The University Of Sheffield.

Financialisation, regulation and the “social and moral mission” of English housing associations

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A thesis submitted in partial fulfilment of the requirements for the degree of

Doctor of Philosophy

The University of Sheffield

Faculty of Social Sciences

Department of Urban Studies and Planning

Submitted October 2023

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Abstract

In recent years English housing associations have faced criticism on two principal fronts. Firstly, for placing greater emphasis on commercial development as opposed to social rented housing. Secondly, for numerous cases of disrepair, damp and mould. This thesis explores the role of financialisation in explaining the purported mission creep of housing associations, with sectoral governance transformed by the increased importance of financial actors, markets and practices post-2010. The thesis adopts a mixed-methods approach, combining longitudinal clustering of balance sheet data, analysis of a natural experiment, qualitative document analysis, and semi-structured interviews. The findings suggest that several forms of financialisation exist across the sector, but organisations share a common strategic principle of accessing capital by leveraging housing and land as an asset. This asset strategy has been a key driver of commercial activity and declining social rented supply among some associations. Moreover, a regulatory framework that prioritised financial viability over consumer standards has underpinned the increased importance of private finance. These findings challenge the notion that financialisation is consigned to large landlords, or is in retreat. Rather, financialisation is variegated and dynamic. The period of low-interest rates and low landlord expenditure that characterised the early 2010s has given way to a period of constrained borrowing capacity and significant investment in existing homes. Difficulties in accessing sufficient private and public funding are contributing to delays in remediating building safety issues and decarbonising social housing, as well as placing some associations at risk of financial collapse. Furthermore, the restrictions placed upon some landlords by their loan covenants are one of the contributing factors to disrepair. Nonetheless, housing associations are responsive to changes in their funding environment, and recent increases in government capital grant in areas of ‘high affordability pressure’ have led to a nascent increase in new social rent supply.

Declaration

*I, Michael Marshall, confirm that the Thesis is my own work. I am aware of the University's Guidance on the Use of Unfair Means (*www.sheffield.ac.uk/ssid/unfair-means*). This work has not been previously been presented for an award at this, or any other, university.*

Acknowledgements

This thesis has been funded by the Economic and Social Research Council as part of the White Rose Doctoral Training Partnership (WRDTP). I would like to thank them for their support and for funding this work.

To all the participants in the research, I am indebted and express my gratitude for your contributions. I can safely say that each interview made it clear how little I actually knew going into this project. Thanks also to the Homes England employees who provided personal correspondence for chapter seven.

To Dr Stephen Hincks and Ryan Powell, thank you for your invaluable and excellent supervision. The various twists and turns that this thesis has been through have not made me the easiest PhD student to supervise. But you have been consistently knowledgeable, accessible and encouraging. And it has been a privilege to work with you.

To Meng Le Zhang, thank you for your invaluable support and comments with the regression discontinuity analysis in chapter seven.

To Professor David Robinson and Professor Rowland Atkinson, thank you for your helpful and constructive feedback on my confirmation review proposal, which strengthened the thesis and helped me avoid some costly mistakes.

To Dr Jenny Preece, thank you for your support at various stages in the process, including assisting me in applying for the PhD, discussing ideas, and introducing me to my supervisors.

To Dr Glyn Williams, Dr Steve Connelly, and all my PhD peers in Urban Studies and Planning (USP), thank you for the training and support you have provided through the postgraduate programme. And for indulging me when I routinely presented half-baked ideas and works (very much) in progress.

To Dr Gareth Young, thank you for your assistance in producing a policy brief based upon the findings in chapter seven. And to Professor Ed Ferrari who reviewed the policy brief draft.

A special thanks goes to all the line managers and Executive Directors to whom I reported whilst working in social housing (not named to protect anonymity). Not only were they excellent managers in my previous life, but some of them directly supported this project by discussing ideas and introducing me to useful contacts. Section 1.3. of this thesis describes some of the 'frustrations' I experienced working in the housing association sector. But working with each of you was not one of them. While this thesis contains some critiques of governance trends in the sector, it remains the case that I believe each of my previous managers is an example of someone working in social housing with limitless integrity and commitment. Plus, when I asked to take annual leave in 2018 to attend a one-day conference hosted by the UK Collaborative Centre for Housing Evidence (CaCHE), and did so because I thought it would be a useful networking opportunity for a future career in academia, my then line manager told me to save my leave and to attend under the auspices of 'work'. Following submission of this PhD I am due to start working for CaCHE full-time as a Research Associate, and working directly with some of the academics I met on that day. I'm not sure what benefit my previous employer received from my attendance at the conference. But I am certainly grateful they let me go.

Thank you to all my friends and family who supported me through this. In particular I would like to thank my father-in-law Phil, who helped decorate our house while I was working on the thesis (as well as compensating for my lack of requisite DIY skills). My mother-in-law Jennifer, who gave me

much needed practice on my elevator pitch by asking, “So Michael, what do you think needs to change in social housing?” approximately 12 hours after my son was born. Rob and Millie, for continuing to take in an interest (I assume) in how the PhD was going. And to my niece Charlotte for being incredibly cute. And to my parents, for everything they’ve done to get me to this point, including looking after Ben while I finished off the writing (which they presumably hated).

And now a personal message from me, to Lydia and Ben. Thank you, Lydia, for your endless generosity, support and patience. I can’t promise not to bore you anymore with terms like ‘financialisation’ and ‘gearing’. But if I do have to bring them up, I promise it will be via the medium of a zine. And thanks to Ben for being an incredible gift that has motivated me to finish this PhD, and for making it a joyful experience to work from home. Chapter five was effectively written in my head whilst trying to get you back to sleep in the early hours of several mornings. I’ll let the reader be the judge of what effect that has had on its quality.

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List of abbreviations

Abbreviation	Meaning
AHG	Affordable Housing Guarantee
AHP	Affordable Homes Programme
AIC	Akaike information criterion
ALMO	arms-length management organisation
ATE	average treatment effect
BIC	Bayesian information criterion
CCT	constitutional change transaction
CEO	Chief Executive Officer
CRA	credit ratings agency
DCLG	Department for Communities and Local Government
DESNZ	Department for Energy Security & Net Zero
DLUHC	Department for Levelling Up, Housing and Communities
EBITDA	earnings before interest, tax, depreciation, amortisation
EBITDA MRI interest cover %	earnings before interest, tax, depreciation, amortisation, major repairs included interest cover percentage
ECO	Energy Company Obligation
EH	Environmental Health
EHO	Environmental Health Officer
EPC	Energy Performance Certificate
ESG	environmental, social, and governance
GBTM	group based trajectory modelling
GCKM	growth curve k-means
GDP	gross domestic product
GFC	global financial crisis
GLA	Greater London Authority
GMM	growth mixture modelling
HA	housing association
HCA	Homes and Communities Agency
HOP	housing for older persons
ICC	intraclass correlation coefficient
IDA	In-Depth Assessment
IDS	Industrial Dwellings Society
IK	Imbens and Kalyanaraman
L&Q	London & Quadrant
LA	local authority
LATE	local average treatment effect
LKM	longitudinal k-means
LSVT	large scale voluntary transfer
NAHP	National Affordable Housing Programme
NFC	non-financial corporation
NHF	National Housing Federation
NPV	net present value
PFI	private finance initiative
PRS	private rented sector
PSL	private sector leasing
R&D	research and development
RCT	randomised controlled trial

RDD	regression discontinuity design
REIT	real estate investment trust
RSH	Regulator of Social Housing
RTB	Right to Buy
S106	Section 106
SDR	Statistical Data Return
SH	supported housing
SHDF	Social Housing Decarbonisation Fund
SME	small-to-medium enterprise
SOAHP	Shared Ownership and Affordable Housing Programme
SORP	shared-ownership reversionary portfolio
SYHA	South Yorkshire Housing Association
TSA	Tenant Services Authority
TSM	Tenant Satisfaction Measure
VfM	Value for Money

1. Introduction

“This is nothing to do with government funding. This is about neglect. This is about a lack of compassion and poor management. […] I think executive pay is out of control in some of the housing associations, absolutely. And I think they need to return to the kind of social and moral mission that housing associations and the charities that came before them originated from.” Robert Jenrick (Conservative MP, Secretary of State for Housing, Communities and Local Government 2019-2021), on standards of service and disrepair in the English housing association sector, 2021.

1.1. The contested social mission of English housing associations

English social housing, in particular the non-profit housing association (HA) sector that is the largest provider of social housing in England, has been a site of intense public, political and media debate in the past half decade (LUHCC, 2022). As Robert Jenrick’s quote above illustrates, a perception has set in, even amongst the political right, that HAs have lost their sense of “social and moral mission”. This public debate has tended to revolve around two related issues.

Firstly, HAs are perceived to have drifted from their primary purpose of providing social rented housing to low-income households, at a time in which there is widespread agreement that the supply of social rented housing is inadequate to meet housing needs (Baker *et al*., 2022; Bramley, 2018). Instead HAs have adopted a cross-subsidy model that has seen them diversify their housing offer, providing a greater proportion of private sale and market rent to cross-subsidise social rented homes (Crook and Kemp, 2019; Smyth, 2019; see sections 2.6.1. and 2.6.2.). HAs have been accused of becoming de facto private developers that are overly focused on the lucrative world of commercial development as opposed to traditional social housing (Manzi and Morrison, 2018). To deliver on these commercial ambitions there has been a trend towards increasingly large HAs that own up to 100,000 homes, achieved via widespread merger and acquisition activity (Marsh, 2018). This has contributed to a sense among some stakeholders that landlords are distant from their tenants (Hilditch, 2017). And that some HAs are exacerbating gentrification and socio-spatial polarisation in areas of high housing value, demolishing and regenerating iconic social housing estates into mixed-income communities (Brown, 2019). Atkinson and Jacobs (2020a) describe HAs as having developed business models that are “a long way from offering substantial high quality, affordable and secure social housing at a time of crisis.” In 2018, a *Channel 4* documentary accused the HA sector of “getting rich from the housing crisis” (Brown, 2018). Evidence provided in support of this assertion includes a peak in HA organisational surpluses in the mid-2010s, with the HA sector’s collective

surplus reaching £3billion in 2016, growing by 25 per cent in a single year due to sales activity (ibid.; Spurr, 2016). As well as senior leaders for large HAs being paid six-figure salaries (Barker, 2021).

The second related debate concerns the quality of service for HA residents and customers, with many arguing that the financial strength of the HA sector is not always reflected in improved outcomes for social housing residents (Baker *et al*., 2022). Although there were already critics of the service provided to tenants prior to this event, the tragedy of the Grenfell Tower fire in 2017 that killed 72 residents initiated a nationwide conversation on issues such as building safety, tenant representation in HA governance, and the stigmatisation of social housing (CIH, 2018; Hickman and Preece, 2019; Shelter, 2019). These issues also overlap with debates regarding the affordability of social housing rents. Critics point to the growth of the *affordable rent* tenure that charges up to 80 per cent of market rents, compared to social rent that tends to average around 50 per cent (Gibb, 2021; Preece et al., 2020a). Despite significant attention on the HA sector post-Grenfell, issues regarding standards of service have continued to emerge. The HA sector was rocked by reports of pervasive damp, mould and disrepair in the early 2020s, prompting an investigation by the Housing Ombudsman. The Ombudsman investigation highlighted that some HAs were complacent on the issue of damp and mould, had complaints procedures that were difficult to navigate, or even sought to blame mould on the lifestyle of the tenant (Housing Ombudsman, 2021). The issue of HA disrepair became even more pressing with the death of Awaab Ishak in 2020, a two-year old HA tenant who died from prolonged exposure to extensive damp and mould (Simpson, 2022).

The HA sector has, therefore, been seen as simultaneously drifting from the provision of social rented housing, whilst often providing a poor service to tenants. This has opened them up to criticism from both sides of the left-right political divide. In addition to Robert Jenrick accusing HAs of neglecting tenants, whilst denying government responsibility in contributing to disrepair (cited in Alexander, 2021, see quote above), his successor Michael Gove has taken it upon himself to publicly 'name and shame' poorly performing social landlords (Cuffe, 2023). On the left, the Enough is Enough movement – a coalition of trade unionists, politicians and activists campaigning on the cost-of-living crisis – made one of its five demands, "decent homes for all […] ensuring standards, especially in Housing Association facilities" (Enough is Enough, 2023).

In response, the HA sector is currently amidst a period of collective introspection, reflected in several reviews into sectoral governance (Baker *et al*., 2022; LUHCC, 2022; Shelter, 2019). Admittedly, the concept of a unified sectoral "social mission" is somewhat nebulous; there is dispute as to whether the diversity of services and tenures provided by HAs can be reduced to a single 'purpose', and defenders of the cross-subsidy model argue it delivers social value by increasing the quantity and

availability of housing supply (Orr, 2017). Nonetheless, the extent of public attention and debate focused on the HA sector has led to a general acknowledgement that standards of service need improving (LUHCC, 2022). For example, a review into the sector commissioned by the National Housing Federation (NHF) concluded that "every housing association, and the sector as a whole, should refocus on their core purpose, […] to provide decent, safe homes for those who can't afford the market" (Baker *et al*., 2022: 6).

Critics of the trends described above – the simultaneous drift from social rent and decline in service standards – have offered varied diagnoses as to their causes. One of the primary concepts and theories utilised is the pull of commercialism (Atkinson and Jacobs, 2020a; Manzi and Morrison, 2018; see section 2.6.2.). In a recent governmental Select Committee inquiry into social housing regulation, some of the stakeholders submitting evidence accused HAs of adopting an impersonal, 'Amazon-type' service, operating through remote call-centres that were ill-suited to serving local communities, compounded by a preoccupation with private sale that was seen by some as a distraction (LUHCC, 2022; also Baker *et al*., 2022).

For others it is simply size itself, rather than commercial activity, that is the primary issue. The Chair and Chief Executive Officer (CEO) of South Yorkshire Housing Association (SYHA) have been quoted as saying that a HA "growth logic" achieved through merger and acquisition is "not germane to providing a good service" (cited in Twomey, 2022), and that "it's much more difficult if you're too spread and lose touch with your communities. […] These super large and overspread associations should look to themselves and demerge" (Stacey, 2022).

A related argument is that the issues are cultural and a consequence of the skills and competencies of HA personnel. Manzi and Richardson (2017), for instance, chart a dual shift within social housing practice that has simultaneously placed greater value on commercial, economic and financial skills amongst housing professionals, whilst devaluing traditional skills rooted in social policy and community organisation.

These different perspectives – commercialisation, landlord growth, professionalisation – are arguably complementary to one another in explaining the perceived mission drift of HAs, although they have different points of emphasis. One thing they have in common is that they demonstrate that the current issues in the HA sector have long-term roots. Identifying historical inception points is inherently difficult, for instance there is evidence that commercial activity, business diversification, and a trend towards larger landlords was occurring in the HA sector during the late 1990s and 2000s (Pawson and Mullins, 2010). Whereas the increased managerialism of the housing professional could arguably be traced back to the 1980s as part of neoliberal public service reform (Manzi and

Richardson, 2017). Nonetheless, there is unanimity in the literature and public debate that the 2010s represent a critical juncture in social housing policy and HA governance (LUHCC, 2022; Smyth, 2019). The early 2010s provided a structuring context for the trends described in this section in two respects. Firstly, the austerity era of public expenditure cuts following the global financial crisis (GFC) created a funding shortfall in many public services (Gray and Barford, 2018). Secondly, the Coalition government operated a 'one-in, two-out' rule regarding business regulation which contributed to an overhaul of social housing regulation (see section 2.6. for details). As such, it is on the period from 2010 to the present that this thesis focuses.

1.2. Financialisation and the social mission of housing associations

In this thesis I will offer an alternative account to those discussed above, although again one that could be seen as complementary rather than contradictory to established narratives. My argument is that a key driver of the shift away from social rent and the proliferation of disrepair is the implication of HAs within a broader process of financialisation (Aalbers, 2016). Financialisation refers to the growing dominance of financial markets, actors, narratives and practices, resulting in a structural transformation of economies and firms (Aalbers, 2017a). It is supported by a process of assetisation, in which resources such as housing and land are managed as an asset whose revenue streams are used to access capital (Birch, 2017; Christophers, 2017). The financialisation of housing has emerged as a prominent research agenda, reflecting the importance of housing as security for the continued circulation of capital and financial instruments, and the centrality of risky sub-prime mortgage lending to the GFC (Aalbers, 2016; Gotham, 2009; Wainwright, 2009). The United Kingdom (UK) has been viewed as a prototypical example in this literature due to neoliberal restructuring in the 1980s initiating widespread privatisation of public sector housing and financial deregulation of mortgage lending (Atkinson and Jacobs, 2020b; Powell and Robinson, 2019). Among the consequences explored in the literature are increased housing wealth inequality and the growth of buy-to-let private landlords that has resulted in a resurgent private rented sector (PRS) (Arundel, 2017; Arundel and Ronald, 2020; Martin *et al.*, 2018). In the post-GFC era, social housing has become an increasingly important asset class with dramatic increases in lending to HAs and institutional investment in the sector (Pawson and Milligan, 2013; Wainwright and Manville, 2017; Wijburg and Waldron, 2020). The value of long-term debt held by the HA sector increased from £47.9billion in 2012 to £86.2billion in 2022, and the growth of debt has significantly outpaced any corresponding increase in new housing supply (HCA, 2012; RSH, 2022a).

The empirical sections of this thesis will show that financialisation and assetisation provide a contextual backdrop for the commercialism and professionalisation of the HA sector as they have developed in the 2010s (Clare *et al*., 2022). The funding gap created by capital grant cuts under

austerity, which coincided with a political and regulatory environment that prioritised increasing new housing supply whilst encouraging HAs to become largely self-financing organisations, increased the importance of private finance in the HA sector (Gibb, 2018; Morrison, 2017). As a corollary, converting homes to affordable rent was critical to generating additional revenue and increasing borrowing capacity (Smyth, 2019). This occurred during a period of low interest rates and rising property values (in areas such as London and the Southeast at least), which supported HAs in diversifying their revenue streams into commercial ventures (Christophers, 2019). And the premium placed upon financial capacity in this context also drove further emphasis on recruiting staff and importing practices from the worlds of commercial finance and property development (Goulding, 2018). In this sense, the arguments relating to commercialisation and professionalisation are not incorrect, rather they provide only a partial understanding that is weaker for not incorporating the structuring role of financialisation.

In making this argument I draw upon a burgeoning literature that argues financialisation has evolved alongside changes in HA governance. I take *governance* to refer to the framework of legislation, regulatory bodies, operating structures, and supporting practices and procedures that shape conduct in the sector (Marsh, 2018). This literature emphasises the reciprocal and co-dependent relationship between financialisation and HA governance, as financialisation drives changes in governance, but financialisation in context remains co-constituted by the path dependency of existing HA institutions, practices and regulatory bodies (Goulding, 2018; Goulding *et al*., 2023; Raco *et al*., 2023).

I seek to address some crucial limitations in this literature that create its own partial understandings and myths. Chief among these is that financialisation is a process exclusive to large, indebted HAs that are pursuing rapid growth via land-led development (Clare *et al*., 2022; see section 2.6.1.). This depiction of the large-financialised landlord is often portrayed in contrast to a similarly mythologised small, community focused landlord providing a more supportive service (ibid.; Sacranie, 2012; Stacey, 2022). One of the issues with this binary – what we might call 'large and indebted' vs. 'small and non-financialised' – is that it underplays the extent of finance's reach into the HA sector, potentially even suggesting that financialisation is in retreat as some HAs have reduced their growth ambitions as the cost of borrowing has increased (Raco *et* al., 2023). By underplaying the reach of finance it obscures forms of investment other than debt finance, and the sector-wide impact of rising interest rates in limiting the ability of HAs to invest in their stock (Cuffe, 2022; Pawson and Milligan, 2013). It also undermines the explanatory power of financialisation as a concept, rendering it silent on issues of HA governance and disrepair beyond the largest HAs. Finally, it leads its proponents towards potentially futile solutions, for instance demerging as per the suggestion by SYHA.

By contrast, the empirical sections of this chapter will show that on questions of standards in the HA sector and their relationship to financialisation, of greater importance than questions of landlord size are concerns around government funding, borrowing capacity, asset management strategy, and regulation. I argue that existing within the HA sector are qualitatively distinct sets of HA financialisations, including HAs that utilise off-balance sheet equity investment rather than debt finance, and HAs with less ability to invest in new or existing stock due to the terms of their borrowing (see section 4.6.). Moreover, I will show that interest paid on debt is extracting capacity from some of the smaller HAs in the sector, contributing to cases of disrepair (see section 6.3.2.). Furthermore, the rising cost of borrowing across the HA sector is acting as a critical source of delay in improving the safety, energy efficiency and decency of the housing stock (see sections 4.6. and 5.3.).

This thesis, therefore, is an attempt to achieve two related objectives. Firstly, to move beyond an overly simplistic binary that pervades the academic literature to understand how financialisation has affected the governance and asset management strategies of HAs across the sector as a whole. Secondly, to use this wider empirical lens to bring greater clarity on how financialisation contributes to social housing disrepair, and the inadequacy of social rented supply (see sections 1.3. and 3.2. for greater detail on research objectives). Consequently, by expanding the evidence base on HA financialisation, and demonstrating its centrality to ongoing issues affecting the sector, I aim to take initial steps towards breaking down a frustrating impasse whereby financialisation has failed to pervade the public and policy discourse. In the context of the English HA sector at least, financialisation remains primarily a concept consigned to the academic literature, with little to no purchase among housing activists and policymakers (see section 2.6.3.). To understand why this is a source of frustration, it is useful to provide context on my motivations for undertaking the research. For this I briefly detail my experience as a practitioner in a HA between 2014-2018, and the insights this provided on the constructive role of HA funding and regulation on the supply of decent and affordable social housing.

1.3. Motivation for the research: the frustrated practitioner

I started working for a HA in the early 2010s. Upon starting my job it was clear I had joined the sector at a particular historical juncture. Early into my tenure I attended a conference where a HA Executive Director explained that the rules had fundamentally changed with austerity. Departments that handled repairs and maintenance were previously called things like 'Property Services', but now they were branded as 'Asset Management'. Due to the drying up of available government grant, if HAs wanted to continue investing in new and existing homes they had to use their asset base strategically. A strategic asset management approach meant understanding which homes were profitable and which were not. It also meant making more calculated decisions about which homes

would receive planned maintenance and when. And it required HAs to decide which localities would be the organisational focus, and from which localities they might disinvest. This strategic focus was to help HAs leverage their asset base to access novel forms of institutional investment, which would run parallel to a wider strategic consideration of how to maximise available resources, including whether HAs could diversify their housing offer across tenures to secure cross-subsidy, and work in partnership with actors such as local authorities and commercial developers. The lesson did not fully dawn on me at the time, but throughout my time working in a HA it became clear that this historical juncture had introduced (or perhaps exacerbated) a tension around whether HA housing was to be treated as a home or as an asset.

My first job was within a recently created Asset Management Directorate, specifically the Strategic Asset Management team. I was involved in writing the Asset Management Strategy, which covered all the principles outlined by the aforementioned presentation; how was the asset base performing? What did asset performance tell us about where to invest? When should we invest in our homes and by how much? But most of my role actually involved managing Environmental Health (EH) Notices – cases where a local authority Environmental Health Officer (EHO) had identified a health and safety issue in one of our homes. My role was to project manage the remediation of the issue and to respond to the EHO. Handling EH Notices taught me a few lessons, one of which was that issues such as damp and mould were far more pervasive than I ever imagined, and often in homes that had been landmark developments for the organisation in the last ten to fifteen years. It also vividly illustrated that the tension between how value was conceived in HA housing – as a home or an asset – went to the core of my role.

To give an example, there was a longstanding case I had inherited from a predecessor. The entire ground floor of a block of flats had horrendous issues with damp and mould, which was caused by a poorly installed damp proof course letting in water from the neighbouring canal. I made what I thought was a strong case to remove all the residents temporarily so we could remediate the issue comprehensively. And this is eventually what we did. But only after some time was lost because our Development Director had to first assess whether it would be better to demolish and then rebuild the estate into a more profitable mixed-tenure development, especially given it was located in a desirable area of West London. Whether these homes, and the underlying land, could be leveraged into a more profitable asset was thus a critical source of delay.

In 2016 I moved into a Strategy & Research role, which gave me further examples of how this tension influenced decision-making. But this role also helped me contextualise where the tension had come from. Two re-emerging themes that provided context were funding and regulation. Funding and

regulation had a constructive influence upon strategy and practice within my organisation, contributing to a recurring focus on deriving maximum value from our assets. An illustrative example on funding was our review of the organisation's Affordable Rent policy. The basic idea was whether we could use our discretion over Affordable Rents as a social policy instrument, setting our rents in proportion to local incomes such that they would be low enough that the average household would be less reliant upon Housing Benefit, in turn increasing their disposable income. Our team of analysts found a solution to meet this aim, but it ultimately died a premature death because the reduction in rental revenue would have resulted us in breaching our loan covenants and would undermine our development programme.

On regulation, one of my roles was to write an annual Value for Money (VfM) self-assessment, which was a return for the Regulator of Social Housing (RSH) explaining how we had met their VfM Standard. A constant source of friction with RSH was that our organisation was high-cost relative to our peers, and therefore in the eyes of RSH we were inefficient and failing to use our assets effectively. But one of the main reasons we were high-cost was because we provided private-sector-leasing (PSL) housing, which is temporary accommodation leased from private landlords and then let to households on the social housing waiting list. Due to the lease costs, PSL was a financial loss to the organisation, but was justified on the basis that local authorities desperately needed temporary accommodation to reduce rough sleeping, and so was very much what a social landlord should be doing. However, after a few years of writing VfM self-assessments I was informed that we were selling the PSL portfolio, and so I wouldn't have to worry as much about putting our high costs in context for RSH.

I've often characterised my experience in the HA sector as having lots of issues to deal with, and a clear sense of what should be done, but not having all the levers at my disposal to deal with them. By no means would I wish to argue this was an experience that could be generalised across the sector, but it captures my own experience. And it seemed to capture the experience of some of my colleagues too (although, again, not necessarily all). Our Executive Leadership would regularly complain behind closed doors that the government's Affordable Rents policy was a disaster (hence the review). And my line manager would bemoan the lack of government funding available for investment in improving the energy efficiency of our homes, describing the 2010s as looking like it would be a lost decade for the decarbonisation of social housing. The same manager once asked me if we could find just one or two properties that were vacant because they were in a bad condition, and sell those homes on the open market just so we could tick the "strategic asset management" box without having to actually dispose of significant amounts of housing. When I spoke to senior managers, they often acknowledged that normatively they preferred the pre-2010 social housing

model, one focused mostly on maintaining the decency of a predominantly social rented stock. But they had to work within the “realm of the possible”, which necessitated compromise.

So after several years working in the HA sector, even if I didn’t feel like I fully understood the political-economic drivers of the changes in social housing I was seeing, I felt like I had a sense of where to look. Importantly, though, it didn’t feel like other people were talking about these issues enough, or at least in a way that was consistent with my own experiences. And this disconnect between prevailing narratives and my experience was present both within the sector and outside of it. In terms of internal narratives, my colleagues may have been working within the “realm of the possible”, but I would argue they were working within a particular interpretation of what was possible that was not actively challenged enough. Outside the sector, there was a groundswell of tenant’s groups, writers, activists and campaigners that were critiquing the mission creep of the HA sector (see Harris, 2017 for evidence this debate was emerging pre-Grenfell). This movement was given significant impetus by the tragedy of the Grenfell Tower fire, where the building safety issues that would prove fatal had been highlighted by the residents prior to the fire, but ignored by the landlord and building contractors (Apps, 2022). Grenfell shone a light on multiple systemic inequities in the social housing system, including many residents who felt their landlords were unresponsive and contributed to a widespread stigmatisation of the tenure (CIH, 2018). The arguments made by such actors were an important source of inspiration for me in considering how research could help make the case for decent and affordable housing. Collectively they have helped demonstrate our ability to imagine and construct an alternative “possible” in which HAs could operate. But there was also a sense in which some of the political-economic context I have touched upon here was underplayed within the public discourse around changes in HA practices. A lack of political economic context led to some gaps in the prevailing narrative as to how and why HAs have become the organisations they have, providing the service they do. And without a full understanding of an issue, we are hindered in being able to solve it.

So it is in this context that my lingering thoughts from working in the HA sector coalesced around a concern with how HAs conceive of the value in the housing – whether as an asset or a home – and how this influences the ways in which they treat their housing – including which homes to invest in, which to dispose of, and how housing is leveraged to support growth and development. Some of the challenges I encountered in my role were the result of organisational strategy and decision-making. Nevertheless, that decision-making also occurred within a wider political economic context, including widespread changes in HA funding, regulation and governance. And the relationship my organisation had to that context was more complex than is sometimes acknowledged, with political compromise sitting alongside criticism and more subversive performative tactics. As the researching and writing

of this thesis has developed the scope has inevitably changed and widened. Pertinently, engagement with the academic literature has led me to conceive these changes as part of a broader process of financialisation. Instances where the organisation I worked for chose to delay investment in non-decent housing, or prioritise the organisation's financial strength over other objectives under the watch of lenders and regulators, are indicative of how financialisation became interwoven with HA governance. Financialisation has transformed HA governance by encouraging the adoption of practices and strategies that privilege the value of HA homes and land as assets. While the academic literature has developed my thinking on this issue, the motivation for undertaking this study can still be traced back to the concerns detailed above; namely how political-economic change has co-evolved alongside the asset management strategies of the HA sector, and ultimately what this means for the provision of decent and affordable social housing.

1.4. Structure of the thesis

The overarching aim of this thesis is *to understand the financialisation and assetisation of English housing associations, and how it is affecting the governance and supply of decent social housing* (see section 3.2. for detailed explication of the research aims, objectives and questions). The concepts of financialisation, assetisation and governance will be employed to explore financialisation as a variegated phenomenon that can shed light on crucial questions currently affecting the HA sector, including the perceived commercialism of HAs, the reduced focus on social renting, and ongoing concern with standards of service. The structure of the thesis is as follows.

In chapter two I review the literatures on financialisation, assetisation and HA governance. I structure the discussion on financialisation around a framework developed by Aalbers and Christophers (2016) to explain the role of housing within political economy. Aalbers and Christophers argue housing is central to financialisation in three respects: housing supports continued capital circulation, acts a site that reflects and transforms social inequities, and reinforces the ideological foundations of capitalism such as market rule and continued accumulation (ibid.). Following this I distinguish financialisation from commonly conflated concepts such as commodification, arguing that it is the treatment of housing as an asset that distinguishes financialisation (Birch, 2017). Financialisation is, therefore, predicated upon a complementary process of assetisation (Brill *et al*., 2023). I then locate financialisation within the historical development of the HA sector, arguing that although there are historical roots and antecedents in prior decades, the post-2010 era of HA financialisation can be distinguished from previous epochs within HA governance. Finally I explore the literature on HA financialisation around three themes: the growing importance of private finance (Gibb, 2018; Smyth, 2019), the structural transformation of HA governance (Goulding, 2018; Raco *et al*., 2023), and the consequences for housing outcomes (Clare *et al*., 2022; Raisbeck, 2019). I identify the following gaps

in the literature on HA financialisation and governance. Firstly, a lack of research that evidences and substantiates the growing importance of private finance at the sector-wide scale, contributing to assumptions that larger HAs pursuing debt-led growth are more financialised than smaller landlords (Clare *et al*., 2022; Goulding, 2018; Marsh, 2018; Raco *et al*., 2023). Secondly, that existing conceptualisations of the role of regulation in HA financialisation need refining and expanding. For instance, the role of RSH as a financial intermediary is underplayed in the literature and lacks empirical depth (Smyth *et al.*, 2020). Similarly, there is a lack of research on how HA asset management strategies interact with the polycentric nature of HA regulation, that is a regulatory framework featuring a multiplicity of actors operating across scales and locations (Raco *et al*., 2023). Finally I argue that the literature is surprisingly scant on two prominent issues in HA policy: the effects of financialisation on new social housing supply in England, and the role of financialisation in disrepair.

In chapter three I detail the research objectives and questions, and explicate my conceptual framework and methodology for addressing them. I outline three research objectives and four associated research questions detailed in Table 1.1. I address these questions through a mixed-methods approach that combines longitudinal clustering and regression discontinuity design in the quantitative strand, with qualitative documentary analysis and semi-structured interviews (see section 3.5. on mapping the methods to the respective research questions). I sample documents from thirteen HAs, and choose two case study HAs to conduct interviews. The first case study is Ambition Housing,[1] a large HA, operating nationwide but with a significant presence in London, providing mostly general needs housing, with substantial growth plans via land-led development. The second is Disciple, a small HA operating outside London, providing mostly supported housing, with relatively modest growth ambitions via land value capture (i.e. Section 106). I also interview HA stakeholders, including staff from HA executive leadership, regulators, funders, local authorities, consultancies and professional bodies. The mixed-methods approach helps view HA financialisation as a variegated phenomenon, combining the breadth of the quantitative strand to view financialisation as a process emerging across the sector, with the depth of the qualitative strand to explore its consequences for HA practice, strategy and housing outcomes in specific cases.

[1] Case study HAs are pseudonymised to protect interviewee anonymity.

Research Objective		Research Question	
1	To assess the extent, and varieties, of financialisation occurring post-2010 in the English HA sector.	1	How has the relationship between HAs and finance changed across different organisations in the English HA sector?
2	To understand how the governance of housing associations interacts with financialisation to mobilise and manage social housing as an asset.	2	In what ways has assetisation interacted with the dynamic post-2010 polycentric regulatory environment, and how is the treatment of HA housing changing as a result?
3	To evaluate the role of the financialisation and assetisation of English housing associations for the supply of decent social housing.	3a	What role, if any, did financialisation and assetisation play in recent cases of disrepair in the HA sector?
		3b	What effect does greater reliance upon finance and cross-subsidy have on delivery of new social housing, in particular social renting, relative to funding models with higher levels of capital subsidy?

Table 1.1: Research objectives and questions

In chapter four I address objective one and research question one, exploring the changing role of finance across the HA sector and within different organisations. I combine the findings from the longitudinal clustering – which uses HA balance sheet data to segment the sector according to their indebtedness and interest cover from 2016/17-2020/21 – with insights from the documentary analysis and interviews. I produce a taxonomy of housing associations: *large-multi-tenure providers*, *indebted developers*, *smaller providers with low margins*, *definancialised supported housing providers*, and *lease-based supported providers*. Furthermore, I explore the consequences of the changing role of finance across each segment for HA governance and practice, and housing outcomes. The contribution of the chapter is to illustrate how a mixed-methods approach can be utilised to explore HA financialisation as a variegated phenomenon, producing qualitatively distinct variants in different institutional contexts (Goulding *et al*., 2023). This challenges the notion that smaller HAs are somehow less financialised, as they adopt a variety of strategies to overcome their limited borrowing capacity that are conditioned by the path dependency of their inherited business models. It also moves the literature on HA governance forward, showing that previous distinctions between stock transfer and traditional HAs have become fragmented by financialisation (Pawson and Mullins, 2010; Pawson and Sosenko, 2012). Despite this variance between HAs, this chapter makes a further contribution in showing that the sector is facing a common challenge in terms of declining

borrowing capacity at a time in which it needs to invest in its existing housing to address issues of safety, energy efficiency and decency. The chapter highlights the importance of viewing financialisation as temporal and dynamic phenomenon (Adkins, 2017), as the era of low-interest rates and low expenditure is over for the foreseeable future.

In chapter five I address objective two and research question two, analysing the interaction between regulation and HA asset management strategies, and how this is affecting the treatment of HA housing. I draw upon the semi-structured interviews and contribute to the literature in two respects. Firstly, I demonstrate that RSH has played a gateway constructor role that smooths the flow of capital into the sector by embedding financial practices, metrics and narratives, whilst signalling outwardly to financial actors the investment-readiness of the HA sector (Smyth *et al*., 2020). But this role is balanced against RSH's additional roles as societal risk manager and consumer watchdog. Secondly, I explore the asset management strategies of Ambition and Disciple, showing how they have evolved alongside changes in the polycentric regulatory environment. This contributes to the literature by showing that the contrasting strategies of HAs are not autonomous from financialisation, but emerge out of financialisation as each HA uses their housing assets in varying ways to access capital. Moreover, in a polycentric regulatory environment, these asset strategies are co-determined by the pull of various regulatory bodies and institutions (Raco *et al.,* 2023). The continued assetisation of social housing illustrates that financialisation is not in a state of retrenchment (ibid.). Rather it is in a state of transition with new opportunities being pursued, for instance around Environmental, Social, and Governance (ESG) lending and equity investment (Wijburg and Waldron, 2020).

In chapter six I address objective three and question 3a, seeking to understand the relation between financialisation, assetisation and the decency of existing social housing. To do so I draw on the qualitative analysis to outline several trends in HA funding and governance that made cases of disrepair more probable. I argue that in the historical juncture of post-2010 austerity and deregulation, HA financialisation became embroiled in a process of 'positive feedback' with several trends in HA governance, including passive consumer regulation, and the importation of commercial practices and actors to deliver growth ambitions (Goulding, 2018; Pierson, 2004; Preece et al., 2020b). This positive feedback loop contributed to disrepair by deprioritising investment in existing homes, raising the threshold for regulatory intervention, and diluting mechanisms of landlord accountability. Furthermore, I argue that assetisation provided a lens that helped channel investment away from certain homes (Clare *et al.*, 2022; Watt, 2021). I illustrate this process within two case studies that have contrasting pathways to disrepair: Meadowview estate owned by Ambition, and Evelyn Court owned by the Industrial Dwellings Society (IDS). On Meadowview estate, the continued maintenance of homes earmarked for demolition was framed as a poor investment relative to the

opportunity cost of investing in new supply. On Evelyn Court, the costly refinancing exercise undertaken by IDS to fund their growth ambitions resulted in funds being diverted away from maintenance, and towards the servicing of interest payments.

In chapter seven I address objective three and research question 3b, estimating the effect that greater reliance upon finance and cross-subsidy has on delivery of new social rented housing relative to housing delivered with higher levels of capital subsidy. In this chapter I exploit a natural experiment whereby different funding models for social housing existed within England between 2018-2022. In this period greater levels of capital subsidy existed for social rented housing where local authorities were defined as in 'high affordability pressure' by government. As such, the natural experiment splits authorities into a partially definancialised treatment group receiving grant for social rent, and a financialised control group more reliant upon private investment and cross-subsidy (Wijburg, 2021). I use a regression discontinuity design to evaluate the contrasting rates and compositions of social housing supply in these two groups of authorities. I find that increased capital grant is associated with a higher rate of social rent delivery, especially that delivered by HAs. The contribution of this chapter is to provide causal evidence that a funding model with lower capital grant and more reliance upon HA self-financing produces a pipeline of new supply with lower levels of social rent. This draws attention to the critical and constructive role of the social housing funding model in determining the supply of social rent provided by HAs (Gibb, 2018).

Finally in chapter eight I conclude the thesis by summarising the findings and contributions of the empirical chapters, identifying limitations of the study and areas of future research, and outlining the implications for policy and practice. I identify five overarching contributions of the thesis. Firstly, the thesis demonstrates how mixed-methods research can be utilised to understand the process of variegated financialisation occurring across the HA sector. Secondly, I update the literature on HA financialisation and governance by exploring the topic in a period of high interest rates and high landlord expenditure. Thirdly, I nuance our understanding and analysis of financialisation by grounding it at the meso-scale of HA governance. Fourthly, the thesis brings financialisation into the conversation on standards in the HA sector. Finally, I contribute to the nascent research agenda around definancialisation (Wijburg, 2021), and do so by evidencing the potential impact of capital grant subsidy and sectoral regulation in strengthening the social housing sector.

2. A literature review of housing association financialisation, assetisation and governance

2.1. Introduction

In this chapter I will review the literature on financialisation, with a focus on the financialisation of housing. I will draw mostly from the political economic perspective on housing financialisation, using a framework developed by Aalbers and Christophers (2016) to consider housing's role in political economy in three respects: housing as part of a process of capital circulation, financialised housing as reflecting and transforming social relations, and how financialisation privileges housing's value as an asset over its use value. Moreover, illustrative examples on the transformation of non-financial corporations and public sector bodies will shed light on the variegated nature of financialisation. The privileging of housing's value as an asset indicates that financialisation is predicated on a further process of assetisation – the mobilisation and management of land and housing as assets to store wealth, derive income and facilitate capital circulation. I will argue that this process of assetisation provides a conceptual link to understand the structural transformation of HAs post-2010, as well as offering a corrective to the tendency to consider financialisation in overly abstract terms. In the final sections I will provide a brief history of the HA sector, and demonstrate that the themes considered above in the financialisation literature cohere within HAs. I will group the financialisation of HAs literature around three themes that mirror the overarching conceptual framing: the growing importance of finance (financialisation as capital circulation); the changing governance and strategies of HAs (finance as prioritising asset value); and financialisation and housing outcomes (financialisation and social relations). The gaps identified in these themes will be taken forward in the empirical chapters.

2.2. Financialisation and housing: a diverse research agenda

Aalbers has provided a widely cited definition of financialisation as "the increasing dominance of financial actors, markets, practices, measurements and narratives, at various scales, resulting in a structural transformation of economies, firms ... states and households" (2017a: 214). This definition is purposefully broad and requires researchers to consider how they will operationalise the concept within the context of their study. Reviews of the literature identify three broad strands of financialisation research: financialisation as a regime of capital accumulation, advanced by political economy; financialisation as the rise of shareholder value, advanced by critical accountancy; and the financialisation of daily life, advanced by cultural economy (Aalbers, 2016: 3; van der Zwan, 2014). In addition, there is a recently emergent literature that cuts across these themes to look beyond the Anglophone nations that previously dominated financialisation research, using it as a concept that

explains political-economic change in different contexts, including the Global South (Fernandez and Aalbers, 2020; Rolnik, 2013; Soener, 2023). I will consider the political economy perspective in further detail in section 2.2.2., as this strand provides a rich set of conceptual tools and empirical studies to help theorise the financialisation of HAs within the English nation state. The political economy literature draws attention to the centrality of housing in capital circulation and the reproduction of inequalities in contemporary English capitalism, and how these processes cohere within and are in part driven by institutions such as the state and third-sector bodies (Jacobs *et al*., 2022). Nevertheless, in this section I provide a very brief summary of each research strand, and will draw on each strand as necessary to explicate how I conceive of financialisation.

2.2.1. The rise of shareholder value

Although focused primarily on Anglophone economies, the rise of shareholder value thesis focuses on the changing dynamics of corporate governance under a financialised form of capitalism (Klinge *et al*., 2021). This research agenda puts forward the argument that the importance of finance to modern macro-economies has increasingly separated the ownership of firms (i.e. by shareholders) from control (i.e. management). This has shifted the objectives of management towards value generation, whereby value is conflated with maximising the share price via mechanisms such as stock-based executive pay and stock buybacks (Davis, 2018: 2; Lazonick and O'Sullivan, 2000). Shareholder value maximisation is, therefore, defined by a short-termism that consumes organisational resources (Smyth, 2019: 154). Critics argue this short-termism directs investment away from the real economy, although the causal direction of this relationship is disputed (Kliman and Williams, 2015; Mazzucato, 2018). Housing is seen as playing a role within this strand of the literature as investments in the appreciation of real estate assets are seen as a form of economic rent that detracts from more productive investments (Mazzucato, 2018). Similarly, speculation on housing's value is facilitated by the separation of home ownership from occupiers through shareholder owned investment vehicles such as Real Estate Investment Trusts (REITs) (Waldron, 2018). Nonetheless, the role of housing in this strand of financialisation research is more peripheral than in the other strands considered here.

2.2.2. The financialisation of everyday life

The financialisation of everyday life is a burgeoning literature that explores the cultural underpinnings of financialisation, especially how financialisation has been domesticated at the micro-level of households and individuals (van der Zwan, 2014: 111). A significant body of research in this strand draws upon Foucault's concept of governmentality to explore the constitution of a self-governing 'investor subject' seeking to secure their welfare via calculative and risk-taking financial activities, including the holding and trading of assets (e.g. pensions, savings, stocks, property)

(Agunsoye, 2021; Hillig, 2019; Langley, 2007). Although citizens are depicted as self-governing in this strand of the literature, the process of behaviour change is not spontaneous. Rather studies have explored how the investor subject is cultivated through discourses emphasising self-reliance, financial stability and autonomy (Mulcahy, 2017); technologies such as credit ratings scores (Martin, 2002); and training programmes for financial literacy (Clarke, 2015). The calculative behaviour embodied by this cultural change is often viewed as central to a more atomised and risk-focused society, facilitating the retrenchment or commodification of state services (Langley, 2007; Pellandini-Simányi, 2021). Housing features heavily in this strand of the literature as a common source of tradable wealth that has been discursively reoriented as an investment (Martin, 2002). Hillig (2019) argues the prevalence of a norm to accumulate housing wealth may serve to reinforce related incentives to work long hours, to save, and to maximise income. However, Pellandini-Simányi *et al.* (2015) show that the financialised subjectivities of asset owning households are not necessarily rational or all encompassing. Instead, they are often based upon rules of thumb that are not universally applicable, such as it is always better to own than rent. And the extent to which households apply a rational financial logic to their decision-making will ebb and flow when primed by key events such as a mortgage denial or default (ibid.). By implication, contrasting rationalities and norms towards housing co-exist under financialisation (see section 2.3.).

2.2.3. Transnational financialisation and Global North-South relations

As financialisation studies have grown in prominence, the concept been employed beyond its initial Anglophone context to consider the transnational impact of capital flows on the Global South and the peripheries of the Global North (Fernandez and Aalbers, 2020). Research in this vein often highlights the constructive role of the Global North in exporting financialisation through various mechanisms, including transnational corporations, monetary policy, and ideological transfer (Rolnik, 2013; Soener, 2023).

As with other areas of financialisation research, housing is a key component in these processes. For example, Rolnik (2013; 2019) argues that international organisations such as the World Bank and International Monetary Fund (IMF) were instructive in promoting a hegemonic housing policy centred on privatised homeownership and the development of mortgage markets, which was exported to Latin America, South Africa, and areas of Southeast Asia (e.g. India, Thailand). Similarly, Fernandez and Aalbers (2020) analyse the effects of loose monetary policy in the Global North on the Global South following the GFC. They demonstrate that the flow of capital into emerging markets from the North provided the collateral and infrastructure for domestic banks in the South to expand their mortgage markets, although they are at pains to show that the South is not a homogenous group, with the expansion of debt as a proportion of GDP occurring mostly in state-led economies

such as Brazil, Turkey and South Africa (ibid.). Indeed, this literature highlights how global capital flows and institutions often work in tandem with local institutions to expand opportunities for real estate and property investment even in cases where financial markets are relatively undeveloped. Examples include the active role of the state in Turkey in creating the property boom of the 21st Century by accumulating land, redistributing property rights and driving the expansion of the REIT sector (Celik, 2021; Yeşilbağ, 2020). And the role of mega-projects as state policy in urban development, for example the 2016 Rio Olympics in Brazil (Rolnik, 2019).

The utilisation of financialisation as a concept to explain political-economic change across and between a diverse set of contexts, therefore, implies it is a process operating across multiple scales and sites (Jacobs and Manzi, 2020). In addition, a recurring point of emphasis in this strand is that although nation-state boundaries are increasingly porous, housing financialisation produces distinct variants in particular locations (Fernandez and Aalbers, 2016; see section 2.2.3. on variegation).

2.3. Political economy and the variegated financialisation of housing

As this is an interdisciplinary study, there are undoubtedly insights to be gained from the preceding strands of the literature (see section 2.5.1. for the short-termism of asset disposals, and section 2.5.3. for financial literacy training as a form of conditionality in social housing). However, I draw predominantly from the political economy literature on financialisation as a regime of accumulation, which views the dominance of finance as a defining feature of contemporary capitalism (Krippner, 2005). I primarily draw on this literature for two reasons. The political economy perspective emphasises the centrality of financialised housing to the circulation of capital through a multitude of interconnected processes, including the transnational storage of wealth in property, the importance of housing wealth for national economic growth, and the subsequent embedding of financialisation in local contexts (Fernandez *et al*., 2016; Goulding *et al*., 2023; Reisenbichler, 2021). Simultaneously, there is a rich political economic literature on the structural transformation of non-financial corporations (NFCs) who, despite being often anchored in particular locales, have developed business models intrinsically dependent upon liquid and mobile private finance (Byrne and Norris, 2022; Klinge *et al*., 2021). The political economic perspective, therefore, draws attention to the implication of HAs into a multi-scalar and multi-sited process, while providing rich empirical substance at the meso-scale of institutions to understand how this is changing HA governance, strategies and practices (Jacobs and Manzi, 2020).

The central role of housing in macro-economic events in recent decades, such as the contribution of sub-prime lending to the GFC, has initiated a 'turn to housing' in political economy (Gotham, 2009; Jacobs *et al*., 2022). There is a substantial literature in this strand analysing financialisaton's role at

the macro-economic level, for instance comparative research on national 'economic growth regimes' (Crouch, 2009; Reisenbichler, 2021). However, my focus is on exploring the implication of meso-level organisations and institutions within a broader process of financialisation. To this end, I structure this section of the literature review around a framework proposed by Aalbers and Christophers (2016) on housing's role within political economy, as this will help foreground how financialisation operates within and through HAs. Aalbers and Christophers conceptualise housing's role in modern political economy as appearing in three guises: capital as a process of circulation, capital as social relation, and capital as ideology (ibid.: 16).

Housing and capital as circulation focuses on a process by which housing facilitates and reproduces capital flows, both through the ownership and exchange of housing itself, and through the production of financial instruments. Marxist political economy has long emphasised the role of investment in housing and the urban environment as a spatio-temporal fix – a release valve for over-accumulated capital without sufficient productive outlets in the real economy, with the production of credit central to facilitating this process of capital switching due to the long-term horizons of construction (Harvey, 2016). This investment in housing has the potential to both store wealth during periods of low return on fixed capital investment, and generate new returns, for instance through speculation on housing's exchange value during periods of boom and bust (Aalbers and Christophers, 2016: 18; Fernandez *et al.*, 2016). According to Wijburg *et al.* (2018), following the GFC there has been a switch in the strategy of capital circulation away from short-term speculation towards perceived safe long-term returns, which they term financialisation 2.0. Such safe havens for long-term investment are often market segments where demand outstrips supply. Thus financialisation 2.0. has been associated with increased private investment in affordable rental housing, in many cases facilitated by the state (Fields and Uffer, 2016; Tang *et al.*, 2017).

Housing reinforces capital as a social relation in that housing both reflects and refracts inequities within wider society, most notably between the 'haves' and 'have nots' of asset ownership (Aalbers and Christophers, 2016: 21-23; Adkins *et al.*, 2020). Capital accumulation, and hence social stratification, occurs within and through housing, reflected in inequities in housing wealth (Aalbers and Christophers, 2016: 24). Econometric analysis suggests asset inflation is a consequence of the growing importance of the financial sector to modern economies, with readily accessible credit providing an artificial stimulus to demand (Karwowski *et al*., 2020). In the housing context, this artificial stimulus disproportionately benefits existing homeowners, contributing to an unequal distribution of housing wealth and equity (Arundel, 2017). Jacobs (2019: 173) argues that the UK government's long-term attempts to support asset values and homeownership through monetary and planning policy imposes a "collective cost" on non-asset owning households. Jacobs points to

the imposition of austerity to protect the financial sector post-GFC, the existence of gated communities, and the symbolic denigration of working class communities of renting households. But financialised housing also transforms social relations, for example through changes in the tenure composition of the national housing stock. The PRS has re-emerged in the UK as a tenure for low-income households, in part due to the growth of buy-to-let landlords, facilitated by an expansion of accessible mortgage credit in the 2000s and 2010s (Powell and Robinson, 2019). Admittedly the growth of the PRS has been somewhat arrested in recent years due to tax changes and rising interest rates (Pickford, 2023). However, the PRS is associated with less security of tenure and higher rates of non-decency than social housing (Martin *et al*., 2018).

In addition to financialisation being a "process and a constellation of social relations", Aalbers and Christophers make the bold claim that housing undergirds capital as an "ideological institution" (2016: 26). They argue housing reinforces the primacy of private property and markets, and the logic of continued wealth accumulation (ibid.). As evidence they point to the fetishization of homeownership and notion of 'asset-based welfare', whereby households are to use the wealth in housing to support consumption, providing a substitute for publicly funded social transfers such as pensions (ibid.: 28). Ronald *et al.* (2017) argue that the potential for asset-based welfare to act as a substitute for public pensions is undermined by financialisation itself, as asset inflation contributes to increased intergenerational housing wealth polarization and reduced homeownership. Nonetheless, an aspiration towards homeownership predominates among financialised economies such as the UK despite the decline of owner-occupation since the mid-2000s (Forrest and Hirayama, 2015; Powell and Robinson, 2019). The decline of owner-occupation has been accompanied by the aforementioned growth of the PRS, which survey evidence suggests is supported by a prevailing attitude among landlords that property represents the 'safest form of investment' (Lord *et al*., 2013: 4).

There is clearly some overlap between the notion of capital as ideology and the financialisation of daily life literature, given both explore the conduct of actors in relation to prevailing norms constituted by asset ownership (Hillig, 2016). As Pellandini-Simányi *et al.*'s (2015) work illustrates, in practice the prevailing norm of seeing housing as an investment is often context-dependent. Yet the notion of capital as ideology does at least draw attention to how financialisation is predicated upon a particular conception of value within housing. Namely, financialisation treats housing as a resource that can be leveraged or exchanged to create income and wealth, support consumption, and access capital (Stirling *et al.*, 2023). Moreover, in some cases, this occurs at the expense of housing's use value (ibid.; see section 2.3.).

2.3.1. Variegated financialisation and non-financial corporations

Aalbers and Christophers' framework, therefore, emphasises how financialisation involves the circulation of capital across multiple scales, involving a range of social actors and relations that connect global flows to locally sited urban environments. This complexity, and the diversity across case studies it implies, is often described via the notion of *variegated* financialisation (Ward et al., 2019). Variegated financialisation has emerged as a concept to help theorise the uneven nature of the phenomenon (Hick and Stephens, 2022; Newman, 2009). Variegation implies financialisation cannot be reduced to what Durand calls a "unitary structure" (2017: 3-4). In other words, its multiple guises include the liberalisation of finance, the proliferation of household debt, the financialised privatisation of social policies, and a normative shift in our orientation towards home (ibid.). Yet the common denominator is the 'dominance of finance' over different spheres of life, and so we may more accurately conceive of a "cluster of interdependent processes" that produce distinct financialisation*s* (ibid.; Karwowski *et al*., 2020). The 'dominance of finance' does not, in this conceptualisation, refer to a linear process unfolding from the macro-scale down into local contexts. Instead, variegated financialisation emphasises how financialisation has no *a priori* scale, with global-national-local relations being co-constitutive of actually existing financialisation, and financial processes simultaneously emanating from and interacting with contextually bounded political economic institutions (Goulding *et al*., 2023; Ward *et al*., 2019).

