

Restructuring Social Housing in Britain

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***Paper to: Australian National Housing Conference,
Perth, 26-28 October 2005***

Introduction

Twenty five years ago, social housing accounted for almost a third of the entire British housing stock. Since then – mainly because the sales to sitting tenants and demolitions have exceeded new construction – the sector has contracted substantially. At the same time, however, and particularly in the period since 1989, the sector has been undergoing far-reaching restructuring. Whilst some of the impetus for this process was provided by the privatising zeal of the Conservative administrations of the 1980s and 1990s, the pace of reform has – if anything – quickened under the post-1997 Labour governments.

In spite of its continuing contraction social renting continues to house almost a fifth of Britain's households in 2005. And, after years of decline, social housebuilding rose in 2004. Recent years have also seen a substantial influx of new capital investment in repairing and upgrading the existing stock. Whilst a continuing net reduction in the sector's size is likely over the next few years, there is no immediate prospect of its extinction. Indeed, reforms placing social landlords on a firmer financial footing for the long term can be seen as marking something of a renaissance of the sector.

The term 'social rented sector' as used here encompasses all housing owned by not-for-profit landlords and let at below market rents. This conflates local authority (LA) or 'council' landlords with housing associations (HAs) – nominally independent bodies whose stockholdings have been funded in part from public funds and which are subject to formal state regulation. These two classes of landlord are distinct in terms of their historical origins and current governance (Malpass, 2000). Nevertheless, they have become increasingly similar in terms of their tenants' characteristics and in their role as instruments of central government housing policy.

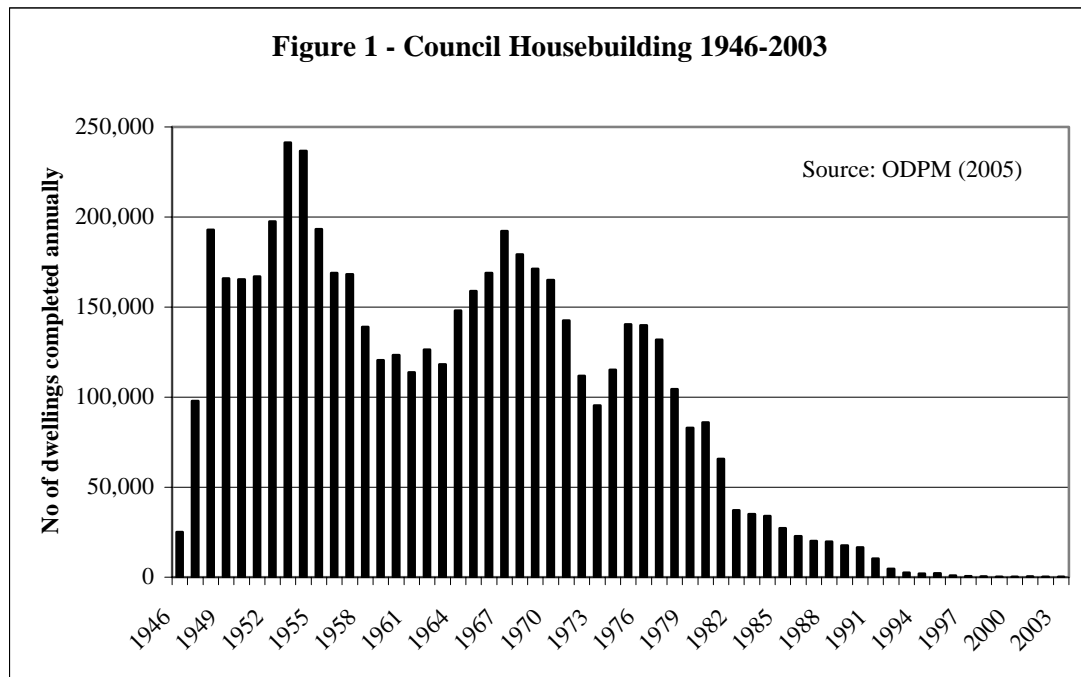
This paper charts the key changes affecting social rented housing under the Blair administrations since 1997. After a scene-setting section placing British social housing in an historical and international context, the paper discusses the external pressures experienced by social landlords over this period. Such pressures are differentiated between those emanating from central government policy initiatives, on the one hand,

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and from changing housing market conditions, on the other. The paper then goes on to analyse the evolving structure of the sector post-1997 and the processes which have contributed to this.

British Social Rented Housing: Historical Context

From the beginnings of council housing in 1919, and particularly in the aftermath of World War II, the social rented sector expanded to encompass nearly seven million homes in 1980 – almost a third of the total housing stock. Within the sector, LAs were far more important than HAs, with the former accounting for more than 90 per cent of the stock at this point. Whilst this was not universally true, much of the council housing built in the boom years of 1945-70 was constructed to rather poor standards, leading to a legacy of structural and design defects which have plagued housing managers ever since. To some extent, these problems are attributable to the ‘numbers game’ of the immediate post-war period – that is, the overriding housing policy concern with politically driven output targets and limited unit costs.



Mainly because it facilitated the rapid construction of large numbers of dwellings, but also because it embodied a vision of ‘modernism’, large-scale pre-fabrication and ‘system-building’ of multi-storey blocks came to symbolise the housing policy of the 1950s and 1960s (Muthesius and Glendinning, 1994). Between 1965 and 1972, half of all new municipal dwellings in England had involved flats, with the proportion of these made up by ‘high flats’ (five storeys or more) peaking at around a quarter in 1966-67 (Merrett, 1979).

