UK COLLABORATIVE CENTRE FOR HOUSING EVIDENCE

Social Housing Policy Working Group

Social housing governance

An overview of the issues and evidence

Professor Alex Marsh, University of Bristol

24 October 2018

E·S·R·C ECONOMIC & SOCIAL RESEARCH COUNCIL
Arts & Humanities Research Council
JRF JOSEPH ROWNTREE FOUNDATION
housingevidence.ac.uk

About the author(s)

Alex Marsh is Professor of Public Policy in the School for Policy Studies at the University of Bristol. He leads the “Governance” theme within the UK Collaborative Centre for Housing Evidence.

Acknowledgements

Thanks to those who provided comments on a previous version of this paper, in particular David Clapham, Chris Foye, Darren Hartley, James Tickell, and representatives of the London Tenants Federation. All remaining errors and omissions are the responsibility of the author. I am grateful to the ESRC, AHRC and Joseph Rowntree Foundation for financial support through the UK Collaborative Centre for Housing Evidence (CaCHE).

Contents

Executive Summary....3

1. Introduction and background....4

2. Research and evidence....7

2.1 Environmental pressures, organisational responses....7

2.2 Strategy and scale....9

2.3 Governance structures and values....15

2.4 The voice of tenants....19

2.5 Organisational performance....22

2.6 Thinking systemically....24

3. Policy issues....26

3.1 The influence of tenants' voice....26

3.2 Housing organisations as stewards of place....27

3.3 Normative framing of the role for social housing....27

3.4 Performance, diversity and resilience....28

Executive Summary

The governance of social housing organisations has been transformed over the last four decades. A range of environmental changes, many of which originate with policy changes, have presented social housing organisations with opportunities, incentives, tensions and contradictions. How individual organisations respond to this environment and reconcile potential contradictions has been a significant research concern. This can perhaps best be summarized as primarily about the way in which organisations strike the balance between commercialisation and social purpose. This paper provides an overview of the relevant issues. It considers the following topics: organisational strategy and scale; governance structures and values; the voice of tenants; organisational performance; and thinking systemically. It finishes by raising the need for policy action in four areas: the influence of tenants' voice; housing organisations as stewards of place; normative framing of the role for social housing; and performance, diversity and resilience.

1. Introduction and background

1.1 The social sector in the UK, particularly in England, has been transformed over the last forty years.[1] This is not simply a question of overall numerical and proportionate decline. The nature of the sector has also been fundamentally reconfigured (Figure 1). In 1978 the sector primarily comprised sub-market rental properties owned and managed by local authorities and overseen by housing committees dominated by democratically elected local councillors. A range of policies – most notably the introduction of mixed funding for housing association development, stock transfer, and cuts in capital subsidy and housing allowances - have resulted, largely through incremental change, in the contemporary sector having an entirely different complexion. Now we have a system in which not-for-profit housing associations governed by appointed boards of non-executive, and executive, directors are the majority provider of social rented housing. The social housing these organisations manage is likely to be provided alongside other forms of housing for rent and full or partial ownership, as well as a range of other non-housing activities of social value. Yet, local authority housing still plays an important role in many localities. Since the localisation of the Housing Revenue Account in 2012 we have seen local authorities explore and exploit new financial freedoms to start building new council housing in volumes not seen since the 1980s.

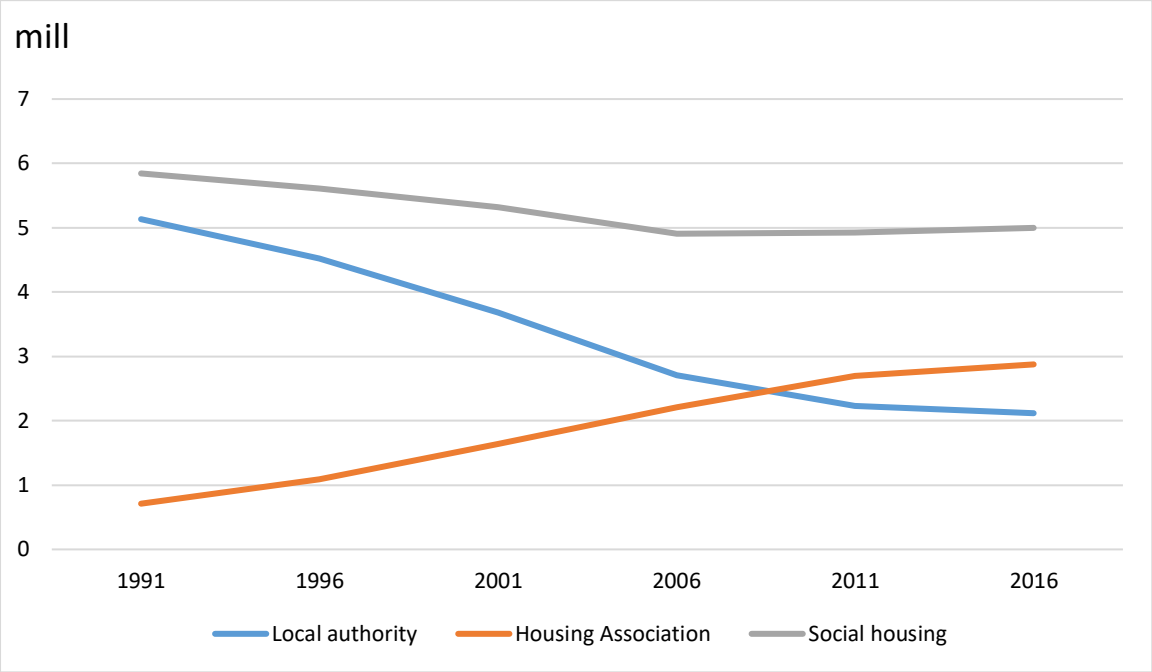
1.2 But where councils are building again they may be doing so using new types of delivery vehicle, rather than seeking to re-establish a direct labour force. Indeed, the way in which new social and subsidised rental housing is produced has been a key area for organizational innovation over the last two decades. This includes new financial models based on private finance and cross-subsidy developed as a result of declining levels of public capital subsidy. We have witnessed new forms of joint venture and, following the 2004 Housing Act, capital subsidy becoming directly available to private housebuilders. These changes in the financing of social housing have led to concerns about both the affordability of the rental housing being provided and the size of the aggregate bill for housing rebates and allowances going to tenants occupying nominally affordable housing. These financial issues are explored more fully in companion papers in this CaCHE Social Housing Policy Working Group series.

1.3 The more complex and challenging financial environment in which social housing is obliged to operate has placed greater demands on the leadership of housing organisations.

[1] This trajectory has been explored in a wide range of academic publications over the last three decades. For the most recent contribution see: A. Murie (2018) Shrinking the state in housing: challenges, transitions and ambiguities, *Cambridge Journal of Regions, Economy and Society*, online first, doi:10.1093/cjres/rsy024

We have witnessed a process of professionalisation, with boards expected to possess skills and competencies that fit this new, harsher landscape.[2] Similarly, new forms of partnership and collaboration – some of them involving organisational actors new to the sector - require smarter and more sophisticated forms of negotiation and networking.

Figure 1: Social housing dwelling stock, UK, 1991-2016



(Source: UK Housing Review, Table 17c)

1.4 The demands and incentives embedded within this operating environment represent a challenge to well-established understandings of the mission and values that underpin the social housing sector. Leaders have constantly to reconcile competing pressures if they are to ensure that central elements of their social mission are not lost. The academic literature has spent some time reflecting on the 'hybridity' of the organisations produced by these competing pressures.

