



A NEW DIRECTION FOR HOUSING ORGANISATIONS

Context

In the two years since the emergence of a Conservative-Liberal Democrat Coalition Government, the UK has gone through a frenzied period of policymaking. As political ideologies have changed, so has the way in which policy is designed and developed centrally and implemented locally. Two core themes have driven change, certainly in rhetoric terms:

- 1) there has been a significant emphasis placed upon reducing national debt through cutting public expenditure, as detailed in the 2010 Comprehensive Spending Review¹;
- 2) there have been strives towards decentralising powers from the state to localities and communities through the notion of big society and the powers of the Localism Act².

The dual drivers of change described above have led to the restructuring of service provision, changes in the way in which organisations and stakeholders operate at the local level, and importantly a host of unintended consequences and impacts for communities, particularly for those living in the most impoverished conditions.

The changing role of local stakeholders and increased demands upon services is something which has certainly been felt by the housing organisation sector (encompassing housing associations and other registered providers). Housing organisations have been particularly affected by the welfare reforms detailed in the Welfare Reform Act³, and an increased demand from tenants and communities to provide a service that goes beyond housing management.

Indeed, over the last ten years there has been an increasing emphasis placed upon 'wider role' activities for housing organisations as well as traditional housing management aspects. The policy changes alluded to above will however mark a further new era of housing association and registered provider delivery based upon how organisations engage with and respond to emerging policy impacts. There will be those organisations which will actively engage with policy changes and those that will not. In addition there will also be an increased demand for new social housing in order to meet rising waiting lists and address the welfare reforms.

The Centre for Local Economic Strategies (CLES) and the Housing Diversity Network (HDN) are interested in understanding the extent to which emerging policy is impacting upon housing organisations; and importantly the strategic and delivery practices they are adopting to respond; and the extent to which communities are involved and engaged in any change. This briefing note explores the prevailing policy context and the emerging theoretical impact it is having upon the sector; before introducing a survey of HDN member organisations which will identify real impacts and how organisations are responding.

The primary focus of the survey which can be accessed at the following link: <https://www.surveymonkey.com/s/B5G962V> is to identify examples of best practice responses to policy changes and demonstrate how these can be utilised within the wider sector.

Policy change

As stated at the outset of this paper, the ideology that drives public policy development and delivery is changing. As such there have been a number of shifts:

From 'regeneration' to 'economic growth' - there has been a shift from area based and neighbourhood level regeneration tackling economic, social, physical, cultural and environmental issues to a narrower

¹ HM Treasury (2010) *Spending Review 2010* http://cdn.hm-treasury.gov.uk/sr2010_completereport.pdf

² HM Government (2011) *Localism Act 2011* http://www.legislation.gov.uk/ukpga/2011/20/pdfs/ukpga_20110020_en.pdf

³ HM Government (2012) *Welfare Reform Act 2012* http://www.legislation.gov.uk/ukpga/2012/5/pdfs/ukpga_20120005_en.pdf

emphasis upon economic growth and improving the productivity of business and the output of the UK economy as a whole.

From 'grants and contracts' to 'contracts, procurement and commissioning' - there has been a shift from grants for the voluntary and community and housing organisation sectors to sustain community facilities and deliver regeneration focused projects to an emphasis upon bidding to deliver contracted public services.

From 'efficiencies and effectiveness' to 'cost saving' – there has been a shift from a focus in service delivery upon both efficiencies (in the form of cutting the costs associated with provision through economies of scale) and effectiveness (in the form of added value of provision for economic, social and environmental benefit); to one based upon cutting costs and making savings through service restructuring, service cuts, and the commissioning of less expensive goods and services.

From 'place shaping and stewardship' to 'co-production' – there has been a shift from strong local government and roles in stewarding place through representative democracy, enabling service provision, and setting strategy and priorities to co-production where services are designed, developed and delivered cooperatively by citizens and the local state.

From 'outputs and targets' to 'outcomes and impact' – there has been a shift from a managerialist, output and target driven approach to measuring performance to an emphasis upon outcomes and added value. This is implicating upon funding awards and demonstration of impact.

From 'equality of opportunity and tackling inequality' to '?' – there has been a shift from tackling social exclusion, inequality and poverty, and creating a society with equality of opportunity to a stance on equality which seems uncertain.

Continued housing unaffordability and unmanageable social housing demand – one ideology of policy approach which has not changed under the Coalition Government is around housing. There continues to be a lack of sufficient supply of both affordable and social housing to meet the required demand.

The changing nature of policy or ideology described above has influenced the way in which the Coalition Government has gone about designing policy documents and legislation. There has been evidence of policy developments around four themes:

Localism and big society - the localism and big society agendas seek to decrease the centralist and bureaucratic nature of policy, service delivery and governance mechanisms that defined the previous government; and implement a new era of locally defined and delivered services with key roles for local people, the voluntary and community sector and local government. The Localism Act (2011) seeks to:

- 1) provide new freedoms and flexibilities for local government, including a new 'General Power of Competence' which enables local authorities to do anything that individuals generally may do;
- 2) provide new rights and powers for communities and individuals, through the Community Rights to Challenge, Bid, and Build;
- 3) make the planning system more democratic and more effective, through the introduction of neighbourhood plans;
- 4) reform to ensure that decisions about housing are taken locally; this is a significant shift, with decisions and housing allocations previously taken at the regional level.