The notion of variegated financialisation may prevent us from conflating financialisation with simplistic convergence theories, including arguments that national housing systems will converge onto singular models (Aalbers, 2022). But its abstractness can make it difficult to interpret. As such, I use the more empirically focused literature on the financialisation of NFCs and public sector bodies to illustrate variegation in practice. The financialisation of NFCs literature explores how organisations whose purpose is nominally non-financial have either become debtors that are dependent upon private investment to fund their operations, or creditors reliant upon income from financial sources (Klinge *et al*., 2021). However, due to the path dependency of local political economic institutions – for example corporate regulation, taxation, size of corporate banking sector – the financialisation of NFCs will manifest in qualitatively different ways. As an example, Ward *et al*. (2019) conduct a cross-country comparative analysis of the financialisation of NFCs through the 1990s and 2000s. They find British firms to be a prototypical case of financialisation as they became more reliant upon debt financing during this period. By contrast, the legacy of Germany's political economic model produced a 'compartmentalised' form of financialisation; German small-to-medium enterprises (SMEs) mostly continued being reliant upon non-listed family forms of capital, while larger corporations drew on

the EU’s liberalised capital markets to become increasingly leveraged in a way that mimicked the British model (ibid.: 134).

The financialisation of NFCs perspective has a natural counterpart in the financialisation of public sector bodies. This literature emphasises that modern economic and state restructuring does not necessarily necessitate privatisation as much as making public institutions reliant upon private investment and financial income streams (Aalbers, 2016: 125). Budgetary restrictions and exceptional monetary policy have contributed to the increased reliance of local authorities on what Christophers (2019) describes as a financialised form of urban development, namely reliance upon commercial real estate, build to rent accommodation, and partnerships with private investors to fund the regeneration of urban areas (2019: 571; Brill *et al.*, 2023). But the path dependency of local institutions can produce a variegated form of local authority financialisation in different locations, as shown in Goulding *et al.*’s (2023) research comparing the build to rent sectors in London and Manchester. As a global city with dense inner-city development, but comparatively strong planning powers granted by the London Plan, London authorities facilitated build to rent development by using planning gains in peripheral areas. In Manchester the local authority took a more hands-on approach by fostering partnerships to develop build to rent in prime inner-city locations (ibid.). Goulding *et al.*’s analysis demonstrates how the spatial footprint and size of the build to rent sector in England emerged out of the interaction between global capital investment and local institutions, in this case local authorities and their respective powers granted in land use and planning regulations.

The benefit of this brief summary of tangential literatures is that it shows how context-dependent institutions – NFCs, public bodies – can be a site that anchors financialisation in space. Moreover, these institutions co-constitute financialisation by facilitating capital flows and shaping the role that institutional investment plays in urban development. By implication, these examples illustrate how variegation emerges out of the active role of local and national actors in transnational processes, producing distinct forms of financialisation in context.

In this section I have conceptualised the financialisation of housing as part of a cluster of processes that facilitate capital circulation, transform social relations, and reorient the treatment of value in housing. These processes operate across scales but are anchored and co-constituted by the path dependency of context-dependent institutions, structurally transforming NFCs and public sector bodies in a non-uniform manner. In the final sections of this literature review I will demonstrate that HAs should be added to the list of institutions structurally transformed by financialisation, as each of these components of my conceptualisation cohere within the HA sector. HAs provide a spatio-temporal fix that facilitates capital circulation, especially post-GFC. This shift in capital strategy is

transforming HA governance, asset management, and the landlord-tenant relation. It is producing an uneven terrain of HA financialisation, involving a diversity of actors, with outcomes contingent upon the path dependency of HA business models. In the words of Clare *et al*., HAs act as an "institutional site where the variegated, material, and ideational intersections of financialisation rule" (2022: 6). But first I have to address some common criticisms of financialisation as a concept, which necessitate me to clarify how I am operationalising financialisation and why I am deploying it rather than some rival concept. And while this may feel at first like a divergence, it will lead onto a discussion of the concept of *assetisation*, which I argue provides the key conceptual link between financialisation and key trends in HA governance, as it highlights the tension between use value and asset value in HA housing.

2.4. Conceptual clarity and financialisation: treating housing and land as assets

A common criticism of the concept of financialisation, put forward forcibly by Christophers (2015), is that the term is often defined vaguely and applied across such a disparate range of phenomena as to lose its explanatory power. The critique proceeds that the financialisation literature tends towards ahistoricism, giving insufficient attention to the barriers mitigating against a pure form of financialisation that appear in particular spaces and across time (Ouma, 2015). By consequence, financialisation is stretched thinly across disconnected cases, becoming everything and nothing. Moreover, by assuming the novelty of the phenomenon the literature underplays contingency and tends towards viewing financialisation as on an inexorable trajectory of growth (Christophers, 2015).

Potential correctives offered in the literature include Wijburg's (2021) practical call to build a research agenda around de-financialisation to counter an assumption of growth. Specifically Wijburg calls for research on three topics: financial market reforms dismantling finance-led housing accumulation; policy focused on strengthening the public and affordable housing sector; and cases of local contestation of financialisation via changing urban governance and social movements (ibid.: 3).

Jacobs and Manzi (2020) offer a more conceptually focused suggestion, arguing financialisation is most useful when applied alongside concepts such as commodification and neoliberalism to prevent the subsuming of all phenomena to one process. But this latter suggestion only gets us so far. If financialisation has become stretched to the point of meaninglessness, we need first to understand how it differs from commodification and neoliberalism before it can be used alongside them, especially as these supposedly complementary concepts have also been subject to similar critiques of conceptual stretching and incoherency (Koessl, 2017; Venugopal, 2015). There is the potential for conceptual elision between financialisation and commodification as both concepts are characterised by the privileging of housing's exchange value over its use value (Aalbers, 2016; Madden and

Marcuse, 2016). And so failing to distinguish between how that exchange value is being treated differently under each process could run the risk of simply reverting to a conflation of financialisation with a range of disparate phenomena.

I suggest that an alternative way around this issue is to heed the call of Ouma (2015) to "get between M and M' ". This call stems from Ouma's critique that the financialisation literature also tends towards over-abstraction, reducing financialisation to the macro logic of capital accumulation without providing detail on the intervening meso-level processes by which value is created and managed (ibid.). They further argue that over-abstraction contributes to the tendency to assume the growth of financialisation, as a lack of detail on the practices and processes of finance renders them opaque, and belies an inattentiveness to potential sources of mitigation (ibid.). Ouma suggests there is a need for more research on the practices of finance and associated actors, and an interrogation of the technical processes by which resources such as land and housing are transformed as they interact with and facilitate capital flows (ibid.).

As the preceding discussion in Section 2.2. makes clear, I concur with Ouma (ibid.: 227-228) that it should be possible to chart a fruitful middle ground between the macro-scale of capital flows and meso-scale research focused on the practices of financialised actors and institutions. This middle ground should help militate against a common criticism of political economic research that it underplays the agency and heterogeneity of meso-level institutions, and that it presents processes of change as overly coherent (Jacobs *et al.*, 2022: 12-14). Moreover, and most importantly for this section, I argue that interrogating the practices inherent to creating and treating value in housing could help distinguish financialisation from alternative concepts also concerned with the exchange value of housing i.e. commodification. To do so I draw on the work of Birch (2017) who argues that the distinction turns on whether the *value* of a resource is being conceived as an asset or a commodity.

Commodities are defined by fungibility with there being available substitutes, hence their price should return to a long-term equilibrium following an increase in demand, as an increase in supply should follow. Birch gives the example of owning a CD of a musician's music as a prototypical commodity (ibid.). Assets are defined by having relative scarcity and exclusivity of ownership, meaning that supply is highly inelastic and price increases as demand increases. An example would be owning the rights to a musician's back catalogue (ibid.). It is this feature of an asset that makes it central to financialisation. Scarcity and exclusivity allow for the owner to derive economic rents via capital appreciation, or the revenue streams associated with granting access to the resource in question (e.g. rent paid to a landlord) (Mazzucato, 2018). Crucially these revenue streams may be

prospective only, with owners having monopoly over a good or resource that is forecasted to provide a future stream of income, for example intellectual property (Birch, 2017; Poovey, 2015). This prospective income stream can thus be leveraged to access capital investment, with assets forming a crucial cog in the creation and circulation of financial instruments (Birch, 2017).

The centrality of assets to financialisation has led to a focus on a complementary process of *assetisation*, which is seen as a prerequisite process for financialisation to occur (Braun, 2020; Stirling *et al*., 2023; Ward and Swyngedouw, 2018). Assetisation begins with what Ward and Swyngedouw (2018) call the mobilisation of a resources as an asset. Mobilising assets involves the construction and projection of narratives relating to the potential future value of a resource, for example the potential income streams that could be derived from developing a plot of land. Narratives are subsequently reified via calculative tools of valuation, and codified on a balance sheet (ibid.). Following mobilisation is the subsequent management of the resource as an asset to maximise the expected income stream, against which actors can access financial investment (Birch, 2017). Asset management involves evaluating the performance of an asset via financial metrics (Crosby and Henneberry, 2016). And practices to improve asset performance, including managing risk, strategic trading, and reducing costs (Gibb *et al.,* 2016; Stirling *et al*., 2023). A succinct definition of assetisation, therefore, is the mobilisation and management of a resource as an asset, which is used to store wealth, derive a prospective income stream, and access private finance.

In the case of housing, the distinction between asset and commodity appears to be more difficult than with the preceding hypothetical examples. In the context of housing, the same event has the potential to be classified as a case of both, as is the case with HAs developing homes for private sale for cross-subsidy. The rate of private sale in a certain location is commonly used as a measure of commodification, under which HA cross-subsidy would add to the rate of housing commodities (Forrest and Murie, 1995). But Goulding (2018) argues the cross-subsidy model implies HAs are treating their land as a “pure financial asset”, as the model is predicated upon maximising the potential revenue from their land holdings.

Indeed, it is the relation between housing and the material reality of a finite supply of land that allows housing to combine both asset and commodity value (Braun, 2020). Private sale involves the exchange of housing in what is ultimately a commodity market, but the material reality is that it is hindered from being a pure commodity because it is inherently reliant upon a finite supply of an underlying land asset (Bakker, 2005; Braun, 2020; Ward, 2019). A finite supply of land allows for housing to be treated as an asset where owners have exclusive access to a relatively scarce resource, for example prime real estate in an area of inelastic supply, or monopoly over the social housing

supply in a local authority (Mazzucato, 2018). This interaction can allow for a single home to present as both a commodity and an asset. For example, the sale of a private leasehold flat provides a capital receipt realised in a housing commodity market. But it can be combined with long-term incomes predicated upon the right to usage of the land such as service charges and ground rents (Burgess and Karampour, 2020). Moreover, there remains the latent potential that the HA may wish to maximise the potential return on the underlying land by regenerating the housing at a higher density and for more profitable tenures, at which point they may need to repurchase the flat from the leaseholders (Watt, 2021). These examples illustrate how the value inherent to housing is a product of intersecting material (e.g. finite land), legal (e.g. property rights), economic (e.g. availability of credit to purchase homes or regenerate estates) and social factors (e.g. freehold-leasehold relation).

A further implication of this argument is that whether social housing is being treated as an asset or a commodity will ultimately be a matter of perspective. The capital receipt from a private sale might provide a commodity value to the social landlord in the first instance, but retain some value as an asset via the ground rent. Further it might represent a financial asset to a private landlord purchasing the home, where it is of course occupied by a renter who privileges its use value (Burgess and Karampour, 2020; Madden and Marcuse, 2016; Pawson and Martin, 2021). Therefore, housing has the capacity to combine multiple forms of value. And whether this value is as an asset, commodity, or home, is somewhat contingent upon the actor in question and the lifecycle of the resource (Braun, 2020; Christophers, 2017).

This contingency has important consequences for empirical attempts to operationalise financialisation and commodification, and to distinguish between the two in doing so. Ultimately, arriving at operationalisations that can universally claim “this is financialisation” and “this is not” may be a chimera (Christophers, 2015). Rather the contingent nature of whether something is financialisation or commodification suggests it is more fruitful to arrive at definitions that are meaningful in specific contexts. For example, it is prudent to specify which actor is treating housing and land as an asset (e.g. occupier, landlord, investor, government), at what scale we are focused (e.g. micro, meso, national, transnational), and why the case in question illustrates the treatment of housing as an asset (e.g. exclusive rights to land, monopoly of social housing in an area). Although we should also acknowledge that complementary treatments of value in housing are pre-requisites for its financialisation (e.g. the realisation of housing’s exchange value in a commodity market, use value) (Braun, 2020; Christophers, 2017; Jacobs and Manzi, 2020; Mazzucato, 2018). Therefore, the best we may be able to achieve is making explicit why a particular case is illustrative of housing being treated as an asset, by whom, and at what scale. Although doing so does not preclude the same house being valued as a commodity or a home by someone else, or at another point in time.

This conceptual discussion helps clarify that I am considering the treatment of housing and land as an asset by HAs, at the meso-scale, and that this is predicated upon their privileged access to a scarce social housing resource that is expected to provide profitable income streams, which can be leveraged to access private financial investment (Goulding, 2018; Wainwright and Manville, 2017).

This conceptual discussion has helped put a boundary around the concept of financialisation such that it can be distinguished from commodification (Ouma, 2015), at least from the perspective of a HA in a particular place and time. However, I also argue the concept of assetisation provides a bridge between financialisation and the structural transformation of HAs. The necessity of assetisation for financialisation highlights that the process involves more than simply shifting the source of HA funding from public to private. Rather it involves the embedding of new strategies, practices, metrics, and narratives within HAs, with the aim of leveraging social housing to secure financial investment, managing risk, and improving asset performance (Goulding, 2018). Section 2.6. will explore this process in more detail and seek to show that it is redrawing the relation HAs have with their housing and their tenants. Furthermore, exploring the detail of how variegated financialisation occurs within HAs – a heterogenous collective of organisations with a stated charitable purpose to provide submarket rental housing – draws attention to the tensions produced as HAs confront both the asset and use value of housing (Morrison, 2017; Mullins *et al.*, 2012). The detail of assetisation in the HA context, therefore, helps nuance and ground the abstract concept of financialisation, and highlight the potential barriers to treating HA housing as a pure financial asset (Bakker, 2005).

2.5. A brief history of the HA sector in England pre-2010

HAs are third-sector charitable organisations that exist to provide affordable housing, including submarket rental housing to households in priority need (often referred to as social housing) and low-cost homeownership (Marshall *et al*., forthcoming). The HA sector has developed through several epochs tied to contrasting political-economic priorities, and by consequence the sector's development is characterised by considerable fluidity that has left its imprint on the governance of contemporary organisations (Mullins and Pawson, 2010). In this section I provide a historical overview of the development of the English HA sector pre-2010, with a focus on changes in funding, regulation, tenure provision, and governance. Figure 2.1. visually depicts the key events covered in this section.

2.5.1. 1974-1987: Local authority retrenchment and a nascent HA sector

The HA sector has, in some form, existed as far back as the late 19th Century. But prior to the 1974-1987 epoch it was a largely marginal source of housing provision in England, with the majority of social housing being provided by local authorities (Williams and Whitehead, 2015). In a context where there was political discontent with the cost and quality of council housing – although

defenders of council housing argue this was the result of an extended period of disinvestment in the stock by central government (Cole and Furbey, 1994) – the 1974 Housing and Planning Act allowed for a nascent HA sector to access upfront capital grant to conduct inner city regeneration. The 1974 Act provided a risk-free source of government subsidy for third sector landlords to demonstrate their potential role in social housing provision (Mullins and Pawson, 2010: 198).

Political interest in expanding the role of the HA sector grew in the 1980s amidst a general hostility towards local authorities and state welfare from the Thatcher-led Conservative government elected in 1979 (Whitehead and Wiliams, 2009). The size of the council housing sector was reduced during the 1980s by the introduction of Right to Buy (RTB), which provided sitting tenants the opportunity to purchase their council home at a significant discount. Central government restrictions on the use of sales receipts also meant RTB could not be used to build or renovate council homes. And central government had already imposed restrictions upon local authorities' borrowing capacity in the 1970s. The combined effect was to end the role of councils as major deliverers of new housing (Gibb, 2021: 223; Kemeny, 1995). Nonetheless, a coherent framework for transferring council housing to HAs and financing new HA social housing had not yet been fully established (Whitehead and Williams, 2009).

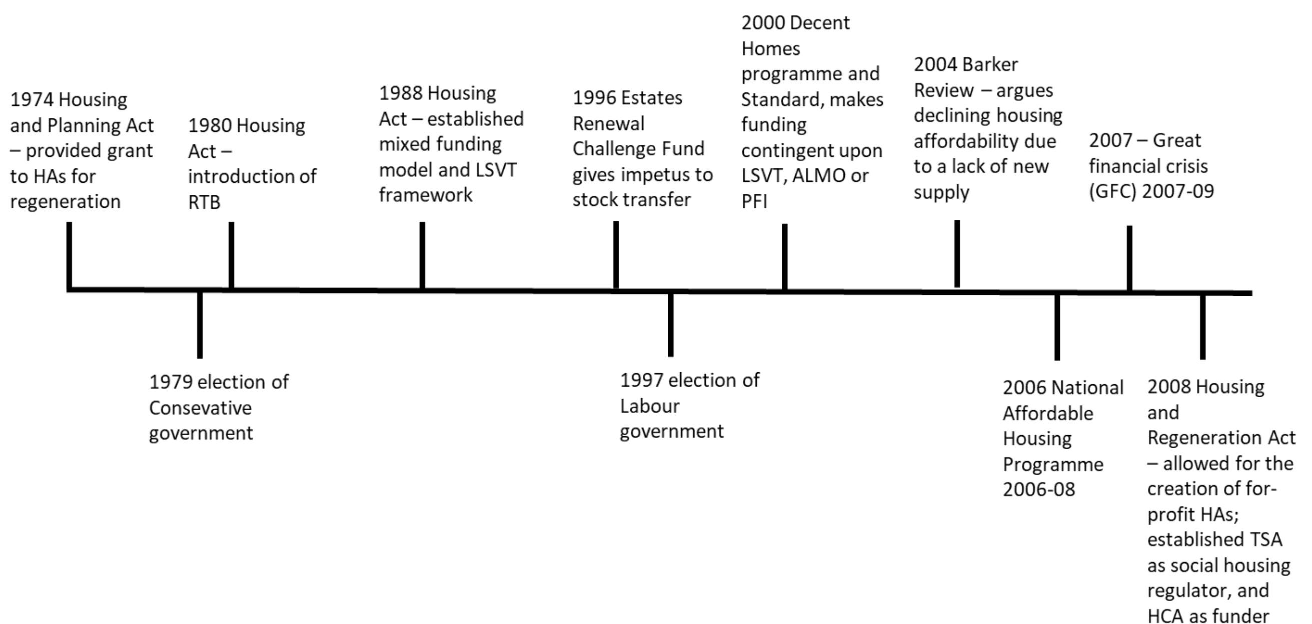

Figure 2.1: Key events in housing association funding and governance 1974-2009

2.5.2. 1988-2009: Stock transfer and HA modernisation

Such a framework was established with the 1988 Housing Act that made HAs the default provider of new social housing and introduced the mixed-funding model. The mixed-funding model provided up-front capital grant for the construction of new HA homes averaging roughly 75 per cent of

development costs, with the remainder met through a private finance mortgage loan (Whitehead and Williams, 2009: 5). Crucially, only the capital grant counted as public expenditure under UK accounting rules, thereby allowing for investment in the social housing stock at theoretically less cost to the Exchequer (Pawson and Mullins, 2010). Rents were set by HAs, and were intended to be affordable to low-income households in priority need, while also set at a rate where the revenue was sufficient to cover loan repayment and ongoing management, maintenance and major repair costs (Gibb, 2018: 6; Gibb, 2021: 5). The majority of homes were for social rent, a form of social housing where rents are substantially below market levels. This discretion over rent setting was later constrained through a Labour government policy of rent convergence in 2002, with the aim of bringing social rents into alignment with one another via a government defined rent formula. Nonetheless, social rents have tended to average around 50 per cent of market rents (Wilson and Barton, 2022a: 5).

The 1988 Act also initiated a policy of large scale voluntary transfer (LSVT) that allowed local authorities to transfer ownership of their housing to either an existing or newly created HA to fund critical stock investment, subject to approval from a tenant ballot. As with new development, a critical driver of this was that HAs were able fund the investment through private borrowing that did not appear on the government balance sheet (Pawson and Mullins, 2010: 61). Despite the legal mechanisms being in place from the late 1980s, LSVTs did not become a widespread phenomenon until the late 1990s and the 2000s, during which period it was tied to programmes of council estate regeneration and social housing improvement, and promoted enthusiastically by the Labour government elected in 1997 (ibid.: 43-47). The Estates Renewal Challenge Fund beginning in 1996 provided £487million in government subsidy to transfer council housing with a negative book value to HAs for subsequent regeneration, accelerating stock transfer in the process (ibid.: 47). Furthermore, LSVT became closely associated with Labour's Decent Homes programme initiated in 2000, which aimed by 2010 to bring all social housing up to a defined Decent Homes Standard that established minimum expectations for housing quality (NAO, 2010). Where local authorities could not deliver against this target within their own resources, they were required to either pursue an LSVT, create an arms-length management organisation (ALMO), or engage in a private finance initiative (PFI). As such, the rate of LSVTs accelerated, sometimes despite considerable opposition from tenants (Daly *et al.*, 2005). By the mid-2000s HAs were the primary providers of social housing in England (Hills, 2007: 43).

Also emerging within the 2000s was a political consensus that the declining affordability of housing was caused by a lack of supply (Barker, 2004). This gave impetus to efforts to expedite new development, including the 2006-08 National Affordable Housing Programme (NAHP). The 2006-08

NAHP aimed to provide £3.9billion in government capital grant to fund new affordable housing, eventually funding 49,000 new social rented homes at an average grant of £62,000 per homes (Milcheva, 2020: 13). Despite this investment, the proportion of development cost covered by capital grant had fallen over the long-term to around 40 per cent (ibid.). Moreover, HAs remained the preferred source of new social housing development with Labour refusing to re-embrace a role for councils as builders (Gibb, 2021).

The LSVT policy created new segments within the HA sector, with some differences emerging in governance structure (Mullins and Pawson, 2010: 200). To counter accusations that stock transfer diluted democratic accountability, many LSVT landlords adopted a board structure featuring one-third tenants, one-third local authority nominees, and one-third independent members (Pawson, 2006: 776). In contrast, in the early 2000s tenants made up only 5 per cent of the boards of traditional HAs, and the housing stock of these landlords tended to have a more geographically disparate footprint than LSVT landlords (Mullins and Pawson, 2010; Pawson and Mullins, 2010).

This divide between traditional HAs and LSVTs became less clear over time due to the fluidity that characterises governance in the sector. Due to their relative autonomy as third-sector organisations HAs are able to undergo 'constitutional change transactions' (CCTs), such as mergers and acquisitions, without tenant consent (Pawson and Sosenko, 2012). Of the HAs in existence in 2002, 43 per cent underwent some form of CCT between 2002-2010. This was driven by a combination of 'push' factors, such as rescue mergers to prevent insolvency and protect investor interests, and 'pull' factors such as attempts to exploit economies of scale to pursue growth (ibid.: 790-794). This CCT activity resulted in the creation of larger HAs owning in the region of 20,000-50,000 homes. In addition, it created more complex organisational group structures to govern landlords with roots in both the traditional and LSVT segments, raising concerns that accountability mechanisms may be diluted as local boards become replaced by consolidated national boards (ibid.: 793; Mullins and Pawson, 2010).

In part due to the porous nature of the traditional vs. LSVT HA divide, stock transfer has left a legacy in what Pawson and Sosenko (2012) refer to as the *modernisation* of the social housing sector. The concept of modernisation highlights that change within social housing has not just been a matter of reducing the role of local authorities but also transforming sectoral governance and practice (ibid.). LSVT supported the embedding of financial actors and practices within the sector, for example the mortgage lenders critical to investing in the stock, and the accounting practice of evaluating the Net Present Value (NPV) of the housing stock to ascertain the cost of the transfer transaction (Pawson

and Mullins, 2010: 92). Within this period, the critical calculation for stock transfer was the value of the housing under tenant occupation, and so open market value was largely irrelevant (ibid.).

Changes in funding were accompanied by shifts in organisational strategy and culture. Transfer HAs commonly had a more business and consumer focused culture than local authorities, with greater attention paid to business planning and challenging what some HAs claimed was a legacy of paternalism in council housing (Pawson and Fancy, 2003). This was supported by a culture of proactive asset management to prevent the degradation of the stock in terms of both value and quality, and greater focus on new development in part to counter the loss of social housing from RTB (ibid.; Pawson, 2006: 769, 775). Over time these cultural and strategic shifts were reflected in business diversification and professionalisation. Case studies of stock transfers in the 2000s reveal that several HAs established commercial subsidiaries to provide private sale (Pawson *et al*., 2009: 46-47). While the practice of remunerating board members became common during this period amongst larger HAs, in part due to an increased emphasis on business management and financial skills in board recruitment (Pawson, 2006; Mullins and Pawson, 2010: 204).

The modernisation of social housing prompted dispute as to whether service provision would suffer, with some predictions that HAs would adopt a more hard-edged approach to housing management than councils (Pawson, 2006). However, research into this issue found that there was no appreciable difference in the quality of service between HAs and local authorities, and in fact LSVT HAs tended to evict tenants at a lower rate than other social landlords (Pawson and Fancy, 2003). HAs were also subject to a stringent regulatory regime that scrutinised both their financial performance and service standards, while the quality of the stock was considerably improved under Decent Homes (Pawson, 2006; NAO, 2010). This notwithstanding, it should be noted that similar trends towards a more business and consumer focused culture also occurred within local authorities in this period, although stock transfer was often used as a catalysing event to expedite the process of modernisation (Pawson and Mullins, 2010: 187). Council housing advocates also maintained that any improvement in quality was not necessarily inherent to the legal status of social landlords, rather it was merely indication of what was achievable through adequate resourcing and significant public and private investment, both of which had been withheld from local authorities from the late 1970s onwards (CLG, 2010).

The final political and economic trends of note in this period are the passage of the 2008 Housing and Regeneration Act, which provided the legal basis for the creation of for-profit HAs, part of an initiative under Labour to promote competition in the sector (Jarvis, 2018). As well as the 2007-09 GFC which reduced construction activity and increased public sector debt as governments attempted

to mitigate the downturn in economic growth. Although occurring at the end of this epoch, the full implications of both events were not to become apparent until later into the 2010s.

The context provided in this section illustrates the historical roots of some of the issues dominating current research and debate. Several trends associated with financialisation, and discussed at greater length in section 2.6., were already either present or in their infancy during the 1988-2010 period. These include the reduction in capital grant and entry of private finance; adoption of new financial and asset management practices such as the usage of NPV models and creation of commercial subsidiaries; and changes in corporate governance such as the adoption of more complex group structures, emergence of large HAs, and professionalisation of boards. Consequently, this section reiterates a general limitation leveraged at the wider financialisation literature regarding its ahistoricism (Ouma, 2015), and underlines the importance of identifying the factors that distinguish the post-2010 period from previous epochs.

2.6. 2010-present: Financialisation and assetisation in the HA sector

A burgeoning literature has emerged invoking financialisation to explain trends in the HA sector post-2010. This literature can be grouped around three overlapping themes: the growing importance of private finance to the HA business model; the consequent structural transformation of HA governance and strategies; and changes in housing outcomes. In this section I review each theme, whilst outlining key policy and economic events – visually depicted in Figure 2.2. – that underpin these trends. As highlighted in the preceding section, it is necessary to outline how this period is distinct from previous epochs. In this section I will argue that the post-2010 period is distinguished by the role of private finance being more intense, that is private finance has become of increased importance to HA business models. In addition, mechanisms for financial investment have become more complex, reflected in a greater diversity of financial instruments and investment vehicles. This is mirrored in a structural transformation of HA governance and practice. Such transformation includes further diversification of HA business models (e.g. into market rent), a greater emphasis on strategic asset management via conversions to affordable rent and asset disposals, and changes in the regulatory environment that promoted financial viability at the expense of consumer standards. Finally, the post-2010 period is characterised by changes in the landlord-tenant relation that raise questions regarding the quality of service provided in some parts of the sector. In making this argument I highlight gaps in the literature to be addressed in the empirical sections of the thesis.

2.6.1. The growing importance of private finance

The mixed funding model was undone by the austerity era that followed the GFC and the election of the Coalition in 2010, allowing for the intensification and diversification of private finance into the HA sector. The central government department responsible for social housing policy – the

Department for Levelling Up, Housing and Communities (DLUHC), then the Department for Communities and Local Government (DCLG) – had a real terms cut in its budget of over 50 per cent between 2010-11 and 2015-16 (Gray and Barford, 2018: 542). This resulted in a reduction in the average supply-side capital grant for new social housing, which under the 2011-15 Affordable Homes Programme (AHP) outside London fell from £60,000 per home to £20,000 (Milcheva, 2020). Funding was also removed for regeneration under the 2011-15 AHP, and the Treasury made it clear that investment in social housing was to be funded in part by rents increasing above existing social rent levels (HM Treasury, 2010: 8). This regime of capital grant was consolidated in the AHP rounds that immediately followed the 2011-15 programme, including the rebranding of the 2016-21 programme as the Shared Ownership and Affordable Housing Programme (SOAHP) to reflect the Conservative government emphasis on promoting homeownership. However, a partial break occurred in 2018 following the appointment of Theresa May as Prime Minister, who increased the budget for SOAHP 2016-21 to allow for a limited amount of funding for new social rent (Homes England, 2018; see section 2.6.3. and chapter seven).

As described in chapter one, the significance of post-2010 cuts to government subsidy was to create a dramatic funding gap for HAs for housing investment that was to be filled through a variety of means, including increased reliance upon private finance (Smyth, 2019). The AHP 2011-15, therefore, is commonly seen as a mechanism that has embedded financialisation within the HA sector, as the imperative to increase the delivery of new homes under conditions of austerity extended the reach and importance of private finance (ibid.).

These dynamics have contributed to HA funding streams becoming more diverse and complex. Vehicles for institutional investment in HAs can be grouped into forms of on-balance sheet debt finance – which predominates in the sector, and I refer to as the *debt-led model* of financialisation – and off-balance sheet equity investment. In the wake of a tightening of bank lending following the GFC, new markets emerged within the debt-led model of HA finance. HAs increasingly relied upon issuing public bonds as a source of finance, with bonds commonly purchased by large pension and insurance funds, and accounting for three-quarters of the private finance raised by English HAs in 2012 (Pawson and Milligan, 2013: 338; Wainwright and Manville, 2017). Central government sought to support the growing reliance upon bond finance by establishing the Affordable Housing Guarantee (AHG) scheme in 2012. The AHG guaranteed the debt raised by HAs for new supply, but also provided a market signal that bond finance was the government's preferred source of HA investment at the time, rather than equity finance which was seen as an inherently riskier proposition (Tang *et al.*, 2017). Compounding this complexity, HAs increasingly entered into derivatives contracts following the GFC – speculative swaps of interest rates made between parties to try and manage

interest rate risk by anticipating their fluctuations – with reported losses of £2bn in 2015 (Aalbers *et al.*, 2017). These trends were among the drivers of HA sector debt per home nearly doubling between 2006 and 2015 (Wainwright and Manville, 2017).

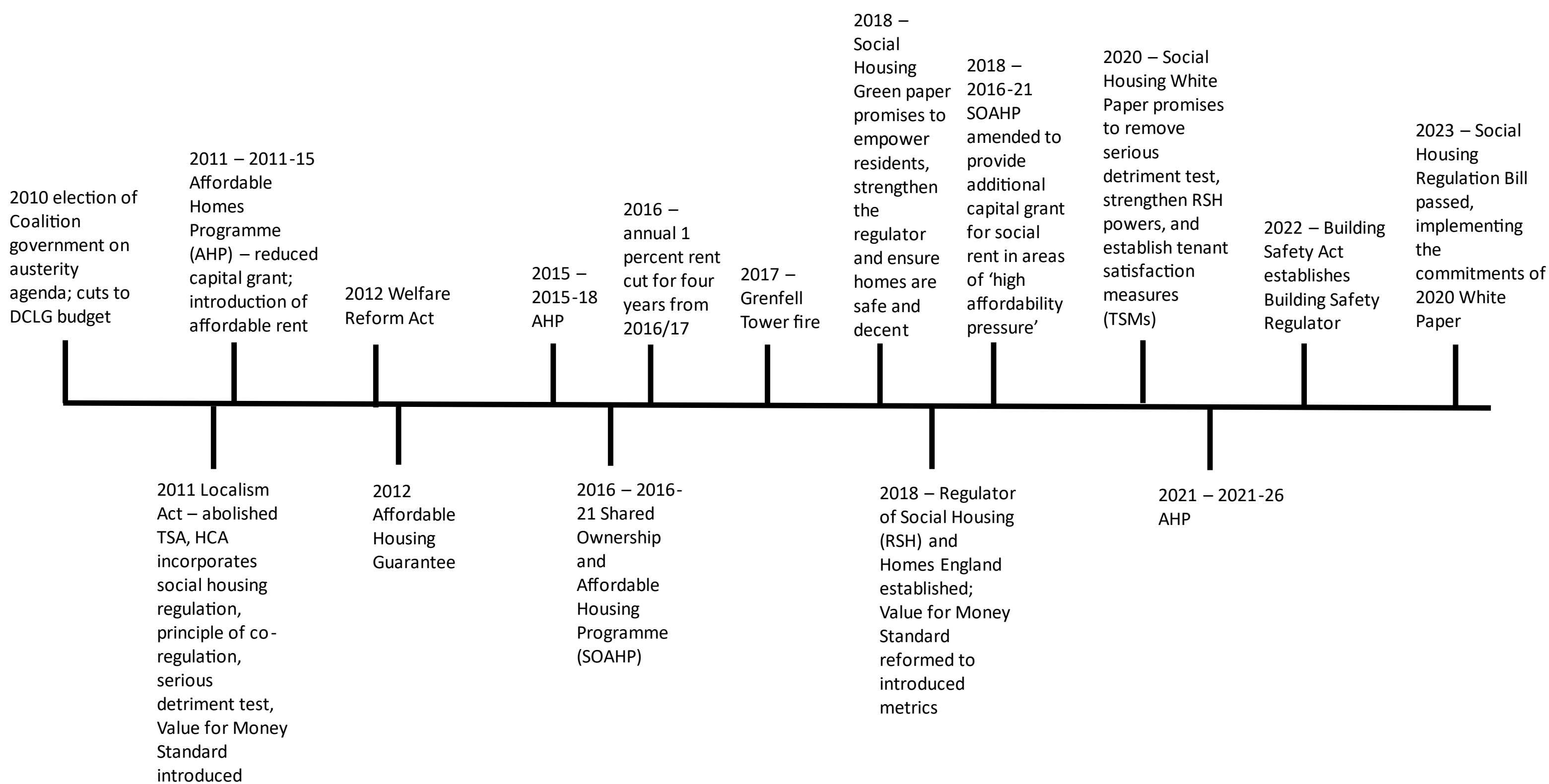

Figure 2.2: Key events in housing association funding and governance 1974-2009

In contrast to the debt-led model, new vehicles for equity investment have emerged in recent years as what was once a niche form of investment is growing rapidly (Wijburg and Waldron, 2020). Equity investment involves private finance purchasing a stake in the ownership of social housing. It can take several different legal forms that vary in terms of the degree of risk investors are willing to internalise, and the extent of involvement they have in housing management. At one end of the scale are lease-based deals, in which HAs lease homes that are owned by private investors, and where investors have little to no management responsibility. In some cases the homes were previously owned by the HA, but sold to investors and subsequently leased back to the landlord (Pawson and Milligan, 2013: 338-339). Although speaking in the context of local authorities, Bloom describes leased-based arrangements as “income-strip deals” as they allow investors to extract an income from social housing without being “exposed to the underlying value of the asset” (2023: 69). A controversial model of lease-based supported housing has emerged where HAs provide landlord and support services while leasing the homes from third-party investors. The model predominantly

operates in the exempt accommodation sector, a sector which accommodates households exempt from Housing Benefit limits, and hence charges higher rents (Raisbeck, 2019). And is typically adopted by smaller landlords, who receive less regulatory scrutiny than larger HAs (ibid.).

At the other end of the scale are for-profit HAs, where investors are theoretically responsible for ownership and management. For-profits were made legally possible by the 2008 Housing and Regeneration Act, but have only recently become a more important player in social housing provision (Jarvis, 2018; Wijburg and Waldon, 2020). For-profits involve private investors – for example pension and insurance funds such as Legal & General, or private equity such as Blackstone – establishing a subsidiary HA that registers with the RSH to purchase, develop and provide social housing (ibid.; Century and Parmar, 2022). For-profit HAs require investors to have greater involvement with housing management compared to lease-based deals, but in practice they often outsource this responsibility to non-profit HAs that act as a contracted management partner (ibid.). Although for-profits are still a minority in the HA sector, the sector is growing rapidly with the number of homes owned by for-profits growing from below one thousand in 2017 to over five thousand in 2019 (Wijburg and Waldron, 2020: 119).

In the intermediate space along the continuum between lease-based deals and for-profit HAs lie two further models. Firstly, joint ventures, where investors set up a special purpose vehicle with a HA to deliver and own affordable housing (Beiley and Pillinger, 2022). And secondly, shared-ownership reversionary portfolios (SORPs). SORPs involve an equity investor purchasing a proportion of the shared ownership stock of a HA, the latter of whom continues to act as the managing agent delivering landlord services, and the two organisations using the proceeds to establish a fund that finances a pipeline of new homes (Streeter, 2022).

The growing importance and complexity of private finance post-2010 has contributed to a prevailing narrative in the literature that financialisation is now “embedded” within the HA sector, and HAs are “deeply entwined” with capital markets (Smyth, 2019; Wainwright and Manville, 2017). Yet there remain empirical gaps in terms of substantiating the pervasiveness of private finance into the sector, as well as areas in which this dominant narrative needs an empirical update. A critical weakness raised in recent reviews of the literature is that the existing evidence base is overly reliant upon case studies of large HAs, especially the G15 landlords that represent the largest London landlords[2] (Marsh, 2018). And there is a corresponding lack of reflection on how financialisation may manifest beyond this archetype (Raco *et al.*, 2023: 15).

[2] G15 landlords include: A2 Dominion, Clarion, Guinness, Hyde, L&Q, Metropolitan and Thames Valley Housing, Network Homes, Notting Hill Genesis, Peabody, Riverside, and Southern Housing.

As a result of this sampling bias the literature makes implicit generalisations across the sector that the existing evidence base cannot sustain. As indicative examples, Goulding writes that *“financialised activity [is] particularly concentrated among larger, London and South-East based providers”* (2018: 61). And Clare *et al.* state that *“alongside the [HA] sector's growth is continued monopolisation within it: large and increasingly financialised HAs now dominate at the expense of smaller, more socially-focused ones”* (2022: 6). These quotes make clear assumptions about which organisations are ‘more’ financialised, and how it is driven by differences in organisational size and objectives. But in the absence of research explicitly exploring how financialisation manifests in contexts outside the large-London HAs, they are at best a proposition rather than a conclusion.

How financialisation varies across the sector and between organisations is ultimately an empirical question. In this sense, the literature is prey to what Krippner describes as “enthusiasm for the concept [… that] has run far ahead of serious attempts to establish evidence for this phenomenon” (2011: 23). The sample bias in the literature reveals a critical lack of research exploring the changing relationship between finance and HAs at a sector-wide scale. Expanding the sample frame of HA financialisation studies to the sector-wide scale would not only help substantiate the phenomenon, but it could bring further clarity to a concept often operationalised in vague terms (Christophers, 2015). And it could help draw links between contrasting trends and cases, for instance why some HAs are now pursuing equity investment in contrast to continuing with a debt-led model.

Alongside the issue of sample bias for institutional case studies, the existing literature also focuses on a particular historical juncture which has now arguably ended. The purported growth of private finance post-2010 occurred during a period of exceptional monetary policy and low inflation, combining low interest rates with successive rounds of quantitative easing to support asset values post-GFC (Christophers, 2019). Moreover, the rental streams of HAs were relatively secure despite the uncertainty introduced by welfare reform (Goulding, 2018). This convergence of circumstances provided a conducive environment for investment in social housing as private finance was relatively accessible and cheap for HAs. But in recent years HA revenues have been undermined by a one per cent rent cut mandated by government between 2016/17 and 2019/20, and the need to invest significantly in building safety post-Grenfell (Raco *et al*., 2023: 16). Significantly, interest rates have risen sharply to reign in soaring inflation, placing a further squeeze on HA resources. As highlighted in section 2.3. the financialisation literature often assumes an inexorable trajectory of growth for private finance (Christophers, 2015). However, recent trends in the macro-economy and pressures on HA resources suggest it is necessary to consider how the relation between HAs and finance is changing now that the historical juncture that provided a benign environment for investment in social housing has ended.

2.6.2. The structural transformation of HA governance: assetisation and regulation

2.6.2.1. Housing association governance and assetisation

The second theme focuses on how financialisation is contributing to a structural transformation of HA governance, that is the emergence of new actors, strategies, practices, narratives, and structures that govern conduct and shape decision-making in relation to social housing (Hodkinson, 2019; Marsh, 2018; McKee, 2011). In this section I will focus on the reciprocal relationship between changes in HA governance and the process of assetisation. Entrepreneurial strategies, practices, metrics and narratives in HA governance have in part emerged from the imperative for HAs to maximise the return on, and manage risk in relation to, housing and land assets (Gibb *et al*., 2016; Goulding, 2018; Jacobs and Manzi, 2020; Manzi and Morrison, 2018; Smyth *et al.*, 2020). Although section 2.5. makes clear that not all of these forms of governance are necessarily new, some novel trends have emerged as the sector has become more focused on strategic asset management. In addition, the course of assetisation has been shaped through the interactions of HAs with a diffuse network of actors – including the state, private sector, third sector, and residents – resulting in a variegated form of financialisation and a diversity of organisational strategies (Christophers, 2017; Marsh, 2018; Raco *et al.*, 2023; Smyth *et al.*, 2020).

Alongside increased reliance upon private finance, the funding gap created by austerity has been met by changes in HA business models and housing provision. One such change has been the provision of the affordable rent tenure introduced by the Coalition in 2011 that allows HAs to charge up to 80 per cent of market rents for social housing (Preece et al., 2020a). AHP funding throughout the post-2010 era has been prioritised on affordable rent and shared ownership – a form of low-cost homeownership – to the detriment of social rent, even following the 2018 increase in social rented grant (Milcheva, 2020). Moreover, HAs were allowed to convert a proportion of their social rent homes to affordable rent (ibid.) The growth of affordable rent was critical to the financialisation of HAs, as the quid pro quo of reduced capital grant rates under AHP 2011-15 was that HAs could use increased rental revenue to stretch their balance sheet, access private finance, and continue developing (Smyth, 2019). This enabled DCLG to produce more homes per pound of public subsidy (Gibb, 2021). In the words of Milcheva (2020: 15), the aim of DCLG was to “cut grant rates and hope to limit the reduction in output through other means”, with the other means being affordable rents, private borrowing and cross-subsidy (see below on cross-subsidy). Smyth (2019) argues that this funding model was characterised by a financial short-termism, given it further shifts the cost of financing new homes from upfront capital subsidy to long-term revenue spend via Housing Benefit, and encourages HAs to seek a short-term injection of capital from disposals at the expense of long-term rental revenue.

To cross-subsidise their social housing delivery in the absence of capital grant, HAs have diversified their HA housing portfolios and placed a strong emphasis on strategic asset management. HAs have extended a reliance upon private sale that was nascent pre-2010, and moved into new markets such as private rent. Although predominantly driven by the largest HAs, the HA sector accounted for over one-quarter of all new build-to-rent dwellings in the PRS between 2010-2016 (Crook and Kemp, 2019). Controversially, a number of HAs have incorporated disposals of existing social housing into their business plans, either to other social landlords or on the open market (Morrison, 2017). In practice, many HAs have been reticent to dispose of large numbers of assets due to the potential effect on their rental revenue, and sales on the open market remain below sales to existing tenants via RTB (ibid.:2864). Nonetheless, some HAs have seen themselves as a 'market maker' in the disposals market, disposing of their asset holdings in local authorities either seen as costly to manage or no longer strategically important for growth (ibid.). Manzi and Morrison (2018: 1938) argue that commercialisation "is likely to compel organisations to abandon their social roots, as they widen their resident profile and divert their attention to building housing for outright sale". While the increased reliance upon commercial real estate and development has implicated HAs in what Christophers (2019) calls the "financialisation of the urban environment", referring to the treatment of the built environment as an asset that can be used to attract and recirculate capital flows.

The potential for tension and conflict between the HA sector's commitment to submarket rents and their commercial activity is frequently discussed within the literature and public debate (LUHCC, 2022; Marsh, 2018). Such accusations build upon a general critique of financialisation that financial speculation is ultimately an extractive practice associated with inequity and expulsion, for instance by displacing residents to annex assets, or undermining affordability by inflating housing and land values (Celik, 2021; Hick and Stephens, 2022). In this vein, the necessity of commercial cross-subsidy for HAs has resulted in the redevelopment of social housing in areas of high land value into more profitable tenures, sometimes in partnership with financial investors and private developers (Beswick and Penny, 2018). However, a more equivocal stance is taken by Christophers (2019) that financialisation of the urban environment can under certain circumstances be justified as a means to a positive socio-economic end, for instance where there is a lack of available government subsidy and financial revenues are necessary to continue providing critical services. This stance seemingly resonates with many HA practitioners who have often legitimated cross-subsidy with recourse to a narrative that it is necessary to tackle a housing crisis caused by a lack of supply, and solved by the provision of new homes across a variety of market and submarket tenures (Preece *et al.*, 2020b).

Regardless of one's normative perspective, the diversification of the HA housing offer and approach to strategic asset management highlights a general shift in the treatment of value in social housing

that distinguishes the post-2010 era from the era of stock transfer and modernisation. Whereas in the previous era the valuation of social housing was predominantly related to its use value for tenant occupation, in the current era this is combined with conceptions of value that are closer to market value, either in the form of higher affordable rents or through disposals (Blessing, 2016).

Underpinning assetisation and business diversification are forms of governance intended to manage risk and provide a predictable source of income to access capital investment. Goulding (2018: 197) argues that the importance of private capital post-2010 made institutional investors the "key power brokers" in social housing governance. The power wielded by investors is reflected not just in the growth of HA debt, but also in HAs internalising practices to ensure loan repayment and militate against the risk of default, in effect becoming self-discipling risk managers on behalf of investors (ibid.). As evidence of changing HA practice and increased focus on risk management, Goulding points to the routine stress-testing of HA business plans to ensure they can honour their debts under different scenarios.

The long-term trend towards larger HAs via CCTs also continued apace in the 2010s with several high-profile mergers resulting in a small group of HAs owning in the region of 80-100,000 homes (Marsh, 2018). This sector consolidation was driven in part by the increased borrowing power of larger HAs necessary to fund new development, and the related aim of de-risking their business plan in the eyes of investors by broadening their housing offer (ibid.). Running parallel, the engagement of HAs with new financial markets post-2010 required them to adopt new metrics and tools to evaluate the performance of their asset base. HAs seeking to issue bonds were required to first ascertain a rating from a credit ratings agency (CRA), who act as a gatekeeper to the bond markets and use a variety of metrics to evaluates a sector's financial strength on behalf of bond purchasers (Smyth *et al.*, 2020). Yet Smyth *et al.* (ibid.) characterise CRAs as not just a gatekeeper but a *gateway constructor*, an intermediary who smooths the flow of finance into new areas by embedding the priorities, logics and language of private capital. Their study of G15 landlords illustrates that the metrics used by CRAs to evaluate creditworthiness have become internalised by some HAs as key performance indicators, and used by these landlords to analyse the performance of their asset portfolio.

2.6.2.2. Housing association regulation and assetisation

Evolving alongside these trends within HAs are governance actors and policies that shape the variegated financialisation of the sector, with significant focus given to the role of regulation. The 2011 Localism Act amended the 2008 Housing and Regeneration Act, and with it the nature of social housing regulation. The Act abolished the Tenant Services Authority (TSA) as social housing regulator, transferring regulatory powers to the Homes and Communities Agency (HCA) which was previously only responsible for social housing funding (TSA, 2011). The Act also split regulatory standards into

two groups – consumer and economic (ibid.). Consumer standards set out expectations in terms of how homes should be allocated, how tenants should be involved in decision making or be able to lodge complaints, and minimum expectations for housing quality, for example meeting the Decent Homes Standard (RSH, 2023a). Economic standards focus on governance and financial performance of HAs, and how they make best use of their resources, including public subsidy (ibid.). Economic standards include the Governance and Viability Standard, which compels HAs to manage financial risk through ensuring sufficient liquidity, and to comply with the covenants of their funders (HCA, 2015). The Localism Act also established a new economic standard, the VfM Standard. The VfM Standard instructs HAs to "derive 'optimal benefit' from resources and assets", understand the financial return on their assets, and understand the opportunity costs of providing particular tenures and working in specific locations (RSH, 2018a). In 2018 the VfM Standard was amended to introduce a suite of metrics that assess the financial position of HAs and how they use their resources, including their operating margin, operating costs per home managed, new supply delivered, debt to asset ratio (i.e. gearing), and interest cover (see chapter four).

The separation of economic and consumer functions for the regulator was more than an administrative change, as the nature of regulation was significantly amended under the Localism Act. The Act established a co-regulatory principle under which the regulator should "minimise interference" so far as possible, meaning they were to be less directive in terms of what objectives HAs should pursue and how, and instead placed more emphasis on evaluating the efficacy of HA self-governance (LUHCC, 2022: 49; Raco *et al.*, 2023). The reforms of the Coalition government also introduced a hierarchy between consumer and economic standards. The consumer regulation function was deprioritised and to be regulated passively, with compliance effectively self-regulated by HAs, and the HCA able to intervene only in cases of 'serious detriment' (LUHCC, 2022; TSA, 2011). In contrast to the high threshold for intervention on consumer matters, HCA was to proactively regulate and prioritise compliance with its economic standards. In 2018 the HCA was rebranded as the RSH, and responsibility for funding affordable housing was passed to a newly established non-governmental body, Homes England.

The hierarchy between economic and consumer standards has recently been somewhat reversed, with the Grenfell Tower fire in 2017 prompting commitments from the government to strengthen consumer regulations and review the Decent Homes Standard in a set of green paper and white papers (MHCLG, 2018; MHCLG, 2020). These commitments have culminated in the passage of the Social Housing Regulation Bill 2023, which removes the serious detriment test, allows for more regular inspections by RSH, and requires HAs to complete certain repairs within specified timeframes (NHF, 2023). Moreover, the Bill introduces the tenant satisfaction measures (TSMs), a set of customer

satisfaction survey questions designed to provide comparable metrics as to landlord performance, covering issues such as repairs, complaints handling and neighbourhood services (RSH, 2023b). And it has emerged alongside other reforms that aim to improve standards of construction and maintenance in the UK, including the Building Safety Act 2022 that established a Building Safety Regulator (DLUHC, 2022).

Regardless, the legacy of the regulatory regime in place from 2010-2013 was to contribute to an environment in which significant priority was placed upon HA financial viability, for instance by emphasising the management of costs and improving operating margins (Preece *et al.*, 2020b: 25). Goulding argues that the powers of RSH were progressively "eroded" and made subservient to private capital during this period, as austerity undermined the ability of the regulator to directly intervene and insulate HAs from commercial risk by providing capital grant (2018: 4, 318-319). Instead, Goulding continues, RSH has been reduced to embedding effective risk-management within HAs on behalf of lenders to prevent a potential default, with RSH instrumental in routinising the aforementioned practice of business plan stress-testing (ibid.: 197).

Goulding describes the financialisation of HAs as a case of "regulated deregulation", a concept coined by Aalbers (2016) to describe the active role of the state in financialisation. Regulated deregulation describes how the state creates new markets and areas for finance to expand into by rolling back state frontiers. But in the process the state shapes these markets by setting rules that privilege private actors. And it often does so by making new regulations increasingly specific and complex, institutionalising a web of by-laws, controls, codes, rules, principles and standards (ibid.: 118-120). Regulated deregulation certainly captures some part of the role of RSH in HA financialisation; the economic standards and associated Codes of Practice have provided a framework that supports private finance's privileged access to the HA sector. But there is some confusion in how RSH is conceptualised in the existing literature, and some empirical detail lacking too. For instance, there is a contradiction in how Goulding treats the RSH. On the one hand they have had their powers "eroded", but on the other they retain the power to embed new practices and shape HA governance. This contradiction perhaps stems from a conflation of money with power, with the reduction in capital grant seen as a reduction in power. This overlooks that power can manifest as the ability to shape the conduct of others from a distance (McKee, 2011). And so it is perhaps more accurate to describe the powers of RSH as being transformed, rather than eroded.

However this slight change of wording does not fully address the issue, as the concept of regulated deregulation underplays the constructive role of RSH as an intermediary between finance and HAs. Consider the evidence submitted to a recent select committee inquiry into social housing regulation.

The evidence of some stakeholders described the proactive role of RSH in ensuring compliance with the economic standards as a success story, to the point that it should be replicated as a model for consumer regulation (LUHCC, 2022: 55). Selected excerpts of submitted evidence describe RSH as proactively intervening to “*prevent the collapse* of financially unstable housing associations”, ensuring access to finance at competitive rates by “*protecting* the reputation of the sector”, and using its inspections regime to “*drive* a sector-wide improvement in the quality of governance [… and] *intervene* in a timely way to address any short-term viability issues” (ibid., emphasis added). These extracts suggest that part of the transformed role of RSH is to be interventionist and drive financialisation and assetisation by institutionalising changes in HA governance that maintain the flow of capital. RSH’s role cannot, therefore, be reduced to simply creating formal rules that grant privileged access for private actors. RSH also animates those rules and brings them to life through active interventions and ongoing sectoral engagement. This is not to dismiss the undoubtedly important contribution of ‘regulated deregulation’ as a concept and Goulding’s empirical work. Indeed Goulding helps illustrate the constructive role of RSH in institutionalising the practice of stress-testing. But this only highlights that existing concepts and metaphors underplay the constructive role of RSH as financial intermediary, with more empirical detail required given there is likely more to this role than stress-testing alone. A critical gap, therefore, is how, when and in what ways RSH intervenes and drives changes in HA governance to manage risk and ensure the continued flow of capital into the sector. This gap is particularly important for understanding assetisation beyond the large, London G15 archetype given that smaller HAs are less likely to be exposed to financial intermediaries such as CRAs (Smyth *et al*., 2020), but remain subject to the nationwide scope of sectoral regulation.

Despite the importance of RSH as a driver of financialisation, a focus purely on the state distracts from the diffuse network of power that governs social housing assets. The regulatory environment of the HA sector has been conceptualised by Raco *et al*. (2023) as ‘polycentric’, referring to a multidirectional system of regulatory bodies and actors, each with their own objectives and gravitational pull, that must be navigated by HAs. Such actors include the agents of national government (i.e. RSH, Homes England), and investors, but also regional and local governments (e.g. Greater London Authority (GLA), local authorities), sectoral membership bodies (e.g. National Housing Federation, Chartered Institute of Housing, G15), and schemes for consumer redress (e.g. Housing Ombudsman).

