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Financing affordable social housing in the UK; building on success?

By Peter Williams and Christine Whitehead

1. Introduction

Housing associations [HAs] now provide some 10% of the total housing stock in England and have become the majority providers, overtaking local authorities, in the last few years in terms of both total number of homes and the scale of new development. They are non-profit organisations, usually with a mission to provide affordable housing for lower income and other vulnerable households. They have existed in one form or another for at least two centuries. However, they became important in housing provision only in the 1970s when the UK government began to offer considerable capital subsidies so that they could expand their levels of investment using their own capital and government finance.

Thereafter the next big change came in 1988 when the Conservative Government moved to restrict borrowing by local authorities and decided only to support new investment by HAs within a new funding regime. This involved enabling HAs to set their rents to cover costs and at least balance their budgets and then to borrow on the private finance market against these rents. Capital grants were provided to ensure that rents remained affordable and building was concentrated in areas of need – but increasingly associations had to compete for that grant by offering more for less. Over time the rate of grant from government has fallen from over 90% and sometimes higher before 1988 to usually well below 25% now. Indeed new HA building now often involves no direct government subsidy at all but is funded from HA reserves and private borrowing.

The regime put in place in 1988 had a number of safeguards including strengthening the regulatory framework to control standards and meet prudential targets. Most importantly income related housing allowances, now called Housing Benefit, provided a safety net for tenants and made the income stream for landlords secure. Although there have been many policy changes over the succeeding decades, as well as increasing complexities in financing mechanisms, this framework has fundamentally remained in place to this day.

A very different part of the market also set in place in the mid-1980s was the 'privatisation' of local authority housing through large scale voluntary transfers of their housing stock[1]. Under this regime local authorities could propose a transfer to a new organisation (usually a housing association and normally created from the local authority housing department) 100% funded by private finance. The price of the transfer was based on the projected income stream – taking account of projected rents and tenants' preserved right to buy offset by the costs necessary to bring the housing stock up to a decent standard. Tenants had the casting vote about such transfers based on rents and other conditions set for the first five years. This transfer process enabled the improvement of the stock which had often become run down during the previous decades and it usually involved a positive cash transfer to the Treasury.

Thus the mid-1980s saw the Government put in place a financing and regulatory regime which potentially involved much reduced direct government subsidy while at the same time achieving large programmes of investment both in new-build and the existing stock. This was made possible by developments in the private debt finance market.

In this article Peter Williams and Christine Whitehead look back at the use of private finance to support social housing provision in the UK (and mainly England[2]) since 1988 and discuss how this market might evolve in coming years. Part of this discussion derives from the findings of regular seminars hosted at the London School of Economics on an annual basis from 1989 to 1999 where stakeholders discussed the evolution and development of the private finance regime to the point where funding affordable housing had become a mainstream activity. It draws in particular on the presentations and discussion at two later seminars, one in September 2009 when the global financial crisis was still at its height and the other in September 2014 when the system was beginning to move towards the 'new normal' both in terms of housing policy and financial regulation.

2. The evolution of the private finance regime

Over the 26 years since 1988 it is clear that the private finance regime has evolved from an infant industry which had to be nurtured by government to one which is very much in the mainstream with credit rated housing associations and intermediaries raising bond and debt finance at historically low rates of interest for a wide range of activities that support the provision of social and affordable housing.

In the early days HAs were reliant almost entirely on retail borrowing. In addition the government and regulator funded (with £7 capital) an intermediary – The Housing Finance Corporation [THFC] – which could act as an aggregator to raise bond finance mainly for larger associations. However because of the organisation's extremely limited capitalisation this could initially only operate at a small scale.

[1] As distinct from the Right to Buy introduced in 1980 which allowed individual local authority tenants to buy their homes at a discount. Around 2.5 million homes across the UK have been sold under this policy.

[2] The regimes for English and Welsh associations were very similar, albeit of a different scale. The regimes in Scotland and Northern Ireland were somewhat different.

The debates at the regular LSE seminar in the early years were almost entirely around the question of whether the debt finance was in actuality guaranteed by government. The legal position was straightforward – there was no guarantee. However the Housing Corporation – which acted both as the provider of government funding (technically in the form of a loan) and as the regulator, took only a second charge – protecting the private finance providers from most of the risks associated with lending to the sector. In addition the Corporation as regulator was in a position to restructure associations if problems did occur. Finally, income-related subsidies in the form of housing benefit provided a large proportion of the rental stream. In reality therefore this was a pretty low risk market (Pryke and Whitehead, 1991, 1994, 1995; Bramley in Turner and Whitehead, 1993).

