

The wider role of housing associations: further evidence

Housing associations (HAs) are increasingly seen as having a role beyond the provision of social rented housing. Many now own and/or manage non-social housing stock as well as being involved in non-housing activities. The objective of this Sector Study is to give a better understanding of the range of activities that housing associations are involved in and to assess the relationship between such activities and organisational structure¹.

Key findings

- Fifteen percent of all HAs that completed a Regulatory and Statistical Return (RSR) in 2003 own and/or manage non-social housing. Nearly half of these also undertake other non-housing activities and services.
- Large HAs own and manage the majority of non-social housing stock but the importance of that stock in their overall activities is still quite small.
- Fifty-seven percent of all HAs involved in non-social housing activities own and/or manage market rented accommodation. In terms of numbers of units, HAs own and/or manage more student accommodation than any other form of non-social housing.
- Nineteen percent of all HAs undertake other non-housing activities and services (a majority of which also own non-social housing stock). Most of such activities are closely related either to their core objectives or to internal management requirements. The most important activity is domiciliary care, followed by development and management services. Regeneration, the provision of non-residential units, and corporate services are also important.

- A large proportion of those providing non-housing services, especially non-residential units and development and management services, are large HAs.
- Most HAs embracing a 'wider role' are mainstream mixed funded housing associations, many operating within a group structure. Even so, BME and LSVT HAs are over-represented in the provision of both non-social housing stock and other activities.
- Only 60 HAs are 'diverse' in terms of the Housing Corporation's regulatory definition. – i.e. they own/manage non-social housing and/or provide other non-housing services that together account for more than 5% of their gross turnover or gross capital employed.
- The risks associated with some non-housing activities may be higher than with traditional social housing activities, particularly because they entail additional skills and the development of new sets of relationships with a variety of public and private sector organisations.

¹ This Sector Study compliments Sector Studies 30a and 30b published in May 2004, which gave an account of non-social housing activities and their financial implications. The current study provides more details of these activities and the associated risks, and looks at non-housing services such as care and support for tenants and other organisations. In particular, it examines which HAs (by size and type) are engaging in non-social housing and other non-housing activities, and their relative importance to such HAs. Copies of these reports are available free of charge from www.housingcorp.gov.uk.

1. Introduction and Policy Background

The role of HAs has traditionally been viewed as the provision of 'below market price' housing for those households unable to afford their own housing on the open market. This view does not take account of the wide variety of other activities that HAs are involved in today. Social housing and its providers have always worked in areas, and with tenants, who require much in addition to affordable housing. Housing associations have been well placed within communities to respond to these wider needs.

It has been in the best interest of HAs, as businesses, to invest in building sustainable communities - developing and managing their stock in ways that mitigate possible decline in demand or increases in rent arrears. As a result, HAs have a history of involvement in providing what have come to be called Housing Plus services for their tenants. Practical examples include developing work opportunities by improving and enabling access to employment and training and tackling poverty via activities such as debt counselling and support. This wider role is important in relation to the Government's current priorities in tackling social exclusion. It

also has relevance to the broader community based initiatives such as City Challenge, Task Forces and the Single Regeneration Budget - programmes aimed at tackling inner city and neighbourhood deprivation. Examples include building housing to rent and sell to non-priority need groups such as keyworkers and students, without grant funding.

Some HAs have capitalised on their housing management, development, care and support skills, amongst others, by marketing these services widely, to other organisations in the public and private sectors. All of these activities have an effect on turnover but also benefit tenants and the social aims of HAs by providing surplus funding for Housing Plus and other activities.

The relative importance given to this wider role is reflected in the core position that HAs have been given in **Sustainable communities: building for the future** (ODPM, 2003), for delivering the Government's programme of providing more homes in areas of high demand, regenerating communities in areas of low demand and creating balanced communities.

