spaces are of a poor quality and provide little amenity or value to the neighbourhood. Should housing providers invest further in providing and managing higher quality open space? Would customers be willing to see an increase in service charges in order to support such investment? There is also the aspect of carbon reduction, which social landlords are more likely to achieve because they do more dense developments and because they have a long term interest in the robustness and efficiency of their properties.

- **Financial Inclusion** – Should housing providers promote and improve customer financial inclusion? Should they provide products and services that are not currently being delivered by the market (e.g. affordable loans, mortgages, etc)? Why? Should they encourage access to mainstream financial services, provide access to debt advice, etc? How far should housing providers go in terms of ensuring that the homes they manage are energy efficient at a time of increasing gas and electricity prices?

- **Co-ordinated Communities** – Should housing providers take a lead role in co-ordinating activities within the neighbourhoods they serve? How is this best achieved in areas with a mix of housing types and housing providers with differing skills and resources?
How does the role of local government affect this? Should housing providers seek to have an impact on neighbourhoods outside of the homes they directly manage? How can organisations better share the burden and work together in a coherent and co-ordinated way?

- Community Development/Community Facilities – Resources available for community development have and will continue to reduce. Should housing providers persist in this role in this context? How can they bridge the emerging resource gap?

Ultimately, each housing provider will have to answer these questions for itself in the context of its specific contributor country policy context. In England (and Scotland) for example, one future path involves non-profit housing providers taking a much more active role in preventive health and care activities funded by resource transfers from the health and social care sectors (National Housing Federation, 2010). In each instance the choices will include what case can be made for public funding support, but extend beyond this to encompass issues of alternative (private) funding possibilities, wider organisational business strategy, business skills and competencies and governance consequences, many of which are explored in other chapters of this volume.

VI. CONCLUSIONS

Across the developed world - and to varying degrees - demographic trends, pressures on public finance and redefinition of state roles in securing social well-being all point to an increasing need for community ‘anchor organisations’. The case for future growth and spread of broadly based community service providers seems to reflect an ineluctable community and business logic. Moreover, housing associations appear well positioned to respond positively to the emerging opportunities – to develop into the spaces being vacated by government. There is a compelling narrative concerning the contributions that ‘plain vanilla’ housing services can contribute in other areas of social concern, including economic growth and stability, health, social care, education and sustainability.

There is also, again to carrying degrees, prior experience of housing provider deliverance of broader service packages, encompassing employment, skills, education, well-being, inclusion and environmental services.

34 Newhaven Research (2009) offers some examples of what this blurring might involve in the specific context of extending Telecare services in Scotland.
To date, funding for both basic housing services and wider role activities has essentially relied on public expenditure, but this will increasingly dry up unless housing organisations can provide more compelling evidence to back up their compelling narratives. Inability to do so to date might be portrayed as a strategic failure on the part of the housing sector, but this would be harsh. As noted, there are good reasons why, even when serious attempts to do so are made, it is hard to make a definitive case in empirical terms. These include:

- Difficulties in defining the things we want to measure in practical terms
- The challenge of proving convincingly what the counterfactual would be (i.e. where housing associations are active, what would have happened if they weren’t and vice versa)
- Problems in untangling the contributions of multiple factors in determining outcomes, including making appropriate allowance for nonlinear effects
- Identifying contributions that operate over very long time periods

With increasing competition between policy areas for diminishing public resources, research to support resource switching across sectors is likely to become more politicised and contested. For example, even in the context of strong governmental desire to maintain people at home as they age and their health diminishes, research findings supporting preventative shifting of public money from health and social care providers to housing service providers will be increasingly challenged and the standard of proof required will rise. The alternative funding route for housing organisations seeking to play greater roles as community anchors or more than market community service providers is to base more of their activities on direct charges to the recipients of the services on offer. This still requires demonstration of value, but to a different audience. However the real challenge here is more one of culture; for organisations established and evolved as third sector and predominantly charitable concerns, adopting a market orientation is often deeply uncomfortable.

In both securing future resources, from whatever source that may be, and actually delivering on the community anchor/more than market community service provider agenda, housing organisations will also be challenged in terms of identifying and securing the right skills and competencies. This starts with the matter of deciding what the role actually involves in specific localities and which localities to prioritise.
In sum therefore, the logic is sound and the time is right for housing associations, RSLs and non-profits in the participating countries to promote more effectively their wider contributions to social ends and their potential to operate more broadly as more than market community service providers. To deliver more, they will have to meet funding, culture and governance challenges head on and these should not be underestimated. However, the first step in solving a problem is to recognise what it is and in this regard the contributors to New Times New Business are well placed.

