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Housing Associations and the 'Completions' Controversy: Mass House Builders or Social Purpose Enterprises?

SUMMARY

- This short paper explores some of the recent media claims about the performance of housing associations in completing new homes compared with the private construction industry. Despite these claims being refuted, this paper asks whether housing associations should be seen as mass house-builders at all. Or whether their historic role as social purpose enterprises providing homes, services and support for the nation's most disadvantaged communities should, perhaps, be a more appropriate yardstick of success.
- Today's level of completions by housing associations is above average when judged over a forty-five year timeframe. The average number of completions per year since 1970 was 17,694 whereas that for the last five years was 23,906. Housing associations have never been mass house-builders even when they became the main providers of new social housing following the Housing Act 1988. Almost two thirds of their growth from 230,000 homes in management in 1970 to 2.3m now has been fuelled by stock transfer from local councils.
- Despite this, annual new completions by housing associations, as a proportion of the total housing association stock managed, outrun those of the private sector. Housing associations out-performance the private sector with an average annual completion 'growth rate' of 2.6% since 1970 compared with 1.1% in the private sector. For the last five years, the 'growth rate' has been just over 1% and 0.6% respectively. These 'growth rates' are more suitable measures of success.
- The chief role of housing associations for more than hundred years has been focussed on physical, economic, social and environmental interventions to relieve housing and socio-economic stress, especially in inner city communities. The most recent audit of their investment in tackling these societal ills is calculated at more than £1.7bn annually. Housing associations have also been long-term campaigners against homelessness and deprivation, and advocates on behalf of disadvantaged communities.
- A return to mass social house-building, last seen during the 1970s when both local councils and housing associations were generating large numbers of new homes, is unlikely without transfer of subsidies from the ballooning housing benefit bill to bricks and mortar investment. This has recently been advocated by SHOUT, the save social housing campaign group. Economic modelling shows that new social housing offers a better strategy for allocating scarce resources that is fiscally more sustainable and economically more efficient.

Introduction

This short paper seeks to explore some of the claims made by a Channel 4 News¹ feature on 23rd July 2015, accompanied by articles in the Spectator magazine² and the Times newspaper,³ about the contemporary performance of housing associations adding much-needed new homes to the national housing stock.

While many of the claims made by these various media have been refuted by the National Housing Federation, the Chartered Institute of Housing and other social housing sector commentators,⁴ this paper seeks to explore a different avenue of analysis; namely:

- *Should housing associations be seen as mass house-builders at all and, if not, should this be a concern?*
- *Should housing associations measure and promote their success as mass house-builders or as social purpose enterprises with deep roots, a long history and as supporters of and advocates for the nation's most disadvantaged communities?*

This paper sets out to explore these questions, with appeal to long-term statistical data about house-building in England, changing tenure patterns over time, and funding of social and affordable housing over the last forty years or so. It also seeks to describe the longstanding role of housing associations within these contexts.

The 'Completions' Controversy

The principal claim made by Channel 4, the Spectator and the Times is that over the last four years, housing associations have received £23bn in government grants to build just under 24,000 homes. This was contrasted with the more than 93,000 homes completed by the private sector, with reference to tables produced by the Department of Communities and Local Government (DCLG).⁵

As Ross Clark wrote in the Spectator:

"So why aren't housing associations taking the initiative and building more homes? Private house-builders are positively revving up their diggers compared with housing associations. Last year in England, private house-builders started building works on 115,000 new homes. Housing associations managed just 23,300."

However, the reality is that housing associations received £4.5bn of grant through the Affordable Homes Programme; not £23bn, although housing benefit is an additional subsidy for rents as it is in the private rented sector. Housing associations actually built more than 40,000 homes last year when low-cost home ownership homes and homes built under section 106 planning agreements are taken into account.⁶

The key question, though, is what sort of performance does this represent in historical terms and to what extent should the success of housing associations be measured by the provision of new homes alone?

¹ <http://www.channel4.com/news/housing-associations-homes-property-bob-blackman-david-orr>

² <http://www.spectator.co.uk/features/9590472/housing-associations-have-failed-to-build-houses/>

³ <http://www.thetimes.co.uk/tto/business/industries/construction-property/article4505830.ece>

⁴ <http://www.24dash.com/news/housing/2015-07-23-Now-even-Channel-4-doesn-t-like-us-Housing-associations-get-media-kicking-of-a-lifetime>

⁵ <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

⁶ <http://www.insidehousing.co.uk/analysis-and-data/fact-checking-are-housing-associations-failing-to-build/7010945.article>

Housing Associations as Mass House-Builders?