In response to the increasing range of activities being undertaken by HAs, and some

confusion about what activity was permitted, the Housing Corporation published **Regulating a diverse sector** in May 2000. This provided a general definition of social housing, and also clarified the distinction between activities which are regarded as social housing activities and those which are regarded as non-social housing activities. The objective of the policy was to strike a balance between the proper protection of public funded assets and tenancies and enabling HAs to innovate and respond to the dynamics of their local market. In the first instance, the policy sought to measure the amount of diversification taking place within the sector by providing a regulatory benchmark against which an HA would be deemed to be 'diverse' - an HA is regarded as diverse if 5% or more of its gross turnover is generated from, or 5% of its gross capital is employed in, non-social housing activities.

In May 2004, **Regulating a diverse sector** was superseded by Regulatory Code Good

Practice Note (GPN 9), which broadened the definition of social housing activities to include activities such as regeneration work and domiciliary and social care services (including the provision of services to non-housing association residents provided that at least some of the beneficiaries are housing association residents), reflecting the Corporation's acknowledgement that diversity is fundamental to the sector.

This Sector Study analyses data from the Housing Corporation's Regulatory and Statistical Return (RSR) for March 31st 2003² which included questions on the social and non-social rented housing that individual HAs own and manage and about other non-housing activities and services provided where they constituted a significant part of the HAs overall business profile³. It provides detailed evidence on the wider role of HAs in terms of the non-social housing that they own and manage and the range of non-housing activities that they undertake⁴. The analysis

² This study uses the 2003 RSR data to provide consistency with the two previously published Sector Studies: **Diversification: Non-social housing activities by housing association (30a)** and **Diversification: assessing the effects of the Housing Corporation's policy in Regulating a diverse sector (30b)**. These showed that around 3% of the sector's stock is defined as non-social housing.

GPN9 is consistent with the analysis in this study as the definition of non-social housing remains unchanged, and the non-housing activities and services reported in the 2003 RSR included both social and non-social housing related activities.

³ It should be noted that the information on non-housing activities does not provide a breakdown of 'diversity' in policy terms because in the RSR these activities may include both social and non-social housing related activities. Diversity is actually measured from accounts information.

⁴ The analysis uses data returned in Parts A, B, and D of the RSR in 2003. It focuses particularly on data from Parts B (non-social housing) and D (Other activities and services). All data relates to individual HAs rather than groups, which would also include unregistered subsidiaries. This may mean the total non-social housing activity undertaken within HAs' wider group structures is understated (this is also evident in Sector Study 30a).

identifies the relative scale and importance of these activities, examines variations between HAs of different type and size, and assesses the extent to which HAs are involved in both non-social housing and other non-housing activities.

provision of core social housing and are not let or sold in the same way and at the same rent levels or cost as subsidised social housing. Most of the non-social housing stock is directed at specific gaps in provision – such as student accommodation and at cost rented accommodation.

2. Non-Social Rented Housing Activities

2.1 The numbers

Non-social housing is defined as housing developed, without public subsidy, to meet broader requirements than those that are intended to be met by the

Of the 1,925 HAs that filled in the RSR at 31st March 2003, 281 (15%) owned and/or managed non-social housing rental stock (Table 1), a significant increase from the 8% undertaking such activities in 2002.

Table 1 Non-social housing stock owned and/or managed at 31 March 2003, by activity type

Type	Stock owned by HAs			Stock managed by HAs but not owned			Total no. of HAs providing non-social housing
	No. of owning HAs	Total stock	Average stock holding per HA	No. of managing HAs	Total stock	Average stockholding per HA	
General housing	37	1,000	27	24	1,016	42	61
Keyworker accommodation (employer controlled)	32	4,171	130	9	1,715	191	41
Student accommodation	59	12,679	215	11	3,716	338	70
Specialist housing	51	3,408	67	11	409	37	62
Market rented	125	9,238	74	35	1,577	45	160
NASS contract asylum seeker accommodation	9	168	19	4	3,482	871	13
Other non-social housing	51	3,468	68	20	2,922	146	71
Total	261	34,132	131	93	14,837	160	281

Source: RSR 2003, Part B

Note: An HA can own/manage more than one type of non-social housing stock, therefore figures do not always add up to totals.