Even so, in the early years the interest rates charged were some points above the LIBOR rate so the system appeared quite costly. However rents were enabled to rise in such a way that reserves were built up (Chaplin et al, 1995) and experience grew to the point that ten years later interest rates for private loans were comparable to those found in the only other major social housing finance market which was fully guaranteed by government, the Netherlands (Priemus, 1999). These rates were sometimes as low as 30 basis points above LIBOR and showed very little variation between associations whatever their scale of operation, financial strength and level of borrowing (Whitehead, 1999).

Thus, over the first decade the market grew rapidly and clearly became an important and healthy segment of the UK housing finance market. This position only started to change with the global financial crisis and the austerity and financial restructuring packages brought in under the Coalition government (Whitehead and Williams, 2011).

The development of the social housing finance market remains the biggest privatisation in the UK with total funding now in the region of £59 billion in England alone with funding forecast to grow by a further £25 billion to 2019, up £14 billion in net terms (see the annual Global Accounts[3] produced by the regulator the Homes and Communities Agency – the successor body to the Housing Corporation).

Since 2008 the debt market has changed considerably with a number of mergers and withdrawals from the sector. The number of large active lenders is now down to 5 with a further 10 lenders active in the market (and a total of 28 lenders having lent to the sector).

Importantly, many bank loans from the late 2000s are now unprofitable resulting in a pressure from lenders to re-price when opportunities arise. Loan terms have shortened from 30 years to 10 years and the interest charge has risen from 25-50 basis points (bps) plus LIBOR to 130 to 200 bps. As the HCA report notes with respect to housing associations in England (HCA, 2015);

> 'Increasingly, providers are using revolving credit facilities for short-term needs, combined with capital market funding for the longer term. These facilities add extra flexibility in terms of cost and security use to the relationship benefits of bank funding. However, the bank market is not in most cases meeting larger providers' need for longer term funding. As a result, the basic treasury model of the sector is changing, introducing new tiers of short- (overdraft and revolving) and medium-term facilities to long-dated debt from existing bank facilities and the capital markets. This will in turn increase the refinancing needs of the sector in the next 10 years as both new and existing loans expire together'

This evolution has gone further with associations raising finance via private placements with insurers, retail bonds issued and now crowd funding being deployed. It is clear that the era of bank debt dominance at least in terms of new funding is over and that the landscape is now much more diverse. Because of the very large back book, bank debt will continue to be the largest source of funding at least for some years but that position will evolve especially in the light of growing dependence on bond finance.

Bond market issuance via the capital markets is now the resurgent source of funding. In 2013/14 some £2.9 billion of bonds was issued by associations in the debt capital markets, exceeding the £2.5 billion raised via bank debt. The first private finance was via the bond market in 1987 and this market is now growing and evolving too. An increased range of institutions are buying paper and via a variety of instruments and structures. Typically there are pension and life funds looking to match long-dated liabilities with an index-related income stream. A further £500 million was raised through private placements. The size of the bond issuance has reduced. The smallest issue in the year at £25 million had an all-in cost only slightly higher than larger issues. There were 2 benchmark issues of £250million or more and a further ten of over £100 million. Pricing of these issues was between 95bps and 140bps over gilts (Government bonds) with terms mainly between 30 and 35 years. This relatively narrow range is also reflected in provider credit ratings, which are all between A and Aa3. There were some 'club' issues where a group of associations combine their funding needs.

There continue to be debates as to the advantages and disadvantages of bank debt or bond finance with some arguing that bond financing lacks flexibility, is more complex and more costly in terms of expensive arrangement processes and higher exit costs. However the pricing can be attractive, funds are available and the loan terms are long, which gives associations considerable certainty with respect to their funding costs. Ultimately most large to medium sized associations seek to have a balanced portfolio of loans – short and long term, fixed and variable rate and bank debt and bond

During the last 3 years the Government in England has embraced the concept of loans and guarantees as distinct from grant. Driven by a shortage of public money and the fact that loans and guarantees score differently than grant in public expenditure terms, 2013/14 saw the first government guaranteed debt made available to providers under the Affordable Homes Guarantee Programme through a subsidiary of THFC. The guarantee backed a £500 million loan from the European Investment Bank [EIB] for on-lending to providers. This subsidiary has subsequently issued its own bonds. The combination of the government guarantee and EIB's AAA rating resulted in very low on-lending rates to providers, at around 40bps over gilts. This funding source is only available for new development.