Table 1:

<table>
<thead>
<tr>
<th>Major Division</th>
<th>Major Sub Division</th>
<th>Specific Topics</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing and the economy</td>
<td>Short run growth</td>
<td>Short run public sector investment levels in housing</td>
<td>The typical argument from the housing lobby for extra housing investment in the UK. Not considered in this report</td>
</tr>
<tr>
<td>Stability</td>
<td></td>
<td>Role of rented accommodation in moderating house price trajectories</td>
<td>Not considered in this report</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Role of subsidy structures in conditioning house price trajectories</td>
<td></td>
</tr>
<tr>
<td>Long run growth</td>
<td></td>
<td>Area competitiveness</td>
<td>This is the productivity agenda. The first three specific topics essentially comprise the ‘place making’ agenda.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Area renewal</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Community regeneration</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Housing and health</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Housing and education</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Housing and labour mobility</td>
<td></td>
</tr>
<tr>
<td>Stability</td>
<td></td>
<td>Housing and climate change and Fuel poverty</td>
<td>Not considered in this report</td>
</tr>
</tbody>
</table>
Table 1 continued:

<table>
<thead>
<tr>
<th>Major Division</th>
<th>Major Sub Division</th>
<th>Specific Topics</th>
<th>Comments</th>
</tr>
</thead>
</table>
| Housing vulnerable people | Specific groups    | ● People that need extra management support to maintain a tenancy Housing for learning disabled  
● Housing for older people  
● Housing for homeless people. | In the UK, policies for the first two topics are covered by what is known as ‘Supporting People’ (SP) policy.  
This topic is the current focus of how to integrate housing, health and social care in the UK  
This shades into the housing and health topic under ‘long run growth’ |

Table 2:

<table>
<thead>
<tr>
<th>Type of Housing Intervention</th>
<th>Comments</th>
</tr>
</thead>
</table>
| Development                                      | Frequently linked to economic wider impacts  
This could include commercial development |
| Existing stock upgrades                         | Often linked to the health and climate change agendas                     |
| General social housing management services       | Little investigation of this per se –this is a gap                       |
| Home Improvement Agency services                 | This includes Care and Repair in the UK                                   |
| Property adaptations                              |                                                                         |
| Telecare and community alarm services            | Strong link to health and social care agendas with claimed preventative spending benefits |
| Supporting housing services                      | Strong link to health and social care agendas with claimed preventative spending benefits |
| Commercial (non-housing) service provision       | Little investigation of this per se –this is a gap                      |
### Table 3: Alignment of Wider Role Fund Projects to Closing the Opportunity Gap Objectives

<table>
<thead>
<tr>
<th>CtOG Objectives</th>
<th>% of Projects Contributing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective 1: Employability</td>
<td>20%</td>
</tr>
<tr>
<td>Objective 2: Children and Young People</td>
<td>18%</td>
</tr>
<tr>
<td>Objective 3: Financial Exclusion</td>
<td>5%</td>
</tr>
<tr>
<td>Objective 4: Neighbourhood Regeneration</td>
<td>62%</td>
</tr>
<tr>
<td>Objective 5: Health</td>
<td>10%</td>
</tr>
<tr>
<td>Objective 6: Rural Services</td>
<td>10%</td>
</tr>
</tbody>
</table>

*Source: Ekos Consulting (2008)*

### Table 4: Thematic Focus of Wider Role Projects (April 2003 to March 2006)

<table>
<thead>
<tr>
<th>Theme</th>
<th>Number of Projects</th>
<th>% of Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community care services</td>
<td>17</td>
<td>3%</td>
</tr>
<tr>
<td>Childcare services</td>
<td>11</td>
<td>2%</td>
</tr>
<tr>
<td>Education and learning initiatives</td>
<td>27</td>
<td>4%</td>
</tr>
<tr>
<td>Employment &amp; training schemes</td>
<td>78</td>
<td>12%</td>
</tr>
<tr>
<td>Debt, money advice, and welfare rights</td>
<td>27</td>
<td>4%</td>
</tr>
<tr>
<td>Environmental clean ups, maintenance etc</td>
<td>40</td>
<td>6%</td>
</tr>
<tr>
<td>Sustainable development (e.g. recycling, energy)</td>
<td>31</td>
<td>5%</td>
</tr>
<tr>
<td>Community health initiatives</td>
<td>18</td>
<td>3%</td>
</tr>
<tr>
<td>Community arts, cultural, recreational events</td>
<td>50</td>
<td>8%</td>
</tr>
<tr>
<td>ICT &amp; digital inclusion projects</td>
<td>32</td>
<td>5%</td>
</tr>
<tr>
<td>Community safety initiatives (e.g. CCTV)</td>
<td>34</td>
<td>5%</td>
</tr>
<tr>
<td>Community transport services</td>
<td>2</td>
<td>0%</td>
</tr>
<tr>
<td>Youth services and initiatives</td>
<td>51</td>
<td>8%</td>
</tr>
<tr>
<td>Community facilities, workspaces, accommodation</td>
<td>122</td>
<td>19%</td>
</tr>
<tr>
<td>Homelessness and housing/tenancy support</td>
<td>18</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>97</td>
<td>15%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>655</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

*Source: Ekos Consulting (2008)*
Table 5: Examples of English RSL Wider Role Activities

<table>
<thead>
<tr>
<th>Category</th>
<th>Examples</th>
</tr>
</thead>
</table>
| Employment and enterprise services           | • Resident service organisations (community-led enterprises employing local residents to deliver local services)  
• Youth enterprise projects aimed at helping young adults into self-employment  
• Training people in construction skills |
| Education and skills services                 | • After school studies and breakfast clubs  
• Arts and theatre initiatives  
• IT training and learning initiatives |
| Well-being services                           | • After school studies and breakfast clubs  
• Arts and theatre initiatives  
• IT training and learning initiatives |
| Poverty and social exclusion services         | • Credit unions  
• Help with opening bank accounts  
• Advice on welfare benefits, money and debt  
• Furniture and white goods re-use |
| Safety and cohesion services                  | • Community events and conferences  
• Youth diversionary measures, including youth clubs and other activities  
• Community wardens  
• Domestic violence and crime victim support |
| Environmental services                        | • General environmental improvements  
• Maintaining gardens in the community  
• Estate caretakers  
• Waste and bulky items collection  
• Promoting and implementing measures to improve energy efficiency |