- Fourteen percent of all HAs own, and 5% of all HAs manage, some non-social housing stock. Only 20 HAs manage but do not own any non-social housing.
- These 281 HAs own 34,132 (1.9% of total stock and only 1% increase from 2002) and manage 14,837 units of non-social rented housing. The total non-social housing stock owned and managed by HAs (48,969 units) account for 3% of the overall stock owned and managed by HAs.
- Eighty percent of owned units are directly managed by the owning HA.⁵ If not directly managed, then this stock is usually managed by non-HA/LA organisations. Where HAs manage but do not own stock, it is usually on behalf of non-HA/LA organisations.
- In terms of units, HAs own/manage more student housing than any other form of non-social housing and they are also likely to be involved in the provision of market rented housing. Average stockholdings for market rented housing are, however, lower and therefore less concentrated than for student and keyworker housing. The areas that HAs have recently been interested in expanding are key worker accommodation and market rented accommodation, which are likely to have higher risk than other types of non-social housing such as student accommodation and National Asylum Support Sector (NASS) contract asylum seeker accommodation.
- The smallest category of non-social housing that HAs own/manage is NASS contracted asylum seeker accommodation. However, NASS units accounted for almost a quarter of non-social housing units managed on behalf of others, with a small number of HAs managing a significant number of units.

2.2 Implications for the diversity of activity among HAs⁶

For the HAs involved in owning/managing non-social housing stock, this activity, on average,

⁵ Profile of the RSL sector in 2003, Table 12: Management responsibility for total non-social housing owned by type of activity at 31 March 2003.

⁶ Eighty percent of the HAs that own/manage non-social rented housing provided information about the percentages of gross turnover accounted for and gross capital employed in this area of activity (225 HAs or 12% of total HAs). These are HAs that completed the Long RSR: those that owned/managed more than 250 units of rental or shared ownership housing stock at 31 March 2003.

accounts for more than 5% of gross turnover and gross capital employed (Table 2). At first sight this suggests that HAs owning/ managing non-social housing tend to be 'diverse' in policy terms. However, the average hides significant variations at the individual HA level. Individual HA's percentages of gross turnover ranged from 0.02% to 100%, while the percentage of gross capital employed

ranged from 0.01% to 100%. As a result, there are significant differentials between average and median percentages. These large differentials indicate that the overall average values are skewed by some HAs with particularly high percentages. This distribution is reinforced by the fact that 53% of HAs' gross turnover and 58% of HAs' gross capital employed values were below the median.

Table 2 Percentages of gross turnover and/or gross capital employed in the non-social housing rental stock owned/managed by HAs (average and median values)

Type	Gross turnover			Gross capital employed		
	Average %	Median %	Diff b/w average and median (%)*	Average %	Median %	Diff b/w average and median (%)*
General housing	0.8	0.2	0.60 (300%)	0.7	0.00	0.7 (NA)
Key worker accommodation (employer controlled)	3.82	1.00	2.82 (282%)	1.49	0.70	0.79 (112%)
Student accommodation	5.52	1.53	4.00 (262%)	4.36	0.59	3.77 (369%)
Specialist housing	7.13	3.19	3.94 (123%)	3.00	0.65	2.35 (362%)
Market rented	3.66	1.00	2.66 (266%)	3.44	0.72	2.72 (378%)
NASS contract asylum seeker accommodation	1.49	0.00	1.49 (NA)	0.31	0.00	0.60 (NA)
Other non-social housing	2.29	0.18	2.11 (1172%)	2.11	1.23	0.88 (72%)
Total non-social housing	7.55	2.60	4.95 (191%)	5.96	1.80	4.16 (231%)

Source: RSR 2003, Part B (Long RSR only)

Note: 1. The average values are not weighted.

2. * Figures in brackets show the differential as a percentage of the median value.

