

Housing Associations in England and the Future of Voluntary Organisations

Andrew Purkis

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Abbreviations

ACEVO	Association of Chief Executives of Voluntary Organisations
ALMO	Arm’s Length Management Organisation
CABx	Citizens’ Advice Bureaux
DCLG	Department for Communities and Local Government
HA	Housing Association
HCA	Housing and Communities Agency
JRF	Joseph Rowntree Foundation
L & Q	London and Quadrant Housing Trust
LSVT	Large Scale Voluntary Transfer Organisation
NCC	National Consumer Council
NCVO	National Council for Voluntary Organisations
NHF	National Housing Federation
ODPM	Office of the Deputy Prime Minister
TSA	Tenants Services Authority

Introduction: Housing Associations and the Big Voluntary Sector Debate

The Core Issue

The core issue for this discussion document is: *What happens to voluntary organisations, in particular to the distinctive contribution and character of voluntary organisations, and to their users, if they take over the mass delivery of public services previously entrusted mainly to the state?*

Please note that my concern is not niche or specialist provision, nor small individual assets such as a community centre, but mainstream services.

Whether it is a good or bad idea for voluntary organisations to take these over is the subject of a debate that has rumbled on for decades. It still does, with, for example, the NCVO, ACEVO and the Directory for Social Change all taking different positions.

Interestingly, however, Housing Associations (HAs) do not usually feature in this debate, because they are seen as a separate sector with their own umbrella body, regulator, policy framework and vocabulary, and because as we shall see they do not consistently identify themselves as part of a wider voluntary sector. Whereas other big charities that depend on fundraising, legacies and multiple funding agencies need to keep looking outwards and selling their inspiration to the outside world, the HAs can work within a narrower framework as the money flows from tenants, Government agencies and banks.¹ In some ways, the housing sector is quite a small world, preoccupied with its relationships with its own immediate partners. Indeed, for someone like me from the wider voluntary sector to study the world of HAs is, perhaps to a greater extent than most other subject areas, like travelling in an exotic foreign country where it is quite difficult to understand what the inhabitants are saying.

Yet this is **the** outstanding example of a mass take-over of state services by the voluntary sector in our times. Council housing is a thing of the past in half the councils of England. The transfer of housing stock to HAs in the last couple of decades is the biggest example of state asset transfer to voluntary sector control ever in the whole of Europe. So it seems high time to have another look at what this has done to HAs and their residents. This might offer some lessons to other voluntary organisations faced with the opportunities and risks of running more mainstream state services. And it might shed some light on rhetorical claims and counter claims about the transformative effect of entrusting many more state services to the voluntary sector.

It should be acknowledged from the start that HAs have a distinctive feature that marks them out from most voluntary organisations in other subject areas. That is that, to a unique extent, they have massive assets – buildings – and a long term, reliable stream of income flowing from rents. How many other charities might long for the same, particularly in the approaching age of austerity! This difference must

(1) I am told that in all his years as Director of the National Federation of Housing Associations, Jim Coulter and his opposite number at the NCVO never had a meeting, though this is no longer the case with his successor, David Orr.

be borne in mind, but it does not mean that there are no interesting lessons from HAs for the rest of the sector.

This report deals with HAs and voluntary organisations in England. The institutional framework and history is different in other parts of the UK, although many of the underlying issues will be the same.

The Topical Context

Rarely have intentions to expand the role of the voluntary sector in public service delivery been advertised so noisily as in the UK in recent months.

For example, Francis Maude told his ACEVO audience on 4 November 2009 that “the voluntary sector had to expand dramatically.” The next day, he commended to the Conservative Party conference Nick Hurd’s work “on how to help the sector to expand to meet the huge demands that society’s going to make over the years ahead. For these will be tough years ahead. The years of plenty in the public sector are over. This is the age of austerity and a new Conservative government will need to do things very differently. Quite simply we’ll need to do more for less.” More recently, George Osborne MP spoke at the ACEVO Conservative Party Third Sector Summit of the Conservatives’ “ambitious plans for much bigger involvement of the third sector” in delivering public services. He told the audience he was a believer in the third sector’s ability to deliver better outcomes for public service users and “enormous savings” for the public purse.”²

Equally ambitious and confident claims are being put forward by part of the voluntary sector itself, led by The Association of Chief Executives of Voluntary Organisations (ACEVO). A Press Release of 25 February 2010 had Stephen Bubb speaking on behalf of 2,000 voluntary sector leaders: “We are making an irresistible offer to Government. Devolving more public service delivery to the voluntary sector will benefit both the economy and service users who receive more effective and personalised services. We have the opportunity to transform the way we deliver our public services and we believe the government needs to be bold in putting the voluntary sector at the heart of this.”

For and Against: some themes in the Debate

There are familiar tensions within the case made by those who want to strengthen the role of the voluntary sector in service provision. The Joseph Rowntree Foundation back in 2005 drew a distinction between the sector’s using its intrinsic characteristics to transform services for the better, leading the way in user empowerment, and merely being an alternative instrument for delivering the same sort of state services as before.³ As the Baring Foundation have put it in their Working Paper “Allies not Servants”, “there is a tension, and perhaps even contradiction, between being seen as a source of value for money in public service delivery as well as a promoter of strong society. By positioning the sector as an implement of government policy....., by making the sector a “servant”, government risks destroying the very attributes it values in the sector. The users of public services gain nothing if services are just transferred to an alternative delivery agent without being transformed.”⁴

(2) ACEVO website: “The Conservative Party Summit Round Up”, March 2010.

(3) “The voluntary sector delivering public services: Transfer or Transformation?”, Paxton, Pearce, Unwin and Molyneux, JRF, 2005.

(4) Matthew Smerdon, “Allies not Servants”, Baring Foundation, November 2006, page 6.

The Conservative Party Green Paper of 2008 (“A Stronger Society – Voluntary Action in the 21st Century”) is shot through with the same tension. David Cameron’s Foreword puts his finger on it at once: “This green paper sets out a broad policy agenda dealing with the crunch issues of public service delivery, but also with the things that nourish the voluntarism, altruism, locality, independence and diversity of Britain’s civil society.” Thus, in the main text, “The uncompelled gift of time and money is the wellspring of the voluntary sector’s character and independence” (p.7), and the Conservatives believe with candid ambivalence that “participation in the delivery of public services is both the greatest opportunity and the greatest threat facing the voluntary sector today” (p.52). Notwithstanding any such doubts, however, three pages later “The Conservative Party strongly believes that the involvement of charities, social enterprises and other voluntary organisations has a vital role in the transformation of our public services for the better” (p.55). They try to square this circle partly by saying (along with the Audit Commission) that service commissioners should not be driven by short term financial criteria that tend to favour large organisations and should take a longer term view of value (p.71). One wonders how much of that point would survive the current priority of urgently cutting the public sector debt? They also suggest that social enterprises will be liberated, like the private sector, to borrow and make surpluses that they can then plough back into their services, without necessarily having to draw upon existing public funding streams, and that this should be a strategic priority (p.46-7). This sounds like the larger housing associations that we shall be looking at in a moment.

These tensions result from three distinct arguments that sometimes pull in different directions. Firstly, we have hard-nosed considerations of public finance: we need, not more for the same, but more for less. What is borrowed by private and third sector organisations does not currently count against the Public Sector Borrowing Requirement. The employees of non-public sector bodies do not have pension entitlements funded by the state. Their operating surpluses, when they can be extracted from users, can fund extra provision. Some of their workforces are less unionised. And voluntary organisations will often take the pragmatic decision to subsidise a public contract and fill gaps at modest prices, whatever the Compact says. To my mind, these are likely to be by far the strongest drivers of Government policy favouring a major expansion of third (as well as private) sector public service delivery in the age of austerity.

Secondly, there are qualitative claims that, for any given amount of money, the voluntary sector is likely to deliver better value for money in service delivery by virtue of its distinctive characteristics. We are all familiar with generalisations that voluntary organisations are more flexible, innovative, able to work across bureaucratic boundaries, have greater understanding of their users, and mobilise volunteers and charitable resources, and for these reasons are likely to do the job better, even if not necessarily more cheaply.

Then there is the third set of arguments, that they use their independence to raise awareness and campaign for their users and beneficiaries, giving a voice to the voiceless and drawing on their experience to advocate for change. By providing an outlet for active citizenship, and mobilising the community, they add to the stock of social capital and enrich democracy.