Taking 1970 as a baseline year for evaluating the historical performance of completion of new homes by housing associations, today's level of completions is above average when judged over a forty-five year timeframe. Table (1) over the page, using DCLG official statistics reveals that the average number of completions per year since 1970 was 17,694. The average for the last five years was 23,906. So contemporary performance by housing associations, as measured by the number of completions, is significantly above the long-term average.

What table (1) also shows is that housing associations have never been mass house-builders. Indeed, thinking of housing associations as such is a relatively recent development. It is not grounded in either their historical performance as house-builders and takes little account of their other roles over more than hundred years in tackling poor housing and confronting poverty, urban disadvantage and inequality.

Housing associations historically have focussed their resources on physical, economic, social and environmental interventions to relieve housing and socio-economic stress, especially in inner city communities. The most recent audit of their investment in tackling these societal ills is calculated at more than £1.7bn annually, as table (1) on page 5 summarises.

Housing associations have also been consistent and active campaigners against poor housing conditions, homelessness, economic and social disadvantage throughout their history.⁷ Their campaigning origins can be traced back to the 1920s and 1930s when they lobbied for slum clearance while squeezing extra housing life out of dilapidated properties via 'slum-patching' before demolition. The 1960s saw a rejuvenated housing association sector linked to the Shelter and 'Cathy Come Home' campaigns of those days. And of course most recently, they were a major player in the 'Homes for Britain' campaign.

Housing associations⁸ have always been essentially 'hybrid organisations' poised between state, market and community, balancing the requirements placed on them by public policy, or from financial lending institutions from which they raise private funding to invest in new housing, and via their social purpose mission to aid disadvantaged communities. This essential hybridity – one of the key strengths of housing associations – was portrayed incorrectly by the Spectator article as a New Labour initiative:

"Housing associations are a bit like Network Rail. They are what Tony Blair christened his 'Third Way' between capitalism and socialism, in the hope they would combine the best elements of both. Instead, they combine some of the worst: public sector lethargy and private sector greed."

Housing associations since their early days have incorporated public, private and voluntary sector features yet were very much the junior partners in social house-building to council housing departments until the early 1990s.⁹ Following the Housing Act 1974, which introduced Housing Association Grant (HAG), a new public funding source for housing associations, the Housing Act 1988, enabled housing associations to raise private finance against their existing housing assets and introduced Tenants Choice, which facilitated the transfer of council housing to housing associations; both old and new.

⁷ Gulliver K. (2000) *Social Concern and Social Enterprise: The Origins and History of Focus Housing*. Brewin. Studley & Gulliver K. (2012) *Beacons of Hope: The Historic Role of Housing Associations Tackling Poverty, Disadvantage and Inequality*. Human City Institute. Birmingham

⁸ <https://www.enhr.net/socialhousing.php>

⁹ Malpass P. (2000) *Housing Associations and Housing Policy: A Historical Perspective*. Macmillan. Basingstoke

Chart (1) - Housing Association Homes Completed (1970 to 2014)

[Source: DCLG (2015) Live Tables]