Raco *et al.* argue that polycentricism is a necessary conceptual corrective to a reductive ‘deep financialisation’ thesis that sees private finance and the supportive role of RSH as forces of inevitable HA convergence. By contrast, the relative autonomy granted by regulatory polycentrism allows HAs

to pursue contrasting organisational strategies and "actively choose how 'financialised' to be" (ibid.: 4). By implication, not all HAs are pursuing an ambitious growth strategy focused on land-led development and financed via extensive borrowing. As evidence, Raco *et al.* highlight a group of smaller HAs with less borrowing capacity that instead seek to maximise the efficient management of their existing stock by focusing on a small number of local authorities where they have a concentration of properties, while using Section 106 (S106) land value capture to pursue a limited growth strategy. Moreover, the authors contend that there has been a partial "retrenchment" of financialisation, with the use value of housing reasserted by sectoral trends including the building safety crisis, an acceleration of retrofit to meet governmental net zero targets, and the strengthening of RSH's consumer regulations (ibid.: 3, 15).

I will consider these claims – that polycentric regulation grants relative autonomy from financialisation, and is contributing to the partial retrenchment of financialisation – in more detail in the empirical chapters. Nonetheless, the concept of polycentric regulation provides a useful lens to explore how the variegated financialisation of the HA sector emerges out of the opportunities and constraints afforded to them by the interaction between their inherited business models (e.g. size, borrowing capacity) and the regulatory actors that take priority within their local context. Furthermore, by discussing the changing role of consumer regulation, it also foregrounds the dynamism of governance and the need to empirically update the HA financialisation thesis.

The concept of polycentric regulation takes the literature in a fruitful direction for understanding financialisation beyond the large, London, G15 archetype. But it also draws attention to open questions, namely in what ways polycentric regulation affects the assetisation of the sector. Raco *et al*. have a broad focus on how polycentrism "affects the strategies and activities of HAs" (2023: 12), whereas my narrower and more specific focus is on their asset management strategies. This is more than just semantics. HAs may have differences in their overarching objectives – e.g. nationwide growth via land-led development, serving a local community, providing support services – and the suggestion by Raco *et al.* is that the autonomy afforded by polycentric regulation allows some HAs to prioritise use value for tenants (ibid.: 3). But even for smaller organisations with clearly defined social objectives, achievement of these objectives may still be predicated upon the treatment of their housing as an asset. The capital-intensive nature of housing investment presents an economic challenge for HAs, regardless of whether it is for new supply or investment in existing homes. In responding to this challenge the primary resource at their disposal remains the income derived from their housing stock, which can be leveraged to fill any funding gaps (Savills, 2021).

Ongoing efforts to decarbonise social housing provide an illustrative example of the continued relevancy of private finance to HA investment in existing homes. To meet net zero ambitions the Social Housing Decarbonisation Fund (SHDF) will provide £3.8billion in governmental subsidy over ten years. But this falls far short of the HA sector's estimated cost of retrofit, which could reach up to £58billion (ibid.: 3). As a result HAs are reportedly exploring new private financing arrangements, including how to expand a nascent market in ESG investment. ESG investment involves mobilising narratives regarding the social value of HA operations as an asset for lenders seeking to meet corporate social responsibility obligations, narratives that are reified in metrics such as carbon emission reductions and jobs provided, and used to subsequently borrow at a reduced rate (ibid.: 25; Ward and Swyngedouw, 2018). As such, whether recent changes within the polycentric regulatory environment are resulting in a retrenchment of assetisation, or merely a shift in its focus, remains an open question. The overarching goals of the sector may be diverse, but their achievement may still rest on a foundation of housing financialisation and assetisation.

2.6.3. Financialisation and HA housing outcomes

The notion of *housing outcomes* is itself a potentially sprawling and nebulous concept, and it is beyond the scope of this thesis to provide a definitive account of how housing outcomes may be evaluated (for recent reviews see Clapham and Foye, 2019; and Foye, 2021). However, in this section I focus on how financialisation has affected the landlord-resident relation in the HA sector, mirroring the conceptual framing in section 2.2.2. of capital as a constellation of social relations. I conceive of housing outcomes and the landlord-resident relation as multi-dimensional, incorporating social interactions, notions of power, and the manifestation of these dimensions in the material service provided by landlords. As such, I loosely group the concept into the following four categories: a) *housing affordability*; b) *the supply of decent housing*, that is how much housing, in which locations, and of what quality; c) *landlord-resident interactions*, including housing management, allocations, and income collection; and d) *procedural justice*, namely who makes decisions, how decision-makers derive their authority, and how accountable decision-makers are to others (Clapham and Foye, 2019). I argue a critical gap in the literature is the underdevelopment of the evidence base on how financialisation affects the supply of decent housing by HAs. This gap speaks directly to two ongoing debates within policy and practice for which the evidence is perhaps surprisingly sparse, namely the effects of financialisation on new housing supply, and recent cases of disrepair. I will consider the relationship between financialisation and the supply of decent housing by HAs following an overview of the other dimensions of housing outcomes.

There is evidence that financialisation has contributed to declining affordability through the growth of the affordable rent tenure, which was necessary to ensure loan repayments in the context of

austerity and declining capital grant (Preece *et al.*, 2020a). For many HA tenants this will not affect their disposable income as Housing Benefit or Universal Credit will simply increase in conjunction, but there are important exceptions, notably households affected by the measures introduced under the 2012 Welfare Reform Act. The interaction between increased rents and welfare reform – the benefit cap, the Universal Credit two-child limit, a peak in the usage social security sanctions – contributed to increased housing stress and destitution in the 2010s (Fitzpatrick *et al*., 2016; Hickman *et al.*, 2017; Watts *et al*., 2014; Williams *et al.*, 2022). Furthermore, Wijburg and Waldron (2020) argue that the growth of equity investment may compound the issue, as investors prioritise the supply of higher yield intermediate tenures such as shared ownership and affordable rent.

In addition to affecting the affordability of social housing, a more challenging financial context has affected the landlord-resident relation in the HA sector by introducing new forms of conditionality. Preece *et al*. (2020b) demonstrate that the dual pressures of higher affordable rents and welfare reform have contributed to HAs increasingly using affordability assessments that scrutinise housing applicant incomes and expenditure to identify those who may be a financial risk. Affordability assessments may be used to refuse a tenancy either at the point of application for prospective tenants, or at the point of tenancy renewal for existing residents on a fixed-term contract (ibid.). Increased rental arrears due to welfare reform have also interacted with the pressure felt by HAs to maintain financial viability, which has contributed to some HAs seeking to avoid bad debts by more rigorously scrutinising and managing tenants in arrears (Preece *et al.*, 2020b: 25). Emergent arrears management practices include the conduction of credit checks on tenants, and the provision of financial literacy training (ibid.; Wainwright and Marandet, 2017). Consequently, as risk has been transferred to HAs by lenders and welfare reform, landlords have in turn transferred risk downwards onto residents, making access and enjoyment of the home increasingly conditional upon demonstration of sound money management, whilst also implicating HAs and residents in the extension of the financialisation of everyday life (Clare *et al*., 2022: 7).

By virtue of financialisation driving change in HA governance, there is research exploring how financialisation may relate to changes in the procedural justice of HA decision-making, such as the professionalisation of boards and changes in the design of tenant participation mechanisms. Greater emphasis on financial viability and strategic asset management in HA funding and regulation has been linked to a decline in resident representation on boards, resulting in an increased tendency to recruit board members with backgrounds in private finance, law and quantity surveying (Goulding, 2018; Hickman and Preece, 2019). Nevertheless, the presence of residents on HA boards does not necessarily confer them decision-making power; interviews with HA stakeholders and residents suggest that tenant board membership sometimes reflects mere ‘tokenism’, and tenant board

members may be encouraged to self-regulate their behaviour in accordance with professional norms (Hickman and Preece, 2019). As such, the professionalisation of boards is not just associated with a decline in tenant membership, but also making tenant membership conditional upon undergoing training in finance and governance (ibid.: 48). However, it is worth reiterating that the professionalisation of boards was evident prior to 2010 (see section 2.5.). And this shift is also in partial reversal post-Grenfell with a notable emphasis on tenant representation and participation from policymakers and practitioners (MHCLG, 2020).

Research has also considered the effects of emerging vehicles for delivering social housing under financialisation on the accountability of decision making. Equity investment, for instance, is producing more complex and opaque governance structures, including for-profit subsidiaries, leasing arrangements, and public-private-third sector joint ventures (Wijburg and Waldron, 2020). Raisbeck (2019) argues that the lease-based supported housing model has been utilised by some actors as merely a funnel through which private investors have been able to extract profits from exempt accommodation, and have done so at the expense of accountability to tenants and providing a decent service. Moreover, this has been facilitated by the light-touch approach to regulation adopted by RSH towards HAs with less than one thousand homes (ibid.). The evidence base on how financialisation is affecting the accountability of HAs to residents beyond the lease-based supported scandal is less clear cut, yet there is analogous evidence from the council housing sector. Beswick and Penny suggest that joint ventures between local authority landlords and private investors in estate regeneration contribute to an "obscuring [and an] obfuscation of democratic and financial accountability" (2018: 628). Nevertheless, the authors provide little by way of further elaboration on how these ambiguous lines of accountability manifest and subsequently affect the resident experience, for instance by providing cases of poor service or frustrated attempts at holding landlords to account.

This lack of elaboration belies a more general issue with the financialisation literature, namely the underdeveloped empirical evidence on how financialisation is affecting the supply of decent HA housing. The literature tends to implicitly assume that financialisation has a negative effect on hosing quality (Christophers, 2019), and there is comparative research on rental markets in other contexts. For example, Fields and Uffer (2016) compare equity owned rental housing in New York and Berlin. Fields and Uffer suggest financialisation may be associated with reduced landlord expenditure on maintenance, either to encourage resident turnover and subsequently increase rents, or simply reflecting an inability to service both debt repayment and maintenance spend. But whether these experiences travel to the English HA sector remains an open question, and there is surprisingly little research into the effect of financialisation on social housing supply in this context.

2.6.3.1. Financialisation and the supply of decent social housing

The supply of decent social housing can be disaggregated into the rate of new homes, and the size and decency of the existing stock (Leishman *et al*., 2020). The select committee inquiry into social housing regulation (see section 2.4.2.) draws two salient conclusions on these two components of supply. Firstly, that the current rate of new social housing supply, especially social rent, is insufficient to meet housing need. Secondly, that the frequency and severity of disrepair is sufficient to suggest that there is a systematic issue with the decency of the existing stock in parts of the HA sector (LUHCC, 2022; see also Baker *et al.*, 2022; and Bramley, 2018). Theoretically, financialisation and assetisation should be fruitful sources of insight for understanding these issues given the necessity of private finance for HA capital expenditure post-2010. Indeed, the inherent promise of financialisation from the perspective of policymakers is the prospect of HAs contributing to an increased supply of decent housing at less cost to the Treasury, as illustrated by LSVT policy in section 2.5. and changes in the level of capital subsidy for new supply discussed in section 2.6.1. (Milcheva, 2020). On these two issues the literature on the financialisation of the English HA sector makes some explicit claims, but these claims are often only a secondary objective in the paper rather than the focal research question, or there are limitations in the existing evidence base.

On the question of financialisation and new supply, there is recent research that questions the efficacy and cost-effectiveness of more financialised affordable housing delivery models. Lawson *et al*. (2018: 85-95) model and evaluate different options for funding a prospective 20-year social housing development programme in Australia. They find capital grant to be a more cost-effective source of investment than private finance, due to the costs of the debt necessitating ongoing operating subsidies in the latter scenario (ibid.). However, the authors do not evaluate the effect debt finance or increased capital grant may have on the rate of new supply, and given the research is based in Australia, it is also silent on the effects of financialisation in terms of prioritising affordable rent over social rent in new supply (Milcheva, 2020).

By contrast, Gibb (2021) conducts a policy evaluation that compares the English AHPs post-2010 with their Scottish counterpart. The Scottish programme was less reliant upon private finance, cross-subsidy and affordable rents than the English AHPs, and instead had higher levels of capital grant per home, resulting in proportionately more social rented homes delivered, and a greater reduction in housing need (ibid.: 15-18). Gibb concurs with Lawson *et al.* that the English approach may present a false economy as other things being equal – i.e. same macro-economic environment, same rent settlement, and the same tenants on relatively low-incomes – the higher demand side rent assistance for affordable rent should cost more to the Exchequer in the long term than the higher initial capital grant for social rent (ibid.: 16). Although policy evaluation is inevitably encumbered by

policy design, Gibb's comparative research relies upon inevitable extrapolation from a different context meaning there are numerous potential confounding variables. In the absence of accounting for confounders it is impossible to say whether variation in delivery of social renting is due to differences in the AHP funding model, or due to contrasting policy regimes. For example, Scotland has abolished RTB and provides a higher rate of rent assistance through Universal Credit, in effect supporting HA revenue streams (Stephens, 2019).

Thus, there is surprisingly little empirical evidence on how new supply differs under funding models with varying rates of reliance upon private finance and cross-subsidy, for instance whether a financialised model has a causal effect upon new social rented supply, or an effect on new social housing supply overall. There is historical and comparative evidence that gives us reason to believe financialisation has expedited the decline of social renting, but little causal evidence that does not rely upon strong methodological assumptions.

The question of how reliance upon private finance and cross-subsidy affects the rate of new supply is pertinent given the funding model for new social housing has changed in recent years. There has been a slight softening of the Conservative government's stance on social rent post-Grenfell, although not to the extent that they aim to expand social rent to provide an alternative to private housing, rather it is to provide a safety net for 'vulnerable' households and stepping-stone to homeownership (MHCLG, 2020). As mentioned in section 2.6.1., this shift in rhetoric was reflected in an increase in available capital grant for social rent in 2018, provided by Homes England under SOAHP 2016-21. To target the funding in areas of perceived need, DLUHC only made additional grant available in local authorities defined by government as in 'high affordability pressure', that is authorities where the gap between average weekly social rents and private rents is £50 or more (Homes England, 2018). As such, shifts in the macro-economy and HA governance that Raco *et al.* (2023) claim are associated with the partial retrenchment of financialisation – namely an end to the historical juncture of low interest rates, and a reform agenda seeking to strengthen consumer regulations (detailed in sections 2.6.1. and 2.6.2.) – have been accompanied by the partial definancialisation of the funding model by increasing rates of capital grant (Wijburg, 2021).

This policy change provides an opportunity to probe some of the questions raised in public and academic debate. Firstly, comparing the social rent delivery between HAs receiving and not receiving additional grant would shed light on how responsive HAs are to changes in their funding model. If HAs are responsive to increased capital grant by expediting new social rent supply, this would lend credence to the argument that the shift away from social rent is as much due to the push factor of funding changes as it is the pull of commercialism, although of course in reality both may be the case

(Atkinson and Jacobs, 2020a; Manzi and Morrison, 2018). Secondly, comparing output between high and low affordability pressure localities would provide part of the answer as to whether financialisation has allowed government to deliver similar levels of new supply with less grant per home (Gibb, 2021; Milcheva, 2020). Lower levels of output in areas receiving less grant would call into question the claim that making HAs dependent upon private finance at the very least provides value for money for the public purse.

On the question of the decency of HA existing stock, Clare *et al*. suggest that financialisation has led to a significant decrease in the quality of social housing (2022: 6), which they argue is the result of a process of 'managed decline' where homes are purposely "run down" prior to being sold or regenerated. Managed decline describes the purposeful neglect of buildings and estates, including a withdrawal of maintenance, as they are earmarked for eventual disposal or regeneration to capitalise upon the subsequent creation of a rent gap (ibid.; Cooper *et al*., 2020: 1363; Perera, 2019: 10). Watt (2021: 263) argues managed decline leads to "financial disinvestment in those areas and their accelerated physical, social and symbolic deterioration over and above any original problems they might have."

Although Clare et al.'s (2022) argument has a coherency to it and provides a potential pathway from financialisation to disrepair, the empirical evidence base needs to be further developed. The literature Clare *et al.* cite to evidence that HAs are selling properties via auction makes no reference to the quality of the homes, and hence no claims that the properties were "run down" prior to their disposal (Finch, 2019). Likewise, the paper they cite regarding the effects of estate regeneration mostly considers state-led cases of regeneration on local authority owned estates (Lees and Hubbard, 2022). Indeed, the managed decline literature rarely utilises the concept of financialisation as a driving force of regeneration, instead considering cases as processes of gentrification, recommodification or racial discrimination (ibid.; Watt, 2021). As such, while Clare *et al.* provide a theoretical mechanism linking financialisation to declining housing quality, the empirical substance fails to demonstrate that these were indeed examples of managed decline. Moreover, the role that financialisation plays in explaining disrepair in Clare *et al.*'s argument is under-developed insofar as it is not immediately clear what explanatory value it adds over alternative concepts (e.g. state-led gentrification, recommodification). In any case, Clare *et al*.'s argument is silent on how financialisation may affect housing quality for homes not earmarked for either disposal or demolition, which is a notable blind spot given some of the most damning cases of disrepair in the HA sector in recent years have been in homes HAs intend to retain but have clearly neglected (see chapter six).

Importantly, the underdevelopment of the links between financialisation and the supply of decent housing undermines the relevancy of the concept of financialisation to a wider public discussion regarding changes in the HA sector. In the aforementioned select committee inquiry on social housing regulation the concept of financialisation did not feature, with the MPs authoring the report instead criticising HA commercialism (ibid.). Similarly, financialisation has not permeated the discourse of housing activists to the same extent as other academic concepts; a recently published journalistic account of the precarity experienced by many households in rented accommodation – Tenants by Vicky Spratt (2022) – instead drew extensively on academic literature relating to gentrification and commodification. The result is a somewhat strange situation in which, on the one hand, there is an academic literature purporting to explain significant trends in HA governance post-2010 (Marsh, 2018). But on the other hand, on two of the most pressing recent issues in the HA sector – the rate of new social housing supply, and high-profile cases of disrepair – this same literature has very little to say. It appears that the case still needs to be made as to what contribution financialisation can make to an ongoing public conversation regarding social housing supply and disrepair. And how, in explaining these issues, it can effectively complement existing academic concepts that have more successfully filtered into the public discourse e.g. gentrification, commercialism and commodification (Jacobs and Manzi, 2020; Lees and Hubbard, 2022; Manzi and Morrison, 2018).

2.7. Conclusion

In this chapter I have reviewed the literature on financialisation and how it may shed light on trends in English HA governance and strategy post-2010. To conceptualise financialisation I have drawn inspiration from the perspectives of political economy, the literature on the financialisation of NFCs and public sector bodies, and the notion of variegated financialisation. As such, I conceive of housing financialisation as a set of processes of capital circulation within and through housing, leading to a structural transformation of HAs and social relations, and a subordination of housing's use value to its value as an asset (Aalbers and Christophers, 2016). I have put a conceptual boundary around the concept of financialisation by arguing it is the treatment of housing's value as an asset which distinguishes it from alternative concepts concerned with housing's exchange value e.g. commodification. Consequently, a prerequisite for financialisation is a process of assetisation – the mobilisation and subsequent management of resources, such as housing and land, as an asset that acts as a store of wealth, source of future income, and security for the production and circulation of financial instruments (Birch, 2017; Stirling *et al*., 2023; Ward and Swyngedouw, 2018). This regime of accumulation is manifest through a "cluster of interdependent processes", operating across scales, with the dominance of private finance representing the common denominator. As a variegated

phenomenon financialisation is a process co-constituted by contextually bounded political economic institutions – NFCs, public bodies, HAs – that connect global flows to local spaces (Aalbers, 2016; Durand, 2017: 4; Goulding *et al.*, 2023; Ward et al., 2019).

Following this I have considered the history of the HA sector and the literature that specifically invokes financialisation to explain trends among English HAs. By considering financialisation in the context of the development of the HA sector I have aimed to put empirical boundaries on the causal power ascribed to the concept. This review suggests that some of the trends in HA governance and strategy attributed to financialisation in the literature had roots in earlier periods, and might therefore be more accurately described as exacerbated by post-2010 financialisation. Such trends include the importance of debt finance, the proliferation of an asset management culture, commercial subsidiaries for private sale, and the professionalisation of boards (Mullins and Pawson, 2010; Pawson and Fancy, 2003; Pawson and Mullins, 2010). Moreover, this historical context foregrounds the contingent nature of HA financialisation in contrast to its common depiction as an all-encompassing process (Christophers, 2015; Ouma, 2015). For instance, the post-2010 historical juncture highlights the role of the capital grant regime, loose monetary policy, and social housing regulation in constituting HA financialisation. But political economic restructuring is rarely a linear or coherent process, and changes have occurred in each of these policy areas in recent years that, for some, represents a partial 'retrenchment' of financialisation (Raco *et al*., 2023). I will consider the evidence for this claim in greater depth in the empirical chapters.

That HA financialisation has historical roots pre-2010 does not deny the intensification of the process over time, and the emergence of novel forms of HA governance and practice. As such, I have split the literature on HA financialisation into three themes. The first theme focuses on the growing importance of private finance to HA operations, and the increased diversity and complexity of their funding sources. It therefore draws on housing financialisation as capital circulation. This theme highlights the growing indebtedness of HAs via bank lending, bond issuing and derivatives, which I refer to as the debt-led model of HA financialisation. But also a nascent market in equity investment, including a lease-based supported housing model in exempt accommodation, SORPs, and for-profit HAs. The critical gap in this theme is the lack of research considering how financialisation manifests beyond a large, London, G15 archetype, which underpins speculative assumptions that small, locally focused HAs are somehow "less" financialised (Clare *et al*., 2022; Marsh, 2018). Moreover, the literature needs to be empirically updated as the historical juncture of exceptional monetary policy and low inflation is ending, and simultaneously HAs are being required to focus on their existing homes due to the building safety crisis, net zero targets, and ongoing reform of sectoral consumer regulation (Christophers, 2019; Goulding, 2018; Raco *et al*., 2023).

The second theme is how financialisation is affecting the governance and strategies of HAs, drawing on financialisation as subordinating use value to asset value. I give particular emphasis to how assetisation interacts with the wider HA regulatory landscape. This theme suggests that assetisation and regulation have co-evolved to embed new strategies, practices, metrics and narratives within HAs, in order to manage risk and maximise the return on their assets. Most notably, financialisation has precipitated a greater focus on strategic asset management among HAs, encouraging them to maximise the return on available land and housing assets by converting homes to affordable rent, and cross-subsidising social housing via commercial activity and disposals (Smyth, 2019). This strategic shift is supported by practices focused on active risk management, including the routine stress-testing of business plans and the internalisation of metrics from financial intermediaries such as CRAs (Goulding, 2018; Smyth *et al*., 2020). For some of the sector, changes in governance and strategy have been legitimated by a narrative that HAs are a critical partner in tackling a housing crisis by increasing new supply across tenures and the facilitating role of 'patient capital' (Brill *et al.*, 2023; Preece et al., 2020b). And this has also underpinned continued CCT activity across the sector, with large landlords seeking to leverage their borrowing power for new development (Marsh, 2018). Yet I identify two gaps in this literature. Firstly, that the constructive role of the RSH as a financial intermediary that smooths the flow of private investment by embedding assetisation and governance change is underexplored and lacks empirical detail. This is particularly important in understanding how assetisation is embedded beyond the large, London archetype, as only a minority of HAs have a credit rating, whereas the reach of RSH is sector wide. Secondly, the insights of Raco *et al.* (2023) – that the wider regulatory environment is polycentric, with a diversity of institutions present beyond RSH – should be built upon to consider how polycentric regulation interacts with HA assetisation. Doing so could shed light on the variegated financialisation of HAs, as it suggests that there may be contrasting asset management strategies across the sector. But it may also help address the open question as to whether a focus among HAs on existing homes is leading to a retrenchment of financialisation, or rather a transformation.

Finally, I consider the consequences of HA financialisation for housing outcomes, and therefore its effects on capital as social relation. Relative consensus exists that the affordability of social housing has been affected by financialisation, primarily through a widespread growth of affordable rent (Preece et al., 2020a). This affordability shift has interacted with the precarity created by welfare reform to incentivise HAs to introduce new forms of conditionality, for example affordability assessments, credit checks and financial literacy training (ibid.; Preece et al., 2020b; Wainwright and Marandet, 2017). Furthermore, the prioritisation of financial viability in HA governance and regulation has been among the drivers of the continued professionalisation of boards (Goulding,

2018). While the development of new homes in partnership with private finance has produced complex delivery structures that are not always immediately accountable to residents, including lease-based arrangements and joint ventures (Beswick and Penny, 2018; Raisbeck, 2019). The critical gap in this theme is the scarcity of research evaluating the consequences of financialisation for two prominent issues in the HA sector: new supply (both social rented housing, and social housing more broadly), and the proliferation of recent cases of disrepair. The first issue matters because it begs the question as to whether financialisation has delivered against the promise it held for policymakers, that HAs could deliver new supply by borrowing against their assets. It would also help corroborate the argument that the shift away from social rent among HAs is in large part due to the push factor of changes in capital grant availability (Graham *et al.*, 2019). There is comparative evidence from Gibb (2021) that contrasts England with Scotland, but this evidence is inevitably limited by the issue of confounding variables. The second issue matters because there is currently an ongoing societal debate and reflection on how cases of disrepair can be prevented in the HA sector, but the financialisation literature has thus far not permeated the public discourse. In part this is because there are theoretical claims as to how financialisation affects housing quality – Clare *et al*. (2022) argue estate regeneration and housing disposals are preceded by a process of managed decline in which homes are purposefully run down to drive out residents – but the accompanying empirical evidence base is underdeveloped. Moreover, this theory needs to make the case as to what financialisation is adding to our understanding that is not already catered for by concepts such as gentrification, commodification and commercialisation. More work is also needed, both conceptual and empirical, to understand disrepair in homes not earmarked for disposal or regeneration. I pick up each of these gaps in the following chapter, where I outline my research objectives and questions, and methodological approach.

3. Conceptual framework and methodology

3.1. Introduction

In this chapter I outline the three research objectives and four related research questions, a conceptual framework that underpins the narrative built around the questions, and a mixed-methods approach for addressing them. The research questions build upon the conceptualisation of financialisation detailed in the literature review, whereby I considered it as a circulation of capital that has led to the growing reliance of HAs upon private finance – both debt and equity finance – in order to invest in new and existing housing stock. I also argued this process is predicated upon the mobilisation and management of housing and land as an asset, supported by corresponding changes in HA governance and regulation that have embedded financial practices and delivery structures. But these processes remain variegated and co-constituted by the path dependency of institutional and local context, resulting in changes to housing outcomes. In this vein, the objectives and questions mirror the structure and focus of the literature review on HA financialisation and governance in section 2.6.

The objectives and questions sequentially build a narrative for the empirical work around assessing the growing importance of private finance to the HA sector, exploring the corresponding structural transformation of HA governance and asset management, and analysing the consequences for the supply of decent social housing. The methodology of the thesis utilises a mixed-methods approach that is central to conceptualising financialisation as a variegated phenomenon. The methodology uses the breadth of the quantitative strand to assess the constructive influence of private finance and social housing funding over the investment priorities of the HA sector, demonstrating the role of political-economic restructuring in producing general tendencies and trajectories across organisations. The methodology then utilises the depth of the qualitative strand to complement the quantitative findings and explain variation between HAs, interrogating individual cases to explore how the extent and form of institutional investment is conditioned by HA governance and practice, for example the inherited business models of HAs and the competing interests of their stakeholders.

For clarity I split the methodology into seven stages, which include longitudinal regression and clustering of HA balance sheet data, a regression discontinuity design to evaluate the effects of contrasting funding models on new supply, and qualitative documentary analysis and semi-structured interviews. The results of the longitudinal clustering are used as a sample frame for the qualitative analyses. And quantitative and qualitative strands are related to one another by the drawing of meta-inferences at the analysis stage.

3.2. Conceptual framework, aims and objectives

To theorise HA financialisation in this thesis I have drawn upon conceptualisations by Aalbers (2016) and Aalbers and Christophers (2016) on the role of private finance and housing in political economy. The preceding literature review in chapter two argued HAs have become implicated within a broader process of capital accumulation, in which social housing is treated as an asset that can be used as security for the circulation of financial capital (ibid.). This process was intensified within the historical juncture of the post-2010 austerity era, during which private finance became increasingly important for HAs to fund investment in the housing stock, resulting in transformations in HA asset management, governance and social housing supply (Goulding, 2018; Smyth, 2019; Wainwright and Manville, 2017). Building on this conceptualisation, the thesis aim is as follows:

> *<u>Research aim</u>*
>
> *To critically assess the financialisation and assetisation of English housing associations post-2010, and how it is affecting the governance and supply of decent social housing*.

This is an overarching aim that in this section I will disaggregate into separate objectives and research questions. Moreover, I will show how these objectives fit within the broader conceptual framework and narrative of the thesis.

In Figure 3.1. I provide a visual depiction of the conceptual framework utilised in the thesis, and I will explicate the detail of Figure 3.1. throughout this section. Arrows between actors, processes and outcomes depict an interrelationship in which influence flows both ways, or the effect of one thing on another. Aspects of Figure 3.1. are colour coded for which respective research objectives and questions in which they will be the focus, although some are left black as they cut across all areas without necessarily be a focal point (e.g. capital circulation). In practice, the different aspects of the framework cannot be parsed so easily into the different research objectives because there is inevitable overlap. But it nonetheless serves as a heuristic device to help interpret the narrative links between the conceptual framework and the research objectives and questions.

In Figure 3.1. the outer black circle represents a circuit of capital circulation, within which HAs are situated. However, they also sit within an inner red circle depicting the meso-scale of institutions. As discussed in section 2.3. a common criticism of political economy is the tendency to subsume change to the macro-economy and to view institutional actors as a monolith (Jacobs *et al*., 2022). By contrast, throughout this thesis I will consider the relation between macro-political economy – e.g. austerity, interest rate rises – and HAs who act as a meso-scale institution that anchors capital flows within organisations, assets and spaces.

As critical actors that bring private capital into the HA sector, lenders and investors sit at the intersection between the world of capital circulation and the meso-scale of HA institutions. The interrelation between HAs and investors is depicted by a blue arrow illustrating the increased importance of private finance to HA operations. Yet there is diversity on both sides of this relation, with different forms of investment and variable demand from HAs. Pre-Grenfell, debt finance leveraged against a HA's balance sheet to fund new supply represented the primary form of institutional investment, with growing a market in issuances of HA bonds (Pawson and Milligan, 2013; Smyth, 2019; Tang *et al.*, 2017; Wainwright and Manville, 2017). But reliance upon private finance can also be in the form of equity, with a nascent market emerging in equity backed for-profit HAs, institutional investors purchasing SORPs, and lease-based deals in supported housing (Raisbeck, 2019; Wijburg and Waldron, 2020).

HAs are a diverse set of organisations, and the extent and form of institutional investment in the sector will vary according to factors such as the pre-existing organisational structure, organisational size, tenure mix, location and development capacity (Clare *et al.*, 2022; Clegg, 2019; RSH, 2018b). Consequently, Figure 3.1. emphasises that HA financialisation is variegated, emerging out of the opportunities and constraints afforded by institutional and spatial context to produce different forms of institutional investment and variable reliance upon debt finance (Aalbers, 2017b; Ward *et al.*, 2019).

Despite it being common in the financialisation literature to conceive of it as a variegated process, within the literature specifically focused on HA financialisation I argue there is a tendency to see it as a linear process mostly affecting a particular set of landlords (see section 2.6.1.). The HA financialisation and governance literature is overly reliant upon case studies of large, London-based, G15 landlords with large development programmes (Marsh, 2018). This sample bias underpins speculative conclusions that conflate financialisation with increased reliance upon debt finance among large HAs, and assume this is in contrast to smaller community focused landlords (Clare *et al.*, 2022). This not only obscures the role of equity finance in the sector, but also reveals a lack of sector-wide research that can substantiate whether smaller HAs "actively choose how 'financialised' to be" (Raco *et al*., 2023). Moreover, it ignores that for many HAs post-Grenfell, the pressing urgency is not new supply, but investment in their existing homes to fund building safety works and tackle disrepair, occurring at a time in which interest rates are rising (ibid.). There is a gap in terms of sector-wide research that assesses the reliance upon private finance between different types of HA, and how this has changed over time. The first research objective and associated question set out below aims to fill this gap:

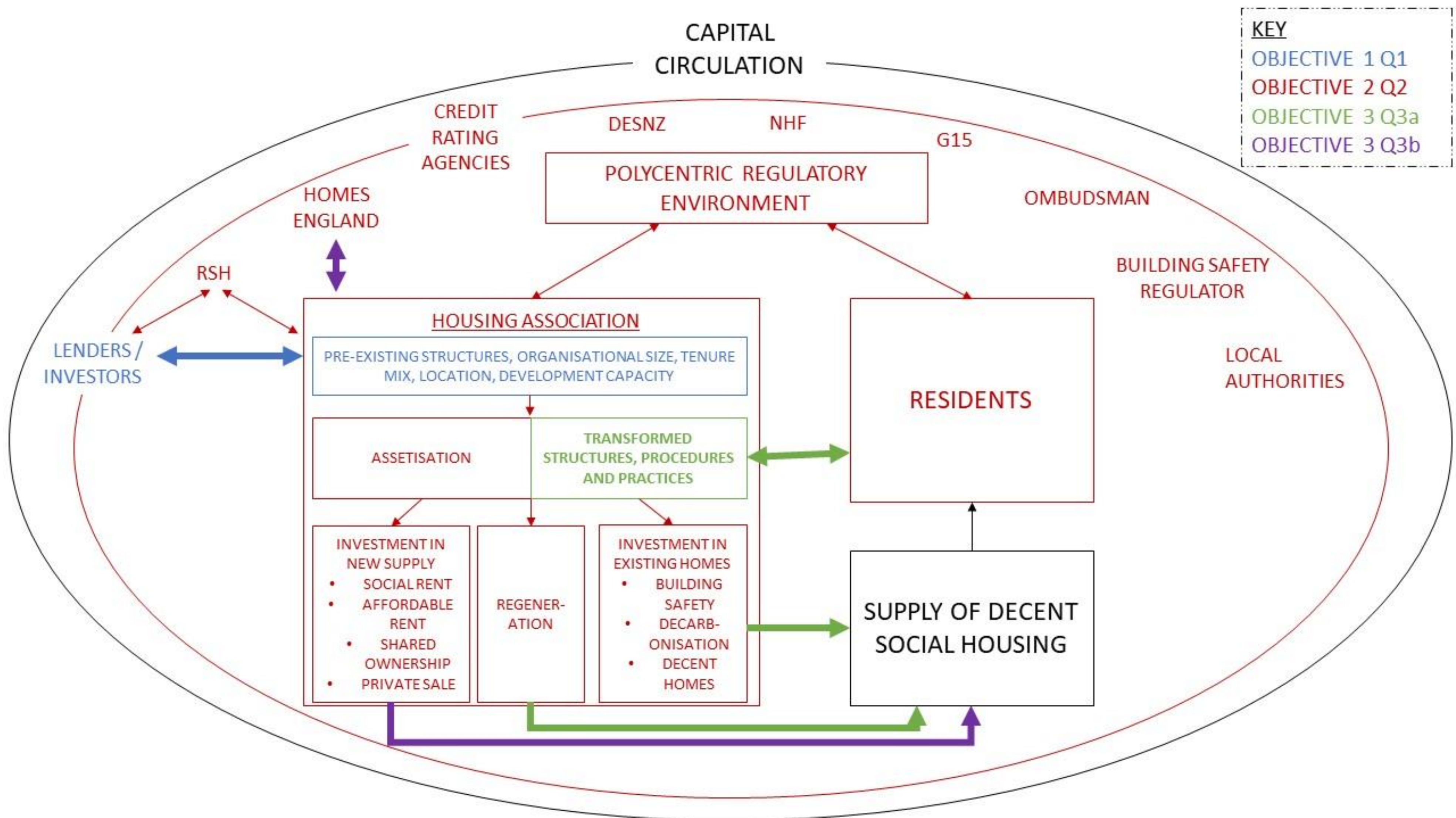

Figure 3.1: Conceptual framework and research questions

Objective 1

To assess the extent, and varieties, of financialisation occurring post-2010 in the English HA sector.

Question 1

How has the relation between HAs and finance changed across different organisations in the English HA sector?

Financialisation is predicated upon a complementary process of assetisation, in which housing and land are mobilised and managed as tradable assets, providing revenue streams that can be leveraged to access capital (Christophers, 2017; Ward, 2019). Assetisation is critical to financialisation not just in helping facilitate the circulation of capital, but in subsuming the use value of housing to its value as a scarce or monopolised resource from which economic rents may be derived (Aalbers and Christophers, 2016; Mazzucato, 2018).

In the conceptual framework of this thesis, assetisation provides a conceptual link to the structural transformation of HA governance (Ouma, 2015). Assetisation encourages HAs to adopt new structures to deliver revenue growth, for example pursuing mergers and acquisitions or establishing commercial subsidiaries (Crook and Kemp, 2019; Pawson and Sosenko, 2012). Assetisation brings new financial actors and metrics into HA governance that prioritise the financial performance of a HA's asset base over its use value as social housing, for example CRAs (Smyth *et al.*, 2020). Furthermore, assetisation requires HAs to make best use of their portfolio of housing and land, for instance developing private sale and shared-ownership, disposing of underperforming assets, and converting social rent to affordable rent (Morrison, 2017; Preece et al., 2020a; Smyth, 2019).

In Figure 3.1. the role of assetisation in transforming HA governance is depicted through the boxes underneath the HA's pre-existing structures, size, and tenure mix etc. Figure 3.1. displays assetisation as a process underpinning the growing importance of private finance, being filtered through the inherited business models of HAs, and in turn transforming HA structures, procedures and practices. The asset management strategies of HAs determine their investment decisions, which can be split into three categories. Firstly, investment in new supply of homes, which can be further split by tenure. Secondly, investment in existing homes, with the contemporary foci of this investment disaggregated into building safety, decarbonisation and maintaining decent homes.[3] And thirdly,

[3] There is further terminology that will appear in the thesis to describe investment in existing homes, reflecting different organisational conventions and where investment appears on organisational balance sheets. The overarching category of 'investment in existing homes' is also known as 'major repairs' and 'works to existing', and these terms will be used interchangeably. Building safety is associated with works such as flammable

regeneration which sits between the two former categories in Figure 3.1. as it combines elements of both.

The red boxes and lettering in Figure 3.1. display the process of assetisation, but also its interaction with the HA governance framework. The inner-circle of meso-level institutions includes various actors within the polycentric regulatory environment, each with their own gravitational pull over HA strategy (Raco *et al.*, 2023). HA governance has co-evolved with financialisation and assetisation, exerting a constructive influence over the form and extent of private investment in social housing, but governance has also been transformed in turn as RSH has prioritised managing the risk of HA financial collapse (Marsh, 2018; Tang *et al*., 2018). This is reflective of a wider theme in the financialisation literature on the state creating spaces for financial investment and setting the rules of the game through legislation and codes of practice (Aalbers, 2016; Goulding, 2018). But as I argue in section 2.6.2., underplayed is the role of the state in smoothing the flow of capital into the sector by intervening proactively, embedding financial practices, and ensuring continued HA access to private investment. In my conceptual framework I argue that RSH has taken on the role of *gateway constructor*, borrowing the metaphor applied by Smyth *et al*. to CRAs (2020). This is displayed in Figure 3.1. via the arrows from lenders/investors, through RSH, to HAs. Figure 3.1., therefore, depicts RSH as a de facto financial intermediary.

However, the process of assetisation, and its interactions with HA governance, is not unidirectional. Indeed, the polycentric regulatory environment allows HAs to prioritise their relationships with alternative stakeholders that may be more important for the success of their organisational strategy than RSH (Raco *et al*., 2023). Such actors include the Housing Ombudsman, local authorities, and government and regulatory bodies focused on decarbonisation and building safety (e.g. Department for Energy Security & Net Zero (DESNZ), Building Safety Regulator). The gravitational pull of each helps shape the form of financialisation and assetisation by producing contrasting sets of opportunities and constraints. As I argue in section 2.6.2., there is a lack of research on how the polycentric regulatory environment allows for different asset management strategies. This is a pressing research gap given that asset strategies are being affected by an increased emphasis on investment in existing homes – due to building safety, decarbonisation and reformed consumer

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cladding remediation, and so may be called 'fire safety'. Decarbonisation may be called 'retrofit' or 'net zero' due to its focus on energy efficiency. Expenditure on maintaining decent homes is split between 'planned maintenance' – cyclical programmes replacing key components such as kitchens, bathrooms, and windows – and ad hoc 'major repair' projects paid for from capital expenditure e.g. remediation of damp and mould across an entire estate. Smaller ad hoc responsive repairs are not included as an investment in the asset on the balance sheet as they are a form of revenue spend. But they will be discussed where necessary in the thesis as they reflect the quality of HA service, governance, and accountability mechanisms.

regulations – which raises the open question as to whether financialisation is in retreat or merely being transformed (ibid.). To address these concerns, the second research objective and question are:

> *Objective 2*
>
> *To understand how the governance of housing associations interacts with financialisation to mobilise and manage social housing as an asset.*
>
> *Question 2*
>
> *In what ways has assetisation interacted with the dynamic post-2010 polycentric regulatory environment, and how is the treatment of HA housing changing as a result?*

Objective 2 highlights that assetisation has co-evolved alongside HA governance, but Question 2 reflects that this process does not have a fixed destination due to the dynamism and polycentrism of the regulatory environment. Question 2 also clarifies that my empirical work will focus on asset management within the HA sector i.e. how they fund and deliver investment in new and existing homes, and make strategic decisions around the financial performance of their housing.

In their conceptual framework, Aalbers and Christophers (2016: 21) argue that research on financialisation and housing should foreground the social relations inherent to the process, as focusing purely on the asset or commodity value of housing would produce research that "fetishizes things over social relations". In this vein, HA financialisation is reflected in more than just capital flows or CCT activity, rather it transforms the relation social landlords have with their residents. In section 2.6.3. I argued that a critical gap in the HA financialisation literature is the drawing of explicit links between the growing importance of private finance and assetisation on the one hand, and outcomes that may be deemed important to the "social and moral mission" of HAs on the other. There is some evidence that conversions to affordable rent have affected the affordability of HA housing, and this has subsequently contributed to changes in the landlord-tenant relation including the extension of conditionality (e.g. financial literacy training, affordability assessments), and the exacerbation of a long-term trend towards the professionalisation of HA boards (Clare *et al.*, 2022; Preece *et al.*, 2020a; Preece *et al.*, 2020b). Nonetheless, there is less research explicitly focused on the role of financialisation in determining the rate of new social rented supply, and the decency of existing homes.

These questions are pertinent given that the drift of HAs away from social rent, combined with notable cases of disrepair, has featured heavily in public and political critique of the HA sector. Yet prominent policymakers have argued these are issues of poor management and neglect, not

government funding (see section 1.1.). By contrast, the conceptual framework in this thesis proposes that funding – both government and private funding – should be considered as central to the investment decisions of HAs, and therefore the extent and decency of social housing supply. Figure 3.1. depicts the supply of decent social housing as flowing out of the investment decisions of HAs, which as explicated directly above, emerge out of HA asset management strategies, regulation and funding. As such, Objective 3 aims to explore this relationship in more depth through the empirical work of this thesis, and is as follows:

> <u>*Objective 3*</u>
>
> *To evaluate the role of the financialisation and assetisation of English housing associations for the supply of decent social housing.*

Objective 3 is addressed through two separate questions, which reflects the disaggregation of supply and investment decisions between new and existing homes. In terms of the role of financialisation and assetisation in affecting the supply of decent existing homes, Figure 3.1. codes this process in green. Figure 3.1. shows how the asset management strategies of HAs affect the decency of existing homes by way of investments in factors such as building safety, decarbonisation and major repairs. But homes are ultimately occupied by residents, who in theory can influence the quality of the housing stock by exerting pressure on their landlords or influencing decision-making through tenant participation mechanisms (Hickman and Preece, 2019). In this sense, Objective 3 foregrounds the social relations inherent to the financialisation of the HA sector. But it also highlights that the ability of residents to exert this influence is partly conditional upon the responsiveness and accessibility of participation mechanisms, which have in some cases been accused of 'tokenism' by involved residents (ibid.). Similarly, placing HAs within a polycentric regulatory environment in Figure 3.1. highlights that some of the pathways for financialisation to affect housing standards may be indirect or contingent, for instance reforms to HA governance and regulation that deprioritised consumer standards (Preece *et al.*, 2020b). Figure 3.1. reflects this complexity by partly coding the process of assetisation in green. Question 3a will use the current issue of housing disrepair in the HA sector as an entry point to consider the contingent relationship between financialisation, assetisation and the decency of existing housing. Question 3a is as follows:

> <u>*Question 3a*</u>
>
> *What role, if any, did financialisation and assetisation play in recent cases of disrepair in the HA sector?*

Figure 3.1. also shows that government can theoretically exert influence on the rate of new housing supply through its capital grant programme, which is depicted in purple as an interrelation between Homes England and HAs. In section 2.6.3. I considered the existing comparative evidence that suggests higher rates of capital grant are associated with higher rates of new social rent supply, and that capital grant is more cost-effective in the long run than reliance upon private borrowing (Gibb, 2021; Lawson *et al.*, 2018). As Wijburg (2021) argues through his call to build a research agenda around 'definancialisation', despite being implicated in the decline of social renting in England, the state has the capacity to strengthen the social renting through policy and funding reform. The availability of public subsidy can influence the extent of HA reliance upon private capital for new supply, and the funding model for new housing is one of the determinants of the rate and tenure composition of new social housing supply (although there are some gaps in this evidence base, see section 2.6.3. and 3.3.4.). Question 3b aims to evaluate the constructive influence of the funding model on the rate and tenure composition of new supply, and is as follows:

> <u>*Question 3b*</u>
>
> *What effect does greater reliance upon finance and cross-subsidy have on delivery of new social housing, in particular social renting, relative to funding models with higher levels of capital subsidy?*

The next outlines a sequential, mixed-methods approach for addressing these questions, and the final concluding section of the chapter maps the methods onto the questions and concepts.

3.3. Methodology

3.3.1. Mixed-methods approach

To address the research aim and objectives I adopt a mixed-methods approach, which mirrors the conceptualisation of financialisation as a variegated and temporal phenomenon that is co-constituted by the path dependency of institutional and local contexts (Ward *et al.*, 2019). While the expansion of financial markets, actors and practices into particular contexts is an uneven process, individual cases are not completely unrelated (Aalbers, 2017b). Rather they are illustrative of the different opportunities and constraints that HAs and financial institutions face as private capital pervades the sector and confronts the variation between HAs in terms of borrowing capacity, profitability, operating structure, and local governance (Goulding *et al*., 2023). It is imperative, therefore, in operationalising financialisation to have sufficient breadth to identify how different cases are related and indicative of the role of finance in the sector, whilst providing analytical depth to understand the idiosyncrasies of individual cases.

I utilise a mixed-methods approach that combines the respective strengths of quantitative and qualitative methods to study how HA financialisation both at the sector-wide scale and within individual case studies. Table 3.1. outlines the sequential stages of the methodology, which I detail in the following sections. In the quantitative strand I conduct a longitudinal clustering of HA balance sheet data that provides a sector-wide analysis of the extent and forms of HA financialisation. I also analyse a natural experiment to test the responsiveness of new HA supply to changes in their funding model. The quantitative strand emphasises the influence of HA funding and private finance in generating tendencies and common trajectories within the HA sector (Aalbers, 2017b). Such tendencies include responding to changes in capital grant availability by leveraging their housing and land assets, stretching their balance sheet, and diversifying their housing offer (Gibb, 2018; Wainwright and Manville, 2017).

In the qualitative strand I conduct documentary analysis and semi-structured interviews to interrogate the processes running parallel that are transforming HA governance and mobilising social housing as an asset. The qualitative strand emphasises how financialisation is embedded in context, producing variation between cases as HAs attempt to access capital within the confines of their respective business models while managing the competing interests of various stakeholders (for example large developing landlords vs. small supported housing providers) (Raco *et al*., 2023). Consequently, a mixed-methods approach helps explore financialisation as a set of processes, facilitated by HA funding and governance reform, that expand the reach of private finance into the HA sector, yet shaped by organisational, institutional and local contexts.

These conceptual strengths to the mixed-methods approach are further supported by the practical advantages, namely the full utilisation of available data to triangulate and expand upon findings. Financialisation is a social process that leaves its mark on the built environment through the flow of capital into new and existing housing, infrastructure and real estate (O'Brien *et al.*, 2019; Ward, 2019). The prospective revenue streams from housing assets are also reified and encoded on organisational balance sheets via methods of valuation, or via the value realised during a transaction (Crosby and Henneberry, 2016; Ward and Swyngedouw, 2018). By implication, there are material artefacts that can be used as a source of longitudinal quantitative data to analyse the growing importance of finance to HA business models – for example, balance sheet data on HAs as a debtor (Klinge *et al.*, 2021) – and its effects on the built environment – for example, the rate and composition of new social housing supply (Gibb, 2021). But financialisation can only be partially understood with such measures, and the mixed-methods approach produces a richer account by using the qualitative strand to explain, expand upon, and complement the quantitative (Tashakkori and Teddlie, 2009).

The qualitative strand helps explain the quantitative findings by putting them into their organisational context. I draw upon the narratives provided in HA documents and interviews to explain how different aspects of HA business models contribute to the variable penetration of debt finance into the sector. The qualitative strand expands upon the quantitative by providing insight into the consequences of aggregate trends for HA governance and housing outcomes, for instance how HAs and investors are responding to regulatory change and rising interest rates, and the implications for their investment in new and existing homes (Raco *et al.*, 2023). The documentary analysis and interviews also provide a novel form of data collection into aspects of financialisation that may be obscured by aggregate measures such as 'total debt', for example ESG investment and off-balance sheet equity investment (Klinge *et al.*, 2021). Finally, the qualitative strand complements the quantitative by exploring the contextually embedded social processes underpinning financialisation, and how this is understood by the actors involved. As Aalbers (2019) points out, financialisation does not happen seamlessly. It must be proactively enacted and institutionalised, often with the aid of state or quasi-state actors, in order to create the regulatory frameworks and delivery structures that allow for the immobile world of housing to become a liquid asset (ibid.). The qualitative strand, therefore, draws attention to the institutionalisation of HA land and housing as assets. It explores how HA staff interpret their relationship to finance and the polycentric regulatory environment, how interpretations of housing as both home and asset interact with one another, and the narratives mobilised to support activity such as disposals and CCTs (Morrison, 2017; Preece *et al.*, 2020b; Raco et al., 2023).

<table>
<tr><th>Stage</th><th>Stage one</th><th>Stage two</th><th>Stage three</th><th>Stage four</th><th>Stage five</th><th>Stage six</th><th>Stage seven</th></tr>
<tr><td>Method</td><td>Longitudinal regression</td><td>Growth curve k-means (GCKM)</td><td>Regression discontinuity design (RDD)</td><td>Sample housing associations for qualitative analysis</td><td>Qualitative documentary analysis</td><td>Semi-structured interviews</td><td>Analysis</td></tr>
<tr><td>Description and purpose</td><td>Longitudinal regression on housing association balance sheet data, to determine the general trajectory across the sector for gearing and interest cover, and variance around the mean</td><td>Cluster the housing association sector into organisations with similar trajectories for gearing and interest cover, and describe the clusters according to their covariates</td><td>Analyse natural experiment to determine the effect of changes in the funding model on new supply</td><td>Use cluster results from stage two as a sample frame for qualitative documentary analysis and case study selection</td><td>Thematic analysis of documents to understand the consequences of financialisation for a) HA governance and strategy, and b) housing outcomes, including disrepair</td><td>Qualitative interviews with housing association staff in two case studies, and housing association stakeholders, to provide overview of sectoral trends, understand their asset strategies, and explore drivers of disrepair</td><td>Thematic analysis of interviews, and production of triangulation protocol</td></tr>
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<tr><td rowspan="4">Mapping stages to questions</td><td colspan="2">Objective 1 Question 1</td><td></td><td colspan="4">Objective 1 Question 1</td></tr>
<tr><td></td><td></td><td></td><td colspan="4">Objective 2 Question 2</td></tr>
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Table 3.1: The sequential stages of the thesis methodology

3.3.2. Stage one: longitudinal regression

In stage one of the methodology I conduct longitudinal regression on HA balance sheet data to understand whether there is a general trajectory across the sector in terms of its reliance upon private debt, and consequently address research Question 1 (in part). I conduct longitudinal regression on two outcome variables from 2016/17 to 2020/21. The first measure is gearing, which is calculated as total debt over total housing assets, and therefore measures the reliance of a HA upon debt finance (RSH, 2018a). The second measure is interest cover, which is calculated as earnings (minus major repair costs) over interest payable, therefore measuring the ability of a HA to continue to meet its financial obligations (ibid.). In combination these measures capture the position of HAs as a debtor, and the flow of payments through the sector connected to debt finance. Moreover, they are commonly used loan covenants by HAs, and regulatory metrics monitored by RSH as part of the VfM Standard (ibid.; see section 4.3. for a detailed description of these measures and their strengths in understanding financialisation). All data is taken from two datasets published annually by RSH; the Global Accounts, which summarises the balance sheet position of all HAs with over 1,000 homes; and the Statistical Data Return (SDR), that provides information on the number of homes owned by each HA, as well as their tenure, location and rent level.

I perform longitudinal regression using a multilevel model framework. In contrast to ordinary least squares regression, multilevel modelling accounts for the hierarchical nature of longitudinal data, referring to the repeated measurement of gearing and interest cover within organisations over time (Bell and Jones, 2015; see section 4.3.1. for more detail). As observations are nested within individual HAs, multilevel modelling allows for observations within HAs to have their own distinct intercept and slope. To paraphrase, multilevel modelling can provide an estimate of the starting point (i.e. intercept) and trajectory (i.e. slope) for the average HA in the sector in terms of gearing and interest cover, as well as the distinct starting point and trajectory for each HA. Thus it provides an estimate for within HA variation – i.e. change in gearing and interest cover over time – and between HA variation – i.e. the extent to which the average level of gearing and interest cover differs between HAs (ibid.).

In terms of the conceptual and empirical value of this methodological stage, it allows the thesis to assess whether there is a common trajectory across the sector in terms of greater reliance upon debt finance, or an increased flow of interest payments to creditors. It also allows the analysis to estimate the degree to which HAs vary around this mean. In this sense, the longitudinal regression represents an initial exploratory step into the variegated financialisation of HAs. It provides a sector-wide analysis that expands the sample frame for HA financialisation studies (Marsh, 2018), whilst being

consistent with the notion of financialisation as a process combining tendential patterning at the aggregate level with substantial variation between HAs (see section 3.2. above).