[2] F. Hutchinson and C. Ward (2012) Corporate governance and social housing – adopting a market model?, *Journal of Finance and Management in Public Services*, 10, 2, 14-25. A review of the early academic literature suggested that systematic data on these issues is not as extensive as we might wish: C. Ward and D. Preece (2012) Board member development in the public, voluntary and social housing sectors, *European Journal of Training and Development*, 36, 6, 630-645. This is still largely the case. Nonetheless, practice-focused discussions can provide valuable detail: for example, Altair (2016) *LSVT governance that is fit for the future: Exploring sector trends and best practice examples*, London: Altair.

1.5 One of the major risks apparent in the current environment is that organisations obliged to attend more closely to commercial and financial imperatives lose sight of the views and priorities of other stakeholders, particularly social housing tenants. A key strand of the debate over the evolving governance of social housing is therefore how, and how loudly, the voice of tenants and residents is heard. And whether it is listened to. The tragic events of June 2017 at Grenfell Tower have injected new urgency and poignancy into this debate.

1.6 There has been a long-standing interest in organisational performance in the social housing sector. When the Audit Commission declared there was a 'crisis in council housing' in 1986 it initiated a debate about the relative economy, efficiency and effectiveness of different forms of housing organisation. This concern with performance is now couched primarily in terms of value for money. The agenda has been given fresh impetus, in the wake of the Global Financial Crisis, by policies ostensibly targeted at restraining public spending, in particular the Treasury's imposition of a cap on rent increases over the period 2016-2020. This has forced social housing organisations to focus hard upon their existing ways of doing business and how they might reduce operating costs.

1.7 A key component of this process of seeking value for money has, for many housing organisations, been to explore the opportunities offered by technological change. This has allowed organisations to rethink the way they relate to their residents and service users. Many organisations have moved to centralise customer services into contact centres. More recently the move has been to establish digital and self-service channels for routine transactions. These approaches can radically reduce costs, but also risk placing greater distance between landlord and tenant. More starkly, a decisive move to digital needs to be managed carefully to mitigate the risk of excluding those without the necessary competence, confidence or access to the relevant technologies. At the same time, social media platforms allow organisations a mechanism for real-time interaction with service users and the broader public.

1.8 Much of the discussion of social housing governance focuses upon individual organisations: the way in which they respond to their changing environment, the tensions it creates and the opportunities it presents. Less attention has been paid to the way in which social housing is governed on a spatial basis. Yet, the changing administrative geography of the UK means that new opportunities open up. Most recently, devolution to city-regions in England create the possibility for new conversations and new collaborations, including across existing local authority administrative boundaries. There have been long-standing arguments from within the academic community for the need to think and plan more holistically within localities. The arrival of city-regions means that such thinking can, in principle at least, occur at a scale that will capture a larger share of the dynamics of local housing systems.

1.9 The aim of this paper is to provide an overview of a range of issues pertaining to the governance of social housing organisations. The paper broadly follows the contours of the existing research literature. As noted below, this means that there are important topics upon which it has relatively little to say.

1.10 The paper does not attempt to consider related, broader questions such as the overall value for money offered by recent policy approaches considered in the round. There is good evidence in favour of the argument that greater public investment in conventional social housing would deliver better overall value for money than relying heavily on private capital and housing allowances. The paper does not engage with this debate, rather it focuses on governance at organisational level and the implications of the changing context for social housing organisations.

1.11 The body of the paper (section two) is structured around the following topics: organisational strategy and scale; governance structures and values; the voice of tenants; organisational performance; and thinking systemically. The paper concludes in section three by raising the need for policy action in four areas: the influence of tenants' voice; housing organisations as stewards of place; normative framing of the role for social housing; and performance, diversity and resilience.

2. Research and evidence

2.1 As a broad preliminary point, much of the recent research on social housing organisations has focused upon the housing association sector rather than local authority housing. This is in part because of housing associations' growing numerical significance. It is also because the sector has faced a rapidly changing environment: not only one of increased complexity, but also one embodying potential contradictions. The task of understanding how organisations are coping in the evolving environment has engaged researchers' interest.

2.1 Environmental pressures, organisational responses

2.2 Social housing organisations are subject to significant macro-evolutionary pressures. A key question is the extent to which individual organisations are presented with genuine strategic choice and can exercise discretion. Or, in contrast, are the pressures from the broader environment and institutional structures sufficiently intense, and room for manoeuvre sufficiently constrained, that organisations feel obliged to follow similar institutional logics and similar developmental paths? If the scope for discretionary action is considerable then a diverse ecosystem of organisations can be sustained. If, on the other hand, these broader

social structures are binding then we would expect to witness strong similarities in strategies and structures – that is, increased isomorphism – across organisations.[3]

2.3 Key environmental factors over the last thirty years have included: the fact that housing policy is, increasingly, a devolved responsibility; the move from public funding to a mixed public-private funding regime; policy divergence between the local authority and housing association sectors that propelled the stock transfer programme; the requirement to deliver the Decent Homes Programme forcing an option appraisal with a very short list of options; and, latterly, the 1% rent cut applied to the sector.

2.4 One vivid example of the effect of these macro-evolutionary pressures is the existence of arms-length management organisations (ALMOs) in England, which originate entirely as a response to policy imperatives. The housing green paper 2000 obliged local authorities with retained housing stock to undertake an options appraisal to decide the most appropriate approach to bringing their stock up to the Decent Homes Standard.[4] One option was to create an ALMO: a time-limited arrangement under which the ownership of the stock remained with the local authority but its management was undertaken by an organisation with a separate identity and leadership. The rationale was that this arrangement would allow a more focused approach to dealing with upgrading. Initially, ALMOs were intended to exist for ten years, by which time their primary objective should have been met. 69 ALMOs were created in the early 2000s but the number has now dropped to 32 ALMOs operating in 35 local authorities. In principle, the ALMO arrangement could have provided an opportunity to disentangle analytical questions about the relative importance of asset ownership and management structure in driving organisational performance. To do so would have required detailed and systematic cross-sectoral research that successfully tackled some serious methodological challenges. We didn't fully capitalise on this opportunity.

2.5 The regulatory regime to which social housing organisations are subject also exerts pressure upon organisations to behave in particular ways. Through its regular assessments of organisational governance and viability, against a consistent set of expectations, standards and codes of practice, the regulator not only exerts pressure upon social housing

[3] This framing of the issue in terms of macro-evolutionary pressures is drawn from D. Mullins (2014) The evolution of corporate governance structures and relationships in English housing associations, in C. Cornforth and W.A. Brown (eds) *Nonprofit governance: innovative perspectives and approaches*, Abingdon: Routledge.
[4] DETR/DSS (2000) *Quality and Choice: a decent home for all*, London: DETR. Chapter 7.

organisations but does so in a way that is isomorphic.[5] The scope of regulatory reach has varied over time, and we are currently in a period when it has rolled back somewhat. In particular, after 2010 regulatory oversight of consumer matters was discontinued. In the aftermath of Grenfell Tower policy discussion has turned to whether consumer-focussed regulation should be reintroduced.

2.6 Both housing professional bodies and the housing consultancy industry play a role in diffusing best practice and promoting practices that will deliver regulatory compliance. This is therefore a further mechanism that encourages organisational convergence, although it is not one that has been studied extensively.

2.2 Strategy and Scale

2.7 The extent to which these macro-evolutionary pressures are binding on social housing organisations, and the urgency with which they have felt the need to respond, has varied over time. However, there are clear trends evident in respect of the way in which housing associations have evolved since 1990.