Public service reform - the Coalition Government is seeking to reform the way in which public services are delivered; effectively reducing the bureaucracy associated with service delivery and opening public services up to a wider range of providers. The key driver of public service reform is the Open Public Services White Paper⁴ which is based around five principles:

- 1) **choice** – wherever possible we will increase choice;
- 2) **decentralisation** – power should be decentralised to the lowest appropriate level;
- 3) **diversity** – public services should be open to a range of providers;
- 4) **fairness** – we will ensure fair access to public services;
- 5) **accountability** – public services should be accountable to users and taxpayers.

⁴ HM Government (2011) *Open Public Services White Paper*
<http://files.openpublicservices.cabinetoffice.gov.uk/OpenPublicServices-WhitePaper.pdf>

Economic growth - the Coalition Government are seeking to respond to recession and the constricting of public sector spend with a growth strategy which is based around the private sector. The sole focus of this strategy is to enhance economic growth through business and job creation, and increase the prosperity of underperforming places and regions. A number of initiatives have been developed to support this economic growth and private sector driven agenda. Local Enterprise Partnerships (LEPs) are sub-regional level private sector driven partnerships, often chaired by a large business or representative body, such as Chamber of Commerce. Funding for economic growth activities in sub-regions is coming through the Regional Growth Fund (RGF) and Enterprise Zones (EZs). EZs in particular seek to support business investment into localities through tax and rate relief.

Welfare reform - reform of the welfare system is one of the Coalition Government's key mechanisms for reducing public spending; indeed they are seeking to enable over £18 billion of savings over the next four years. The premise of the welfare reforms are that people should be better off in work as opposed to on benefit, with a cap on the amount of benefit individuals are able to claim. Key components of welfare reform include the streamlining of out of work and income related benefits into a single payment mechanism known as Universal Credit; the reduction in benefits for social tenants living in under-occupied homes; and the reassessment of the fitness for work of existing Incapacity Benefit (IB) claimants and new claimants of Employment and Support Allowance (ESA) through the Work Capability Assessment (WCA).

The impact of emerging policy upon housing organisations

The changing policy themes and agendas identified above will have implications for the services and activities of housing organisations, alongside their strategic and operational governance. The following provides initial thoughts upon where CLES and HDN feel the impact will be felt.

Increased demand for services - the cuts in public expenditure have had consequences for a number of services, particularly around advice and support. This is a challenge for localities, in that welfare reform means demand for these exact types of services is increasing. There will therefore be an enhanced role for housing organisations in order to satisfy demand to develop their advice and support activities, particularly around housing benefit advice.

A need to provide a greater variety of non-housing related services - the Work Programme, whilst having its challenges around a payment by results mechanism, would be significantly boosted by deploying more housing organisations as sub-contractors. The Youth Contract is also an area of opportunity; given their diversity of employment offer, housing organisations are well placed to take advantage of subsidies to recruit young people for short time periods. There is therefore a need for housing organisations to provide a greater variety of non housing management services.

Increased opportunity to coordinate communities

The measures introduced in the Localism Act are key to enhancing the community development and coordination role of housing organisations. Through Tenants and Residents Groups, housing organisations already have key mechanisms of community governance. There is an opportunity to empower these groups to have greater control over neighbourhood assets and greater challenge over services.

A need to demonstrate impact and added value

The shift from 'outputs' to 'outcomes' will have implications for housing organisation policy and performance teams. There will be an increased need to demonstrate the social and economic impact and added value of all housing organisation activities; in order to attract funding. Housing organisations will therefore have to become adept at monitoring against outcomes and using tools such as Local Multiplier 3 (LM3), Cost Benefit Analysis (CBA) and Social Return on Investment (SROI).

Increased challenge around rent arrears

The welfare reforms are affecting tenant affordability and will potentially lead to tenants seeking smaller properties, thus movement and churn between social housing. The payment of housing benefit directly to tenants as opposed to landlords is also a challenge as there will be far greater emphasis on the part of the tenant to pay their rent. This may well lead to increasing rent arrears and potentially homelessness.

Increasing pressure upon directly delivered services

The principles of the Open Public Services White Paper are driving a shift to more diverse forms of provision, including social enterprise. This is a challenge for some housing organisations which have strong Direct Labour Organisation (DLO) structures in place for property maintenance activities. There will be increasing pressure to outsource provision to meet efficiency agendas.

Increasing demand for new housing

The welfare reform changes and wider issues around poverty and inequality are seeing change in the demand for social and affordable housing. There is a real need for new social housing in a mix of tenures. This demand is certainly in rhetoric terms to be met by housing organisations. It does however need to link to localism and involve consultation as a means to promoting cohesion and integration within communities. There is a key role for housing providers to engage with communities and subsequently local authorities through the planning process.

Testing impacts and identifying responses

The policy environment in the UK is in the midst of a significant period of change. The focus of regeneration is changing towards a more economic growth focused model. Funding is shifting even further away from grants towards contracting. Organisations are being asked to make cost savings but also demonstrate their wider impact. There is an enhanced role for citizens in service design, development and delivery. There is an increased drive for public service and welfare reform; and inequality gaps appear to be widening as equality considerations are negated.

All of the above has implications for the housing organisation sector. In this briefing note, CLES and HDN have outlined where we believe the impact of policy change will be felt in the sector. These are our thoughts and, to test them, we are issuing a survey to all HDN member organisations.

The survey can be accessed at: <https://www.surveymonkey.com/s/B5G962V> and is primarily seeking to identify the excellent pieces of practice which housing organisations are adopting to respond to policy change. It will serve the purpose of sharing responses and learning within the sector and providing practical support to organisations wishing to develop new and innovative policy responses and services in turbulent economic times.

The findings of the survey and our wider research will be launched at a joint HDN and Chartered Institute of Housing (CIH) Equality and Diversity Conference on 11th July in London.