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CENTURY  
HOUSING  
FOR NORTHERN  
IRELAND  
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## About the Author

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# Executive Summary and Recommendations

## The Deepening Housing Crisis

Ten years since the property crash in the wake of the global financial crisis, there is a growing housing and homelessness crisis in Northern Ireland. In the past five years there has been a nearly 60 per cent increase in those officially recognised as being homeless. The policies put in place by the Minister, on behalf of the Stormont Assembly, have failed to deliver the numbers of new build homes which are required to meet the needs of citizens. *Housing policy is bankrupt and cannot provide decent affordable homes for the whole community.*

It is also six years since one of those flagship policies was announced by the then Minister in charge of housing, Nelson McCausland, when he unveiled his plan to take the Northern Ireland Housing Executive (NIHE) out of the public sector. The intervening years have seen opposition to this policy, as we detail in section 5 of this report, and political indifference towards addressing the funding requirements of the NIHE.

Instead a series of increasingly reckless ideas about how to privatise the NIHE had been advanced. Analysis of the latest proposal, to turn the NIHE into a housing mutual (or co-operative) body, is the main focus of this report.

## Public Housing Reforms and Devolution

The past forty years have seen waves of reforms to public services all with the aim of increasing the use of private sector finance, organisational structures and management techniques. These reforms have resulted in some outright privatisations, such as the public utilities or the nationalised industries, through to contracting out and public private partnerships.

With the nature of the devolution arrangements the housing policies that are implemented in England are the de facto template, which the devolved administrations in Edinburgh, Cardiff and Belfast can deviate from within certain parameters (including funding decisions).

Such deviations are political decisions and have seen the Scottish and Welsh governments strike out in different directions to Westminster. However, research shows that NI housing policy has moved more in the direction of convergence with London since devolution.

Given the number of examples and precedents set in other areas of Northern Ireland public policy, as well as the city region devolution deals in England and the practice of the devolved governments in Scotland and Wales, in this report we argue *the challenge for our political class is to develop specific and appropriate housing solutions for the local NI context.*

## Are Housing Mutuals the Answer?

The public sector reform process has employed a range of organisational forms, including charities, not-for-profit companies and co-operatives/mutuals, to deliver public services. In public housing there has been the transfer of council housing to private not-for-profit companies, in the form of housing associations. Such housing stock transfers have been heavily criticised for undermining local democracy and accountability by increasing the power and influence of private finance providers.

In response a housing mutual model was developed in England and Wales resulting in a small number of council housing transfers to new housing mutuals. Yet housing mutuals have also been criticised as “privatisation in a fancy wrapper”.

Rochdale Boroughwide Housing (RBH) is one such new housing mutual. In this report, based on primary research, we analyse the development of RBH as a specific response to the challenges facing social housing in Rochdale.

## Another Housing Policy is Possible

The context in NI is very different to that of Rochdale, or other parts of Britain. The legacy of sectarian housing allocations and the campaigning of the civil rights' movement resulted in the NIHE being formed nearly 50 years ago.

Throughout its early life the NIHE had a major impact on improving the quality of the housing stock in NI, leading to it being recognised as a world leader. However, the past ten years has seen a lack of political vision for housing, while other policy areas such as the Voluntary Exit Scheme (VES) in the public sector and cutting corporation tax rates have dominated.

As we outline in this report, these are political choices – it is possible to fund the NIHE and lift the borrowing restrictions on it, if our politicians choose to do so. This report outlines how recent local housing campaigns have been successful in suspending the immediate threat to NIHE housing. Such actions and a broader campaign based around the following recommendations, provide the basis for a better way forward – rebuilding the broader concept and principle of the right to public housing.

**Another housing policy is possible.**

# Recommendations for the NIHE and Department for Communities

In what follows we set out a series of recommendations for the future of the NIHE and housing policy in NI more broadly, that if adopted would form the basis of a new innovative, radical and ultimately equitable housing sector.

1. A permanent end to the small scale stock transfer policy; revisit the current Social Housing Reform Programme and engage with the wider community on key priorities for a revised housing programme and policy;
2. Lift the restriction on borrowing by the NIHE through extending the Prudential Borrowing rules, introduced to NI in 2011 for local authorities, to the Housing Executive;<sup>1</sup>
3. The new Assembly to re-direct the funding from the proposed corporation tax rate cut to address the repairs and maintenance of NIHE homes;
4. The new Assembly to seek additional funding from Westminster (similar to the English city region devolution deals) to fund an immediate programme of new builds;<sup>2</sup>
5. Extending the existing NI social housing grants to allow the NIHE bid for funding, alongside existing housing associations;
6. An end to the Right to Buy for NIHE tenants (following the example of the Scottish Parliament) to protect the existing level of public housing stock;
7. Democratise the structures of the NIHE by instituting a participatory budgeting system; using performance measures geared towards social goals and greater tenant participation through elections to reserved seats on the NIHE Board.

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1 The Prudential Borrowing rules were first introduced in Britain in 2004 to allow local authorities to borrow from the private sector without having to gain central government consent *“providing that they remain within their affordable borrowing limits”* (Alternative Financial Delivery Models for Affordable Housing, NI Assembly Research and Library Services, Briefing Note 37/10, 2010, p. 12.).

2 See NIPSA Report *Our Homes, Our Future* (2017, p. 10) and *Devo-Housing – an emerging agenda*, (The Smith Institute, London, 2016) for more detail.

## Recommendations for Housing Policy

1. Ensure that a socially progressive approach to housing, as outlined in this report, is a key priority of the new Assembly's Programme for Government. Such a priority will acknowledge the equality aspect of distributing resources independently, based on social need not market diktat, or sectarian expediency;
2. To stop the flow of new homelessness cases – an immediate moratorium on all evictions;
3. Follow the examples of US and Canadian cities and some EU countries and institute a policy of "Housing First" to address homelessness;<sup>3</sup>
4. Enhanced rights for tenants in the private rented sector including long-term and indefinite tenancies and rent certainty;
5. A mandatory registration system for all private landlords, which is funded to allow inspections and enforcement actions;
6. The introduction of appropriate fiscal measures – such as a land value tax or public sector equity holdings – to encourage timely and appropriate development of new housing;<sup>4</sup>
7. Public land to be used for public housing development only;
8. Democratise the making of housing policy through greater transparency in planning decisions, the introduction of social impact statements and the funding of independent tenant and civil society scrutiny.

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3 Housing First uses housing as the starting point rather than the end goal, and then supports the individuals to maintain their housing status. Research shows that in 8 out of 10 cases Housing First leads to an end of homelessness for the individuals concerned. For more details see: <https://housingfirsteurope.eu/guide/>

4 There are a variety of fiscal mechanisms that the Stormont Assembly could apply with the aim of decreasing land banking and increasing the appropriate and timely nature of development. These include a tax on zoned land and/or land with planning permissions that lie idle beyond a specified period of time. An alternative mechanism would be for the local authority hold an equity share in the future development. See *Radical Solutions to the Housing Supply Crisis* by Duncan Bowie (Policy Press, 2017) for more details.

# Section 1: Introduction

It is now over six years since the then Minister in charge of Housing, Nelson McCausland, announced in 2013 his plans to take the Northern Ireland Housing Executive (NIHE) “outwith” the public sector. The impact of such a move would in effect be to set the Housing Executive on the path to outright privatisation, with all the implications that follow – higher rents, worsening services and undermined public accountability through prioritising the needs of private finance providers.

Yet, the past six years has seen an absence of political leadership in addressing the housing needs of citizens here. The result is a growing crisis in homelessness and those in housing stress. While the main organisation, the NIHE, that could be utilised to ameliorate such a crisis continues to be hamstrung by under-funding and political decisions.

The latest set of ideas to reform the landlord function of the NIHE is to follow the example of Rochdale Boroughwide Housing (RBH), and become a housing co-operative (also known as a mutual). This report devotes a whole section to analysing the experience – good and bad – of housing co-operatives in Britain, including primary research carried out into RBH.