2.8 There has been a notable trend towards increasing organisational scale.[6] During the early phases of this growth trend the stock transfer programme played a significant role: even a relatively small local authority transferring its stock creates a relatively large housing association. The trend is in part a function of the organic growth of existing housing associations, as governments since the 1980s have promoted them as the main providers of new social housing. But mergers and acquisitions are also a strong feature of the sector. M&A activity tends to pick up in response to particular policy announcements or changes. There is a long-established recognition that part of the story around mergers is change at executive level – particularly the retirement of a Chief Executive Officer.[7] Merging can though also, in the context of the current funding and regulatory regime, be perceived to offer clear business benefits. In particular, bringing together two organisations can increase net financial capacity, particularly where one of the existing organisations has relatively low gearing. In a situation

[5] The concept of isomorphism was first developed by DiMaggio, P. and Powell, W.W. (1983) The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields, *American Sociological Review*, 48, 2, 147-160.
[6] As discussed, for example, by H. Pawson and F. Sosenko (2012) The supply-side modernisation of social housing in England: analysing mechanisms, trends and consequences, *Housing Studies*, 27, 6, 783-804.
[7] An early discussion, that continues to be highly relevant, can be found in D. Mullins (1999) Managing ambiguity: Merger activity in the nonprofit housing sector, *International Journal of Nonprofit and Voluntary Sector Marketing*, 4, 4, 349-364.

where public subsidy is scarce, this can allow the organisation to take on further private borrowing to fund new development.

2.9 At the governance level, growth is frequently a process that evolves in stages. Mullins identifies four distinct stages: preserving independence through collaboration; federal structures; group structures; and integrated unitary organisations.[8] At the heart of the merger conversation is often a tension between representation and efficiency, and a staged process is one mechanism through which this tension is managed. Organisations that are reluctant to fully surrender independence initially join a federated structure or become part of a group. This can particularly be the case where a stock transfer landlord is joining a bigger organisation, and the stock transfer organisation perceives itself to have responsibilities for, and to, distinct localities and neighbourhoods. Once that first step of joining a federated structure has happened, an 'internal' process of streamlining and integration occurs, driven by arguments for greater business efficiency. Case studies indicate that the savings, in terms of organisational resources devoted to servicing a range of committees within a group structure, and the streamlining of decision making that result from collapsing group structures into unitary structures can be considerable.

2.10 It has long been recognised that the efficient scale for financing housing associations, in a world of mixed funding, and the efficient scale for housing management can be very different. The point was articulated clearly by Hills back in 2000.[9] The financial regime in which housing associations operate favours scale, whereas there is very limited evidence of economies of scale in housing management and more local housing management is perceived to offer a range of qualitative advantages.

2.11 Growth of housing associations is not simply a question of growth in the provision of social rented housing. A second key trend has been diversification into the provision of various types of intermediate and market housing. Encouragement by the regulator to explore possibilities for tapping in to new income streams has been a spur to this development. A range of shared ownership and shared equity products is an established component of the offer of many housing associations, but latterly there has been a move towards associations diversifying into private market renting and construction for outright sale into owner occupation. Case study research by Morrison and others demonstrates that motivations for these sorts of moves differ, as do organisations' perceptions of how such activities relate to

[8] Mullins, *The evolution of corporate governance*.
[9] J. Hill (2000) *Reinventing social housing finance*, Social Housing Forum/IPPR.

their core social housing activities. Developing streams of market activity can be seen as a defensive move in the face of reduced incomes streams and public subsidy associated with conventional social rented housing. Or they can be treated more entrepreneurially as capitalising on available opportunities by moving into new areas of activity. Market activities can be seen as complementary to conventional social housing, perhaps seen as the use of social housing assets to underpin the financing of activities catering for different types of housing need. Alternatively, organisations can attempt to insulate social housing assets from risks associated with activities that are viewed as strictly commercial. This can lead to new types of organisational structures, as commercial subsidiaries sit within not-for-profit groups.[10]

2.12 While the dominant trend in the housing association sector is, via growth and merger, towards larger organisations, the trend is by no means universal. We have in the recent past witnessed cases of fragmentation and de-merger. These include the demerger of Cobalt housing from Symphony Housing Group and Derwent & Solway demerging from Your Housing Group, then subsequently merging with Two Castles[11] This strategy is typically justified with reference to actual or anticipated loss of local focus and reallocation of resources away from areas of need.

2.13 The organisational arrangements through which new housing is developed have also evolved over time. Policy moves in the 2000s to concentrate new social housing development through consortia led by large organisations - investment partnering - gave initial impetus to a shift in the distribution of competencies and risks in the sector and gave the process of sectoral concentration further momentum. Small and medium sized developers fell out of favour. In foresight work carried out by Mullins and colleagues at the start of the 2000s, using Delphi methods, senior practitioners were anticipating the growth of a range of novel organisational arrangements.[12] This included greater use of Joint Ventures both between housing associations and between housing associations and commercial developers. These anticipations have subsequently been borne out. Such hybrid arrangements can be seeking to tap into complementary competencies and assets and they are a mechanism for sharing risk. Associations continue to explore novel forms of collaboration for development. For

[10] N. Morrison (2016) Institutional logics and organisational hybridity: English housing associations' diversification into the private rented sector, *Housing Studies*, 31, 8, 897-915. See also A.D.H Crook and P. Kemp (2018) In search of profile: housing association investment in private rental housing, *Housing Studies*, online first, https://doi.org/10.1080/02673037.2018.1468419

[11] http://www.insidehousing.co.uk/news/symphony-and-cobalt-agree-to-de-merger-49660 (23/01/17; last accessed: 15/10/18); http://www.insidehousing.co.uk/news/your-housing-group-completes-demerger-and-restructure-51696 (01/08/17; last accessed: 15/10/18).

[12] D. Mullins (2006) Exploring change in the housing association sector, *Housing Studies*, 21, 2, 227-251.

example, one large London association has recently used such a collaboration to establish a presence in the North West: they are combining their substantial financial resources with more local expertise and development capacity.[13]

2.14 The localisation of the Housing Revenue Account in 2012 meant that some local authorities were in a position to start building new council housing again in numbers for the first time in two decades. In the interim, thinking about the appropriate organisational structures through which to do so has evolved.[14] A range of delivery vehicles are being explored. Relationships to the local authority can be more arms-length than those that characterised previous eras of local authority house building. Contemporary approaches to local authority housing delivery have only recently started to be explored systematically.[15]

2.15 Establishing and scaling up construction capacity is both demanding and risky. It is not an approach that necessarily appeals to all social landlords. At present, therefore, a variety of organisational arrangements exist through which to deliver new social housing. In addition to social landlords using their own in-house construction divisions, we can identify local housing companies; joint ventures within sector; joint ventures between social landlords and private developers; special purpose vehicles; development consortia; housing associations building under contract for associations without development capacity. Social landlords also contract with private developers to deliver social housing under Section 106 of the Town and Country Planning Act 1990, either on an individual site or a package deal basis.

2.16 How to (re)engage with the process of housing development is a key strategic choice for landlords. It depends upon risk appetite; financial resources, levels of gearing, and unused borrowing capacity; existing skillset and the appetite for broadening that skillset and engaging with the construction labour market, if necessary; expected planning horizon for the future development programme; appraisal of housing and land market conditions in relevant localities; expectations of future policy trajectories (eg in relation to the right to buy). There are also questions of compatibility of organisational values and cultures, desire to establish longer relationships and networks, and attitude towards those relationships setting the organisation off down a path that leads to some form of merger. There can also be questions of quality and sustainability – where, for example, retaining some ongoing oversight of the development

[13] See, for example, http://www.traffordhousingtrust.co.uk/your-trust/media-centre/news/lq-joint-venture/
[14] For example, The Elphicke-House Report (2015) *From statutory provider to Housing Delivery Enabler: Review into the local authority role in housing supply*, London: Department of Communities and Local Government.
[15] J. Morphet and B. Clifford (2017) *Local authority direct provision of housing*, National Planning Forum/RTPI/UCL. See also J. Morphet and B. Clifford (2018) Progress and current trends in local authority housing provision, *Journal of Urban Regeneration and Renewal*, 11, 4, 324-334.

process is viewed as a better way to ensure quality outputs than relying on Section 106 of the Town and Country Planning Act 1990. From a policy perspective, there can be a further question regarding the financing of development through different organisational arrangements: would it be counted as public borrowing and therefore whether it would show up on the public balance sheet?