Those who value most highly the role of voluntary organisations in building social capital and enriching democracy will often be the most sceptical about the

attractions to the sector (as opposed to the Government) of their engaging in large scale public service delivery. This is principally because of the anxiety that the fundamental values and distinctive independence of the sector will be compromised. Calling for a reassertion of such values, the recent Carnegie Commission of Inquiry led by Geoff Mulgan into the Future of Civil Society in the UK and Ireland, put the view that “Civil society associations can never be just providers of services. Their energy comes from values – of justice, equality and mutuality – and from the hunger for freedom. In every generation, these values are called into question and need to be renewed.” They also found that “voluntary and community organisations are in danger of losing their distinctiveness by mimicking business practices and values”, and that “Civil society thrives best when it has an independent and confident spirit, when it is not beholden to the state or to funders, and when it is not afraid to make trouble”⁵.

From this selective summary of the debate, I derive the following criteria to apply to the experience of Housing Associations, in order to shed light on the risks and opportunities of an expanded role for voluntary organisations in mainstream public service delivery:

- Have they remained **independent** – the core value of the sector?
- Do they deliver better **user satisfaction and choice** than state counterparts? Do they **empower** their users, or communities in which they work, enhancing participation and control?
- Do they reach out **Beyond Housing** to tackle needs flexibly across the boundaries with other agencies?
- Do they **campaign**? Or have they become “just providers of services”?
- Are they still regarded as **fellow voluntary organisations** and part of civil society by other voluntary agencies?
- Do they nurture the **spirit of volunteering and giving** – the “wellspring” referred to by the Conservatives? Does the wellspring at least show up in their practice of **Corporate Social Responsibility**?

Subsequent sections of this document deal with each of these questions in turn. We shall look not at HA experience alone but, where possible, at comparisons with continuing council housing and other council owned housing agencies, to see whether or not it is true that the HAs are doing better by virtue of being voluntary organisations. We shall also look at the **extent** of any beneficial effect of voluntary sector take-over. The word which is employed in voluntary sector, political party and Government rhetoric is *transformation*. Indeed, at least one big HA (Home Group Limited) has appointed an *Executive Director of Transformation*, (“no pressure”), and we should look to see whether any improvements attributable to the voluntary sector take-over are fundamental and long term.

The purpose of this discussion document is to contribute to this wider debate about the future of voluntary organisations in taking over and delivering public services. Its primary audience is the wider voluntary sector. For the sake of

(5) Carnegie UK Trust, Making Good Society, Final Report of the Commission of Inquiry into the Future of Civil Society in the UK and Ireland, 2010, p.28.

transparency, I should say that although I value highly the diversity of the voluntary sector and believe it has many valid roles in enriching society, I have a special personal concern for the vigour of civil society as described in the words of the Carnegie Inquiry already quoted. I offer this document from that point of view.

My early experience of volunteering included clearing muck out of some beautiful empty houses in Roehampton so that they could be used by London and Quadrant as temporary accommodation for homeless families, and volunteering for SHAC under the then hairy Nick Raynsford. I subsequently wrote a report about Housing and Community Care and much more recently was Chair of the Empty Homes Agency. I am, however, not a housing expert. This does not purport to be an authoritative or exhaustive study of HAs. It represents what I think are some key questions raised by the experience of HAs for the wider voluntary sector as it faces choices about mass public service delivery. Because of recent changes in Government and public finances, these questions are topical and urgent, and it has seemed more important to produce a suggestive contribution to the debate quickly, based on a desk study and a dozen interviews, than to take longer over a more detailed, polished and expensive one.

I hope my secondary audience, HAs themselves, will also find this contribution, from a foreign traveller with limited knowledge of their world, stimulating rather than impertinent.

Pointers from Previous Research

Before focusing on the experience of HAs, I want briefly by way of context to summarise conclusions from the slender, existing body of research into the effect on users of voluntary sector service provision across different subject areas. When it comes to mainstream as opposed to niche services, this research does not support the transformative claims of the more enthusiastic advocates of transfer to the voluntary sector.

A study by the National Consumer Council (NCC) in June 2007 into “Users’ experiences of the Third Sector” examined a sample of employment services, domiciliary care for elderly people and social housing. It compared user experiences across voluntary, state and private sector providers. The conclusion was that it was not possible to generalise about the relative benefits. The third sector did better than the others in employment services, but the private sector came out best in domiciliary care for the elderly. “User-responsive delivery was least likely to occur in social housing, where there is little difference in user experience between the two sectors (voluntary and state) we looked at.”⁶ As a separate point, third sector performance in social housing was found to be worse on all 19 indicators than third sector performance in employment and domiciliary care, often by wide margins.

Considering why it was only in employment services that the third sector did better than the others, the NCC authors explain: “Third sector bodies contracted to deliver employment services tend to offer niche services and have autonomy about how to meet their contract specification. This contrasts with the public service delivery model, where there is less scope for flexibility”(p.39). And “Third sector delivery is distinctive in employment services where the third sector tends to

(6) National Consumer Council, “Delivering Public Services: service users’ experience of the Third Sector”, June 2007.

provide a highly personalised and responsive service to a defined client group. In other types of service that are more generic, such as social housing and domiciliary care for older people, third sector delivery is not particularly distinctive.” (p.79)

The Audit Commission had a look at the results of commissioning from the voluntary sector in 2007, not in this case including housing, and concluded that despite “the often-claimed assumption that the sector adds value..... there is no evidence either for or against the argument that, at an aggregate level, voluntary organisations provide better or worse value for money in the provision of public services than either public or private sector providers.”⁷ The Commission considered that the variation within the sector was just as significant.

The Conservative Green Paper misuses this research to support the contention that “charities, social enterprises and co-operatives are already running highly professional public services up and down the country, with results which, even using the most conventional criteria, out-perform other sectors” (p.45). The supporting footnote leads to just one table in the Audit Commission study showing relative performance in three categories of social care services in meeting national minimum standards. The Audit Commission does however go out of its way to emphasise that “meeting a higher percentage of minimum standards does not reveal a better quality service for end users.” Its wider conclusions are the exact opposite of the one derived by the Green Paper authors.

Reviewing the evidence in July 2008, the Public Administration Select Committee of the House of Commons reported that they were unable to corroborate the claim that voluntary organisations can deliver services in distinctive ways that will improve outcomes for service users. They also commented that it was not clear that the third sector is inherently better at user focus than other sectors. “User focus is not unique to the third sector, and indeed what little research there is suggests that this user focus can be lost when organisations provide services to a large, general population.”⁸ So far as I know, there has been no effective counter-research mobilised by the voluntary sector to challenge this conclusion.

Thus, previous research does not point in a transformative direction. Indeed, it leaves the more confident claims made for voluntary sector delivery of generic public services looking like a triumph of hope or ideology over evidence. In using HA experience to test widespread assumptions about the claimed inherent advantages of voluntary sector provision, it should be remembered that the assumptions are already looking threadbare from previous studies. The implication is not that voluntary sector service delivery is never the best, nor that transfer of state assets to the sector is always wrong, but rather that loose assumptions about inherent qualitative advantages will not do and are a poor basis for the major policy demarches that may be coming. They need questioning and unpicking, and this document is precisely a further contribution to that questioning and unpicking process.

(7) Audit Commission, “Hearts and Minds: Commissioning from the Voluntary Sector”, 31 July 2007, p.21. They also make the point that meaningful value for money comparisons are more difficult for niche and specialist services precisely because they are niche and specialist in character – p.23, para 49.

(8) Public Administration Select Committee, “Public Services and the Third Sector: Rhetoric and Reality”, July 2008, eg paras 65, 69.

The Growth of Housing Associations Since the 1980s

HAs had their original antecedents in the almshouses for “poor, old and distressed folk” from medieval times. A few of today’s HAs can trace a direct lineage to those established by philanthropists to provide larger scale housing in impoverished urban areas from the later nineteenth century. But most are creations of the 1960s onwards, promoted and regulated by the Housing Corporation from 1964. The main thrust of housing development for poorer people and slum clearance for most of the twentieth century was through the local authorities, and the Housing Corporation and the HAs emerged either to occupy niches left open by municipal development, such as co-operatives or other small community-based responses, and specialist provision for neglected groups, or to afford central government the means to bypass delays or political blockages in the local authorities’ delivery of more housing. The significance of this alternative arm of public housing provision, funded directly and controlled from the centre, was enhanced dramatically when Mrs Thatcher came to power with a highly political agenda to roll back the tide of municipal socialism and diversify the ownership and development of affordable housing.