The sector remains an attractive lending prospect for both banks and capital markets, with a strong asset base, predictable income streams and government support through Housing Benefit and regulation combining to produce favourable pricing. Despite the changes discussed earlier, the availability of debt through capital market finance has continued into 2014/15, with the fall in the gilt rate triggering further reductions in the cost. Over half of new debt raised was via this route. The Guarantee Programme referred

[3] See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/414362/Global_Accounts_2014_Full.pdf.

to above was a new departure for government-linked financing to the sector, while a small number of local authorities have on-lent from their Public Works Loan Board facilities.

3. Looking back

As is clear from the discussion above, by the end of the first decade after 1988 the market was pretty mature. The actors understood the nature of the product and the risks – and there was little point in regular discussion around a well operating system. Although there have been a number of 'incidents' over the years, the decade from 1999 was mainly one of steady growth with the only major concerns being how to expand social sector housing output and to substitute for declining grant. The market had experienced minimal losses and there had been only one insolvency. Lenders had to work hard on occasions to defend their interests and government had taken a long while fully to engage with the reality of having strong private sector partners in the shape of lenders. But the system seemed strong and functional.

3.1 The position in 2009

Then everything changed. The seminar in September 2009 was convened in an environment of massive financial uncertainty – where the worst initial effects of the Global Financial Crisis [GFC] had been addressed but most borrowing markets remained fundamentally closed.

When the seminar was convened in 2009 we concluded in our report (see footnote below[4]) that a new era was emerging in contrast to the picture of almost continuous growth over the decades from 1988. We drew parallels with the situation in 1988 citing the following;

- Low levels of activity; rising grant rates;
- Limited capacity for leverage with few lenders with an appetite for lending;
- A growing interest in bonds as a means of funding rather than debt;
- A discussion of the potential for equity investment;
- A government that cut back heavily on public expenditure once the economy recovers and interest rates move back to 200 bp above LIBOR.

We noted that the number of lenders active in the sector had declined – there were fewer than 10 lenders (with a strong regional lender in both Scotland and Wales) with market conditions working against major new entrants and product innovation. Equity investment in associations has been rejected by government as a way forward, although individual associations were setting up joint ventures with the private sector. We also noted the important changes taking place in both the investment and regulatory frameworks which in the end proved short-lived – the Tenant Service Authority set up in 2008 to take over the regulatory functions of the Housing Corporation. These were then transferred to the Homes and Communities Agency (which had taken over the Corporation's investment functions in 2008) in 2012 when regulation was also scaled back to focus only on finance and governance.

The credit crunch had significantly affected the situation. The shortage of funds had changed the dynamics of the market place with associations in a more vulnerable position than they had been previously, given the falls that had taken place in property prices and sales. In particular a number of associations were exposed to the near closure of the private housing sales market because of their involvement in shared ownership (a part rent/part buy product) which was used by them to provide cash flow and build reserves to expand investment. Some of these problems were being addressed by the Kickstart programme bringing forward capital grants and so enabling investment activity to be maintained – but that in itself puts further pressure on borrowing.

Overall the risks were higher and the demand for funding was less predictable. In our assessment there was a discussion about associations refocussing on social rented provision secured with higher grant. In reality that did not happen, indeed the government stepped back from the provision of social housing and introduced 'affordable rents' – pressuring associations to move to develop these homes with less grant and higher rents (80% of market rather than 40% of market which is what social rents are). The government's focus was on getting associations to be part of the process of helping restart the housebuilding industry after the downturn.

So in 2009 we had some understanding of the issues that were likely to impact on price and availability of social housing finance but very little about how much would be required and the extent to which subsidy would be available. However the fundamentals remained. Associations who were in the market for borrowing (remembering that this was a small minority of the total number, i.e. those with an active development programme) still had strong balance sheets which would in normal times make borrowing relatively easy. Housing benefit remained available for all tenants on low incomes and because of the emphasis on accommodating vulnerable households this meant government was providing around half of all rental income to associations. There was plenty of leeway to increase rents if necessary in most areas. The regulator still acted to ensure stability in the market and to address specific difficulties such as arose from certain more sophisticated financial instruments (interest rate swaps to cover fixed rate borrowing) and government subsidy remained a second charge. Overall, there was a great deal of uncertainty but also some optimism.