2.17 It is important to note that, while the dominant preoccupation in development is scale and scaling up, there are also moves in the opposite direction. One example would be the Mayor of London's policy of looking for small sites upon which to develop community-led housing.[16]

2.18 The partnership and hybrid arrangements for development in the housing association sector often involve engaging with the thrust of current policy agendas by allying with partners with stronger commercial instincts and capabilities. But that by no means exhausts the possibilities, as Moore's work on the evolution of partnering between housing associations and community land trusts illustrates.[17]

2.19 To refer to the post-1988 period as the period of mixed public and private funding, while correct, underplays the way in which the financial context for housing associations and the financial sophistication of housing associations themselves has evolved. The period has seen increased use of bond financing, some associations engaging with credit rating agencies, negotiations with pension funds or sovereign wealth funds, and, latterly, the arrival of private equity into the sector.[18] This great financial complexity and sophistication places significant demands upon social housing governance. Research has explored the way in which housing association boards have been professionalising as a consequence. Appropriate commercial and financial skills have become highly sought after.[19] Appreciation that almost all these innovations increase the risks that housing associations are facing, and need to manage, is now well embedded. As a practitioner from a Scottish housing association, who participated in a recent study by Gibb and colleagues, commented: *"We're all risk*

[16] See, for example: https://www.london.gov.uk/press-releases/mayoral/mayors-boosts-small-and-community-led-homebuilders (last accessed: 15/10/18)
[17] T. Moore (2018) Replication through partnership: the evolution of partnerships between community land trusts and housing associations in England, *International Journal of Housing Policy*, 18, 1, 82-102.
[18] Inside Housing (03/01/18) *World's largest property investor enters UK affordable housing market* https://www.insidehousing.co.uk/news/news/worlds-largest-property-investor-enters-uk-affordable-housing-market-53733
[19] Mullins, *The evolution of corporate governance*.

managers".[20] Regulatory assessments regarding governance capabilities attend closely to organisational approaches to risk management and risk mitigation.

2.20 The commercialisation of housing association activities is not restricted to new development or new streams of activity. The emphasis placed upon more active management of existing assets can also raise profound questions for housing associations. The logics of asset management - coupled with a policy context in which value for money assessments rest heavily on maximising the utilization of assets - can point, for example, towards programmes of disposal of high value assets to fund development in lower cost areas, on the one hand, and disinvestment from very low value areas where assets are vulnerable, on the other. A risk associated with this approach is that it drives processes of spatial segregation, as social housing provision declines in both higher value areas and the poorest areas. Social housing becomes concentrated in low and medium value areas. Yet many housing associations, and the local authorities they work with, have a strategic commitment to the value of mixed communities. How these tensions are reconciled is a key contemporary question, and one that recent policy trajectories would suggest is likely to become more urgent over time. Case study work on the issue by Morrison has indicated that housing associations are striking the balance between these competing imperatives in different places – characterised broadly as 'defenders' and 'prospectors' – with those who are more active in asset disposal tending to set the terms of the debate.[21]

2.21 One of the weaknesses in the recent research literature on structural change and strategies among housing associations is that it is dominated by analysis of the trajectories and behaviours of large organisations: indeed, a substantial part of it involves discussion of the experiences and approaches of the G15 London housing associations. It offers considerable insight into how some of the most complex organisations are acting within this new environment at its most complex. But we should pause to consider how representative that is of what is happening across the housing association sector as a whole.

2.22 There is, for example, a competing strand of thinking within the social housing sector – perhaps best represented by the membership organisation, Placeshapers – that emphasizes what are seen as traditional, and foundational, social housing values. From this perspective there is a need to be reflexive when engaging in more commercial and privately-financed

[20] K. Gibb, D. McNulty & T. McLaughlin (2016) Risk and resilience in the Scottish social housing sector: 'We're all risk managers', *International Journal of Housing Policy*, 16, 4, 435-457.
[21] N. Morrison (2017) Selling the family silver? Institutional entrepreneurship and asset disposal in the English housing association sector, *Urban Studies*, 54, 12, 2856-2873.

activities because these are seen as having the potential to undermine those traditional values. A stronger emphasis upon stewardship, community and rootedness in place can lead to organisations engaging cautiously and to a much more limited extent with dominant directions of policy and practice.

2.3 Governance structures and values

2.23 Much of the recent literature on housing association governance has ultimately been concerned with the issue of 'institutional logics'.[22] That is, the way in which a set of established values or normative standards associated with social housing have been put in tension with – and are possibly contradicted by – a new set of commercial logics.[23] This can be seen as playing out in the restructuring of organisational governance at board level; the way in which organisations go about development; diversification strategies; or how an organisation relates to its tenants. An overarching theme of the literature is a concern with the idea of 'hybridity': that social housing organisations can be seen as no longer dominated by the logic of a single sector, but rather seek to blend a hybrid of logics drawn from the public, private and not-for-profit sector.

2.24 That observation, in itself, does not, however, get us very far in understanding organisational behaviour.[24] Ultimately, the question is where organisations are striking the balance between the institutional logic of social purpose and the institutional logic of commercialisation.[25] Here it is clear from the research evidence that organisations have adopted a range of positions. A second question is the stability of the positions organisations adopt:[26] where boards have positioned themselves as prioritizing social purpose over commercial concerns, is that a sustainable position? That, in turn, is not a question that can be answered in the abstract. It returns us to the question of the strength of the macro-environmental pressures to which organisations are subject. The intersection between the

[22] A conversation instigated primarily by D. Mullins (2006) Competing institutional logics? Local accountability and scale and efficiency in an expanding non-profit housing sector, *Public Policy and Administration*, 21, 3, 5-24.
[23] M. McDermont (2007) Mixed messages: Housing associations and corporate governance, *Social & Legal Studies*, 16, 1, 71-94; C. P. Y. Tang, M. Oxley & D. Mekic (2017) Meeting commercial and social goals: institutional investment in the housing association sector, *Housing Studies*, 32, 4, 411-427.
[24] D. Mullins , D. Czischke & G. van Bortel (2012) Exploring the meaning of hybridity and social enterprise in housing organisations, *Housing Studies*, 27, 4, 405-417; C. Skelcher and S.R. Smith (2015) Theorizing hybridity: institutional logics, complex organizations, and actor identities: The case of nonprofits, *Public Administration*, 93, 2, 433-448.
[25] Although the institutional logics that come into tension have been characterised in different terms: see, for example, H. Sacranie (2012) Hybridity enacted in a large English housing association: A tale of strategy, culture and community investment, *Housing Studies*, 27, 4, 533-552.
[26] T. Manzi and N. Morrison (2018) Risk, commercialism and social purpose: Repositioning the English housing association sector, *Urban Studies*, 55, 9, 1924-1942.

regulatory emphasis on value for money and the recent rent reduction policy significantly intensified the need to look carefully at the cost base and the viability of activity streams: activities that were seen as core in less stringent times come to be viewed as nice to have, or no longer affordable. Retaining social purpose in the face of constraints can rest on careful articulation and calibration of the social value they deliver, which is an inherently difficult task.