Across the island of Ireland there is a growing housing crisis. In the Republic the “do nothing” policies of the landlord parties, Fine Gael and Fianna Fail, have led to the worst homelessness crisis since the foundation of the state. In Northern Ireland the crisis may not be as acute in official terms but homelessness and housing stress is growing and the lack of a robust and radical housing policy direction, even before the Stormont Assembly collapsed, means that housing in the North is on the same crisis-driven trajectory as elsewhere on this island.

This report is the third in which we have explored the unique nature and history of social housing in NI. In previous reports we set out a series of policy directions that could be pursued and which would have a financially sustainable and vibrant Housing Executive at its core, providing decent affordable and secure homes for those that need them, and continuing its long and internationally recognised role as a community-builder.<sup>5</sup>

Despite ample evidence of the importance of the NIHE, – see reports by Savills, PwC and the commission chaired by Lord Best<sup>6</sup> - there has been an absence of locally developed housing policies that seek to protect and enhance the services provided by the NIHE. These are services that no other social housing organisation provides, such as community liaison during the “marching season”.

This has resulted in a growing homelessness problem (acceptances of homelessness

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5 PwC Report, (2011) *Review of Northern Ireland Housing Executive: Options for Future Service Delivery*, Department for Social Development.

6 PwC Report, (2011) *Review of Northern Ireland Housing Executive: Options for Future Service Delivery*, Department for Social Development; Savills Report (2009), *Stock Condition Survey of The Northern Ireland Housing Executive (NIHE) Housing Stock*, NIHE/DSD; Report of the Independent Commission on the Future of Housing in Northern Ireland (The Best Report), Chartered Institute of Housing, (2009).

have increased by 275 percent since 1996), and a threat to the very existence of the one body that could play a major role in reversing homelessness, the Northern Ireland Housing Executive. In a letter leaked to *The Detail* in November 2018, Leo O'Reilly, the Permanent Secretary of the Department for Communities, wrote:

Towards the end of 2017, the NIHE estimated that if by 2020 there was no prospect of the future investment that reform may secure, then the organisation would have to start de-investing in approximately half of its portfolio in order to provide a sustainable future to the other half.

This disastrous course of action would be devastating for those tenants whose homes are directly impacted. However, all NIHE tenants would face higher rents and lower levels of maintenance as part of the restructuring. This would also inevitably lead to greater levels of housing stress and homelessness as the NIHE would become less able to address housing needs in the social sector, with the private-rented sector struggling to absorb over 40,000 new homes.

This growing crisis in the NIHE has been widely known among the political class for a number of years. Back in 2015, Lord Morrow made a statement to the Assembly stating:

I started this statement by reflecting on the fact that, over the last 10 years, a number of reports discussed the potential for change in the delivery of social housing in Northern Ireland. We do not have the luxury of another 10 years.

Let me issue a stark warning: if we fail to meet that challenge, the main function of future Ministers with responsibility for housing will likely be to oversee the deterioration of the Housing Executive's stock and the long-term decline of the organisation itself.<sup>7</sup>

The aim of this report is to highlight that this crisis in the NIHE, and housing more generally, is not a natural or inevitable phenomenon but the direct result of deliberate and inappropriate policies, many of which are generated in the Westminster bubble. The most recent idea for the future of the NIHE (to turn it into a form of housing mutual or cooperative), is the result of years of Westminster housing policies that have created a crisis in public provision and an almost exclusive reliance on private market delivery of housing in England.

This report was put together through a combination of a desk-based review of existing academic, policy and practitioner published research, and a site visit to Rochdale by the author and senior NIPSA officials in March 2019. During that visit discussions took place with trade union representatives, tenants and senior Rochdale Boroughwide Housing officers.

This report highlights the problems and limitations of a move to a housing mutual

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<sup>7</sup> NI Assembly, Official Report: Monday 14 March, 2016. Available at: <http://aims.niassembly.gov.uk/official-report/report.aspx?&eveDate=2016/03/14&docID=263221>



model for the NIHE, based on the experience of such social housing models in Britain. The report concludes with a review of the recent campaigns against housing stock transfers from the NIHE to housing associations.

*The overall message is a simple one – we need a Northern Ireland solution to the specific context of housing needs in NI.*

In large part the NIHE already provides such a solution. The key task for any incoming Assembly Executive is to develop policies and a funding stream which would enable the NIHE to deliver decent, affordable and secure public housing.

## Section 2: The Deepening Housing Crisis

In policy making circles, the housing crisis is rarely, if ever, mentioned. A review of recent housing and related official government documents produced just one reference to a crisis,

A looming **affordability crisis** in the private rented sector due to the growing disconnect between rents and Local Housing Allowance rates.<sup>8</sup>

Yet there is a growing crisis in housing as a whole. For a start there is a historic and on-going under-supply of new housing across Northern Ireland – in both the full market and social housing sectors. In 2017, the NI Housing Market Symposium, in part retrospectively, estimated that 7,200 new homes need to be built every year between 2012-2025.<sup>9</sup> However, the actual number of new homes built by both public and private house builders, since 2012 range from 5,310 to 7,110 p.a.<sup>10</sup> Further, the previous *Draft Programme for Government*, agreed before the Assembly collapsed, contained a target of building just 9,600 new homes over a five year period.<sup>11</sup>

Rather than being a success, the current housing policies are continuing to create a backlog of need, which is getting worse every year. *Housing policy is failing and needs to take a new direction.*

The main way in which the current crisis is manifesting itself, is in relation to homelessness. Over the past ten years at least 18,000 people have been registered as in housing stress every year – that is 200,000 people made homeless in the last decade.<sup>12</sup> Numbers secured by NIPSA, under a Freedom of Information request, show that in 2014 over 12,000 homeless applicants were considered to be living in such dire conditions that they were accepted by the NIHE as having a full duty to provide housing. By the end of 2018, this number had risen to over 19,000, a nearly 60 per cent rise in less than five years.

Historically, the NIHE was the organisation that could provide housing to those

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8 NI Audit Office, *Welfare Reform Report* (2019, p. 62).

9 NI Housing Market Symposium Final Report (2017).

10 UK Housing Review 2018 (Table 19j).

11 NI Housing Market Symposium Final Report (2017, p. 5).

12 UK Housing Review 2019 (Table 105: Northern Ireland lettings and homelessness).

losing their homes in either the private rented sector or through bank repossessions. However, as we highlighted in the introduction the NIHE is now in a precarious state. In section 3 we will explain in more depth how the current housing policies have created the crises in both homelessness and the Housing Executive.

For now, it is relevant to note that the default position for governments (of all political persuasions) over the past four decades has been to allow the private market to provide housing solutions, with the experience that those with little or no income have no choices but to live in cramped, unhealthy, unsuitable and precarious housing.

The outcome of such a default position is a throwback to the days before public housing programmes, where most working people lived in slum conditions. This was the major reason why public housing, in the form of council housing, was created at the end of the nineteenth century.

In Britain, after the two world wars council housing proved to be a model that could be scaled-up and address the huge housing demands of those times. In Northern Ireland the Unionist governments did not follow the experience in Britain, of clearing the slums and building council housing, with the result that up to the late 1960s most working people across NI lived in private rented housing, often with few rights or protections and in terrible conditions.

In our 2013 report - *Keeping Our Housing Public*<sup>13</sup> - we outlined why and how the NIHE was established. It is worth re-iterating two points – first, the Housing Executive is the most concrete legacy of the NI civil rights movement from the late Sixties. And second, the NIHE has had a major impact on the lives of working and poor people from all communities. This was recognised by the consulting firm PwC, in their 2011 report when they state:

NIHE is one of the success stories from Northern Ireland's recent history... Since its introduction nearly 40 years ago it has delivered significant social benefits throughout Northern Ireland with the quality of the housing stock having moved from one of the worst in Western Europe to what is now regarded as best quality stock...**It is rightly regarded nationally and internationally as a leading authority on 'best practice' on both housing management and community building.**<sup>14</sup>

Despite this legacy and track record, the Housing Executive has faced nearly a quarter of a century of neglect and hostility from elements within the political classes. For example, in the middle of the 1990s the decision was taken by the Treasury and the Northern Ireland Office to ban the Housing Executive from borrowing funds or receiving government grants to build new housing.