3.2 The position in 2014

At the seminar in September 2014 some of these uncertainties had been resolved but others had emerged significantly because of the reduction in capital grants; the move towards affordable (80% of market) rents and welfare reform. The coalition government cut grant funding for the period from 2010 to 2015 to £4.5 billion from which they expected some 170,000 units based on a new affordable rents policy which would require rents to be set at up to 80% of market levels. This had significant impact on HA development programmes and plans (CCHPR, 2013)

They also, for the first time, implemented welfare policies which (at the margin) removed the certainty that social rents would be covered by housing benefit. A welfare cap was introduced which limited the maximum an individual household could claim to roughly the median earned income (£500 per month for a family). This has had very little impact on rental income but has generated additional costs in supporting the small number of social tenants affected. More importantly from the point of view of rental income and management of the stock tenants are now 'charged' for bedrooms above the number deemed appropriate for their household size and structure (DWP Select Committee, 2014).

In combination these have impacted upon associations in a variety of ways depending in part on the markets they are serving. Overall capital funding to the sector has been cut by 50%. Although the take up of the 'affordable' rent programme is increasing (the number of new affordable rent homes rose from 928 in 2011/12 to 40,636 in 2014/15, it is at best a partial and

[4] See http://www.thfcorp.com/docs/news/LSE%20Development%20and%20Change%20background%20paper-%2029%206%2009.pdf.

limited solution. Rather ominously new homes built for social rent fell from 36,713 in 2010/11 to 6,192 in 2014/15 – although there will be a very large one-off increase in 2015/16.

As one of the speakers at the seminar (a finance director) highlighted, the prudent approach adopted at his association included a sensible debt service ratio, no reliance on sales to meet obligations, an active asset management strategy and a forward funding programme. He questioned the tensions between the new affordability regime and the social purpose of the association but recognised the need to balance out competing objectives around social purpose, affordability, welfare dependency and increasing supply. A second speaker, a funding advisor, reminded us of the successes of the private finance regime along with what he called the minor misdemeanours around stand-alone and structured derivatives, both of which were in the process of being worked out of the system. More critically from his point of view was the reliance on bank debt which was now unprofitable but which was also constraining associations via covenants and the banks' unwillingness to allow HAs to refinance. He also highlighted some of the problems with regulation. It had led to a lack of credit differentiation (and the survival of mediocre associations), strong credit ratings unduly reliant on regulation and regulation had induced passivity on the part of HA boards. The implicit guarantee provided by regulation also meant lenders were unlikely to face default and repossession because a transfer of engagements would take place. He asked why HAs need the current form of regulation.

A third speaker who was involved at the outset of the private finance regime in the UK took up this point. She put considerable stress in her closing remarks on the continued importance of regulation to get secure low margins (and ensure access for all sizes of HA from the full range of funders). She reflected that in the late 1980s long-term finance from banks was not envisaged, and this led to the creation of THFC to give access to the bond market and longer term finance. This is a role THFC has continued to play (along with helping ensure access to smaller long-term fixed rate loans from the bond market). She was not persuaded that equity investment made sense given housing providers want long-term ownership of properties. A 2003 study had demonstrated there was a deep market for revolving credit facilities (borrowers pay a fee to secure access to funds as and when they need it) of up to 10 years from banks and long-term bonds, albeit it was several years before the demand for this emerged (Joseph and Terry, 1997).

She asked what might provide the equity/subsidy to enable social housing development in the absence of government support. She highlighted good treasury management and the issue of good timing for the drawdown of loans (a £250m bond with saving of 10bps gives £¼m saving per annum) along with the right balance of fixed and variable loans plus appropriate use of hedging instruments. She also laid considerable stress on good asset management to strengthen the balance sheet. She set out 3 areas where she thought new capacity could be found:

1. If associations could exploit planning gain with government requiring 50% of the increase in land values to be used to support social housing
2. The potential for infill development on local authority-owned land which would remain in LA hands and be financed by an increase in LA borrowing capacity and, finally;
3. She felt that tax breaks specifically for institutional investment in social housing should be introduced.

She concluded that private finance is not the problem, finding subsidy for the core business of social housing is.