Source: NHF (Undated)
Table 6: Neighbourhood facilities provided or maintained by English RSLs

<table>
<thead>
<tr>
<th>Alcohol treatment centres</th>
<th>allotments</th>
<th>arts and drama facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>business start-up units</td>
<td>CCTV and street lighting</td>
<td>children’s centres</td>
</tr>
<tr>
<td>city farms</td>
<td>community cafés</td>
<td>community centres</td>
</tr>
<tr>
<td>community and sensory gardens</td>
<td>community kitchens</td>
<td>community resource and information centres</td>
</tr>
<tr>
<td>cricket grounds</td>
<td>cycle paths and footpaths</td>
<td>day and drop-in centres</td>
</tr>
<tr>
<td>football fields</td>
<td>foyers</td>
<td>furniture recycling workshops</td>
</tr>
<tr>
<td>greenhouses</td>
<td>health and well-being centres</td>
<td>holiday homes</td>
</tr>
<tr>
<td>IT facilities</td>
<td>landscaping</td>
<td>libraries</td>
</tr>
<tr>
<td>hostels</td>
<td>nurseries</td>
<td>parks</td>
</tr>
<tr>
<td>parking facilities</td>
<td>places of worship</td>
<td>play areas</td>
</tr>
<tr>
<td>police bases</td>
<td>schools</td>
<td>shop and retail enterprises</td>
</tr>
<tr>
<td>sports facilities</td>
<td>swimming pools</td>
<td>training centres</td>
</tr>
<tr>
<td>village greens</td>
<td>village halls</td>
<td>women’s refuges and youth centres.</td>
</tr>
</tbody>
</table>

Source: NHF (Undated)
Table 7: Example Issues of Long-Term Economic Benefits/Costs of Social Housing

<table>
<thead>
<tr>
<th>Level/scale</th>
<th>Health</th>
<th>Education</th>
<th>Development</th>
<th>Labour Force</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Individual resident/household</td>
<td>Physical and/or mental health</td>
<td>Test scores, school completion</td>
<td>Family rootedness, human capital development</td>
<td>Participation, skills development,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Local neighbourhood/community</td>
<td>Access to services</td>
<td>School integration, diversity</td>
<td>Community economic development, cohesion</td>
<td>Stability, local consumption, small businesses</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. wider/macro-economy</td>
<td>Emergency, health care spending</td>
<td>Population educational outcomes</td>
<td>Income security</td>
<td>Labour force participation and taxation</td>
</tr>
</tbody>
</table>

Source: Buzelli (2009)
<table>
<thead>
<tr>
<th>Housing Circumstance</th>
<th>Health Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temperature: cold</td>
<td>Excess winter deaths/respiratory infections/ischemic heart disease, myocardial infarction</td>
</tr>
<tr>
<td>Humidity: dampness, condensation, fungal/mould growth</td>
<td>Asthma, rhinitis and alveolitis/respiratory problems/asthma/chronic bronchitis/eczema/tuberculosis, diarrhoea</td>
</tr>
<tr>
<td>Indoor air quality: Environmental Tobacco Smoke (ETS)/house dust mites</td>
<td>Allergies/asthma/respiratory problems/lung cancer</td>
</tr>
<tr>
<td>Sanitation</td>
<td>Water born infections</td>
</tr>
<tr>
<td>Lead</td>
<td>Lead poisoning/neurological and intellectual development</td>
</tr>
<tr>
<td>Radon gas</td>
<td>Lung cancer</td>
</tr>
<tr>
<td>Noise, space (including overcrowding) and light</td>
<td>Increased risk of infectious or respiratory disease/reduced stature</td>
</tr>
<tr>
<td>Safety at home, including carbon monoxide</td>
<td>Accidents, including fire and poisoning</td>
</tr>
<tr>
<td>Public safety, security and the effects of crime</td>
<td>Anxiety, shock and depression</td>
</tr>
<tr>
<td>Overcrowding</td>
<td>Anxiety and depression/developmental delay</td>
</tr>
<tr>
<td>High-rise flats</td>
<td>Anxiety and depression, especially among women</td>
</tr>
<tr>
<td>Mortgage insecurity</td>
<td>Anxiety and depression</td>
</tr>
<tr>
<td>Housing instability</td>
<td>Anxiety and depression</td>
</tr>
</tbody>
</table>

### Impact of the residential environment on physical health

<table>
<thead>
<tr>
<th>Housing Circumstance</th>
<th>Health Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to services: including healthcare</td>
<td>Inadequate health care</td>
</tr>
<tr>
<td>Open, green and play space</td>
<td>Obesity</td>
</tr>
<tr>
<td>Traffic: levels, noise &amp; air pollution</td>
<td>Accidents</td>
</tr>
<tr>
<td>Noise pollution</td>
<td>Depression</td>
</tr>
<tr>
<td>Safety, security &amp; anti-social behaviour</td>
<td>Anxiety, shock &amp; depression</td>
</tr>
<tr>
<td>Sense of community</td>
<td>Wellbeing</td>
</tr>
</tbody>
</table>

