

# Building Homes, Building Trust

The unique role of housing associations in responding to the housing and social challenges of the 2020s

Following a decade of unprecedented change for housing associations the new Future Shape of the Sector Commission was established to think through some of the issues for the next decade. England will be facing a new set of enormous social and economic challenges and the Commission explores how housing associations should evolve over the next 10-15 years to address these.

## KEY POINTS

- 1. The new political consensus** about the scale of the housing crisis, the value of social rented and affordable housing, and the key role housing associations can play in tackling the broken market **presents a crucial moment of opportunity for the sector which housing associations must recognise and seize.**
- 2. The flexibility and diversity of their business model, their commitment to social purpose, and the differing constraints on other providers make housing associations uniquely well placed to respond to the housing and social challenge of the 2020s.** They can achieve a great deal through their own resource and commitment, but even more with additional support and subsidy from key partners in local and national government.
- 3. Housing associations must earn that support and subsidy by demonstrating their unfailing commitment to their customers and communities. The combination of the move to digital service, the need to respond to the wide ranging implications for social housing of the Grenfell Tower tragedy, and a rising sense of loss of trust among some stakeholders mean housing associations should remake the contract with customers, reviewing the landlord service offer from beginning to end.**
- 4. To support delivery of 300,000 homes a year, housing associations will need to at least double their development output to around 80,000-100,000 new homes annually and sustain that figure.** This is a major upscaling and will require real change in financial innovation and risk management, strategic use of assets, use of new technology, inter association collaboration and co-operation, and partnerships with others. Continued access to affordable land and government subsidy will be needed to increase delivery of homes at sub-market rents and prices.
- 5. Housing associations should focus on areas and products where they can make the biggest difference, whether to affordability, particular client groups, or the economic prospects of communities.** As long-term community investors rooted in social purpose, housing associations can deploy patient capital to deliver a rounded social and economic offer, operating powerfully across the full spectrum of the housing market, and cyclically or counter-cyclically depending on the country's needs and as subsidy support allows. This is their unique and differential offer.
- 6. All of this will demand significant change to the governance model.** Housing associations will need laser-like clarity of strategic direction, with board members more knowledgeable, involved and integrated into the working of their organisations than ever before. Associations will need to recruit greater diversity of skills and experience at board level, be more open and transparent to customers and stakeholders, and substantially upgrade their succession planning and talent management programmes.

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**Housing associations have substantial financial power turning over £20bn a year; they are well established developers building close to a quarter of England’s new homes each year; and a large majority of residents express satisfaction with the tenure and with their homes. Housing associations play an important role in the communities where they work.**

This report is about ensuring they build on that valuable platform, with social purpose preserved and protected as the sectoral guiding star even as the challenges escalate, and about how housing associations seize the opportunity of the new political dynamic on housing to produce a step change in supply, in their service to customers and in their governance and leadership to deliver what the country needs of them.

To come to its conclusions, the Commission developed an evidence base of key social and economic trends, took 35 detailed Call for Evidence submissions, conducted 15 in-depth interviews, held three roundtables around the country, undertook one day study visits to exemplar projects, and consulted engaged young professionals working in the sector.

It considered views from housing associations, local and regional authorities, government and government agencies, resident groups and individual residents, consultancies, lenders, think tanks and trade bodies. On some issues there was strong consensus and on others a wide divergence of opinion. Four key themes emerged through the evidence and these are summarised here. For more detailed analysis and discussion of these themes please see the full report.

“ **Managing the digital journey without alienating residents will take a big effort.** ”

## **THEME 1: SOCIAL PURPOSE AND BRAND TRUST**

Pursuing social objectives is fundamental to the purpose of housing associations. It is the reason they exist. If housing associations lose their social purpose they will lose their legitimate place in the world.

For the future, social purpose should be more transparently at the heart of housing associations’ work. This is what delivers customer and stakeholder trust in the sector. But housing associations can only meet the needs of the 2020s using a more varied model than in the past. Commercial skills will remain important in associations maximising delivery of affordable homes and helping deliver the 300,000 homes needed.

## **THEME 2: DELIVERING HIGH QUALITY LANDLORD SERVICES**

The quality of the landlord service is key to housing associations’ social value. With over 2.7 million homes and five million residents, there is a critical responsibility to deliver high quality housing management. The next decade will see associations re-engineering their services for the digital age, while managing the implications arising from Grenfell and the increasing impacts on residents of welfare reform.

In doing so, they will have to rework every aspect of the service offer, and also take account of growing numbers of leaseholder and market rent customers. A clear and well communicated service offer is crucial to a relationship of respect on all sides.