The overall values also hide the fact that there is variation between non-social housing activities of different types (Table 2). As separate activities, specialist and student housing accounted for more than 5% of the gross turnover of all HAs involved in the provision of those types of accommodation. These activities also have relatively high average percentages of capital employed compared to other non-social housing activities.

2.3 Profile of HAs engaged in non-social housing provision

(i) Size of HAs

Even though large HAs accounted for only 12% of all HAs that completed the RSR at 31 March 2003, 79% of the non-social housing stock was owned by HAs of this size⁷. Further, they account for 46% of those that own non-social housing and 51% of those that manage non-social housing (Table 3). As the size of an HA increases, so too does the average stockholding of non-social housing. However, only in the case of the stock profiles of HAs with over 101 units, is non-social housing of above average significance to that HA⁸.

⁷ **Profile of the RSL sector in 2003**, Table 6: Breakdown of non-social housing rental stock by activity and size of RSL (total stock owned) at 31 March 2003.

Throughout this report a small HA is classed as an HA owning or managing less than 250 units; a medium-sized HA owns or manages 250-2,500 units; a large HA owns or manages 2,501-10,000 units; and a very large HA owns or manages more than 10,000 units.

⁸ **Profile of the RSL sector in 2003**, Table 21: Social and non-social housing as a percentage of total housing owned by size of RSL (total stock owned) at 31 March 2003.

Table 3 HAs engaged in non-social housing stock and other activities, by size of HA (total stock owned)

Size	No. of all HAs (%)	No. of HAs that own/ manage non-social housing	No. of HAs that own non-social housing	No. of HAs that manage non-social housing	No. of HAs involved in other non-housing activities	No. of HAs involved in other non-housing activities that % gross turnover and % gross capital accounted for more than 5%
0	137 (7%)*	3 (1%)	0 (0%)	3 (3%)	43 (12%)	33 (19%)
1-5	83 (4%)	0 (0%)	0 (0%)	0 (0%)	1 (0%)	1 (1%)
6-25	601 (31%)	17 (6%)	17 (7%)	2 (2%)	12 (3%)	3 (2%)
26-100	438 (23%)	21 (7%)	19 (7%)	5 (5%)	34 (9%)	22 (13%)
101-250	174 (9%)	28 (10%)	28 (11%)	4 (4%)	43 (12%)	32 (18%)
251-1,000	157 (8%)	43 (15%)	37 (14%)	17 (18%)	59 (16%)	29 (17%)
1,001-2,500	104 (5%)	40 (14%)	40 (15%)	15 (16%)	48 (13%)	18 (10%)
2,501-10,000	202 (11%)	107 (38%)	100 (38%)	39 (42%)	112 (30%)	27 (16%)
Over 10,000	29 (2%)	22 (8%)	20 (8%)	8 (9%)	17 (5%)	8 (5%)
Total	1,925	281	261	93	369	173

Source: RSR 2003, Parts A, B and D.

Note: * Figure in brackets is the % of the total. Due to rounding, percentages may not add up to 100.

Over half of those HAs that provided financial information are large, but only a small proportion employed over 5% gross capital or derived over 5% of turnover from non-social housing. By contrast, medium sized HAs, those that own between 251 and 2,500 units of total stock, account for 21% of all HAs that provided financial information, but they appear to be more diverse in Housing Corporation policy terms. Over a third of medium sized HAs reported that non-social housing accounts for more than 5% of their gross turnover and over a fifth have more than 5% of their gross capital employed in non-social housing activities.

Thus, large HAs are disproportionately important in terms of the proportion of non-social housing being provided. However, from the point of view of these HAs, non-social housing activities are relatively unimportant. For small and medium sized HAs, the position is the opposite – they account for a relatively small proportion of the total, but are relatively more specialist in these types of provision. Indeed, non-social housing accounted for more than 75% of gross turnover in only

four HAs, one of which is large and three of which are medium in size. Similarly, only three HAs have more than 75% of their gross capital employed in non-social housing and within these, two are medium HAs and only one is a large HA.