The big growth of the HA sector was encouraged by the Housing Act 1988. In addition to grants from Government for developing new social housing, largely denied to the state sector, and which accelerated through the 1990s, there was major growth in HA borrowing from the private sector, plus more development of housing for sale as well as rent. I am told that there was for some a feeling akin to being floated on the stock exchange. Suits, smart cars and higher salaries appeared swiftly, and for bold spirits this was a time of pumping adrenalin as the sector found itself in pole position as the preferred developer of social housing. In addition came the first wave of stock transfers, with a mixture of regulation and financial incentives to persuade, at first, many of the leafy shires to part with council housing and make it over to new Housing Associations called Large Scale Voluntary Transfer Organisations, commonly known as LSVTs. The second wave of more urban stock transfers followed after 1997, though this was uneven: LSVTs remain less common in much of London. From 1988 to 2008 more than 1.3 million council homes were transferred into HA ownership. Today, roughly half of the 2.5 million homes in the HA sector are owned by LSVTs.

Meanwhile, the years from 2000 to 2007 were characterised by mergers and takeovers within the HA sector. In an economic model similar to the commercial sector, this was to spread risks, achieve economies of scale, construct powerful and diversified balance sheets, soak up smaller bodies that in some cases could not cope with the demands of the new financial world of the sector, and attract top quality contractors, staff and favourable credit ratings through greater financial muscle. Hence, the biggest growth was in the biggest HAs, and the turnover of HAs with more than 10,000 homes grew by one third in the 3 years 2005 to 2008 alone.

The gross book value of HA properties in 2008 was £85.2 billion; the sector’s turnover topped £10 billion, and its borrowings were up to £35 billion. HAs provide 2.5 million homes for over 5 million people in England. The sector’s operating surplus was £1.6 billion, which in principle is available to be invested as the independent HA Boards decide. It all goes back into the business. In practice a great deal of it goes in servicing the debt and in new development, but there are other possibilities including wider neighbourhood investment.

The other half of the picture is that there are still 2 million homes owned by local authorities. Of these, half are managed by the Arm's Length Management Organisations, known as ALMOs. These were the alternatives to stock transfer for those councils and tenants who wanted to achieve the Government's Decent Housing standards without transferring their housing assets. Like the LSVTs, these bodies were distinct, with a similar combination of tenants, local councillors and independents on their Boards, but the housing was still owned by the councils and remained in the state sector. They could access extra Government resources if they met specified standards and had a good plan for improving the management and maintenance of their stock. There are some 70 ALMOs which have invested over £4 billion. So we shall be able to compare the performance of ALMOs and the HAs to see what difference, if any, the voluntary sector characteristics of the latter have made.

The Diversity of the Housing Association Sector

This quite startling burst of growth and change affected only part of the HA sector. Even today, most HAs are small. Of the total of 1,700 active HAs, 84 per cent own less than 250 homes. They have carried serenely on without too much disturbance. Less than 400 HAs with more than 1,000 homes each manage more than 97 per cent of the homes in the sector; and the 53 HAs with over 10,000 homes manage 41 per cent of the total. Many LSVTs were in the 2,500 to 10,000 bracket when the stock was transferred, although quite a lot of them were then swallowed in mergers with bigger HAs. The largest 20 HAs account for just under one third of the stock in the sector. Thus we are concerned in this document with the minority of HAs, under 10 per cent, that have been involved in the take-over of mainstream state services. They range from about 2,500 or so homes to massive social businesses with not only 50,000 or more homes but a more diverse portfolio including residential homes for the elderly and other specialist provision.

The Success Story as Housing Associations See It

There are about 2 million households on local authority waiting lists, representing roughly 5 million people, not to mention many thousands of hidden homeless who are not on those lists. This is a massive collective failure in which we are all complicit. Anyone who may be tempted to criticise some HAs for going hell-for-leather to develop more social housing, perhaps losing sight of wider aspects of their mission, should remember just how important the development of more social housing was and is.

And the movers and shakers of the bigger HAs are proud of their sector's achievements. They consider that this is the best example of a public/private partnership there has ever been. Over three decades, some £40 billion of public money in the form of grants has enabled the HAs to leverage £60 billion of private finance⁹ and create £15 billion surplus, all of which has been reinvested in the business because there are no dividends for shareholders. They have played a major role in the improvement of the housing stock and user satisfaction, whether or not state agencies have done equally well when given the chance. Their improvement work (as distinct from new build) has not generally required grants from the public purse, because they can use rents and private loans. Most of them are also still

(9) Disbursed or committed.

involved in specialist provision for vulnerable groups and invest a percentage of their surpluses in the communities in which they work beyond bricks and mortar. The sector has shown itself to be resilient in very hard financial times: there have been no great crashes. Nor can there be much doubt that, *given the structure of Government policy and incentives*, the tenants of council housing often experienced a significant improvement as users when their stock was transferred, at least in the short term¹⁰. These achievements deserve respect.

But what has this all done to the HAs as voluntary organisations? How independent are they? And to what extent are such successes unique to HAs as opposed to state bodies?

The “Independence” of Housing Associations

As the Baring Foundation has put it, “Independence is the the positive ability of voluntary organisations to pursue and secure a set of freedoms. Freedom to:

- Uphold purpose and values
- Negotiate robustly with funders without fear of sanction
- Engage in public debate.”¹¹

The massive limitation circumscribing the independence of HAs is the extent of multi-dimensional Government regulation and control. The Government dictates the rules as regulator, supplies the capital grants, controls the Housing Benefit that makes up two thirds of rental income and fixes rent levels. In many but not all cases, local authorities also determine allocations of lettings. So this is a highly managed market dominated by Government. HAs were only allowed their greatly expanded role if they accepted this. It was the price they paid for being favoured with a deliberately uneven playing field that disadvantaged state agencies – quite a contrast from the more familiar situation where the voluntary sector feels it is the one struggling to obtain an even playing field.¹²

The Housing Corporation, the all-powerful regulator until recently, did not shrink from micro-management. A research report commissioned by the ODPM and DCLG reported in early 2005 that “Despite the emphasis on the independence of social landlords, policies in the social rented sector became more centralised and detailed, as governments attempted to improve management performance.”¹³ In a report for the JRF in 2007, Professor Duncan Maclennan highlighted that “[Registered Social Landlords] find their hands are often tied and their portfolios fossilized by rules and political sensitivities.”¹⁴ For example, all HAs require a special permit for each and every property they are disposed to sell.

It may be that the recent decision to split up the Housing Corporation and replace it with the Tenant Services Authority (TSA) as regulator and the Housing and Communities Agency (HCA) as sponsor and investor will bring an opportunity for less micro-management and second-guessing of HA Board functions, in line with

(10) Hal Pawson et al, “The Impacts of housing stock transfers in urban Britain”, Joseph Rowntree Foundation, February 2009.

(11) Matthew Smerdon, “Rights with Meaning”, Baring Foundation, October 2009, p.1.

(12) I am grateful to Stuart Etherington for this point.

(13) DCLG Research Report, “Lessons from the Past, Challenges for the Future”, February 2005.

(14) Prof. Duncan Maclennan, “Better Futures for Social Housing in England”, JRF, March 2007.

campaigns waged by the HA sector. In April 2010, 54 existing guidance circulars and notes inherited from the Housing Corporation ceased to have obligatory force. But others will tell you that the TSA is shaping up to be not only equally tough, but equally uncomprehending of the proper issues to be left to responsible, independent voluntary sector Boards.

The National Housing Federation (NHF) runs a campaign to support the independence of HAs, but this is not of a kind to stir the blood. They do point to an ethical difference from the private sector, and say that "Housing associations are independent, not-for-profit, social businesses. The sector is committed to building more social homes and creating sustainable neighbourhoods where people want to live." But they then describe the benefits of independence in the following pragmatic terms: "Owing to their independent status housing associations are able to lever in private investment to match funding received from the Homes and Communities Agency (HCA). Councils are restricted in doing so because of the restrictions on public borrowing. Housing associations are also able to reinvest rental income into improving their properties and providing wide-ranging neighbourhood services."

So the core of the case for independence as articulated by the NHF campaign is that HAs are free to borrow from the private sector and make and re-invest a surplus. Yet even within this limited definition, there is an irony. For the reason that the HA sector has been so successful in raising private finance from loans and bond issues is not confined to the fact that they have masses of buildings and reliable streams of rental income, vital assets though they be. It is also precisely that the Government stands behind the HAs and regulates them tightly. Thus a recent piece in Moody's Investors' Service, one of the kings among international credit rating agencies, is entitled "Tight Regulation and Government Funding to Stabilise Sector during Economic Downturn." It explains: "Moody's ratings in the sector continue to benefit from a strong regulatory framework and the embedded high probability of intervention from the Government, were housing associations to face severe financial distress..... Were Government policies to be less involved with the sector in terms of oversight, funding and use of reserve powers to co-ordinate the rescue of stressed housing associations, the ratings could fall significantly."¹⁵

And it is indeed clear that distressed HAs have been pushed by the regulator in the direction of larger HAs for takeover and that during the credit crunch strenuous Government activity has gone on behind the scenes to ensure that significant HAs have not been allowed to go under. So the independence to borrow is coupled with tight regulation and an implied ultimate Government guarantee.