2.25 Framing the tensions faced by housing organisations in terms of competing logics is an approach associated primarily with institutionalist approaches to social analysis. Such approaches tend to place limited emphasis upon overarching social dynamics as the key to explanation. Researchers approaching the issue from alternative perspectives have sought to root their analysis of trends in social housing in concepts such as neoliberalism or financialisation. Such approaches see developments in social housing as one manifestation of social transformations that are evident across society. The concept of financialisation is attracting particular attention and speaks more directly to the issues under consideration here.[27] If the analysis starts from the premise that the key dynamic is financialisation then the implications to be drawn could be stark: while institutional logics may be in competition for a period of time, ultimately social purpose will be displaced by the remorseless and transactional logic of finance. Instead of finance being required in order to support the provision of social housing, social housing becomes subordinated as one mechanism through which the needs of capital are sated.

2.26 It was noted above that new modes of financing and the adoption of more commercial strategies mean that commercial and financial skills are highly valued at board level. The greater presence of such skills on the board can be seen as both a consequence and a cause of more entrepreneurial and risky, but risk-aware, organisational strategies.[28]

[27] See, for example, T. Wainwright and G. Manville (2017) Financialization and the third sector: innovation in social housing bond markets, *Environment and Planning A*, 49, 4, 819-838; S. Smyth (2018) Embedding financialization: a policy review of the English *Affordable Homes Programme*, *Housing Studies*, DOI: 10.1080/02673037.2018.1442561; R. Goulding (2018) *Transforming social housing into an asset class: the financialization of English housing associations under neoliberalism and austerity urbanism,* PhD Thesis, School of Law, University of Sheffield; Beswick, J. and Penny, J. (2018) Demolishing the present to sell off the future? The emergence of 'financialized municipal entrepreneurialism', *International Journal of Urban and Regional Research*, online first, DOI:10.1111/1468-2427.12612. While it is not a debate pursued here, it is important to note that the concept of financialization is itself subject to scrutiny. One of the most well-known critiques is offered by B. Christophers (2015) The limits of financialization, *Dialogues in Human Geography*, 5, 2, 183-200.

[28] It also raises the vexed question of payments to Non-Executive Board members in order to attract the necessary mix of skills. This issue has been explored at length, in the context of hybridity, by B. Moore (2016) *Competing perspectives on the governance role of Boards of English housing associations and attitudes to Board payment*, PhD Thesis, Birmingham: School of Social Policy, University of Birmingham.

2.27 An emphasis upon the need for more commercial skills on the board is an important part of the story of changes at board level, but it is only one part. This perhaps emerges most clearly in relation to stock transfer housing associations. When stock transfer associations were created there was a focus upon representativeness at board level. This focus meant it was possible, for example, to make the argument that the voice of the tenant would be stronger after transfer, compared with the situation under the original local authority, because tenants had a designated number of places on the board. Councillors were also allocated a number of places. The apparent assurance given by this type of board composition could be crucial in ensuring a successful vote to transfer.[29]

2.28 However, there are a number of studies that have demonstrated that this approach is likely to deliver a very thin notion of representation. In part that is a function of the role of the board director: directors are legally obliged to act in the best interests of the housing association not to represent a particular constituency to the board. Indeed, it has been argued that it is as likely that a councillor board member acts as a representative of the housing association in broader local political conversations as vice versa. Local authority representation on the board could also suffer from a lack of continuity as a result of the electoral cycle or the way in which such responsibilities were allocated among local politicians.[30]

2.29 The position of tenant board members has also been problematized. For some researchers, the issue is that tenants may come to the board lacking the social, cultural and educational capital to engage effectively with other board members or the Executive, who in their turn are not willing to make concessions in their professional discourse in order to be inclusive. For others, the point is a more subtle one about responsibilisation: taking on the subject position and responsibilities of a board director inevitably means being obliged to become distanced from the concerns and perspectives of tenants. Furthermore, it has been argued that the way in which board level roles are socially constructed – in particular with reference to neutrality and expertise – militate against effective tenant engagement. These attempts to bring the tenant director into being, Bradley has argued, are incomplete, and tenant board members can be a source of antagonism and political tension.[31]

---

[29] As discussed in D. Mullins and H. Pawson (2010) *After council housing: Britain's new social landlords*, Basingstoke: Palgrave MacMillan.

[30] Mullins and Pawson, *After council housing.*

[31] Relevant papers here include: Q. Bradley (2008) Capturing the castle: tenant governance in social housing companies, *Housing Studies*, 23, 6, 879-897; K. McKee & V. Cooper (2008) The paradox of tenant empowerment: regulatory and liberatory possibilities, *Housing, Theory and Society*, 25, 2, 132-146; K. McKee (2011) Sceptical,

2.30 For these and other reasons there have been strongly articulated views from senior professionals within the sector that positioning tenants as board members is not the best way to take the voice of tenants into account.[32]

2.31 Over time many organisations have undertaken processes of constitutional reform: restructuring governing boards away from these representational principles. At the same time, understandings of best practice and effective decision making have moved many housing organisations towards smaller more streamlined boards, which can include executive as well as non-executive directors.[33] Populating such boards typically involves thinking in terms of the balance of skills and competencies. A smaller board, needing to function in a more complex environment, means that there are demands on each board member to bring a broader range of high level skills to the table. Even where recruitment processes are entirely open, the risk that boards are populated primarily by middle class professionals is evident. While it is of course conceivable that existing tenants could offer the requisite skills and competencies, and hence secure places on the board on the basis of their potential contribution rather than as part of a process of representation, the odds against are relatively high.

2.32 An approach to mitigating this risk would be to define authentic experience of being a social housing tenant into the range of competencies required at board level. The pool of potential candidates offering this competence is not, in principle, restricted to those with experience as a tenant of any particular organisation.[34] It is not uncommon for senior executives of social landlords to sit on the board of non-competitor organisations. It is less common for those with relevant current resident experience to do something similar.

2.33 Boards for large organisations or group boards can as a consequence end up being relatively socially homogeneous. Organisations therefore need to guard against the risk of groupthink: insufficient, and insufficiently diverse, challenge being offered. The thinking might be that other voices are incorporated into the governance structure through other routes:

---

disorderly and paradoxical subjects: problematizing the "will to empower" in social housing governance, *Housing, Theory and Society*, 28, 1, 1-18; M. McDermont, D. Cowan and J. Prendergrast (2009) Structuring governance: A case study of the new organisational provision of public service delivery, *Critical Social Policy*, 29, 4, 677-702; Q. Bradley (2011) Trouble at the top: the construction of a tenant identity in the governance of social housing organizations, *Housing, Theory and Society*, 28, 1, 19-38.

[32] For example, see the Appleyard Report (2006) *Growing up: questions and challenges to promote successful housing association growth*, Report of the Future Shape of the Sector Commission.

[33] Mullins, *The evolution of corporate governance*.

[34] As noted at: http://www.taroetrust.org.uk/wp-content/uploads/2018/03/Tenants-and-Board-membership-Mar18.pdf (Last accessed: 15/10/18)

subsidiary, regional or functional boards or committees. The issue then becomes how well these voices are heard and weighed in strategic decision-making contexts.

2.4 The voice of tenants

2.34 The question of how the voice of tenants is heard in strategic decision-making contexts is particularly pertinent and poignant in the light of the Grenfell Tower tragedy. One of the key findings to emerge from some of the qualitative research on tenant board members, for example, is that formal presence within governance structures is no guarantee of active influence over governance processes. Indeed, viewing tenant board members as the primary mechanism for such influence can be a way of, consciously or unconsciously, marginalising tenant influence in practice. But when tenant inputs to organisational governance do not rest primarily upon board membership then that can raise a further set of important questions.