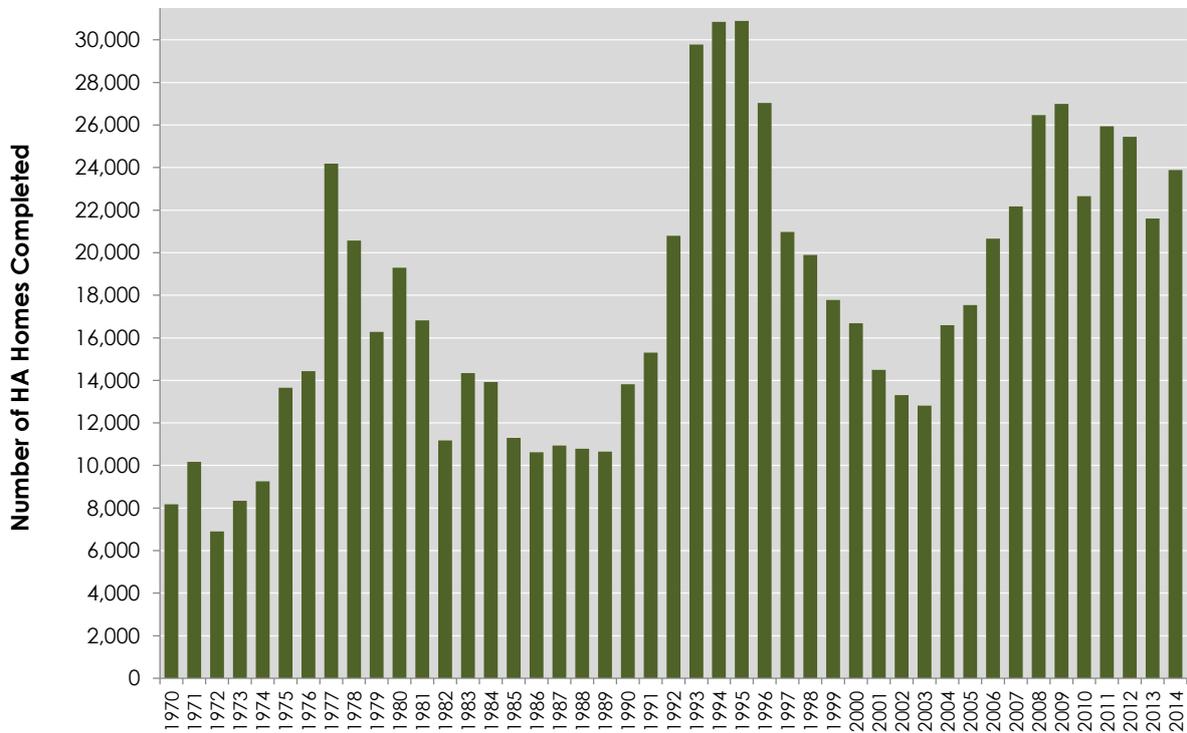


Chart (2) - Housing Association Homes in Management (1970 to 2014)

[Source: DCLG (2015) Live Tables]