The Vulnerability of the Model

Any organisation dependent on Government is vulnerable to shifts of political fashion. And HAs, that depend on an artificial kind of independence based on Government regulation and support, are no exception. David Montague of London and Quadrant (L & Q) says that the HAs rest on a three-legged stool supplied by Government: regulation, capital grants, and housing benefit. They are each looking wobbly. The Conservatives in Opposition have threatened to scrap the brand new

(15) Moody's Investors Service, Annex to TSA's "2008 Global Accounts of Housing Associations", March 2009.

regulator, the TSA, ushering in a period of uncertainty. Capital grants must be vulnerable to the age of austerity. Housing benefit is under review. And who knows when Moody's ratings might be upset by a change of policy on standing behind stressed HAs? Remember the Brown versus Milburn row over NHS Foundation Trust Hospitals?

More serious tremors still are being felt as a result of the case of *Weaver vs London and Quadrant*. I have heard this case referred to as "Hell's gates" for the HA sector. It is about whether key Housing Association activities are categorised as those of a "public authority" for the purposes of the Human Rights Act and judicial review. In a nutshell, L and Q's arguments that such functions as evicting tenants, allocating and managing housing should not be seen in law as public functions were rejected by the Court of Appeal in June 2008, and the Supreme Court has refused leave to appeal. The Court decided that in these respects the HA is an instrument of government policy, closely regulated and controlled for that purpose, and that the act of allocating and terminating tenancies is not merely a private law contractual matter because it is done in the context of performing a public function. That means that most RSLs will be challengeable if they breach public law or human rights law while discharging such functions.¹⁶

The reason that this is seen in apocalyptic terms by some key HA leaders is twofold. Firstly, it has suited private investors very well to know that their HA borrowers were not, as they thought, vulnerable to human rights challenges and judicial review. Draining, repeated challenges on human rights and other grounds could introduce a disturbing element of risk and uncertainty that could have a damaging effect on the ability of the HAs to finance their development work. They fear that the key feature of Government-managed independence – their ability to borrow cheaply from the private sector – could be at risk. Secondly, if the same logic were to be applied to the totality of HA work, the Government could end up with £60 billion raised by HAs removing its private sector clothes and returning home to the Public Sector Borrowing Requirement. That prospect, it has been put to me by one HA leader, might be enough to precipitate a radical Government policy swing in favour of private sector development and would put paid to the HAs' greatest comparative advantage vis-a-vis the public sector. It would be the end of the golden years for HAs.

Of course, these fears may prove to be exaggerated. Another case might come to the Supreme Court with different results. But the underlying point is that if you in fact depend on the Government and are carrying out public services, there are many ways in which the bluff of independence may be called, the three legged stool may topple over, legal challenges drag you down and moody blues descend on your investors. These are risks beyond the control of HA Boards.

Unbalanced Missions?

To what extent, if any, have HAs that took over state services drifted away from their broader social purpose as independent, voluntary organisations?

One major charge, that is at least partially admitted even by leaders within the large HA sector, is that the HAs became pre-occupied with the development of

(16) I have relied here on a legal briefing prepared by Shelter based on the transcript of the case, topped up by comments from NHF and L&Q.

new social housing and creating powerful balance sheets. This was the sexy, exciting part of the business, and to some extent these HAs took their eyes off the more mundane tasks of tenant management and other, wider aspects of their mission. This lack of balance was not confined to the biggest HAs: the sad collapse of the ethnic minority-led Ujima HA followed over-ambitious growth plans and poor management of existing stock. David Orr of the National Housing Federation (NHF) told me that some HAs did get stuck in the tramlines of the process and economics of new development, as opposed to the core mission of quality and wider social purpose. They either forgot their social purpose in all the heady excitement about expansion and mergers, or forgot to talk about it even when they remembered it.¹⁷ One woman who has been in leadership positions in both state and voluntary housing sectors, reflecting on her experience of the development and merger activity in the early 21st century, commented in a weary voice that competitive, male machismo had been very evident. (I have censored the exact expression she used.)

Thus, put by Government in pole position to lead the development of social housing and enter the world of big business and high finance, some of the HAs are widely acknowledged to have allowed their missions to be unbalanced in favour of growth and development, hugely important task as this was. We shall see some of the ill effects in other dimensions later. When so busy responding to encouragements, incentives and requests from a powerful Government managing their market, it must have been difficult indeed for HA Boards to say no, or to define different priorities of their own. In principle, however, this could prove to have been a temporary distortion, and it does not apply to the same extent to many of the LSVTs that were not swallowed up by merger.

A broader charge is that the big HAs have become commercial in character and lost their civil society heart beat. This needs unpicking. There are many aspects of good commercial practice that are excellent news for residents and for anyone who wants decent housing built efficiently and productive social businesses run soundly. For example, Professor Hal Pawson of Heriott Watt University helped the NHF to celebrate the twentieth anniversary of stock transfers with the comment that “Stock transfer has fundamentally restructured Britain’s social housing landscape. Initial claims that stock transfer housing associations would be no more than local authorities in drag have proved well wide of the mark. Twenty years of transfers have contributed to a *more business-like, more consumer-focused* social housing sector.”¹⁸ Both residents and staff approved. These characteristics are a very good thing. But we should also note for the debate about the future of the voluntary sector that *there is nothing distinctively voluntary sector about them*, because the leading sector for being business-like and consumer-focused is the private sector, and the public as well as the voluntary sector also strives to achieve these ends. Note, too, that HAs are profit-making enterprises – it is just that any profits are ploughed back into the business rather than paid out to shareholders in dividends. So is there any substance to the fear that the profit-making, customer-sensitive business might in some way eclipse, rather than serve, the wider social purpose?

Some of the most outspoken critics of the largest HAs are medium sized HAs (with an average of 5,400 homes) which have launched a movement in 2007 called Place Shapers to resist the “big-is-best” mentality and what they saw as merger mania of the years after 2000. They had over 50 members by the end of 2008.

(17) Interview with David Orr, 27 February 2010.

(18) NHF website: “20th Anniversary for policy that revolutionised social housing.” My italics.

This is what Barbara Thorndick, Chief Executive of West Kent HA (a first wave LSVT) and leading light of Place Shapers had to say in November 2007: "Greed, ego and the urge to merge, are all changing things for the worse...It's all about size and people aren't talking about the important things – good customer service, and engaging with the people you work with..... I think the focus moves away from the community and service delivery in areas you are working in to how much bigger you can grow."¹⁹ And in October 2008, under the heading "How the Mighty have Fallen": "Larger, wealthier organisations often become more profligate, less connected to those [ie tenants] who are paying their salaries and paying for new development. Their size gives them the confidence to take more risks, as does the psychological move towards the private sector, which also justifies aligning top executive pay with selected private sector companies. *But we are social enterprises with a purpose and not private sector companies out to make a profit.*"²⁰

And there is the most fundamental question that goes to the heart of the identity of the HAs that have taken over state services. As Julia Unwin of the Joseph Rowntree Foundation articulated it to me: do they exist principally to provide a good service to paying customers – an extremely important aim in its own right? Or do they exist for a wider social purpose, to build social capital and work for people and communities in need? Which in the end takes priority, as a matter of strategy, balance of activity and ethos?

Consider, for example, the Annual Report of the Anchor Housing Trust, providing services to 50,000 elderly people. The introduction to the whole report is headed "Delivering what our customers want." "Across all our businesses", it runs, "...we are committed to our purpose of improving the lives of older people. At the heart of this is the need to understand individual customers and develop services which build on our reputation for excellence." The Chairman's statement then opens: "My first year as Chairman has been exciting and rewarding. Board members have been pleased to see that prudent financial management and sound leadership mean Anchor remains in a position of strength." And the Chief Executive (now former Chief Executive, John Belcher, whose salary of c.£400,000 became publicly notorious) then begins: "Understanding what your customers want and expect from you is key to the success of any business." Well yes, and this flagship document is indistinguishable from that of any major private sector company. The business identity eclipses the rest. The only sign from this Annual Report that Anchor is a charity is the registered charity number in the small print.