Source: Derived from Turkington et al (2010)
Table 9: Estimated social value created by Australian community housing

<table>
<thead>
<tr>
<th>Impact Category</th>
<th>Outcome</th>
<th>Population Affected</th>
<th>Number Affected</th>
<th>Financial Proxy</th>
<th>$ Impact per person</th>
<th>Year 1 $ Impact after adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td></td>
<td></td>
<td>52.5% of Community Households that fall into the low-income category</td>
<td>34,396</td>
<td>Increased Disposable Income for tenants as compared with Private Rental</td>
<td>$ 2,548</td>
</tr>
<tr>
<td><strong>Educational</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational</td>
<td></td>
<td></td>
<td>60% of Children in community housing Under 15 years of age</td>
<td>14,219</td>
<td>Annual additional earning potential for Year 12 graduates as compared to those earning Year 10 certificate or below</td>
<td>$ 3,016</td>
</tr>
<tr>
<td>Community housing tenants are more likely to pursue educational or training opportunities that will improve their employment prospects</td>
<td>Community housing residents who are currently unemployed but actively looking for work (8% of community housing tenants)</td>
<td>4,700</td>
<td>Improved earning potential as measured by part-time employment rates at minimum wage</td>
<td>$ 17,784</td>
<td>$ 54,166,509</td>
<td></td>
</tr>
<tr>
<td><strong>Health</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td></td>
<td></td>
<td>12% of households in community housing (excludes the 27% of the population receiving disability support payments)</td>
<td>33,424</td>
<td>Average annual spend on health services</td>
<td>$ 1,872</td>
</tr>
<tr>
<td>Reduced demand for health services for ‘heavy-users’ and disabled populations</td>
<td>27% of CH residents receiving disability support payments</td>
<td>20,495</td>
<td>Reduced spend on health services for ‘heavy users’ after moving into public housing</td>
<td>$ 640</td>
<td>$ 2,623,908</td>
<td></td>
</tr>
<tr>
<td><strong>Community Inclusion</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Inclusion</td>
<td>Community housing tenants who participate in maintenance and admin activities</td>
<td>-</td>
<td>Not Quantified</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>Emergence of support networks for self-reliant and independent communities</td>
<td>All community housing tenants</td>
<td>-</td>
<td>Not Quantified</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td><strong>Total Value per Year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 176,971,786</td>
</tr>
<tr>
<td><strong>Total Present Value of Community Housing Benefits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 664,828,780</td>
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Source: Ravi and Reinhardt (2011)

ANNEX 1: GHA WIDER ROLE ACTIVITIES

GHA organises its wider role activities around a ‘Better Lives’ programme, which has four overlapping themes. These are:

- Healthy Lives
- Young Lives
- Working Lives
- Community Lives
- Healthy Lives
- Key actions under this theme are:
  - GHA support for a seconded member of staff from the local National Health Service agency. This early years manager’s focus is on child protection and improving the life chances of children resident in our properties and our wider communities
  - A number of funded health and wellbeing activities for tenants aimed specifically at tenants aged 25-59 across the city
  - The silver deal programme for older customers – this includes the provision of a handyperson service who carry out minor repairs and other tasks for our older customers and the silver deal active, which is a series of fitness classes provided in local communities for older people
• The provision of a fuel advice service, which has provided over 1,100 tenants with fuel tariff advice
• Financial Inclusion – GHA provides money advice/financial capability services to tenants
• Young Lives
• Key actions under this theme are:
• The provision of enhanced recreation and learning opportunities for children and young people up to 25 years, including; 17 recreation and learning projects and activities in which over 4,600 young people have been involved across the city
• Assistance for hundreds of young people to achieve academic/vocational qualifications
• A series of bursaries to help young people attend university
• Several diversionary projects aimed at steering young Glaswegians away from antisocial behaviour through structured programmes of youth diversionary activity and group work.
• Promotion of employability of young people in Glasgow – GHA Modern Apprenticeship Programme, recruiting the vast majority of apprentices from specific areas of Glasgow
• Provision of support to young, vulnerable tenant families through parenting skills projects.
• Working Lives
• Key actions under this theme are:
• Maximisation of jobs and training opportunities to Glasgow residents resulting from construction, investment and revenue contracts
• GHA Community Janitors Programme, which provides training placements for long-term unemployed residents, including 170 people in the Programme’s first year.
• Partnership with voluntary organisations to provide work placements for people from particular equalities groups
• Community Learning Projects aimed at Personal Social Development and the achievement of qualifications and accredited awards.
• Community Lives
• Key actions under this theme are:
• The promotion and organisation of events and activities focused on community engagement/integration
• The development of play and recreational facilities in GHA neighbourhoods. To date, 63 play areas have been completed, with another 9 under development.
CHAPTER 5

SUMMARY OF FINDINGS, CONCLUSIONS AND IMPLICATIONS

Duncan Maclennan, Sharon Chisholm, Michael Lennon and Tony McLaughlin

I. SUMMARY RESEARCH FINDINGS

The early discussions in the project between CHR and partners identified numerous common and pressing circumstances of participants across all countries. These included questions of defining organisational scope and identifying customers, how to fund the gap left by reductions in public subsidy and how to align management and governance to changing environments. Four themes were identified as central to the ‘New Times, New Business’ project. Each chapter in this volume has concentrated on one of these themes, that is:

1. Changing Times and Changing Contexts
2. New Times, New Routes for Funding Non-Profit Providers
3. Facing up to the Future: Management and Governance
4. (Developing) Wider Roles and Wider Outcomes

I.1 Changing Times and Changing Contexts

i. Although the countries included had different histories in the development of the non-market housing sector and currently faced economic adjustment challenges of quite different magnitudes, the extent of cyclical economic shocks, the likely reductions in government support for non-profit providers, and their clients, and the growing pressures of demographic changes all aligned to pose similar cross national challenges.

ii. In all contexts, there is a considerable shift in demographic structures towards greater shares and numbers of older people with greater longevity and this poses major policy challenges not only to create the new mixes of housing, care and health provision that will be required in later life but in financing such provision fairly as ‘dependency ratios’ rise. The
growing prevalence of single person households will raise the ‘overhead costs’ of housing societies.

iii. Home ownership is the dominant tenure in all of the participating countries and shares have risen over the last decade. However the overall increase largely reflects population ageing and masks significantly falling home ownership rates for younger age cohorts. As the overall shares of non-market housing have been near static since 2000 it is the private rental sector that has grown to house expansion. As housing sector entry for younger households becomes more pressured, the development of new forms of tenure is beginning to blur long-standing tenure distinctions; for example, shared-ownership and ‘mid-market rental’.

iv. All of the organisations involved were concerned by apparent market failures in the provision of rental housing in their countries and there was a widespread belief that an efficiently financed and professionally managed, and trusted sector, of mid-market providers is required urgently.

v. It was also considered that significant market failures are likely to occur in promoting energy descent through housing actions and in reshaping the housing/health/care mix for the frailer elderly. Looking to these challenges as well as current circumstances in credit provision, it was argued that these times are defined by market failures. Market failures in the housing system means that core housing problems are faced by the majority of households, and not just the poor, in accessing and paying for housing.

vi. Market failures need to sit at the core of housing policies and not just rather confused articulations of ‘affordability’ aims.

vii. Market failures mean that non-profit providers have roles to play, as local housing system change agents in dealing with

- **Availability:** the continuing under-supply of stock levels is failing to meet the demands of a growing and changing population

- **Affordability:** House prices and incomes, and rents and housing allowances are moving in opposite directions, placing many households above accepted thresholds of housing affordability for particular groups
Accessibility: The lack of socially supported housing leads to greater queuing and increased rationing. Credit restrictions in the financial sector have also led to tightening of the criteria for access to mortgage finance.

Contestability: in mid-market rental provision and in housing/care provision for the elderly, across a wide spectrum of income groups, that rely on the patient capital and client care reputations that are the hallmarks of most non-profit providers.

viii. Recognising and pursuing these new roles means that non-profits will fulfil roles that markets do not address well and they become recognised as ‘More than Market’ providers and they will have a political significance well beyond the confines of the poorest fifth of households. New non-profits are key to housing system change and effectiveness, not just in delivering for poorer households in poorer places.

I.2 Funding for Non-Market Housing Providers

i. Prior to the GFC there had been changes in systems of providing non-market housing that had been widely adopted, albeit in different contexts and often in modified forms. These included the shift towards income related subsidies and preferences for vehicles that minimised the use of public funds and these arrangements had facilitated the growth of non-profit providers.

ii. Post GFC a new range of challenges have emerged including sharp reductions in grants and loan subsidies, extensive credit rationing and reducing high fixed costs.

iii. Where subsidies still prevailed they had become more contestable (with non-profits having to compete directly with private and public providers for support) and as they have reduced in generosity they have increasingly become ‘the icing’ and not ‘the cake’ so that providers have to seek out complementary sources of support, including the use of their own assets and surpluses, in making investments; this also means that different ‘products’ with quite different rates of subsidy will coexist within the same organisation.
iv. These changes in subsidy systems are consistent with meeting the new challenges noted in 2.(vii) and the financial future for non-profits if they are to thrive will be more business-like and commercial, and expressed in:

- Diversification of products, customers and services; for example, new roles in the private rental market and retirement housing
- Developing flexible institutional forms to allow a variety of products and services – including commercial market activity such as managing private portfolios – to be leveraged off the existing organisational base, without compromising legal or charitable tax status
- Conscious value extraction from the accumulated asset base, which may involve asset pooling with public or private partners to allow integrated development.

v. Looking ahead, difficult choices are presented, including asset disposal to preserve viability, a focus on maintaining existing business levels (i.e. no growth) or a significant re-definition of business model(s). The latter is likely to involve considerable questioning of policy settings around ‘affordability’; roles in addressing market failure and a sharper focus on the ‘business’ and its durability.

vi. The central strategy for these housing organisations is likely to involve finding ways to maximise free cash-flows to address business opportunities.

vii. This may involve examining ‘hybrid’ group structures and is likely to involve a critical role for more complex financial models, able to apply multiple inputs from diverse sources, integrate cash-flows, flexibly pooling security according to the needs of projects and deploying asset cover to achieve new outcomes.