The result is that in 2018 there are less houses being built in NI as a whole than there were in 1976, at the height of the "Troubles". The justification for stopping the

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13 NIPSA Research Report – available at: [https://nipsa.org.uk/publications/Ref-A4\\_0084\\_web.pdf](https://nipsa.org.uk/publications/Ref-A4_0084_web.pdf)

14 PwC Report (2011, p. 2).

Housing Executive from building new homes was based on a stated commitment that housing associations and private house builders would fill the space left. This policy has been shown to be fallacious both in NI and across Britain, where private house-builders are not concerned with the volume they build but how much profit they make.<sup>15</sup>

It has been often stated but it is worth being reminded that housing crises are not some form of natural phenomena – they are the result of real and deliberate actions and concrete policy decisions taken by those in government and other actors such as finance providers and developers. Crucially this insight means that if we change policies we can have a very different housing system. There has been no housing peace dividend for working class people since 1998, just twenty years of citizens being ignored and inadequate housing policies.

This is the challenge for local politicians, once the Stormont Assembly is re-established.

The remainder of this report presents an analysis of how the wrong policies have been consistently implemented in recent decades, but also what an alternative could look like – if the political will existed.

## Section 3: Public Sector Reform

To understand how we have arrived at the position where the Housing Executive's existence is being threatened it is necessary to explore the history of the public sector reforms over the past four decades and how they have been translated into housing policy practice in Northern Ireland. Recent decades have been labelled the *Neoliberal Age*, where the overriding idea is that private market relations are the most appropriate and efficient way to allocate resources in society.<sup>16</sup>

This basic idea is the driver behind the privatisations of the utilities, the state owned industries, the railways and more recently the Post Office. Where it has not been possible to pursue wholesale and upfront privatisations of public services, such as in education or the NHS, there has been wave after wave of reforms to introduce proxy market relations by creating artificial forms of competition, such as school league tables in England and Wales.

In addition, there are reforms that claim not to affect public service delivery but are in fact privatisations designed not just to provide profits for private companies but to also destabilise and worsen the overall level of service, which in turn becomes the justification for further rounds of reforms and privatisations.

For example, the NHS has seen the introduction of an “internal market” in the 1990s, followed by star rankings of Trusts and increasing outsourcing of services to private

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15 Archer, T. and Cole, I. (2016) *Profits before Volume? Major housebuilders and the crisis of housing supply*, CRESR Research Report. Available at: <https://www4.shu.ac.uk/research/cresr/ourexpertise/profits-volume-major-housebuilders-and-crisis-housing-supply>

16 See Harvey, D. (2005), *A Brief History of Neoliberalism*, Oxford University Press, Oxford.

sector providers such as the diagnosis and treatment centres or the use of bank nursing staff. Yet, the Ministers implementing these policies claim the NHS is safe in their hands and is not being privatised as the service remains free at the point of delivery (for the moment).

In the past 10 years these pro-market reforms have been compounded by perpetual austerity. For example, the current welfare reforms are portrayed by the Conservative government as aiming to make work pay, when in reality they are about saving the Treasury at least £11 billion a year of welfare payments and tax credits to the most vulnerable in society and the working poor.<sup>17</sup> These savings then mean that the corporation tax rate can be reduced, and other subsidies provided to the corporate world and the wealthiest members of society.

The political nature of austerity has been identified by housing activists and writers, like Duncan Bowie:

... austerity politics is actually a matter of political choice, not economic necessity.

Just as it is a matter of political choice how a government spends its resources – for example, whether to prioritise its military capacity or its housing programme – it is also a matter of political choice how much and from what sources it raises revenue to fund government expenditure.<sup>18</sup>

## Devolution and Social Housing Reforms

Similar pro-market reforms have been applied to social housing in Britain. For example, in England the 1980 Housing Act introduced Right to Buy as a form of privatisation, which was underwritten by huge public subsidies.<sup>19</sup> In England, throughout the 1990s and 2000s the Treasury benefited by collecting all the council housing rents centrally, but the amount redistributed to councils to cover repairs and maintenance costs saw hundreds of millions go missing.

It was estimated that this moonlight robbery cost council housing tenants in England at least £1.7 billion in 2009/10.<sup>20</sup>

**The important point to note here is that council (public) housing is always capable of being financially sustainable.** This conclusion was reached in the PwC report on the NIHE back in 2011.<sup>21</sup>

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17 NIAO Report, Welfare Reform Report, January 2019, (p. 11).

18 Bowie, D. (2017), *Radical Solutions to the Housing Supply Crisis*, Policy Press, Bristol, (p. 32).

19 The subsidies came in the form of discounts given to the tenants who purchased their council homes. For most of the past forty years tenants became eligible after only two years with a minimum discount of 32 per cent, rising to 60 per cent for houses and 70 per cent for flats, depending on the duration of the tenancy. It is estimated that over 2 million homes in England have been transferred from the public sector under the RtB policy, with approximately 40 per cent now part of the private rented sector – see Alan Murie, *“The Right to Buy”* (2016, p. 157; Policy Press).

20 *‘Council Housing: Time to Invest’*, House of Commons Council Housing Group, (2009, p. 9).

21 PwC Report (2011), (pp.22-23).

Understanding this history is relevant because the social housing policies implemented in England have a significant impact on the same sector in Northern Ireland for two reasons. In the first instance this is due to the nature of the Barnett Formula that is used to calculate the level of the block grant. The second reason is the manner in which policy is formulated. At its worst this starts from the premise that the same policies (e.g. cuts dressed-up as “reforms”) formulated for an English context, should be implemented (often unamended) in NI.

The Stormont Assembly has the power to vary these policies but the starting point is what happens in England. An example of this process is the introduction of welfare reform and the mitigation package set in place in the Fresh Start agreement, where the NI Executive government agreed to put aside £500 million up to 2020.<sup>22</sup> We will come back to the political choices and impacts the welfare reform mitigation package represents later in this report.

Importantly, as we highlighted in previous reports, the Treasury rules which restrict the NIHE from borrowing are the same rules that have curtailed (but not completely excluded) local authorities in England from borrowing to build new council housing. This is evidenced in a series of reports by the *Royal Town Planning Institute*, released between 2017 and 2019, highlighting the innovative, imaginative and ultimately award winning development schemes that local authorities in England are currently pursuing to build new council housing.<sup>23</sup>

For example, Norwich City Council received the prestigious *Stirling Prize* for 2019 from the *Royal Institute of British Architects (RIBA)* for a council housing development, Goldsmith Street. The development of nearly one hundred homes meets *Passivhaus* specification resulting in fuel bills up to seventy per cent lower. Importantly these homes were financed completely from public funds and are now part of Norwich City Council’s housing stock for generations to come.<sup>24</sup>

The structure and limits of the current policy and financial settlement for NI is set by what happens in Westminster, but with a small amount of discretion under devolution. In some areas local politicians have shown a willingness to use these discretionary powers. For example, the non-introduction of water charges has cost in the region of £300m per year, off the block grant since 2007; or the borrowing of £700 million under the Stormont House Agreement to pay for the redundancies of up to 20,000 civil service staff.

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22 NIAO Report, Welfare Reform Report, January 2019.