3.3.3. Stage two: growth curve k-means (GCKM)

The longitudinal regression is only an initial step in achieving Objective 1; the longitudinal regression assesses whether there is variation between HAs, but does not partition the sector into "varieties" of HA financialisation. In other words, if the conceptualisation of variegated financialisation in this thesis has purchase in the real world, there should be latent groups of HAs that exist that have experienced similar changes in gearing and interest cover, and these latent groups should have observable similarities in terms of their business model that help explain the differences between them (Curran *et al.*, 2010: 131). With this in mind, the second stage of the methodology employs growth curve k-means (GCKM) to cluster HAs into latent groups that illustrate the uneven expansion of private finance as it interacts with factors such as organisational size, tenure mix, and growth ambitions. GCKM helps answer Question 1 by segmenting the HA sector according to their relationship to finance over time (see section 4.3.2. for more detail).

GCKM is a longitudinal clustering method that falls under the broader category of unsupervised learning, which is a set of methods that has no pre-established outcome variable but seeks to find patterns or groupings in data. This contrasts with supervised learning where a model is trained to predict an outcome variable with a known sample of observations (James *et al*., 2023: 26-28). Unsupervised learning is more iterative and reliant upon the researcher validating the clustering solution with theory, as well as pre- and post-hoc tests. Due to the lack of an outcome variable, unsupervised learning is commonly used for exploratory analyses where there is an absence of formal hypotheses (ibid.).

GCKM seeks to identify clusters of observations according to their intercept and slope on some variable that varies over time. It does so by taking the random effects from a longitudinal model within a multilevel modelling framework, and then clustering observations by minimising the sum of their distances from a mean point within the cluster (Den Teuling *et al.*, 2023). Figure 3.2. illustrates with a completely hypothetical scenario. In Figure 3.2. the clustering variable is the gearing of a HA, and GCKM has parsed the dataset into two clusters. Thin lines are the observed trajectories for individual HAs, and linear regression lines represent the within cluster average. Cluster 1 is a set of organisations that started the time period with low gearing via the y-axis, and their reliance upon debt has fallen over time. Cluster 2 is a grouping of HAs that started with a higher gearing at the start of the study, and their reliance upon debt has increased over time.

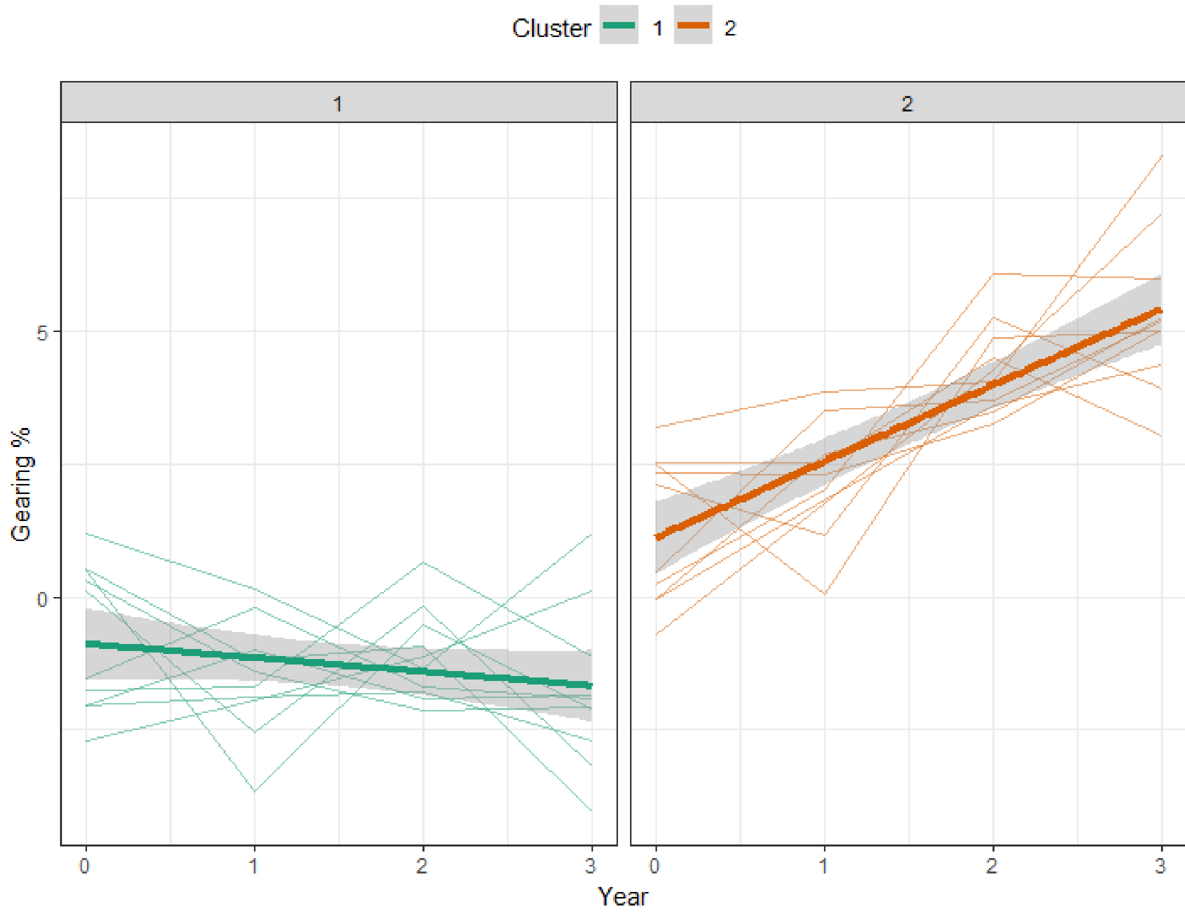

Figure 3.2: Hypothetical clustering of housing associations by gearing to illustrate GCKM

In Question 1 I cluster HAs according to their slope and intercept on the two measures utilised in the longitudinal clustering, gearing and interest cover. Again I use the 2016/17-2020/21 Global Accounts for landlords with 1,000+ homes, and the 2016/17-2020/21 SDR. This clustering helps answer Question 1 in that it produces organisational archetypes, partitioning the variance between HAs into organisations with a similar relationship to finance over time. It therefore helps analyse the extent of financialisation in the sector without reducing it to a unidirectional process, being cognisant of the potential for interrelated varieties to emerge.

In section 3.2. above I argue that variegation emerges out of the path dependency of institutional and local context that shapes the extent and form of private finance's penetration into the sector. As such, I explore how each GCKM cluster's reliance upon debt finance emerges out of particular HA business models by producing pen portraits. Pen portraits display the within cluster averages on covariates theoretically hypothesised to relate to the extent of reliance upon debt finance in the sector. Such covariates include organisational size, new supply delivered, percentage affordable rent provision, percentage supported housing provision, commercial surplus, and surplus from asset disposals (see section 4.3.2.). These covariates may relate to gearing and interest cover for various

reasons; organisational growth in the sector has been in part driven by an ambition to increase borrowing and development capacity (Marsh, 2018; Pawson and Sosenko, 2012); tenure mix can support or constrain borrowing capacity via its effect on organisational revenues, for instance conversions to affordable rent (Smyth, 2019); and reliance upon debt finance has increased alongside reliance upon cross-subsidy from commercial activity and disposals in the post-2010 austerity era (Gibb, 2018; Morrison, 2017). The role of the pen portraits is to describe and make sense of the GCKM clusters, showing how the inheritance of HA governance structures and past organisational decision-making continues to shape their reliance upon debt finance.

As a form of unsupervised learning GCKM remains an exploratory analysis, partitioning HAs into groups according to their relationship to finance without having to make strong theoretical assumptions in areas where the literature is scarce, for instance how financialisation manifests beyond the large, G15 HA archetype (see section 2.6.1.). As a longitudinal clustering method GCKM also brings a temporal dimension to the analysis that is of conceptual and empirical interest. Financialisation is an inherently temporal concept, given that it refers to the "*increasing* dominance of financial actors, markets, practices and narratives" (Aalbers, 2017a, emphasis added), and that lending or investment in the present is predicated on the assumption of repayment or returns in the future (Poovey, 2015). Moreover, the sample period for the longitudinal clustering straddles either side of key events that have affected the priorities of HAs and the costs of borrowing (e.g. Grenfell, 1 per cent rent cut), allowing me to explore the *changing* relationship between HAs and finance. Finally, given the breadth of the analysis, the GCKM clusters provide a lens through which the subsequent qualitative analyses are interpreted. This is made explicit by using the GCKM clusters as a sampling frame for the qualitative strand (see section 3.3.5. below).

3.3.4. Stage three: regression discontinuity design

In Objective 3 Question 3b I aim to evaluate the effect of the social housing funding model upon new supply, contrasting new supply delivered under a funding model with greater reliance upon capital grant with a model more reliant upon HA self-financing. As discussed in section 2.6.3., there has been a partial increase in the rate of capital grant available for social rent in England, available in 'high affordability pressure' local authorities where the gap between average weekly social rents and private rents is £50 or more (Homes England, 2018). This policy change represents a natural experiment whereby there are two sets of authorities – those with higher grant, and those with greater reliance on self-financing for social rent – that can be used as comparators to evaluate the influence of policy reform on rates of new social rent supply. As I argue in section 2.6.3., this can be used to assess the responsiveness of HAs to changes in the funding model, and whether this represents a push factor that shapes the degree to which HAs provide social rent.

I use a regression discontinuity design (RDD) to analyse this natural experiment. RDD is a methodology that estimates the causal effect of policy interventions, and is commonly used where eligibility for an intervention is determined by some threshold in a continuous variable. This continuous variable is referred to as the forcing variable (Angrist and Pischke, 2008). RDD provides a robust framework for inferring causality when evaluating policy interventions as the continuity of the forcing variable around the threshold results in treatment and control groups that are distributed as if by random (Imbens and Lemieux, 2008). In other words, in the counterfactual scenario of no intervention we would expect there to be no meaningful difference between observations close to the cutoff on the outcome variable. Any difference we do observe around the cutoff may be indicative of a causal treatment effect (see Figure 3.3. below). Empirical evaluations of the validity of causal estimates from different methods have resulted in a clear methodological hierarchy for conducting policy evaluations, which Wong *et al.* (2018: 149) summarise as "[randomised controlled trial (RCT)] whenever possible, RDD when RCTs are not feasible, and finally if at all, observational approaches such as matching or regression adjustment" (see section 7.3. for full details).

In this study the treatment is additional capital grant, and the forcing variable is the affordability gap variable, with a £50 cutoff for eligibility. The treatment effect is the difference in delivery of new social housing in treated authorities relative to authorities ineligible for additional grant (i.e. those below the cutoff). Figure 3.3. provides an illustrative example, again hypothetical. The observations show the relationship between affordability pressure and social housing delivery. The points are coloured by whether they are above the £50 threshold, and hence whether they received additional capital grant or not. The regression lines represent the conditional mean rate of social housing delivery in each respective group. The treatment effect in an RDD is visually depicted by jumps in the conditional mean at the threshold, and so in this hypothetical example the treatment effect is the size of the gap between the regression lines at the cutoff (Lee and Lemieux, 2010). Furthermore, in RDD it is common to restrict the sample to observations within a range close to the cutoff, known as the bandwidth, which is symbolised by the grey shaded area in Figure 3.3. Restricting the model to observations in the bandwidth ensures the treatment effect is estimated on similar observations, such that they are theoretically balanced on potential confounders, while also allowing for a linear model to be fit (Imbens and Kalyanaraman, 2012).

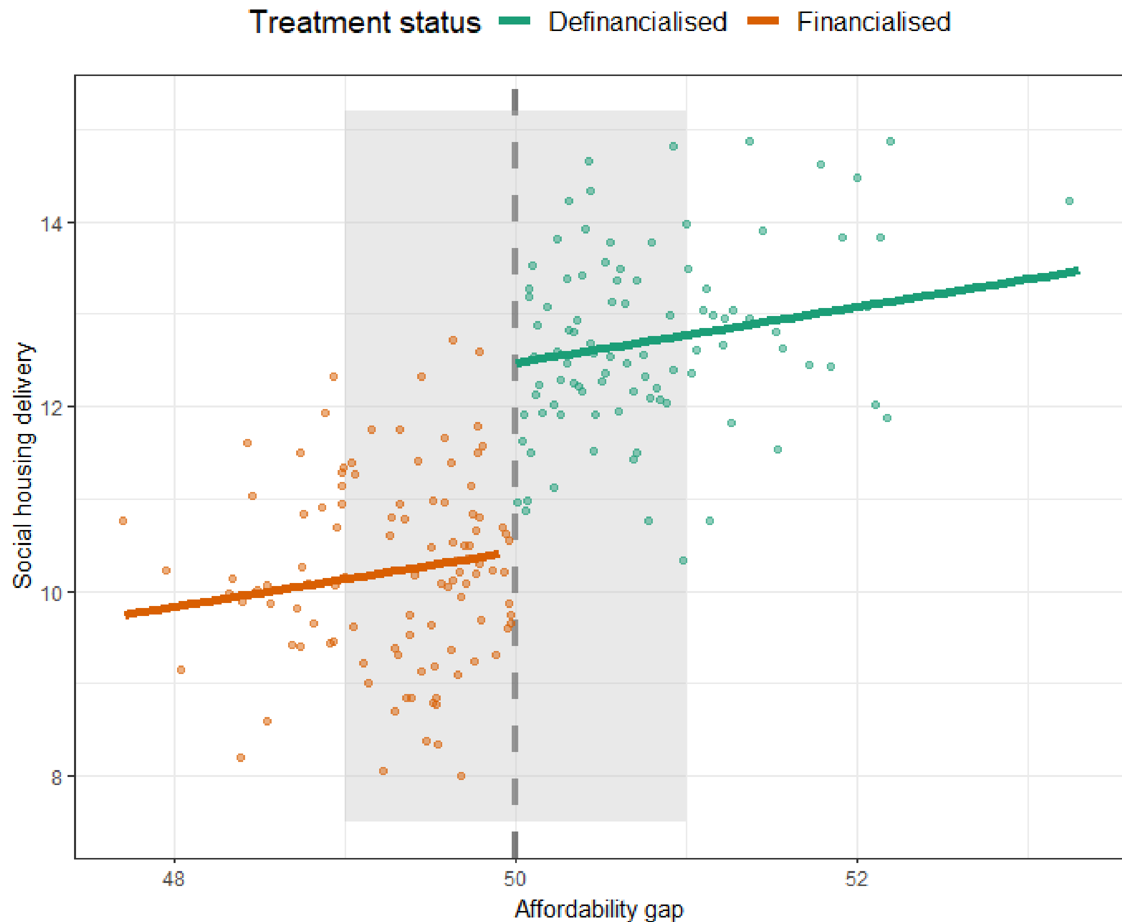

Figure 3.3: Hypothetical example of the RDD analysis

As discussed in the literature review, existing comparative research on the effects of changes in the funding model for English social housing are inevitably limited by the issue of confounding variables (e.g. Gibb, 2021). However, the natural experiment considered in chapter seven exploits the fact that different funding models for the delivery of social housing have operated *within* England since 2018. This has produced similar local authorities – i.e. those within the bandwidth – where the relative importance of private finance, cross-subsidy and capital grant for new supply varies in a way that approximates random allocation. Said local authorities sit at different points along a continuum from definancialised to financialised. Consequently, using RDD I contrast rates of new supply in treated authorities – which I refer to as 'definancialised authorities' – and non-treated authorities. I also specifically analyse the rates of new supply delivered by HAs. The RDD contributes to the thesis by evaluating whether changes in the funding model result in a general tendency across the HA sector to increase the rate of new supply, particularly the rate of new social rented housing. It analyses the responsiveness of HAs to reform that (to an extent) definancialises the funding model, but leaves some HAs more reliant upon institutional investment and cross-subsidy to self-finance new build. By

implication, the RDD interrogates the influence of policy on the "social and moral mission" of the sector.

3.3.5. Stage four: sample housing associations for qualitative analysis

An important question in mixed-methods studies is bringing the different strands into dialogue with one another. Typically this is referred to as a question of *integration*, defined as the "interaction or conversation between the qualitative and quantitative components of a study" (O'Cathain *et al.*, 2010: 1). This mixing between strands represents one of the unique opportunities afforded by mixed-methods approaches in explaining multi-faceted topics (Fetters *et al.*, 2013). I integrate the quantitative and qualitative findings at three stages: sampling, analysis and reconceptualising HA financialisation (see section 3.3.8. below). In this section I detail integration at the sampling stage.

To select HAs for the qualitative analysis I use GCKM clusters as a sample frame, providing structure to the selection of case studies such that the qualitative analysis can explore whether contrasting levels of indebtedness and interest cover are mirrored in contrasting approaches to governance and asset management, producing distinct forms of HA financialisation in context.

Firstly, I sample HAs for a qualitative documentary analysis that expands upon the GCKM and provides an overview of sectoral trends. HAs were sampled from at least two organisations in each cluster, as well as two HAs that were removed due to outlyingness in the GCKM. This ensures that each cluster had more than one representative organisation (n = 13). It was decided to have two be the minimum number of cases per cluster due one cluster in the GCKM producing only two cases (see section 4.5.). Organisations were sampled to provide a corpus of relevant documents of sufficient size to shed light on two prominent themes in the thesis: the changing role of finance over time, and the co-evolution of financialisation and regulation. Each organisation was selected on the basis of having at a minimum a) multiple financial statements or annual reports publicly available to analyse change over time, and b) a narrative regulatory document published at least as recently as 2016/17 to analyse their interactions with RSH. The search for relevant organisations began by first assigning each HA to its relevant cluster, and subsequently searching manually through organisational websites and RSH judgements until a sufficient number of cases per cluster was ascertained. Table 3.2. below outlines each HA in the eventual sample and their respective cluster assignment.

Following this, the intent was that two HAs would be chosen as case studies from different clusters for further analysis, including semi-structured interviews and exploration of cases of disrepair. Case study HAs were chosen to be maximally different. The first case would represent a cluster prototypical of the putatively large, financialised landlord predominating the literature, with higher

levels of debt and significant growth ambitions (Clare *et al.*, 2022). The second case would be indicative of the “smaller, more socially-focused” HAs, providing tenures such as supported housing, pursuing modest growth via S106, and often seen in the literature to be less financialised (ibid.; Raco *et al*., 2023). Nevertheless, it is worth stressing that at this point the analysis made no assumptive conclusions as to whether cases were in actuality more or less financialised. Rather case study selection was designed to interrogate and critically analyse this assumption by contrasting cases that on the surface differ in terms of their reliance upon debt finance.

However, the selection of cases in this thesis is a pertinent example of how a hypothetical and structured methodological plan can be disrupted by the complexity of actual research practice. Issues gaining access to a “smaller, more socially-focused” case study became apparent. The pool of HAs owning just over 1,000 homes (and therefore included in the Global Accounts data), whilst also fitting the description given above, is relatively small. And attempts at recruitment were ultimately unsuccessful. As a result a compromise was struck by choosing a case that was not included in the GCKM as it owns and manages less than 1,000 homes.

The eventual case study landlords were a) Ambition Housing and b) Disciple.[4] Ambition Housing is a large HA, with significant growth plans in terms of absolute homes, providing mostly general needs housing, and with a substantial footprint in London. Disciple is a small organisation, with less ambitious growth plans in terms of absolute homes, providing mostly supported housing, operating primarily in the Southwest, but with a small collection of homes in the Midlands and around the Welsh border. Although Disciple was not included in the GCKM, it was retrospectively assigned a cluster based upon their business model, and their data used to illustrate the cluster in question (see Table 3.2. and chapters four and five). This is undoubtedly a limitation of the research as it slightly dilutes the link between strands of the research. Yet it was decided that this limitation was more than compensated for by the congruence of Disciple with the sampling strategy in all other respects. Case studies were recruited via an initial gatekeeper. For Ambition the gatekeeper was known to the researcher via my existing networks in the HA sector. For Disciple the gatekeeper was recruited via attendance on the HA conference circuit.

[4] Note: case study HAs are pseudonymised to protect the anonymity of interviewees.

Housing association	Cluster	Total documents	Financial statement and annual reports	Investor information	Regulatory judgements and self-assessments	Trades press
Ambition	Large multi-tenure providers	12	3	1	1	7
Hyde	Large multi-tenure providers	6	3	1	1	1
London & Quadrant (L&Q)	Large multi-tenure providers	6	3		1	2
bpha	Indebted developers	5	2		3	
Swan	Indebted developers	5	3		1	1
Brunelcare	Smaller providers with low margins	4	3		1	
Disciple	Smaller providers with low margins	3	3			
Industrial Dwellings Society (IDS)	Smaller providers with low margins	16	10		2	4
Thirteen	Smaller providers with low margins	5	4		1	
Framework	Definancialised supported housing providers	3	1		2	
WATMOS	Definancialised supported housing providers	5	4		1	
Inclusion	Lease-based providers	4	2		2	
Prospect Housing Limited	Lease-based providers	5	2			3
	Total	**79**				

Table 3.2: Housing association sample for qualitative analysis, and document sampling per association

3.3.6. Stage five: qualitative documentary analysis

Prior to interviews I conducted qualitative documentary analysis on the thirteen HAs outlined in Table 3.2. The qualitative strand of the research is directed towards Objectives 1, 2 and 3, and so its contributions cannot be split discretely into singular research questions. Nonetheless, the qualitative documentary analysis served three broad purposes.

Firstly, it helps explain the GCKM findings in Question 1, for instance providing an explanation as to why changes in interest cover and gearing may be occurring. It also expands upon the GCKM by putting the changing level of indebtedness of HAs into its organisational context, for example providing insight into how HAs are responding to changes in their financial position or the cost of borrowing. Secondly, the documentary analysis was used to inform and produce the schedule of questions for the semi-structured interviews that contribute Questions 1, 2 and 3a (see below). Thirdly, I address Question 3a in chapter six by analysing two case studies of disrepair in the HA sector – Meadowview estate and Evelyn Court, owned by Ambition Housing and IDS, respectively.[5] Documentary analysis provided a source of narrative data to understand the interaction between financialisation and the decency of existing housing in Question 3a. I use the documentary analysis to trace the organisational objectives and investment priorities over time, and how stakeholders interpreted the causes of disrepair (e.g. residents, RSH). Documentary analysis also helped mitigate some of the limitations of qualitative interviews in relation to Question 3. Given the sensitivity of the topic, there was a risk that interviewees may present an overly positive picture of the quality of their housing. Moreover, an interrogative line of interview questioning into their worst cases of disrepair may have undermined rapport, and introduced an ethical risk for the reputation and employment of respondents if they over-disclosed their culpability (Thunberg and Arnell, 2021). The documentary analysis helped mitigate the limitations and risks of the interviews by identifying and analysing publicly known cases of disrepair.

Documents included were financial statements and annual reports; information for investors (i.e. credit ratings reports, pitches to investors); regulatory documents (i.e. RSH judgements, VfM self-assessments); and articles in the social housing trades press (i.e. Inside Housing, Social Housing, Housing Today). Financial statements, annual reports and information for investors were chosen as relevant documents due to their detailed information on the financial position and asset management strategies of HAs, as exemplified by their usage in Smyth *et al.*'s (2020) study of G15 landlords. Regulatory documents provided a useful perspective not just on the co-evolution of

[5] Meadowview estate is a pseudonym to protect interviewee anonymity. Evelyn Court is not pseudonymised as all data on the case was from the documentary analysis and is in the public domain. None of the interviewees were IDS staff members or tenants.

financialisation and regulation, but also a more critical view of HAs that could be contrasted with annual reports. Atkinson and Coffey argue documents are not transparent reflections of some underlying reality, but are instead imbued with the motives of authors in relation to their perceived audience, which may include obfuscation and misdirection (1997: 47, 55). As such, the regulatory judgement provided a third-party perspective on the governance and financial position of HAs. Of course, the limitation highlighted by Atkinson and Coffey applies as much to the RSH's judgements as it does the documents authored by HAs. Nevertheless, this underlined the benefit of considering documentary sources authored from different perspectives to triangulate findings. Trades press articles served a similar purpose, but also provided greater depth on individual cases (e.g. Ambition and IDS), as well as interpretations of sectoral trends from prominent staff in sampled HAs (e.g. CEOs, executive leaders). Trades press articles were identified by searching for the names of sampled HAs on trades press websites and scanning article titles for relevancy.

The number of documents per organisation by type is given in Table 3.2., showing that the minimum number for an organisation was three, the maximum was 16, and the total was 79. This variation between organisations reflects that it was more common for larger HAs to retain a publicly available archive of financial statements and investor information than smaller HAs, and more common for larger HAs to be mentioned in the trades press. In addition, to fully analyse the cases studies of disrepair for Question 3a, I sample a greater number of documents from Ambition and IDS than other HAs. Documents were analysed thematically alongside interviews (see section 3.3.8. below).

3.3.7. Stage six: qualitative interviews

Alongside the documentary analysis, I conduct semi-structured interviews with HA staff, board members and stakeholders to address Questions 1, 2 and 3a. Qualitative interviews have been described as a 'generative' approach to data acquisition, in which participants are active in constructing meaning relating to social phenomena that are "fluid, negotiated and contextual" (Mason, 2002: 225-226). In this study they are crucial to foregrounding the often messy perceptions, understandings and practices of HA staff in navigating financialisation, assetisation and regulatory reform within their organisational context. As there were several topics that were of theoretical interest in advance of data collection, semi-structured interviews were preferred to unstructured, providing a balance between pre-determined and emergent themes (Bryman, 2008: 438-439).

In Question 1 the interviews helped explain the differences in HA business model that contribute to variation in gearing and interest cover. In Question 2 the interviews foreground the interpretative element that is critical to understanding how housing is perceived and treated as an asset, and explicate the practices and narratives underpinning their asset strategies. In Question 3a the interviews provided a source of narrative data that complemented the documentary analysis to

understand how the investment decisions of HAs relate to questions of disrepair and housing decency. As will be seen in chapter six, some respondents willingly discussed cases of disrepair where cases were already in the public domain, often as a matter of transparency and collective lesson learning, and after having expressed informed consent.

In total 24 semi-structured interviews were conducted over the course of 2022; eight with staff and board members in Ambition, four in Disciple, and twelve with national stakeholders in the HA sector. In each case study interviewees consisted of staff members of at least senior management level in the following departments: Asset Management, Development, Finance, and Executive Leadership. Interviewees were recruited via a two-step process. First, a general callout was made by the researcher across the organisation via email – and the organisational intranet in Ambition – inviting relevant staff members to participate and explaining the purpose of the project. Staff wishing to participate subsequently emailed the researcher directly. Secondly, if the numbers of participants were insufficient from step one, the gatekeeper provided a list of names and contact details for relevant staff, whom I then approached directly.

Stakeholder interviews provided an overarching perspective on trends in the HA sector beyond the specifics of individual case studies, and were recruited from various institutions within the polycentric regulatory environment. Stakeholder interviewees consisted of staff and board members in non-case study HAs, regulatory bodies, investors, for-profit HAs, local authorities, trades associations, chartered institutes, solicitors, consultancies, and housing campaigners. I identified stakeholders by leveraging my existing network of HA sector contacts, and by identifying relevant staff in polycentric regulatory bodies via their websites, interviews in the social housing trades press, and grey literature. Stakeholders were approached directly via email.

Bespoke interview schedules were produced for each interviewee, informed by the findings of the quantitative analysis, the documentary analysis, and the researcher’s knowledge of relevant questions given each interviewees respective role and organisation. Despite their idiosyncrasies, interview schedules focused on the purpose and practices inherent to each interviewee’s role, how they interpreted their relationship to other actors in the regulatory environment, and their perspectives on trends in HA finance, asset management and governance. All interviews took place online via video call, with the exception of one that was in-person at a neutral venue (i.e. not the HA office).

Demographic data was not explicitly gathered on the interviewees, and consequently there is the possibility that assumptions as to their gender or racial identity are incorrect. However, of the 24 interviewees, participants overwhelmingly presented as white males of middle-age and above. 19

interviewees presented as male, and all the interviewees presented as white, except for one which was unknown.[6] Senior managers and board members in the social housing sector are disproportionately white males (see McCabe, 2021). However, the interview sample is even more reliant upon this demographic group than would be expected if the sample was nationally representative. Although the qualitative strand does not aim to generalise quantities of interest to a population at large, and does not therefore necessitate a random probability sample, the bias that does exist in the interview sample should be borne in mind when interpreting the results.

3.3.8. Stage seven: thematic analysis and triangulation

Both documents and interviews were analysed thematically using a hybrid approach to provide a loose structure to analysis, whilst retaining flexibility for emergent themes. Thematic analysis aims to find patterned responses in transcripts that relate to the research questions (Braun and Clarke, 2006: 82). Its strength is in its ability to summarise a significant corpus of texts succinctly, in addition to its accessibility as a method (ibid.:97). A hybrid coding approach combines a theory derived coding framework with themes inductively derived from the data (Fereday and Muir-Cochrane, 2006: 80). The hybrid approach to analysis combined thematic codes derived a priori from theory and the quantitative strand (e.g. regulation, interest cover, gearing, disrepair), with codes derived inductively during the analysis (e.g. self-governance, de-risking, tenant labour) (Braun and Clarke, 2006).

The codes produced from initial readings of transcripts were consolidated and refined in subsequent iterations of the coding. Following this they were grouped into meta-themes describing broad trends and preoccupations in the sector, and sub-themes relating to each meta-theme (ibid.; see Appendix for full list of thematic codes). As an iterative process, the thematic analysis naturally produced codes that reflected an ongoing conversation between theory and empirics occurring throughout the period of fieldwork (e.g. gateway constructor, path dependency). The coding approach, therefore, imposed a loose structure on the analysis that was informed by theory and the quantitative analysis, and directed towards the research questions. But this structure was purposefully flexible. This was preferred over a more rigid framework due to the lack of strong theoretical assumptions as to how financialisation manifests beyond the large, London, G15 HA archetype (see section 2.6.1.). In addition, this flexibility allowed for unanticipated themes to emerge out of previous stages in the methodology.

I integrate the qualitative and quantitative research strands at the point of analysis, bringing the themes from the qualitative coding into dialogue with the quantitative findings by way of a

[6] The one exception was 'unknown' because, despite the interview being via video call, the participant's camera did not work.

triangulation protocol (Farmer *et al*., 2006). A triangulation protocol is a matrix in which each row is either a research question or a theme from the qualitative strand, and each column is an observation against each theme emanating from either the quantitative or qualitative analysis (ibid.). For example, a theme may be 'interest cover', with a column summarising the quantitative findings in relation to HA interest cover over time, and further columns providing qualitative summaries explaining this finding and how HAs are responding. A final column summarises whether findings across strands are in agreement, partial agreement, discordance, or whether one strand is silent (O'Cathain *et al.*, 2010: 1). A triangulation protocol supports the drawing of meta-inferences across strands (ibid.), for example whether clusters of HAs identified in the GCKM are underpinned by distinct approaches to asset management, as per the findings of the qualitative strand. Such meta-inferences are indicative of the final point at which the quantitative and qualitative strands are integrated with one another, the presentation of findings and re-conceptualisation of HA financialisation in the ensuing empirical chapters and conclusions.

3.3.9. Ethical considerations

The research raises multiple ethical issues, most notably the role played by gatekeepers, and the risks to interviewees and organisations of identification, as well as over-disclosure of commercially and ethically sensitive information. Each issue is a reminder that ethics in practice is more than just a formal process involving university approval and declaration of informed consent, but instead an ongoing process requiring researcher judgment and reflexivity (McAreavey and Das, 2013).

Gatekeepers were integral to securing access to my case studies, and this raises some ethical considerations. Sullivan (2020: 352) argues that ethical research allows the affected communities to inform the agenda for that research, and as group representatives, gatekeepers can play a crucial role in this process. In this sense, there is some benefit to using gatekeepers as they can help mitigate the risk of organisational harm by evaluating researcher practices in advance on behalf of their employer. However, there are risks gatekeepers may use their role to promote a particular agenda in the project, for instance by attempting to secure a sympathetic portrayal of the organisation, or restricting access to certain areas or departments. Furthermore, they may exert power over potential interview participants or seek to identify participants. The two-step recruitment process was designed to mitigate this risk, as it aimed to provide anonymity for participants from their employer (including gatekeepers). It did so by firstly requiring participants to contact me directly to express an interest in participation. This process was explained to gatekeepers on initial contact to ensure they did not seek to undermine it. Secondly, for interviewees that were recruited in the second-stage of the process – i.e. those approached by the researcher from a gatekeeper provided list – the gatekeeper did not know the eventual list of interviewees as some potential interviewees provided

on the list did not participate. Nevertheless, there remained a residual risk that an interviewee may be identifiable to the gatekeeper, and this was highlighted on consent forms as participants had to express informed consent to participate in knowledge of this risk. Interviewees were also given free choice with respect to interview location and format (e.g. in-person, online, telephone) if they wished to participate without the knowledge of their employer.

Gatekeepers were not the only actors involved in the research able to exert some form of influence over participants. Indeed, it is important to consider the position of the researcher in relation to interviewees. As I am a previous employee of a HA, this could potentially position me as an 'insider' in relation to staff (Dwyer and Buckle, 2009: 54). Although this likely had some benefits in terms of building rapport and accessing interviewees, it was also important to be cognisant of the dynamics at play within the research context. For instance, there is the aforementioned risk participants over-disclose commercial or ethically sensitive information as my insider status could lead to an assumed sense of experiences being shared 'in confidence'. My previous experience in a HA was shared in advance with interviewees for the purpose of transparency. But to manage the risk of over-disclosure, transcripts were shared with interviewees, at which point they could redact comments or withdraw from the project if they so wished. And quotations featured in the thesis were shared with interviewees so they could give express consent for their inclusion. This also helped manage the residual risk that interviewees would be identifiable to people with detailed knowledge of the HA sector based upon the content of their quotations. Finally, to protect the anonymity of interviewees, I report quotations using neutral pseudonyms e.g. CASE_ONE_1, CASE_ONE_2, STAKEHOLDER_3. Organisations included in the documentary analysis but not included as interview case studies are not pseudonymised, as all data in these analyses is publicly available, and the usage of quotations from these documents would render any pseudonymisation redundant. In Question 3a I consider a case of disrepair for an organisation that is not pseudonymised as the case was analysed exclusively via the documentary analysis (i.e. Evelyn Court).

3.4. Conclusion: mapping the research objectives questions onto the concepts and methods

Table 3.3. outlines the contribution of each method to the research objectives and questions, and the key concepts at play. Question 1 substantiates the process of financialisation. It explores the relationship of HAs to finance via the GCKM, which is used to cluster organisations that are similar in terms of their reliance on debt and ability to cover interest payments over time. And this is complemented by the qualitative findings that illustrate the changing role of finance in context. Question 2 utilises the qualitative strand to explore the interaction between polycentric regulation and assetisation, referring to how HAs develop strategies to mobilise and manage their housing as an

asset, within the opportunities and constraints afforded by their inherited business model and wider regulatory institutions. It does so through two case study HAs – Ambition and Disciple – that are taken from contrasting clusters. Question 3a also draws on the qualitative strand to understand how financialisation and assetisation affect the decency of existing homes, exploring case studies of disrepair again sampled from separate HA clusters. Finally, Question 3b is addressed via the RDD analysis, which evaluates the causal effect of different funding models on the supply of new social housing. The RDD exploits a natural experiment to contrast new supply under two funding models existing within England, with these funding models sitting at different points along a continuum from financialised to definancialised.

<table>
<tr><th colspan="6">Research aim</th></tr>
<tr><td colspan="6">To critically assess the financialisation and assetisation of English housing associations post-2010, and how it is affecting the governance and supply of decent social housing.</td></tr>
<tr><th colspan="2">Research Objective</th><th colspan="2">Research Question</th><th>Key concepts/terms</th><th>Methods</th></tr>
<tr><td>1</td><td>To assess the extent, and varieties, of financialisation occurring post-2010 in the English HA sector.</td><td>1</td><td>How has the relationship between HAs and finance changed across different organisations in the English HA sector?</td><td>Financialisation</td><td>Growth curve k-means (GCKM)

Documentary analysis

Semi-structured interviews</td></tr>
<tr><td>2</td><td>To understand how the governance of housing associations interacts with financialisation to mobilise and manage social housing as an asset.</td><td>2</td><td>In what ways has assetisation interacted with the dynamic post-2010 polycentric regulatory environment, and how is the treatment of HA housing changing as a result?</td><td>Assetisation

Governance

Polycentric regulation</td><td>Documentary analysis

Semi-structured interviews</td></tr>
<tr><td>3</td><td>To evaluate the role of the financialisation and assetisation of English housing</td><td>3a</td><td>What role, if any, did financialisation and assetisation play in recent cases of</td><td>Financialisation

Assetisation</td><td>Documentary analysis</td></tr>
</table>

	associations for the supply of decent social housing.		disrepair in the HA sector?	Governance Decent housing Path dependency	Semi-structured interviews
		3b	What effect does greater reliance upon finance and cross-subsidy have on delivery of new social housing, in particular social renting, relative to funding models with higher levels of capital subsidy?	Definancialisation New supply	Regression discontinuity design (RDD)

Table 3.3: Research aims, objectives and questions in relation to methods

4. Financialisation across the housing association sector

4.1. Introduction

This chapter addresses Objective 1, that is *to operationalise the financialisation of English HAs at the sector wide scale, in turn understanding how financialisation manifests in different organisations*. It therefore answers the related research question 1: *"How has the relation between HAs and finance changed across different organisations in the English HA sector?"* I adopt a mixed methods approach to address this question, consisting of three stages: a longitudinal regression of balance sheet data using a multilevel model framework, a longitudinal clustering of the same data using GCKM to identify groupings of HAs, and a qualitative analysis to add explanatory detail as to how the role of finance is changing within each grouping. As such, the analysis is inherently exploratory, which reflects the relative lack of research on financialisation and HA governance outside of the large-London organisational archetype (Marsh, 2018). The novelty of this approach lies in integrating existing methodologies for the study of variegated financialisation, notably quantitative analysis grouping cases according to their variation along continuous measures of financialisation (Fernandez and Aalbers, 2017; Ward *et al.*, 2019), and qualitative analysis exploring multiple case studies (Goulding *et al.*, 2023). By implication, one of the contributions of this chapter is to expand the sampling frame for studies on the financialisation of English HAs to the sector-wide scale. Doing so provides empirical breadth and depth to substantiate and refine the concept within the HA context, and explore its consequences for HA governance and housing outcomes.

The findings suggest that while financial payments and private debt have grown across the HA sector, and this growth may be seen as indicative of a process of financialisation, financialisation is nonetheless variegated. The extent and form of financialisation is shaped by its interaction with the inherited business models of HAs, including their tenure mix, organisational size, and growth ambitions. Furthermore, the study challenges assumptions in the literature that smaller HAs are somehow 'less financialised', with smaller and less profitable associations adopting a multitude of strategies in response to common constraints, some of which mimic the larger HAs (e.g. disposals of assets), and some of which are novel (e.g. moving away from finance, lease-based model). Nonetheless, HAs are facing common challenges due to economic uncertainty and the social imperatives of upgrading unsafe, energy inefficient and non-decent housing. This more challenging economic environment suggests two things about the financialisation of HAs. Firstly that the process is beset with contradictions, highlighted by the tensions between maintaining credit-worthiness on the one hand, and deriving revenue from private sale and disposals on the other. But also that private finance is dynamically responding to these political-economic signals, with current

constraints on HA borrowing capacity catalysing new forms of equity investment. This suggests that the growth of particular historical and spatial manifestations of financialisation, such as the debt-led model, may reach empirical limits (Christophers, 2015), but the process more broadly conceived is dynamic and adept at appearing in new guises.

4.2. Operationalising financialisation

To operationalise financialisation, I draw on the literature on the financialisation of non-financial corporations (NFCs). This literature uses empirical quantitative studies to explore how finance has become more important to the business models of firms not traditionally seen as financial, often making use of NFC balance sheets as a data source (Klinge *et al.*, 2021; Ward *et al.*, 2019). Finance may have grown in importance through either a growing reliance upon financial revenue and/or assets i.e. NFCs as creditors (Durand, 2017: 79-81; Davis, 2018). Or through the growth of liabilities such as a greater reliance upon debt to fund operations and an associated increase in interest payments relative to organisational revenue i.e. NFCs as debtors (Davis, 2016: 126-130; Karwowski *et al.*, 2020).

Klinge *et al.* reviewed the financialisation of NFCs literature and concluded it was "paradoxical, the literature is both burgeoning and still in its infancy" (2021:2). Many financialisation measures have developed in isolation and there is no clear consensus on how to operationalise the phenomenon. Indeed, Klinge *et al.* describe the literature as commonly "reinventing the wheel", and in the process generating much new empirical content, but not necessarily clarity (ibid.). This notwithstanding, loose groupings of different measures have emerged to capture the changing role of finance. They include:

1. A ratio of income from financial assets relative to total income, capturing NFCs as creditors e.g. financial revenue / total revenue
2. A ratio of total assets to the stock of financial assets or liabilities, capturing NFCs as debtors e.g. total debt / total assets
3. A ratio of income or profit to financial payments, providing an alternative view of NFCS as debtors that is focused on a flow of payments rather than a stock of total debt e.g. interest payable / operating surplus (ibid.).

Two such measures are commonly used in the HA sector as loan covenants to measure the indebtedness and liquidity of organisations, and are published by RSH in their suite of VfM metrics to evaluate the financial performance of HAs. They are a) gearing and b) interest cover.

Gearing measures the total stock of debt relative to the worth of a HA's housing assets, and is thus a measure of the dependence upon debt finance. A high number means greater indebtedness (RSH, 2022b: 7). It is calculated as:

$$Gearing = \frac{\begin{array}{c} Short\ term\ loans + long\ term\ loans - cash\ and\ cash\ equivalents + \\ amounts\ owed\ to\ group\ undertakings + \\ finance\ lease\ obligations \end{array}}{Tangible\ fixed\ assets\ i.e.housing\ properties\ at\ cost\ or\ valuation} \quad (1)$$

Interest cover is a measure of liquidity expressed as a ratio of organisational surplus relative to interest payable. Thus it is a measure of the flow of financial payments, capturing the ability of HAs to cover their interest payments. A lower number means less ability to cover interest payments (ibid.: 8). In the HA sector it is officially entitled *earnings before interest, tax, depreciation, amortisation, major repairs included interest cover percentage (EBITDA MRI interest cover %)*. But for brevity I refer to it as *interest cover*. It is calculated as:

$$Interest\ cover = \frac{\begin{array}{c} Operating\ surplus - gain\ on\ disposal\ of\ housing\ assets - \\ gain\ on\ disposal\ of\ other\ fixed\ assets - amortised\ government\ grant - \\ grants\ taken\ to\ income + interest\ receivable - capitalised\ major\ repirs + \\ total\ depreciation\ charge \end{array}}{Interest\ capitalised + interest\ payable} \quad (2)$$

There are pros and cons to using gearing and interest cover as measures for the exploration of financialisation. In terms of strengths, both are used as loan covenants in the sector and so are meaningful in the HA context. They provide a useful bridge to the qualitative strand where they were a regular topic of discussion in interviews and documents, whilst not necessitating a reinvention of the wheel (Klinge *et al*., 2021). Moreover, they are regulatory metrics published annually by RSH to evaluate the financial position of the sector, meaning there is high-quality longitudinal data (RSH, 2022b).

In terms of limitations, they focus on HAs as debtors and shed little light on HAs as creditors. Nevertheless, the predominant revenue source for HAs remains their social housing rental stream, and remains so by a significant margin, rather than financial payments (RSH, 2022a). And so in relation to private finance HAs are overwhelmingly debtors rather than creditors, implying this limitation does not critically undermine the study.

A more important consideration is whether gearing and interest cover are valid measures of financialisation. Firstly, as balance sheet measures they will not easily capture off-balance sheet forms of financialisation such as equity investment (Klinge *et al*., 2021). However, as the results below will show, HAs reliant upon off-balance sheet investment regularly appear as outliers in the

analysis, and so they are at least identifiable and subsequently explored through the qualitative analysis.

Secondly, we cannot assume gearing and interest cover represent continuous measures of financialisation in part due to exposure of HA revenues to distinct political risks. For example, to reduce Housing Benefit expenditure the Conservative government implemented a 1 per cent rent cut for all social housing rents between 2016/17 and 2019/20. One effect was to reduce HA earnings, and therefore interest cover. Consequently, treating interest cover as a continuous measure of financialisation might lead to erroneous conclusions such as a decline in interest cover being solely due to growing interest payments. This does not mean gearing and interest cover are without substance or irrelevant. But it does necessitate a careful interpretation of the analysis and a clarification of the aims of the study. To elaborate, the study does not aim to provide a canonical measure of financialisation, or reduce financialisation to a continuum whereby it can test a hypothesis of the form, 'at this point a HA has become financialised'. Rather, the study draws on the financialisation of NFCs literature to help operationalise the integration of private finance into HA business models (Durand, 2017; Karwowski *et al*., 2020). Then seeks to identify meaningful groupings within the data to explore how financialisation manifests in different contexts, and to use changes in gearing and interest cover as a lens through which to conduct an exploratory analysis of the changing role of finance across the HA sector. With these considerations borne in mind, the analysis adopts a mixed-methods approach detailed below.

4.3. Mixed-methods approach

4.3.1. Longitudinal regression using a multilevel model

I operationalise financialisation by building two longitudinal models, one with each financial metric – gearing, interest cover – as the dependent variable. In each model a time-based variable is the independent variable (in this case, financial year). The models provide a multi-dimensional view of the role of debt finance in the sector, expressing HAs position as a debtor in terms of both the stock of debt and flow of interest payments over time.

Multilevel models expand upon single level regression by accommodating for the non-independence of observations where they exist within observable hierarchies. In other words, the observations in this study exist at two levels, lower level observations of individual instances of HA balance sheet data, nested at a higher level within HAs that are sampled repeatedly over time (Bell and Jones, 2015). Multilevel longitudinal models group observations sampled from the same HA, which allows them to estimate additional parameters not provided in single level regression. Similar to single level regression the model provides *fixed effect* estimates for the intercept and slope of financial year, referred to as the grand mean intercept and grand mean slope as they represent the average HA. But

multilevel models also estimate *random effects*, that is an intercept and slope for each HA that deviates from the grand mean to some degree (ibid.). The result is a model for each outcome that estimates to what extent the starting point and trajectory for each HA varies from the average. The model is given in equation (3):

$$Y_{ti} = \beta_0 + \beta_1 X_{ti} + \beta_2 {X_{ti}}^2 + \cdots + \beta_d {X_{ti}}^d + u_{0i} + u_{1i} X_{ti} + e_{ti} \quad (3)$$

Where: Y_{ti} is an outcome variable for the ith organisation at time point t, β_0 is a fixed effect intercept, $\beta_1 X_{ti}$, $\beta_2 {X_{ti}}^2$ and $\beta_d {X_{ti}}^d$ are polynomial terms up to degree d for the grand mean slope effect of financial year, u_{0i} is a random effect for the intercept of the ith organisation, $u_{1i} X_{ti}$ is a random effect for the slope of financial year for the ith organisation, and e_{ti} is an error term.

The hierarchical structure of the model assumes that some of the variance is within HAs – i.e. changes in gearing or interest cover within HAs over time – and some variance is between HAs – i.e. differences between HAs in terms of their average rate of gearing or interest cover during the sample period. The total variance in a longitudinal multilevel model can be parsed into the proportion that is within HA variance, and the proportion that is between HA variance. This is referred to as the intraclass correlation coefficient (ICC), which is a number between 0 and 1 indicating the proportion of between HA variance. For example, a hypothetical score of 0.6 would indicate 60 per cent of variance is between HAs, and 40 per cent is within HAs (Merlo *et al.*, 2005).

This stage of the methodology is used to ascertain the random effects used in the GCKM, as well as determine the functional form for the slope of financial year (i.e. degree of polynomial), which is a necessity for the clustering to effectively represent the data (see section 4.3.2.). To determine the functional form I start with a linear term for the independent variable and then sequentially introduce polynomial terms of a higher degree in new models up to a third-degree polynomial. To choose between models I use the Akaike information criterion (AIC), which is a statistic that provides a score based upon how well the model fits the data, applying an inferential criteria of a 10-point reduction in the AIC as indicative of an improvement in model fit (Burnham and Anderson, 2004).[7] Financial year is centred at zero, such that the intercept can be interpreted as the average at the beginning of the sample period. But the longitudinal modelling also provides some useful substantive detail on the changing importance of debt finance in the sector. Firstly it provides an estimate for the average HA's gearing and interest cover during the sample period. Secondly, I include the results of a null model – i.e. a model with random intercepts for HA but no slope for financial year – to determine the ICC. This null model ICC provides information on whether and how indebtedness and

[7] The analysis was also repeated using the Bayesian information criterion (BIC) as a measure of model fit, producing identical results.

interest cover are changing over time. For instance, a large degree of between HA variance would suggest the role of debt finance is stable over time, whereas a large degree of within HA variance would suggest that gearing and interest cover have fluctuated substantially during the sample period.

Data is taken from the Global Accounts dataset, published annually by RSH, that summarises the balance sheet position of HAs with over one thousand homes. The sample covers five years of data – 2016/17-2020/21, full data on interest cover is not available prior to this period (RSH, 2018b) – with n=1,102 observations, taken from 269 HAs. As organisations owning below one thousand homes are excluded, the sample does not cover the entire HA sector. However, the landlords included collectively own 96 per cent of the social housing stock in England (RSH, 2019a), illustrating that the scale of analysis is close to sector wide.

Missing observations were removed via listwise deletion. There were ten missing observations for gearing, and eight for interest cover.[8] The distributions of both variables are both long-tailed due to the presence of significant outliers. To handle outliers I follow the heuristic framework of Aguinis *et al.* (2013), who recommend identifying potential outliers by inspecting the distribution of the dependent variable alongside visual inspection of observations with high residual values in the fitted model. Potential outliers are subsequently interrogated qualitatively, and removed if they represent a genuine outlier, with transparent reporting as to all removals.

To identify potential outliers I use three methods recommended by Aguinis *et al.* (ibid.). Firstly, visualisation of the density of the dependent variable. Secondly, identification of observations ± 2.24 standard deviations from the mean, on the basis that such observations are "considered sufficiently unlikely to be caused by substantive reasons assuming a ''t-like'' distribution" (ibid.: 283). Thirdly, a scatter plot of fitted values to studentised residuals, the latter of which provides a measure of distance that combines an observation's residual value in the fitted model and its outlyingness on the predictor variables (ibid.). Following this process I removed ten outliers from the gearing model (and therefore eighteen observations total, including missing observations), and nineteen outliers from the interest cover model (and therefore twenty-seven observations total). In the Appendix I outline the observations removed, including an explanation as to why they were outlying, and report the

[8] The missing observations for interest cover consisted of seven observations taken from two lease-based providers – Sustain (UK) Ltd and Prospect Housing Limited – who had no debt on their balance sheet and whose interest cover value was missing from the Global Accounts dataset, plus one observation from Local Space whose 2021 data was missing from the Global Accounts for unexplained reasons. The ten missing observations from gearing included the eight observations missing from interest cover, plus two observations from the lease-based provider Plexus, whose 2018 and 2019 gearing data was missing from the Global Accounts for unexplained reasons.

results inclusive of outliers. Five observations were outliers because they were from the lease-based supported housing provider Inclusion, and so have little to no debt on their balance sheet. Although these observations are removed from the quantitative strand, their unique financial positions are of substantive interest, and so I sample two lease-based providers in the qualitative analysis (i.e. Inclusion and Prospect, see Table 3.2.).

4.3.2. Growth curve k-means (GCKM)

Following the longitudinal regression, in the second stage of the methodology I cluster HAs to identify latent groups of organisations with similar starting points and trajectories for gearing and interest cover. Partitioning the sector in this manner would indicate that debt finance has penetrated the business models of HAs to differing extents, and grown in importance at different rates, helping address the research objective of understanding how financialisation manifests in different organisations. Should the groupings identified appear meaningful by being related to key organisational characteristics (e.g. size, tenure mix), and corresponding to differences in HA strategy and practice in the qualitative strand, this would add credence to the notion that financialisation is driving change in HA governance (see section 3.3.3.).

GCKM is a two-step process that first takes the random intercept and slope effects from the longitudinal regression (this is the 'growth curve' part of GCKM), standardizes the effects to their z-scores, and uses these as dimensions in a k-means clustering algorithm (Den Teuling *et al.*, 2023). K-means is a clustering approach that seeks to find meaningful groupings of observations by minimising the within-cluster variation. Minimising the within-cluster variation is commonly operationalised via formula two below:

$$\min_{C_1,\ldots,C_K}\{\sum_{k=1}^{K}\frac{1}{|C_k|}\sum_{i,i'\in C_k}\sum_{j=1}^{p}(x_{ij}-x_{i'j})^2\} \tag{4}$$

Where: C_K is the kth cluster, $|C_k|$ is the number of observations in the cluster, and $(x_{ij}-x_{i'j})^2$ is the pairwise squared Euclidean distances between the observations in the cluster. Hence, equation (4) minimises the sum of Euclidean distances between observations in the kth cluster, divided by the total number of observations in the kth cluster (James *et al.*, 2023: 517-518). To do so, the k-means algorithm iterates through the following process:

- randomly assign each observation to a cluster;
- compute the centroid of each cluster, which is a vector of means across all variables for the observations in the kth cluster;
- assign each observation to the cluster whose centroid is closest;

- iterate through computing the centroids and reassigning observations until the clusters stop changing.

The k-means algorithm ceases when it reaches a local optimum i.e. the within cluster variation stops decreasing (ibid.: 519).

In k-means the researcher must specify *a priori* the number of clusters. The NbClust algorithm produces numerous indices designed to validate the number of clusters in k-means, and proposes the optimal number of clusters via majority rule across said indices (Charrad *et al.*, 2014). To select the number of clusters I choose the most frequently proposed solution via majority rule across 500 iterations of the NbClust algorithm.[9] Moreover, as k-means reaches a local rather than global solution, the output is sensitive to the initial random cluster assignment and the ordering of observations. Therefore, I randomly reorder the cases in each NbClust iteration (see Appendix for full results).

I apply GCKM using the random effects from both models in stage one to produce a single cluster solution that summarises each HA according to the stock and flow of private debt within their business model and how this is changing over time. As such, there are four dimensions for the clustering: gearing random intercept, gearing random slope, interest cover random intercept, and interest cover random slope. Further, I produce pen portraits for each cluster by calculating the within cluster means on a set of covariates outlined in Table 4.1.

The covariates allow for an interrogation as to how the relationship to finance varies across the sector according to commonly theorised determinants of financialisation e.g. size, tenure and growth ambitions. Organisational size is included as there is a common assumption that larger associations are more financialised (Clare *et al.*, 2022). Similarly, delivery of new supply is seen as a mechanism for the proliferation of debt through the sector (Smyth, 2019). Affordable rent provision is theorised to support financialisation due to higher profitability relative to other tenures, which are included for comparison (ibid.). Finally, covariates looking at how much an organisation is reliant upon disposals and commercial activity allow for an exploration of how HAs navigate the cross-subsidy model (Gibb, 2018).

[9] 500 iterations is an arbitrary choice. But as the Appendix shows, k=4 was the most frequently selected solution by a significant margin, with a difference of over 200 selections between k=4 and the second most frequent solution (k=3). The stability of this finding suggests increasing the number of iterations would be unlikely to affect results.