**“ If housing associations are doing similar things in similar places, they should be having those conversations about collaboration – you can have economies of scale or diseconomies. ”**

**“ The binary view – social or commercial – is nonsense; a false choice. It’s morally right for us to do the full range of what we do. ”**

### **THEME 3: DELIVERING IN THE MARKET**

To meet housing need three million or more homes are needed over the next ten years and this will require fresh thinking and concerted action from housing associations, local authorities, private developers and the Government. Housing associations will have to at least double their development output from the current 40-50,000 a year to around 80-100,000 homes a year and then sustain that level.

Associations should use the advantages of their highly flexible business model and strong local market knowledge to deliver a differentiated offer at scale, operating across the full range of tenures and maximising reinvestment of profits into the frontline. Doubling output and ensuring a good majority of their new homes are for affordable tenures will require a potent mix of associations’ own resources and borrowing power, more partnership and joint working, better access to more affordable land and direct government subsidy.

Housing associations should concentrate on areas and products where they feel they make a genuine difference. It may mean a difference to volume, or to affordability, to particular types of customer, or to the economic prospects of local people.

### **THEME 4: STRATEGIC DIRECTION, STRUCTURES AND GOVERNANCE**

Among contributors to the Commission, diversity of housing association type and focus is universally seen as a great strength of the sector. It is up to each housing association to decide what it can do and how it can do it.

Deregulation has placed more discretion in board members’ hands, and responsibilities will grow further across a range of areas, including finance and risk management, effective asset use, value for money, and consumer issues, including as government responds to the legacy of Grenfell. Ensuring good governance in these circumstances will be critical.

Housing associations will need clear strategies to help deliver government and local authority partners’ housing and community goals, and should be able to explain clearly what is needed in return from government and others to help them to maximise their contribution.

**“ Big, complex housing associations need good quality leaders, but not necessarily private sector imports. The social purpose ethic is paramount and needs preserving, wherever leaders come from. ”**

# Questions and challenges

## FOR HOUSING ASSOCIATIONS

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Does the association conduct regular perceptions surveys of stakeholder and customer opinion?

How is it seeking to drive up net promoter scores among stakeholders and customers?

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Does the board regularly take time to critically examine the organisation's strategies and activities against its guiding social purpose and objectives?

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Is the association rethinking its customer offer for the digital age and taking full account of the wider implications of digital change for service structures?

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How are customers involved in ensuring new digital service offerings meet their needs first and foremost?

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Is the association giving adequate attention to ensuring quality and completeness of data to understand customers and drive service performance?

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Which housing associations or other bodies are best placed to establish sector-wide approaches to digital systems change and big data exercises?

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How are associations rethinking resident engagement and involvement in the light of new service offers and possible erosion of customer trust?

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How are associations rethinking processes and communications to respond to serious service failures better and maintain trust and reputation?

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Does the association have a clear sense of the proportion of output which should be below market levels and for social rent to fulfil its social objectives?

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Is the association clear about its core operating areas and products and how it uses this in decisions on development opportunities and strategic asset management?

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How are associations responding to the likely arrival of private sector companies with significant financial power into their markets?

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How are associations seeking to avoid over-bidding for land?

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Are associations actively seeking to work jointly to maximise development and place-making results?

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How should housing associations promote themselves more effectively to NHS Trusts as NHS land governance arrangements become more favourable to partnership?

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Are all executives and board members clear about their association's 'elevator pitch'?

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Can they deliver it well in external forums?

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Will the board adequately be able to discharge growing responsibilities under the current governance structure or does this need to evolve?

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What steps are associations taking to improve the diversity of their boards and senior management teams?

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Are associations thinking through how they improve their openness and transparency to customers and stakeholders?

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How should the sector broker skills exchange secondments and placements to help develop the next generations of sector leaders?

## FOR GOVERNMENT AND OTHER PARTNERS

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How can Homes England support the establishment of a viable offsite construction industry?

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How do housing associations support such an initiative?

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How are the government and its agencies acting to quicken the pace of land release at levels that will support meeting its homes target and improved affordability?

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What mechanisms are the government willing to consider to constrain the upward spiral of land prices to help improve housing affordability?

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Are local authorities willing to consider closer development partnerships with associations and the policies which will enable these to flourish?

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Is the Regulator for Social Housing reviewing its processes and skills base to manage the probable structural changes some associations will make and the entry of new participants into affordable housing?

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Are the Regulator and Housing Ombudsman clear on the boundaries and extent of their respective powers?