23 The RTPi reports are part of a project entitled “*Local Authority Direct Provision of Housing*”. More information about the project and the reports are available at: <https://www.rtpi.org.uk/knowledge/better-planning/better-planning-housing-affordability/local-authority-direct-provision-of-housing/>

24 This award has received considerable coverage through national media outlets. For example, see: “*The Gold Standard: How a Council Housing Scheme Won Architecture’s Biggest Prize*”, Inside Housing, 24 Oct 2019. Available at: <https://www.insidehousing.co.uk/insight/insight/the-gold-standard-how-a-council-housing-scheme-won-architectures-biggest-prize-63761>

The highest profile example recently of the local political willingness to diverge from Westminster rules is the agreement to reduce the corporation tax rate to 12.5 per cent. It is estimated that the Treasury, with the agreement of most parties in the Stormont Assembly, will claw back at least £300 million per year from the block grant. This plan has now stalled due to the collapse of the Assembly, yet £417,000 has been spent on preparing systems to implement the new tax rate.<sup>25</sup>

**The point here is that if there is political will, then policy solutions and funding can be found.**

However, when it comes to housing policy generally, and the NIHE specially, there has been a lack of meaningful decision-making. In 2013 a study by Dr Jenny Muir from Queen's University, Belfast highlighted the impact this has had on social housing policy since devolution in NI where there has been a growing convergence, rather than divergence, with the English system.<sup>26</sup>

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25 Belfast Telegraph, 6 March 2018. <https://www.belfasttelegraph.co.uk/news/northern-ireland/417000-spent-on-stalled-bid-to-lower-ni-corporation-tax-36673236.html>

26 Muir, J. (2013) "The Dynamics of Policy-Making under UK Devolution: Social Housing in Northern Ireland", *Housing Studies*, Vol. 28(7), pp. 1081-1093.

## Impact on the NIHE

In Muir's study she finds two reasons for this convergence – first, in line with findings in other studies, the political class here are hugely reluctant to make key strategic decisions. This leads to policy fragmentation and delays in decision-making resulting in “lowest common denominator decisions”.<sup>27</sup> Second, there is a tendency to reach for English housing policy documents and uncritically seek to implement the same policies in NI. As an interviewee in Muir's study stated: “the focus is to reduce expenditure and the English “solution” is being touted as the way forward – no evidence, no analysis, just rhetoric”.<sup>28</sup>

This lackadaisical approach has directly impacted on the NIHE over the past three decades. The decision to stop the Housing Executive accessing grant funding for new build housing in the middle of the 1990s, was based on the premise that housing associations would fill the gap left. Further, this was considered to be better value for money as, due to the Treasury rules, housing associations are considered private organisations and are free to borrow to fund new builds. Hence, the argument went, the government could get twice as many houses built for the same amount of grant funding by shifting the funds to the housing association sector.

This sounds good in theory, however the actual reality has been very different. In 1995/96 the NIHE completed 1,360 new homes, after which time their completions dwindled to zero, as shown in Table 1. The housing association sector has only twice since 1996 been able to exceed the previous NIHE benchmark – in 2001/02 with 1,390 homes and in 2012/13 with 1,450 homes.

Since the turn of the century housing associations have received over £2.3 billion in public funding. Specifically, in the five years up to 2018 housing associations have received £362.8 million just to build new homes. During the relevant period, the number of new housing association homes completed is 4,940, resulting in a public grant per new home of £73,441.<sup>29</sup>

On both occasions where housing associations exceeded what the NIHE was able to achieve previously, this was barely done; there has been no occasion when housing associations have been able to deliver twice as many homes as the NIHE did in the middle of the 1990s. It should also be noted that the 1990s represented a historic low for house building by the NIHE; in the middle of the 1980s completions ran at over 3,000 a year and were higher again in the 1970s (see Table 1).

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27 Gray, A. M. & Birrell, D. (2011) ‘Coalition Government in Northern Ireland: Social Policy And The Lowest Common Denominator Thesis’, *Social Policy & Society*, 11(1), pp. 15–25.

28 Muir (2013, p. 1090).

29 These numbers are sourced from the UK Housing Review (Tables 19j and 88) and the disclosure notes of the NIHE Annual Reports between 2014 and 2018 (inclusive). The average grant per home number is based on new build completion numbers which were lagged by a year.

**Table 1 – New Build Housing in NI<sup>30</sup>**

New Homes – Completions	1975/76	1985/86	1995/96	2005/06	2017/18
NIHE	5,090	3,240	1,360	0	0
Housing Associations	60	630	1,040	950	1,210
Private	3,780	5,940	6,850	12,760	5,900

From a housing association perspective, it is true that funding for new builds has fluctuated over the years since the mid-1990s, but that includes significant increases as well as decreases. For example, in recent years seventy per cent of housing association homes were funded from the public purse (through the NI Housing Association Grant). In 2018 this number fell to 62.5 per cent. However, the NI funding is considerably ahead of the equivalent levels in Scotland and Wales (which is around 45 per cent).<sup>31</sup>

The falling levels of public funding means that housing associations are increasingly forced to look towards private finance providers. NI housing associations have secured over £1 billion in debt from banks and private investors, **which equates to a debt per household of £21,304.**<sup>32</sup>

In the next section we explore the implications of raising such levels of debt from the private sector to deliver a public service; but it is worth stating at this point that the private finance providers' needs are increasingly prioritised over those of existing and future tenants.<sup>33</sup>

The more relevant point to note is that housing associations do not have the capacity or economies of scale needed to be able to consistently deliver even the modest levels of new social housing that the NIHE did in the past.

In addition, welfare reform and the introduction of Universal Credit is already having an impact on the finances of the NIHE, which will only grow as the agreed mitigations run out in 2020. A report by the NI Audit Office showed how both tenants and the NIHE are going to be adversely impacted by the introduction of Universal Credit (UC). Case Study 1 highlights how UC will leave individual tenants in arrears, while the report also commented "When mitigations end in March 2020, NIHE will have to collect a minimum of £16.5 million of additional rent from its tenants."<sup>34</sup>

30 Source: UK Housing Review 2018 (Table 19j).

31 NIFHA, Global Accounts for NI Housing Associations, 2018, p. 15.

32 Ibid.

33 There is now a considerable number of academic studies that substantiate this point. Two recent relevant studies (which are publicly available) are: 1) Smyth, S.; Cole, I. and Fields, D. (2019/Forthcoming) *'From Gatekeepers to Gateway builders: Credit Rating Agencies And The Financialization Of Social Housing'*. Critical Perspectives on Accounting, and 2) Smyth, S. (2017) *'Public Accountability: Reforms and Resistance in Social Housing'*, Public Management Review, 19(2): 212-231.

34 NIAO Report, Welfare Reform Report, January 2019, (p. 58).



### **Case Study 1: NIHE Tenant Arrears**

A NIHE tenant applies for Universal Credit on 14 May. Their first Universal Credit assessment period runs from 14 May to 13 June, with their payment due on 20 June. NIHE's next scheduled Universal Credit payment run is 9 July so the tenant's first payment of the housing cost element of Universal Credit is delayed until then. By this stage, the tenant has accrued 9 weeks of arrears. However, the payment received will be for a maximum of one month's rent (for the period 14 May to 13 June), leaving a debt on the account.<sup>35</sup>

This section has shown the roots of public services reforms has been to increase the power and role of market and quasi-market mechanisms to the delivery of essential public services, such as education, health and housing. However, there is nothing inevitable about these reforms, they are all based on political decisions at Westminster and at Stormont.

Where the Stormont government has shown willingness in the past to diverge from Westminster priorities on certain issues – such as water rates and welfare reform mitigations – no such political will has to date been shown with regards to social housing.

The next section analyses the latest proposal for the future of the NIHE – a housing mutual organisation.

## **Section 4: Are Housing Mutuals the Answer?**

With the inaction over funding the Housing Executive set to continue and an apparent lack of political will to take decisions that fit the circumstances specific to NI (i.e. to increase funding for the NIHE to carry out much needed repairs and to borrow or have funding allocated to build new homes), a series of alternative social housing provision models have been proposed since 2013.

Initially Nelson McCausland, the then Minister in charge of the NIHE, gave no indication of how the Housing Executive was to be taken out of the public sector or what the model of social housing provision would be if his policy aim was successful. However, with the appointment in 2013 of a new CEO for the Housing Executive, the former director of Business Development and Growth at Glasgow Housing Association (GHA) was installed to the role of change management, leading to speculation that a version of the GHA model would be pursued.

In our 2013 report we highlighted the problems that tenants in Glasgow had experienced as a result of the transfer to GHA. A common experience of such transfers is that the priorities of the new landlord change from delivering a public service to satisfying the needs of the private finance providers.