2.35 The academic literature has reflected on the need for clarity of purpose in seeking tenants' views and engagement. What benefit, for the organisation and tenants, is expected to be derived from tenant engagement? Here the distinction between tenants as consumers and tenants as citizens, initially explored at length by Clapham and colleagues, plays an important role.[35] A consumer focus may well orient the conversation with tenants more towards operational questions about the nature and quality of existing services and the scope for improvement. In contrast, citizen-oriented approaches may entail a greater orientation towards contributing to deliberation around strategy.[36] The two approaches are not incompatible, but they are different: to talk in relatively unspecific ways of 'engagement', 'involvement' or 'participation' can create divergent expectations, and potential for conflict, over the nature and degree of influence tenants will have over governance. There is nonetheless evidence not only that tenants are interested in greater involvement but that greater involvement is correlated with tenant satisfaction.[37]

2.36 In addition to organisations being clear on their understanding of how tenants are integrated into their governance structures, the issue of tenant motivations for involvement has been explored. A decade ago Simmons and colleagues examined this issue in relation to

[35] L. Cairncross, D. Clapham and R. Goodlad (1997) *Housing management, consumers and citizens*, London: Routledge. See also P. Hickman (2006) Approaches to tenant participation in the English local authority sector, *Housing Studies*, 21, 2, 209-225.
[36] H. Pawson, J. Bright, L. Engberg and G. van Bortel with L. McCormack and F. Sosenko (2012) *Resident involvement in social housing in UK and Europe*, London: The Hyde Group.
[37] See, for example, the results of the work Ipsos MORI undertook for the Tenant Services Authority: TSA (2009) *Understanding tenant involvement*, http://webarchive.nationalarchives.gov.uk/20120604175352/http://www.tenantservicesauthority.org/upload/pdf/Understanding_tenant_involvement_-_Summary_report.pdf (last accessed: 15/10/18)

tenant associations and tenant management organisations, where the nature and level of involvement differs.[38] The strong message from this research is that while individualistic motivations are present the motivation to contribute to collective benefit at a community level is stronger. While both motivations are high among members of tenant associations they are higher still among members of tenant management organisations. There is an outstanding question as to the extent to which conclusions of this type need to be viewed as cohort- or generation-specific. That is, how, if at all, does the balance of motivations change over time as the broader social context and social mores evolve?

2.37 There are clear regulatory injunctions for housing organisations to involve tenants, and evidence indicates that housing practitioners are positive about the benefits that it can deliver in terms of service provision.[39] There is, in addition, a body of literature reflecting on the potential of governance models that place tenants in more prominent positions. Clapham and Kintrea's work on community-based housing organisations in Scotland, for example, provides evidence about the advantages that small-scale and local focus can offer in terms of trustworthiness and community participation, while at the same time raising questions about the independence of such organisations from governmental bodies. Clapham and Kintrea also point to intricate forms of formal and informal accountability mechanisms that such a local scale and focus can entail.[40] The more recent development of the Community Gateway model of tenant-led housing associations in England has yet to receive sustained research attention, in part no doubt because relatively few such organisation yet exist.[41] However, those organisations that are active are able to deliver the highest standards of governance and viability, as assessed by the regulator. Such associations are undoubtedly a particular type of organisation rooted in particular places, but they have the potential to offer a counterpoint to arguments that tenants and board level governance don't mix.

2.38 As noted in the introduction, one response of housing organisations to the regulatory drive for greater value for money is to look to technology to transform the ways in which they relate to their tenants. In addition, technological developments – such as those aligning big data and data science to deliver new forms of data-driven governance - continue to open up

[38] R. Simmons and J. Birchall (2007) Tenant participation and social housing in the UK: Applying a theoretical model, *Housing Studies*, 22, 4, 573-595.
[39] T. Manzi, I. Simpson and N. Bailey (2015) *Success, Satisfaction and Scrutiny: The business benefits of involving residents*, University of Westminster: Amicus Horizon.
[40] D. Clapham and K. Kintrea (2000) Community-based housing organisations and the local governance debate, *Housing Studies*, 15, 4, 533-559.
[41] Mullins and Pawson, *After council housing*; D. Mullins and P. Shanks with H. Sacranie (2017) *Tenant involvement in governance: Models and practices*, Housing and Communities Research Group, Birmingham: University of Birmingham.

new possibilities for transforming decision-making and delivery: some see embracing these changes as one of the key future challenges for the sector.[42] Seeking to do so in ways that adequately recognise the risks associated with algorithmic governance and avoid further exacerbating disadvantage merely compounds the challenge.[43]

2.39 The savings in cost per transaction to be made from switching to call centre or online service delivery channels are considerable. Clearly the move away from face-to-face engagement is not simply driven by the need to deliver efficiencies. As private sector organisations increasingly offer multichannel, mobile and responsive services the expectations of social housing organisations grow. The move to digital raises longstanding questions about accessibility and equality – the digital divide. While many tenants will be comfortable interacting with their landlords in this way, others will experience it as exclusionary. We don't have very good systematic evidence on the prevalence of this problem. In addition, the move to digital potentially changes the nature of the organisation's relationship with their tenants. Customer Insight can become rather more arms-length, relying on survey responses and data analytics. Reduced face-to-face contact risks losing touch with the multi-dimensional complexity of tenants' day-to-day lives.

2.40 While the day-to-day transactional relationship between landlord and tenant is not meaningfully part of tenant involvement strategies, it can fundamentally influence the tone of the relationship. Increasing consumerisation of the landlord-tenant relationship is by no means universally welcomed by tenants. To rely heavily on Customer Insight is to frame the relationship between landlord and tenant as about the individual tenant, rather than about tenants as a collective. The routes to tapping in to tenants' more community-minded motivations for engagement lie elsewhere. Landlords need to be thinking holistically and consider how an emphasis upon value for money and the customer experience sits in relation to other dimensions of the relationship with their tenants – the deliberative and the democratic.

2.41 These debates are live and ongoing. It is clear that there is considerable policy and regulatory attention focused on the effectiveness with which landlords are engaging with their tenants. We can't rule out the possibility of regulatory regimes expanding to encompass formal assessment of tenants' role in governance structures and performance.

---

[42] Future Shape of the Sector Commission (2018) *Building Homes, Building Trust: The unique role of housing associations in responding to the housing and social challenges of the 2020s*, L&Q/Clarion/Network Homes.
[43] A critical overview of the relevant issues, which includes consideration of housing issues, can be found in V. Eubanks (2018) *Automating inequality: how high-tech tools profile, police, and punish the poor*, New York: St Martin's Press.

2.5 Organisational performance

2.42 The question of housing organisations' performance – and the relative performance of organisations in the local authority and housing association sectors – was given significant profile over thirty years ago when the Audit Committee declared there was a crisis of organisational inefficiency in council housing that needed managing.[44]

2.43 The task of robustly assessing organisational performance is formidable. There is the issue of the most relevant dimension of performance – economy, efficiency, effectiveness, equity, value for money – to focus on. There is the question of organisational objectives: is it safe to assume that organisations are seeking to fulfil the same suite of objectives and, if not, then what sort of meaningful comparisons of performance can be made?[45] And finally there is the recognition that housing organisations are operating in different contexts in terms of, for example, the levels of population deprivation.[46] There are also methodological issues such as the impact of selection effects: stock transfers have tended to concentrate among certain types of local authority and hence the population of both local authorities with retained stock and the population of housing associations have changed in non-random ways. A similar issue arises in seeking to compare the performance of ALMOs with that of other social landlords: the creation of an ALMO was conditional upon the rating of prior management performance as a local authority – so there is a selection effect built in.

2.44 It is not relevant for current purposes to review the findings of this literature at length. It will suffice to make three points. First, the empirical literature on performance has struggled to establish many very clear findings. There is limited evidence for systematic difference between sectors: it is possible to find good and bad performers in both the local authority and the housing association sector. A key observation is that the way in which organisations are managed and led is more important than the sector it belongs to. Hence, governance, in its broadest sense, is fundamental. Similarly, the implications of scale of operation are by no means well-documented.