(ii) HA type

Both LSVT and parent HAs of group structures are over-represented in the profile of HAs that own and manage non-social housing stock (Table 4). The analysis shows that overall, the 80 parent HAs own a significant proportion of the total non-social housing stock (45% of owned units). This is reflected in the fact that the average stockholding per parent HA is 205 units compared to the overall average of 131 units for all owning HAs. Within the non-social housing category, parent HAs own over half of the total stockholding in key worker accommodation, specialist housing and NASS contract accommodation. Parent HAs are even more over-represented amongst those HAs that manage non-social housing on behalf of others. In contrast, BME HAs and LSVT HAs own only small proportions of non-social housing stock⁹.

⁹ The Housing Corporation only identifies as LSVTs, those HAs specifically set up to take local authority transfer stock. This includes all whole and partial stock transfers to new HAs created for that sole purpose. This may have the effect of understating LSVT activity if, for example, an LSVT HA forms a group structure, as the parent and any associate or subsidiary bodies would not be classed as LSVTs. Similarly, if an LSVT HA joins the group structure of a traditional HA as a separate body, it would remain an LSVT.

Table 4 HAs engaged in non-social housing and other activities, by type of HA (number)

	Type of HA				
	BME	LSVT	Parent	Others	Total
Total no. of HAs	63 (3%)	171 (9%)	169 (9%)	1,522 (79%)	1,925 (100%)
No. of HAs that own/manage non-social housing	6 (2%)	58 (21%)	80 (28%)	137 (49%)	281 (15%)
No. of HAs that own non-social housing	6 (2%)	54 (21%)	76 (29%)	125 (48%)	261 (14%)
No. of HAs that manage non-social housing	3 (3%)	17 (18%)	34 (37%)	39 (42%)	93 (5%)
No. of HAs involved in other non-housing activities	16 (4%)	73 (20%)	110 (30%)	170 (46%)	369 (19%)
No. of HAs involved in other non-housing activities where more than 5%	8 (5%)	18 (10%)	60 (35%)	87 (50%)	173 (9%)

Source: RSR 2003, Parts A, B and D.

3. Other Non-Housing Activities and Services Provided by Housing Associations

Other non-housing activities and services are broadly defined as those that are not intrinsic to a housing association's role as a landlord. Nineteen percent (369 HAs) of all HAs that completed the RSR in 2003 indicated that they provide additional services and undertake other non-housing activities. Of these, 49% (173 HAs or 9% of all HAs) provided further information because these activities and services accounted for more than 5% of their gross turnover and/or 5% of gross capital employed

during the year, or did so when combined with their non-social housing activities.

3.1. Other non-housing activities provided by type of activity

The 2003 RSR asked HAs to provide information about their non-housing activities under five very broad categories or as 'other' with further details. The categories identified are:

- 1. Development and management services:** those directly related to the development, sale, letting or management of properties

- for others, e.g. private and commercial lettings, facilities management, architecture, landscaping and housing needs services.
2. **Corporate services:** those fundamental to the operation of another organisation's business, e.g. administrative and financial services, IT, human resources, PR and marketing, policy and research, health and safety, and legal services.
 3. **Domiciliary care and support services:** personal care and support services delivered to non-supported housing tenants, e.g. outreach, resettlement, care and repair, lifelines, carelines and community alarms, day centres, meals and lunch clubs.
 4. **Regeneration and community development:** those with the aim of social and community investment, e.g. activities to reduce social and financial exclusion - credit unions and insurance with rent schemes, youth work, training and employment.
 5. **Non-residential units:** where a rental income is generated, e.g. offices, shops, garages, holiday homes and hotels.

Table 5 shows that a large number of the HAs provide what they consider to be 'other' services. However, when the 'other' category is analysed by activity type, the vast majority (96%) in fact fit into the broad categories provided. Examples of these 'other' activities include: charity shops (non-residential units), child nursery provision (domiciliary care and support), company secretary (corporate services), detached youth work project (regeneration and community development), to name but a few. Only eight of these activities cannot be re-categorised¹⁰. Re-categorisation does not change the pattern of involvement by activity type. HAs are most likely to be engaged in the provision of domiciliary care and support services (Table 5). This reflects their role in delivering services under Supporting People – a third of all provision between April and December 2003 was delivered by HAs¹¹.