Outcome name	Outcome description
Gearing	Stock of total debt / value of total housing assets
Interest cover	(Earnings – major repairs costs) / interest payable
Covariate name	**Covariate description**
Total homes	Total number of social housing units, measure of organisational size
Supported housing %	Supported housing (SH) provision as a percentage of social housing units
HOP %	Housing for older persons (HOP) as a percentage of social housing units
New supply %	Annual new housing supply as a percentage of social housing units
Affordable rent %	Affordable rent provision as a percentage of social housing units
Affordable rent charged	Average affordable rent charged (weighted by the number of homes in each local authority)
Disposals surplus	Surplus from disposals as a ratio to surplus from social housing activity
Commercial surplus	Surplus from commercial activity as a ratio to surplus from social housing activity
Disposals %	The number of social housing units sold for non-social housing purposes to non-tenants, as a percentage of total social housing units
Stock transfer status	Whether HAs are a result of a large-scale voluntary transfer (LSVT) that occurred over 12 years ago, an LSVT occurring between 7 and 12 years ago, an LSVT occurring less than 7 years ago, or a traditional HA.

Table 4.1: Outcome variables and covariates for pen portraits. All data from Global Accounts and Statistical Data Returns 2016/17-2020/21.

By seeking to find patterns in data through iteration, GCKM is more suited to the exploratory nature of the project than methods that are aligned to a hypothesis testing framework. Although there are alternative methods to GCKM for identifying latent clusters of cases according to their longitudinal trajectory, I choose GCKM based upon the recommendations of Den Teuling *et al.* (2023). Den Teuling *et al.* reviewed four longitudinal clustering approaches: longitudinal k-means (LKM), group based trajectory modelling (GBTM), growth mixture modelling (GMM), and GCKM. They evaluated the performance of each method in terms of its prediction accuracy on simulated datasets. They find

that GMM performed best, very closely followed by GCKM, both of which significantly outperformed LKM and GBTM (ibid.). Nonetheless, they recommend GCKM in large sample studies due to its dramatic improvement in computational efficiency relative to GMM, which often more than compensates for a very slight trade off in accuracy (ibid.). In addition, GCKM is preferred in this study because it is easily scalable to a setting where there are multiple outcome variables (i.e. gearing *and* interest cover), simply by including additional dimensions in the k-means algorithm. While there are similar extensions to GMM (e.g. Lai *et al.*, 2016), GCKM has the advantage of being able to accommodate HAs with different numbers of observations, which is necessary in this case as some HAs will have less than five observations due to CCT activity and HAs ceasing to exist. Furthermore, it can identify non-linear trends with a relatively small number of observations (Whittaker and Khojasteh, 2017).

All data is taken the Global Accounts, and the Statistical Data Return (SDR) which is another dataset published annually by RSH that provides information on the number of homes owned and managed by HAs by tenure, location and average rent charged (see Table 4.1.).

4.3.3. Qualitative analysis

The qualitative strand draws upon the semi-structured interviews and a documentary analysis of secondary sources, where the GCKM clusters provide a sampling frame for case selection (see sections 3.3.5 to 3.3.8. for further details). The qualitative analysis expands upon the quantitative strand by explaining the GCKM findings, for example how variation in gearing and interest cover relate to the business models of HAs within clusters, and why their financial position has changed over time. The qualitative analysis also explores the consequences of financialisation for HA governance and service provision. The mixed-methods approach, as it applies to chapter four, mirrors the themes identified in the literature on HA financialisation in chapter two; the GCKM analyses the sector's reliance upon debt finance over time, whereas the qualitative analysis considers the corresponding structural transformation of HA governance and housing outcomes. Although the qualitative analysis was purposefully iterative to allow for emergent themes, it loosely sought to identify trends in HA governance and service provision that were either a consequence or cause of changes in HA financial position or borrowing capacity. Such trends include changes in organisational strategy, CCT activity, regulatory interventions, disrepair, and the potential for homes to be lost from the social sector (see Appendix for full list of themes).

Documents were sampled from at least two organisations in each cluster, as well as two lease-based supported housing providers that were removed due to outlyingness and missing data (n=13). In total 79 document were analysed, including financial statements and annual reports; information for investors (i.e. credit ratings reports, pitches to investors); regulatory documents (i.e. RSH

judgements, VfM self-assessments); and articles in the social housing trades press (i.e. Inside Housing, Social Housing, Housing Today) (see section 3.3.5., and Table 3.2. for full breakdown of the documents by HA).

Among the HAs included in the document analysis, interviews were conducted and analysed in two case study HAs, and among national stakeholders (n=24 interviewees; see section 3.3.7.). Ambition Housing fell into the large multi-tenure providers cluster, but none of its documents are quoted in this chapter to ensure anonymity. Disciple owns fewer than one thousand homes, and so was not included in the quantitative sample. Nevertheless, their interviews are used to illustrate the *smaller providers with low margins* cluster, which most closely resembles their business model as they are a small HA, providing an above average amount of supported housing, and a relatively low level of new supply. The qualitative findings in this chapter draw upon the interviews where they provided illustrative detail on the themes revealed in the GCKM and document analysis, or where an interviewee was a staff member in a HA that was assigned to a GCKM cluster (this includes some stakeholder interviews, as some stakeholders were senior leaders in HAs other than Ambition and Disciple).

4.4. Longitudinal regression findings

4.4.1. Gearing

Table 4.2. displays the results of the longitudinal regression. In relation to gearing, the ICC of the null model is 0.955, indicating that 95.5 per cent of the variation in gearing across the five year period was attributable to differences between HAs, rather than within them. In other words, gearing was relatively stable within organisations over this time period, but there were noticeable differences between HAs in terms of their reliance upon debt finance.

The final model for gearing uses a linear term for financial year only, as polynomial terms did not improve model fit. The grand mean slope for financial year is negative but small, suggesting that gearing fell ever so slightly on average during this period, although the effect is not statistically significant. Inclusion of random slopes substantially improved the model fit relative to a model with random intercepts only (AIC reduced by 268). This indicates that despite the relative stability of gearing on average, there were some organisations for which gearing was either rising or falling during the sample period. This is further evidenced by the correlation between random intercept and slope effects, which is a small negative correlation of -0.24. This suggests that organisations with higher (lower) gearing at the start of the period tended to have falling (rising) gearing over time, although the weakness of the correlation suggests there are many exceptions to this tendency. Figure 4.1 displays the random slopes for each HA, as well as the grand mean slope. As indicated by the preceding discussion, Figure 4.1 shows that for most HAs gearing was relatively stable but that

there was substantial variation between HAs, with some organisations having little to no debt on their balance sheet, in contrast to organisations where their debt outstripped their asset base. Also, there was a small minority of organisations with rising or falling gearing.

	Gearing	**Interest cover**
Fixed effects		
Intercept	0.440 (0.012) ***	2.113 (0.074) ***
Financial year	-0.001 (0.002)	
Financial year: Polynomial 1		-4.507 (1.572) **
Financial year: Polynomial 2		5.392 (0.996) ***
Random effects (variance)		
Intercept	0.039	1.339
Financial year	4.E-04	0.150
Residual	0.001	0.933
Correlation of random effects		
Intercept ~ Financial year	-0.24	-0.46
AIC	-2917.85	3627.36
Null model ICC	0.955	0.436
Observations	1084	1075
Groups	265	263
* p < 0.05, ** p < 0.01, *** p < 0.001		

Table 4.2: Longitudinal regression estimates. Standard errors for fixed effects in parentheses.

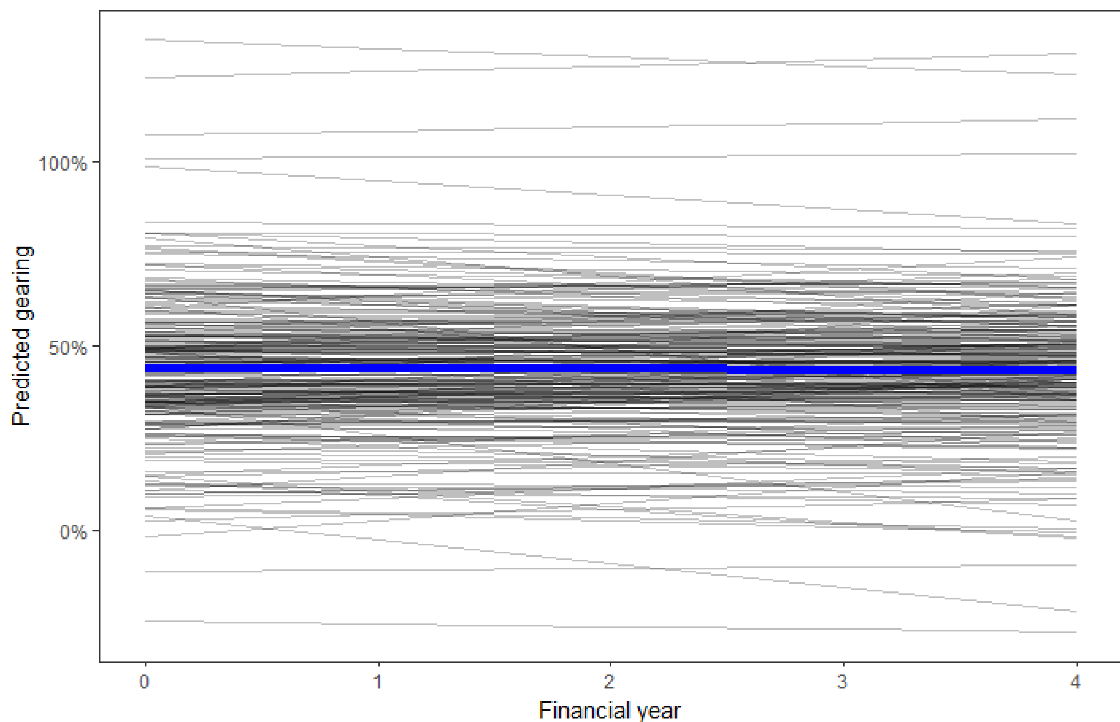

Figure 4.1: Predicted gearing for housing associations 2016/17-2020/21 under random slopes model. Blue line is grand mean slope.

4.4.2. Interest cover

Table 4.2. shows that the ICC for the interest cover null model is 0.436 i.e. 43.6 per cent of the variance in EBTIDA MRI is between HA variation. Thus, interest cover varies much more within HAs than gearing. This is perhaps to be expected, as earnings and interest payments will both fluctuate year on year in part due to political and macro-economic circumstances. For example, organisations reliant upon cross-subsidy may be adversely affected by a slowdown in private sales, or organisations heavily reliant upon rental revenue may be negatively affected by the rent cut. By contrast, key factors determining gearing will not vary between years very much for most organisations e.g. total housing assets.

The final model for interest cover uses a second-degree polynomial for financial year, which was the best model fit via the inferential criteria applied to the AIC described above. The first polynomial term is negative, while the second is positive, suggesting interest cover initially declined across the sample period but recovered towards the end. Both polynomial terms for financial year are statistically significant at the .01 level.

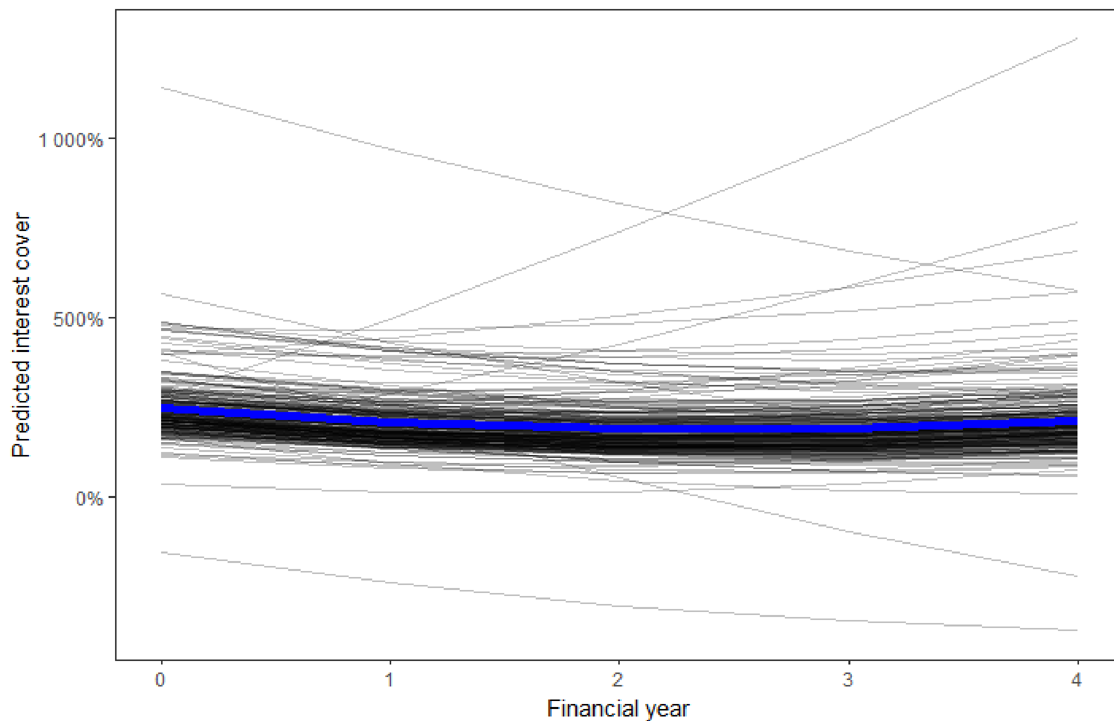

Figure 4.2: Predicted interest cover for housing associations 2016/17-2020/21 under random slopes model. Blue line is grand mean slope.

As with gearing, inclusion of random slopes for financial year substantially improved model fit (AIC reduced by 74.5), indicating that organisations had differential interest cover trajectories over the sample period. And the correlation between random intercepts and slopes is stronger for interest cover than gearing, with a moderate negative correlation of -0.46. Again this suggests that organisations with higher (lower) interest cover at the start of the period tended to have falling (rising) interest cover over time, albeit with some exceptions. Figure 4.2 shows that the grand mean of interest cover did indeed initially fall to then recover at the end of the sample period. But it also illustrates that interest cover was highly unstable for some organisations, with there being some dramatic rises and falls for individual HAs.

The findings of the longitudinal regression imply that, on average, gearing was relatively stable across the sector, with debt as a proportion assets at just below 50 per cent. By contrast, interest payments became more of a pressing issue for the sector during this period, with interest cover initially falling and only slightly recovering in 2020/21. The differences between HAs in terms of their starting points and trajectories reported in this section are a prerequisite for the notion that latent groups exist within the sector (Curran *et al.*, 2010; Den Teuling *et al.*, 2023), and that these latent groups are indicative of distinct forms of financialisation emerging from similar institutional contexts. Therefore, the results are consistent with the notion of a variegated HA financialisation, which is explicitly modelled in the next section through the GCKM.

4.5. GCKM findings

Table 4.3. displays the results of the GCKM, including the centroids and number of observations for each cluster. Table 4.4. displays the within-cluster means on selected covariates, and the within cluster mean as a percentile rank in the raw covariate. I assign each cluster a name and a description, also presented in Table 4.4., to summarise the relationship between each cluster and private finance and illustrate the distinct forms of financialisation that are manifest across the HA sector (Raco *et al*., 2023). The variables for the GCKM have lost some interpretability because they represent random effects and have been standardised, so I provide pen portraits in Figures 4.3-4.6 to aid interpretation. In each figure the left-panel is the predicted within-cluster mean for gearing over time, the mid-panel is the predicted within-cluster mean for interest cover over time, and the right-panel is the percentile rank of the within-cluster mean on selected covariates centred at the median.[10]

The largest cluster is *large multi-tenure providers*, displayed in Figure 4.3. These providers have mid-level gearing and low interest cover that has fallen during the rent cut but started to recover. They own the largest number of homes on average, and the size of their asset base allows them to absorb debt without placing too much strain on gearing. Although they have an above average provision of affordable rents, they also provide supported housing and HOP. They have a slightly above average rate of new supply, but produce less new housing proportionate to their size than some of their peers (e.g. *indebted developers*). And they make a relatively high surplus on disposals of existing assets. This cluster most closely resembles the prototypical landlord discussed in the existing literature and most of the G15 are in this cluster.

Indebted developers are the second largest cluster in terms of number of observations and displayed in Figure 4.4. *Indebted developers* have very high gearing, although it is falling slightly over time. And low interest cover, which has fallen during the rent cut but rebounded in 2020/21. Their business model is typified by ambitious new supply proportionate to their size, which they have geared up to deliver. They dispose of social housing at a similar rate to *large multi-tenure providers*, and they tend to make a high margin on social housing by providing affordable rent.

Smaller providers with low margins are the third largest cluster in terms of number of observations and displayed in Figure 4.5. On average they have less affordable rent provision, and more HOP and supported housing provision. They have relatively low gearing, and mid-level (but falling) interest

[10] To elaborate, a value of 0.00 in this panel means the within group mean is equal to the median value of the raw covariate. By comparison, a value of 0.01 would be the 51st percentile. A value of -0.01 would be the 49th percentile, and so on. This method of visualisation was chosen as it allows for comparisons between a) the given cluster and other clusters and b) the given cluster and the average. The latter comparison is more difficult when presenting uncentred percentile ranks e.g. 0.49, 0.50 and 0.51.

cover. Even though they dispose of social housing at a lower rate than other clusters, the capital from disposals and commercial activity forms a larger proportion of their organisational surplus, likely due to their social housing surplus being smaller and less reliant upon more profitable rented tenures such as affordable rent.

Definancialised supported housing providers are displayed in Figure 4.6, and amount to a very small cluster in terms of number of organisations. They provide mostly supported housing, and very low amounts of new supply and affordable rent. They are also the smallest landlords on average in terms of number of homes. As such, their borrowing capacity is very constrained. This cluster is characterised by very low (and falling) gearing, and high (and rapidly rising) interest cover. In the face of onerous borrowing terms and tight financial constraints, this cluster has effectively moved away from debt finance.

	Cluster 1	**Cluster 2**	**Cluster 3**	**Cluster 4**
Name	Large multi-tenure providers	Indebted developers	Smaller providers with low margins	Definancialised supported housing providers
Centroids				
Intercept: Interest cover	-0.169	-0.264	2.370	-0.381
Slope: Interest cover ~ Year	0.029	0.079	-1.272	7.670
Intercept: Gearing	-0.257	1.176	-1.218	-2.084
Slope: Gearing ~ Year	0.332	-0.858	-0.012	-2.263
N	177	63	20	2
Within sum of squares	243.526	142.194	160.681	11.453

Table 4.3: GCKM results for K = 4. 1,000 random starts.

Cluster name	Cluster description	Covariate	Within cluster covariate mean	Within cluster mean -percentile rank
Large multi-tenure providers	Mid-level gearing and low interest cover, providers of multiple tenures, moderately ambitious growth plans relative to their size	Total homes	14795.336	0.744
		Supported housing %	0.059	0.812
		Housing for older persons %	0.098	0.670
		Affordable rent %	0.080	0.607
		Average affordable rent charged	121.42	0.601
		New supply %	0.016	0.612
		Disposals surplus	0.210	0.916
		Disposals %	0.001	0.751
		Commercial surplus	0.053	0.613
Indebted developers	High gearing and low interest cover, developing HAs with an above average provision of affordable rents	Total homes	11331.294	0.649
		Supported housing %	0.039	0.688
		Housing for older persons %	0.086	0.622
		Affordable rent %	0.087	0.651
		Average affordable rent charged	122.19	0.604
		New supply %	0.021	0.706
		Disposals surplus	0.080	0.763
		Disposals %	0.001	0.734
		Commercial surplus	0.051	0.606

Smaller providers with low margins	Mid-to-low gearing with relatively high (but falling) interest cover, mid-to-small associations, high provision of supported housing, low margins mean that surplus from disposals and commercial activity is high relative to social housing surplus	Total homes	4939.100	0.361
		Supported housing %	0.170	0.930
		Housing for older persons %	0.085	0.618
		Affordable rent %	0.044	0.321
		Average affordable rent charged	89.92	0.100
		New supply %	0.016	0.580
		Disposals surplus	0.226	0.925
		Disposals %	7e-04	0.665
		Commercial surplus	0.115	0.805
Definancialised supported housing providers	Very low (and falling) gearing, high (and rapidly rising) interest cover, small landlords providing supported housing	Total homes	1960.111	0.149
		Supported housing %	0.370	0.956
		Housing for older persons %	0.025	0.259
		Affordable rent %	0.000	0.087
		Average affordable rent charged	0.000	0.087
		New supply %	0.011	0.459
		Disposals surplus	0.152	0.868
		Disposals %	0.002	0.855
		Commercial surplus	0.115	0.805

Table 4.4: Cluster descriptions and within cluster covariate means.

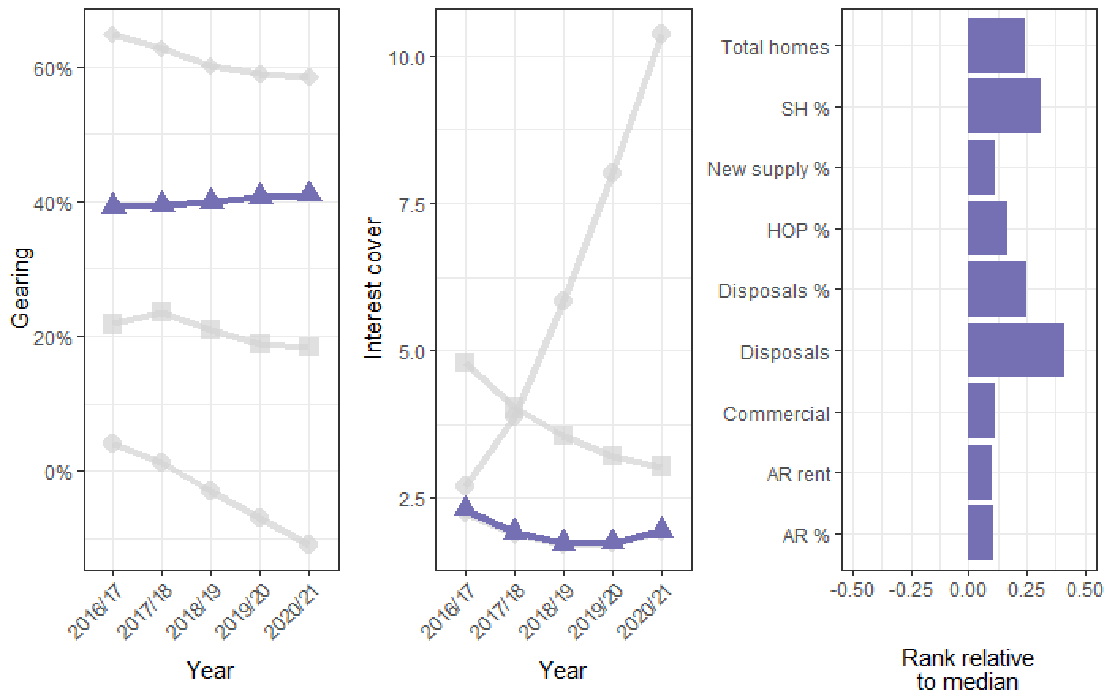

Figure 4.3: Pen portrait for large multi-tenure providers

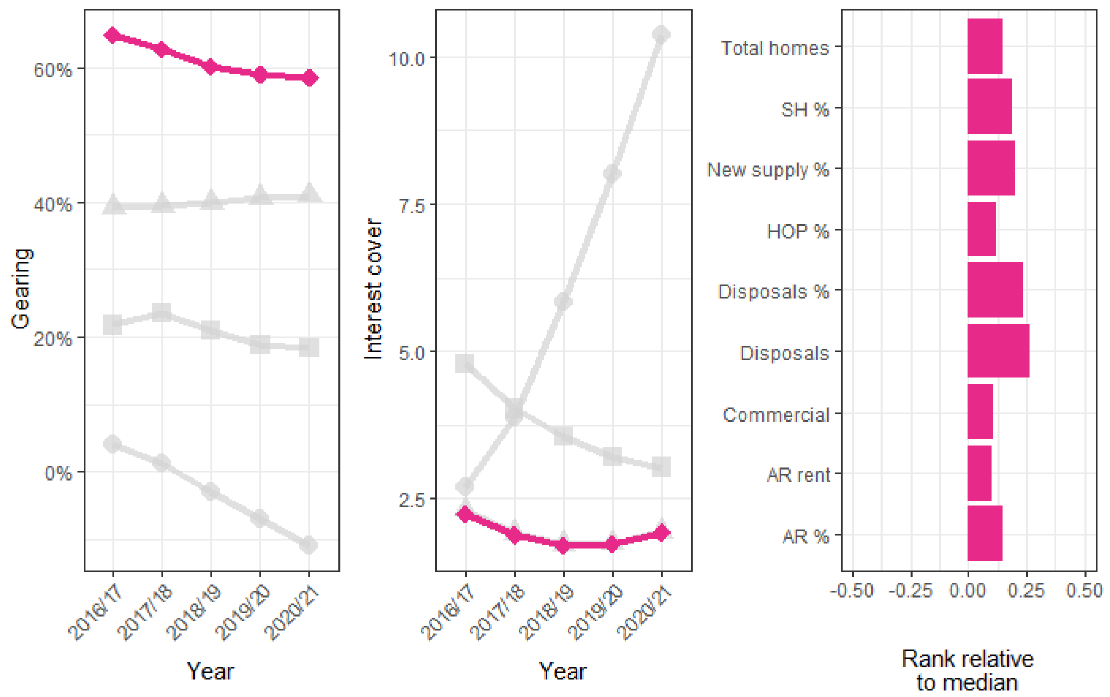

Figure 4.4: Pen portrait for indebted developers

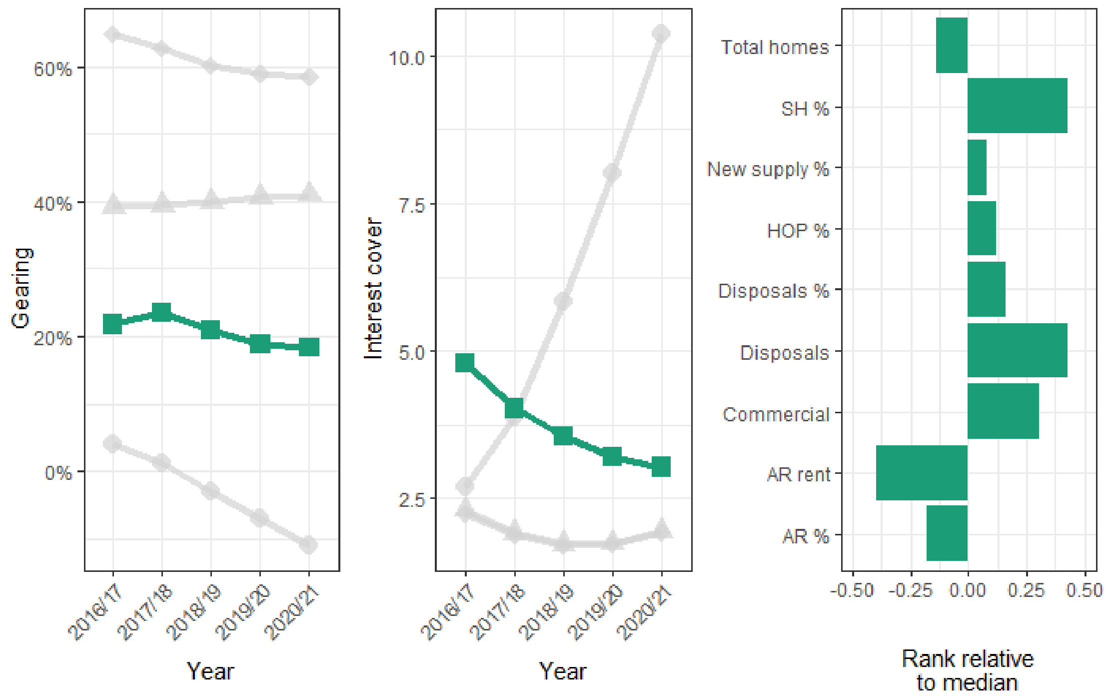

Figure 4.5: Pen portrait for smaller providers with low margins

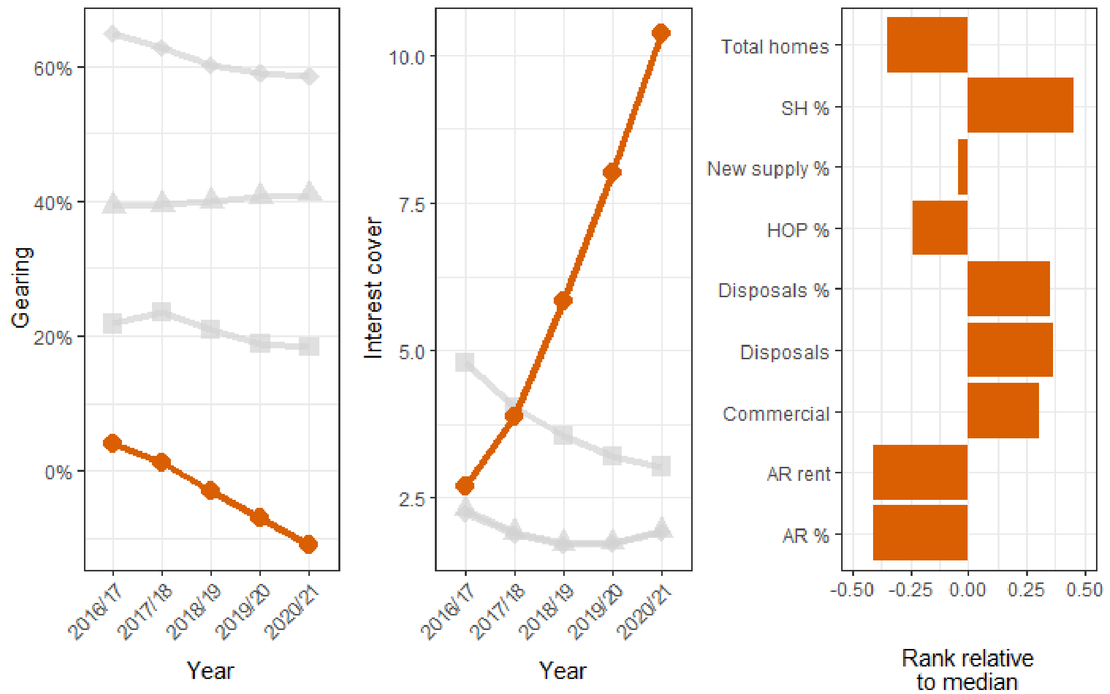

Figure 4.6: Pen portrait for definancialised supported housing providers

Table 4.5. below shows the clusters by their stock transfer status in 2020-21. Table 4.5. presents the percentage of each cluster that are traditional HAs, LSVTs occurring over twelve years ago, LSVTs between seven and twelve years old, and LSVTs less than seven years old. Table 4.5. shows that the cluster results do not map directly onto LSVT status. There is some evidence that *large multi-tenure providers* are more likely to be traditional HAs, and *indebted developers* more likely to be LSVT landlords, but around one-third of the HAs in each cluster do not follow this rule. Moreover, *smaller providers with low margins* are split almost completely evenly between traditional and LSVT landlords. This suggests that financialisation is a crucial source of difference within the HA sector that cannot be reduced to previous classifications that split social landlords into traditional and LSVT HAs (Pawson and Mullins, 2010). There is undoubtedly some measurement error in the stock transfer variable as the fluidity of governance structures in the sector means some HAs will be the result of a merger combining both traditional and LSVT landlords (Mullins and Pawson, 2010). However, CCT activity has been in large part driven by the increased borrowing capacity and financial strength derived from organisational mergers (Pawson and Sosenko, 2012). As such, financialisation is one of the contributors to the fragmentation of the traditional vs. LSVT divide.

Cluster	LSVT < 7 years	LSVT 7-12 years	LSVT > 12 years	Traditional
Large multi-tenure providers	2.22%	4.44%	31.85%	61.48%
Indebted developers	0.00%	4.00%	64.00%	32.00%
Smaller providers with low margins	0.00%	5.88%	47.06%	47.06%
Definancialised supported providers	0.00%	0.00%	50.00%	50.00%

Table 4.5: Clusters disaggregated by their stock transfer status. Note: percentages are within cluster percentages. Source: Global Accounts 2020/21

The GCKM findings reaffirm that organisations have different trajectories in relation to their indebtedness and interest cover, but helps make sense of these differences by putting them into meaningful groupings. Moreover, these groupings suggest that variation in borrowing capacity is associated with factors including tenure mix, size, growth ambitions, reliance upon disposals and commercial surplus. As such, financialisation in the HA context interacts with the path dependency of inherited business models, drawing attention to the experiences of landlords beyond the large, G15 archetype (Marsh, 2018; Raco *et al*., 2023). Despite this variegation, it is notable that for the majority of the sector interest cover declined during this period, consistent with the notion that interest cover increasingly became a constraint on HA operations throughout this period. To add further detail to how the interaction between finance and inherited HA business models produces financialisation in

context, and how interest cover is constraining HA operations, I use the qualitative strand to elaborate on key findings by going through each cluster in turn.

4.6. Qualitative analysis findings

4.6.1. Large multi-tenure providers

This cluster is not the most indebted on average, but their interest cover has fallen over time. London & Quadrant (L&Q) explain the fall in interest cover in their 2020 financial accounts:

> "Our performance is below our target. […] This reflects the difficult sales market which we faced in the year, impairment on our development pipeline, increased investment in our homes and an increased bad debt provision" (L&Q, 2020: 42).

This suggests that interest cover is declining for reasons in addition to the rent cut; several financial and economic headwinds have produced a more challenging environment, including housing market uncertainty and the need to invest in existing homes. This challenging environment is unlikely to present an existential risk to *large multi-tenure providers* due to the size of their asset base, but it has initiated a reassessment of investment priorities. One effect has been for these HAs to reign in their growth ambitions; L&Q scaled back their ten-year growth plan from 100,000 homes to 30,000 (L&Q, 2021). There was unanimity among interviewees that investors viewed excessive "sales risk" negatively, which investors saw as an uncertain source of revenue that contrasted with the relative certainty of social housing rental income. This was also a concern for RSH in assessing the financial viability of HAs, with RSH's regulatory judgement of Hyde concluding that the landlord's interest cover was "exposed to the housing market", and this reduced Hyde's "capacity to respond to adverse events" (RSH, 2023c).

Running parallel to reduced new supply has been an increased expenditure on major repairs due to concerns with fire safety, decarbonisation and disrepair. L&Q have committed to investing £1.9 billion in their existing homes, which they claim is "the largest housing investment programme ever undertaken by the sector" (L&Q, 2021: 7). Making this investment has necessitated L&Q accepting a higher cost of borrowing due to the impact on their margins, with their Director of Treasury explaining that a credit rating downgrade "predominantly reflects our decision to boost investment in quality and health and safety" (cited in Cross, 2019).

Most interviewees agreed that this more challenging environment, and the consequent decline in interest cover, was exerting a constraining effect on HAs with significant investment obligations:

> "So, we had a meeting in February to try and see what they would think of doing something to help the sector get over [the EBITDA MRI %] covenant. Because it's a big problem with

Boards, when they see this covenant and they see their building safety spend going up and up and up and they suddenly breach this covenant in 10 years time. Then they're going to reign back that spending, and then they're going to decarbonise less. And that's a big problem." **STAKEHOLDER_2**

Constraints on borrowing capacity were also presented as a justification for increased interest in disposals of existing social housing, as one interviewee explained. Nonetheless, the same interviewee explained that there is a tension between disposing of existing assets and borrowing capacity, suggesting that this strategy was not a silver-bullet for their financial constraints:

> "We are now looking at disposals in a much more value-driven way. So we are looking at high value street property as part of our forward plan for disposal. And that is being driven by the extraordinary demands on our resources really. […. Selling homes] has a sort of double effect. You get cash in, but the value of your portfolio declines because you've sold an asset. So it isn't all good news. But if you want capital, if what you need is capital in, then it's a way of doing that." **STAKEHOLDER_1**

This tension highlights the inherent contradictions of a funding model that combines high reliance on upon private finance seeking a safe return with cross-subsidy from an uncertain and speculative market in private sale and disposals.

In this more challenging context, some organisations are diversifying their sources of financial investment to support continued growth. There was consensus among interviewees that equity investment was likely to grow in the future as borrowing capacity was constrained among HAs, and equity investors became more familiar with the sector. An executive leader from Hyde explained in a press interview:

> "I think the old funding model in the housing association environment doesn't work anymore. […] And we are quite rightly having to fund building safety, decarbonisation, decent homes, while being asked to carry on building affordable homes. So we have to find new ways of funding that." (cited in Wilmore, 2022).

Hyde have engaged in a SORP deal with the equity investor M&G, and the receipts are being used to set up a fund through which both organisations invest in the development of new homes that will be owned by M&G but managed by Hyde. Hyde explained in their financial accounts:

> "While the Government says the housing sector should prioritise 'safety before supply', we must also continue to build the homes the country desperately needs and meet net zero targets. […

The M&G fund] reduces our risk exposure to the sales market and enables us to recycle capital more quickly to support further development" (Hyde, 2022: 51, 63).

The unsettling of the debt-led model of financialisation – whereby HAs borrow against their housing assets to fund growth – has thus catalysed new forms of equity investment.

4.6.2. Indebted developers

Although they are less discussed in the existing literature than *large multi-tenure developers*, the experience of *indebted developers* is arguably more prototypical of a financialised landlord, as they have utilised their position in providing mostly general needs housing to convert homes to affordable rents and stretch their balance sheet to meet their growth ambitions. The financial statements of Swan and bpha explain how they are leveraging their housing assets to fund development:

> "We understand our gearing levels are higher than our peers and the sector. Our aim is to utilise our asset base in line with our risk appetite to maximise the provision of new homes and maintain existing homes and services" (Swan, 2021: 54).

> "Our level of gearing, measured as the proportion of debt to the book value of housing, shows that we are making use of our assets to raise funds for investment while maintaining a sustainable level of debt. This reflects our objectives of investing in both new and existing homes, and we expect this to remain relatively high compared with others" (bpha, 2021: 49).

Combining high levels of borrowing with a smaller asset base than *large-multi-tenure providers* means *indebted developers* are at greater risk of hitting their gearing ceiling or struggling to cover interest payments during economic downturns. bpha received a regulatory downgrade as they were historically reliant upon uncertain private sales income to cover their rising interest payments, and they had to reduce their rate of new development in response (RSH, 2022c).

Similarly, Swan acknowledge that housing market uncertainty and the remediation of cladding on their buildings has affected interest cover:

> "The [interest cover] outturn for the year is lower than the March 21 business plan due to a lower than forecast operating surplus. The profit on sales of homes has been adversely impacted by delays in completions due to Covid-19 and there have been cost increases as part of cladding inspections, changes to designs and general delays whilst External Wall Surveys (EWS1) forms are produced" (Swan, 2021: 55).

As such, *indebted developers* are not insulated from the economic challenges affecting other clusters. In 2021, a slowdown in the housing market affected Swan's commercial revenue causing them to

breach their loan covenants (RSH, 2021). They have since been acquired by Sanctuary as part of a "rescue takeover" (Brown, 2023).

Not all HAs in this cluster are facing existential risks, and the high margins on their social housing lettings provide them with some financial resilience. As the bpha financial statements explain:

> "Our overall operating surplus was stable at £60m (2020: £60m). The reduction in surpluses in our development and sales business of £4m was *offset through increases in the core surplus* of £3m together with increased valuation gains on investment properties" (bpha, 2021: 42, emphasis added).

4.6.3. Smaller providers with low margins

This cluster tends to have lower margins than other providers due to their size and reliance upon supported housing and HOP. As regulatory documents explain:

> "A registered provider with 30% supported housing units will have, on average, an operating margin (overall) of 21.9%. This compares to an operating margin (overall) of 35% for a registered provider with only general needs units. This is linked to the higher costs associated with providing support and also to the fact that a larger proportion of supported providers' income comes via service charges which can only cover costs incurred" (RSH, 2018c: 22).

Their financially marginal position constrains their borrowing capacity, as explained by both RSH and an interviewee from Disciple:

> "The median level of gearing for supported housing providers is 14.5%. Such providers tend to have less financial capacity to support debt" (ibid.: 25).

> "Because we do a lot of supported housing, you tend to have a higher interest rate cover in your loan covenants. Some lenders have been worried about supported housing being more risky financially. [...] We have an interest cover of 130. Most associations are around 110."
> **CASE_TWO_1**

Smaller providers with low margins have relatively low gearing and higher interest cover, but the findings suggest this an economic necessity due to borrowing on less preferential terms and therefore having to ensure sufficient interest cover so as not to break more onerous lending covenants.

Each of the HAs in this cluster sampled for the qualitative analysis, with the exception of Thirteen HA, was experiencing pressure on their loan covenants due to increased major repairs expenditure. A

regulatory judgement for Brunelcare HA explains how the constrained borrowing capacity of this cluster affected their ability to reinvest in new or existing housing:

> "Brunelcare's financial forecasts continue to indicate that it generates relatively low margins, and the business is therefore inherently more exposed to financial shocks. Testing of its plans demonstrate that certain adverse variances – including reduced care home occupancy levels and *increased asset management spend* – increase pressure on operating margins and reduces headroom on interest cover" (RSH, 2023d, emphasis added).

In this framing, "increased asset management spend" on maintenance and repairs is not a social priority, but a key organisational risk. A regulatory judgement for IDS reveals a similar story. IDS implemented a new business plan with "increased levels of stock investment expenditure" following the identification of several disrepair issues, but that this was "putting pressure on interest cover ratios" (RSH, 2022d; see chapter six). Together these cases illustrate how this cluster's marginal financial position can create an acute trade-off between honouring the terms of their borrowing and investing in existing properties.

The quantitative strand highlighted how this cluster disposes of properties at a broadly similar rate to other clusters, but the capital receipt is more important for their financial surplus. The financial statements of Thirteen HA demonstrate how these proceeds have been critical to their growth despite their low social housing margins and the increasingly tough financial environment:

> "Whilst we continue to rationalise uneconomical or obsolete housing stock, and sell homes to tenants under 'Right-to-Buy', this investment enables us to renew housing stock and has led to a net increase in the number of properties we hold for rent." (Thirteen, 2019: 18).

Even if the footprint this leaves on local supply is proportionately smaller than for *large multi-tenure providers* given the relative size of different organisations, the practice of mobilising social housing as an asset for more profitable ends is evident beyond the larger-London landlords.

The findings in this cluster reaffirm that increases in gearing or decreases in interest cover should not be considered as necessarily indicative of an increase in financialisation. Such a conclusion would obscure the risks internalised by smaller financially marginal HAs to access private finance, the constraining effect this can have on their ability to invest in major repairs, and that the strategies they adopt to navigate these financial constraints are at times similar to those of the larger HAs.

4.6.4. Definancialised supported housing providers

This cluster is unique in its trajectory of falling gearing and rising interest cover. An extract from the financial statements of Framework HA illustrates their approach:

> "Gearing is low compared to many HAs. This is because the primary constraint on our housing development is the availability of capital grants and ongoing revenue funding, both of which affect our operating margins, rather than loan finance. It would be possible to borrow more and thus develop more quickly, but the risks in doing so are higher than the Board can accept given the margins on our support contracts" (Framework HA, 2022: 19).

This demonstrates how financialisation is co-constituted by the path dependent context of inherited business models. In this case, commitments to providing a range of support services influenced the organisation's risk-appetite. But this choice is not without consequence, and it has slowed their rate of growth. They have in effect chosen to prioritise commitments to an existing client group as opposed to the hypothetical clients they could serve under a growth-oriented strategy.

However, a relatively low level of reliance on private finance does not necessarily insulate this cluster from interventions by RSH to embed new practices related to risk management. For example, RSH concluded that WATMOS had "an adequately funded business plan and is forecast to continue to meet its financial covenants", but nonetheless argued that WATMOS' business plan stress testing was inadequate:

> "[WATMOS' stress] tests do not demonstrate resilience against some of WATMOS' specific risks. There is also limited comparison to loan covenants. WATMOS has not identified formal trigger points at which the board would need to take action, and only limited mitigation strategies are in place" (RSH, 2022e).

As such, the experience of this cluster reaffirms the argument of Goulding (2018) that social housing regulation has sought to embed practices intended to prevent the risk of loan default in the sector (RSH, 2022e; see section 5.2.1.).

4.6.5. Lease-based supported providers

Although not included in the clustering solution, two outlier lease-based supported housing providers were included in the qualitative strand – *Inclusion* and *Prospect Housing Limited*. Inclusion found themselves subject to a regulatory downgrade because of the financial risks of their lease-based supported housing model. RSH have argued lease-based providers may struggle to meet their lease payments if their revenue is undermined by occupancy or maintenance issues (RSH, 2019b). RSH downgraded Inclusion as they had agreed to onerous lease terms as part of their growth strategy:

> "The leases are on 'Full Repairing and Insurance' (FRI) terms which means that income collection, maintenance and repair and operating costs risks are transferred to Inclusion. […]

> Inclusion is contractually committed to meet the index linked lease premium payments over the long term." (RSH, 2019c).

Should Inclusion face financial difficulty and be unable to meet their lease obligations, the risks for tenants were significant:

> "If this strategy was unsuccessful Inclusion indicates that, as mitigation, it may explore insolvency procedures. This could result in the potential loss of the homes from the regulated sector, with inadequate consideration of the re-housing needs of the vulnerable client group housed" (ibid.).

These risks ultimately came to pass in the case of Prospect. Prospect was downgraded by RSH for pursuing a strategy of "rapid growth", but with a lack of understanding and oversight of their lease arrangements, which involved a labyrinthine network of lessees, contractors and investors:

> "Whilst [Prospect] has landlord responsibility for its tenants, it enters into short-term leasing arrangements with a number of third parties for properties. A proportion of these third parties then also deliver the landlord and management services on Prospect's behalf under an agreement. Some of these third parties with whom Prospect enters into leasing and management arrangements have themselves leased the properties from a range of head landlords" (RSH, 2020a: 4).

The complexity of these leasing and contracting arrangements, and the resulting ambiguity in terms of landlord obligations, had material impacts for tenants. Prospect were further downgraded by RSH for "two serious safeguarding incidents", "overdue statutory health and safety checks" and an inability "to undertake appropriate consultation with tenants, as required under the Tenant Involvement and Empowerment Standard" (RSH, 2020b). Prospect was dissolved in 2020.

The examples of lease-based supported housing providers provide a contrast to the example of *definancialised supported housing providers*. Facing similar constraints and client groups the organisations pursued strikingly different strategies, with lease-based providers either internalising unsustainable financial risks or compromising the service provided to tenants to maintain their focus on growth.

4.7. Conclusion

In this chapter I sought to understand the changing role of finance for English HAs by expanding the sample for analysis to the sector at large, in turn providing greater clarity on the usage of the concept of financialisation in this context. I adopted a mixed-methods approach, providing novel

insights into the consequences of financialisation beyond the large, London, G15 archetype (Marsh, 2018).

In terms of how financialisation manifests across the English HA sector, the findings suggest financialisation is variegated, with groupings of HAs emerging that have distinct starting points and trajectories in relation to their debt burden and interest cover. The path dependency of inherited business models provides a mechanism underpinning this variegation, with institutional characteristics providing different sets of opportunities and constraints in terms of accessing investment (Goulding *et al*., 2023). Among the factors shaping organisational borrowing capacity are size, tenure mix, and growth ambitions. As a result, a diversity of HA strategies for securing investment have emerged, which I have grouped into five archetypal clusters.

The experience of *large-multi tenure providers* and *indebted developers* reaffirms that growth ambitions in the context of austerity contributed to an increase in debt finance across much of the sector, which was supported by the assetisation of social housing as providers converted homes to the more profitable affordable rented tenure (Smyth, 2019). By contrast, s*maller providers with low margins* may have lower gearing and higher interest cover, but this is an economic necessity given their financially marginal position. These providers often have to accept investment on less preferential terms. Indeed, the imperative to maintain interest cover for this cluster can provide incentives to contain major repairs spend or rely upon disposals for revenue. This suggests that financialisation can present financially marginal HAs with a particularly sharp set of trade-offs as they try to invest in new or existing homes with their hands somewhat tied by their terms of borrowing. It also suggests that as resources have become stretched and finance less accessible, HAs that were not typically 'market makers' in relation to asset disposals are starting to consider this as a business strategy (Morrison, 2017).

In the more extreme cases of small organisations with limited borrowing capacity, there is a very small subset of *definancialised supported housing providers* moving away from private finance. But likewise there are a small number of landlords engaged in financially risky *lease-based supported housing* schemes with potentially disastrous consequences for tenants. Therefore, it may be erroneous to conflate small, supported housing providers with being less financialised (Clare *et al*., 2022). It is more accurate to describe them as adopting a variety of strategies to overcome their limited borrowing capacity that are conditioned by the path dependency of their institutional context. Such strategies include adopting a narrower focus on providing services to existing tenants to militate against the need to borrow significant sums, limiting asset management expenditure to remain within loan covenants, disposing of assets for a capital injection, or accepting investment via

lease-based deals. Consequently, the findings imply that variegation is not simply a case of quantitative differences in the penetration of finance, rather financialisation is qualitatively different across contexts. Furthermore, the consequences for housing outcomes cannot simply be read off from which HA is more indebted.

Despite the existence of identifiable groupings of organisations, HAs face common economic and political headwinds that are changing the role of finance within the sector. The debt-led model of HA financialisation – whereby HAs use their existing housing assets as collateral for borrowing to fund growth – has been affected by uncertainty in the economic environment and the necessity of investment in existing homes for the purposes of building safety, decarbonisation and addressing disrepair. The nature of these challenges reveals that the debt-led model has been in part unsettled by its own inherent contradictions, and the social imperatives of housing decency. There is inherent uncertainty to the cross-subsidy model that emanates from the risks associated with the private property market and the short-termism of asset disposals, both of which are in tension with the preferences of capital ideally seeking a stable, long-term return from social housing (Wainright and Manville, 2017). Many HAs have had to paradoxically reign in their growth ambitions to access the finance they need to grow. Simultaneously, the necessity of investing in existing housing is contributing to declining interest cover across the sector. Finance remains willing to invest in social housing under these circumstances, but for greater risk it will demand greater returns. One consequence of this unsettling of the debt-led model has been to catalyse new forms of equity finance that provide a form of off-balance sheet investment (Pawson and Milligan, 2013; Wijburg and Waldron, 2020). Accessing these new forms of investment requires HAs to relinquish ownership of their housing, providing an illustration of what Martin describes as the "magic of finance", that is its "ability to take by giving" (2002: 16).

Expanding the sample to the sector at large reveals that, in the case of the English HA sector at least, Christophers' (2015) assertion that financialisation may be subject to 'empirical limits' is true inasmuch as it applies to the debt-led model of HA finance. But what Christopher's perhaps underplays is the dynamism of financialisation, as the unsettling of the debt-led model has given impetus to equity investment. This suggests that particular empirical manifestations of financialisation may have limits, but the process more broadly conceived is adept at responding to cues from the political-economic environment and appearing in new forms in a constant search for returns. More fundamentally, though, the relationship to finance has changed for English HAs. For a sector that was intended to be a safe haven for investment under financialisation 2.0 (Wijburg *et al.*, 2018), access to finance is now becoming a critical constraint upon their investment decisions. In this context, organisational acquisitions are less a means to pursue growth, and more a rescue of

organisations that have historically stretched their balance sheet but lack the size to weather the storm (Pawson and Sosenko, 2012). For the HAs less existentially threatened by this environment, they are left struggling with a policy trilemma of financial prudency, expanding housing supply and maintaining housing decency.

5. Polycentric regulation meets asset management

5.1. Introduction

This chapter focuses on Objective 2, and considers how the social processes underpinning the assetisation of social housing in the context of regulatory and governance change affects the treatment of value in HA housing. Hence, this chapter addresses the Question 2: *In what ways has assetisation interacted with the dynamic post-2010 polycentric regulatory environment, and how is the treatment of HA housing changing as a result?*

In chapter two I identified two research gaps in relation to this objective, that the role of the RSH as financial intermediary was underdeveloped (LUHCC, 2022), and a lack of research on the co-evolution of asset management strategies with the HA sector's polycentric regulatory environment (Raco *et al*., 2023). As such, the chapter is split into two sections. The first considers the changing and multi-faceted role of RSH in relation to the assetisation of HA housing. I add empirical detail to the role of RSH as a gateway constructor, a financial intermediary embedding new practices, metrics and narratives within HAs to smooth the flow of investment (Smyth *et al*., 2020). But I also nuance this perspective with the alternative goals of RSH, including that of societal risk-manager and consumer watchdog (Pawson, 2006: 781). The ongoing reform of the RSH's consumer standards, alongside complementary reforms in building safety, have resulted in an extended period of policy limbo, which is transforming the asset management strategies of HAs. In the second section I consider how the diversity of asset management strategies in the HA sector reflects the opportunities and constraints afforded by a multiplicity of regulatory actors, and how HAs are responding to ongoing regulatory change. I consider the dynamic process of assetisation in two case studies: Ambition, a *large multi-tenure provider*; and Disciple, a *smaller provider with low margins*.

The contribution of this chapter is to demonstrate that the polycentric regulatory environment interacts with HA borrowing capacity to co-constitute contrasting asset management strategies, underpinning variegated financialisation (Raco *et al.*, 2023; Ward *et al.*, 2019). Polycentric regulation allows for HAs to make choices, but they are not autonomous from financialisation, instead these choices underpin the distinct variants of financialisation highlighted in chapter four. The further contribution of the chapter is to show that, at a time when the cost of borrowing is increasing due to inflation and a housing market downturn, a focus on building safety, decarbonisation and housing decency are not leading to a retrenchment of financialisation. Rather financialisation continues to be transformed as HAs remain reliant upon strategically leveraging their housing assets to ensure access to private finance (Birch, 2017).

5.2. The many changing faces of RSH

5.2.1. RSH as gateway constructor

Following the establishment of the HCA, which later became RSH, economic standards have been regulated proactively, but the regulator has been largely non-interventionist in relation to consumer standards. A consistent theme throughout the interviews was the assurance given to institutional investors by the economic regulation of the HA sector, and the consistent track record of the RSH in managing any potential risk of a HA defaulting on their loans. I borrow the metaphor of the *gateway constructor* from Smyth *et al.* (2020) to capture this part of RSH's role.