Although high rise construction had virtually ceased by the mid-1970s, and although tower blocks remained a relatively small proportion of all council housing, this era has

had a lasting impact. The physical and social problems popularly associated with tower blocks and other ‘non-traditional’ architectural forms have blighted the image of council housing, as well as providing a continuing financial and managerial headache for the LAs concerned. An equally important legacy was the traditional LA priority placed on minimising rents. Whilst this had a sound basis in terms of facilitating access for poorer households, it also starved the sector of the means to maintain and modernise the stock.

It is traditional to locate the start of decline for council housing in the mid-1970s when investment in new construction was sharply cut back following the public spending crisis of 1975/76. Further cuts followed the election of the Thatcher administration in 1979 and by 1990, the era of council housebuilding was effectively over. It could be argued that in the failure to develop an asset management culture, the seeds of council housing’s demise were already taking root at this time.

Housing associations, as they existed until the 1970s, were largely descended from the philanthropic charitable trusts of the Victorian era. Although dating back further than council housing, HAs had developed relatively slowly during the twentieth century. More latterly they had assumed a specialist or niche role in inner city regeneration and providing for specific social groups such as older people and households with support needs (Malpass, 2000).

British Social Housing: International Context

Although it has contracted substantially, Britain’s social housing sector remains relatively large in comparison with others in Western Europe (see Figure 2). The trend of contraction is also not dissimilar from that of the social rented sector in some other countries (see Figure 3). The British social rented sector is, however, distinctive in that local authorities have historically played a major role – an unusual delivery mechanism in the international context where not-for-profit agencies and semi-autonomous municipal housing companies have tended to be more significant (Stephens, Burns & MacKay, 2003).

Another important feature of British social housing is its correspondence with income distribution. Stephens, Burns & Mackay (2003) found that, by comparison with France, Germany and The Netherlands, British social housing contains a markedly higher proportion of the poorest cohort of households. And this is within a state where the income distribution is, in any case, relatively polarised by European standards. Almost a fifth of UK households (19 per cent) were ‘at risk of poverty’ in 1999 in terms of receiving incomes below 60 per cent of the UK median value (Dennis and Guio, 2003). This compares with the EU-wide average value of 15 per cent. Among pre-2005 EU member states only Portugal and Greece recorded higher poverty rates on this measure.

Figure 2 - The UK Social Rented Sector in the Broader European Context

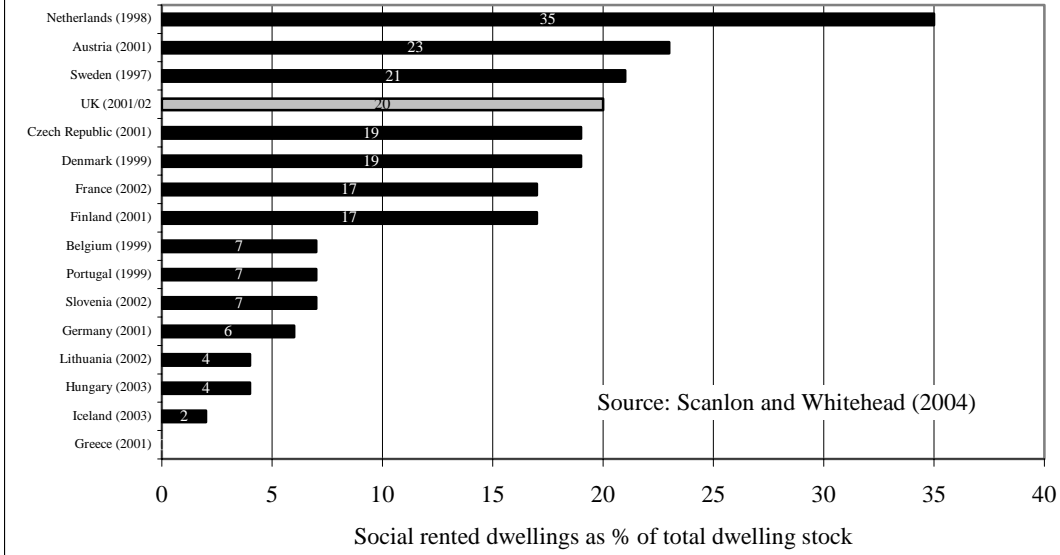
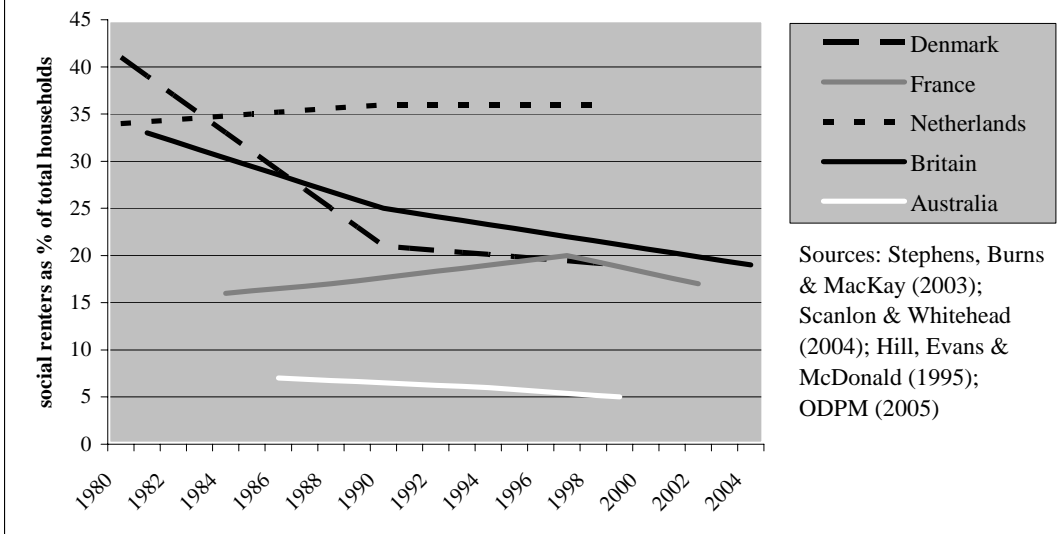