I.3 Facing up to the Future: Management and Governance Challenges

i. The partner organisations recognised that the combination of epochal economic events, local market conditions and
consequent austerity policies requires systematic innovation and fundamental change in approaches by non-profits to the provision of affordable housing for low and middle income households.

ii. The factors which shape housing providers’ organisational form have shifted significantly in recent times, while management and governance, in most housing organisations, have not changed.

iii. The challenge going forward for housing providers is finding management and governance structures which retain some of the local strengths of community-based housing organisations while achieving economies of scale and increased capacity to attempt to increase affordable housing supply, i.e.: a ‘multi-local’ focus.

iv. Countries are reassessing public, and voluntary, service delivery and the findings of the Christie Commission, which was tasked by the Scottish Government to examine public service delivery in Scotland, was used as a case study to illustrate the nature of changes required.

v. Partners were unconvinced that housing policies and regulation aimed at non-profit providers were effective in promoting innovation and change.

vi. Principles for promoting effective change management within non-profits are proposed and they include:

- Aligning organisational missions within more complex groups
- Embracing collaborative leadership to address the complex goals, blended funding requirements and market failures that now face non-profits
- Examining the competences that individuals require
- Ensuring that governance arrangements are fit for non-profits as complex, ‘more than market’ providers.
I.4 Wider Actions and Wider Outcomes

i. The terms ‘wider outcomes’ and ‘wider roles’ are now widely applied to activities which go beyond the ‘core’ housing provision housing roles of non-profit housing organisations. This approach was developed strongly in the UK after 1997 and was central consideration in neighbourhood renewal programmes. The core of the idea is also widely used by Canadian policy makers and their Australian counterparts, however, both tend to refer to low income housing projects as contributors to positive outcomes for community development and general wellbeing, albeit in a less direct way than housing practitioners in the United Kingdom.

ii. “Area renewal” through development is considerably more straightforward to demonstrate than “community regeneration”.

iii. Although housing sectors make strong arguments for support on the basis of ‘spillover’ effects conclusive research evidence of wider actions and outcomes can be difficult to demonstrate.

iv. Notwithstanding these reservations housing providers in all of the partner countries should promote more vocally and effectively their wider contribution to social ends and their potential to take on more of such roles.

v. Providers adopting ‘wider’ roles will have to make governance, organisational/cultural and funding adaptations in order to pursue them effectively.
II. EMERGING CONCLUSIONS FOR PROVIDERS

Reviewing these summary findings shapes some emerging conclusions about the common challenges and opportunities that the partner organisations face. These include:

1. The future will continue to be characterised by austere funding arrangements in which public subsidy – capital and recurrent – will be significantly constrained for at least the medium term (5-10 years). Private funding will be limited and, by implication, increasingly rationed.

2. Demand is likely to continue to increase and diversify, with a rise in single person households and ageing populations occurring everywhere.

3. The young emerging households who are no longer able to purchase their first home as in the past will be seeking alternatives.

4. Establishing the real value of assets and utilising opportunities to extract and re-use asset value is a key aspect of future strategy and management.

5. Concepts of ‘need’ require re-definition, with market failure evident across tenures and income groups.

6. The ‘mission’ or ‘core-business’ of non-profits will need to be reassessed. Notions of customers and concepts of community are likely to change.

7. Interventions in housing can address a variety of failings, allowing cash positive and negative activities to co-exist and cross-subsidise internally. This may be necessary to ensure that the interests of the most disadvantaged continue to be addressed. The challenge is to be more enterprising whilst no less social. Rather than being classified as ‘non-market’ providers they may be seen, arguably, as ‘more than market’ providers.

8. The ‘wider action’ agenda pursued by many housing providers is becoming more difficult to fund, whilst not losing its importance. Clear evidence of positive outcomes can only become more important, as external funding increases in scarcity.
9. The ‘business’ of non-profits housing providers will require even more business skills, commercial acumen and business techniques. New risks are emerging e.g.: the threat to stability of rent receipts through welfare reform, which will need new responses from management.

10. Forms of leadership, organisation culture and standards of governance are all key factors in determining the ability of housing providers to adapt, change and succeed in these, substantially changed, operating environments.

11. Organisational structures are likely to become more complex with ‘group structures’ more prevalent. In some cases, this will be driven by scale economies; in others, by the need to separate different products; in others again – in Scotland, Australia and Canada – to address Federal political systems; and finally, structures designed to cross collateralise assets and raise debt.
III. IMPLICATIONS FOR THE FUTURE

What then, does this mean for the next stage of evolution of NFPS and the policy frameworks within which they can thrive?

III.1 Individual Partner Organisations

The Wider Rental Market

In each of the countries in which the partner organisations are based, the only part of the housing system which is growing is the private rental market. Declining home ownership and static social housing mean the only source of satisfying housing demand is through more private renting. Providers, as well as governments, have to recognise this and to set rental markets at the core of their thinking.

Government funding for housing is moving in many places from supply-side capital grants and loans to demand-side subsidies, driven in part by budget constraints and by a policy preference for more consumer choice. These subsidies are mostly directed to private, sometimes at sub-market level, renting and much less to income-based renting. This provides opportunities for providers, both to assemble financial models to fund portfolios of private stock and to manage stock owned by other investors. They might also address limitations of private renting, e.g. stability of tenure. At the neighbourhood (or even large building) scale, this can allow providers to pursue mixed tenure/mixed community objectives. It also allows experimentation in new pathways to home ownership (e.g. Places for People) shared or mixed equity (HCA) or new market segmentation (mid-market renting by Wheatley Group/GHA).

A clear focus on market renting is likely to require new systems, skills and internal policy settings. These are needed to deliver more commercial products than non-market social housing. It is also likely to be more profitable. Business cases in differing locations will be required to assess risk and return. The potential is, however, significant in all cases.