35 NIAO Report, Welfare Reform Report, January 2019, (p. 56). This is direct quote and was correct at the time the NIAO report was published. More recent changes mean the arrears should not now exceed 5 weeks.

The latest proposal to be floated for the Housing Executive is to pursue a housing mutual (sometimes called a cooperative) model. One such example is that of Rochdale Boroughwide Housing (RBH), as reported by Inside Housing.<sup>36</sup>

## The Nature of Co-operatives

The International Co-operative Alliance (ICA) defines co-ops (mutuals) as “people-centred enterprises owned, controlled and run by and for their members to realise their common economic, social, and cultural needs and aspirations.”<sup>37</sup> This definition is broad enough to include grass-roots, community-led organisations that seek to provide for a social need (such as many social housing co-ops) and the Co-operative Group, which provides food, financial, legal and insurance services.

The ICA has published seven principles that co-operatives should adhere to:<sup>38</sup>

1. Voluntary and open membership;
2. Democratic member control;
3. Member economic participation;
4. Autonomy and independence;
5. Education, training and education;
6. Co-operation among co-operatives;
7. Concern for community.

These principles distinguish co-operatives from the mainstream profit-seeking private sector; however, co-ops often compete directly with private business both in terms of customers and also securing finance. This means the extent to which the principles above can be maintained is often outside of the control of the co-ops’ members.

From an employee perspective there is plenty of evidence to be sceptical that a mutual/cooperative model would, in any way, be an improvement, and actually may be a worse employer than the Housing Executive.

As the campaigning website *Organizing Work* highlight:

On a day-to-day basis, coop workers report to supervisors and managers. Those supervisors and managers may treat the workers well or treat them poorly. The coop may pay the workers well or pay them poorly. Worker feedback to the employer may be handled well, or handled poorly.<sup>39</sup>

For example, workers at Saskatoon Co-op in Canada went on strike at the end of

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36 “Endgame: what now for the Northern Ireland Housing Executive?”, Inside Housing, 27 March 2019. Available at: <https://www.insidehousing.co.uk/insight/insight/endgame-what-now-for-the-northern-ireland-housing-executive-60732>.

37 ICA website. Available at: <https://www.ica.coop/en/cooperatives/what-is-a-cooperative> (Accessed on 22 Sept, 2019).

38 ICA website. Available at: <https://www.ica.coop/en/cooperatives/what-is-a-cooperative> (Accessed on 22 Sept, 2019).

39 Why Do Coops Hate Unions? Available at: <http://organizing.work/2019/04/why-do-coops-hate-unions/>

2018 in response to management trying to impose a two-tier pay scale. In a clear example of the tensions that exist in the mutual/cooperative model, the CEO of Saskatoon Co-op stated:

It's all about being competitive in our market place and frankly new hire rates for our competitors ... are significantly lower than what we are paying our employees ... When you are as much as say 30 to 35 per cent higher for new hire rates than your competitors, well that impacts your business.<sup>40</sup>

## What do we know about Housing Mutuals?

In Britain there are just less than 850 housing cooperatives,<sup>41</sup> which come in a variety of forms and scales. The vast majority of housing co-operatives are small-scale with a housing stock counting in the range of tens or a couple of hundred. In the main such co-operatives exist where a group of tenants come together themselves, in an attempt to try to improve their housing and working conditions. These co-operatives operate at a local level, like *Sensible Housing* in Bolton, Greater Manchester. *Sensible Housing* was formed in the 1980s "... by young single people inspired by the squatters' movement of the time who wished to take control over their own precarious housing circumstances ... Today, *Sensible* owns 16 houses and a block of 12 apartment flats built for the co-operative..."<sup>42</sup>

However, this is not the model pursued by Rochdale Boroughwide Housing (RBH), or that being proposed for the NIHE. RBH is a Community Gateway model, such co-operatives were introduced in the 2000s as a response to the criticisms and weaknesses in the traditional stock transfer model – where council housing was transferred to a private, not-for-profit housing association.<sup>43</sup> By 2013 there were only 11 such Community Gateway housing co-operatives in England and Wales, with the largest having a housing stock of 15,000 homes.

There is a limited amount of research reports on housing co-operatives in Britain, with most of the reports focusing on the sector as a whole, and not distinguishing between grass-roots co-ops and Community Gateway models. In what follows we look at the research on the sector as a whole before concentrating on the Community Gateway studies and specifically analysing RBH.

Overall, the evidence on housing co-operatives is mixed. In general terms, small-scale housing co-operatives perform better than larger mainstream social housing providers on key indicators such as affordability, value for money and tenant

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40 <https://www.cbc.ca/news/canada/saskatoon/saskatoon-co-op-picket-line-crossing-1.4944501>

41 Heywood, A. (2016) '*Local Housing, Community Living: Prospects for Scaling up and Scaling out Community-Led Housing.*' Smith Institute.

42 Housing Futures (2018), *What Can Community led Housing Achieve for Greater Manchester?* (p. 29). Available at: <http://www.gmhousingaction.com/wp-content/uploads/2018/12/Housing-futures-MAIN-REPORT-Final.pdf> (Accessed on 22 Sept, 2019).

43 Housing Futures (2018, p. 14).

satisfaction.<sup>44</sup> However, as long ago as 1992 a study found that it was not possible to establish whether this performance was due to the small-scale size of the co-ops or the residents' control.<sup>45</sup>

A more recent study for the *Commission on Co-operative and Mutual Housing (CCMH)* found that co-operatives perform better than other social housing providers - local authorities and housing associations - in terms of vacancies, re-lets, repairs, rent arrears, and tenant satisfaction.<sup>46</sup> However, it is not all good news for housing co-operatives. There is evidence to show that housing co-operatives tend to house fewer self-defined disabled people than mainstream social housing, and proportionately house fewer statutorily homeless people by a significant margin (again in comparison to mainstream social housing).<sup>47</sup>

In part these drawbacks to co-operative housing are a reflection of their small-scale, for example lacking the specialist support infrastructure for people with disabilities. Therefore, it is necessary to analyse the performance of the larger Community Gateway model, after all this is the model that RBH followed and is the most likely form of transfer that would be contemplated for the NIHE.

Co-operative housing has been found to achieve lower rent levels than equivalent small housing associations<sup>48</sup>, although there is no conclusive evidence (yet) to explain why this is the case. One plausible explanation is the low level of new developments under-taken by mutuals, resulting in less resources being tied up in development projects and a lack of demand for expensive private finance.<sup>49</sup>

Housing mutuals are less likely to engage in a significant new home building programme, of the type that is needed in NI, than a revitalised Housing Executive. It should also be noted that housing co-operatives in England do not necessarily provide the same tenancy security as mainstream social housing, as their tenancies are considered contractual, rather than assured (for housing associations) or secured (for local authorities).<sup>50</sup>

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44 Housing Futures (2018, p. 26).

45 Clapham, D., and Kintrea, K. (1992) *Housing Co-operatives in Britain: Achievements and Prospects*. Hong Kong: Longman Group UK Ltd.

46 Rowlands, R. (2009) *Forging Mutual Futures - Co-operative, Mutual and Community Based Housing in Practice: History & Potential*. Centre for Urban and Regional Studies, University of Birmingham.

47 Gulliver, K., Handy, C., and Morris, J. (2013) *More than Markets: Mutual and Co-Operative Housing in the UK*. Human City Institute; Housing Futures (2018, p.28).

48 Gulliver, K., Handy, C., and Morris, J. (2013) Op. Cit.

49 Housing Futures (2018, p. 30).

50 CCMH. (2009) *Bringing Democracy Home*. Commission on Co-operative and Mutual Housing, (p. 22).

# Tenant Participation: Limitations and Contradictions

The main benefit, advanced by supporters of co-operatives, is the inclusive nature of the governance structures. In the case of housing mutuals the broad aim is to increase tenant participation in the running of their landlord. Further in cases, such as RBH, employees can also be included as a group with a role in the governance of organisation (see Case Study 2).