Figure 3 - Percentage of Total Households in Social Rented Housing - Selected Countries



Pressures on Social Landlords

In large measure, the restructuring of British social housing has resulted from two sets of pressures: firstly, reform pressures emanating from central government imperatives in favour of more efficient and effective management of resources, and secondly, market pressures associated with wider social and economic forces.

Central Government Reform Pressures

Reform pressures from central government have mainly been carried forward through changes to housing finance systems and (particularly since 1997) through the development of formal regulation of social landlords. Probably the most important changes to the financial regime were those implemented under the Housing Act 1988. Under the 'mixed funding' regime established by the Act, housing associations were defined as being outside the public sector and therefore able to borrow and invest as private rather than state-controlled bodies. Thus, whilst public capital funding of housing associations continues to count as 'public expenditure' in accounting terms, 'match funding' and other loans from private financial institutions do not. Unlike local authorities, therefore, associations are free to borrow for investment using the book value of their stock as security. Rather than being restricted by official controls, an association's private borrowing is limited only by its encumbered assets (property held as security against existing loans) and by its capacity for loan repayment – i.e. the size of a loan which can be supported by its projected future rental income stream.

Central government has also exerted pressure on social landlords through formal regulation. The current system has evolved under the Blair administration's Best Value framework which essentially aspires to have public (and publicly-funded) organizations adopt a rational planning approach to service development and financial management decisions. In practice, the two key elements of this regime are the requirements on social landlords to:

- make annual 'performance indicator' (PI) returns
- submit to periodic regulatory inspections by the Audit Commission's Housing Inspectorate, resulting in 'star ratings' for both assessed performance and prospects for service improvement.

The regulatory regime contains both carrots and sticks. 'Failing organisations' may be subject to central government intervention. For a housing association, the ultimate consequence could be forced merger with a 'stronger' partner. Highly performing landlords, on the other hand, enjoy enhanced access to public funding.

In the development of performance-based resource allocation, housing has been at the forefront of public service reform since the early 1990s. From 1991 onwards the annual allocation of capital investment resources to local authorities was partly determined by a judgemental assessment of an authority's 'housing performance' against a range of published criteria. These included authorities' recent PI scores as well as their activities in areas such as tenant involvement and 'enabling'. In London alone, this system resulted in the redistribution of £133M between 1991 and 2001. That is, a total of £133M was deducted from the needs-related allocations of councils considered to be 'below average' performers, and added to those assessed as 'above average' (More, Pawson and Scott, 2005). Whilst this amounted to only five per cent of the total housing capital investment funds allocated to London boroughs over this period, the percentage gains and losses were much greater for a small number of authorities.

The most recent manifestation of such ‘performance-based resource allocation’ involves extra funds being made available to ‘high performing’ landlord local authorities under the government’s ‘ALMO’ regime. By establishing Arms Length Management Organisations (ALMOs) authorities rated as ‘excellent’ can access additional public funding to overhaul and upgrade their housing stock (see below).

All of this needs to be seen in the context of central government’s explicit recognition that social housing has experienced decades of under-investment, resulting in a seriously dilapidated housing stock. Consistent with the Blairite penchant for standards and targets, central government in England established its Decent Homes Standard in 2000 along with a requirement that all social landlords plan for universal compliance with the standard by 2010 (DETR and DoH, 2000; ODPM, 2004a). The devolved administrations in Scotland and Wales have followed suit by establishing similar standards and targets for universal compliance by 2012 (Wales) and 2015 (Scotland).

In England, Scotland and Wales, both local authorities and housing associations have been obliged to assess the extent to which their stock currently complies with the prescribed standards and draw up costed plans to eliminate ‘non-decent’ (not ‘indecent’) housing by the relevant target date. Local authorities must assess whether the required investment is likely to be available under existing institutional arrangements – i.e. directly managed council housing. The scope for generating additional resources through raising council rents is heavily constrained by central government rules. Councils projecting a shortfall in investment resources must consider whether such funding might be accessed through:

- ownership transfer to a housing association – to access private finance secured against the value of the stock)
- delegating housing management to an Arms Length Management Organisation (ALMO) – to qualify for additional public funding (subject to performance criteria – see below).

Underlying central government’s continuing enthusiasm for stock transfer is the Blairite modernisation project that seeks to bring commercial disciplines to bear on the running of public services. In the case of public housing it is argued that there is a need to create a stable framework for management and investment decision-making. Stock transfer from local authorities to housing associations, the argument runs, insulates social landlords from both political volatility – both in terms of changes in political control at the local level and changes in national policy. In this environment, it is contended, there is a better prospect of management and investment decision-making being motivated by a long-term, rational planning, approach which makes the best use of limited resources.