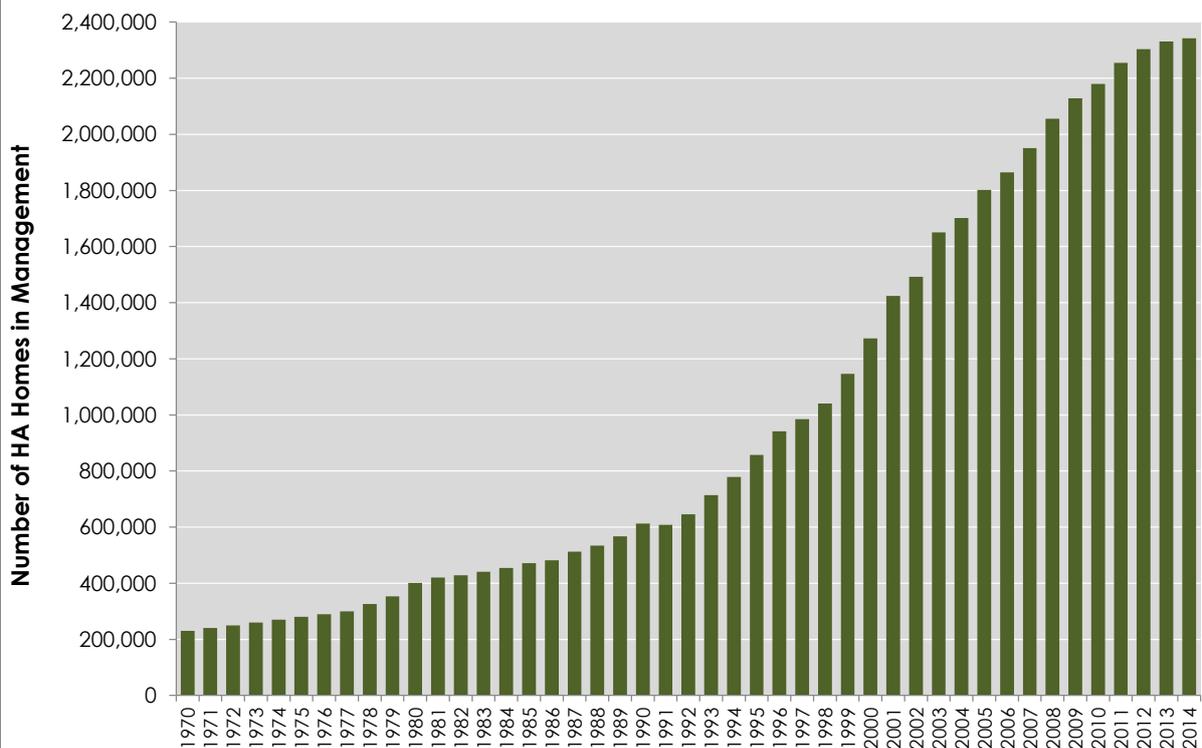


Table (1) –

Housing Association Community Investment Activities in England

Activity Headings	Activities	Community Investment
Physical:	Decent Homes, Repairs & Maintenance	<ul style="list-style-type: none"> £1bn invested pa employing many thousands of via DLOs, contractors & supply-chains
	Neighbourhood Facilities:	<ul style="list-style-type: none"> 1,000 facilities Investment in £352m pa (£152pa from own resources)
Economic:	Employment & Enterprise:	<ul style="list-style-type: none"> 574 services delivered, 68,000 people benefitted, 640 staff employed directly Investment of £45m pa (£26m from own resources)
	Education & Skills:	<ul style="list-style-type: none"> 1,238 services, delivered, 246,000 people benefitted, 950 staff employed directly Investment of £66m pa (£46m from own resources)
	Poverty & Social Exclusion:	<ul style="list-style-type: none"> 984 services delivered, 368,000 people benefitted, 450 staff employed directly Investment of £45m pa (£26m from own resources)
Social:	Well-Being	<ul style="list-style-type: none"> 656 services delivered, 406,000 people benefitted, 580 staff employed directly Investment of £41m pa (£23m from own resources)
	Safety & Cohesion:	<ul style="list-style-type: none"> 1,878 services delivered, 1.7m people benefitted, 640 staff employed directly Investment of £91m pa (£51m from own resources)
Environmental:	Environmental:	<ul style="list-style-type: none"> 1,472 services delivered, 17m people benefitted, 690 staff employed directly Investment of £79m pa (£62m from own resources) Range of 'green' schemes, strategies & policies including affordable warmth, carbon footprint measurement, recycling

Source:

NHF (2013) Neighbourhood Audit

Gulliver K. (2012) Beacons of Hope: The Historic Role of Housing Associations Tackling Poverty, Disadvantage and Inequality

Chart (1) on page 3 shows that the post-1974 Act and post-1988 Act were two of the most prolific periods of housing association development of new homes because significant levels of public funding were made available. However, as chart (2) on page 4 confirms, the growth of the housing association sector was fuelled more by stock transfer than new housing development. Of the growth of the housing association sector from 230,000 homes in management in 1970 to 2.3m today, 38% has been by housing development and 62% by stock transfer from the council sector. During this period, council housing went into decline. Since 1998, only 53,000 council homes have been built while 800,000 housing association homes have been completed.

Comparing Housing Association House-Building Performance

The recent media coverage of housing associations centred upon their purported 'failure' to rival private house-builders in the new completions stakes. Yet why should this be expected? The housing association sector is much smaller than the private sector so perhaps a better measurement might be in comparing new completions as a proportion of the existing stock in each sector. This is what charts (3) and (4) over the page describe using the same axes for both charts to provide an accurate comparison.

Table (3) depicts the annual new completions by housing associations as a proportion of the total housing association stock managed in each year. After all, the housing association sector is only 16% the size of the home ownership sector. Table (4) shows private sector completions as a proportion of the total home ownership sector. This enables some measure of the growth in each sector represented by completions. Clearly, on this measure, housing associations outstrip the private sector with an average annual completion growth rate of 2.6% compared with 1.1% in the private sector. The corresponding annual growth rates for the last five years have been just over 1% for housing associations and 0.6% for the private sector.

What is also outstanding is that both sectors have tailed off in the long-term from 1970 to 2014 but with the lowest growth rates in the period since 2010. Housing association completion rates were proportionally highest in the years after the two Housing Acts of 1974 and 1988, when more generous public funding regimes were in place enabling rapid expansion of housing association homes. Once grant rates began to drop from the late-1990s onwards, and the recent very low grant rates for the so-called 'affordable rent' programme, growth rates have fallen away.