A gateway constructor is defined as an actor or body that *"smooth the extension of the [financial markets] into new arenas, by embedding the priorities and logics of private capital into social housing providers through the development of a common language"* (ibid.: 2). Smyth *et al.* use this metaphor to describe the role of CRAs in relation to bond markets. Similarly, RSH has helped embed new rules, practices and metrics within the HA sector, smoothing the flow of private finance by institutionalising a predictable and secure environment for investment. Most interviewees agreed that this is not an accidental or implicit feature of RSH's role, as one interviewee makes clear:

> So, I was struck when the Regulator came into talk to us in 2018 or 19, I think it was. And it was basically like an introduction to the Regulator, 'you've heard of us, but you don't know what we do, and what's in our constitution, how do we do what we do?' And literally the first slide was, "We exist to make the housing association sector investable, to raise finance."
> **STAKEHOLDER_3**

To ensure compliance with their Viability and Governance Standard, RSH undertakes several preventative measures indicative of their gateway constructor role. At the highest level, RSH evaluates the financial position of HAs via metrics and ratings which also send a signal to financial actors of the investment worthiness of the sector (RSH, 2022b). These signals include regulatory gradings of financial viability, and VfM metrics that assess the profitability, liquidity and cost effectiveness of HAs. RSH then undertakes three levels of proactive cyclical engagement with HAs (RSH, 2022f). First is a quarterly survey that provides an early-warning system for viability issues, and covers HA cash flows, their investment plans, their debt raising, and their development and sales forecasts. The second level of cyclical engagement is an annual stability check on each provider to ensure they are likely to be compliant with their loan covenants. The stability check reviews the HA's business plan, and identifies any changes that have been made in priorities or in risk-management. Finally, the most intensive form of cyclical engagement is the periodic In-Depth Assessment (IDA). An IDA involves an inspection of the viability and governance procedures of the HA (ibid.). Due to the principle of co-regulation, the IDA is not prescriptive. Rather the emphasis is on effective risk-

management and assurance that processes are robust. The co-regulatory principle in the IDA is described as:

> "Looking at the provider from a risk perspective, seeking assurance where there may be areas that providers might not be meeting the standards. [...] So, it's about the risk management that they have in place, the accountability that there is within the organisation, how the Board knows how the organisation is performing." **STAKEHOLDER_4**

Where regulatory standards are not being met, RSH has several intervention powers. In descending order of their frequency of usage, these powers include: accepting a legally binding voluntary undertaking from the HA, appointing directors to the Board, appointing a manager to oversee the business, finding stronger organisations to acquire failing HAs, and levying fines (ibid.). Levying fines has never been used as a regulatory power, which was seen by some interviewees as indicative of the strength of the co-regulatory principle, with HAs described as generally "a cooperative, compliant and collaborative set of organisations" (**STAKEHOLDER_4**). The majority of interviewees felt that the security of the co-regulatory framework sends a critical signal to the investment community as to the safety of investments in social housing. In the current context of high inflation and a slowdown in housing market activity, RSH has continued to mobilise the sector's housing as an asset, projecting a narrative of financial prudency and effective governance outwardly to investors:

> "What RSH does is to reassure investors by reminding them of how closely they monitor providers, of the strengths that there are there, and maintaining that twin approach of, yes you have to do the essentials but you have to run a viable business, because if you don't run a viable business you won't be in business. So, *they keep that dual narrative going*. The sector's also starting from a reasonably good position because lenders are well aware of the emphasis that's been placed on stress-testing, scenario planning, risk-management." **STAKEHOLDER_4**, emphasis added

From the perspective of HAs, the regulatory framework was a key facilitating factor in accessing capital, and was as valuable to investors as the effective guarantee of HA revenue streams provided by Housing Benefit and Universal Credit. The example below from a HA leader illustrates how the RSH helps smooth the flow of finance into the sector:

> "[Our Finance Director] and I went to the States to sell this private placement. […] Anyway, it was clear that those investors didn't have a clue what social housing was. But they looked at the metrics, and they heard 'regulated' and they heard 'underwritten by the government',

and they were looking for a safe place for their money, and so we had sufficient take up to get as much as we needed.” **STAKEHOLDER_1**

The gateway constructor role of RSH was made clear by some small landlords viewing a regulatory IDA as a stepping-stone to a credit rating, and consequently the raising of new finance at cheaper rates. One interviewee described the rationale for growing their HA above the one thousand homes threshold, at which point they would become regulated more intensively by RSH:

“Light touch regulation for 999 [homes] and below […] You didn’t have to do the in depth-assessment (IDA), the global accounts. And therefore just by going over that threshold your regulatory costs increase considerably. […] Now, the quid pro quo on that is, you could probably raise funding in a different way and probably get a more beneficial rate as well. Because you’re getting an IDA. You’re getting a rating. You’re only one step away from either getting a rating from a ratings agency and raising a bond, or going in a group bond scheme. And that’s what [my HA] were able to do at a later date.” **STAKEHOLDER_6**

A critical part of RSH’s gateway constructor role has been the discursive framing of HA housing as an asset, and the embedding of practices that reinforce this conception of its value by encouraging HAs to manage risks relating to their portfolio, whilst maximising the return on their assets to help them achieve their strategic objectives (Brill *et al.*, 2023; Goulding, 2018; Ward, 2019). An industry has emerged to help prepare HAs for an IDA, in which they contract consultancy firms or recruit former RSH employees to their Board to audit their processes. As one interviewee explained, their mock-IDA highlighted the importance of effectively stress-testing their business plan to ensure they remained compliant with their loan covenants:

“We’ve worked on the recommendations [from the mock-IDA] that they gave us around reporting to Board and the committees. Risk was a big thing. So, our stress-testing wasn’t related to our risk register. So, this year, that’s what I’ve done, I’ve taken what are our top risks? Decarb is up there. And then you relate your stress testing to that.” **CASE_TWO_2**

Supporting HAs in foreseeing and managing risk was viewed by nearly all the interviewees as a critical RSH function. In the exchange below a Finance employee who was responsible for their organisation’s cyclical engagement with RSH explains the necessity of developing a risk-management framework to inform business planning when submitting regulatory returns:

“For the financial planning we have to submit a 30 year long term financial plan (LTFP) to the Regulator. For this we use our 4 year budget and then use various assumptions to project

the remaining years. As part of the long-term financial planning we also have to include stress testing. Long term financial plan is also shared with banks and funders as we have covenants [...] [We have three types of scenarios.] Single variant, multi variant and the perfect storm, which tries to break the long-term financial plan (in our case – to break covenants). Our stress testing includes scenarios such as changes in the government policy on rent formula, this is a big one for us as it will have a significant negative financial impact. Another important stress testing area is the performance of the asset disposal program. We are selling some of our assets to fund our development programme. So if we cannot sell properties at the right price, it will have a negative impact on our debt levels and ability to fund development programme. We also include scenarios such as no grants for development, an increase in development costs and house prices fall. An adverse economic and policy environment. Strategic governance failure." **CASE_ONE_5**

Thus, the predictability and security of the HA sector for investors is in part predicated upon the identification and management of any risk of a potential loan default, implicitly supported by RSH acting as a guarantor of risk-management processes. Yet HAs are encouraged not just to ensure that they can repay their loans, they are encouraged via RSH's VfM Standard to "ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives" (RSH, 2018a). Most interviewees agreed that central government's initial motivation for introducing the VfM Standard was related to cutting costs in a sector that the government saw as wasteful of public funds, as illustrated below:

"So, there have been periods when, bluntly, associations have been suspected of being fat and lazy. Of wasting resources. Of wasting money. Because quite a lot of that comes from the taxpayer, through benefits or through capital grant, of wasting taxpayer's money." **STAKEHOLDER_4**

RSH themselves had a more expansive interpretation of the VfM Standard. As the quote below explains, their interpretation is that's HAs should leverage their assets to achieve their strategic objectives as efficiently as possible:

"What we're trying to achieve by it is to try and get providers to think about how they do what they do. And make sure that they do do it as efficiently and effectively as possible. [...] I think this is about doing what you're doing to the greatest extent that you can. And that could be around, 'actually, we think that the optimum thing for our tenants is to say 2,500 units entirely based in these three local authorities because we know the area, we can keep

investing in that stock and we generate enough surplus to run off to, sort of, a flow of new housing, and so we will do more by that. And, actually, within our objectives, that's what we're intending to do." **STAKEHOLDER_4**

While RSH's requirement may be that optimal benefit is derived from resources and assets, they are agnostic as to what specific strategic objectives they are put towards. Nonetheless, there was unanimity amongst interviewees that pre-Grenfell the imperative from national government was to maximise new housing development, in service to resolving a housing crisis that was assumed to be a result of insufficient supply (see also Preece *et al.*, 2020b):

> "So [we were] very, very growth focused. Clear ambition that we wanted to solve the housing crisis. That we want to do it in London, but we're also happy to work with whoever it might be to enable them to do that." **STAKEHOLDER_18**

> "5 years ago everything was about development, now almost everything is about quality and customers and satisfaction and so on. And that's partly down to the Grenfell disaster. But these are big pendulums, and they swing don't they? And it's swung back." **STAKEHOLDER_1**

This was reinforced by RSH's VfM Standard metrics, which includes a metric for new supply delivered proportionate to the asset base. This contributed to a prevailing interpretation of VfM as 'sweating your assets', referring to practices of strategic asset management that could ensure the profitability of the asset base such that it could be leveraged to support maximal growth:

> "I think probably at the start of the [2010s], value for money was, maybe subconsciously, about using your assets and showing how much you'd used your capacity to grow. So there was a lot of really good metrics around, "we've borrowed this against our balance sheet, and we've maximised this, we've subsidised that." There's your value for money."
> **STAKEHOLDER_18**

A complementary practice that is expected by the Regulator is the strategic usage of NPV models to ensure the efficient use of assets. NPV models calculate the discounted cash flow on housing assets over a given time period, which in the HA sector is often 30 years. As mentioned in chapter two, calculating the NPV of a HA's stock has been commonplace at least since the period of widespread stock transfer (Pawson and Mullins, 2010), and an NPV model serves the business plan and risk management by ensuring that assets generate sufficient revenue to cover costs. But several interviewees explained how RSH was expanding the usage of NPVs in the sector in two ways. Firstly, regulation was central to the adoption of NPV models within organisations previously non-reliant

upon the technology, notably organisations expected to imminently cross the 1,000 home threshold and seeking to demonstrate their sound financial management to the proactive regulatory regime (see Disciple below, section 5.3.3.). Secondly, RSH was promoting the usage of NPV models as a tool for strategic asset management that could be used to improve the financial performance of the housing stock. NPV models can be used to identify which homes may be profitable and which are financially marginal, in turn serving as a tool to inform stock regeneration and asset disposals. RSH promotes the strategic usage of NPV models through the IDA process, and the regulation of the VfM Standard which promotes the most efficient use of assets. The quote below explains how some HAs are using NPV to consider disposing of assets that require substantial investment for retrofit:

> "When you get a hard-to-treat home it just means the costs are higher than the income, and so it doesn't make any sense to pay out those costs when you're just going to have a negative, quite significantly negative, Net Present Value. [...] It means it's too financially unviable to make them carbon neutral, so the most financially viable thing to do is to dispose of them." **STAKEHOLDER_2**

RSH has adopted a role akin to a credit ratings agency in that it smooths the flow of capital into the HA sector, providing a transparent and secure environment for investment. In doing so it has played a critical role in the assetisation of HA housing, embedding practices and tools that serve the twin goals of managing the risk of a potential default, and utilising the asset base strategically to achieve organisational objectives. Such practices include routine business plan stress-testing, usage of NPV models as strategic asset management tools, and the internalisation of financial VfM metrics. RSH also mobilises the sector's housing as an asset, projecting a narrative of sound financial management and secure revenue streams towards investors, ensuring the continued access of HAs to financial markets.

5.2.2. RSH as societal risk manager

Yet RSH is distinct from credit rating agencies in that it has responsibility for safeguarding social housing assets that provide a key social policy function in accommodating low-income households. As such, the breadth of RSH's economic regulatory purpose cannot be reduced singularly to the gateway constructor role, and one of the contributions of this chapter is to provide a fuller account of the multi-faceted role played by regulation in influencing HA practice than narrower conceptualisations (Aalbers, 2016; Goulding, 2018). RSH is Janus-faced in managing not just economic risk on behalf of investors, but also the societal risk that homes may be lost from the social housing sector via the liquidation of an HA.

The role of RSH has evolved alongside new emergent forms of capital such as equity finance. A for-profit backed equity investment explained how the RSH framework did not always suit their business model as they periodically shifted ownership of properties between different subsidiaries to insulate the pension fund from market risk, in some cases leading to them appear high-cost in regulatory returns such as VfM self-assessments. RSH had helped them work through how best to report their financial metrics. The investor summarised their relationship with RSH as ultimately reciprocal and mutually beneficial:

> “It's a journey that we and the Regulator are on together and we're still working through with each other, as I'm sure they are with other for-profits, how to get the best out of the regulatory structure around that.” **STAKEHOLDER_10**

But due to this societal risk-management function, RSH are not completely agnostic as to which investors they will evolve alongside to safeguard social housing assets. For investment appearing on a non-profit HA’s balance sheet and leveraged their asset base, RSH manages societal risk via the cyclical engagement and regulatory framework outlined above. And RSH has used intervention powers such as voluntary undertakings, regulatory downgrades, and appointing Board members to try and ensure that the smooth flow of finance into the sector does not put housing assets in jeopardy (Cuffe, 2022; Jessel, 2022; RSH, 2023e). For example, it has taken a firm view that the lease-based equity deals emerging in the exempt accommodation sector are exposing social housing to unsustainable risk, for example where revenue cannot keep pace with lease payments due to falls in occupancy or rises in management costs (see Prospect Housing Limited in chapter four). To respond to these risks RSH have been granted new powers, so-called ‘look through’ powers that allow it to scrutinise the sources of third-party investment in HAs to reduce some of the opacity in lease-based equity investment (Williams, 2020). However, it was the view of a small group of interviewees – primarily those with an active engagement in the equity investor sector – that RSH reacted slowly to lease-based scandal and still lacked the powers of intervention to manage this risk:

> “I think the danger is what we saw in the specialist supported housing sector. Very, very small, naïve housing associations that can become quite easily under the control of unscrupulous investors, and I think that’s where the danger to the sector remains.”
> **STAKEHOLDER_21**

Where the equity investor aims to establish a subsidiary for-profit HA, the process of registering as a ‘registered provider’ with RSH is used as a gateway to vet potential landlords. And the IDA process is being, in the words of RSH, “flexed” to try and ensure the financial position of the subsidiary for-

profit HA is not compromised by the institutional investor backing it, for instance by extracting excessive profit. One interviewee explained what they felt were the questions being raised for regulation in this context:

> "If you're a for-profit provider that is a fifth-tier subsidiary of an enormous insurance conglomerate, what does independence mean in that kind of context? What does effective governance look like in that kind of context, given that you're not going to do anything that the parent group doesn't want you to do? So, answering some of those questions is a challenge for us in a regulatory sense." **STAKEHOLDER_4**

Nevertheless, it was still felt by some interviewees that the ability of RSH to continue to play this societal risk-management role was contingent upon RSH developing new competencies to understand the strategies of equity investors:

> "I think it's been an enormous learning curve for the Regulator. And I think that even at today's date I still don't think they've got the right skillset to deal with the nature of the capital that's come into the sector. […] If I was on their Board I would ensure we are recruiting someone with an investment banking background to properly understand what's driving them." **STAKEHOLDER_21**

The role of RSH as a risk manager is, to summarise, Janus-faced. On the one hand they are acting as a gateway constructor that smooths the flow of finance into the sector. To do so they have a framework of periodic engagement with HAs that has helped embed practices such as stress-testing, financial ratings and VfM metrics to evaluate the financial performance of the sector, calculative tools for strategic asset management such as NPVs, and projected a narrative of financial strength towards investors that continues to mobilise the sector's housing as an asset. On the other hand, RSH has to manage the societal risk of housing being lost from the regulated sector, which it has historically done through its regulatory powers of intervention. Yet equity finance has introduced new challenges for RSH, and they are using the registration process to vet for-profits, whilst expanding their range of powers and asking new questions in IDAs. Questions continue to be asked, though, as to the efficacy of RSH in this role given that regulation has co-evolved alongside new forms of finance, and as a result RSH has been slow to identify societal risks in the past. The efficacy of RSH in managing poor performance is likely to become even more of a pressing issue as it reforms its consumer standards.

5.2.3. RSH as consumer watchdog within a polycentric regulatory environment

Despite consumer standards being regulated passively, RSH operated under a theoretical assumption that financialisation itself would help maintain high standards of decent housing in the sector (LUHCC, 2022). This assumption was premised on the notion that because HA housing was used as security, the societal objective of housing decency was ultimately aligned with the motivations of investors, as a failing and dilapidated asset could not be used as security. Moreover, staving off the risk of a loan default would drive improvements in HA governance – supported by RSH – which would have a positive effect on the service provided by landlords. As one interviewee explained:

> "We think that by creating a sector that is well-governed, and individual providers that are well-governed and well-managed, that improves the tenant experience and also increases the security of tenants. If you don't have well-governed, well-managed, viable landlords, you don't really have a hope of providing good services to tenants. […] I think that if the organisation is focused on its core purpose, and if that purpose is about providing social housing to those who need it, what flows from that in most occasions is a focus on the accommodation, a focus on the tenant, a desire to get repairs done, to maintain the stock appropriately. And that crosses over with investors are looking for, they want stock that is well-maintained, invested in, provides good security and generates a reliable revenue flow. So, there's a kind of win-win out of that relationship that benefits everybody."
> **STAKEHOLDER_4**

Whether this theoretical golden thread from financialisation to improved housing quality was realistic or not, in practice consumer regulations are currently being strengthened in response to the housing and service quality issues brought to light by Grenfell and high-profile cases of disrepair (see section 2.6.2.). As described above, this has been one of the drivers of what one interviewee referred to as a 'pendulum swing' back to investment in existing homes. Other drivers of this pendulum swing include reforms within the wider polycentric regulatory environment, such as the establishment of a Building Safety Regulator, the ongoing remediation of flammable cladding on high-rise buildings, and the overseeing of the SHDF by DESNZ.

As with the economic regulations, RSH claim that the reformed consumer regulations will be consistent with the co-regulatory principle:

> "What we're going to be focusing on is basically are you a good landlord? It's not complicated. We're not going to come up with screeds of hoops for you to jump through. It is

that, kind of, how do you know that you're doing well? Can you demonstrate to us that you are?" **STAKEHOLDER_4**

Likewise there was agreement in principle among interviewees that consumer regulation should be strengthened, with consensus among interviewees that from 2010 onwards *"regulation hasn't actually achieved a lot for the consumer"* (**STAKEHOLDER_21**). However, a small group of interviewees – mostly staff of large HAs – were sceptical that a rhetorical commitment to co-regulation would be honoured in the eventual regulation, in part due to the political expediency of being seen to take a hard line against social landlords:

> "Co-regulation should be on the basis of Boards are asking those questions, and residents are asking those questions and they get the outcomes that they want from it. If you are parachuting in everything, well actually, what is the point of co-regulation? Are you actually taking power away from it and putting power in a quango, the Regulator, rather than the residents on your board?" **STAKEHOLDER_18**

> "I am a fan of the co-regulation model. I am not, I am absolutely not, in favour of regulators telling housing associations what to do. [...] And if as a board we say, "I'm doing this because the regulator said so," then you're outsourcing ownership of your own decisions to a regulator who wasn't even part of making the decision. That makes no sense." **CASE_ONE_8**

But also because there was concern that regardless of RSH's stated intent, the poor design of some of the regulatory tools would produce unintended consequences that were contrary to co-regulatory principle. Specifically, there was concern a small group of interviewees that the TSMs would produce a target-meeting culture that would not drive genuine service improvement (see section 2.6.2.):

> "I think the TSMs are a throwback to 10 or 15 years ago at the time of the Housing Corporation. Not all of them, but some of them will usher back in a set of behaviours in registered providers which are not focused on helping the customer. The idea of setting targets for completion of repairs, ultimately, all that will drive is for registered providers and their repairs contractors to forcibly close down repairs at the point where they're about to go out of target and then reopen a new job." **STAKEHOLDER_10**

A further concern amongst some HAs was not just the content of eventual consumer regulation, but simply the length of time it had taken for the regulations to emerge. This was a complaint extended to other aspects of the emerging polycentric regulatory environment. Most notable was the protracted rollout of building and fire safety reforms, with some HAs complaining they had received significant public criticism but insufficient or inadequate governmental direction and funding:

> "The government has mismanaged the building safety issue. To get them to listen was so difficult, because they didn't want to hear it! In essence we pitched up to various meetings and said, "you do realise this is going to cost billions?" And they go "Oh, don't be ridiculous. You're exaggerating. You're always exaggerating." And they're trying now to introduce the notion of proportionality." **STAKEHOLDER_1**

> "We've also been vocal that it's taken government so long to get this; five years to get to a point where they're putting a regulation bill out is just lamentable. And so we said, we might not agree with everything in it, but it's great that it's finally out because let's get it done." **STAKEHOLDER_18**

This funding and regulatory uncertainty was compounded by issues relating to decarbonisation and the Decent Homes Standard, which aim to raise minimum standards in the sector for energy efficiency and housing quality, and necessitate significant investment in the stock as a result. The eventual goal of net zero carbon housing is relatively unambiguous, but interviewees argued the insufficiency of government funding has made the path to this destination highly uncertain, with the extensiveness of deep retrofit threatening to make HAs financially unviable. In addition, the ambition of a reformed Decent Homes Standard remains in question given it is intended to apply to the PRS, and could overlap with decarbonisation legislation.

Thus, the period from Grenfell until the passing of the Social Housing Regulation Bill in summer 2023 might be described as one of *regulatory limbo*. The substance of the RSH's role as consumer watchdog, alongside complementary interventions within the polycentric regulatory environment, was still emerging or was not yet matching the wider rhetorical shift towards improved standards. Amidst this regulatory uncertainty, the HAs interviewed were at least certain as to the existence of a new economic reality, namely that their housing assets need significant investment at a point in which they have substantial demands upon their resources and funding is scarce:

> "The existential issue for traditional HAs is the age of the stock. In the same way that local authorities in the late 80s, 90s and 00s sought to transfer to housing associations to deal with the legacy issues of ageing stock, we've now got HAs facing the same thing 20-30 years on." **STAKEHOLDER_22**

> "Seems to me like all of the big issues are in the asset management space. There's a wider cultural piece about the way organisations treat their tenants. Building safety. Net Zero. The government's intention to overhaul and renew the Decent Homes Standard. Long overdue. Then there's the backlog in repairs and maintenance as a result of the rent cut and

> pandemic. Now, each of the things are interlinked because they're all going to require money to do them. And alongside all of that, we're still in the midst of a housing supply crisis, and we haven't built enough homes." **STAKEHOLDER_5**

The previous focus on sweating the assets has given way to a prevailing narrative of 'safety first'. But in the absence of sufficient government subsidy, and as highlighted in the preceding chapter, there was unanimity among HA interviewees that this new economic and social reality is placing pressure upon their financial reserves and causing them to seek additional sources of funding. As one interviewee explained:

> "We're currently facing the most unprecedented cost pressures that I've never experienced in my time in housing. And how's it going to be financed? Right now it's coming out of a lower operating margin. We've got this theoretical target of a 35% operating margin. Our margin's going to be 16% this year, and our Board is fine with that because it doesn't make sense to target 35% right now. […] What everyone is searching for is this holy grail of off-balance sheet investment, and nobody's found it yet. […] There's also Environmental, Sustainability and Governance (ESG) investment. But that tends to be a very small discount in my experience." **STAKEHOLDER_1**

In the meantime, RSH is instructing HAs to amass in-depth knowledge of their stock and residents, and to begin to quantify the expected level and cost of the necessary improvements. But due to the scale of the investment required RSH is not currently requiring HAs to include all the costs associated with building safety and decarbonisation in their business plans, as this would "break everybody's business plan" (**CASE_ONE_7**).

RSH is starting to reacquaint itself with its role as consumer watchdog (Pawson, 2006: 781), expressed clearly in the eventual passage of the 2023 Social Housing Regulation Bill. RSH is doing so alongside changes in the broader polycentric regulatory environment relating to building safety, decarbonisation and the Decent Homes Standard. Therefore, HAs are faced with a fundamental economic question of how to fund the investment that is required in new and existing social housing. But HAs are also situated within their own historical and spatial contexts, with idiosyncratic commitments to particular tenant groups, ongoing services, and local authorities. In addition, they continue to navigate the legacy of their past interactions with other regulatory bodies e.g. Ombudsman, GLA, Homes England, G15, financial institutions. Within these contexts they are afforded different opportunities and constraints as they attempt to address this fundamental economic question. In the next section I consider how the push and pull between these regulatory

and economic factors is influencing the treatment of HA housing in organisations that operate within contrasting contexts.

5.3. Asset management strategies and polycentric regulation in different contexts

5.3.1. Ambition Housing: sweating the assets for growth

Prior to the pendulum swing back to investment in existing housing, Ambition was prototypical of the strategic asset management approach discussed in the financialisation literature and prevailing public discourse. Ambition was the outcome of the merging of two organisations, who had combined their asset bases to expedite growth and become a major player in land-led development. The merged organisation was a group structure consisting of three organisations with separate boards, as the merged organisation also established a property development subsidiary company.

Whilst focused on new supply, organisational resources were sometimes diverted towards development at the expense of major repairs, and this issue was compounded by the rent cut and a common focus on reducing costs to improve the profitability of individual assets. However, planned maintenance programmes were not cut completely, instead they were given less priority relative to development and lacked an overarching strategy relating to housing condition:

> "We had this growth plan at merger, and the missing piece of the puzzle was having an asset strategy. But things have changed over time and made it that now the investment in existing homes, the focus is very much on that. And newbuild is almost becoming, you know, second where it was the other way round when I joined the organisation." **CASE_ONE_4**

Ambition was already successful in using their significant asset base as security for borrowing, but determined that the missing piece of the asset management puzzle was to support growth by further leveraging their housing assets in two key respects: stock rationalisation and regeneration. Stock rationalisation was justified primarily on the basis that they could provide a better service to tenants within a more concentrated space. And that they strategically sought to grow in locations where there was forecasted need for an increase in affordable housing supply, notably in London and the surrounding commuter belt, the M1 corridor, and large North-Western and South-Western cities. In all other areas they would seek to sell properties to another social landlord. Yet they acknowledged that the drivers of stock rationalisation were also economic. As argued in section 2.6.2., one the aspects of the post-2010 era of HA financialisation that distinguishes it from previous era of HA governance are practices that value social housing closer to market value than use value for tenant occupation (e.g. affordable rent conversions, asset disposals). The quote below illustrates this through the existence of a "premium" for stock disposals:

> "There's quite a competitive second-hand market for stock transfers of social housing. And that's because the cost of building new social housing is so great compared to the transfer value. So people are willing to pay more. So, you get quite a significant premium, a sort of balance sheet value of social housing through a transfer" **CASE_ONE_4**

The stock rationalisation strategy involved an attempt to align their assumed social purpose – which was conflated with growth pre-pendulum swing – with the economic opportunities afforded by particular spatial contexts. In focusing on areas of increasing housing need, Ambition sought to utilise the demand this would generate as a foundation for growth, and to allow for the spaces left behind to be "catered for by another market" (**CASE_ONE_4**).

Alongside the strategic importance of where homes were located, Ambition also used the NPV and management costs of housing to inform their investment decisions. But rather than dispose of financially unviable assets on the open market, Ambition had a default preference for mobilising the underlying land asset into mixed-tenure developments via densification and regeneration. The decision-making process for determining a viable regeneration project combined an interactive mix of different factors:

> "It's partly about local politics. It's partly how strategically important is the site to us? Then there's the financial question, which is, what's the build cost? What's the sales values? What's the scope for densification? [*I have a project that*] only works, for example, because we are heavily cross-subsidising it with units for sale." **CASE_ONE_1**

The focus on using their assets to support growth had reputational consequences for Ambition within the polycentric regulatory environment. Their nationwide footprint and growth ambitions enabled them to become a Strategic Partner with Homes England, which is a scheme whereby HAs can receive long-term capital grant funding tied to their programme as a whole, rather than tied to individual schemes, which grants them more autonomy and certainty (Milcheva, 2020). However, their reputation was affected among regionally based stakeholders; a regional funder explained their organisation had an "ambiguous and ambivalent" relationship with larger HAs such as Ambition. The stakeholder explained this was partly because large HAs had become "aspatial", operating across multiple local authorities and regions with weaker ties to particular communities. By contrast, this interviewee felt HAs sometimes made decisions that were more self-oriented than local authority partners:

> "Councils recognise that, even if a home is going to lose £100,000 over a 40 year horizon, if it provides additional social housing nominations from the top of their housing register, and

> that family is a high-needs family that the council is subsidising to live in temporary accommodation with terrible social and economic outcomes for the family, actually the council has a stronger financial incentive and moral duty to their citizens to take a hit on the housing scheme, in a way that, unfortunately, I don't think housing associations hold themselves accountable to those wider factors." **STAKEHOLDER_3**

Ambition's reputation was to be damaged on the national stage following a case of disrepair on an estate earmarked for demolition and regeneration. The regeneration encountered significant delays and funding issues, contributing to the dilapidation of the homes where many residents remained in situ (see chapter six for more detail). Ambition received considerable adverse media attention and admonishment from the Housing Ombudsman. Multiple interviewees referred to a prevailing sense that Ambition had taken their "eye off the ball" in relation to their existing homes by focusing purely on growth.

5.3.2. Ambition responding to the pendulum swing: long-term asset performance

In accordance with a wider shift in the sector towards investment in existing homes due to building safety and decarbonisation, Ambition has reassessed its asset management strategy in recent years, and this shift has been expedited by notable disrepair cases. Indeed, the organisation has become seen as moving early and fast in relation to building safety, decarbonisation and housing decency. This shift has been in part facilitated by the substantial resources available to the organisation due to their size. And their size has also afforded them the opportunity to try and influence the direction and content of regulation during the period of regulatory limbo described above. In relation to building safety, Ambition has been working with government to start developing the Building Safety Cases recommended in the Hackitt Review (2018):

> "[Our portfolio of building safety cases has] been backwards and forwards to government, DLUHC, Health and Safety Executive. And it's incrementally improving every time. We've got about another 15 [building safety cases] that we've finished, not approved. But we're kind of working with government so we know what their expectations are, and the Health and Safety Executive as well. So, when the Building Safety Bill mandates these Building Safety Cases, we're kind of there and they're ready to be signed off by the new Regulator."
> **CASE_ONE_2**

The same interviewee prided themselves on working for an organisation that they saw as being ahead of the sector in implementing new technologies such as 3D modelling of high-rise buildings. And they explained that Ambition had actually, in their opinion, moved so fast during the period of

regulatory limbo that they had suffered the sunk costs of implementing the recruitment of Building Safety Managers, which the government later abandoned as a policy commitment.

On decarbonisation, Ambition has been involved in demonstrator projects for deep retrofit in partnership with DESNZ. And they have used this work as a launchpad for investment in research and development (R&D) that could help replace Energy Performance Certificates (EPC) as a measure of energy efficiency , which they described as a "blunt instrument" (**CASE_ONE_7**):

> "Our asset strategy includes looking at the energy efficiency of our homes and how we get all of our homes to what we would define as net carbon zero for existing homes. Which is an undefined metric actually. Something we're trying to help define through R&D is what is net zero carbon?" **CASE_ONE_4**

Ambition is now aiming to go beyond strict compliance in relation to Decent Homes. They have defined an internal standard of asset condition, and this is informed by long-term expectations as to the nature of regulations and living standards in twenty years. They no longer install new gas-powered heating systems, and have set out investment plans for the improvement and greening of communal spaces on their estates. The quote below illustrates the expansive approach to decency they have taken:

> "Decent Homes standard doesn't necessarily mean a home is decent to live in. And I know that sounds ridiculous, but it's true. And actually there are instances in our return where we've said, and explicitly told the regulator, we are compliant with Decent Homes, or the technical aspect of Decent Homes, but we have still taken active interventions for our customers." **CASE_ONE_7**

Despite this shift in emphasis, at the core of this strategy the status of housing as asset remains intact. Rather the shift in emphasis is away from what Ambition determined to be the short-termism of a pure focus on growth, instead using their housing as a source of patient capital and long-term revenue. There was relative consensus among Ambition's employees around the consolidation of a long-term perspective to asset management (although some employees perceived more tension in the organisation, see section 6.3.1.):

> "So we wouldn't do things for short-term gain just to boost short-term development supply. So, we try to build a sustainable business plan." **CASE_ONE_4**

This has necessitated Ambition adopt a strategy that considers what a profitable asset will look like in twenty years, as well as being more risk averse in terms of their business planning and financing

strategy. For instance, Ambition abandoned plans to enter the Build to Rent sector, and has thus far been reluctant to engage with equity investment, arguing that it is more important to retain the long-term revenue tied up in existing assets. They have reigned in their growth ambitions, reducing the size of their development programme. And placed greater emphasis on developing shared-ownership and affordable rent instead of private sale, which is seen as a de-risking strategy during a period of slowdown in the private housing market.

To help finance their asset management plans Ambition has become a sector leader in an emerging market for ESG investment. Ambition has mobilised narratives and metrics regarding the social value of their business model to borrow at a discounted rate, raising over £1billion in finance tied to achievement of their ESG targets over a four-year period. Their marketing brochures for potential investors promote their credentials as a sustainable house builder. Furthermore, figures reported in the brochures attempt to quantify the social value of their community investment programmes, providing figures for the number of jobs created for residents, money advice provided to tenants, and financial hardship grants allocated to households. Paralleling their proactive role in providing R&D for net zero regulation, Ambition played a key role in developing a sectoral standard for ESG reporting, and as such have acted as a market maker in social housing ESG investment.

The unsettling of the debt-led model has therefore led to some change in Ambition's asset management strategy, but their relative financial strength has also allowed for some continuity. Key components of their pre-Grenfell strategy remain in place e.g. stock rationalisation, regeneration and densification. But the asset base is increasingly being leveraged for investment in existing housing, rather than new supply. And although the asset management strategy is nominally more long-term in its ambitions, it is still reliant upon private finance for the achievement of its objectives, including a nascent industry in ESG investment.

5.3.3. Disciple: using their assets to operate in the cracks

As detailed in the preceding chapter, due to their size and tenure mix, Disciple make a proportionately smaller organisational surplus than Ambition. And by consequence they have less borrowing capacity, are less competitive in the development market, and have a smaller pot of financial reserves to release for major repairs. In this context, Disciple described their asset management and organisational strategy as: "operating in the cracks between what the larger associations do" (**CASE_TWO_1**).

Disciple mostly provide a mixture of general needs housing and supported housing, including accommodation for prison leavers, people recovering from substance abuse, and a growing specialism in sites for Traveller households. The supported housing is ultimately "what defines us as

an organisation" (**CASE_TWO_1**). Disciple have a small amount of commercial cross-subsidy from a student accommodation block, but refer to general needs as their primary source of cross-subsidy:

> "Because we've got this general needs asset base, that gives us the strength to borrow the money to provide the other things that we do." **CASE_TWO_1**

The housing stock of Disciple is more geographically concentrated than that of Ambition. But the provision of specialist supported accommodation affords Disciple significant amounts of political capital in their core local authorities. Indeed, the provision of Traveller sites in one local authority became a unique selling point that generated demand in adjacent authorities. Therefore, what was first seen as "niche provision" has since become an organisational selling point: "we've built our reputation up, so we have local authorities coming to us*"* (**CASE_TWO_2**). Nonetheless, Traveller sites were also justified on the basis of their financial viability:

> "Traveller sites provide a good financial contribution. And people tend to stay a long time, we don't tend to have voids. Obviously, it's really good for us." **CASE_TWO_2**

Disciple still has growth ambitions, but they are proportionately smaller than Ambition's, with a stated aim of growing by sixteen properties per year. They have recruited development staff from the commercial sector to help meet these ambitions. However, due to their financial constraints they are less able to pursue a land-led development strategy, instead seeking to use S106 as a source of new supply:

> "I think we've come to a view that we want to keep the balance of the organisation as it is, that we would increase our general needs stock by Section 106 and we'll build our supported housing stock by new development." **CASE_TWO_1**

This moderate growth plan was expected to take Disciple over the 1,000 home threshold for proactive RSH regulation in the next two to three years. In preparation they had conducted mock-IDAs with the aid of a consultancy. And they were producing an NPV model out of their ongoing stock condition survey which would inform their asset management strategy (**CASE_TWO_4**).

This high-level summary of Disciple's asset management strategy suggests they are a quintessential example of the smaller organisations considered in Raco *et al.*, organisations that adopt "a strategy of minimal growth and maximum efficient use of their rental and property assets, which is dictated by the number of units they are able to obtain from value-capture agreements" (2023: 15). This much would seem uncontroversial, and Raco *et al.* are correct to point out that the literature tends to focus on the experience of a small subset of large landlords. However, as mentioned in chapter

three, Raco *et al.* take this as evidence that polycentric regulation allows HAs to choose how financialised to be. As I argued in the preceding chapter, the path-dependency of institutional context is constitutive of distinct financialisation*s*. And there are important strategic similarities between Disciple and Ambition in terms of how they treat their housing that suggest Raco *et al.*'s conclusion exaggerates the degree of autonomy enjoyed by HAs. Most pertinently, both Ambition and Disciple are leveraging their housing assets to access capital for reinvestment in new and existing homes. In addition, they are adopting entrepreneurial practices that seek to manage risk and maximise the return on their resources to pursue their strategic objectives (of which growth is but one pursuit). Therefore, my argument is subtly different to Raco *et al.*; I argue that we should not avoid extending the labels of 'entrepreneurial' or 'financialised' to small HAs. Instead the diversity of asset management strategies across the sector necessitates a consideration of how they are embroiled in financialisation in qualitatively different ways, and how financialisation is variegated as a corollary.

Rhetorically, Disciple had internalised the broader narrative of the home as asset that could be used to support organisational objectives, as exemplified by the quote below:

> "So, my mindset is very much about being very active around the asset in terms of management. So, at the moment, we're looking at swapping our stock in [*midlands based English city*] for stock in our core area. [...] We're also looking at – as I mentioned before – which of our assets are poorly performing, or might be difficult in terms of decarbonisation, like those Victorian properties. We could sell the property. [...] So, we're looking at a range of approaches to our asset to get us in a position where our asset is working for us rather than living off us in a way that's not sustainable." **CASE_TWO_1**

The quote above illustrates both a difference and a similarity between Disciple and Ambition. Disciple differed from Ambition in that their comparatively smaller development capacity meant they were unable to pursue estate regeneration for failing assets. Instead Disciple is considering selling properties where it was uneconomical to bring them to future energy efficiency standards. However, Ambition is similar to Disciple in engaging in a process of stock rationalisation. They were disposing of their homes located in Wales, as well as properties in English local authorities where they owned only a handful of homes. In direct contrast to the strong relationship with stakeholders they enjoyed in their core authorities, Disciple suffered very little political backlash from disposing of properties in their more peripheral locations, explaining that in large cities where they have only a handful of properties, the local authority "don't even really know that we exist" (**CASE_TWO_1**). In this sense, Disciple shared strategic similarities with Ambition in trading off the strategic and financial value of

their assets in different contexts. Yet where Ambition was concerned with producing a footprint that could be mobilised to support development in areas of growing demand, Disciple was seeking to fill the cracks and gaps in a set of spaces where they had significant political capital. Therefore, the principal difference between these HAs was less the strategic treatment of their homes, which shared a preoccupation with having the asset base help the organisation meet its strategic objectives, and more the scale of the impact due to the size of the portfolios being traded.

During periods of economic uncertainty, Disciple engaged in a strategy of 'de-risking' their development plans that may be seen as the mirror image of Ambition. The destination for both de-risking strategies was a shift in emphasis towards shared ownership, but the starting points were from different poles of the tenure system. Where Ambition shifted private sale into shared ownership, Disciple sought to use the capital receipt from shared ownership as a mitigation for revenue risk on rented accommodation. The common denominator is the framing of affordable housing provision as a hedge against risk rather than a social policy intervention:

> "So, if interest rates go up higher than we think, what have we got? We've got fixed loans that will cut that risk down. We've got a development programme. We can't stop developing because that helps us in future years with revenue, and shared ownership sales help us. But it's, what are we developing? What are we doing? What are we spending our money on? Do we cut down on general needs and look at more shared owners?" **CASE_TWO_2**

Consequently, my argument turns on the *strategic* similarities between Cases A and B. The specific content of their strategies may differ, informed by their contrasting business models (e.g. organisational size, tenure), but at the core they share an entrepreneurial strategy that treats housing as an asset. A striking example of how strategic similarities produced contrasting outcomes due to the constitutive role of each organisation's business model is in relation to major repairs. Similar to Ambition, a focus on growth had contributed to Disciple diverting funds away from investment in existing homes. But as was highlighted in the preceding chapter, their tighter margins and financial capacity created a sharper trade-off between these organisational goals than for larger HAs such as Ambition. As such, for most of the 2010s Disciple had decided to cease investing in planned maintenance. Describing the rationale for the decision, an interviewee explained:

> "The problem is that development is very sexy. Replacing a really old toilet that's in poor condition in an existing property, that isn't going to be opened by the mayor or someone important, doesn't attract the same sort of media attention." **CASE_TWO_1**

5.3.4. Disciple responding to the pendulum swing: ensuring compliance whilst finding disparate funding sources

Disciple's planned maintenance programme has since been reinstated with the recruitment of a new CEO. As with much of the HA sector, this has coincided with an increased emphasis on issues of building safety, decarbonisation and energy efficiency. In contrast to Ambition, Disciple is focused less on proactively shaping the emergent funding and regulatory environment, and more on monitoring its weakening financial position and the reform of consumer standards. As one interviewee said in relation to the TSMs, "we're probably keeping about three eyes on it" (**CASE_TWO_1**).

Regardless of the content of the eventual regulations, Disciple's approach is focused more narrowly on ensuring compliance. As they explain in relation to their planned maintenance programme:

> "Obviously Decent Homes is a real key reason for reinstating our planned maintenance programme. And Health and safety, just make sure our homes are safe. But we know from our compliance that our homes, from a gas, electric and everything else, are compliant. So, it's just picking up those individual small issues." **CASE_TWO_4**

Ensuring compliance with Decent Homes and building safety regulation meant that they too were building in-depth knowledge of their housing stock, but due to the size of the organisation this was held predominantly in people knowledge rather than new technologies. The CEO and Head of Asset Management had visited each of the homes that required work to remove cladding post-Grenfell, and an interviewee commented:

> "It's given me more assurance because I can sit down with the head of our asset and talk about each of our flats. So, because we've got quite a small portfolio it's easier to do that." **CASE_TWO_1**

Thus, Disciple were relatively sanguine about the reform of RSH's consumer regulation standards. Following the reinstatement of their planned maintenance programme and identification of properties that required fire safety work, they expected to be compliant:

> "I welcome the TSMs. We're quite open about it because we're very open about our performance and we carry out all of those anyway, even though we're under the thousand units in size. But I was really pleased when I saw the list because I was thinking, well, we did it all anyway. Although if that had come through prior to my arrival, our compliance wouldn't have met those requirements." **CASE_TWO_4**

This preoccupation with compliance extended to retrofit, where Ambition did not publicly question the utility of EPC as a measure of decarbonisation. Instead they were more concerned with finding disparate sources of funding to improve their EPCs within their financial constraints, which resulted in a more short-term approach than Ambition. For example, they had identified a set of Victorian-era properties that would be hard to retrofit, and had subsequently earmarked them for disposal. And they were utilising Energy Company Obligation (ECO) funding to install central heating systems that they knew would not be compliant with long-term energy efficiency standards:

> “The advantage of the ECO 4 funding is that we don't have to contribute anything to that. And we can also fit gas into properties that we've never had gas before. Which obviously goes against the government focus of decarbonisation. But the best way of changing an EPC dramatically, to improve it, would be by fitting gas heating because of the way the SAP is worked out. As you probably know, it's all based on energy use. And until that changes, that's where we are.” **CASE_TWO_4**

The necessity of utilising any public funding available has been underlined by changes in Disciple’s financial position, which have been in part caused by building safety and decarbonisation. The associated rise in major repairs expenditure has led to a reduction in their interest cover, putting pressure on their loan covenants. And the sector’s current challenges in accessing cheap finance have affected Disciple’s borrowing capacity. Recently, lenders decided to refuse to take three of Disciple’s medium rise buildings with fire safety issues as security for borrowing. The loss in capacity is somewhat offset by increased property values across the portfolio, and the decision to refuse such properties as security is a sectoral issue. But the effect on Disciple is particularly pronounced as their size compared to Ambition means they do not have many alternative properties available to use as security.

Consequently, Disciple are also considering new forms of equity finance to release funds for growth and property investment, although their approach in this area should not be seen as purely short-term focused given that they have been discerning in selecting an investment partner:

> “I’ve been approached quite a lot, by REITs and other organisations. The thing is that they often talk quite a good fight when they come on the Zoom and chat to you. But very often they haven’t got any land, or they haven’t got any properties. And what we’ve always said is that we’ll look at any of those sort of lease schemes, but it would have to work financially for us.” **CASE_TWO_1**

As the sectoral focus has shifted towards existing housing investment, Disciple's asset management strategy has been characterised by greater continuity than Ambition. This continuity is arguably due to a combination of factors, including less necessity and external impetus for change due to a lack of notable disrepair cases, and less opportunity to leverage their size and financial position to become a forerunner in adoption of new regulations, technologies and financial instruments. In response to the fundamental economic question of greater demands upon their resources at a time when borrowing is becoming more expensive, the strategy of Disciple has been to aim for a minimal standard of compliance while exploring a range of public and private funding sources. Moreover, some of these funding sources provide only a short-term solution, including disposals of hard-to-treat properties and ECO funded gas boilers.

5.4. Conclusion

In this chapter I have made three key arguments regarding the question of how the assetisation of HA housing has interacted with the dynamic post-2010 polycentric regulatory environment. The first argument is that RSH has taken on a gateway constructor role, akin to a credit ratings agency, by smoothing the flow of capital into the sector (Smyth *et al.*, 2020). By consequence, RSH has helped institutionalise the treatment of RSH housing as an asset by embedding metrics for evaluating financial performance, practices of risk-management, calculations for asset valuation, and the strategic principle of leveraging the housing stock to achieve organisational objectives (ibid.). The role of RSH within the regulatory environment, therefore, can be seen as co-evolving alongside finance. But three characteristics make the RSH's gateway constructor role distinct from that of a CRA. Firstly, the combination of HAs receiving significant amounts of public subsidy with a co-regulatory principle means RSH are not agnostic as to how HAs utilise their financial investment. Rather they are instructive that the investment should be used to optimise the delivery of HA strategic ambitions. RSH does not mandate that a HA's strategic ambition should be growth, but for most HAs this was the predominant strategy pre-Grenfell (Manzi and Morrison, 2018; Preece *et al.*, 2020b). Secondly, RSH are also not agnostic as to what forms of investment into the HA sector they will evolve alongside. To try and safeguard housing assets from being lost from the regulated sector, RSH seeks to manage unsustainable risk through its regulatory judgements and vetting of landlords applying for regulatory registration. The emergence of equity investment has made this role more challenging, raising questions as to whether they have the powers and skillset to manage the associated risks, especially given the fallout of the lease-based supported housing scandal (Raisbeck, 2019; Wijburg and Waldron, 2020). Thirdly, RSH combines their economic regulatory role with a role as consumer watchdog. This latter role has emerged (or more accurately, re-emerged), alongside broader changes in the polycentric regulatory environment aiming to improve the quality and energy

efficiency of social housing. At this point, the eventual outcomes of this shift for residents remain unknown. But for landlords it has affirmed that significant investment is needed in their housing stock at a time when there are competing demands upon resources and the cost of borrowing is increasing.

The second key argument is that even though a range of asset management practices have evolved post-2010, these approaches at their core share a strategic element in treating their housing as an asset (Birch, 2017; Braun, 2020). Contrasting strategies have emerged from the interaction of a polycentric regulatory environment with the path-dependent organisational characteristics highlighted in the preceding chapter e.g. organisational size, tenure mix, growth ambitions. Similarly, the strategic objectives that assetisation is in service to meeting will vary between HAs and over time. Empirically I have contrasted the treatment of housing between two case studies that may be seen as illustrative of the *large multi-tenure provider* and *smaller providers with low margins* clusters identified previously. Pre-Grenfell, Ambition was preoccupied with sweating their assets to pursue growth, leveraging their organisational size to engage in processes of stock rationalisation and estate regeneration. They focused predominantly on relationships with lenders and national agencies such Homes England, while their relationship with regional stakeholders was affected in certain instances, and cases of disrepair raised questions as to whether their focus on growth had compromised the quality of service (see chapter six; Baker *et al*., 2022). Disciple have developed a strategy of 'filling the cracks' left by other providers in local authorities where they have significant political capital, largely maintaining this strategy post-Grenfell.

However, both cases share an internalisation of the narrative of housing as asset and a range of strategies that seek to manage risk and maximise the return on their assets (Goulding, 2018; Ward, 2019). Such strategies include the usage of cross-subsidy and stock rationalisation to continue delivering on their objectives, a de-prioritisation of the maintenance of their existing assets to release funds for growth pre-Grenfell, and a shift towards intermediate tenures such as shared ownership during periods of economic uncertainty as a 'de-risking' strategy. This evidence extends one of the key arguments of the preceding chapter, that smaller providers should not be seen as 'less' financialised or choosing "how financialised to be" (Raco *et al.*, 2023: 4). A polycentric regulatory environment does indeed allow for diverse strategies, and for HAs to make organisational choices, but these choices are not autonomous from financialisation. Rather HA institutional contexts are constitutive of qualitatively distinct financialisation*s*. The evidence in this chapter builds upon that of chapter four to suggest that case study HAs share a common strategic focus on leveraging their housing stock as an asset portfolio to fund investment and access capital, although how this manifests is conditioned by HA institutional, spatial and temporal contexts (Goulding *et al*.,

2023). The comparative differences in borrowing capacity between case study HAs is a critical constraint that pushes HAs towards having to adopt different strategies to access capital, whereas the opportunities afforded by their regulatory environment are a critical factor in pulling them towards distinct approaches.

The third and final key argument is that the 'pendulum swing' back to a concern with investment in existing assets is affecting the treatment of housing, but has not led to a "new era of retrenchment" for financialisation and assetisation (Raco *et al.*, 2023: 3). The protracted reform of RSH's consumer standards and regulatory powers influenced post-Grenfell asset management strategies, but the policy limbo HAs have existed within for the past half decade created an ambiguous regulatory environment. HA responses to this regulatory ambiguity remain conditioned by the contrasting opportunities and constraints afforded by their business models. For Ambition, they are leveraging their significant asset base, and the legacy of their continuous (albeit fluctuating) investment in planned maintenance, to take an active approach to improving housing quality. They are acting as an early adopter of new building safety and energy efficiency technologies, investing in R&D alongside DESNZ, and aiming for an internally defined asset condition that is above the minimal Decent Homes Standard. This shift in emphasis has in part been triggered by the external pressure of adverse media attention and interventions from the Ombudsman in relation to disrepair, which has also led to a more long-term approach to investment decisions (Baker *et al*., 2022). By contrast, Disciple are using their smaller size, and the lack of scrutiny they have received compared to larger HAs, to develop in-depth knowledge of their stock, reanimate their previously defunct planned maintenance programme, and adopt a wait and see approach that is more narrowly focused on regulatory compliance. They are also exploring new forms of equity finance, but have been cautious in choosing a suitable investment partner.

Investments in existing housing stock may ultimately have positive consequences for the occupiers of improved homes, although whether critical issues such as decarbonisation will be achieved with the requisite urgency given the delays caused by the inaccessibility of private finance remains in doubt (Savills, 2021). Nevertheless, the need to invest significant amounts in existing homes is fundamentally an issue of economics for HAs in the absence of sufficient government funding, especially in a period of macro-economic uncertainty and higher interest rates (ibid.). A concern with housing quality and an increase in the cost of borrowing often exacerbates, rather than resolves, the HA sector's economic challenges. This is especially the case as their previous access to cheap borrowing was somewhat predicated on low maintenance expenditure (see chapters four and six). The constraining effect this is having for some HAs is demonstrated clearly by the refusal of lenders

to accept buildings with fire safety issues as security in Disciple. The status of housing as asset has not, therefore, been existentially unsettled.

Building on some of the insights of the preceding chapter, responding to this new economic reality has catalysed asset management strategies that remain congruent with the notion of variegated HA financialisation, including equity finance, ESG investment, and disposals of properties that are hard to retrofit. These nascent strategies suggest that financialisation continues to evolve and transform in response to emerging political-economic circumstance. One of the emerging characteristics of HA financialisation in recent years has been the mobilisation of narratives related to the sector's 'social purpose' as an asset in itself (Ward and Swyngedouw, 2018). These narratives are conjoined to accounting practices attempting to quantify the social value delivered by HAs, in order to grow the ESG investment market. However, the essential difference between the emerging model of HA financialisation and the preceding debt-led-growth-focused model is that finance and assetisation are being utilised for investments that are seen as non-negotiable i.e. building safety and decarbonisation. A polycentric regulatory environment may allow for HAs to make a diverse set of choices (Raco *et al*., 2023). But given the scale of investment required in HA housing threatens "breaking" their business plans, none of the available choices appears to provide an easy answer to the HA sector's current challenges.

6. Financialisation, assetisation and pathways to disrepair

6.1. Introduction

This chapter is the first of two chapters addressing Objective 3, to explore and evaluate the role of financialisation and assetisation for the supply of decent housing. This chapter is specifically concerned with the question of housing quality and disrepair, and answers Question 3a: *what role, if any, did financialisation and assetisation play in recent cases of disrepair in the HA sector?* To do so, it draws upon the qualitative strand of the thesis. I use the qualitative interviews and documentary analysis to outline several trends in HA funding and governance that provided contextual factors making disrepair more probable, and subsequently explore how those factors played out in two case studies. The case studies are taken from two of the clusters identified in chapter four: Ambition, an example of a *large multi-tenure provider*; and IDS, a *smaller provider with low margins*. Furthermore, I introduce the concept of *path dependency* to explain how different trends in HA governance and funding mutually reinforced one another to channel investment away from the homes that became subject to disrepair (Pierson, 2004).

There is a puzzle inherent to the issue of financialisation's role in disrepair. As set out in the preceding chapter, there was an assumption by RSH that financialisation would naturally drive high standards across the HA sector because it would necessitate good governance. Moreover, there would be a natural alignment between the interests of investors, landlords and residents as properties are being used as security for investment. However, as discussed in the Introduction, there is an ongoing public discussion regarding standards of service in the HA sector, prompted by cases of sometimes fatal damp and mould, resulting in a Select Committee Inquiry into sector regulation that concluded in certain parts of the sector there is a systematic issue poor maintenance (LUHCC, 2022). This chapter will show that although in theory the usage of housing as security should support improved standards, in practice financialisation and assetisation interacted with changes in HA governance to channel investment away from certain homes. Such changes in governance include passive consumer regulation, and the importation of commercial practices, structures and actors to deliver growth. The homes often subject to disinvestment were those where the expenditure was viewed as a poor investment and more profitably used elsewhere, either for new supply or building safety. In addition, in the case of IDS, the cost of their interest payments and restrictiveness of their loan covenants contributed to a trade-off between financial viability and housing decency.