Since 2003 there has been a renewed central government emphasis on finding more efficient ways to deliver public services. The impetus here came from Sir Peter Gershon’s enquiry which identified the scope for annual efficiency savings totalling £5bn (Gershon, 2004). Social housing was singled out as having substantial potential to contribute here, with a target to achieve annual savings of £835m by 2007/08 set by central government.

Individual local authorities and housing associations have been expected to set their own annual efficiency targets and to monitor progress against these. More importantly, however, the Housing Inspectorate has increased its emphasis on value for money in the context of ongoing landlord inspections (Housing Quality Network, 2003).

The Housing Corporation also has a key role here, in its guise as the public funding agency for new social housing development. Somewhat pre-figuring the Gershon findings, the Corporation established a new 'Investment Partnering' regime in 2003/04. This involves the Corporation 'chang(ing) its investment relationship with (housing) associations from one of grant giver to the procurer of an affordable housing programme' (Zitron, 2004, p1). One of the key features of this regime is the concentration of public funding across a smaller number of associations. Hence, the Corporation's funding programme for 2004/06 channelled 80 per cent of total funding to just 70 'lead HAs' (of the approximately 2,000 registered associations). In practice, securing development funding has become about either being designated as a 'lead HA' or joining a consortium led by such an association.

Market Pressures

Whilst the reconfiguration of social housing is substantially shaped by central government policies, social landlords are also subject to important market pressures. For much of the post-war period it could be taken for granted that social housing was a desired commodity in relatively short supply in all parts of Britain. This has remained true in many parts of the country. In some areas, however, social landlords have found it increasingly difficult to find tenants for empty homes. In part, this reflects regional economic change where de-industrialisation of certain cities and former mining areas has resulted in contracting populations.

In other areas economic recovery has led to households being 'sucked out' of social housing by the local availability of relatively cheap houses and flats in the private sector.

Other factors include the obsolescent form of some public housing (e.g. bedsits) and the increasing stigmatisation of the sector as a form of welfare provision.

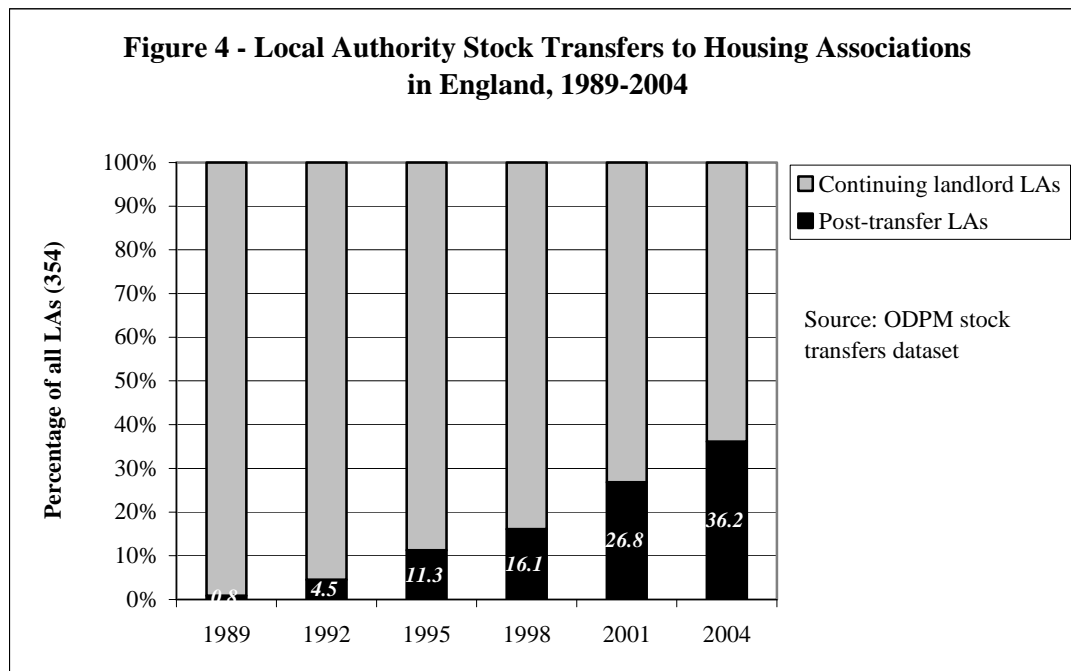
By 1999 some 12 per cent of local authority housing in England was regarded by the LAs themselves as in 'low demand' (Bramley, Pawson and Third, 2000). And, whilst the subsequent housing market boom had reduced this to eight per cent by 2004 (ODPM, 2004b), the problem remained substantial for some councils.

Because it can increase rent losses due to empty property, low demand may threaten a landlord's income stream and viability. As independent agencies, this has particularly serious implications for housing associations; unforeseen low demand can undermine an association's long-term business plan potentially resulting in a need to cut services or contemplate being taken over by a stronger partner.

Restructuring Social Housing Ownership and Governance

Divestment of Former Local Authority Housing

Triggered, to a large extent by the newly created ‘mixed funding regime’ for housing associations (see above) the current restructuring process can be seen as starting in 1988 when Chiltern District Council handed over its 4,650 tenanted homes to Chiltern Hundreds Housing Association. Since then, more than 130 local authorities have followed suit, with homes transferred in this way now totalling around 1 million. The progress of this phenomenon is shown in Figure 4.