In fairness, it is arguable that the actual work of the Anchor Trust on the ground cannot be confined within such language. Indeed, the new Chief Executive wrote a letter to the Guardian entering the debate about the funding of care for the elderly in the run-up to the General Election, suggesting that the official description of Anchor as a customer-focused business is in fact incomplete.

So there are signs of a struggle for the soul and identity of the bigger HA sector, and within individual HAs. The results vary and the struggle is not over.

(19) Inside Housing, 9 November 2007.

(20) Inside Housing, 31 October 2008. My emphasis.

Reclaiming an Independent Social Purpose?

According to David Orr, Chief Executive of the NHF, 5 years' ago the HA sector experienced an "epiphany", and many paid a special levy to fund a root and branch analysis of their situation. The sector re-branded itself as "In Business for Neighbourhoods", and this marked the start of more serious efforts to promote the sector more effectively to Government, political parties, MPs and local authorities, assert the benefits of its independence, pay better attention to tenants and talk up the work in communities going beyond bricks and mortar. This heart-searching resulted from a combination of dwindling amounts of capital grant from the Government, and the considerable hostility that had built up amidst the dash for growth and mergers. As Orr puts it, "There was a disconnect between HAs' perception that they were doing a good job for a social purpose, and the external perception."²¹

Certainly, some housing debates in Parliament gave rise to heated criticisms of the HAs from MPs, who reported failure of large HAs to respond to their letters, increased rents, and relative inattention to the needs of local people rather than growth. The transfer of stock engineered by central Government did not endear the instruments of the policy (the HAs) to many municipally minded politicians, who did not trust the leviathans with head offices in another part of the country to engage with local people and needs. Salaries of (by voluntary sector standards) mouth-watering proportions²² and other trappings of large businesses did not escape public attention. Responding wholeheartedly to the incentives and encouragement of the central Government and regulator, and putting much energy into their relationships with the banks, many HAs had, it appeared, neglected their wider legitimacy, and some of them were shocked at the resulting hostility, with other voluntary organisations, as we shall see, joining in with gusto alongside disgruntled politicians and councillors. This attention to wider legitimacy is a major challenge for any voluntary organisation thinking of taking on mass public services at the behest of Government.

Nor did the programme of work under the heading of In Business in Neighbourhoods, turn matters round speedily or consistently. It was in late 2007 that medium sized HAs grouped together in Place Shapers, in reaction to the growth of the giants, and in the name of belonging to and focusing on a particular place: "The danger is", proclaimed Barbara Thorndick, "if you lose local focus and if you lose people who actually care about your neighbourhoods, the local authorities that work with you start to lose support for the sector. At that point someone is going to turn round and say: "who are these monsters? We don't owe them any loyalty."²³ We shall see that the HAs' contribution "Beyond Housing" is subject to some limitations and challenges, and the complaints from the likes of Shelter and Citizens' Advice Bureaux about some HA policies on evictions and allocations are unabated. The House of Commons Council Housing Group is still a focus for strong political criticisms of the HAs on grounds such as absentee landlordism, broken promises, rent hikes, loss of secure tenancy status for tenants and loss of democratic accountability through the ballot box. Many HAs regard most of such criticisms as wrong or unfair, but that does not detract from the hostility and heavy seas around them.

(21) Interview, 27 February 2010.

(22) Private sector house-builders pay far higher salaries still.

(23) Inside Housing, 9 November 2007.

These difficulties in winning understanding and acceptance of their social purpose may be compounded as a result of the serious reduction of income from sales of housing and other effects of recession, tending to curtail the surpluses which could fund the wider investment in neighbourhoods.

Nonetheless, there are, from the point of view of civil society enthusiasts as exemplified by the Carnegie Commission already quoted, some more hopeful signs of rowing back from the perceived or actual narrowing of mission during the two decades after the 1988 Act. This is partly because the growth opportunities are by no means as extensive as they were, with diminishing grants, fallen house prices and stickier credit. Some HAs had also observed for themselves that providing good bricks and mortar was not delivering financially healthy tenants and well maintained, unvandalised estates, and concluded that they should attend to wider issues.²⁴ This has interacted with the continuing external hostility, with the drip drip of critical Audit Commission reviews of performance in housing management and tenant satisfaction, and with the trend of Government policy in favour of holistic approaches to building healthy communities and strong tenant engagement in regeneration. Localism has become all the rage in rhetoric across the political spectrum. All this has been pushing the HAs towards an element of rebalancing and continuing reassessment of what they are for.

The reassessment is patchy, and I do not know if I am describing a substantial trend. The view does, however, now seem widespread within the sector that organisational dynamism is not just about development, but a wider definition of purpose including management and quality. HAs are aware that they have a crucial challenge, along with large state providers of public services, of how to combine efficiencies of scale with local sensitivity, local partnerships and tenant engagement. At least some of them are moving towards more delegation to local units, trying to work out what it is that must be controlled from the centre – eg reasonably consistent standards that are not a postcode lottery –and what is best left to local discretion and enterprise, and how these can best be reconciled. This massive challenge is not unique to any sector, but along the way it can involve heart-searching and a return to basics, which can lead voluntary organisations towards reclamation of things that are more distinctive, if they have them in their culture and make-up, and if their Boards have the right people on them.

Hence, the mighty L & Q, previously known for its command and control style of management, says that it is working hard to deconstruct that and re-learn. They have gone back to their values (Trust, Diversity, Responsibility, Passion and Learning) and have a programme of cultural change, with more shared leadership and collaborative learning. Local managers based in offices on site are expected to engage with local tenants, MPs, councillors, voluntary organisations all the time, not with the L & Q Board. It is easier to achieve this as a HA concentrated in London than for some of the national HAs spread across the country. The staff do not generally think of themselves as a charity, even though they are one, but they are said to have a strong sense of mission – to create places where people want to live – and values.²⁵

The Peabody Trust, one of the oldest and best known major charitable HAs, and with a substantial endowment that gives extra room for independent manoeuvre,

(24) Eg Notting Hill Housing Trust, and Hyde, developing wider initiatives even before such central government guidance as Planning Policy Statement No 3 in 2003, CLG initiatives led by Hazel Blears and the subsequent Housing Options Teams. Interview with James Gregory, 18 March 2010.

(25) Interview with David Montague, Chief Executive, 25 March 2010.

has also undertaken a review. Their refreshed mission is notably broader than housing provision: “To make London a city of opportunity for all by ensuring as many people as possible have a good home, a real sense of purpose and strong feeling of belonging.” There is a huge variety of social and community projects to match.²⁶ There are even Peabody Volunteer Awards, which is like an oasis in the desert for someone searching among HAs for the wellspring of uncompelled giving and volunteering identified in the Conservative Green Paper.

One of the biggest HAs, Guinness and Northern Counties, is applying for charitable status as a charitable Industrial and Provident Society. The website tells us that they are preparing themselves to meet the criteria of the public benefit test. No doubt the major motive is the estimated tax saving of £1.5 million per year. But this leads to a process of review and adjustment. Certain tenants with secure tenancy will lose their right to buy. Certain shared owners wishing to sell will need to ask Guinness for a nominee, so they can nominate from people who meet charitable objectives as being in need of affordable housing. All future residents will be assessed more rigorously: “Our new charitable status will mean that we have to make sure that we are providing homes to those who would struggle to buy or rent a home suitable to their needs in the open market.” In future, any commercial activities, such as building new units for sale on the general market, would have to be carried out through a non-charitable subsidiary. And as for the Board, “Their duties as trustees would become even more rigorous than Board Members of non-charities. As charity trustees the Board would always need to remember that they are guardians of charitable funds, which means that they would always have to challenge the use of those funds with this in mind.”

No doubt, by contrast, other large HAs may be fretting that charity law doesn't fit with the realities of moving assets around flexibly in response to market opportunities and cross subsidising. But bear in mind that about two thirds of HAs are either registered charities with the Charity Commission, or are charitable Industrial and Provident Societies as Guinness will be. They are by no means the only HAs with a sense of social purpose in their DNA, but, in the era of emphasis on public benefit, it could be a significant help in carving out afresh, for those HA Boards that want to, that sense of independent social purpose.

There are certainly some HAs that develop a mix of profit-making, loss-leading, cross-subsidised and actual loss-making activities in support of a social purpose that embraces some hard-to-fund but necessary provision for groups in acute need. This is not how a commercial, private sector organisation would behave. This is clearly a model with important continuing potential for the future. Amidst the cautionary notes and salutary reminders are such important positives.