New Market Dynamics

In most jurisdictions, allowing people to “age in their homes” has become the preferred approach of both housing policymakers and households and it appears to be a much cheaper option than
institutional or hospitalised care. The savings to government of older people remaining in their homes is well documented. Housing providers are well placed to provide increased accommodation to a vulnerable age group – with stable tenancies and rental returns – and to provide related and ancillary care and support services. The latter are mostly able to be funded by separate arrangements. The unique status of non-profit housing providers gives the potential to integrate housing and care service provision on a highly localised basis. The high proportion of demand from single person households, across a range of age cohorts, presents a challenge which can be also addressed in part by the above private rental market and aged accommodation. Finding ways to house younger people with new and more flexible products is likely to be a high priority. Moving through tenures with flexible products is already showing promise.

Value Management

Non-profit housing providers tend to have portfolios of assets assembled under a variety of funding environments, with multiple interests involved in funding, varying control over assets and ‘un-even’ approaches by Regulators to changes in asset use and disposal. The balance sheets of these organisations are of interest to lenders as much as the net cash generated is, but the efficiency of asset utilisation tends to have been given less emphasis than perhaps is warranted. In the austere environments in which all now find themselves, a stronger than ever case can be made for consciously managing value in current portfolios. Operating cash flows of portfolios need to be clearly analysed and stock categorised in terms of performance.

Under-performing assets should be analysed and an array of options – from modest investment to disposal – then considered. In turn, these should be assessed in the context of tenant/customer needs (e.g. access to services, employment) and neighbourhood sustainability (e.g. reducing concentrations of disadvantage and creating mixed communities). This assumes that organisations have the management freedom to make long-term asset decisions, e.g. stock disposal, reconfiguration, matching changing household sizes with stock sizes – without the need for constant third party approvals. To the extent these are required (Regulatory consent) the potential for asset performance to be caught up in multiple issues and accountabilities is increased. The balancing of tenant,
community and balance sheet interests is a matter for the governance of individual organisations to address.

III.2 The Non-profit Housing Sector

Different Structural Options

Funding pressures will have different impacts in different organisations. Interest rates in western countries can only rise and, when they do, they will place new pressures on the sector. Existing debt will be under constant scrutiny as funders seek opportunities to negotiate more favourable terms. Managing lending covenants will therefore become an increasingly high priority within organisations. Interest rate cover ratios, in particular, are likely to place organisations with high fixed costs under pressure as the business cycle turns and interest rates trend upwards. These circumstances are likely to produce greater impetus for re-structuring in some organisations.

This is already evident in the creation of special purpose vehicles for bond issues, arising from minimum levels of debt-raising and the high costs of approaching the market. The same logic will be applied to a range of areas where specialist technical skills (with high costs) are required. Finding efficient means to spread this expertise across higher volumes of activity (at marginal cost) is likely to encourage new thinking around structures, new forms of collaboration and a search for synergies amongst providers with mutual interests.

Whilst mergers may result from this, a more likely scenario is the continued sophistication of group structures, allowing for a variety of differing forms of working together. This will also see organisations spread the locus of their interests from single cities or localities, to multiple locations, finding new ways to ensure their integration within geographically-based communities. For example, The Wheatley Housing Group is a newly constituted group in Scotland which incorporates GHA, Cube Housing Association and commercial subsidiaries, Lowther Homes, which delivers market rental properties and YourPlace, a property management arm.

In some countries this will hold particular complexity where multi-layered (e.g.: Federal) systems of government are in place. In others, the continuing expansions to new places within a
country, is likely. This is, in many ways, simply following a spatial nature of business activity which seek locations for its skills, products and services. Rationalisation of stock portfolios is another expression of new collaboration. Driven by cost and service considerations, organisations will increasingly exchange and re-assign stock-holdings to address uneconomic portfolios in certain locations.

**Performance-based Cultures and Transparency**

Restrictions on public and private funding are likely to intensify the competitive pressures which housing providers face. Future financing in the form of securitisation, bond issues, public-private partnerships and so on, all entail increased scrutiny of organisational performance. In the past, Regulatory assessments have filled this need to some extent. Credit Department assessments of individual providers are likely to be followed by greater use of existing rating assessments, common in finance markets. This is already the case in the United States. This will include organisational considerations such as:

- detailed assessments of management and board capability
- the coherence of business strategies
- clear measures of operational performance
- the capacity for financial flexibility and agility
- the ability to make convincing assessments in financial models of viability, leverage, liquidity requirements etc
- development capabilities

In turn, this creates an additional dynamic to strengthen performance management systems within an organisation. Internal ‘cultures’ which focus on customers, service and efficiency will be successful, and other approaches will, in the new times, simply fail.

**Competencies and Capability**

Non-profit providers have established reputations for social values, empathy and tenant participation. In these more
constrained environments, some management characteristics are likely to emerge to support continuing success. These include the capabilities of:

- *resilience*, to recover quickly from challenges and difficulties
- *agility* to move quickly and easily into new and changed circumstances
- *adaptability* to become well-suited and ‘fit-in’ with new environments,

How to assemble these skills and remain true to mission and core values will be a perennial challenge. A more conscious link between the external operating environment and organisational development and forms of leadership will be needed.