## Case Study 2: Rochdale Boroughwide Housing (RBH) Facts

- In 2012 Rochdale MBC transferred its housing stock to RBH, which a year later (in June 2013) became the largest housing mutual (co-operative) in these islands. The council housing stock (of 13,700 homes) had previously been run as an Arms-Length Management Organisation (ALMO);
- RBH takes the legal form of a not-for-profit company limited by guarantee. It is registered with the Financial Conduct Authority (FCA) under the Co-operative and Community Benefit Societies Act (2014) and with the Regulator of Social Housing (RSH) as a social housing provider;
- RBH's governance structures revolve around a *Board of Directors* and a *Representative Body (RB)*. The *Board of Directors* is comprised of 8 non-executive directors (NEDs) and 2 executive directors (Chief Executive and Director of Resources).
- The *Board of Directors* "is legally responsible for the overall control of the affairs of the society [RBH], including the monitoring of performance of all its functions and determination of resources to meet its financial and other obligations"<sup>51</sup>;
- The *Representative Body* is made up of 15 elected tenant members, 8 elected employee members, and up to a further 8 nominated representatives. This body "is responsible for representing members and the wider interests of the community by offering a strategic framework for the Board to operate within and by holding the NEDs accountable"<sup>52</sup>;
- Traditionally board members of housing associations have not been paid, in keeping with the social mission of the organisations they govern. However, "on 30th March 2017 the Representative Body approved a decision to remunerate the Board Chair position commencing on the date of the 2017 Annual Members Meeting"<sup>53</sup>;

51 RBH (2016, p. 20), Rochdale Boroughwide Housing, Annual Report and Financial Statements.

52 RBH (2016, p. 20), Rochdale Boroughwide Housing, Annual Report and Financial Statements.

53 RBH (2018, p. 26), Rochdale Boroughwide Housing, Annual Report and Financial Statements.

RBH has two different types of full membership – tenant members and employee members. By 31 March 2016, RBH had 4,301 tenant members (representing 27.4% of the total tenant population) and 555 employee members (87.4%);

- Since 2016 tenant membership has increased slightly to 4,996 members (33%); however, the employee membership has fallen to 483 members (81%);<sup>54</sup> The *Representative Body* fourth annual elections took place in the summer of 2017 with 16% turnout from the Tenant constituency and 60% turnout from the Employee constituency;
- These numbers appear to indicate a declining engagement among employees and a level of engagement by tenants that would be extremely worrying if it was returned in a local council by-election;
- There is a Communication and Engagement Working Group – a sub-group of the *Representative Body* – which has a responsibility to progress work between meeting of the main body;
- There are two other sub-groups of the RB – a Nominations Committee and “Our Mutual Future” for monitoring compliance with the corporate strategy;
- The transfer and establishment of the mutual will unlock a package of up to £169m in financing for the new landlord. In the financial statements of 2018 RBH has a 10-year loan facility (with RBS and Santander) of £85 million<sup>55</sup>.

The promise of tenant and employee participation with key decision-making processes often does not come to fruition in top-down housing transfers, such as in the Community Gateway model. Research for the *Housing Futures* report showed that there is a clear limit to the issues that tenants can discuss and make decisions about. As Steve, a community gateway tenant stated:

Participation does seem to be quite high... but the same conditions seem to pertain as they did with a straight down the line social landlord. We've been given a strategic role, but every time you stray on to something that is a bit sensitive, we get told it's operational, which has nothing to do with us. Rents, regeneration, etc.<sup>56</sup>

The Welsh Assembly was rather slow at pursuing a stock transfer policy for its council housing and by the time it started down that path there was considerable evidence that the transfer policy in England had been brought into disrepute.

In these circumstances a Welsh solution was developed in the form of a Community Housing Mutual (CHM). The CHM is supposed to be run by the community for the community.

54 RBH (2016; 2018), Rochdale Boroughwide Housing, Annual Report and Financial Statements.

55 RBH (2018), Rochdale Boroughwide Housing, Annual Report and Financial Statements.

56 Housing Futures (2018, p. 33).

A study into one housing transfer to the CHM model found a very different experience.<sup>57</sup>

In the case of *Gower Homes* (a name used to protect the anonymity of the study's participants) the former council housing tenants did not automatically become members of the new mutual. After a year of operation only 100 tenants, out of nearly 10,000, had become members. Further, even if all the tenants were to become members under the rules of the Mutual they would only have 34 per cent of the voting rights – the remainder being split between the former landlord (the local council) and a group of "independent experts".

The experience in Wales has a parallel in Scotland where research into community-controlled housing associations found that tenants saw participation as a means to an end, with what it could deliver in terms of better maintenance for their homes and local environments.<sup>58</sup> Yet as we have seen often decisions about funding home and environmental improvements is considered operational and therefore solely a management, not tenant, decision.

There are other structures that limit the effective participation of tenants (and employees) in the running of housing mutuals. For example, the regulatory requirements as set out by the social housing regulator and in relevant company legislation, where tenants do find themselves on governing boards they must, by law act in the interests of the organisation, not the tenants – i.e. they are not tenant representatives but are more akin to company directors.

A second set of limitations, highlighted in the *Gower Homes* study, found that not only were the tenants put at a disadvantage in the new governance structures but that private finance providers had greater power over what happened with their tenancies as their homes were mortgaged in "a loan facility of £135m ... with The Royal Bank of Scotland, Santander and Nationwide."<sup>59</sup>

*In this way the housing mutual model was used as a Trojan horse to leverage private finance into a previously publicly provided service.*

Despite all the promises – hollow or otherwise – of a mutual/cooperative future for the Housing Executive it must be remembered the reason for even contemplating this change of structure is to allow the private sector financiers access to the housing stock that the NIHE owns. In section 3 we outlined how this lackadaisical thinking about the role of private finance has not delivered the promised expansion of new social housing through housing associations.

The experience of public housing transfer in Britain is that private finance comes at a cost, far beyond simple money transfers. Because the change in structure is

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57 Smyth, S. (2017) 'Public Accountability: Reforms and resistance in social housing', *Public Management Review*, 19(2), pp. 212-231.

58 McKee, K. (2009) 'Empowering Glasgow's Tenants through Community Ownership?' *Local Economy* 24 (4), pp. 299-309.

59 Smyth, S. (2017) 'Public Accountability: Reforms and resistance in social housing', *Public Management Review*, 19(2), pp. 212-231.

premised on securing private finance, the whole ethos and aim of the new landlord organisation changes and prioritises the needs of the private financiers. Tenants, employees and elected public representatives' needs are increasingly ignored when key decisions are made.

This contradiction is highlighted by the experience of social housing providers in London – see Case Study 3. And has led two housing researchers – Gerry Mooney and Lynne Poole – to conclude:

There is at the heart of all of this an irreconcilable conflict between the needs of private financiers and the pursuit of...quality social housing provision that is democratically controlled.<sup>60</sup>

### **Case Study 3: Borrowing From The Private Sector – The London Experience**

One of the key arguments used to justify not allowing public housing providers, like the NIHE, to borrow and build new homes, and instead channel funding through housing associations (HAs), is that the latter can borrow freely without any policy restrictions and without affecting the overall government borrowing limits.

We can see the impact of this policy and the years of austerity in the actions of the big London-based housing associations – collectively known as the G15. Most of these housing providers have their origins either in Victorian philanthropy (like Peabody) or as reactions to the horrors of homelessness in the 1960s as portrayed in Ken Loach's television play *Cathy Come Home*.

The G15 members describe themselves as hybrid organisations with a business head and a social heart. Any housing provider set-up in the place of the NIHE would have the same contradiction at its core.

Social housing providers in London have been caught in a pincer since the global financial crisis in 2008. On one side their traditional funders (banks) have changed their lending terms and now generally only lend for periods of up to 10 years. On the other side the formation of the UK's Conservative/ Lib Dem coalition government in 2010, saw a huge cut in government grants for new build homes (falling by two-thirds)<sup>61</sup>.