To make this argument, this chapter builds upon the evidence of the preceding chapters. Where chapter five substantiated the pervasiveness of private finance into HA business models, and chapter

six explored the process of assetisation underpinning the flow of private finance, the contribution of this chapter is to bring financialisation into the ongoing conversation revolving around disrepair in the HA sector. It shows that the variegated financialisation of HAs, and resultant asset management strategies, provided a lens through which HAs filtered their investment decisions. Supported by significant private capital, Ambition sought to maximise the long-term return on their investment, and maintenance of existing properties was deprioritised relative to the future assets set to replace them, contributing to a case of managed decline. In Evelyn Court, the restrictiveness of IDS' loan covenants and intention to maintain the highest levels of financial viability contributed to a condition of artificial scarcity, and planned maintenance was deprioritised relative to development and building safety. In sum, the growth of private finance, and structural transformation of HAs, was an important factor in shaping their distinct pathways to disrepair.

6.1.1. Path dependency

Prior to exploring the empirical findings, I briefly introduce the concept of path dependency (Pierson, 2004), which will help conceptualise how trends in HA governance interact with one another and pathways to disrepair occur.

Path dependency is a concept emanating from the new institutionalist literature in political science, specifically the historical institutionalist movement that emphasises that current practices are often contingent upon the influence of past events and decisions (Cairney, 2012: 76-78). Path dependence captures the notion that once a path has been established, it becomes more costly to adopt alternatives because the institutions, practices and interests associated with the existing path become a source of inertia (ibid.).

I will make use of path dependency in two respects. The first is the notion of *positive feedback* which describes how sets of explanatory processes – processes that may emerge and coincide during a particularly important critical juncture – mutually reinforce one another over time to shape the trajectory of institutions and practices (Pierson, 2004: 10-12). I will use this notion to argue that in a critical juncture following the GFC and 2010 election, financialisation emerged alongside and underwent positive feedback with passive consumer regulation and a preoccupation with organisational growth to allow for disrepair to proliferate.

The second aspect of Pierson's interpretation of path dependency is that the long-term effects of institutional choices should be seen as "the *by-products* of social processes rather than embodying the goals of social actors" (ibid.: 15). Pierson argues against what he calls 'actor-based functionalist' accounts, which suggest that institutions and practices adopt their form because of the strategic, rational design of powerful actors seeking to produce a specific outcome. The issue with such

accounts is that they exaggerate the degree of control actors have over highly uncertain events, and underestimate the time-lag between actions and long-term consequences (ibid.). This does not deny that actors will have interests in how institutions are designed, the issue is rather the extent of control and coherency at play. And so Pierson encourages us to focus on the contingency of events, and the channelling of processes over the long-term. I will use this interpretation to consider how we can understand the role of financialisation and assetisation in contributing to estate decline without using these concepts as an all-encompassing and inevitable explanation for disrepair.

6.2. Finance, assetisation and governance: the mutually reinforcing contextual factors for disrepair

6.2.1. Relationship to finance and their assets

As outlined in the preceding chapters, the financialisation of HAs is variegated, with HAs having contrasting relationships with finance that in turn shapes their strategies for investment and asset management. To avoid repetition, here I focus on three key parameters in the relationship between HAs and their assets that are salient for the two cases of disrepair. The key parameters are a) the ability of a HA to access capital. This influences b) the degree of the fluctuation between different HA investment priorities. And also c) the extent of constructive influence HAs can have over their existing assets, for example whether they can regenerate entire estates, or simply repair and replace singular components (e.g. kitchens, windows etc.).

For *larger multi tenure providers* the cost of borrowing has fluctuated over time, and some providers have had to explore new forms of investment such as equity and ESG as a result. But there was consensus among interviewees that larger landlords would remain able to maintain access to capital due to their size and significant revenue streams. As one CEO of a *large multi-tenure provider* explained, this subset of landlords remains a viable destination for finance, if not quite the unimpeachable investment it was once assumed to be:

> "I think one thing driving the equity model is big capital's search for a safe place to put itself. You know, I mean we keep talking about economic uncertainty [*in the housing association sector*] but returns on investment are very poor in some parts of the economy and they are very uncertain. And there are these very big investors out there who want a safe place to put their money. And social housing is still considered to be a relatively safe place to put your money. […] We get this phrase, there's this 'wall of money' out there, and actually in recent years it has begun to materialise. Maybe not quite to the extent or with the flexibility it was originally intended, but definitely there is some of that." **STAKEHOLDER_1**

The preceding chapters also illustrated the pendulum swing back to investing in existing housing has necessitated a reassessment of priorities. But due to the 'wall of money' continuing to flow through *large multi tenure providers* throughout the post-2010 era, they were able to maintain their maintenance functions in some form. And increase their investment in existing homes post-pendulum swing without having to start from scratch. An interviewee from Ambition demonstrates the continued ability of *large multi-tenure providers* to finance investment, even if their priorities have shifted with political-economic events:

> "I've always been proud about working at [my organisation] that we've always been an organisation that has been able to meet our commitments, whether it's Decent Homes Standard, or whether it's our R&M, or our mechanical and electrical servicing. I've not got the Chief Exec saying, 'if you want to clad that building then you can't do 1,000 repairs'. We haven't got to that position. But the expenditure of the organisation has been squeezed quite considerably. […] I suppose the other area is, what's discretionary? I know we have scaled back our development ambitions." **CASE_ONE_2**

By contrast, *smaller providers with low margins* are seen by investors as a riskier proposition due to their size and tenure mix, which constrains their borrowing capacity. This in turn exposes them to more restrictive loan covenants, such as the need to maintain higher levels of interest cover to manage shocks to their revenue streams e.g. occupancy risk, spikes in maintenance spend (see section 4.6.3.).

The more onerous terms of borrowing for *smaller providers with low margins* can create a scenario that I term *artificial scarcity*, referring to a situation in which the revenue or surplus of a HA may be a misleading indicator of their ability to reinvest in existing or new properties because they are required to withhold expenditure to appease lenders. A situation of artificial scarcity can mean that the pendulum swings between different investment priorities are more severe for *smaller providers with low margins* due to the high opportunity costs of different investments within a smaller overall funding pot. This can be seen by Disciple abandoning their planned maintenance programme, only for it to be reinstated post-Grenfell. Again, an interviewee from Disciple explains how their terms of borrowing contributes to a condition of artificial scarcity that diverts resources away from investment in existing homes:

> "We've got quite a low margin for an association, we're usually about 16-17%, whereas most associations are between 25-30%. That 16% is probably as low we could go in terms of lender requirements. But the other thing is that we make these profits, but then we can't touch the money because of the rules around the interest cover that you have to make and

> the surplus that you have to make […] but I'd like to spend more of that money on investing in our properties. But at the moment, the covenants that are required by the lenders mean that that profit is locked in because it's difficult to release it without affecting your income and expenditure calculations." **CASE_TWO_1**

As such, we can identify two contrasting asset management strategies that shape financialisation relates to the disrepair cases explored in this chapter. *Large multi-tenure providers* had continued ability to access capital, which supported their ability to maintain investment in both new and existing properties post-2010, albeit with some push and pull between investment priorities associated with political-economic events and the cost of borrowing. Importantly, access to capital markets facilitated their strategy of maximising the return on their land and housing assets via estate regeneration. The constrained borrowing capacity of *smaller providers with low margins* has contributed to a condition of artificial scarcity in which HAs are faced with more dramatic pendulum swings between different investment priorities due to withholding cash for interest cover. And this can manifest in strategic disinvestment from certain areas (e.g. planned maintenance) to release resources for investment elsewhere (e.g. new supply).

6.2.2. Passive consumer regulation: positive feedback with financialisation

The replacement of the Tenant Services Authority with the Homes and Communities Agency (HCA, now the RSH) in 2010 was accompanied by the establishment of a passive approach to consumer regulation (TSA, 2011). As part of the Coalition government's deregulatory agenda, RSH was restricted to intervening on issues of service and housing quality only where there was potential for 'serious detriment'. In practice serious detriment was defined ambiguously, and when combined with an emphasis on minimal regulatory interference from central government, RSH interpreted serious detriment as something that could be shown to directly and unambiguously present a risk to life and health, as illustrated by the quotes below from current and former RSH employees:

> "Is it the fact that a property has got mould, is riddled with mould? Is that serious detriment? And is it therefore causing the tenant serious harm? And you could argue that depending on the family, or the individuals living in that house and depending on their health conditions, that it'd have different impacts. It would all have a negative impact on someone's health, but actually would it be serious impact on somebody's health? [...] And so it was very tough when you've got a poorly defined definition in the Act." **STAKEHOLDER_6**

> "In practice, [the serious detriment test] tended to mean that we will only intervene where something like gas safety, or fire safety, is in question; where you can identify a direct risk to the health and wellbeing of tenants." **STAKEHOLDER_4**

It remains an open question as to whether the relationship between financialisation and passive consumer regulation was an intrinsic or contingent one i.e. whether or not passive consumer regulation was by design to create a conducive environment for the influx of private capital. A small number of interviewees saw the relationship as intrinsic, with one arguing that "as they like to say on the internet, 'that's not a bug, that's a feature'" (**STAKEHOLDER_3**). However, most respondents felt that passive consumer regulation was driven more by a Conservative Party ideological aversion to regulatory intervention on consumer matters, which was coincidentally implemented alongside austerity during a particular historical juncture.

Regardless of whether it was by design or not, I argue that the conjoining of financialisation with passive consumer regulation became what Pierson (2004: 10) calls a "self-reinforcing process" in which the positive feedback between the two becomes a source of path dependence and inertia. Passive consumer regulation was mutually reinforcing of financialisation by allowing HAs to prioritise their financial viability – e.g. improved operating margins – by masking the extent of expenditure needed in the housing stock. Without the regulatory inclination or powers to interrogate the state of the housing stock, RSH took at face value the projections for major repairs included in HA business plans. But such projections were often based upon stock condition data that interviewees described as incomplete or obsolescent, producing uncertainty in future major repairs costs. In addition, interviewees were unanimous that projections of maintenance and major repairs costs pre-Grenfell were immediately anachronistic after the tragedy, when it became clear that the cost of building safety remediation was exorbitantly high. The interviewee below explains how the regulatory environment shifted during this period from ambivalence to scrutiny regarding projected major repair costs:

> "So the Regulator in our most recent IDA, *much more markedly than the previous one*, wanted to be satisfied that we knew the condition of the stock, and that we had enough money in the business plan to keep it to a decent standard" (**STAKEHOLDER_1**, emphasis added).

Furthermore, the prioritisation of economic regulation over consumer standards by RSH incentivised HAs to reduce expenditure without incurring regulatory penalties for consequently providing a poor service. Most important here was the imperative to maintain a V1 regulatory rating for financial viability and RSH's VfM Standard, which despite RSH maintaining rhetorically was to be interpreted in an open-ended manner (see chapter six), was largely interpreted by landlords as a directive to cut costs and to improve a HA's financial position. This directive was underlined by RSH publishing metrics that compared HAs in terms of unit costs and operating margins. In this context, major

repairs and maintenance became a common source of HA expenditure savings, and the issue was compounded by the 1 per cent rent cut and a prevailing imperative to prioritise resources on new supply (see chapter six). Provided HAs did not breach the serious detriment test, they could use savings on housing maintenance as a means to improve their operating margin, credit worthiness and development capacity, without facing a regulatory intervention. The quotes below illustrate how the regulatory environment was interpreted by HAs and contributed to either a lack of concern with issues of housing quality, and in some cases restrictions in maintenance expenditure:

> "The reality was – and I think this was a natural consequence, and I'm not blaming landlords for this – but you concentrate on the things, from a regulatory point of view, you concentrate on compliance with the things where it can really hurt you. So that is around making sure you had good governance, on making sure you were well run and financially viable, and making sure you didn't breach the serious detriment test. Below and beyond that there wasn't a huge regulatory driver to do anything else." **STAKEHOLDER_5**

> "And actually we had a political and even regulatory environment that kind of encouraged you to spend the least possible amount on repairs. So housing associations would say, "oh, we are spending 1000 on repairs and they're spending 1200. We must be better than them." Made no sense. You know, if you were doing the same quality job for 1000 as your neighbour was doing for 1200, that was good. But if you were just doing fewer repairs or doing them less well, that made no sense at all." **CASE_ONE_8**

Financialisation in turn inhibited a more proactive consumer regulation by constraining the ability of RSH to take punitive action against underperforming landlords. Between 2011-2013, RSH (then the HCA) was managing a case of HA financial distress. Cosmopolitan Housing Group was suffering from a lack of liquidity and potential covenant breach as they had overstretched their development programme, which was financed through a set of risky and poorly understood lease arrangements (Underwood *et al*., 2014). In 2013 Cosmopolitan was acquired by Sanctuary. However, a 'lessons learned report' commissioned by Sanctuary and the Regulator concluded that one of the reasons RSH did not use its powers of intervention to take punitive action against Cosmopolitan, including levying a fine, was that this would be seen by lenders as a covenant breach causing them to seek repayment from Cosmopolitan (ibid.). Cosmopolitan was clearly not a case relating to consumer standards. But a small number of interviewees with privileged access to the motivations of RSH argued this principle of non-intervention to avoid alarming lenders extended to consumer regulation. As a former RSH employee explained:

> “They’ve got to convince the market that everything’s going well, and there’s no surprises, so that the borrowing keeps happening and therefore the sector can still grow. So to do that, it’s hard to come down on organisations as well.” **STAKEHOLDER_6**

The self-reinforcing relationship between financialisation and passive consumer regulation was, therefore, a source of inertia that mitigated against investment in existing homes. And the serious detriment test provided a sufficiently high threshold for intervention that disrepair could proliferate largely unpunished. There was near consensus among interviewees (current RSH employees the notable exception) that RSH had been “toothless on consumer standards” (**STAKEHOLDER_10**), and their passivity was a “failed experiment” (**STAKEHOLDER_3**). This evidence suggests that RSH not only lacked the powers to enforce improved housing standards, but was inhibited in doing so by its intertwining with financialisation.

6.2.3. Complexity and commercialisation: How changes in landlord governance structures and procedures undermined accountability to local stakeholders

By abdicating themselves of responsibility for consumer standards, RSH pushed the function of holding landlords to account into other areas of the polycentric regulatory environment such as local authorities and tenants. Yet the positive feedback between financialisation and passive consumer regulation helped reinforce changes within the governance structures and processes internal to HAs that made them more complex and commercially focused. Of significance for disrepair is that these changes played a part in diluting the accountability of landlords to tenants and local stakeholders.

To deliver upon their growth ambitions, some HAs adopted practices, procedures and personnel often imported from then commercial sector. This was particularly the case for *large multi-tenure providers*, some of whom sought to expedite their capacity for land-led development by acquiring new organisational functions across the breadth of the development process. One HA Executive Leader explained how their organisation had acquired subsidiary organisations in land assembly and construction, and given these in-house subsidiaries significant autonomy by evaluating their success according only to the internal profit margin they generated. But this commercial dynamic bred a culture and set of behaviours that were in tension with high quality housing:

> “We had a huge influx of people because of growth. That side of the business grew massively. And we had very private sector, profit chasing behaviours that were prevalent, that actually were odds with what we held as an organisation. And because they are allowed to be slightly one step removed from the business, they actually didn't care what our values were. [...] And they just did their own thing. And some of the behaviours were appalling. If you think about the worst the private sector does in property, we had some of it in our own

> organisation. [...] You know, building safety crisis, we're seeing the outcome of that cultural issue." **STAKEHOLDER_18**

Running parallel was the continuation of a long-term trend of professionalisation of HA boards, which was accentuated by a need to govern and implement the asset management and financing strategies that were in service to HA growth ambitions (see section 2.6.3.). Changes in board personnel were also mandated by RSH in some cases where HAs were financially failing. One interviewee described how the complexity of HA funding arrangements post-2010, and the overarching strategy of 'sweating the assets' to maximise new supply, contributed to the widespread recruitment of finance professionals, asset managers and quantity surveyors to HA boards:

> "Because as the funding arrangements for housing associations has changed, over the last 20 years or so, so has the make-up of Boards. So, when you have a government from 2010 onwards saying you need to be more commercial, you need to build more, you need to cross-subsidise to do it, you need to borrow more, and you need to leverage your balance sheet to do it, you need people on your Boards who understand all of that. But what I would say is arguably that went too far the other way, and maybe a little bit of the link to social purpose was lost." **STAKEHOLDER_5**

The professionalisation of HA boards was seen by some interviewees to crowd out the influence of tenants, and contribute to a wider shift in which HAs had a lack of trust in tenants to contribute to decision-making, ultimately making it harder for landlords to be held accountable:

> "There are lot of organisations in the sector still where you look at their customer committee, or resident committee, and it's like they don't trust the resident to chair it. You'll see that it's got a Non-Executive Director (NED) to chair it, or the NEDs are in a majority. And you might have a couple of residents. And I think that for us, that's what we had. And we looked back and thought actually, if Grenfell taught you anything about accountability and disparity of power, we're going to change that straight away." **STAKEHOLDER_18**

These dynamics were not restricted to *large multi-tenure providers*; Disciple also recruited staff from the commercial development sector to support their growth, and their board predominantly consisted of finance professionals and commercial surveyors. However, the sheer size and footprint of larger HAs means that their boards and staff are often more geographically distant from some of the homes they are managing, and this can compound the complexity introduced to organisational structures from mergers and acquisitions to create a sense that accountability is lost to local communities (Mullins, 2006; Mullins and Pawson, 2010: 209-211). The same Executive Leader whose

organisation had acquired in-house land assembly and construction subsidiaries explained that the autonomy granted to their newly formed commercial teams led to an organisational structure in which development, asset management and neighbourhood services were largely siloed from one another. And this complexity often presented as opacity to tenants and external stakeholders:

> "So we had different offices and different neighbourhood leads that would deal on tenancy issues, a property issue or an estate management issue. And what happened is that our structures were really complex. Not all of our people understood them. Residents definitely didn't understand who they wanted to go to. Local authorities didn't understand. They couldn't get a consistent point of contact. It was ridiculous. You might have a meeting and think, well actually, if that issue crosses all three the local authority might be meeting with your head of place, your head of people, your head of property." **STAKEHOLDER_18**

The organisation has since sought to simplify their operating structure by unifying their asset and housing management functions, and allocating staff to smaller more concentrated patches. They have also sought to manage the in-house construction team more closely, and aligned their performance indicators to housing quality rather than profit. In essence they were trying to resolve the challenge outlined by Mullins and Pawson (2010: 210) to "link the undoubted organisational capacity of these large organisations to tackle entrenched urban regeneration challenges with the local anchorage to meet community expectations". The Executive Leader explained:

> "So the new patches are about 500 homes. Manageable. And [the housing officer] does everything. [...] And 500 homes you should be able to understand the people, the homes within it, some of the real challenges that you've got. Supported into a structure that goes up where everything is arranged around local authorities and grouping local authorities on their boundaries together. [...] So, simpler for the customers. Know who your contact is. Simpler for stakeholders. MPs love to be able to just pick up and say, "Who do I speak to?"" **STAKEHOLDER_18**

Nonetheless, most stakeholders remained sceptical of the ability of local authorities to hold large HAs to account without a stronger role for RSH in consumer standards, especially where key functions such as Environmental Health had been underfunded during austerity:

> "It's fine if you've got a small housing association, such as a stock transfer, which operates within one local authority district, and local councils have probably got some control over that. But it's something different when you're talking about a [*large national housing*

association], or the latest merger, 70,000 plus units. Very complicated businesses, social housing is not just the be all and end all of their business." **STAKEHOLDER_6**

Emerging out of the post-GFC and 2010 election critical juncture, therefore, was a set of processes that underwent positive feedback with one another to drive change in HA governance and maintenance practices. Such processes included financialisation, passive consumer regulation, and a preoccupation with organisational growth, which was reinforced by government (as outlined in the preceding chapter). Financialisation was mutually reinforced by passive consumer regulation as the latter raised the threshold for punitive interventions to tackle disrepair, and allowed HAs to underestimate the extent of maintenance required in the stock. And passive consumer regulation supported financialisation by allowing HAs to prioritise financial viability and cost-cutting without incurring regulatory penalties. Financialisation interacted with a preoccupation with growth due to the necessity of importing new commercial practices, structures and actors to deliver on the complementary ambitions of scaling up development, managing the associated financial arrangements, and sweating the assets to boost capacity. The next section looks at how these different factors played out to result in two contrasting cases of disrepair in the HA sector.

6.3. Pathways to disrepair: case studies of debt-led financialisation and disrepair

6.3.1. Ambition: capital investment, regeneration, and managed decline

As outlined in chapter six, Ambition was the result of a merger of two already large HAs. Figure 6.1. shows Ambition's level of capital expenditure over a four-year period, split between expenditure on development and works to existing properties. As Figure 6.1. shows, expenditure in both areas grew during this period, but with development expenditure dropping slightly in 2020/21 as a more challenging economic and political environment led them to scale back their growth ambitions (see chapter six). To fund their ambitious investment plans, Ambition sought to produce an eventual asset base of high performing properties that would provide a long-term, stable source of revenue. But the merged organisation had inherited an asset base of varying quality across a disparate set of locations. Key to reaching this destination, therefore, was rationalising their stock holdings. Some properties were earmarked for sale regardless of their condition if they were in local authorities where Ambition was not seeking to grow. But for the remainder, the performance of the asset was a trigger for a process of *options and appraisals*.

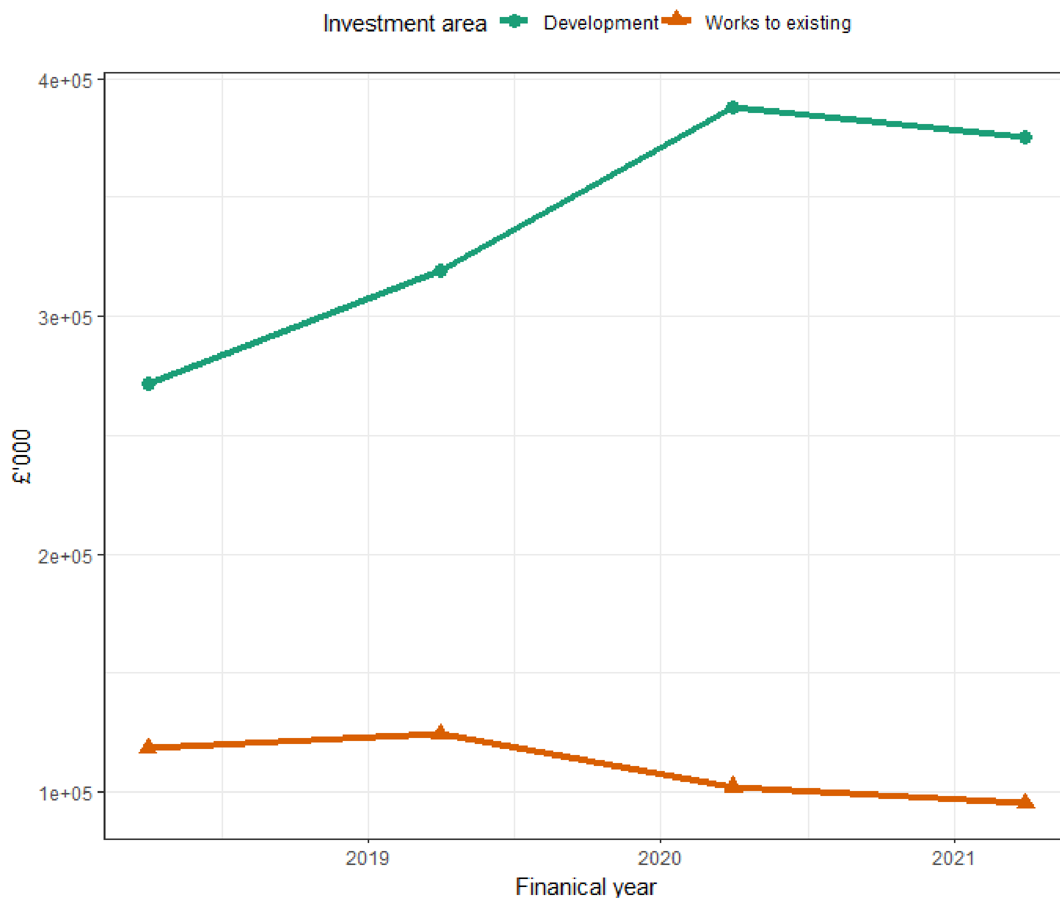

Figure 6.1: Ambition capital expenditure by investment area, 2017/18-2020/21

Options and appraisals refers to a process of stock evaluation in which the opportunity costs of different approaches to handling problematic assets are considered. Ambition's Asset Strategy team would take referrals of properties from housing management and consider them for one of three options: disposal, refurbishment, and regeneration. Refurbishment and regeneration differ in terms of the extent of work undertaken; refurbishment would keep the shell of a property intact while replacing key components and likely keeping tenants in situ, whereas regeneration would often require temporarily removing tenants to undertake more comprehensive repairs (known as decanting tenants), including in some cases demolition and rebuilding of an estate. To be considered for an options and appraisal a property would need to be losing significant money due its management and maintenance costs:

> "So, we're looking at things like how much does each unit cost to repair each year? Which are the ones that are difficult to manage? So, where are the housing association going to have to spend more management time? ASB. They're unpopular, so it's got rampant turnover, you've got lost revenue. We look at the SAP rating of the buildings. How are they

performing environmentally? So, there's a checklist of about five or six things that we won't even look at a site unless they can demonstrate to us that there's a rationale for why they're having us look at that particular building or estate. Because it takes time to do an options appraisal, and it costs a lot of money. So, they need to make a bloody good case before I'm going to spend that time on it. So, there's a few trigger points for them, and it can't just be that they want rid of it." **CASE_ONE_1**

The options and appraisals process was given fresh impetus post-Grenfell as regulatory change, or anticipated regulatory change, was raising expectations in terms of building safety and housing standards. Raised expectations were causing Ambition to take a more critical look at its assets, at which point they identified previously undetected issues, or identified assets that were at risk of becoming financially unviable in the future. The interviewee below explains how regulatory change and a heightened awareness of building safety issues was driving regeneration projects:

> "Transpires it's exactly the same design as Ronan Point, it's called a large panel system. And so all buildings of that design, 1968 and again in 1982, there was very specific strengthening work that should have been done, but [*the local council*] didn't do that work to this building. And then stock transferred it to us. So, we were mortified when we realised that these floors that intersect with these walls were held on by like centimetres of concrete. So, we had to literally get everyone out. So, that's become a regeneration scheme.
>
> [… On another scheme] I'm decanting it right now. Four families left in there. It's a fire safety concern. It's not that it fails current fire safety standards, but we anticipate it failing future fire safety standards. My argument is, look it's horrible housing anyway. Let's do it now because I'm going to have that conversation in two years' time anyway. So, that's driving that." **CASE_ONE_1**

As such, regeneration was a cornerstone of Ambition's asset management strategy, and only increasing in importance. The decision to regenerate an estate was triggered by the poor financial performance of an asset, but Ambition staff were adamant that the final product was intended to deliver on both their social and financial objectives. Provided the regeneration was conducted effectively, they argued that the social and financial goals of regeneration should be mutually supportive of one another. And this was in alignment with their long-term approach to asset management. For instance, the regenerated building did not need to have higher rents, or a larger number of units than the previous one, but should be of a higher quality so that in the long-term it is cheaper and less difficult to manage:

> "[My pitch to Board on one estate was that] we make it a model of retention and refurbishment. And they're all tiny little units because they were built from another era, and so where there was 142 units in four blocks that were derelict, we're now putting 81 units in. Gutted them. Completely remodelling them. And there's still about another 300-odd homes on the estate, we're just refurbing all of them. Big internal arguments about specification because I'm saying we need to be putting good quality composite windows in, because *we're never coming back to this estate again*. […] And so, the Board are not going to expect me to make things work better financially [than the previous building], but what they will expect is something that has 60, 70, 80 years life in it, offers a better quality of life for the people who live there, is adaptable for future changes, and makes life easier for the local housing staff to look after." **CASE_ONE_1**, emphasis added

In this sense, ensuring a regeneration was of high quality was key to delivering an asset that performed both socially and economically once it was completed and under the management of the organisation:

> "One my personal objectives for the last couple years has been to try and push our approvals process to be thinking more about whole life cost, rather than just the cost that's in front of you. And so factors that need to play into that include allowing for demographic change, an ageing population, more single person households, different patterns of work [...] So, a big part of Regeneration is to try and open up the discussion and the plans away from the physical and the financial, to the mission statement of the organisation as a whole. Anyone can build houses [in London] because the values are so high here and the demand is so high here. The challenge is to do it in such a way that you get 100 years of value out of it. It's all about quality of life and wellbeing and providing social rented housing 100 years from now, and not just in the next five or ten years." **CASE_ONE_1**

However, regenerating failing assets for long-term value is by nature an expensive endeavour, especially as regeneration involves numerous sunk costs that are not borne by new housing on undeveloped land, such as compulsory purchase orders of leasehold flats purchased under right to buy. And the costs were heightened by the decision of the Coalition government in 2010 to remove capital subsidy for regeneration from future affordable housing programmes. By implication, all of Ambition's regeneration sites start by making short-term losses against the project budget, which often puts the Regeneration team in conflict with the more commercially driven parts of the organisation such as Finance and Development:

> "Because one part of the organisation, they are largely drawn from the private sector and are used to everything nice and break-even (or a profit even), and neat. And the other side – housing association, us in Regen, thank God some of the Group Directors – are more inclined to have the social mission at the front of their eyes. […] And so we have this push and pull all the time. Because they've come from the private sector and are used to pushing sites as hard as possible and their experience is, as soon as it's built you've got a two-year defects period, and then you're off, you're gone forever." **CASE_ONE_1**

Figure 6.2. shows the financial position of Ambition over a five-year period. The figure disaggregates the components of interest cover (see chapter five), and displays EBITDA MRI (i.e. the numerator in interest cover), EBITDA (i.e. the numerator without major repairs subtracted), capitalised major repairs (i.e. the major repairs component that is subtracted from EBITDA in the numerator), and interest payable (i.e. the denominator). All components are indexed to their 2016/17 base. Figure 6.2. shows that interest cover declined during this period mainly due to a rise in major repairs expenditure, as EBITDA remained broadly stable. Interest payable also remained largely stable, increasing steadily but only slightly. The relevance of Figure 6.2. is to show that given the costs involved and the long-term ambitions, Ambition was able to sustain its commitment to estate regeneration by leveraging its size to continue to access debt finance:

> "You can't do £1.3 billion self-generated income for the full regeneration of three big estates past the end of their expected life if you've got 5,000 homes. You cannot do it." **CASE_ONE_8**

> "I'm yet to have one of my schemes break even. Very few organisations can carry regeneration losses at the scale that we carry it, and that's because we are so big. There's pros and cons to being an organisation our size. But it does mean we borrow huge amounts of money very cheaply. And so long as the Group continues to be committed to investing in the existing stock, then they'll allow me to pitch regeneration projects." **CASE_ONE_1**

Moreover, where it was politically, economically and socially feasible, they could maximise the return on their land assets via densification and cross-subsidy. The quote below illustrates the critical role of Ambition's ability to leverage its housing and land assets to fund regeneration:

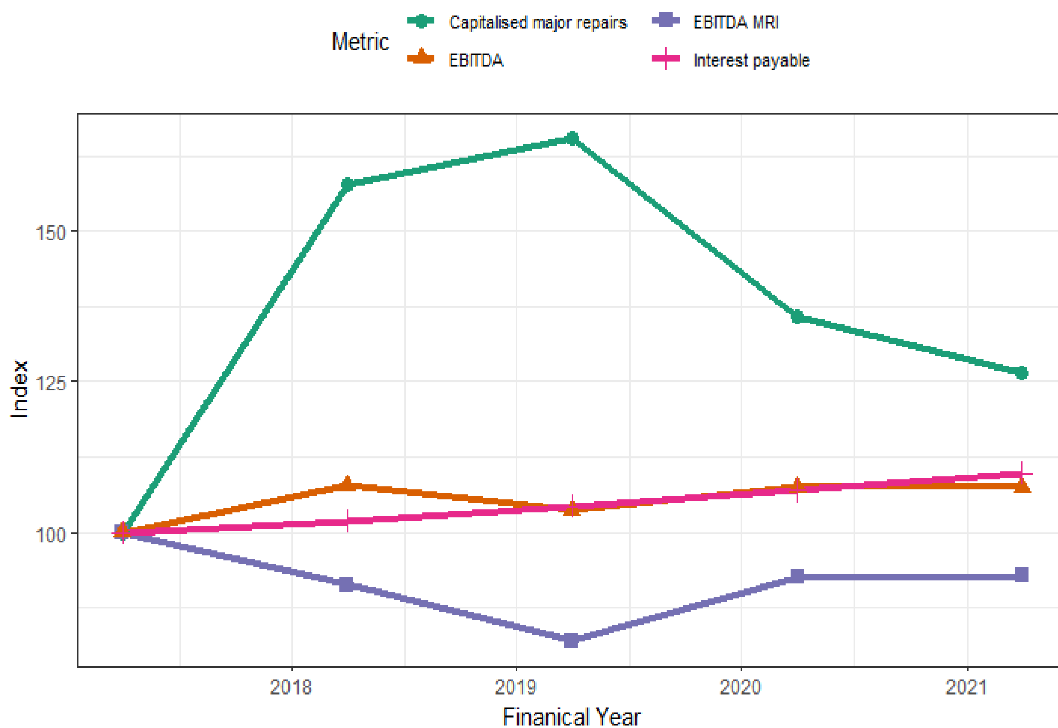

Figure 6.2: Components of interest cover Ambition 2016/17-2020/21

s?

What's the scope for densification? [...] And I work on a 30-40 year business plan, but it never pays for itself. So, where does it come from? It has to come from cross-subsidy. And for us the model is – and different people have different models – but for us the model is to build homes for sale." **CASE_ONE_1**

This strategy of demolition, densification and cross-subsidy was to underpin what became a case of pervasive disrepair on Meadowview estate.[11] Meadowview is one of three estates that forms part of a large-scale regeneration of social housing in a London suburb that the council stock transferred to Ambition in the 2000s, known as the Saxton project. The Saxton estates cover the breadth of a neighbourhood that is characterised by dramatic socio-economic inequality, but due to its location has significant potential to use the high value of private sale to fund the regeneration:

"It's a mix, it's an east-west divide. On one side you have [*a South-West London, affluent area*], which is fabulously expensive. One of the best postcodes in London. And the other side you have [*South London neighbourhoods*], which are much, much poorer. And when I'm presenting or talking about this project, one of my first slides is a picture of a [*bus that goes on a route from the affluent area to the poorer area*], which is about two-and-a-half miles

[11] The estate and wider project are pseudonymised to protect the anonymity of interviewees.

> away, and in that journey your life expectancy drops 11 years. […] And this project only works because we heavily cross-subsidise it with units for sale." **CASE_ONE_1**

The physical construction of Meadowview is unique with a common roof structure that is poorly built and predisposes the building to leaks and damp. This issue was compounded by long-term disinvestment when under local authority control:

> "And, of course, what we've picked up is very bad quality social housing, which hadn't been invested in for literally 30 years. [...] It's a terrible design, I've never seen a design quite like it, and we've got four of those designs in [*this project*], so they're very, very poor. So, they definitely were going." **CASE_ONE_1**

Meadowview was scheduled to be the last estate to be demolished in the project due to limited options available for tenant decants. Typically regeneration projects begin with a 'kickstart' site, which is a completely new building on fresh land near to the condemned buildings, in which existing tenants are temporarily accommodated while their homes are rebuilt. But due to the layout of the estate there was no land available for a kickstart site, and thus Meadowview tenants remained in situ longer than in comparable regeneration projects. This was to be a consequential decision as the Saxton project was delayed due to an ongoing negotiation with the transferring local authority. The terms of the transfer entitled the council to a clawback whereby they would receive a percentage of the value of every private sale, an agreement that Ambition decided to renege upon. Discussions regarding the clawback were initiated but soon ground to a halt, at which point Ambition made the decision to force the hand of the authority by downing tools and halting the regeneration. The subsequent delay caused what was already a building in decline to fall into a state of abject disrepair, with Meadowview flats becoming ridden with damp, mould, and vermin. The condition of the Meadowview housing was so poor that it prompted national media attention, and regulatory interventions from RSH and the Housing Ombudsman.

When considering the Meadowview case, interviewees of involved staff at Ambition acknowledged that they had mismanaged the estate regeneration. Some interviewees argued the case could only be understood as the consequence of a "complex web of decisions", and although standards of service in the sector have undoubtedly been affected by changes in funding and governance, the outlying cases of extreme disrepair were the result of contingent factors idiosyncratic to each case. Some of those idiosyncratic factors included the mismanagement of the negotiation with the local authority and the sequencing of the regeneration. As the second quote below argues, from this perspective disrepair was avoidable if different procedures had been followed:

> "How do you run a major regeneration programme on an estate where it's taken 10 years to get planning consent? Where more than half are leaseholders? Where there's one continuous roof that runs from one end to the other, and to replace the roof, if you want leaseholder contributions, you need to do section 20? And a lot of people will say, "no, don't do it." And then you get blamed for the renters who've got a leaking roof. And not enough new build, so ability to decant is severely limited." **CASE_ONE_8**

> "So, we could have said to the local authority 'we're going to build the social housing first, but we need to talk about your additional income expectations from future private sales at a later date". But instead the decision made was to not do anything until we get agreement on this. So, we ended up running foul of the Regulator. And quite right too." **CASE_ONE_1**

Referring back to the argument made by Clare *et al.* (2022) that financialisation has initiated a decline in HA service standards, Meadowview could be seen as a case of *managed decline*. The withdrawal of maintenance exacerbated existing issues, and created additional issues that would otherwise been avoidable. Although the notion of the process being *managed* might overstate the rationality of what were often short-term, and at times chaotic, decisions (see section 6.4). However, I argue that the assetisation of Ambition's housing should be seen as a complementary process to managed decline. Assetisation provided a lens that channelled Ambition's decision-making into a process of decline by encouraging the actors to consider the opportunity costs of different investment decisions, and acting as a critical source of delay and friction in renovating an estate that was already predisposed towards leaks, damp and mould. Consider, for instance, the rationale provided by staff behind the decision to down tools:

> "We downed tools and in the interim, of course, entirely understandably, the people living on [the estate] got really pissed off and kicked off. Because our assumption always was that, '*let's not spend too much money on these homes because I'm planning to demolish and replace them as quickly as I possibly can*'. And of course all we've done is make people live in these homes longer, and they were in terrible condition before." **CASE_ONE_1**, emphasis added

> "So, we were thinking long-term in terms of trying to rebuild that site – but what we kind of missed in that, where we made mistakes, was that *you need to also continue to invest in a regeneration estate until you actually take the residents out of it*. You can't take your eye off the ball, which is really what we did in that estate there." **CASE_ONE_4**, emphasis added

In these quotes the value of the repairs to Meadowview is not considered in relation to the use value of the existing homes, but in relation to the long-term socio-economic return on the asset they were mobilising the land in service to. Consequently, expenditure on existing homes was effectively considered unproductive and failing to generate a return on an asset that was already having £70-80 million worth of value stripped via the local authority clawback arrangement. Thus the deleterious decisions made by Ambition were nonetheless framed in relation to the opportunity costs of different investments in the asset. This provided a framework for investment decisions in which disrepair, if not inevitable, became a more probable consequence of the mismanaged decline of the Meadowview estate.

6.3.2. IDS: artificial scarcity and long-term disinvestment

The Industrial Dwellings Society (IDS) is a HA operating primarily in North London and Hertfordshire. They own and manage 1,509 homes and provide mostly general needs housing. But they also have an above average provision of older persons housing and very little cross-subsidy from shared ownership, which limits their borrowing capacity. Over 80% of their homes are concentrated on a set of purpose-built estates in North London that were constructed pre-World War II, and are among some of England's oldest social housing, built at the time by a philanthropist to accommodate the growing Jewish refugee population. This connection to the Jewish community remains a core aspect of their stated purpose today. In this analysis they fall under the *smaller providers with low margins* cluster.

Pre-Grenfell, IDS had set a strategic priority for growth. The size of their development programme was in absolute terms much smaller than that of Ambition's, but by 2016/17 they were delivering 21 new social housing units a year, a 1.4% increase in their stock. At this time they had recently completed the construction of a new development in Hertfordshire, with the development combining homes for rent and shared ownership. IDS considered themselves under-leveraged, as they had a lucrative asset base of London property worth £80,893,000 with loans of only £9,576,000 secured against it (IDS, 2017a: 19). And their 2016/17 Annual Report sets out how they were seeking to leverage their assets to expand into new areas:

> "IDS is looking ahead with imagination and ambition to see how to get the best from our considerable assets. This is in step with the aspirations of our founders, who worked to address the acute housing needs of their day. For example, we are planning to invest in new homes at Borehamwood and Canvey Island." (ibid.: 7)

To sustain this growth strategy, IDS set a corporate target to achieve and sustain a G1/V1 regulatory grading from RSH (IDs, 2018: 13; IDS, 2020a: 9). This was following a governance regulatory

downgrade to V2 by RSH in 2015/16, which IDS responded to by appointing new Board members. The new Board members consisted of a Finance Director (who would later become Chair of the Board), and an IT Business Development Professional (IDS, 2017a: 5). This new organisational direction, aligned with the overriding regulatory emphasis, was supported by a VfM initiative in which IDS aspired to reduce costs and "realise the opportunities presented by new technologies to deliver better services, faster and cheaper" (IDS, 2018: 7). IDS achieved their target of a V1/G1 regulatory rating in 2019 (IDS, 2019: 1).

In 2017 IDS had commissioned a stock condition survey to understand and evaluate their ongoing maintenance obligations (IDS, 2017b: 2). They reported that their business plan was effectively stress-tested, and their financial position was sufficiently strong to support their strategic objectives and resource their future obligations:

> "[In 2016/17 we] spent a further £1,099,000 on capitalised major works this year and paid £1,380,000 on developing new schemes. Our liquidity position is very strong with a cash balance of £2,606,000. The 30 year Business Plan indicates that the Association is financially viable and has adequate resources for the future." (IDS, 2017a: 19)

Figure 6.3. shows how in 2017/18 investment in development outstripped investment in works to existing homes. But it then shows a dramatic fall in development investment which fell to effectively zero in 2020/21. Alongside this was a rise in expenditure on major repairs for two consecutive years. Major repairs fell again in 2020/21, but this largely a result of IDS temporarily suspending planned maintenance programmes during the COVID-19 lockdowns (IDS, 2020b: 4). Plus, investment in existing properties remained significantly above development expenditure. The dramatic pendulum swing in Figure 6.3. can be contrasted with the more muted shifts in investment expenditure in Figure 6.1. for Ambition, as the comparatively smaller pot of resources available for capital investment led IDS to consider the sharper opportunity costs between different priorities. The rise in major repairs expenditure was primarily due to a rise in building safety costs post-Grenfell. Their 2019/20 Annual Report set out how their strategic investment priorities had shifted in this period, and were continuing to be in part financed via cost savings elsewhere:

> "Once more this year, management cost savings have been reinvested in our existing homes and partnerships which benefit both our tenants and surrounding communities. The Fire Safety Improvement Programme has continued as the top priority for investment, to give assurance to our tenants that their homes meet the very highest standards in this respect." (IDS, 2020a: 7)

IDS did not abandon their growth ambitions. Rather they were temporarily put on hold while the organisation sought new funding in a more challenging operating environment. Their 2018 Corporate Plan set out ambitious plans to develop 500 new homes over ten years, roughly a 33 per cent increase in their size (IDS, 2018). They adopted what they termed a "pluralistic" approach to development, which reflected their lack of competitiveness in land-led development relative to larger providers (IDS, 2019). A pluralistic approach relied upon partnership working, and IDS became a member of the L&Q Build London Partnership, a GLA funded initiative in which small HAs can draw on the skills, networks and contractors of L&Q to expedite their own growth:

> "We have adopted a pluralistic approach to new development, exploring various ways in which to deliver our commitment to build an extra 500 new homes over the next ten years. We have developed successful collaborations with a variety of culturally aligned partners and, with them, are creating new opportunities which can benefit residents, both current and future" (ibid.: 1)

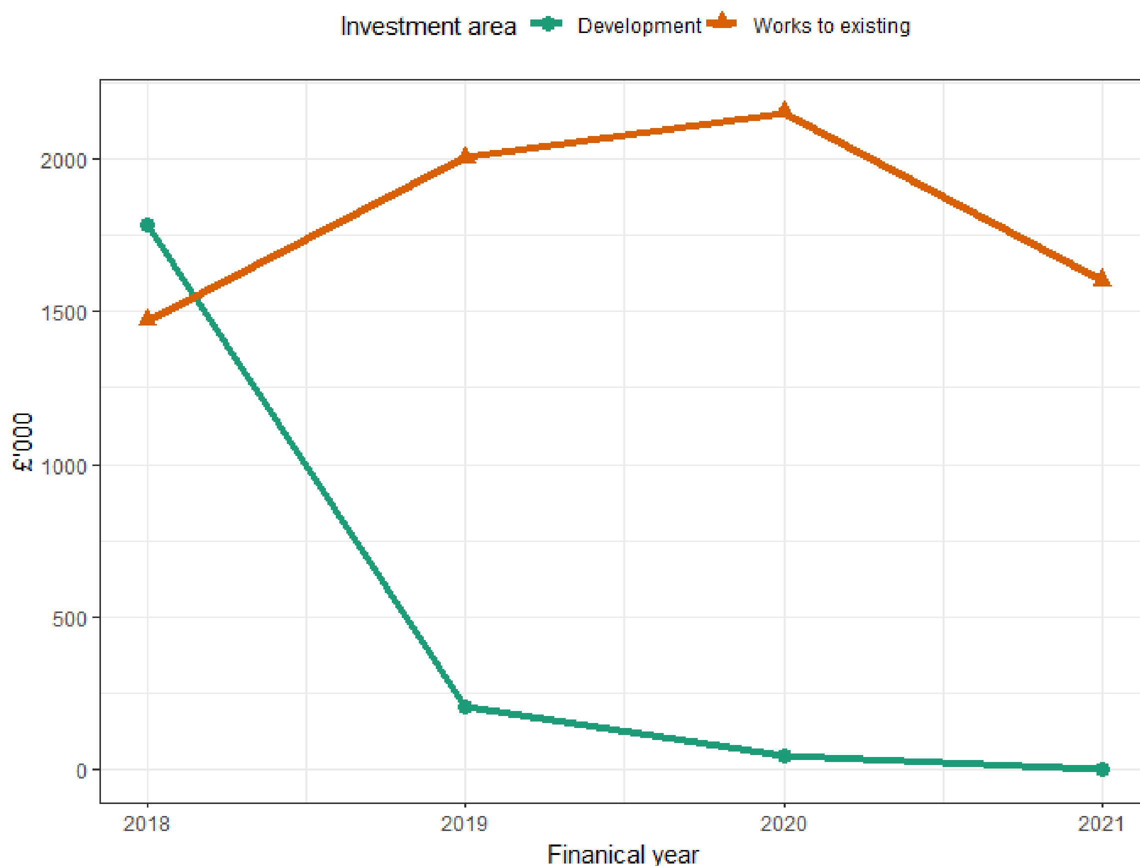

Figure 6.3: IDS capital expenditure by investment area, 2017/18-2020/21

Continuing to grow necessitated a bold new funding strategy. Between 2019 and 2021 IDS underwent a refinancing exercise to deliver against their 500 homes target, explaining that they had "secured, and made available to draw, an additional £45m loan and refinanced a £5m existing loan at advantageous rates" and that this "facility is ready to fund our planned growth in new homes" (IDS, 2021: 11). Figure 6.4. shows how this refinancing strategy interacted with their spike in major repairs costs to cause the financial position of IDS to deteriorate. Figure 6.4. illustrates that EBITDA remained broadly stable, and so between 2016/17 and 2019/20 interest cover declined mainly due to a rise in major repairs costs, which to that point tells a similar story to that of Figure 6.2. for Ambition. In 2020/21 the cases deviate following IDS's decision to refinance at a time in which their major repair costs were rising, with interest payable increasing dramatically to be over twice the amount it was in 2016/17. EBITDA MRI improved slightly in 2020/21 due to the suspension of planned maintenance. But interest cover overall continued to decline following the spike in interest payable. Considered together, Figure 6.3. and Figure 6.4. highlight two salient points. Firstly, IDS's financial position was worsening prior to interest payable increasing; the organisation was channelling the resources they had available into building safety, and any respite from decreased major repairs spend in 2021 was simply deferring necessary expenditure for a later date under extreme circumstances. Secondly, IDS made the consequential decision to take on substantial amounts of debt, and bind themselves to higher interest payments, at a time in which it was about to become clear that IDS had

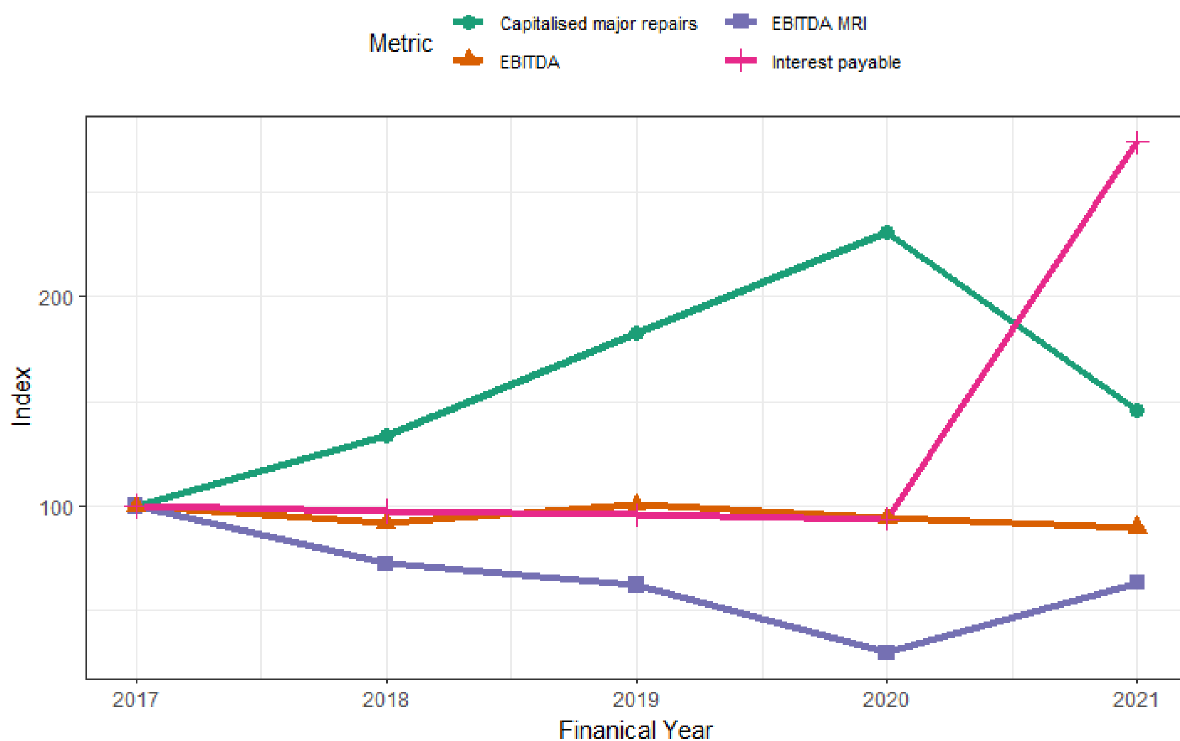

Figure 6.4: Components of interest cover IDS 2016/17-2020/21

underestimated the extent of investment actually needed in their housing stock. This latter point was laid bare by a case of disrepair that was subjecting residents to serious harm.

In February 2022 the residents of Evelyn Court – the largest of IDS' purpose-built estates, constructed in 1934 – protested outside the IDS offices to demand a response to ongoing and extensive damp, mould and flooding. The residents handed a petition to IDS demanding a systematic remediation of the disrepair issues, disrepair which they argued was causing respiratory health issues for several households. Residents reported that thus far the landlord response had been largely palliative and at times dismissive. They explained that IDS provided only "temporary fixes" of recurrent mould washes and repainting (Booth, 2022). And told residents to open their windows and ventilate their flats to prevent condensation, reiterating this message in their tenant newsletters (IDS, 2020c: 3). One resident, interviewed by a newspaper, explained that they:

> "[…] always have a pot of white paint on hand so she can cover the mould before guests come over – a tactic deployed by other residents too. 'They said to me, keep the windows open. And if you've got any furniture against the wall, move it to the centre of the room. I said – 'do you live like that?'" (Norris, 2022).

The extent of disrepair garnered both national and local media attention, and prompted a public admonishment of IDS by Diane Abbott MP (Abbott, 2022). With heightened attention on the condition of their homes and service, residents portrayed a picture of a landlord that had progressively become more distant and less accountable. Residents argued that the number of contractors and contact points had proliferated, the complaints process was difficult to access and navigate, and local presence had been lost via the removal of dedicated estate managers (Butler, 2022; IDS, 2022).

Following the protests IDS promised to visit each flat, and reported that their contractors had already started to make progress on external repairs to guttering, downpipes and rendering that would prevent damp ingress (Butler, 2022). They also reinstated dedicated Estate Managers (IDS, 2022). But significantly, in a public statement they explicitly linked their lack of investment in Evelyn Court to the constraints upon their resources imposed by increased building safety expenditure interacting with their limited borrowing capacity:

> "While we have been proactively repairing individual cases as they were reported to us, we have been concentrating our already constrained budgets towards upgrading the fire safety features on the estate, which can save lives on a large scale. […] However, our funding will only go so far, and we are glad we have had these concerns at Evelyn Court raised, as we

> would not have necessarily been made aware of them otherwise. The housing association sector is heavily regulated and governed. Any surplus we make is reinvested into capital projects for our residents. Our budgets are maintained in line with financial regulations. *The expenditure restriction is due to our loan covenants which means we have been constrained on what we could spend.* We are currently in discussions with lenders to release more money for us to use on improving our properties" (cited in Butler, 2022, emphasis added).

IDs made a self-referral to RSH of a potential for serious detriment to residents. RSH released a regulatory notice in June 2022 that confirmed there was potential for serious detriment, and downgraded the governance rating of IDS to G2. Following their investigation, RSH confirmed that IDS had known the issues at Evelyn Court were starting to appear several years ago, but had "no cohesive remediation plan for the issues at Evelyn Court and elsewhere, a repairs process that was difficult to navigate and poor tenant engagement" (RSH, 2022g). RSH contradicted the claim previously made by IDS that they had robust knowledge of their housing stock and that their business plan sufficiently accounted for ongoing maintenance costs. Instead, RSH reported that IDS "did not ensure that it had sufficient assurance on stock condition and that adequate provision for asset investment had been made in its business plan" (RSH, 2022h). However, RSH also downgraded the financial viability rating of IDS to V2. This downgrade reflected that the increased expenditure on stock condition surveys and remediation works at Evelyn Court was affecting the ability of IDS to cover their interest payments (ibid.).