Let us also note that the NHF is a strong advocate of wider social purpose Beyond Housing, and recognises the need for working relationships with the wider voluntary sector. And the HACT – the housing action charity (established and still registered as the Housing Associations' Charitable Trust) – is not giving up on its spirited mission to build bridges between HAs and other voluntary organisations and to be a catalyst and ginger group for wider engagement and passionate social purpose by HAs. This is the vigorous, civil society end of the sector, far distant from the customer service ethos of the Anchor Annual Report.

(26) For many similar examples from other HAs, see HACT, “An Opportunity Waiting to Happen”, 2006.

There is one more point to add from a “glass half full” perspective when it comes to independence and social purpose. The LSVTs were created as a result of Government sweeteners and the desire to provide investment in better social housing services that did not count against the Public Sector Borrowing Requirement. When they began their distinct lives, they usually consisted of the same local authority staff in their entirety, but wearing voluntary sector clothes for the purpose. Some of those who were not swallowed up in mergers may have remained in this Widow Twankey mode, with bigger overheads and less political accountability than before, but undoubtedly some others became feisty, even boat-rocking independent HAs, including leaders of the Place Shapers. Something had breathed on the dry bones. This is interesting and important, because there will probably be many more Widow Twankeys in other sectors of public service in the years to come.

User Satisfaction, Choice and Empowerment

There is no persuasive evidence that HAs do better on tenant satisfaction than state bodies, when the latter have access to comparable resources.

Over the four years to 2007/8, the percentage of traditional HAs classed by the Audit Commission’s inspectors as Good or Excellent was only 31 per cent. Stock transfer HAs did a bit better at just over 50 per cent. But this did not compare well with the state-owned ALMOs, as the ALMOs are not shy in pointing out. As a senior representative put it to me, “*we marmaladed them.*” A recent ALMO document explains: “At the end of March 2009 there were 20 ALMOs with three stars from the Audit Commission, which compares with four among housing associations (over the same period from 2004, and with a much larger number of HA inspections). No less than 30 ALMOs have a two star rating. One of the reasons for this has been the commitment from all ALMOs to involve tenants much more closely in their work than was the case before ALMOs were established. This starts at board level, but extends down to many aspects of service delivery. And this is reflected too in higher proportions of tenants who say they are “satisfied” or “very satisfied” with ALMO services than is the case for either conventional council housing or for housing associations.”²⁷

The ALMOs are particularly proud of tenant involvement, and long term tenants figure prominently in their leadership. There is a feeling of Counter-Reformation here, with the public sector ALMOs hitting back at the claims made for the voluntary sector, perhaps partly outflanking their Reformation HA rivals on issues such as effective maintenance and repair contracts and good tenant management, which are not inherent voluntary sector strengths.

In fact, a major part of the explanation for the apparent out-performance of HAs by the ALMOs has to do with the fact that, as already noted, HAs have been concentrating a lot of effort and resources on growth and therefore, at least until recently, less focused on tenant management. ALMOs **had** to do well in Audit Commission inspections in order to get their extra money for Decent Housing, and were incentivised, like an anxious examination candidate, to mug up on the inspectors’ questions and practise carefully beforehand. And HAs make the point proudly that they achieved Decent Housing standards without drawing on extra

(27) National Federation of ALMOs, “A Future for ALMOs”, April 2009.

public money because of their ability to use a combination of rents and private sector borrowings to do the job.

A fair summary might be that both HAs and ALMOs have shown that, given the right wherewithal and instructions, they can do well what they are told to do. Moreover, there is lots of fluidity between them. Chief Executives and other staff move from one sector to another and back again. Sometimes, a HA that has led a new development receives help from an ALMO to manage it; and in some cases, ALMOs and LSVTs, which can closely resemble each other, will group together in a particular city or region to provide certain common services, or one will sell a service to the others.²⁸ *What the evidence will not support is the generalisation that voluntary sector bodies are inherently likely to deliver such services more satisfactorily to their users than state bodies.* If you have good people, sufficient resources, the right incentives and good tenant involvement, it doesn't matter what sector you are.²⁹

Nor is survey evidence about tenant choice and empowerment, as distinct from overall tenant satisfaction, very different. The large and authoritative Existing Tenants' Survey of September 2009 shows the HAs doing a bit better than the others on satisfaction with opportunities to participate in management and decision-making – HAs 59 per cent, local authorities 52 per cent, ALMOs 49 per cent – but the percentage of HA tenants saying that their views were at least slightly taken into account *fell by 8 per cent* from 1995 to 2008, while those saying that the HA landlord took no account at all of their views rose by 8 per cent to about one in five, putting them in a slightly worse position than the ALMOs and only marginally better than the local councils. The percentage of HA tenants saying they believe that their landlords take their views into account “a lot” fell by one half, from 31 per cent to 16 per cent, over the same period.

Even the positive analysis of the second wave of stock transfers by Professor Hal Pawson and his team for the JRF in early 2009 acknowledged that, although greater priority had been accorded to tenants' views than before, “nevertheless, there is no survey evidence to support the belief that the broad mass of urban transfer HA tenants see their landlords as particularly open to tenants' influence.” And a serious limitation of that study was that it did not compare the LSVTs with ALMOs.

To its credit, the NHF, perhaps as part of the “epiphany” already mentioned, set up a Tenant Involvement Commission sponsored by three HAs which reported in 2006. “From tenants, the headline message for associations is stark”, concluded the Commission, chaired by Ed Mayo: “you must put your own house in order to deliver more responsive services and to give tenants more choice and say over their homes and neighbourhoods.” They found that the HAs were often perceived to be paternalistic or even patronising. There is little doubt that many HAs are now trying hard to achieve higher standards of tenant involvement and choice, and not only because this is a stronger theme of Government policy and regulation, but the big picture is that results for tenant satisfaction, choice and empowerment of transferring mainstream housing management to the voluntary sector, as distinct from reformed council housing or state-owned ALMOs, have not been transformative even where they are identifiable at all.

(28) The three star ALMO Northwards Housing collaborates in this way with three LSVTs in the Greater Manchester area: interview with Robin Lawler, 18 March 2010.

(29) Interview with Alastair McKintosh, 5 March 2010.

Beyond Housing

This issue goes to the heart of whether the HA sector can use its distinctive independence and robust assets to pull together services across the borders of “housing” and other services and strengthen communities. This is important to the strategy of rowing back from the dash for growth and its attendant unpopularity. David Orr of the NHF stresses the significance of this wider contribution, saying that it is “in the DNA” of HAs, and he will challenge sceptics to go with him and visit any HA of their choice, so confident is he that the HA will be engaged in activities beyond housing. The HACT has a programme to encourage HAs to make more of their potential role as community anchors in regeneration and community development, reaching out in partnership with other agencies and groups in the area. They can be anchors because of their sturdy assets and relative financial strength.

There is no doubt that there is inspiring work going on across the country. There is an abundance of excellent case studies. The more difficult questions are: what is the relative scale of this activity? And is it distinctive to voluntary organisations?

A special audit by the NHF has identified investment by HAs of £272 million of their own money per year and rising, leveraging an extra £163 million from other sources, in neighbourhood services beyond housing (eg debt counselling, employment training, advice, playgroups, regeneration initiatives and the like). Nobody can possibly afford to ignore such a contribution, particularly in current financial circumstances. On the other hand, the operating surplus of HAs in 2008 was £1.6 *billion*, of which £272 million is about 17 per cent, and the money for promoting regeneration and tackling deprivation etc channelled through the DCLG alone was some £1.9 billion. To be fair, we need to recognise the many HAs who combine housing and wider neighbourhood services with care of the elderly and vulnerable groups. It is when we move away from specialist services for defined client groups to more general neighbourhood services that the proportion of investment beyond bricks and mortar looks significant, but relatively small in relation to the overall operations of the sector, or the overall investment in neighbourhood services by state and other bodies.

Some of these activities are motivated by the landlord’s enlightened self-interest. Residents will pay better if they have access to debt counselling services. The morale of an estate is improved if they have access to employment. The prevention of vandalism and anti-social behaviour is good for the long run harmony and cost effective management of an estate. And it is worth some investment to reinforce good collaborative relationships with local councillors and MPs and be seen as a good stakeholder in local partnerships. These may be sensible business decisions, and none the worse for that. One might also expect state landlords to have a similar understanding, and it is hardly surprising to find case studies of ALMOs doing much the same things. For some HAs, these motives might be reinforced by a sense of social purpose and broader objects that transcend sound business and enlightened landlordism, although it would be hard to argue that local authorities do not also have such wider interests and enthusiasms.