¹⁰ 'Other' activities include: agricultural; charitable activities; consultancy; miscellaneous; non-residential services; other; sundry activities; and, trading subsidiaries' activities.

¹¹ **Supporting People: The Client Record System.** Client Record Office, JCSHR. April 2004.

Table 5: The number of HAs providing services by category

Type of service	Total number of HAs (as reported)	Total number of HAs (re-categorised)
Development and management services	51	69
Corporate services	43	51
Domiciliary care and support services	62	94
Regeneration and community development	36	51
Non-residential units	28	52
Other	105	8
Total no. of HAs	173	173

Source: RSR 2003, Part D (short and long combined)

Note: HAs can provide/be involved in more than one service or activity, so columns do not add up to the total (173).

Development and management services make up the second most important category, followed by corporate services, regeneration and non-residential units. Each type of activity contains different levels of risk. For example, development and management services and non-residential units involve higher risk than corporate services, which HAs mainly provide to other HAs within their group structure. This is partly because the former activities involve organisations which have no bailout system or safety net as compared to those provided to other HAs. To understand their importance it is useful to clarify

for whom the services were provided (Table 6).

Overall, HAs are most likely to provide non-housing services to their own tenants or local communities, reflecting the importance of domiciliary care and support services. Regeneration and non-residential units clearly help the whole community. HAs are most likely to provide development and management services to other organisations. Non-residential units are also provided to other organisations – although more usually to their own tenants and the local community.

Table 6 Breakdown of other non-housing activities provided by HAs, by service user type (number of HAs)

Type of service	Own tenants or the local community	Within the same group structure	Other organisations	Total no. of HAs*
Development and management services	18	28	37	69
Corporate services	6	34	19	51
Domiciliary care and support services	80	9	44	94
Regeneration and community development	42	9	16	51
Non-residential units	30	7	26	52
Other	7	1	3	8
Total *	118	45	90	173

Source: RSR 2003, Part D (short and long combined)

Note: * Some HAs provided the same service to more than one type of organisation, therefore the figures do not add up to the total (173).

Development and management services are more likely to be provided to other organisations than to their own group, but the pattern is the opposite for corporate services. However, about a quarter of HAs that provide development and management services also provide corporate services – the majority of these HAs (70%) are parent HAs. The most likely providers of corporate services to other HAs within the same group structure are also parent HAs.

3.2. Non-housing activities and diversity

Other non-housing activities are more significant to the gross turnover of HAs than to their gross capital employed. This

directly relates to the fact that the provision of services is not necessarily linked to bricks and mortar or capital assets in the same way as non-social housing is (Table 7). The overall average percentage of gross capital employed by these HAs in other activities appears to be skewed by a small number of HAs with very high values, to a greater extent than the gross turnover value.

Although far more HAs are involved in domiciliary care and support services than in any other activity, corporate services and development and management services dominate in financial terms. This relates to questions of scale.

Table 7 Breakdown of non-housing activities that HAs provided, by gross turnover and capital employed (after re-categorisation)

Activity Type	Gross turnover			Gross capital employed		
	Average %	Median %	Diff b/w average and median (%)*	Average %	Median %	Diff b/w average and median (%)*
Development and management services	15.27	6.8	8.47 (125%)	12.83	4.00	8.83 (221%)
Corporate services	31.17	16.00	15.17 (95%)	8.22	0.00	8.22 (NA)
Domiciliary care and support services	5.73	3.5	2.23 (223%)	0.25	0.00	0.25 (NA)
Regeneration and community development	10.41	5.00	5.41 (108%)	0.46	0.00	0.46 (NA)
Non-residential units	5.4	2.5	2.90 (116%)	2.94	0.00	2.94 (NA)
Overall average	29.45	12.3	17.15 (139%)	22.3	2.84	19.46 (685%)

Source: RSR 2003, Part D (short and long combined)

Note: 1. HAs may provide the same services to more than one type of organisation.