In addition to whole stock transfers, many local authorities have handed over individual estates or packages of estates, whilst retaining their landlord role on a slightly smaller scale. Generally, such ‘partial transfers’ have involved the properties seen as being in poorest condition and therefore requiring investment only accessible through change of ownership.

In most such transfers a new housing association is created to take on ownership of the former local authority stock. In only a few cases has transfer involved the breakup of stockholdings so that two or more successor landlords are created in place of a single predecessor. And, since most staff in these new organisations are also transferred from their former local authority employer, the process might be caricatured as simply involving a change in the office nameplate and corporate logo.

In their governance and organisational culture, however, stock transfer HAs are quite distinct from their local authority predecessors. At the same time, these organisations tend to retain certain distinctive features marking them out from their traditional HA counterparts:

- a stock profile which in age, type and design differs from that of traditional HAs
- particularly close ties with local authority founders, either through functional integration or through board-level influence wielded by councillor nominees
- substantial tenant participation in governance (virtually all having tenant board members (TBMs) and all those created since 1996 having a third or more tenant board members)
- locally-focused activities in contrast with most associations of a comparable size
- a growth imperative resulting from stock erosion due to sitting tenant sales (in contrast to most traditional HAs where tenants have no Right to Buy)
- a longer-term potential to generate very substantial financial surpluses (assuming transfer business plan assumptions prove to be well-founded).

Working for such organisations is also somewhat unlike the typical experience of local authority employment. There tends to be a strong culture of asset management and one where the single purpose nature of the organisation makes it easier for staff to understand and identify with corporate objectives (Taper, Walker and Skinner, 2003). Transfer HAs also tend to value their staff more highly and invest more heavily in staff development and training than their local authority predecessors. This has tended to result in a more rewarding – if more demanding – work experience for those concerned.

Does this process amount to ‘privatisation’? In socio-political sense, the answer is clearly yes. By definition, stock transfer involves the ownership handover of former state-owned assets to organisations formally outside the public sector. Characterising stock transfer as ‘privatisation’ has proved a powerful rhetorical weapon in the armoury of anti-transfer campaigners. Such symbolism is important because transfers can proceed only where a majority of the tenants concerned vote in favour in a formal ballot. Around a quarter of all transfer proposals in England have been defeated in this way.

At least some anti-transfer voters may have been swayed by ‘privatisation’ concerns, perhaps because (as intended) this suggests the creation of rapacious landlords likely to extract the maximum profit from their newly acquired asset. In practice, successor landlords are non-profit-distributing bodies fairly heavily regulated by central government. Research evidence does not support the view that transfer HAs typically adopt a more ‘hard nosed’ approach to housing management. For example, they evict proportionately fewer tenants than either local authorities or traditional HAs (Pawson, 2004). And, whilst transfer lenders are commercial organisations, they are not shareholders whose returns are proportional to a transfer landlord’s commercial success. A landlord out-performing its business plan targets generates more resources but these benefit the organisation and its tenants, not the funder. For all these reasons we might well question whether the ‘privatisation’ rhetoric employed by stock transfer opponents is, in fact, misleading.

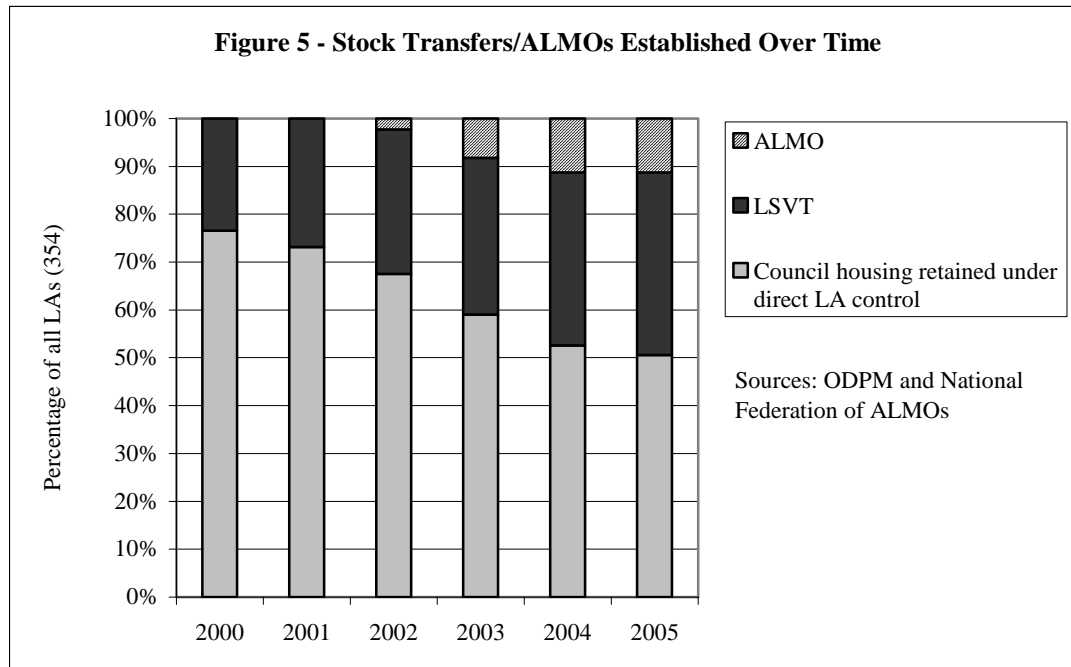
Another question raised by stock transfers concerns accountability. Whereas a local authority is run by elected councillors with a clear mandate, the accountability of transfer HA board members is much less clear-cut. Generally speaking, different accountability arrangements apply to board members from the three main 'constituency groups'. Whilst councillor board members are nominated by the local authority, various different arrangements operate for tenant and independent board members. In some cases tenant members are selected through formal processes – e.g. based on nomination by recognised tenants groups or direct election by all tenants. In others, both tenants and independent members are recruited through essentially informal processes dependent on the personal contacts of existing board members and/or senior staff (Pawson and Fancy, 2003).