In some dimensions, HAs may indeed have advantages. They are freer to deploy their surpluses flexibly, once they have coped with their obligations to their lenders, and the larger ones are not tied to a particular place and can go wherever the

opportunities and incentives, eg Government regeneration or “Respect” budgets, may beckon. There may be fewer bureaucratic rules and frustrations than in local authorities. But there are disadvantages and limitations, also.

The largest, national HAs may, as the flip side to powerful advantages of scale, suffer from the lack of identification with a particular place, much as they may now be striving to decentralise and delegate. This contrasts with the LSVTs and is one of the main contentions of the Place Shaper movement of medium sized HAs. In their Manifesto they explain: “We see the importance of working in depth with partners at a local level to achieve real improvements within an area..... We distinguish ourselves as a group because we are committed to local focus. We believe that it is crucial to remain truly accountable at the local and regional level.” They raise the standard for local investment and employment, for a good balance between regeneration and development, effective integration in the local voluntary sector, joint working with partners and strong respect for the key strategic role of local authorities. This reflects their view³⁰ that very large organisations struggle to achieve the necessary sensitivity and relationships in a particular place to help deliver holistic approaches Beyond Housing, particularly if their growth has been accompanied by such political hostility as we have already noted above. This view is hotly contested by others who think that size has nothing to do with it and that there are examples of good and bad practice at every level of size. Those from other subject areas of the voluntary sector will be familiar with very similar arguments, though perhaps the HA sector has been exceptional in the relative growth of the biggest organisations in recent years.

The ALMOs also make much of being locally rooted and believe that they are frequently better at working with their local authority owners than the HAs to whom erstwhile council housing stock has been transferred.

HAs also face other difficulties. A 2005 research report for DCLG also concluded that “Transferring social rented housing to the housing association sector has fragmented management and increased the costs of funding. It has also fragmented ownership and therefore made regeneration and renewal more complex.” Stock rationalisation of bits and pieces owned by different HAs in a particular area is often seen as a precondition for effective regeneration strategies.

Another admirable campaign by HACT is called “Supporting First Steps,” encouraging HAs to help build the capacity of other local community organisations, thus playing a part in collaborative efforts to create more vibrant and sustainable communities. There are examples of good practice, but a separate study for the City Parochial Foundation of second tier support for front line groups in London showed HAs making an extremely marginal contribution.³¹ Any significant development of this role by HAs seems to lie in the future. The very reason for the HACT campaign is partly that they find at present that smaller voluntary organisations often find it difficult to work with HAs, and that, although people from community organisations know HAs as tenants and sometimes as Board members, by and large there are no formal relationships between them as organisations.³²

(30) Barbara Thorndick herself has personal experience of working in very large as well as medium size HAs.

(31) Alison Harker and Steve Burkeman, “Building Blocks – developing second tier support for frontline groups”, report to City Parochial Foundation, 2007.

(32) HACT, Introduction to “Supporting First Steps”, July 2009.

And there are limitations to what HAs are likely to do in future. The first is that landlords (to whom you may owe money) are not always the best people to go to if you want impartial debt advice, or if you have a dispute with that same landlord, or if you are subject to mental illness or financial threats and do not want to show such vulnerabilities to someone who has power over your housing future. HAs cannot help being seen, first and foremost, as landlords.

That might still allow much useful activity, eg by supporting other voluntary organisations, but a second limitation is that, in the end, *the tenants pay*. That is where the operating surpluses come from. To what extent is it right for tenants (and taxpayers funding housing benefit) to pay for wider services that are not directly about the good maintenance and repair of the home, and which may be seen as the responsibility of other agencies? HAs do not have lots of different departments like local authorities. Enlightened landlordism and sensible business decisions are one thing, but venturing further than that beyond housing may be more debateable, unless there is separate funding or a charitable endowment. Should HA residents pay for the local equivalent of citizens' advice services? Should they pay for skills and employment training of some of their neighbours? Should they pay for some of the support and care services that the state is not providing to needy people on their estates? How about reducing the rents instead? The ethics are not straightforward. Given those limitations, and the track record to date, it is not clear whether the voluntary sector status of HAs is going to allow them to make a more substantial relative contribution beyond housing, by comparison with state agencies.

So, if the unmet needs of individual residents, estates, homeless people and communities are so apparent, do the HAs use their voluntary sector status to campaign to raise public awareness, engage in public debate and demand a better response?

Campaigning by Housing Associations

The short answer is "No." David Orr acknowledges that it is a very long time since individual HAs saw themselves as campaigning bodies. Here are voluntary organisations that are in day to day contact with 2.5 million families, including many towards the bottom of the social heap. They see their vulnerabilities and are shocked by neglected needs, but you will rarely hear a squeak about these from the vast majority of HAs. In most cases, not even a tiny percentage of their operating surpluses, derived from their tenants, is applied to campaigns on their behalf, other than part of their membership fee to the NHF to which we shall turn in a moment. Perhaps this is partly because those whose identity is principally a business do not include such activities in their world picture, any more than TESCO sees its role as to campaign about the needs of its paying customers? Nor do HAs seem to be in the fore in campaigning for more environmentally sustainable policies, however green some of them may be as practitioners.

Another fundamental reason for the deafening silence is the dependence already described of the HA model on the Government at different levels. Over thirty years, HAs prospered or came into existence by jumping when the Government said "Jump", so they do not "get" campaigning and are right outside their comfort zones when there is a row. They may have been depicted as macho when it came to growth and development, but when it comes to campaigning, they are more

like the lion in *The Wizard of Oz*. The chief of one of the biggest of all HAs told me that he cannot afford to be seen as critical of Government or of his local authority partners: "We cannot bite the hand that feeds us. The National Housing Federation is there to say the things that we don't dare say for ourselves." He keeps his head down.

As a trade body, most of the NHF's campaigns are understandably built around the needs of its members – the HAs, to whom it is accountable. There is a campaign in favour of more social housing to address homelessness, in which the NHF joins forces with the private house-builders as well as Shelter. There is a campaign to open up more opportunities for social housing in rural areas. There is lobbying for the needs of HAs in different dimensions. There is indeed also one admirable and successful campaign of a different kind against high charges for pre-payment energy meters levied by energy utilities. But the overall campaigning effort of the HA sector on behalf of the many needs of its residents – as distinct from campaigning as a professional and producer body – must be judged to be thin pickings.

In the beginning it was the same people who worked on people's housing needs through the Notting Hill Housing Trust that set up Shelter, with funds channelled through the Housing Association Charitable Trust. HAs and other housing organisations were energised and sprang into life in response to *Cathy Come Home*. But this close symbiosis is history. Now, there is a wide gulf between the housing campaigners, welfare or environmental campaigners, and the mass of the HA sector with the 5 million people who live in their properties.

Fellow Voluntary Organisations?

Indeed, voluntary organisations including Shelter and Citizens' Advice Bureaux mount campaigns against what they see as hard-nosed landlord behaviour on the part of some HAs. As one of Shelter's Senior Policy Officers puts it: "The overwhelming problem that our clients face with housing associations is that they often won't accept nominations from the local housing authority, often for very minor reasons, such as low-level, unproven "anti-social behaviour" and low-level, historical rent arrears. This is driven by the fact that, in order to borrow, housing associations need to show they are minimising risk. In areas where all the council housing has been transferred to housing associations, it's incredibly difficult for councils to carry out their statutory duty to provide housing to people in need."³³ Many instances of such refusal to accept local authority nominations were documented in a Shelter study in Tyne and Wear in 2006. Of course, it is easy to see how the priorities of independent HAs wanting to deliver and manage mixed, balanced communities may clash with the concerns of campaigners for the homeless, whether or not the demands of their lenders are as significant as Shelter believes. Similarly, large scale housing developers are bound sometimes to lock horns with conservation or landscape organisations. NHF think that the Shelter criticisms are unjustified (I have censored the exact expression used). The issue here for the wider voluntary sector is not who is right, but that conflict with other voluntary organisations goes with the territory of large scale service delivery.

Another major bone of contention is the use by some HAs of Ground 8 of Schedule 2 to the 1988 Housing Act as a method of evicting tenants. The key

(33) Email of 5 March 2010 from Deborah Garvie, Shelter.

feature of Ground 8 is that it is a mandatory ground for possession if there are two months' arrears of rent, whether or not it is reasonable. It has sometimes been used by HAs even when Housing Benefit claims are outstanding, not as an absolute last resort, as a more certain device than other Grounds where the Courts have some discretion, even though this is out of line with the regulator's guidance. Shelter and the CABx object strongly.