This left a hole in the funding plans of G15 members (and other housing associations) that was filled by seeking funding from the private capital markets. A recent study found that there has been an explosion of corporate bonds (loans) being issued by social housing providers:

60 Mooney, G. and Poole, L. (2005). *'Marginalised Voices: Resisting the Privatisation of Council Housing in Glasgow'*, *Local Economy*, 20(1), pp. 27–39.

61 Smyth, S. (2019) *'Embedding financialisation: A policy review of the Affordable Homes Programme'*, *Housing Studies*, Vol. 34 No. 1, pp. 142-161.



Across England, eleven bonds were issued by seven HAs in the fourteen years between 1995 and 2009. In 2010, 14 bonds with a total size of £2.5 billion were issued by ten HAs. By 2017, there had been a cumulative total of 84 bond issues by 58 HAs, worth £17.1 billion<sup>62</sup>

The G15 in London are at the forefront of raising funds in this form. However, to access the capital debt markets they need to operate more like businesses, losing their social heart in the process. The impact of raising finance in this manner is highlighted by the way that housing associations have internalised the priorities of the finance providers. For example, over the ten years between 2006 and 2015 (inclusive):

- a. Margin (income minus expenses) has steadily increased from 11 per cent to over 22 per cent. This was achieved through a combination of increasing rent levels and cutting costs;
- b. The income streams have become less secure and stable with social rents falling from 88 per cent to 69.5 per cent as a percentage of total income;
- c. G15 members have adopted corporate structures including using public limited companies (plcs), so that their corporate bonds can be traded on the London Stock Exchange.

The reality of raising money through private borrowing is that the social heart is pushed to the side in the rush to become increasingly business minded. For example in 2015, Neil Hadden, CEO of Genesis housing association, reacted to the changed policy and funding environment by stating that in the future housing of low-income families “won’t be my problem”.<sup>63</sup>

## A Mutual Solution for the NIHE?

While there is a growing consensus that the NIHE must be allowed to borrow again (see section 5), there are alternative views on how this should come about. One current proposal is to pursue a mutual model based on Rochdale Boroughwide Housing (RBH).

In 2010, Rochdale local authority conducted a review and engagement process with all public housing stakeholders in the borough. Given the hostile policy and funding environment for council housing, the process recommended establishing a housing mutual and transferring to it the council housing, giving rise to the largest housing mutual in these islands – Rochdale Boroughwide Housing (RBH).

Case Study 2 gives the facts of how RBH was formed and some of the actions it has taken.

62 Smyth, S.; Cole, I. and Fields, D. (2019/Forthcoming) *‘From Gatekeepers to Gateway builders: Credit rating agencies and the financialization of social housing’*. Critical Perspectives on Accounting.

63 Murtha, T. (2015). The housing association that will no longer build homes for the poor. The Guardian Housing Network, 7 August 2015. Available at: <https://www.theguardian.com/housing-network/2015/aug/07/housing-association-no-longer-build-homes-poor-genesis>

As we saw earlier, despite the progressive image that mutual organisations possess, they are often caught in a contradiction between having a business-head and a social-heart. Primary research carried out by the author and senior NIPSA officials for this report illustrates which side of that contradiction RBH is pursuing.

First, RBH is a private organisation that takes the legal form of a group of companies. These include companies that are limited by shares (the same as many small and medium-sized companies). Therefore, council housing in Rochdale is no longer under the influence or control of the public sector or elected public representatives. The importance of this is highlighted by RBH's decision in 2016 to leave the NJC negotiating framework, leading to local pay bargaining for the past two years. The setting up of such a two-tier workforce is a key objective of any privatisation process and will inevitably lead to significantly inferior terms and conditions of employment for workers employed in such an organisation.

Second, in keeping with the experience of other privatised public services the senior executives at RBH set their own pay rises. Over the three years from 2020, five executives are set to receive a collective pay rise of nearly £160,000.<sup>64</sup> This is despite questions over the performance of the housing mutual, which is engaged in a controversial redevelopment plan.

Third, RBH is currently in the middle of a dispute with its own tenants about claims of gentrification of Rochdale town centre. There are seven tower blocks in the centre of Rochdale, known as the Seven Sisters. They were built in the 1960s to attract professionals to live in the town centre, with higher space requirements than most other council housing at the time.

In the intervening period the local authority and RBH's predecessor have carried out significant maintenance works including, in recent years, new windows and lifts. Yet in March 2019 RBH handed out demolition notices to the tenants in four of the tower blocks.

The tenants, who have formed a campaign called *Save the Seven Sisters*, maintain that the tower blocks are in good condition and need a relatively small amount of investment in the medium term. Instead they charge that RBH has engaged in a form of social cleansing and gentrification. One of the tenant campaigners, former mayor of Rochdale Robin Parker, explains part of the gentrification process, "The money they will pay me for my flat will not go anywhere buying anything else", resulting in having to relocate out of the town centre.<sup>65</sup> He goes on to explain:

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64 Rochdale Online, (2019), "Fury over pay rises for RBH executives", 17 October, 2019. Available at: <https://www.rochdaleonline.co.uk/news-features/2/news-headlines/130807/fury-over-pay-rises-for-rbh-executives?>

65 Manchester Evening News (2019), "Seven Sisters residents pledge to fight on as demolition notices handed out for landmark Rochdale towers", 27 March, 2019. Available at: <https://www.manchestereveningnews.co.uk/news/greater-manchester-news/seven-sisters-residents-pledge-fight-16031849>

What worries us on College Bank is, if they demolish College Bank, there are a lot of vulnerable people who are not going to seek rehousing, they are going to end up back on the streets again.

We need more social housing not less.<sup>66</sup>

In the second part of the proposed gentrification process a large number of homes will simply be demolished and not replaced. RBH is looking to demolish more than 500 flats and replace them with just 120 townhouses.

The reality of what RBH is proposing was summarised by a local councillor: "It appears the executive are getting higher pay rises and the actual service is getting worse because there's no political oversight. They don't have to respond to us, they don't have to listen to the public."<sup>67</sup>

Based on the foregoing analysis the conclusion is a simple one – RBH was a specific solution to the circumstances facing council housing in Rochdale a decade ago. It was developed through an iterative process of engagement with all stakeholders in that borough.

The proposal to take such a specific and unique model and seek to impose it, in a top-down manner, within the very different circumstances of Northern Ireland, is to completely misunderstand how RBH came into being in the first place. Further, any such move would represent a high risk policy choice with no guarantee of success and ultimately producing a poorer service from a less accountable landlord.

Instead we need a specific and unique model of public housing that fits the circumstances here, in a divided and segregated community. The good news is that in large part we already have such a model – it is called the Northern Ireland Housing Executive.

It is worth reiterating that the future provision of social housing and the NIHE is a political decision – it is not pre-determined nor set in stone in Westminster. The next section analyses recent political decisions and housing campaigns.

## Section 5: The Politics of Housing

In section four we highlighted that not only are housing mutual/cooperatives not equivalent to public housing but as hybrid organisations they are subject to external pressure to become more commercial and operate like businesses. Part of this external pressure is, as was highlighted by the CEO of Saskatoon Co-op, simply due to competing against other for-profit-businesses.

There is however an additional element in the case of housing provision – the policy environment that is created by politicians and policy-makers. As we have seen earlier, the policy environment is hostile to any idea of public service ethos and delivering housing on the basis of need.

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66 *"Seven Sisters Under Threat – Deprivation Battle"*, Rochdale Observer, 5 October 2019, p. 6.

67 Rochdale Online, (2019), *"Fury over pay rises for RBH executives"*, 17 October, 2019.

Further, an evaluation commissioned by the previous Department for Social Development in 2011 rejected the stock transfer option as an appropriate basis on which to secure the future for the NIHE:

This option is unlikely to maximise value for tenants, or complement public policy aims, and the overall deliverability is low. This option is unlikely to attain the necessary level of political consensus.<sup>68</sup>

Put simply if the NIHE is turned into a mutual/cooperative or other hybrid model it will enter a regulatory, financial and policy environment that will see it on a path to becoming a commercial housing provider.