However they are selected, board members' primary obligation is to act in the interests of the organisation rather than that of their nominating body (if applicable). Hence, the mandation of councillor board members by their nominating local authority breaches the regulatory rules. And, in any case, since a local authority generally has no more than a third of the seats on the board, it could not control the direction of the association as it could control its own former landlord function.

Partly to address local authority and tenant concerns around accountability, control and privatisation, central government in England² came up with an alternative to stock transfer in the form of the local authority 'arms length management organisation' or ALMO model. The ALMO model, first defined in the 2000 Housing Green Paper (DETR and DoH, 2000), involves the establishment of semi-autonomous bodies to which local authorities may delegate management (but not ownership) of their housing stock.

Like transfer HAs, ALMOs are governed by boards configured on the 'three thirds' model (see above) and which are supposed to demonstrate a degree of independence from the parent LA. However, since they remain in the public sector, ALMOs lack most of the financial freedoms available to transfer HAs. Crucially, they cannot access private finance using the value of 'their' stock as surety and partly for this reason they are highly constrained in their ability to procure new housing. Central government promotes the ALMO model on the basis that it is desirable in principle since it clearly separates strategic functions (retained by the local authority) from landlord 'delivery' functions. For many local authorities, on the other hand, the attraction of the ALMO model is simply its potential in allowing the council to access greater public investment (as discussed above).

² It should be noted that there is no 'ALMO option' for local authorities in Scotland or Wales though, in Scotland at least, the public funding on offer as an incentive for stock transfer is rather more substantial than in England.



Whilst the stock transfer process has continued, the availability of the ALMO option has quickened the pace of restructuring in the past few years (see Figure 5) so that by 2005 barely half England's local authorities retained council housing managed on the traditional model. Theoretically, at least, local authorities can retrieve full control of housing management from their ALMO progeny once the organisation has achieved its initial objective of investing to secure compliance with the Decent Homes Standard.

However, anti-transfer campaigners argue that this will not happen. ALMOs, they contend, are simply a stepping stone to full stock transfer and should therefore be opposed as tantamount to 'privatisation'. Again, such rhetoric is potentially significant because it has become custom and practice for local authorities to seek ballot endorsement from tenants when proposing to establish ALMOs. In the London borough of Camden, tenants recently voted down an ALMO proposal amid such accusations.

As yet there is no academic or official research evidence on the way that ALMOs operate in practice. For example, the actual degree of independence asserted by ALMO boards is unknown. Neither is it yet clear whether ALMOs will remain part of the housing scene in the medium and longer term. This may depend, in part, on whether tenants and staff begin to identify more closely with their ALMO than with its 'parent local authority'. Another crucial unknown is whether Ministers will back calls for reform of the housing finance system to set ALMOs free from the constraints of the council housing subsidy framework. This could be crucial in making enabling ALMOs to develop new housing. Unless they are given the scope to do so, ALMOs face continuing contraction thanks to ongoing Right to Buy sales.

The Camden experience (described above) highlights a serious tension within the current government's strategy. Where tenants vote down a proposed transfer or ALMO this

effectively excludes the scope for accessing the investment resources judged necessary for Decent Homes compliance. Ministers have, however, rejected campaigners' demands that public funding on a similar scale should be made available to all local authorities with no strings attached in terms of the existing requirement for a radical change in ownership and/or governance arrangements. There might be marginal cases where an authority could make sufficient savings by cutting services to significantly increase its investment resources. In general, however, it appears that in authorities like Camden where tenants reject the package on offer, their authority will be unable to meet the DHS within the prescribed timescale.

Restructuring Within the Housing Association Sector

Whilst stock transfers and new development have been boosting the size of the housing association sector, substantial restructuring has also been taking place within the sector. For the most part, this involves agglomeration into larger administrative units or alliances. Such collaborations come in various forms; Mullins (2000) arranged these along a continuum ranging from total independence at one end to forced merger at the other – see Exhibit 1.

Exhibit 1 – Continuum of Options for Mergers and Alliances in the Housing Association Sector