**Branding and Identity**

It is clear that the sector is diversifying the housing interventions it makes and providing new products and services in varied locations. It is no long ‘public’ or ‘council’ housing. It is also more than ‘community’ or ‘social’ housing. It is no longer simply about affordable homes for low income households but about better housing outcomes for a wide spectrum of income groups. There is a need for new terms and consistent language which communicates more effectively the reality of what these organisations do and how they fit in the modern world. That is why in this report we have left behind non-market labels and stressed more than market capacities. That is why we argue much more enterprising but no less social.

In the logic of marketing, a brand conveys an identity, a ‘personality’ and has attributes which require consistent use and reinforcement. This issue is being addressed in the names and re-branding of participatory organisations Places for People and Housing Choices, Australia and The Wheatley Housing Group/GHA. It also needs to be addressed by industry organisations that use the labels of the 1970’s at best.

**III.3 Governments and Policy**

Comments on policy relevance have been spread throughout the
report and the points made here simply summarise some of the key arguments.

**Clarity in Policy Making and Presentation**

Some governments provide full and clearly presented information regarding housing outcomes and housing providers. Others, and the Canadian federal government is the clearest example, are astoundingly opaque in their budget presentations. Housing policy analysis is, in some places, becoming more akin to detective work that applied economic research. When budgets are as scarce as they are nowhere is a real imperative to understand how and where they are targeted and what they achieve. Housing policy articulation and presentation is beginning to fail the people and providers it is supposed to serve.

**Supportive Conditions for Private Funding**

It is unlikely that there is any meaningful prospect of a return to high capital grants and material expansion in social housing stock numbers in the medium term (say, 5-7 years). In some places the impetus for transfer of public housing stock will continue (e.g. in Australia, but requiring significant valuation and accounting issues to be addressed). In others (Canada) new freedoms for the sector will emerge as policy encumbrances on assets are removed.

In all cases a continuing emphasis on demand side subsides, leveraged with a variety of other forms of equity and debt will be the core of additional funding. Governments will therefore need to pay particular attention to how to attract increasing private funding for non-profits. In most countries, banks have expanded lending to the sector. For this to continue amidst credit rationing, organisations will need to be able to convince lenders of reliable and predictable cash-flows over the longer term. To the extent that welfare reforms, benefit cuts and moves to strengthen personal responsibility jeopardise these, the task can only be made more difficult.

Securing private equity investment in non-market housing has been an aim of many governments. Low income tax credits developed in the United States have been taken up in Australia
by the National Rental Affordability Scheme but in neither the UK nor Norway are they apparent in the policy discussion. REITS still seem to have failed to have traction in Europe and the UK government blows hot and cold on the possibilities on a roughly five year cycle. In essence policy attempts to engage equity capital in large amounts in moderate rental property are not progressing though the rhetoric of engagement is extensive and international.

It will continue to be a challenge for low income rental housing markets to provide comparable returns to other available classes of investment. However, blending these instruments with other financial inputs to provide additional supply for different market segments is likely to be a key opportunity for those in the non-profit sector with the risk appetite and capability to do so. But real policy clarity is needed.

**Monitoring, Reporting and Regulation**

Divergent sources will reinforce the need for higher standards of disclosure and reporting. As organisations move away from historical funding relationships with government, they retain vast investment by taxpayers in assets accumulated over time. Utilising these in order to attract private funding, come with higher risks and a likely new scrutiny from, not only Housing Regulators but a variety of others, including financial regulatory organisations, charity watchdogs, tax authorities and others. Streamlining these in ways in which compliance and transparency are assumed without costly and inefficient regulatory order will a challenge for all. Housing Regulatory systems will need to adapt to this new environment with ‘proportionate regulation’ focusing on funding and financial risks and more public and comparable and more regular reporting likely to be designed by funders and governments alike.

**Policy and System Oversight**

Governments have, at least in the UK and Canada, sharply reduced the evidence base component in policymaking. The way in which housing policy measures are now developed and introduced has become increasingly opaque, budget presentations seem designed to hide rather than clarify and the spin element in policy debate is reaching whirlpool proportions. If trust betwixt government provider and research communities, at
least in the UK and Canada, is not simply to disappear then new approaches to policy debate are needed.

The policy framework that evolved to 2010 had become ownership oriented and confused on the idea and terminology of ‘affordability’. New clarities on the reasons for housing policies and their design are needed. There is a real danger of innovation inversion in policy as larger providers have to continue to grapple with the new times whilst housing policies within governments atrophy. Governments should set housing system effectiveness at the core of their concerns and pay a new attention to rental housing provision, in effect their policy thinking has to catch up with the realities of the new times.

Greater complexity in organisational forms and funding methods reinforces the desirability of housing policy, in the hands of governments, to be ever-more sophisticated and forward looking. As noted above the task of housing providers in these new times would be assisted by greater clarity in the expression of roles and responsibilities of different players in housing markets.

As distinctions between public and private sectors change, providers will increasingly find themselves in new terrain, with new roles and new products and services. These ‘pathfinders’ will be assisted by policy frameworks which shape and guide the direction, support innovation, reduce risk and encourage the effort which is required to be pioneering. This relatively new sector has matured quickly and has been widely seen as successful. Building on this – and the assets accumulated – should be a policy priority. The alternative – complacency, subordination and abdication of leadership to some other party – would not serve anyone (particularly those in housing stress) well.
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