2. * Figures in brackets show the differential as a percentage of the median value.

3.3. Profile of HAs providing other non-housing services

(i) HA size

Table 3 shows that generally, as the size of HA increases, so too does the likelihood that it provides other non-housing services. Whereas 59% of very large HAs (those with over 10,000 units) and 55% of large HAs (those with 2,501-10,000 units) provide these services, only 1% of small HAs with 1-5 units and 2% of those with 6-25 units do so. An exception to this rule is HAs with

no stock – normally parent HAs - 31% of this category provide other services.

Much the same pattern can be found when measured in financial terms, i.e. HAs whose non-housing activities account for more than 5% of their gross turnover or gross capital employed. HAs with no stock become even more important on this measure: a fifth of these HAs own no stock and just over a fifth are large HAs with over 2,500 units. Notably, the large HAs account for 61% of

those providing non-residential units, 31% of those providing development and management services, and 30% of those providing regeneration and community development services. However, HAs with 101-2,500 units are also over-represented at almost double their relative importance within the total population of HAs (Table 3).

(ii) HA type

Table 4 shows that in comparison with the overall profile of HAs, BME, LSVT and parent HAs are over-represented in the profile. Almost a third of the HAs involved in non-housing activities are parent HAs (while it only accounts for 9% of the overall profile), a fifth are LSVT HAs (compared to 9% of the overall profile) and 5% of BME HAs are involved in non-housing activities (compared to 3% of the overall profile)

Amongst those HAs whose other services account for more than 5% of gross turnover or capital employed, BME and parent HAs are also over-represented. Parent HAs are most likely to provide corporate services which are likely to involve high percentages of gross turnover and capital. A quarter of LSVT HAs have percentages of gross turnover and gross capital over 5%.

4. The Wider Role: Who does both; Who is diverse in regulatory terms?

One hundred and forty five HAs (7% of all HAs) not only own/manage non-social housing, but are also involved in non-housing services and activities: over half the HAs that own/manage non-social housing, and 84% of those that provide other non-housing services. Of these, 60 HAs (41%) own/manage non-social housing and provide other services that together account for more than 5% of their gross turnover or gross capital employed. This suggests that around 3% of all individual HAs are likely to be 'diverse' in terms of the Housing Corporation's policy.

4.1. Ownership and/or management of non-social housing stock

The 145 HAs that are involved in both types of activity own 52% of the total non-social housing stockholding and manage 67% of all non-social housing stock managed on behalf of others (62% of all stock in ownership/management). The patterns of ownership and management in terms of size and type are largely comparable to those in the total non-social housing stock.

These HAs are more likely to directly manage the non-social

housing stock that they own than the average for all HAs; 82% of their non-social housing stock is directly managed compared with 74% of all stock. Where owned stock is not directly managed, it is most likely to be managed by a non-HA/LA organisation. Also, HAs that manage non-social housing stock they do not own are most likely to do so on behalf of non-HA/LA organisations.

This pattern of ownership and management of non-social housing stock is similar between those with relatively small involvement and the 60 'diverse' HAs.

4.2. Other activities and services¹²

The 60 'diverse' HAs are most likely to provide non-residential units, followed by development and management services. Such HAs are least likely to provide services within a group structure – they are provided to their own tenants and local community as well as to other organisations.

4.3. Diversity in regulatory terms

In regulatory terms, the wider role of HAs is defined as significant amongst the 60 'diverse' HAs. On average, these activities account for 18.4%

of their gross turnover, with individual percentages that range from 2.6% to 91.5%. The median value within this range is 10.8%, well above the Housing Corporation's 5% threshold figure for measuring diversity. The wider role also accounts for 8.2% of gross capital employed overall by the 60 HAs. Individual percentages of gross capital employed, from which this average is derived, range from 0.03% to 80.2%. However, the median value within this range is 2.73%, which is below the 5% benchmark. Therefore, while the overall averages are clearly skewed upwards by those HAs with very high values, the median values, particularly in the case of gross turnover, would appear to support the conclusion that these 60 HAs are 'diverse' in terms of the 5% threshold.