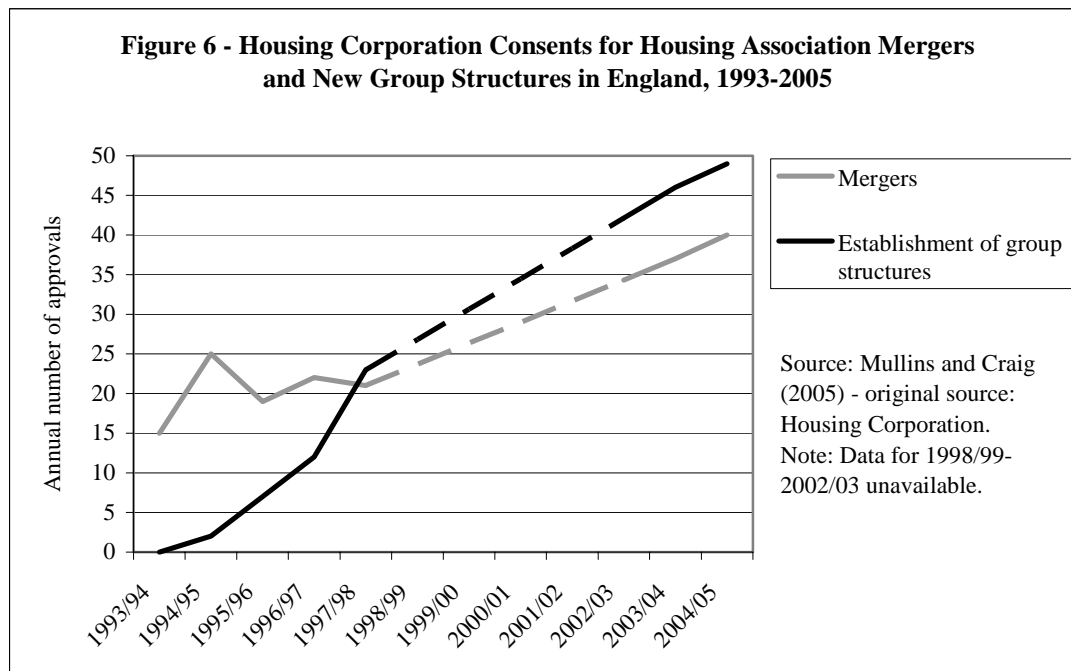
- (a). Single independent organisation** – complete autonomy but resources and influence limited
- (b). Partnerships** – high level of autonomy and flexibility, but need for constant process of re-negotiation of relationships
- (c). Contracts** – small amount of autonomy sacrificed in return for greater certainty and less continuous negotiation (e.g. JVCs)
- (d). Alliances** – wider range of functions dealt with by agreements with partners, independent identity preserved
- (e). Groups** – independent identity preserved but this becomes conditional on relationship with Group Parent, usually reduces ability for independent strategies or procurement
- (f). Amalgamations** – organisations formally merge through common agreement to form a new organisation
- (g). Voluntary transfer of engagements** – organisation chooses to give up its separate identity and to transfer its assets to another
- (h). Enforced transfer of engagements** – regulatory intervention or other event outside organisation's control forces it to give up its separate identity and transfer its assets to another.

Source: Adapted from Mullins (2000).

Figure 6 demonstrates the strongly upward trend in mergers and the establishment of group structures (scenarios (e)-(h) in Exhibit 1). This is symptomatic of the more general trend towards inter-organisational collaboration, even where this is taken forward on a more limited basis (e.g. scenarios (b)-(d) in Exhibit 1). Mullins and Craig (2005) attribute much of this activity to associations' aspirations:

- to increase their scale of activity
- to spread corporate overheads across larger stock numbers
- to access specialist skills and services
- to increase influence
- to secure more favourable terms from suppliers and funders.

The scale of recent activity in relation to mergers and group structure establishment can also be depicted in the statistic that 'deals signed and to be signed (in 2005) involve over 400,000 homes in England, comprising about one fifth of the ...sector' (Social Housing, September 2005, p12).



Clearly, the Gershon agenda and the Housing Corporation's Investment Partnering regime (see above) are important in explaining the recent increase in inter-organisational collaboration. HA fears arising from the new regime under which private developers may bid for public funding to construct affordable housing is another possible factor. Senior

HA staff interviewed by Mullins and Craig (2005) asserted that the Housing Corporation as regulator has adopted a more partial stance in favour of organisational integration.

It is also sometimes argued that ‘takeover’ activity is attributable to the personal ambitions of senior HA staff and their aspirations to control larger empires at higher salaries. Certainly, the timing of many merger and group structure discussions is closely related to impending CE retirements whereby the creation of a new organisational form would not necessarily require competition between former incumbent CEs of constituent organisations. In any event, associations wishing to progress mergers or establish group structures must secure Housing Corporation consent. The Corporation requires to be convinced that the proposed new structure will:

- Improve services to tenants
- Generate significant and measurable efficiency savings
- Be monitored to check delivery against initial efficiency saving targets
- Operate within simple, clear and straightforward governance arrangements.

It is, nevertheless, worth noting the dearth of research evidence that agglomeration generates revenue efficiencies in practice. One important study identified few instances where the establishment of group structures generated net revenue savings through economies of scale on corporate services (Audit Commission and Housing Corporation, 2001). One reason for this may be that erasing salary differences between merging organisations can be a costly exercise where pay rates are ‘evened up’. Whilst approaches of this kind may be crucial in securing vital staff goodwill for such changes it could be that their cost negates any advantages deriving from eliminating duplication.

