DTP VIEWS

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What does the future hold for social housing?

– David Tolson, Managing Director, DTP

Crystal ball gazing is by its nature fraught with difficulties. Given "the future is unwritten", who would make predictions in writing before it's happened? On the other hand, as the fan who placed a bet last year on Leicester City winning the Premiership at odds of 5000-1 will know, it can occasionally pay off.

I can't claim my views on the future of housing will certainly come to pass – and I'm definitely not heading to William Hill anytime soon – but I am sure of the basic direction housing associations seem to be heading in at present. Where exactly they will all end up is perhaps less easy to predict.

My main prediction is that we will no longer be able to talk of a single coherent housing sector in the future. In some ways, the sector has been diverging since the mid 1990s, when the first wave of stock transfers began. But that pulling apart is now accelerating and I think we've reached the point of no return.

What we are seeing is three distinct types of organisation emerging. And one kind has been of particular interest to the team here at DTP in the last few years.

Firstly, there are the RPs which are becoming more and more commercial organisations. Given their generally larger nature there are less of these but they will undoubtedly be major players in the housing world of the future. These behemoths will, to all intents and purposes, be commercial organisations which happen to have a housing focus.

Then there are the organisations which will focus on development. These similarly larger organisations will have the borrowing muscle to raise significant amounts of cash, and their raison d'être will be bricks and mortar. Given how much the Government wants more homes built, these organisations will no doubt prove very popular in Whitehall. They will certainly get more attention.

So what does that leave us with? Well, it leaves quite a large number of organisations for whom the above approaches just aren't desirable or feasible. They simply aren't big enough to attract funding to build significant amounts of new homes, and the commercial world just isn't for them. I think most, but not all of these, will trundle along as they were. Many, but again not all, will be LSVTs.

DTP certainly has on its radar a number of organisations which are far from content with trundling along. And it's been exciting in the last few years to work with them as they explore ways to take a more holistic view of what they do and how they serve their local communities. Business as usual isn't in their thinking and we are seeing some real innovation which is genuinely inspiring.

These RPs are taking the opportunity, created by a period of flux, to redefine themselves as broader social businesses. That means having a wider focus on their local community – not just housing. But it's how some of them are doing it which is interesting.

A number of housing associations we have worked with are exploring ways they can bring into their business local commercial and charitable organisations which are engaged in the business of improving people's quality of life. That encompasses quite a broad spectrum of organisations – from a charity winning contracts to tackle worklessness to a small commercial drug and alcohol treatment businesses. This means fully acquiring these organisations so they become a formal subsidiary of the parent RP, and generally this has involved organisations which they have already worked with.

What these acquisitions do is allow both businesses to spread their costs – so there are straightforward bottom line benefits from the outset. It also puts them in a stronger position to bid for and win contracts as lead providers – such as the government's work programme, for example.

There are certainly challenges for both organisations involved – and that's where we have been coming in. Top of the list is of course the implications for governance – and we're helping several organisations to grapple with this and to make the new structure work. It's also about getting it right from the outset and sometimes that involves starting out from first principles with the organisation being brought into the fold. That means talking to them about how housing associations operate and how becoming a subsidiary would work. If both parties agree to proceed then it's our job to manage the whole process.

Initially, the focus is on setting out the benefits both parties want to achieve and addressing any issues which are of concern. A statement of intent is then put together, governance and financial arrangements agreed and a business case set out. Any legal work is then determined and carried out before we work on the final due diligence checks. After that there's little else which should stand in the way; acquisition goes ahead and there's no going back.

I've seen some very successful partnerships come to fruition in this way in the last few years and expect to see more in the years ahead. Ultimately, the biggest factor driving how many will make the leap is risk – and the attitude to it. But calculated risks can often lead to the biggest rewards. I'm certain, however, that the odds of success won't be of the Leicester City variety – and from the experiences of the organisations we've worked with, they may well be the kind of risks worth taking.