4. The current position and looking to the future

4.1 The policy environment

The election of a majority Conservative government in 2015 means that in some ways there is greater certainty than under any other outcome but in others the future is far less clear.

On the certainty side the scale of funding is already set. The Government's 2015-2018 Affordable Homes Programme is aiming to produce 165,000 homes from £1.7bn as compared to the 170,000 plus from triple that amount over the five years from 2010-2015. This is to be achieved by the continuation of the affordable rents regime and the guarantee scheme which reduces the costs of borrowing together with much greater emphasis on bringing forward public land for housing. This will provide additional subsidy in kind to the extent that the land is provided in partnership between the owners and housing providers and from the results of negotiations with respect to planning obligations to provide affordable housing. However it will also undoubtedly use up HA reserves and there are concerns among some that there is inadequate balance sheet strength available.

One response to the increased funding requirement and to the needs of households who in the past would have become owner-occupiers but currently are not able to do so, has been to become increasingly involved in market housing provision. HAs are helping to build for the owner-occupied market, especially for shared ownership and shared equity products and also to build for market and intermediate rent products. This approach can increase profits which can be recycled into additional investment, provide for a range of households no longer able fully to fund themselves and diversify HA activities into the management of mixed tenure developments (Williams et al, 2012).

One of the most significant factors on the uncertainty side is the impact of further welfare reforms. The new regime for HA rents sets maximum increases at Consumer Price Index [CPI] plus 1% but welfare payments are to be held constant for 2 years and will then rise only with CPI while housing benefit also rises with CPI not with actual rents. The expectation is therefore that HAs will not always be able to increase rents by the maximum as tenants will not always be able to pay such increases. More fundamental is the announced reduction of the welfare cap to £23,000 per annum. The cap is also likely to be further reduced during the current Parliament to £21,000. At that level many mainstream families, especially single parents with 2 children, who are wholly dependent on welfare payments will not have all of their rent paid. These changes and others that could be introduced will have three main impacts on HAs – their rental income will no longer be as secure, they will have to use additional resources to deal with the shortfall in rental income and they will have to support their tenants in the more difficult environment (NHF, 2014; Grant Thornton, 2015; Clarke et al, 2015 forthcoming).

A longer term concern lies in the government's commitment to move to a Universal Credit regime within which housing benefit is no longer directly identified and tenants pay their own rents. The potential for large increases in rent arrears arising from this regime is recognised as an important problem. However, the most immediate uncertainty however arises from the Manifesto policy to give HA tenants the Right to Buy their property (extending earlier legislation on the Right to Acquire and the preserved Right to Buy for tenants in place when Local Authority dwellings were transferred to LSVT HAs. We discuss this in more detail below.

4.2 Financial developments

As touched upon earlier, associations have now moved into a new era where the 'terms of trade' are being substantially rewritten on a continuing basis (usefully discussed in KPMG, 2011, Standard and Poor, 2102; Chevin, 2013). Over the five years to 2015 this triggered much reflection on where associations might go in terms of funding and role (see, for example, the series of papers prepared by a major London association, London and Quadrant in conjunction with PWC (2010-2012) and the view of the ratings agencies; Moody (2013 and 2014). With reduced government finance, associations were under considerable pressure to diversify their activities to include more profitable but more risky private sector initiatives which might produce profits and thus a stream of income which could be used to cross-subsidise their social rented development. Clearly not all associations could or would do this. Some (typically smaller) associations simply reduced activity to reflect new circumstances. Others set up subsidiaries which undertook housebuilding, employment services, private renting and indeed functions outside of housing altogether such as provision of leisure facilities. Some associations resolved to sell stock on a regular basis to balance their books. The diversification that has taken place is still modest in relation to the stock as a whole but is indicative of the tensions that exist.

These developments have prompted a continuing debate as to ways ahead regarding funding. Some have asked whether institutional investors would become major players in the affordable housing market by for example, buying freeholds and leasing homes back to associations (JLL, 2014) or the creation of a social equity fund (PWC and L&Q, 2012). Equally government could take equity stakes (Walker, 2014). Alternatives have also included moving to market rents (PWC and L&Q, 2012) and the creation of a new regime of 'living ' rents linked to local incomes (JRF and NHF, 2015) as well, of course of restoring grant funding (Capital Economics, 2015).