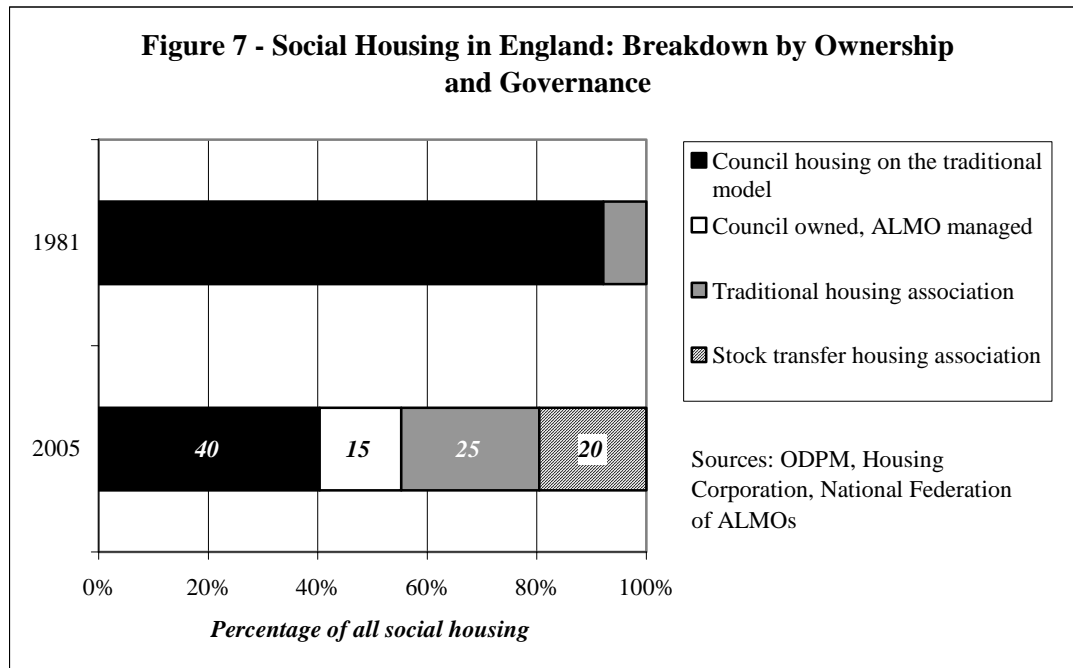
Perhaps partly for these reasons Lupton and Davies (2005) questioned the assertion that a move towards a smaller number of housing associations would necessarily improve efficiency or effectiveness. Their prescription for achieving such objectives was an evolution towards a sector containing more specialised organisations (e.g. concentrating on development or management). This would imply a sector incorporating a more diverse cohort of organisations, with more rather than less need for inter-organisational relationships.

Conclusion

Social housing in Britain has contracted by around a fifth in the last quarter century. With sitting tenant sales and demolitions continuing to run at around 80,000 and new completions at only about 20,000 the sector is currently shrinking by about one and a half per cent per year.

At the same time, however, the sector has undergone a profound restructuring. In place of a scene formerly dominated by council housing there is now more of a mixed picture in terms of ownership and governance (see Figure 7). This is partly about the rise of housing associations as compared to local authorities – a change interpreted by some as heralding

the emergence of a more ‘European’ model of provision. It is also about the creation of new organisational forms with features distinct from both the previously familiar models.



Even within the ‘traditional council housing’ and ‘traditional housing association’ cohorts, modes of operation have changed fairly radically over the past 10-15 years. As well as typically growing in size, most associations have evolved into social businesses with a keen sense of commercial opportunities and risks. As well as recruiting staff from the private sector a few of the larger organisations have departed from the voluntarist tradition by adopting board member payment regimes.

Surviving council housing departments have had to submit to the disciplines associated with periodic regulatory inspections, have professionalised their mode of operation and have needed to justify their continued existence through formal option appraisal. In the past few years many have embraced the market-like approach of so-called ‘choice-based lettings’ where social housing applicants play a role much more akin to consumers in a market rather than passive recipients of welfare benefits.

The recent phase of social housing restructuring stems largely from efforts to remedy a long period of under-investment. Whilst its overall size continues to fall, the sector emerging from this process is, in many ways, in stronger shape than was the case ten or twenty years ago. Not only has the injection of investment associated with transfers and ALMOs helped to shore up previously rundown council housing, but remaining local authority landlords have been obliged to demonstrate viable business plans to ensure that they have the means to maintain their stock in good order for the foreseeable future.

Across the board, today’s social landlords are a more hard-headed, more commercially aware, breed than their 1980 forbears. In the housing association sector, this process has

seen a strong move away from the community-based, voluntarist ethic widespread in the 1980s. The process of local authority stock divestment has also arguably reduced democratic accountability by diminishing the influence of elected local councillors. At the same time, tenant involvement in governance has increased with tenants accounting for a third of governing body members in most ALMOs and transfer HAs.

And, whilst the more business-focused approach characteristic of modern social landlords might be expected to result in a more hard-nosed attitude towards housing management, the web of legal obligations and regulatory controls severely limits the potential for such a shift.

The Future

With local authorities continuing to own and manage council housing due to submit Decent Homes project plans in 2005 it seems highly likely that there will be a surge in ALMO creation and stock transfer activity over the next couple of years. In Scotland and Wales the process of de-municipalisation has been slower to start but a number of transfers are now also in prospect.

As far as England is concerned, we can be fairly confident that by 2010 the shares of the four ownership/governance models cited in Figure 7 will be fairly even. Beyond this, it is less clear whether these processes will continue with quite the same vigour. Particularly in Scotland the new 'prudential regime' for local authority borrowing could provide a firm basis for at least a small number of councils to retain their landlord role well into the future (Wilcox, 2004). So, whilst its role has been much reduced it is probably too early to sound the death knell for council housing.

Whether the recent phase of re-structuring and re-investment can in any way help to stem the continuing trend towards residualisation is a bigger question for another paper.

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