4.4. Profile of diversity by type and size of HA

(i) HA type

The profile of the 60 'diverse' HAs by type is very different to both the total population of HAs and the profile of those providing non-social housing and other non-housing activities separately (Table 4). LSVT HAs are most likely to be 'diverse' HAs – 17% of all LSVT HAs (29) compared with

¹² Of the 145 HAs that provide both non-social housing and other services, only 60 provided a breakdown of other activities in terms of service type and financial values. These are the 60 where their activities met the 5% threshold on reporting.

6% of all BME HAs (4), 2% of all parent HAs (3) and 2% of all other mainstream HAs (24). BME and LSVT HAs are particularly over-represented, accounting for 7% and 48% of 'diverse' HAs compared with 3% and 9% of the overall population of HAs respectively. In contrast, parent and other mainstream HAs are under-represented, accounting for 5% and 40% of 'diverse' HAs compared with 9% and 79% of the total population respectively. Even so, other 'diverse' mainstream HAs own a larger percentage of the total non-social housing stock than the LSVT HAs (12% compared with 9% owned by LSVT HAs).

(ii) HA size

Generally, as the size of HA gets bigger, the likelihood of it being diverse increases. In comparison to the profiles of the total population of HAs, HAs that own/manage non-social housing and those that provide other non-housing services, medium and large HAs are over-represented amongst HAs that provide both non-social housing activities and non-housing services. Around two thirds of the 'diverse' HAs are large (own over 2,500 units of total stock) and almost a third are medium (own between 250 and 2,500 units).

5. Conclusions

This Sector Study provides a picture of the extent to which each type and size of HA is involved in non-social housing and non-housing activities. The analysis shows that in terms of total stock and overall activities, non-social housing and non-housing activities are still not very significant.

However, the proportion of HAs involved in non-social housing activities has increased from 8% in 2002 to 15% in 2003, and nearly half of these also provide other non-housing activities and services.

While large HAs feature more prominently in these activities, this wider role is often financially more important to medium sized HAs. Equally, while the vast majority of these activities are undertaken by mainstream traditional individual HAs, parent HAs within a group structure, LSVT HAs, and BME HAs are significantly over-represented.

The growth in wider activities can be seen as a response to various government policy initiatives to meet the broader needs of tenants and partners, to tackle social exclusion and urban deprivation, and to enable sustainable communities. They can also be seen as highlighting

the extent to which the HA sector is increasingly innovative, and has been able to capitalise on its own expertise

However the different activities in which housing associations are becoming involved have different impacts on the risks faced by the HAs. Some may enable the effective use of economies of scale and the realisation of synergies between different types of provision; others depend far more than traditional social housing on market factors; all involve new skills and relationships.

In particular, some aspects of the HAs' wider role are directly associated with the growth in the importance of group structures – which can mean that cost effective operations entail purchasing services from other group members. This is reflected in the increasing importance of corporate services and development and management services and should help to improve financial sustainability.

On the other hand, increasing the range of activities especially where they involve working with other types of organisation outside the HA sector, may involve a wider range of skills. In particular, the provision of domiciliary care and support services and regeneration

and community development services may be considered as complementary to the HA's traditional role as a social landlord. However they also entail an increasing range of business relationships with less familiar organisations, which by their very nature entail higher risk than, for example, the provision of corporate services.

At the time of this study only a small proportion of HAs are 'diverse' in policy terms, underlining the fact that the HA sector's core activity remains the provision of social housing for rent and sale. Even so, the extent to which an increasing number of housing associations are becoming involved in a rapidly growing range of activities and the increasing level of these activities suggest the need for greater sophistication in management, monitoring and regulation.

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