The TSA's special Working Party to look at this reported in March 2010. They found that HA practice overall had improved, with evictions down from over 9,100 in 2004/5 to some 7,700 in 2008/9. Most HAs had moved to a supportive and preventative approach in line with official guidance, but some had resorted precipitately to legal action. There had been 350 Ground 8 evictions in 2007/8. This was under 5 per cent of possessions for arrears, but for some HAs, especially in London, it could be 20 per cent and there were some indications that its use was growing.

The Working Party also found that "The vast majority of associations accepted that under certain circumstances they would instigate legal action on arrears in the knowledge that a Housing Benefit claim was outstanding" (eg if the tenant had not provided information as requested); and that the percentage of legal proceedings for arrears launched by HAs *without there having been staff contact with the tenant first* was as high as 30 per cent (p.7). I do not know enough to know whether this is justified, but it is easy to see that there is plenty of scope for quite bitter clashes with other parts of the voluntary sector.

The Working Party's findings on the arguments for and against the use of Ground 8 by different HAs touch again on the ambivalent character of the HAs. "A broad summary of the underlying reasons for these positions lies in the contrasting rationales between, on the one hand, the "social" element of the role of an association and, on the other, their business ethos, most specifically concerning landlords' exposure to risk." Some claimed that retention of Ground 8 was a priority for lenders [echoing Shelter's suspicion], others said that lenders were more interested in the overall results and did not mind what particular processes were used. Some HAs objected to the blanket, mandatory nature of Ground 8, others wanted its certainty. These are the sort of tensions – within HAs and between them and other voluntary organisations – that go with the territory of running mainstream public services on business lines, and of trying to work out how social your social business is.

The Spirit of Volunteering and Giving

Lord Best pointed out in his Sir Patrick Nairne lecture in 2006 that only a handful of charitable HAs fund-raised and that volunteering was largely confined to committees and Boards, where the Associations are market leaders in paying Board members and Chairs.³⁴ The handful such as Peabody and Central and Cecil keep the flag flying, but the "wellspring" of uncompelled giving and volunteering has dried up in the vast mass of the sector delivering non-specialist public services. Indeed, it is difficult to see how organisations with assets to match those of the FTSE 100 could credibly ask the public for donations, and a precondition for tapping philanthropy for innovative civil society initiatives has to be to make them

(34) Lord Best, Sir Patrick Nairne Lecture at St Catherine's College, Oxford, 9 November 2006.

very clearly distinct from the mainstream operations of the big HAs. It is also interesting that a few of the biggest HAs have been unable to respond to such an initiative as the HACT "Reach In" programme to find work placements in the HA sector for refugees, because they do not have a volunteering policy and their middle managers feel they have too many other priorities.

In fact, the big social businesses do not seem to include volunteering and giving as an integral part of their Corporate Social Responsibility. They rightly emphasise such crucial dimensions as responsibility for the environment and climate, and equal opportunities, but employee volunteering policies and corporate donations seem less in evidence. L & Q are in the top 100 Sunday Times Employers, but the category where they are outperformed by many private sector companies is: putting something back into the community. The reason seems to be that, since they believe that the day job is about social purpose, and putting in rather than taking out, there is no great motive to think of other socially motivated activities aimed at putting something back.³⁵ It might be worth some further work to explore whether and why large social businesses demonstrate relatively low levels of performance in employee volunteering programmes and corporate donations?

Concluding Questions

Since this is a discussion document, the concluding section takes the form of questions derived from the preceding analysis. The first set of questions is offered to the HA sector, and particularly to HA Boards, from a traveller to their world from the wider charity sector, and I hope they will be interesting rather than merely irritating to them; the second, to the wider sector itself. They are, intentionally, leading questions, to stimulate hard thinking and debate at a time of great challenge and big decisions for voluntary organisations in this country.

(A) To the HA Sector

- Do you see yourselves as part of civil society, with its values (to quote Carnegie) of justice, equality and mutuality and a hunger for freedom? Or not really? If so, are there ways of communicating this more openly?
- Is it for you a sufficient aim to be deliverers of good services?
- Do you exist first and foremost to provide good services to paying customers (your residents), or first and foremost for a wider social purpose or cause? Do you believe that there is a difference between these and that they may lead to different definitions of priorities and ethos?
- Do you think your HA might have unbalanced its mission in favour of growth and development, or allowed a customer-focused business ethic to eclipse a wider voluntary sector identity? If so, do you want to row back, or do you prefer the way you are? And if you want to rebalance, how do you do it?
- Are the larger among you able to combine economies of scale with local focus, commitment, partnerships and tenant engagement? Can you delegate and

(35) Within L and Q, the Finance team does the most by way of curry evenings, gardening projects for older tenants, etc – perhaps because they are the most distant from the front line "social" element of the social business?

devolve more, or better? Is there enough mutual learning and innovation happening in this key area?

- Is it actually possible to scale up significantly your contribution “Beyond Housing”? How important is this to your social purpose? And what are the proper limits to what your residents should be paying for?
- Is your Board genuinely able to say “No” to the requests and encouragement of Government and its agencies? And to what extent do you define your strategies and priorities in a way that goes beyond what Government wants you to do?
- Why, despite your independent status and surpluses, do you not campaign or engage in public debate more, or at all, about the many needs you witness every day among your users? Is it right or inevitable to be so cautious?
- Does being a social business justify relatively low levels of performance in employee volunteering schemes and charitable donations as an aspect of Corporate Social Responsibility? Does this deserve more thinking and research?
- Have the two thirds of you that are charities recently reflected on whether it is a significant part of your identity and on what that should mean?

(B) To the Wider Voluntary Sector

- Is it time to integrate the experience of HAs into our continuing debates about the role of the voluntary sector in public service delivery?
- Should further efforts be made to encourage discussion, inspiration and learning across the borders that have tended to leave the voluntary housing sector in a separate silo?
- Is it time for a moratorium on discredited generalisations about the distinctive ability of voluntary organisations to provide mainstream public services better as well as more cheaply than state organisations? Should we not be honest about what the evidence to date actually shows, including evidence from the social housing sector?
- If the fulfilment of the voluntary sector’s potential contribution to better public services depends on commissioners’ willingness to take a larger and longer term view of value, and abide by the Compact, what chances are there of those conditions being met in the age of austerity and massive cost pressures to come?
- If you are offered state assets, or invited to take over state services, neither of which come with no strings attached, what price will you pay in terms of lost independence through Government regulation and dependence, and will you then be able to row back if you want to?
- If you take on borrowing from the private sector to help provide public services without adding to the PSBR, are you sure that the Government would stand behind you if things were to go wrong? If you cannot rely on that, what is a

manageable and acceptable risk for you as a voluntary organisation? What will your users do if you default?

- If you get into strong relationships with central Government regulators and funders, will you over time pay enough regard to your wider legitimacy and your local relationships, rather than wait for a belated epiphany?
- Can you carve out a non-negotiable space for independent determination of your priorities, drawing on your basic values, resisting Government incentives to unbalance your mission, and can you underpin that with an element of sufficiently diverse funding? If not, are you willing to kiss goodbye to your participation in uncompelled giving and volunteering, campaigning and contribution to public debate?
- If you take on mainstream public service delivery, are you ready to deal with hostile campaigns by other voluntary organisations?
- In your own sphere of operation, do you experience any tension or ambivalence between your broad social purpose and your imperatives as a business for paying customers? Do you think one is in any danger of being eclipsed by the other? Are “customers” the right description of your users and beneficiaries, and is a “business” the right description of what you are?
- Do you work in a silo as many “housers” have done? Are you able to retain your identity as part of a wider voluntary sector that cherishes independence and a passion for social change as core values? And if you are a charity, what does that mean to you, your Trustees and staff beyond the tax breaks?
- On the other hand, if you have the chance to improve services and take over state assets for community benefit, will you ask the NHF or HACT how some HAs have been able to use their assets thrice over – directly, and as security for borrowing and as opportunities for employing and training local people? Will you also ask about how the best of them (along with the best ALMOs) involve and consult tenants in ways that are quite rare in many other areas of the voluntary sector? And about what HAs may be able to offer from their experience of environmentally friendly building and maintenance of their properties?
- In short, in addition to salutary warnings, do you realise how much you, the wider voluntary sector, as well as the HAs, might have to gain from closer relationships and sharing of skills and experience across the housing divide?

Andrew Purkis,
June 2010

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