---

[44] Audit Commission (1986) *Managing the Crisis in Council Housing*, London: Audit Commission.
[45] There is also the related, but more subtle, point that the way in which organisations arrange themselves can in itself transform their own objectives: a point made, although not quite in those terms, by R.M. Walker (2000) The changing management of social housing: the impact of externalisation and managerialisation, *Housing Studies*, 15, 2, 281-299.
[46] B. Walker & A. Murie (2004) The performance of social landlords in Great Britain: what do we know and what does it show?, *Housing Studies*, 19, 2, 245-267; A. More, H. Pawson and S. Scott (2005) *Evaluation of English Housing Policy 1975-2000: Theme 5 Management Effectiveness*, London: ODPM.

2.45 Second, much of the research on housing management costs took place some time ago. It largely predates some of the key developments – diversification strategies, streamlining of boards, and the embrace of digital service delivery – that have been discussed above and that will fundamentally affect the contours of housing costs and relative performance.

2.46 Third, the empirical literature on housing costs lacks a detailed model of performance, and certainly lacks one that can capture the drivers of performance in the contemporary era. A decade ago Maclennan called for much greater analytical focus on housing performance improvement.[47] That call is arguably just as valid today. A high-level model of the organisational processes that drive performance is presented in Figure 2.[48] There is much more to do to understand the intricacies of the ways in which the various drivers of performance influence outputs and outcomes.

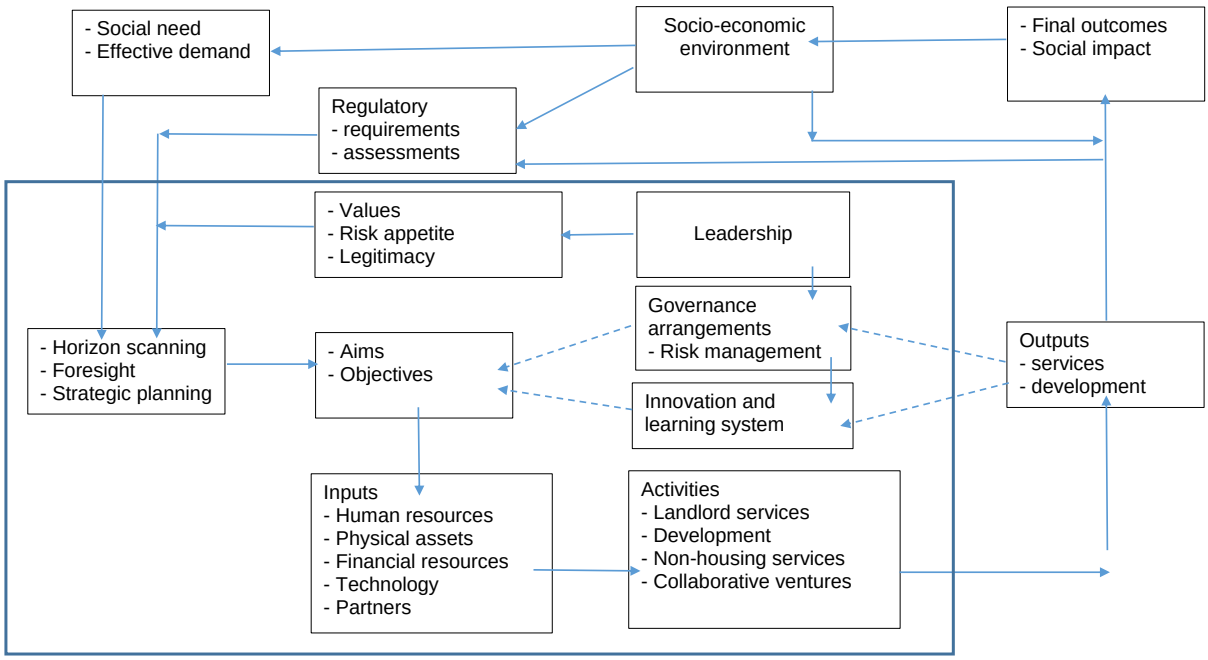
2.47 The analysis of the drivers of organisational performance in social housing is not the preserve of those who would see themselves as working in the field of housing studies. There are valuable studies in disciplines such as critical accounting that can help to shed light upon organisational dynamics at the microlevel: for example, studies of the way in which traffic light performance indicators or accounting conventions influence behaviour.[49]

2.48 The fate of ALMOs at the end of their initial ten-year lifespan is one area in which issues of relative performance, in principle, come to the fore. At the end of that period local authorities can make the decision to extend the ALMO's contract, including in some cases broadening its areas of activity; move housing management back in-house; or float the housing assets off to an independent organisation. Each of these outcomes has been observed. This strategic decision could be based upon perceptions of relative performance and risk.[50] However, in practice, while the decision may be rationalised in terms of relative efficiency, it is often not a decision made exclusively on technical grounds but rather can be

[47] D. Maclennan (2007) *Better futures for social housing in England: Looking forward, aiming higher*, York: Joseph Rowntree Foundation.
[48] This model draws its inspiration, in part, from the following sources: C. Pollitt and G. Bouckaert (2017) *Public management reform: A comparative analysis – into the age of austerity*, Oxford: Oxford University Press; C. Talbot (2010) *Theories of performance: Organizational and service improvement in the public domain*, Oxford: Oxford University Press.
[49] Manochin, M., Brignall, S., Lowe, A. and Howell, C. (2011) Visual modes of governmentality: Traffic lights in a housing association, *Management Accounting Research*, 22, 26-35; Ejiogu, A., Ambituuni, A. and Ejiogu, C. (2018) Accounting for accounting's role in the neoliberalization processes of social housing in England: A Bourdieusian perspective, *Critical Perspectives on Accounting*, online first, https://doi.org/10.1016/j.cpa.2018.07.002
[50] Although we should recognise that genuinely strategic choice in the face of uncertainty can lead organisations to arrive at very different decisions in the face of ostensibly similar challenges: see, for example, D. Mullins (2002) The Best value activities of Registered Social Landlords, *Public Money and Management*, 22, 2, 25-30.

heavily political.[51] Hence, what such decisions can tell us about the impact of ownership and focused management structures on performance is relatively limited. They can, however, reveal something about the way the local housing system operates.

Figure 2: A model of social housing organisational performance



2.6 Thinking systemically

2.49 As noted above, much of the literature focuses upon individual organisations, their strategies and choices. Less attention has been paid to the way in which the structures of housing provision within localities operate and the way their various components interact. Reid made an early attempt to explore the rise of networks in service delivery in the post-local authority era. While this work is well-cited, there has been limited subsequent detailed application of network perspectives to housing delivery in the UK.[52]

[51] For some background: http://www.insidehousing.co.uk/news/reduction-of-31-almos-in-five-years-43814 (last accessed: 15/10/18). The most recent relevant strategic decision: http://www.insidehousing.co.uk/news/westminster-approves-plan-to-bring-almo-in-house-58649 (last accessed: 17/10/18)

[52] B. Reid (1995) Interorganisational networks and the delivery of local housing services, *Housing Studies*, 10, 2, 133-149. The network perspective has been used productively in other contexts: for an example from the Netherlands see J. Smeets & P. Dogge (2007) Housing associations, competences and strategic sourcing: The case of Trudo housing association, *Housing, Theory and Society*, 24, 1, 49-62.

2.50 There have, however, been calls for greater attention to the local structures of housing provision.[53] These have originated from a different quarter: authors drawing on the New Institutional Economics and a concern with the property rights issues and transaction costs associated with more fragmented structures of provision.[54] Transaction cost economics is rooted in an evolutionary perspective, which would view the sort of consolidation we have witnessed in social housing as indicating that the efficient scale of organisation has increased. Such arguments do not imply overarching design: rather the structure of the sector evolves as a consequence of choices at organisational level that seek to optimise performance in the face of perceived incentives and opportunities.