A Return to Mass Social House-Building?

The last era of mass social house-building was during the 1970s when both council housing departments and housing associations were both generating large numbers of new homes. In this decade, 1.3m new social homes were completed, or an average of 130,000 homes yearly – more than are being provided by private and social sectors combined today. To get back to at least 100,000 new social homes each year, SHOUT, the save social housing campaign group, has advocated a move back to more traditional bricks and mortar subsidies and a move away from subsidising rising and often exorbitant rents. In a new report by Capital Economics,¹⁰ SHOUT points out that the very modest levels of 'affordable rent' completions taking place currently is not meeting demand. Ballooning housing benefit bills, the report concludes, are unsustainable at a time when much more affordable housing is required and where reduction of the UK's structural deficit is a political priority. As the report comments:

“Even leaving aside the additional cost to the welfare system of supporting tenants paying affordable rents, the total amount of social housing being built is not matching demand, with the consequence that growing numbers of low income households live in private landlord properties, typically requiring much higher levels of housing benefit.”

¹⁰ Capital Economics (2015) Building New Social Rent Homes: An Economic Appraisal. SHOUT

Chart (3) - Housing Association Completions as a Percentage of Total Homes in Management (1970 to 2014)

[Source: DCLG (2015) Live Tables]

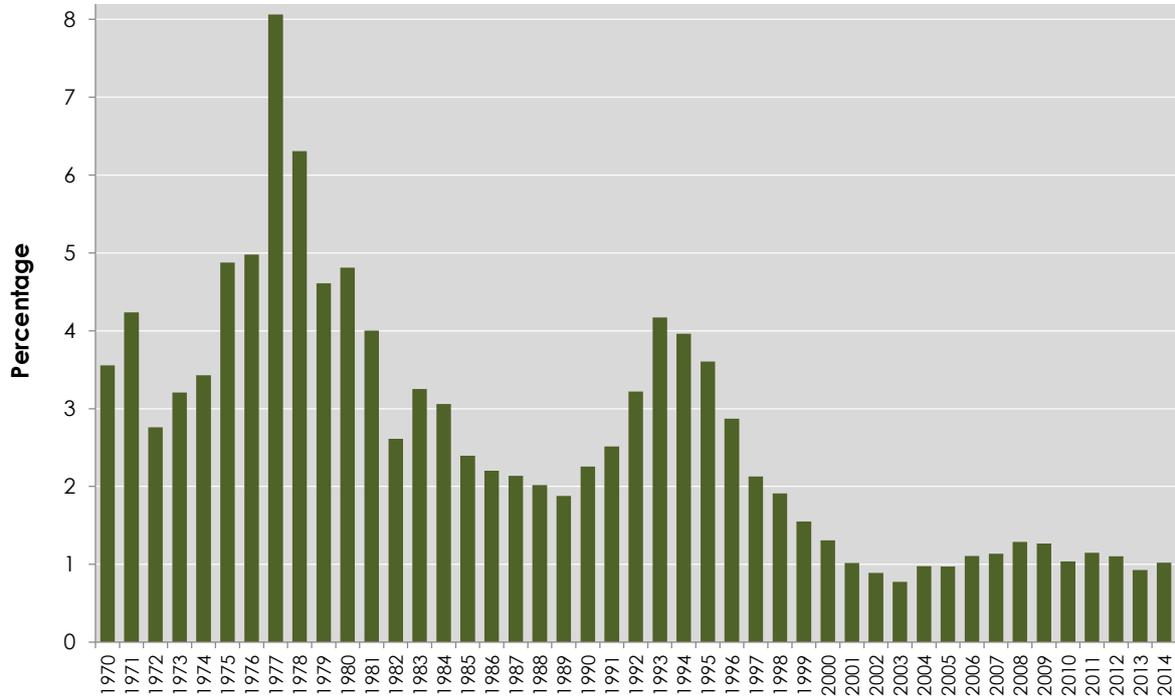
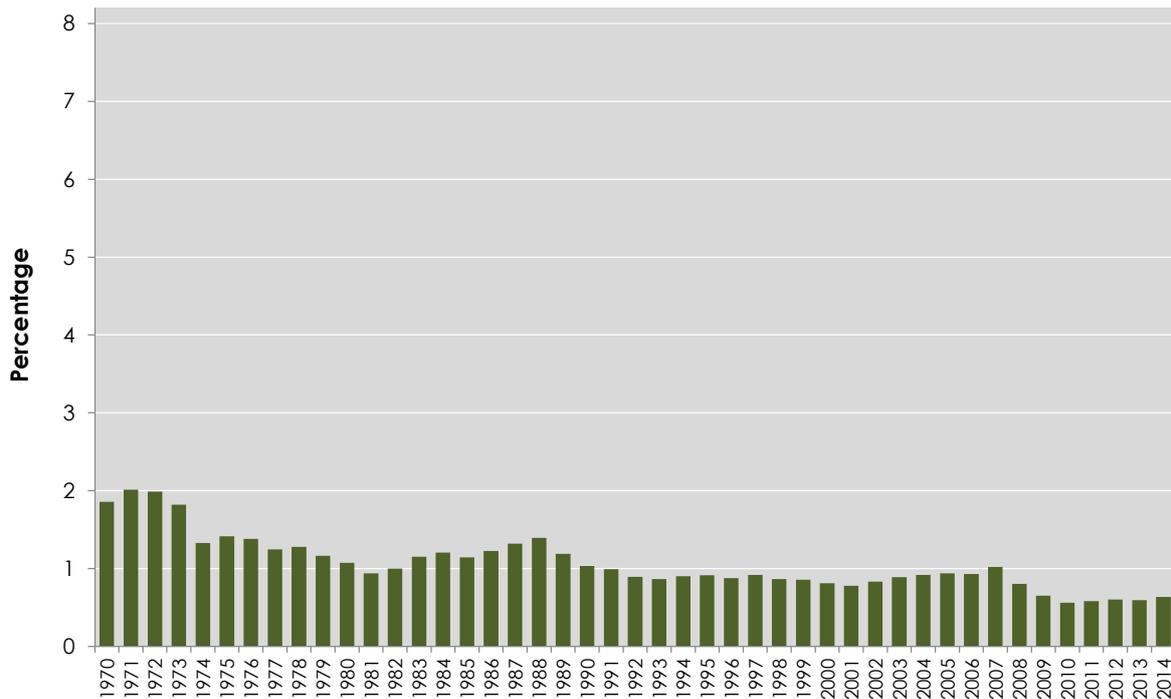