## Political Consensus

Yet despite the funding crisis in, and threat to privatise the NIHE, there is an emerging and growing consensus across the political spectrum that the NIHE should be allowed to borrow and build new homes. Back in 2015, Lord Morrow (DUP) told the Stormont Assembly:

What I would rather see, and what borrowing can support, is the renaissance of the Housing Executive investing in stock, creating employment and delivering social benefits for its tenants and the communities that it serves.

At a Derry City and Strabane District Council meeting in July 2019 there was support for the NIHE expressed by local councillors from Sinn Fein, People Before Profit (PBP) and the DUP. In June 2019, the Chairperson of the NIHE, Professor Peter Roberts wrote,

The most immediate requirement is to secure £7billion of funding over the next 30 years to ensure that the Housing Executive's homes remain fit to live in... with power to build homes again, the Housing Executive can be even more ambitious than it is now in shaping and managing the places and communities that we serve. In order to do this we need the resources that can be obtained through borrowing.<sup>69</sup>

This emerging consensus can be built on in order to put pressure on the next minister in charge of the NIHE. Such pressure will also be strengthened by organising campaigns to defend the existing public housing stock and also win the argument for allowing the NIHE to have access to public funding and borrowing for new build housing. In the recent past such campaigns have been successful.

## Recent Housing Campaigns

Following Minister McCausland's 2013 announcement to remove the NIHE from the public sector, a programme of small-scale transfers was put in place. Such transfers require the consent of the tenants, which has always been secured through a ballot

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68 PwC Report, NIHE Strategic Options Review (2011, p. 175).

69 Housing Executive, 48th Annual Report, NIHE, June 2019, p. 5.

of all affected tenants. During 2017 and 2018, the first two ballots took place in the Grange, Ballyclare, and Ballee, Ballymena. Both ballots were overwhelmingly rejected by tenants. Crucially, these ballots saw a coordinated campaign against the transfer led by housing activists and members of the NIPSA trade union.

Speaking after the rejection by over 90 per cent of tenants on the Grange estate, Paddy Mackel of NIPSA summed up the importance of the result: 'It is a direct challenge to government to halt years of neglect ... It is a call by citizens to properly fund the Housing Executive ...'<sup>70</sup>

Significantly, in November 2018, following the result of these two ballots within 12 months of each other, the Department for Communities suspended the remaining transfer programme.

## Section 6: Conclusion

For the moment, those trying to privatise public housing in NI have been forced back; however, this détente will not last. Once the Stormont Assembly is re-established, because of the years of lackadaisical thought on housing policy, there will be intense pressure (borne out of desperation) on the new Minister to do “*something*” to secure the future of the NIHE. A straight forward privatisation of the NIHE is politically unacceptable to voters and as we outlined above there is a growing consensus that the Housing Executive needs to be allowed to borrow.

We have outlined how there are different alternative routes to how the NIHE could secure the funding it needs – which route is chosen is of course a political choice. At the moment the “common sense” view in policy circles and at the top of the civil service seems to be that turning the NIHE into some form of mutual organisation, taking it out of the public sector, is the only option.

In this report we have argued that mutual organisations hold just as many deficiencies as other forms of housing stock transfers. Hence, housing mutuals have been called *privatisation in a fancy wrapper*.

Stuart Hodkinson, from Leeds University, reports the view common among many housing campaigners that:

Regardless of ‘empowerment’ rhetoric, these mutual models would be run as businesses dependent on open market borrowing, making tenant control (and housing need) ultimately subservient to debt viability and delegated ‘professional’ management decisions.<sup>71</sup>

In other words, the Community Gateway model means yet more privatisation of public housing. Further in previous reports we showed that the Housing Executive provides the most appropriate way to deliver public housing locally and, if funded properly, the NIHE could act as a significant stimulator of economic growth and

70 Newtownabbey Times, ‘*Local residents refuse stock transfer*’, 30 August 2017. Available at: <https://www.newtownabbeytoday.co.uk/news/local-residents-refuse-stock-transfer-1-8127346> (Accessed on 21 Sept, 2019).

71 Hodkinson, S. (2012), ‘*The Return of the Housing Questions*’, *ephemera* 12(4), pp. 423-444.

social cohesion. We have included an updated range of policy options for both the NIHE and housing policy more generally, at the end of this report.

The task for all those who want to live in a society where everyone has a right to, and is provided with the opportunity to, live in a decent, secure and affordable home is to create the political and policy environment where the incoming Stormont Executive has no choice but to fund the NIHE. This would give society the ability to consistently, strategically, equitably and on a not-for-profit basis create the public housing authority and system we need for the 21st century.

## Recommendations for the NIHE and Department for Communities

In what follows we set out a series of recommendations for the future of the NIHE and housing policy in NI more broadly, that if adopted would form the basis of a new innovative, radical and ultimately equitable housing sector.

1. A permanent end to the small scale stock transfer policy; revisit the current Social Housing Reform Programme and engage with the wider community on key priorities for a revised housing programme and policy;
2. Lift the restriction on borrowing by the NIHE through extending the Prudential Borrowing rules, introduced to NI in 2011 for local authorities, to the Housing Executive;<sup>72</sup>
3. The new Assembly to re-direct the funding from the proposed corporation tax rate cut to address the repairs and maintenance of NIHE homes;
4. The new Assembly to seek additional funding from Westminster (similar to the English city region devolution deals) to fund an immediate programme of new builds;<sup>73</sup>
5. Extending the existing NI social housing grants to allow the NIHE bid for funding, alongside existing housing associations;
6. An end to the Right to Buy for NIHE tenants (following the example of the Scottish Parliament) to protect the existing level of public housing stock and
7. Democratise the structures of the NIHE by instituting a participatory budgeting system; using performance measures geared towards social goals and greater tenant participation through elections to reserved seats on the NIHE Board.

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72 The Prudential Borrowing rules were first introduced in Britain in 2004 to allow local authorities to borrow from the private sector without having to gain central government consent “*providing that they remain within their affordable borrowing limits*” (Alternative Financial Delivery Models for Affordable Housing, NI Assembly Research and Library Services, Briefing Note 37/10, 2010, p. 12.)

73 See NIPSA Report Our Homes, Our Future (2017, p. 10) and Devo-Housing – an emerging agenda, (The Smith Institute, London, 2016) for more detail.

# Recommendations for Housing Policy

1. Ensure that a socially progressive approach to housing, as outlined in this report, is a key priority of the new Assembly's Programme for Government. Such a priority will acknowledge the equality aspect of distributing resources independently, based on social need not market diktat, or sectarian expediency;
2. To stop the flow of new homelessness cases - an immediate moratorium on all evictions;
3. Follow the examples of US and Canadian cities and some EU countries and institute a policy of "Housing First" to address homelessness;<sup>74</sup>
4. Enhanced rights for tenants in the private rented sector including long-term and indefinite tenancies and rent certainty;
5. A mandatory registration system for all private landlords, which is funded to allow inspections and enforcement actions;
6. The introduction of appropriate fiscal measures – such as a land value tax or public sector equity holdings - to encourage timely and appropriate development of new housing;<sup>75</sup>
7. Public land to be used for public housing development only;
8. Democratise the making of housing policy through greater transparency in planning decisions, the introduction of social impact statements and the funding of independent tenant and civil society scrutiny.

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74 Housing First uses housing as the starting point rather than the end goal, and then supports the individuals to maintain their housing status. Research shows that in 8 out of 10 cases Housing First leads to an end of homelessness for the individuals concerned. For more details see: <https://housingfirsteurope.eu/guide/>

75 There are a variety of fiscal mechanisms that the Stormont Assembly could apply with the aim of decreasing land banking and increasing the appropriate and timely nature of development. These include a tax on zoned land and/or land with planning permissions that lie idle beyond a specified period of time. An alternative mechanism would be for the local authority hold an equity share in the future development. See *Radical Solutions to the Housing Supply Crisis* by Duncan Bowie (Policy Press, 2017) for more details.



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