2.51 However, there have also been calls for more systematic attention to structures of provision from the perspective of the locality rather than the perspective of the individual organisation. This would help to understand whether resources are being co-ordinated and deployed effectively.[55] Somewhat implicit in this argument is the assumption that there should be a political actor able to take a top-down view of the issue and rearrange organisations and their boundaries in a way that enhances efficiency. However, this element of the argument is not well developed, and it is not very clear which political actor might play that role. It may be that such an entity would not be required, if evidence and analysis highlighting social benefit from local reorganisation and rationalisation were a sufficient trigger for housing organisations to collaborate on new solutions that deliver greater public value.

2.52 A line of argument drawn from complexity thinking could usefully be explored in the context of social housing governance. Complexity thinking also has roots in evolutionary thinking. One argument developed from this perspective is the need for requisite variety to deliver a resilient system.[56] If a sector is shaped by isomorphic processes towards strong institutional norms then effectively you risk ending up with an organisational monoculture. If all organisations are obliged or chose to adopt what is today designated as best practice then that has the potential to increase the fragility of the sector because all organisations become

[53] For example, K. Gibb and D. Maclennan (2006) Changing social housing: economic system issues, *Public Finance and Management*, 6, 1, 88-121.
[54] K. Gibb & C. Nygaard (2006) Transfers, contracts and regulation: A New Institutional Economics perspective on the changing provision of social housing in Britain, *Housing Studies*, 21 6, 825-850.
[55] Gibb and Maclennan, *Changing social housing*.

[56] D. Colander and R. Kupers (2016) *Complexity and the art of public policy: solving society's problems from the bottom up*, Princeton, NJ: Princeton University Press. This is an argument that hasn't yet, as far as I'm aware, been rigorously applied to the housing context. Indeed, the extended application of complexity thinking to housing issues is relatively underdeveloped, but for an early attempt see M. L. Rhodes (2007) Strategic choice in the Irish housing System: Taming complexity, *Housing, Theory and Society*, 24, 1, 14-31.

vulnerable in similar ways. If there is an external shock that hits that vulnerability then the whole sector will suffer. One could argue that if, for the sake of argument, policy were to seek to maximise sector output by obliging all organisations to increase leverage then that not only increases risk at the level of the individual organisation, but makes the whole sector vulnerable in the same direction. The use of market sales to internally cross-subsidise new submarket rental property is a policy that has turned social housing supply increasingly procyclical. There is a risk that social housing supply is vulnerable to the same risks as market supply, and therefore the volatility of overall new supply has increased.

2.53 These are not arguments that have been well explored in the academic literature. They would come more clearly into focus if the governance discussion broadened to take greater account of sector-level as well as organisational-level concerns.

3. Policy issues

3.1 In this section, four areas for policy consideration are identified.

3.2 While it is not a policy recommendation or option, it is worth noting that there is a clear need to build the contemporary evidence base in relation to housing organisations beyond the largest and most proactive housing associations. This would give us a more rounded understanding of how the various environmental tensions and contradictions are being reconciled across the sector and what sort of considerations are being fed into the strategic choices being made out of the limelight.

3.1 The influence of tenants' voice

3.3 While there are regulatory expectations upon housing organisations to involve and consult tenants, should more be required of social housing organisations to demonstrate that such activities not only exist but are effective? Can organisations give an adequate account of how tenant engagements have a discernible impact upon the way in which they operate and the decisions they make? There are important foundational questions to be answered here about where tenants' views sit alongside those of other stakeholders and priorities. If policy more explicitly sets expectations then it could ensure that housing organisations are routinely reflexive on this point as part of their strategic deliberations and operational planning. This could enhance governance in those situations where present practice might be best characterized as honouring the letter but not the spirit of the law.

3.4 We might consider the recent merger between Notting Hill and Genesis, initiated in the face of what appear to be concerted tenant protests, as a paradigm example worthy of study.[57] Where did tenants' concerns sit on the decision-making horizon? How compelling is the case for the benefits of merging in the face of serious opposition? Which of the relevant stakeholders found the case sufficiently compelling? To ask such questions is not to argue that this particular decision was wrong. Or that tenants' concerns should automatically prevail. There are surely situations where other priorities should take precedence. But if our leading housing organisations are not to continue to attract criticism for being out of touch, overly commercial and indifferent to their own customers, then what needs to be done differently?

3.2 Housing organisations as stewards of place

3.5 The imperatives of asset management and normative commitments to the desirability of sustaining mixed communities are in tension. In the current environment housing organisations increasingly frame investment in place in terms of the social returns generated. Yet the social benefits of community and neighbourhood composition are difficult to calibrate. Policies associated with asset management have the potential to set in train complex processes of neighbourhood change and transformation. These are processes that can take not months but years to play out and which are difficult to reverse. Asset disposal is one area in which regulatory oversight has lessened, although disposal of tenanted social housing properties continues to be a source of regulatory concern. Is there a case for clearer guidance on how and where to strike the balance between proactive asset management and the positive contribution that housing organisations can make to sustaining diverse places?

3.3 Normative framing of the role for social housing

3.6 We are currently in a period where policy directions that were set under the Coalition government have been softened, at least rhetorically. Under the Coalition government it appeared that conventional social rented housing, and to a lesser extent the Coalition's own innovation of 'affordable' rented housing, were relatively marginalised compared with the continued promotion of various forms of partial and full home ownership. This left housing organisations largely to frame their future mission in their own terms. In extreme cases it was interpreted as giving license to disengage from conventional social rented housing. Policy has a role in framing and valorising the future role of social housing in ways that will shape strategic

[57] http://www.insidehousing.co.uk/news/notting-hill-and-genesis-shareholders-agree-to-merger-54058; http://www.insidehousing.co.uk/news/london-housing-associations-complete-merger-55596 (last accessed: 15/10/18)

choices at the organisational level. Underlining the importance of social rented housing to addressing the country's housing needs can play a role in shaping and constraining such strategic choices and future development trajectories.

3.4 Performance, diversity and resilience

3.7 Great emphasis is currently being placed on maximising value for money. Do we have a rich enough understanding of what constitutes value for money? Do we have sufficient understanding of the variety of routes that can be pursued to deliver value for money? Equally importantly, does an emphasis on maximising particular understandings of short-term value for money risk increasing organisational and sectoral fragility to inappropriate levels? Do we have adequate analytical tools for making such judgements? The idea of requisite variety suggests that value for money is better judged over longer timescales: resilient systems may well embody a degree of redundancy, which means they are not optimised to a particular context but are able to cope more effectively with changing contexts and to absorb external shocks. Does the social housing ecosystem display such resilience at present? Are there environmental forces at work that are undermining it? Are steps needed to ensure requisite variety is sustained?

UK COLLABORATIVE CENTRE FOR HOUSING EVIDENCE

housingevidence.ac.uk
Twitter: @housingevidence

University of Glasgow
3rd Floor, Olympia, 2-16 Orr Street, Bridgeton Cross, Glasgow, G40 2QH

The UK Collaborative Centre for Housing Evidence is a consortium of eleven universities and three non-academic institutions, as follows: University of Glasgow, University of Sheffield, University of Reading, Cardiff University, Heriot-Watt University, University of Bristol, Ulster University, University of Adelaide, Sheffield Hallam University, University of Stirling, University of Liverpool, Chartered Institute of Housing, Royal Institution of Chartered Surveyors, Royal Town Planning Institute.

E·S·R·C ECONOMIC & SOCIAL RESEARCH COUNCIL
Arts & Humanities Research Council
JRF JOSEPH ROWNTREE FOUNDATION