Chart (4) - Private Sector Completions as a Percentage of Total Homes in Owner-Occupation (1970 to 2014)

[Source: DCLG (2015) Live Tables]



The lack of social homes is creating growing strain on the public sector's £24.4bn housing benefit bill because tenants in the private rented sector receive £110 per week compared with £89 per week in the social rented sector. So taxpayers contribute far more to households living in private housing than in social renting. As the number of low income households accommodated in the private rented sector grows, the housing benefit bill will expand, worsening the structural deficit not only now, but also into the long-term.

The SHOUT report illustrates that if these rehousing trends over the past parliament were to continue indefinitely, total expenditure on housing benefit will increase to £197.3bn by 2065-66, with households in the private rented sector accounting for 63% of the total, compared to 37% today. The report concludes that investment in new social housing offers a better solution for scarce resources that is fiscally more sustainable and economically more efficient.

Conclusions

1. New housing completions by housing associations over the last five years have been running at annual rates above the long-term average for the sector. The 'growth rate' for housing associations since 1970, and the last five years, has been way ahead of private builders even if numerically lower, as would be expected by a much smaller housing sector. Housing associations have never been mass house-builders per se, and to expect them to be so without adequate public subsidies for bricks and mortar investment is fatuous. Indeed, the biggest growth spurts in the history of completions by housing associations have followed the introduction of higher levels of public subsidy.
2. The rate of new completions by housing associations should not be seen as the only measure of their performance since, historically, they have been better known as housing managers and service providers, community anchors and regenerators, campaigners and advocates for disadvantaged communities. Almost two thirds of growth in the housing association sector since 1970 has been through stock transfer from local councils. Despite all of the changes in housing policy down the decades, most housing associations stay wedded to their role as 'hybrid' social purpose enterprises with a wider mission than the provision of new housing alone.

The analyses above and the views expressed in the Bulletin are those of the author and not necessarily those of the Trustees of the Human City Institute or the sponsoring organisations.

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