It is not evident that the Government is willing to embrace any of these suggestions. For the moment it has settled on continuing their policy of realising assets by selling HA homes to their tenants (see below). This aims to secure the dual objectives of enhancing home ownership and generating receipts for new building topped up by a requirement that local authorities sell their most expensive housing stock, the practicalities of which have been challenged by many (eg, Kerslake, 2015).

5. Conclusions

It is evident from this review that over a quarter of a century the private finance regime for social housing in the UK has been a successful initiative. However it has not been unchanging nor unproblematic. The market has shown a degree of volatility arising from both policy and market conditions. In retail debt funding terms it is undoubtedly currently in a contraction phase. Initiatives looking to increase equity finance have as yet been relatively small and confined to new mixed tenure developments.

Current concerns are exacerbated by a number of outstanding issues around the future strength of the association sector and its regulatory and financial environment. These will undoubtedly be condition lender appetite going forward. However there have been many times in the past when HAs and the financial institutions have rung warning bells but there has generally been relatively little subsequent negative impact.

Most recently the new government has set out its intention to introduce a Right to Buy policy for all tenants of housing associations in England. While some existing association tenants have enshrined rights (both preserved Right to Buy as stock transfer tenants and Right to Acquire for tenants in homes built post 1997 – probably in excess of 1.2 million tenants -around half of the total number of HA tenants) higher discounts and shorter 'waiting' period mean that take up is likely to increase. An important issue is that the new policy might threaten the HA sector's status as private bodies and ultimately whether the private finance they have raised will count instead as public debt. This would be so much of an own goal for government that it is probable that the policy will be developed so this is not the case – the fact that the discounts are paid for from sales of more expensive local authority properties rather than the HA is part of this story. However there are currently clear concerns not just about the status of the sector's debt but also with respect to the value for money for associations in continuing development programmes which might simply generate sales.

At this stage there is no real evidence on the financial impact of such a sales policy nor on the flow of receipts that might be generated to enable additional building. However it highlights the policy risks that still surround this sector, driven by both its continued reliance on public subsidy (if not grant then housing benefit and ultimately un-hypothecated Universal Credit) and the underlying drive by the government to promote home ownership (especially given the decline of that tenure in the last decade).

At the same time the HA sector has shown considerable resilience and has now built up a significant asset base with a substantial rental flow. This gives the sector the capacity to ride out some of the storms that come its way. Associations have shown a considerable capacity to adapt to new circumstances although in so doing some have reduced their role in relation to the poorest households and most are looking to strengthen their activity in the middle ground of the housing market. Most recently the Chair of the Communities and Local Government Select Committee has announced his intention to ask the Committee to examine how housing associations use their surpluses with a focus on whether more could be done (Inside Housing, 2015). In 2013/14 the sector in England generated a surplus of £2.4bn although it is important to note that cumulative reserves are taken into account by lenders and so affect the terms available.

One important issue tied up with the regulatory regime and the capacity to fund their own investment is that of mergers and take-overs. Even though there has been considerable restructuring it is still not unusual for a local authority to have to work with dozens of HAs, some large, some small, generating high costs for both groups. More generally it means that scale economies are not being realised. The regulator has in the past called for more systematic restructuring of the sector and this call is likely to be reiterated in the new environment.

This issue of industry structure is one element of a much more fundamental problem. The regime set up in 1988 offered few incentives to HAs to reduce their costs and to operate more efficiently. Bidding for grant put some limited pressure on new-build efficiency but more generally higher costs could be covered by higher rents with the government taking the strain through higher housing benefit payments. Changes in the welfare system are beginning to put some pressure on associations to increase efficiency but there is a long way to go. The means by which government might address this issue are as yet unclear – but they could significantly increase risks for financial institutions, highlighting once again the constraints of policy imposed by putting in place a private finance regime.

The private finance regime for housing associations in England and the UK is recognised as having been one of the biggest success stories of the era of privatisation. It allowed government significantly to reduce grant funding and to bring a new commercialism to the sector. That process has continued to evolve, with associations as not for profit social businesses now setting out plans substantially to increase housing output both for renting and owner-occupation – subject of course to government not damaging their capacity to do so. Without doubt there is the potential for the sector to do more and it is evident there is a continued appetite from funders to support their activities. Now the challenge for the HA sector is to absorb the impact of welfare reform and government cutbacks while fulfilling its evident potential to be a major contributor to solving the housing crisis in England.

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