The case of Evelyn Court features a number of the hallmarks of post-2010 HA financialisation, but also illustrates the potential implications of financialisation of *smaller providers with low margins* for housing decency. As with Ambition's disrepair issues, there were procedural and governance issues that are distinct to the case e.g. the decision to remove estate managers and the opacity of their complaints process. Similarly, there were governance and regulatory issues that while not reducible to financialisation, may be seen as contributing to the increased role of private finance in IDS' business model e.g. prioritising development for capital investment. And parallel governance changes that were in part driven by the preoccupation with stretching their balance sheet e.g. professionalisation of the board, prioritising compliance with RSH's economic standards at the expense of reinvestment in existing housing and developing adequate stock condition data. But such factors were ultimately compounded by a condition of artificial scarcity, in which the amount of interest cover necessitated by IDS' borrowing capacity shaped an asset management strategy in which they directed their available resources towards other priorities. These other priorities were first development and subsequently building safety. The result was a long-term disinvestment in maintenance of the existing stock. This dynamic was in motion prior to 2020/21, but was

exacerbated by the decision to refinance that allowed further capacity to be extracted from the organisation via flows of interest payments to lenders. Therefore, the IDS case illuminates a contemporary and fundamental tension between financial viability and housing decency for overly indebted and financially marginal HAs.

6.4. Conclusion

This chapter began with a puzzle as to how and why disrepair may occur when, theoretically at least, there should have been an alignment between the interests of investors and improved housing quality due to homes being used as security, with RSH also driving change in HA governance. One of the existing suggestions in the literature is that disrepair may emanate from a process of *managed decline* under which landlords purposefully 'run down' an estate to drive out residents and subsequently capitalise on closing the rent gap via disposals or regeneration (Clare *et al*., 2022). However, the evidence in this chapter suggests that financialisation and assetisation can provide a fruitful set of complementary concepts to understand HA disrepair. The constructive role of a HA's ability to access debt finance influences their asset management strategies, and in turn shapes their (dis)investment decisions. Moreover, I have emphasised the role of path dependency as financialisation has interacted with changes in HA governance and practice to produce variegated pathways to disrepair, illustrated by the two contrasting disrepair cases explored in this chapter.

Ward (2019) argues that financialisation is fundamentally a political process in that the underpinning process of assetisation involves contestation and dispute over the ownership of assets and their revenue streams, producing winners and losers, and shaping urban development in turn. In the case of Meadowview, the contestation between Ambition and the transferring authority over the ownership of the prospective revenue generated by the private sale was a crucial source of delay in remediating the disrepair. Consequently, one of the contributions of chapter six is to show that one of the byproducts of the political contests inherent to assetisation can be the neglect of existing social housing tenants.

Common to the disrepair cases of Meadowview and Evelyn Court was that the assetisation of social housing contributed to each HA viewing the value of repairs in relation to the return it may provide on their assets, and whether that expenditure could be more productively used elsewhere. Assetisation provided a lens through which HAs were encouraged to maximise the return on their assets and consider the opportunity cost of their investments. At different stages in the timeline of each disrepair case choices were made by the actors involved that attest to disrepair being avoidable. Yet what were often short-term and short-sighted decisions by HAs were, nonetheless, framed in terms of the opportunity costs of investment in existing homes relative to competing

organisational objectives such as new development, building safety, or simply improving their financial position. The age, poor construction and layout of the buildings may have predisposed them towards disrepair. But the framing of housing as an asset exacerbated the decline by acting as a source of delay, and diverting investment into alternative avenues. If managed decline provides a rich framework to explore the experiences of residents during regeneration and disrepair, assetisation provides a complementary means to understand the governance and decision-making of social landlords that channel disinvestment into decline.

In and of itself assetisation may not have resulted in disrepair, but the positive feedback between assetisation and changes in HA funding and governance undermined the theoretical proposition that financialisation would support improved property standards. Financialisation and assetisation interacted with passive consumer regulation, professionalisation of boards, and the importation of commercial practices and actors as HAs pursued growth under the encouragement of national government. The positive feedback between these processes, coinciding during the critical juncture of the post-2010 election aftermath, set a context for the proliferation of issues such as damp and mould by making investment in existing homes the perennial loser in HA opportunity cost calculations, with resources subsequently diverted away from housing maintenance. The prioritisation of financial viability over consumer standards in regulation provided HAs with a rationale and the necessary cover to engage in cost-cutting initiatives and to underestimate the extent of investment needed in the stock. The professionalisation of boards facilitated this shift by undermining the accountability of HAs for the standard of their housing. And commercialisation imported a set of practices designed to sweat the assets that undervalued the long-term obligations HAs have to maintain their housing. In addition, in the case of *smaller providers with low margins*, their terms of lending required that they withhold expenditure to ensure sufficient interest cover. In making this argument I have sought to avoid a totalising or reductive narrative in which disrepair is an inevitable outcome wholly explained by financialisation. For example, recent changes to the governance and management structure of some HAs are an attempt to combine the capacity for investment of a larger organisation with the accountability of a local presence (Mullins, 2006). Nevertheless, I contend that financialisation became implicated in a self-reinforcing process of positive feedback with several trends in HA governance that made disrepair more probable.

This chapter makes a further contribution by illustrating how variegated financialisation can contribute to contrasting pathways to disrepair, including in the absence of a process of managed decline (Watt, 2021). Ambition adopted a constructive asset management strategy revolving around maximising the long-term return on its assets via regeneration. Regeneration was intended to align the social and economic objectives of the organisation by using improvements to the physical

structure of the buildings to minimise future management and maintenance expenditure. And Ambition was able to fund this strategy through continued access to a debt financed ‘wall of money’, supplemented with cross-subsidy from private sale and densification. This set a context for the managed decline of the existing estate where the HA withdraw maintenance from a condemned building during protracted negotiations with the local authority, as this was seen as a poor investment in the asset despite tenants being in situ.

The Meadowview estate case helps illustrate the relation between financialisation and managed decline, but also nuances this relationship by highlighting the contingency of events and importance of what Peck (2017) calls their ‘structuring context’, that is the imprint of political-economic processes operating beyond the scale of the individual HA. A wilful withdrawal of maintenance as the landlord downed tools during the regeneration exacerbated the decline of Meadowview, in the words of Watt leading to an “accelerated deterioration over and above any original problems they might have” (2021: 152). But the events and decisions leading to disrepair can also be understood as emerging out of the structuring contexts of austerity and the long-term effects of disinvestment in council housing and declining standards in construction. The putative closing of the rent gap via cross-subsidy only became Ambition policy after capital grant for regeneration was scrapped under austerity. And declining construction standards and investment in council housing – trends stretching back as far as the late 1960s (Cole and Furbey, 1994; Pawson, 2006: 768) – predisposed buildings such as Meadowview to obsolescence long before their stock transfer to Ambition.

The nature of the decision-making regarding Meadowview also touches upon perhaps a potential divergence from the notion of managed decline, the mismanagement of the regeneration. By downing tools to try and secure a more profitable deal with the local authority, the actors undoubtedly were acting without appropriate consideration for the consequences for residents. But their decision making was also short-sighted, chaotic, and poorly thought through, as evidenced by the poor sequencing of the decanting process and the strained local authority negotiations. To argue this was a *managed* process might present their decision making as an overly coherent and rational when it could equally be described as *mismanaged decline*.

By contrast, IDS operated with a more restrictive pot of resources for capital investment due to its relatively tighter borrowing capacity. This condition of ‘artificial scarcity’ set a context in which they failed to systematically invest in the existing stock as resources were put aside to achieve their target of a V1 regulatory grade for financial viability, and to cover rising interest payments following a refinancing exercise. Within these parameters their investment priorities swung from development to building safety, with investment in planned maintenance relegated to third place throughout the

period in question. Once the consequences of disinvestment became clear, the restrictiveness of their loan covenants enforced a trade off between credit-worthiness and housing decency.

Evelyn Court illustrates the importance of considering cases beyond the *large multi-tenure provider* archetype, as the case was not an estate earmarked for disposal or regeneration (Raco *et al*., 2023). As IDS's largest estate, disposal would be financially crippling, and there were no known plans for regeneration. It is possible that in the long-term IDS would have regenerated the estate if not for the interventions of residents, but to assume as such would be essentially speculation. Regardless, other aspects of the case would suggest otherwise, namely that IDS had no history of undertaking regeneration works, in part because their limited borrowing capacity and size would make it prohibitively expensive, and instead were focusing their growth ambitions on new build developments in the London commuter-belt. Evelyn Court, therefore, illustrates how neglect can emerge out of the contingent processes of financialisation and assetisation even in the absence of managed decline.

Perhaps most importantly, exploring the role of finance, assetisation and governance change in these cases does not absolve landlords of responsibility, as in both cases disrepair was avoidable, and issues were known to the HA. Whether the case was managed or mismanaged should have no bearing on the rights of residents to decent housing. The ultimate cost in each case was borne by residents who were subject to pervasive vermin infestations, flooding, damp, and mould.

7. New supply: capital grant vs. private finance

7.1. Introduction

This chapter is one of two that addresses Objective 3: to explore and evaluate the role of the financialisation and assetisation of English housing associations for the supply of decent social housing. Specifically it addresses question 3b: *what effect does greater reliance upon finance and cross-subsidy have on delivery of new social housing, in particular social renting, relative to funding models with higher levels of capital subsidy?* This chapter can be seen as complementary to chapter six, in that it explores the consequences for social housing supply of making HAs less reliant upon capital grant and more reliant upon self-finance by leveraging their assets and balance sheet. But where chapter six looked at the consequences for existing homes, this chapter looks at the consequences for new supply (Leishman *et al*., 2020).

As discussed in section 1.1., the HA sector has been subject to criticism for straying from a focus on social rent, reflected in conversions to affordable rent, disposals of existing assets, and increased focus on new supply of alternative tenures (e.g. affordable rent, shared ownership, private sale) (Atkinson and Jacobs, 2020a; Clare *et al*., 2022; Preece *et al.*, 2020a). As I also argue is necessary in section 1.1., this chapter demonstrates the fundamental importance of analysing the political, economic and regulatory drivers of HA strategy if we are to fully understand the straying of HAs from what Robert Jenrick MP called their “social and moral mission”. The analysis that follows draws attention to the constructive role of the HA funding model in determining the rate and tenure composition of new supply. In short it answers the question, if we funded social rent, would HAs build it?

I analyse research question 3b using a natural experiment. I compare the rates and tenure composition of new social housing supply in two contrasting sets of local authorities determined by a 2018 policy change – local authorities that could access additional capital grant for social rent as the government defined them as under ‘high affordability pressure’, and authorities under less affordability pressure that could not access additional grant (Homes England, 2018). I therefore analyse the differences in new supply between funding models that sit at different points on a continuum from financialised to definancialised, with high affordability pressure authorities being partially definancialised, and lower pressure authorities by necessity more reliant upon self-financing via private investment and cross-subsidy. I also analyse the relationship between social housing delivery and other factors that might predict new supply under a self-financing cross-subsidy model, namely starts by private developers, the rate of private sale, gross domestic product (GDP) per capita, and population growth (Milcheva *et al*., 2022).

In the ensuing analysis I find that higher levels of capital grant are indeed associated with higher rates of new social rented development. This is particularly the case for new social rented housing delivered by HAs, who benefit from the legacy of being the government's preferred delivery partner for new social housing since the late 1980s (Gibb, 2021; Stephens, 2019). By contrast, the increased capital grant had little to no effect on the rate of social rent delivered by local authorities. Nor did it lead to an increased rate of new supply across all social housing tenures (i.e. sum of social rent, affordable rent, shared ownership etc.). Moreover, the rate of social housing supply across tenures is related to the rate of private housing starts in an authority, demonstrating the pro-cyclical nature of social housing delivery tied to S106 planning obligations (Crook, 2020; Milcheva, 2020).

In sections 7.6. and 7.7. of the chapter I reflect upon the implications of these results and how they fit within the overarching aims of the thesis. The analysis adds an empirical update to the literature on HA financialisation and governance, which has largely focused on HA indebtedness within a historical juncture of cuts to capital grant and loose monetary policy (Christophers, 2019; Marsh, 2018). A historical juncture which has given way to tighter borrowing capacity, investment in existing homes, and as shown by this chapter, a modest increase in capital grant for social rent. The findings indicate that a financialised model of social housing funding can deliver similar rates of new supply to a model more reliant on capital grant, but at the expense of affordability and long-term government expenditure (Gibb, 2021; Lawson *et al*., 2018). In addition, I add to the evidence base on how policy reform could feasibly definancialise the HA sector, with implications for policy and practice that I discuss in the chapter's concluding sections (Wijburg, 2021, see also section 8.4.). By focusing on a policy change overseen by Homes England, this chapter shows how actors within the polycentric regulatory environment contribute to variation across the HA sector in terms of reliance upon private finance, and how regulatory actors can either exacerbate or mitigate the decline of social renting via their interactions with HAs, in this case through the provision of capital grant (ibid.; Raco *et al*., 2023).

7.2. Background to the 2018 policy change

The generosity of supply side capital grant for social housing has been declining since the late 1970s, with particularly dramatic cuts during the austerity era of the 2010s where capital grant for new social housing development was reduced by more than 50 per cent (Milcheva, 2020; see section 2.6.1.). Successive governments in the 2010s prioritised available supply-side subsidy on affordable rents and shared ownership. Figure 7.1. illustrates how from 2012 onwards new social rent supply has fallen dramatically and has consistently been below new supply of affordable rent and shared ownership. As made clear in this thesis, this fall in available supply-side subsidy not only undermined social rent delivery, it also created a funding shortfall filled by increased private finance, cross-

subsidy, and higher rents via affordable rents (Smyth, 2019). Social housing delivery has therefore become increasingly tied to the fluctuations of the broader economy and housing market due to its reliance upon private sale (Gibb, 2018).

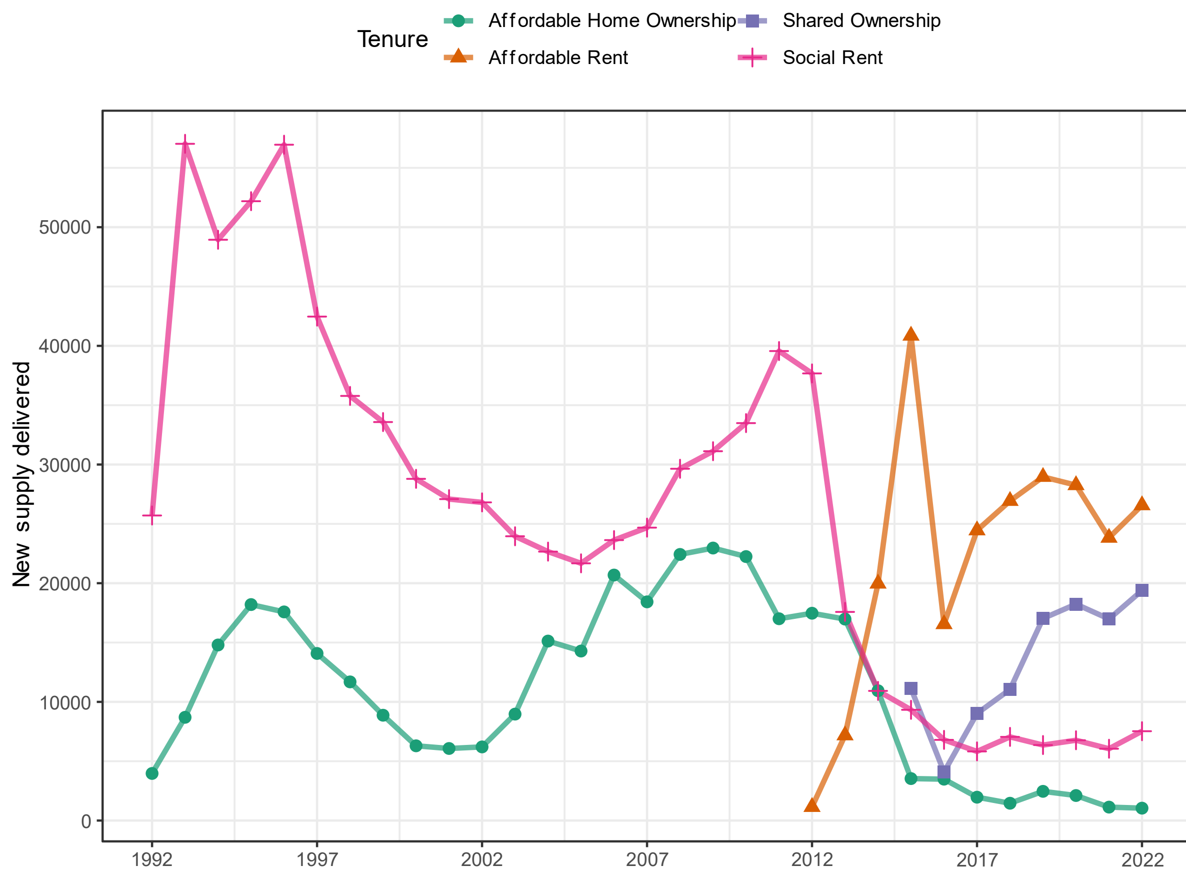

Figure 7.1: Figure 7.1: Affordable housing supply in England by year (selected tenures). Source: DLUHC Live Table 1000

Running parallel to the decline in supply side subsidy has been a growing proportion of housing expenditure on demand-side subsidies. Demand-side subsidy went from 18 per cent of all housing subsidy in 1975/76 to 95.7 per cent by 2015/16, and this was driven by increased expenditure on rent assistance (i.e. Housing Benefit and Universal Credit) (Perry and Stephens, 2018). The integration and growth of private finance into the delivery of social housing has been a contributor to increased demand-side expenditure, as rent assistance provided an effective guarantee of HA revenue streams, necessary to ensure the continued viability of the financial instruments involved (Berry, 2012; Yates and Whitehead, 1998). This has been particularly the case as the HA resident base has been residualised to a narrower group of mostly low-income households, with the ability to continually cover interest payments uncertain in the absence of rental subsidy (Gibb, 2018: 6-7). There are both direct and indirect consequences for tenants of this shift. Rising demand side rent assistance has been a frequent target for expenditure cuts via welfare reform (Patrick, 2017). There is

evidence of greater levels of arrears and overcrowding among tenants whose benefit entitlement does not cover the cost of their rent due to welfare reform (Clair, 2022; Williams *et al*., 2022). While indirect consequences for tenants include the increased usage of affordability assessments by HAs seeking to identify and manage financially risky tenancies (Preece *et al.*, 2020a).

Given this background, a 2018 policy change was notable for being a (partial) symbolic break from this trajectory. In October 2017, the government announced it would provide additional funding for new social rented housing via Homes England as part of the 2016-21 SOAHP (Homes England, 2018). Among the drivers of this change was a change in Prime Minister, a growing recognition of the cost of accommodating low-income households in the PRS, and a renewed focus on structural inequalities in the housing system brought viscerally to the fore by Grenfell (Shelter, 2019; Wilson and Barton, 2022a).

However, to target the additional capital grant in areas of assumed need, it was only available in areas of 'high affordability pressure', defined as local authorities where weekly private rents were at least £50 more expensive than social rents (Homes England, 2018). In announcing the policy, then Prime Minister Theresa May said, *"[We are] getting government back into the business of building houses. A new generation of council houses to help fix our broken housing market"* (May, 2017). In June 2018, Homes England's total budget for SOAHP 2016-21 was increased by £1.67bn to deliver social rent and other eligible social housing tenures, with a target of delivering 12,500 social rent homes in high affordability pressure areas (Homes England, personal communication, 7 March 2023).[12]

Providers of social housing were allowed to bid for social rent funding for developments in localities above the £50 threshold. Developments in areas below the £50 threshold could still receive grant for social rent, but they would not receive more than would otherwise be provided for affordable rent (and so was not additional grant). Nor was the usage of additional capital grant mandatory in eligible authorities (Homes England, 2018). By March 2021, the 2016-21 SOAHP had provided £4.21 billion in funding, with 103,580 homes delivered with grant support, of which 15,397 were social rent (Homes England, 2021). The actual average grant per social rent home was £57,580, compared to £37,818 for affordable rent, and £33,018 for shared ownership (ibid.). Table 7.1. shows the average capital grant by region and tenure, showing that capital grant for social rent was highest in the East of England, and lowest in the East Midlands.

[12] Some of the detail regarding the policy change was derived from correspondence with the responsible department in Homes England. Full details of this correspondence is available on request.

Region	Low-cost homeownership	Affordable rent	Social rent	All programme average
East Midlands	32,050	38,252	46,050	36,293
East of England	32,736	37,323	64,390	39,736
North East	36,263	35,866	52,850	36,231
North West	32,008	38,117	55,409	36,620
South East	80,304	38,238	56,643	39,189
South West	33,443	36,174	64,151	38,103
West Midlands	30,721	38,808	50,267	37,399
Yorkshire and The Humber	33,919	38,485	58,701	37,519
England	33,018	37,818	57,580	37,497

Table 7.1: SOAHP 2016-21 average grant by tenure and region. Source: Homes England, 2021

The 2018 policy change provides an opportunity to analyse the effect of different funding models on social rented and social housing delivery via a natural experiment. The treatment is receipt of capital grant for social rent, which I refer to as a definancialised local authority. This is of course a relative concept, as providers in these authorities will still be reliant upon some form of private finance. But social housing supply is definancialised in these areas relative to comparable areas where capital grant is lower, and supply is necessarily more reliant upon private finance and cross-subsidy. By contrasting social housing delivery between these different authorities I aim to understand whether financialised localities differ to definancialised authorities in terms of their supply of new social housing.

7.3. Methods and Data – RDD

This section details the methods and data used to compare new housing delivery between definancialised local authorities and those with lower levels of grant for social rent. It will also explain how the methods relate specifically to the social rent delivered by HAs operating within those authorities. I use RDD to assess the impact of the funding change on social housing delivery, which is a widely used method to derive causal estimates (Wong *et al*., 2018). RDD allows me to analyse whether HAs respond to changes in their funding model by increasing their delivery of new social rented homes, and RDD enables this by providing a comparison between HA delivery in localities that are theoretically alike in all salient respects other than the availability of grant for social rent. Moreover, the RDD allows me to probe the question as to whether financialisation has delivered upon its promise to policymakers of delivering more homes per pound of capital subsidy (Milcheva, 2020; see section 2.6.3.). I probe this question by analysing whether higher rates of social housing overall are delivered in areas with additional capital grant or not. If financialisation has delivered

more homes per pound of subsidy there should be no appreciable difference in social housing delivery between local authorities with varying levels of grant availability.

RDD can be used to estimate the impact of a policy intervention where RCTs are not feasible as it compares the outcome between two groups that are theoretically balanced on potentially confounding variables (Angrist and Pischke, 2008). One of the benefits of RDD for this study, therefore, is the ability to focus purely on the push factor of changes in the funding model on social rent supply. Rather than distribute treatment randomly, RDD produces a causal estimate in situations where treatment status is allocated according to an observation's value on some known covariate, referred to as the *forcing variable*. At some cutoff in the forcing variable there is a change in the probability of treatment, for example the forcing variable in this study is the affordability gap, and at the £50 cutoff local authorities become eligible for the treatment i.e. receiving additional capital grant (Imbens and Lemieux, 2008).

There are two types of RDD, sharp and fuzzy (Hahn *et al*., 2001). In sharp RDD the treatment is mandatory for observations above the cutoff, and eligibility is restricted from observations below it. For example, sharp RDD would apply in a hypothetical scenario where providers operating in high affordability pressure authorities were mandated to build social rent with additional capital grant. Formally, in sharp RDD the probability of treatment switches from 0 to 1 at the cutoff. By contrast, in fuzzy RDD the treatment is non-mandatory, and eligibility is not restricted from observations below the cutoff. Fuzzy RDD is commonly used to assess the impact of interventions that provide a nudge towards treatment, and where there is imperfect treatment compliance. Formally, the probability of treatment changes at the cutoff, but it does not switch from 0 to 1 (ibid.; Imbens and Lemieux, 2008: 619-621). This is the case with the 2018 policy change analysed in this chapter, as the additional grant was available to providers bidding to fund their new supply in treated authorities but was non-mandatory, and providers operating below the cutoff could still access grant to fund social rent provided it was equal to the amount required for affordable rent (and so was not *additional* grant below the cutoff) (Homes England, 2018). I apply a fuzzy RDD to assess the impact of the partial definancialisation of social housing funding in 2018.

RDD is often described as looking for "jumps" in what would otherwise be continuous regression lines (Angrist and Pischke, 2008). This is because under RDD the impact of the intervention is modelled as a discontinuity in the conditional distribution of the outcome variable at the cutoff, and this discontinuity will appear as a sudden jump in the relationship between the outcome and forcing variable (see section 3.3.4. and Figure 3.3.). This is analogous to a difference-in-means between treatment and control groups in an RCT, however RDD compares differences in the expected value of

the outcome conditional upon the forcing variable at the point of change in treatment status (Lee and Lemieux, 2010). In simple terms, in the relationship between new social housing supply and affordability gap, if there is an impact of increased capital grant there should be a sudden jump in the rate of new supply at the £50 cutoff.

More formally, equation (5) gives the estimand in fuzzy RDD:

$$\tau = \frac{\lim_{x \downarrow c} E(Y|X = x) - \lim_{x \uparrow c} (Y|X = x)}{\lim_{x \downarrow c} E(D|X = x) - \lim_{x \uparrow c} (D|X = x)} = \mathrm{E}(Y_i(1) - Y_i(0) \mid \text{unit } i \text{ is a complier and } X_i = \mathrm{c}) \qquad (5)$$

Where: τ is the treatment effect, Y_i is the outcome variable, D_i is treatment status, X_i is the forcing variable, and c is the cutoff point. Assuming that Y_i is a continuous function of the forcing variable X_i at point c, sudden jumps in $E(Y_i|X_i)$ at c are indicative of a treatment effect (Lee and Lemieux, 2010: 310-312).

Two things are of note regarding interpretation of the treatment effect in equation (5). Firstly, the treatment effect applies to a subpopulation of observations with $X_i = c$, and so it is interpreted as a local average treatment effect (LATE). This places a limit on the external validity of the causal estimate as in strict terms the LATE applies only to those observations with an affordability gap equal to £50 (Imbens and Lemieux, 2008). However, the strength of RDD is its high degree of internal validity. The logic of RDD is that if we took two local authorities at or very close to the cutoff – say a local authority with a £50.00 affordability gap and authority with a £49.99 gap – the differences between them in terms of confounding variables that might influence the rate of new social housing supply – for example, rate of private development, GDP per capita – should be trivial enough to make the £50 cutoff for treatment effectively arbitrary (Evans, 2013). The distribution of treatment is as-if random, even though it is not actually random as it is determined by the forcing variable. The LATE estimate comes with some distinct advantages. Because the estimate applies to observations at the cutoff, we can use it to predict how many additional social housing dwellings would be produced if we expanded the policy to one more previously ineligible authority (ibid.). Moreover, in practice RDD estimates are often more generalisable to observations further from the cutoff than statistical theory would imply; Bloom *et al.*'s (2020) evaluations of RDD estimates in comparison to randomised controlled trials (RCTs) found that in practice RDD estimates were often generalisable observations in a subpopulation adjacent to the cutoff, especially when the cutoff appeared in a region of the forcing variable where there was a high frequency of observations. This implies that if there are many local authorities located near to the £50 cutoff, it is likely that the LATE is a good predictor of the housing that would be supplied had they been eligible for capital grant (provided they comply with the intervention, see immediately below).

The second thing of note for equation (5) is that in the case of fuzzy RDD the LATE is further restricted to the subpopulation of *compliers* only i.e. local authorities who received capital grant above the cutoff and local authorities who did not receive grant below the cutoff (Imbens and Lemieux, 2008: 619-620). The denominator in equation (5) will be a positive real number between 0 and 1 as compliers are a percentage of the population. Thus, the size of the treatment effect in equation (5) should be greater than the population average treatment effect (ATE). In effect this means that if we made the capital grant universally available, the estimated amount of new homes would *not* be the LATE multiplied by the number of authorities newly eligible for grant, as we are unlikely to achieve perfect compliance.

The estimand in equation (5) can be estimated using an instrumental variables approach, where a binary variable for whether an observation is either side of the cutoff is used as an excluded instrument to estimate the probability of treatment (Hahn *et al.*, 2001). Thus we have a two stage least squares (TSLS) estimator, where in the first stage we estimate equation (6):

$$D_i = \gamma_0 + \gamma_1 Z_i + \gamma_2 \widetilde{X_i} + \gamma_3 Z_i \widetilde{X_i} + u_i \tag{6}$$

Where: D_i is the probability of treatment, Z_i is the excluded instrument indicating whether an observation is either side of the cutoff, $\widetilde{X_i}$ is the forcing variable centred at the cutoff, $Z_i\widetilde{X_i}$ is an interaction term that allows the slope of the forcing variable to vary either side of the cutoff, and u_i is an error term.

The second stage is given in equation (7):

$$Y_i = \beta_0 + \tau D_i + \beta_1 \widetilde{X_i} + \beta_2 D_i \widetilde{X_i} + \varepsilon_i \tag{7}$$

Where: τ is the LATE, $D_i\widetilde{X_i}$ is an interaction term, and ε_i is an error term. Further covariates may be included in equation (7) to reduce covariate imbalance, and thus bias, resulting from the inclusion of observations far from c. Doing so has also been found to improve the precision of estimates (Imbens and Lemieux, 2008: 626).

It is common to estimate an RDD parametrically, but in such cases correct specification of the functional form of $E(Y_i|X_i)$ is necessary for an unbiased estimate of the LATE. In other words, if the researcher fails to fit a curve that accurately predicts the outcome variable across the entire range of the forcing variable, this will bias the LATE. This is a practice prone to error as it is difficult to know *ex ante* the true relationship between the forcing variable and the outcome, for example whether it is linear or highly non-linear (Gelman and Imbens, 2014). Misspecification of the functional form may result in erroneously conflating a simple non-linearity in $E(Y_i|X_i)$ with a treatment effect (Angrist and Pischke, 2008: 191-193). And the common practice in parametric RDD of estimating higher-order

polynomials for X_i has been shown to produce highly sensitive and potentially misleading estimates, with a high rate of false positives (Gelman and Imbens, 2014).

By contrast, local linear regression is an alternative non-parametric estimation method that simulations have shown reduces bias in RDD estimates relative to parametric methods (ibid.). The logic is that while the relationship between the forcing variable and outcome may be globally non-linear, we can fit a linear model locally within a window of observations close to the cutoff, thus reducing the need to specify higher-order polynomials to fit to observations far from c. The size of the window around the cutoff is known as the *bandwidth*, and reductions in bias are at the cost of discarding data and thus reducing statistical power (Angrist and Pischke, 2008: 193-4). Imbens and Kalyanaraman (2012) provide a data-driven algorithmic method for bandwidth selection that minimizes an approximation of the mean squared error (hereby the 'IK optimal bandwidth'). Greater weight can also be given to observations closer to cutoff using a kernel function. For ease of interpretation and transparency Lee and Lemieux (2010: 319) recommend using a uniform kernel – one that gives equal weight to all observations in the bandwidth – and subsequently illustrating how adjusting the size of the bandwidth may affect estimates.

Importantly for the research question at hand, estimating a causal effect in a window of observations around the cutoff prevents us from drawing erroneous conclusions regarding differences in the funding model between authorities. For example, treated local authorities at the upper-end of the affordability gap distribution may be no less reliant upon private finance than non-treated local authorities, in fact they may be even more reliant upon finance due to the costs of land and its effect on the viability of social rent (NHF, 2019). By restricting the sample to a set of local authorities that have a similar affordability gap (and by implication should also be similar on theoretically salient covariates, although these are controlled for), I estimate the causal effect of different funding models in comparable local authorities.

I estimate equations (6) and (7) for four outcome variables. In each case I estimate a local linear regression to observations within the IK optimal bandwidth, weight observations via a uniform kernel, and present robust standard errors (Lee and Lemieux, 2010: 329). The outcome variables are:

1. The rate of social rent starts-on-site per 1,000 existing dwellings
2. The rate of social rent starts-on-site by HAs per 1,000 existing dwellings
3. The rate of social rent starts-on-site by LAs per 1,000 existing dwellings
4. The rate of social housing starts-on-site per 1,000 existing dwellings

The first outcome measures social rent delivery regardless of delivery mechanism – and therefore includes S106 starts – as it is important that any increase in social rent delivery is not merely displacing that which would otherwise be delivered via alternative mechanisms. Outcomes two and three disaggregate by the provider type – HA or LA – thereby providing a sub-group analysis focusing on delivery among the conventional receivers of Homes England capital grant. And outcome four assesses whether the policy change resulted in additional housing across all social housing tenures (i.e. the aggregated output of social rent, affordable rent, shared-ownership etc.). As each outcome variable is focused on new starts-on-site, the analysis estimates the effect of capital grant on the rate of new supply, not the size of supply overall (Leishman *et al*., 2020). Therefore, an increased rate of new social rent supply may still sit alongside a net reduction in the size of the tenure overall, if it does not compensate for losses via RTB, demolition and conversions to affordable rent (Wilson and Barton, 2022a).

Treatment status is whether social rented housing was built in the given local authority using Homes England grant subsidy. The forcing variable is the affordability gap. The cutoff is £50 affordability gap. And the excluded instrument is a binary indicator for whether a local authority was either side of the cutoff. Data sources are outlined in Table 7.2. In each case an individual observation is a local authority, with London local authorities excluded as they are funded via the GLA. Five local authorities were excluded as they were created after the 2018 policy change as a consolidation of smaller authorities, but it is not possible to retrospectively calculate their forcing variable.[13] Consequently, n = 278. There were twelve further unexplained missing observations from the covariates, which were removed using listwise deletion in the covariate models. The different stages of the planning, design and construction process mean there is an inevitable time-lag between policy announcement and schemes starting on-site. Consequently, the analysis focuses on outcomes in the 2019/20 financial year, which is the most recent year to have full data availability at the time of writing.

For each outcome variable I produce a model estimating equation (7) without covariates, and a model including potential confounding covariates. Covariate selection is informed by the recommendations of Milcheva *et al.* (2022) who provided guidance to DLUHC on evaluating AHP. Milcheva *et al.* recommended controlling for various demographic and economic factors related to housing demand, including population growth, economic production and house-price-to-earnings ratio (2022: 22-23). House-price-to-earnings ratio is highly correlated with the affordability gap forcing variable, so is omitted. To approximate Milcheva *et al.*'s recommendations I control for the

[13] Bournemouth, Christchurch and Poole; Dorset; Somerset West and Taunton; West Suffolk; and East Suffolk.

total number of households, the five-year change in number of households, median earnings, and the percentage employment in professional or financial industries. In addition, I control for the percentage of housing stock that is rented social housing (i.e. social rent or affordable rent), the population percentage aged 65 or above, private developer starts, and private sales. Covariates are outlined in Table 7.2. To aid interpretation, all covariates are scaled to range between 0 and 1 (except for when being used as a placebo outcome).

Variable	**RDD descriptor**	**Source(s)**
Homes England capital subsidy for social rent	Treatment	a) DLUHC: Live table 1011S: Additional Affordable Housing Supply; detailed breakdown by Local Authority, Starts on site
Social rent starts per 1,000 dwellings	Outcome	a) DLUHC: Live table 1011S: Additional Affordable Housing Supply; detailed breakdown by Local Authority, Starts on site b) DLUHC: Live table 125: dwelling stock estimates by local authority district
Social rent starts by HAs per 1,000 dwellings	Outcome	a) DLUHC: Live table 1011S: Additional Affordable Housing Supply; detailed breakdown by Local Authority, Starts on site b) DLUHC: Live table 125: dwelling stock estimates by local authority district
Social rent starts by LAs per 1,000 dwellings	Outcome	a) DLUHC: Live table 1011S: Additional Affordable Housing Supply; detailed breakdown by Local Authority, Starts on site b) DLUHC: Live table 125: dwelling stock estimates by local authority district
Social housing starts per 1,000 dwellings	Outcome	a) DLUHC: Live table 1011S: Additional Affordable Housing Supply; detailed breakdown by Local Authority, Starts on site

		b) DLUHC: Live table 125: dwelling stock estimates by local authority district
Affordability gap between average weekly social and private rents in 2016/17[14]	Forcing variable	a) RSH: Statistical data return (SDR) for private registered providers b) VOA: Private rental market statistics 2016/17
Private developer starts per 1,000 dwellings	Covariate / Placebo	a) MHCLG Open Data on permanent dwellings started by district and tenure, England b) DLUHC: Live table 125: dwelling stock estimates by local authority district
Private sales per 1,000 dwellings	Covariate	a) ONS: House price statistics for small areas (HPSSAs): Dataset 6 Number of residential property sales for administrative geographies b) DLUHC: Live table 125: dwelling stock estimates by local authority district
Median earnings	Covariate	a) ONS Annual Survey of Hours and Earnings: Median gross annual residence-based earnings by local authority
Households (total number)	Covariate	a) ONS: 2018-based household projections for local authorities and higher adminstrative areas within England
Households change i.e. five-year change in number of households	Covariate	a) ONS: 2018-based household projections for local authorities and higher adminstrative areas within England
Social housing supply (rented) as percentage of total supply	Covariate	a) ONS: Subnational estimates of dwellings by tenure, England 2012-2021

[14] Homes England policy was to make grant available to a list of local authorities with a £50 affordability gap or more in 2016/17, regardless of how values of this variable changed in subsequent programme years. Consequently, the list was fixed and authorities could not inflate their way into eligibility. Mirroring Homes England policy, the running variable is the affordability gap as it stood in 2016/17 (Homes England, personal communication, 7 March 2023).

Employment in professional and finance industries as a percentage of total employment	Covariate	a) ONS: Business Register and Employment Survey
Over 65s as a percentage of total population	Covariate	a) ONS: Estimates of the population for the UK, England, Wales, Scotland and Northern Ireland

Table 7.2: Summary of variables and data sources for RDD

It is conventional to conduct a range of robustness checks in RDD analysis. I check for a pre-treatment effect by estimating the LATE for each outcome variable in the year prior to the policy announcement – 2016/17 – in which I expect to find no effect. I conduct a placebo test by estimating a treatment effect at the cutoff on a theoretically unaffected covariate – the rate of starts by private developers – again expecting no effect. I conduct further placebo tests at fictitious cutoff points in the forcing variable, with fictitious cutoffs at the median value in subsamples either side of the genuine cutoff (£34.67 where $X_i < c$, and £75.65 where $X_i \geq c$), again expecting no effect (Imbens and Lemieux, 2008: 632). I explore the sensitivity of the LATE to different specifications of the bandwidth by visualising the LATE across a range of bandwidths increasing by increments of 0.1. I estimate the LATE with weights determined via a triangular kernel to ensure robustness to different weightings. And finally, I test for potential manipulation of the forcing variable by conducting the McCrary (2008) test, which tests for discontinuities in density of the forcing variable at the cutoff, and where failure to reject the null hypothesis indicates the forcing variable is unlikely to have been manipulated. Unless otherwise stated, I present the results for robustness checks in the Appendix.

7.4. Summary statistics and distribution of the forcing variable

Figure 7.2. displays the distribution of the forcing variable – the affordability gap in each local authority in 2016/17. It shows that the distribution is long tailed, but more importantly there is a high density of observations around the cutoff suggesting no manipulation of the forcing variable.

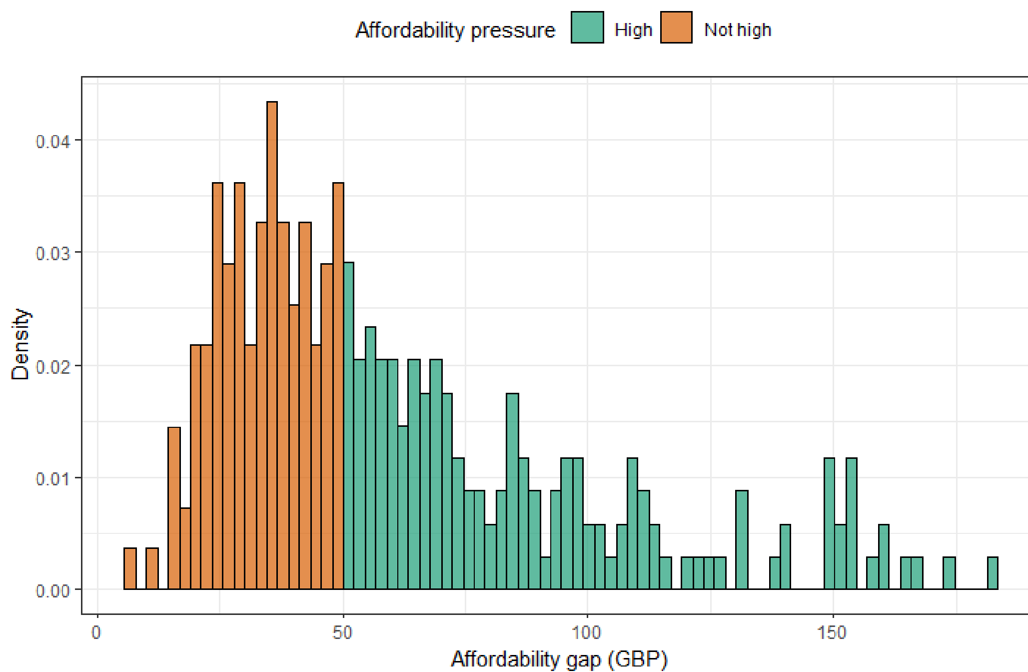

Figure 7.2: Density of the forcing variable, affordability gap by local authority in 2016/17

This is corroborated by the results of the McCrary test presented in Table 7.3. The McCrary tests for potential manipulation of the forcing variable, which would violate the assumption in RDD that the forcing variable is continuous around the cutoff and treatment is therefore distributed as if random (McCrary, 2008). In Table 7.3. the 'discontinuity' figure can be interpreted as the percentage difference between the expected frequencies of observations either side of the cutoff (ibid.). The expected discontinuity should be zero per cent if the forcing variable is continuous, indicating no sudden jumps in observations either side of the cutoff that might introduce selection bias. But more importantly, a non-significant p-value suggests any discontinuity present could occur merely by chance, and is taken as suggestive of no manipulation (ibid.). In Table 7.3. the discontinuity is 3.8 per cent, and the p-value indicates an 89 per cent probability of this level of discontinuity occurring under the null hypothesis of continuity. This provides evidence the assumptions of RDD are met and the test is therefore appropriate.

Discontinuity	Z-value	p-value
0.03820821	0.13837	0.89

Table 7.3: Results of McCrary test for discontinuity in forcing variable

Figure 7.3. shows that the funding change appeared to have an effect on new social rent supply, but not until 2019/20, at which point high affordability pressure areas deliver a much higher proportion of new social rent starts than in previous years. Nonetheless, the total rate of social rent supply does not increase significantly. This is because 2019/20 saw a decrease in construction activity with the rate of private developer starts falling. As such, the total rate of social rent supply was influenced by falling rates of S106 homes.

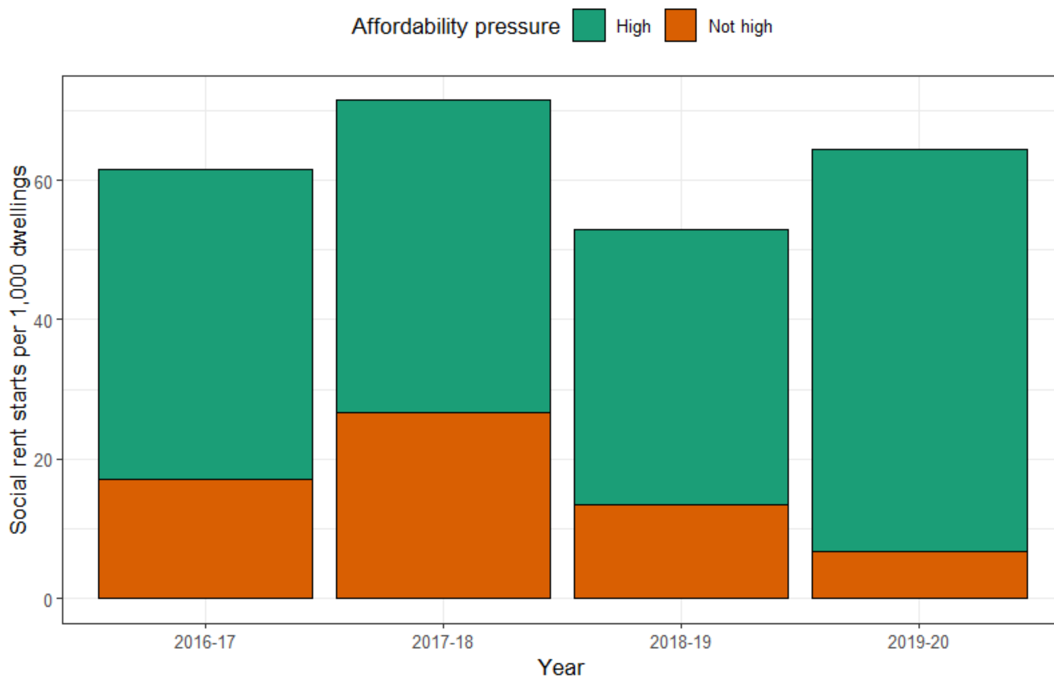

Figure 7.3: Social rent starts by year and affordability pressure, excluding London. Source: DLUHC Live Table 1011S

Figure 7.4. shows the social rent starts funded by Homes England and disaggregated by delivery provider. Figure 7.4 illustrates that in 2019/20 the rate of new social rent supply increased more markedly among homes delivered by HAs, and this compensated for the falling number of social rent starts overall. By contrast, there was very little change in social rent delivered by LAs.

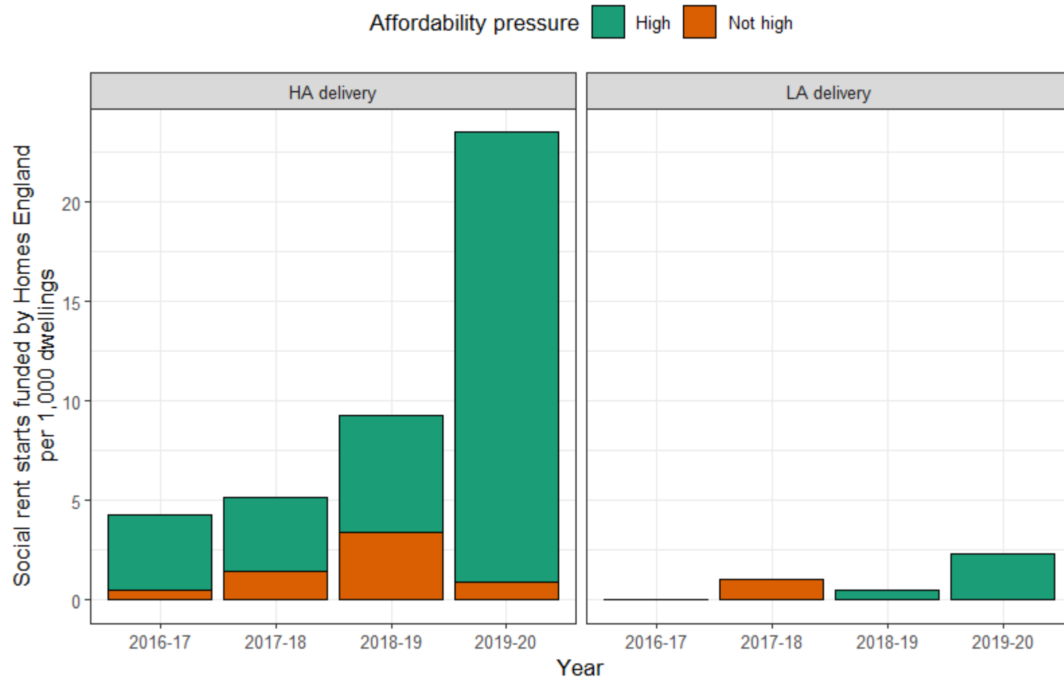

Figure 7.4: Social rent starts by year, affordability pressure, and delivery partner, excluding London. Source: DLUHC Live Table 1011S

7.5. Findings

7.5.1. Social rent starts

The left panel of Figure 7.5. visualises the association between treatment status, affordability gap and social rent starts in 2019-20. For visual clarity, points represent binned local averages in £5 wide bins (Lee and Lemieux, 2010: 334). The LATE in RDD is visually represented by a jump in regression lines for treated and non-treated units at the cutoff. There is a clear jump in social rent starts at the cutoff point according to treatment status, which suggests a potential causal effect.[15]

[15] The visualisations are presented to aid intuition of the causal effects. But the gap between the regression intercepts in Figures 2-5 are not equivalent to the LATE estimates presented in Table 2 due to the usage of a TSLS estimator.

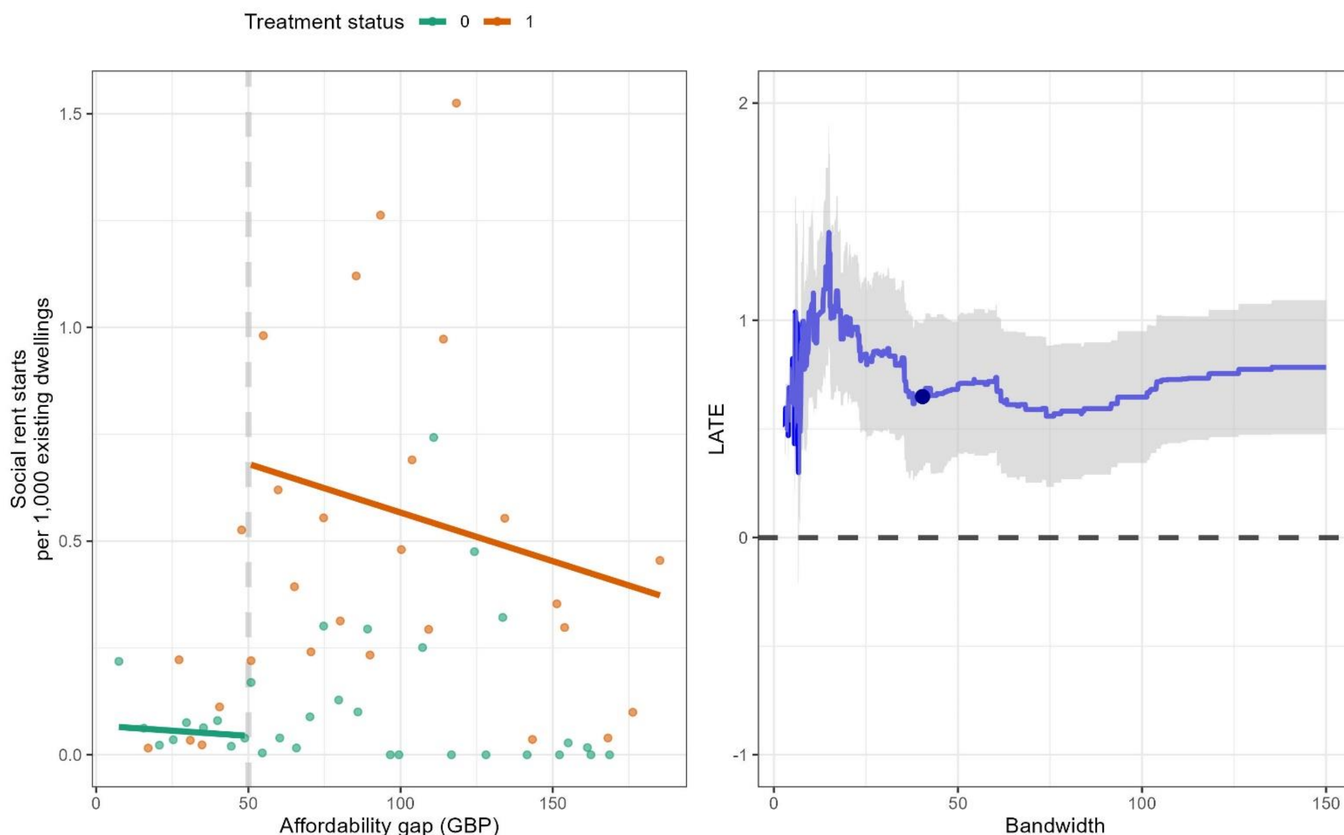

Figure 7.5: Social rent starts 2019/20. Left panel: social rent starts by affordability gap and treatment status 2019/20. Right panel: LATE sensitivity to different bandwidths with 95 per cent confidence interval, blue point is IK optimal bandwidth.

Table 7.4. displays the LATE estimates for the four outcomes of interest. In the social rent starts model excluding covariates, the LATE is estimated at 0.65 social rent starts per 1,000 dwellings ($p < 0.05$). When controlling for covariates, the LATE is similar at 0.69 starts per 1,000 dwellings ($p < 0.05$). To convert these estimates into their original scale, I multiply the estimates in Table 7.4. by the quotient used to derive the rate per 1,000 dwellings. This figure can be interpreted as the number of social rent homes started as a result of additional capital grant in an average compliant local authority. In the case of the model including covariates, this figure is 56.81 homes. This figure can also be interpreted as a marginal rate of delivery if the policy was expanded. In other words, if the capital grant was made available in one additional local authority just below the £50 cutoff, we should expect it to deliver an addition 56.81 social rented homes.

The right panel in Figure 7.5. shows the sensitivity of the LATE to different bandwidths. Figure 7.5. suggests that the estimate in Table 7.4. is roughly stable across a range of bandwidths, and that estimates remain positive and statistically significant. The estimates in Table 7.4. are robust to several rigorous robustness checks (see Table 7.5. below and Appendix), as such the evidence here is taken as indicative of a genuine causal effect of capital grant on social rent supply. This suggests that

	Social rent starts				Social rent starts by HAs				Social rent starts by LAs				Affordable housing starts			
	Covariates: N		Covariates: Y		Covariates: N		Covariates: Y		Covariates: N		Covariates: Y		Covariates: N		Covariates: Y	
	Est.	SE	Est.	SE	Est.	SE	Est.	SE	Est.	SE	Est.	SE	Est.	SE	Est.	SE
Treatment	0.649	0.173 ***	0.694	0.196 ***	0.596	0.149 ***	0.635	0.176 ***	-0.047	0.038	-0.030	0.037	0.150	0.882	-0.388	1.064
Affordability gap	0.001	0.001	-0.001	0.002	0.001	0.001	-0.0002	0.001	0.001	0.001	0.0004	0.001	0.030	0.013 *	0.024	0.013
Treatment * Affordability gap	0.001	0.004	0.002	0.004	-0.001	0.003	-0.001	0.003	0.002	0.001	0.002	0.001	-0.018	0.021	-0.013	0.025
Private developer starts			0.006	0.173			0.181	0.148			-0.011	0.055			4.705	1.058 ***
Earnings			0.121	0.199			0.209	0.192			-0.023	0.039			-2.133	0.938 *
Households			-0.346	0.351			-0.611	0.313			0.134	0.079			-0.281	1.498
Households change			-0.093	0.252			0.192	0.236			-0.101	0.046 *			-1.177	1.004
Private sales			0.553	0.324			0.139	0.310			0.072	0.058			2.803	1.585
Social housing %			0.432	0.169 *			0.259	0.162			0.096	0.067			1.237	0.865
Professional and finance %			0.181	0.191			-0.010	0.149			0.105	0.056			0.702	0.808
65+ %			0.143	0.162			0.063	0.137			0.072	0.032 *			-0.611	0.803
Intercept	0.020	0.031	-0.049	0.189 *	-0.014	0.024	-0.296	0.175	0.030	0.012	-0.090	0.049	2.457	0.333 ***	0.958	1.006
N	278		266		278		266		278		266		278		266	
IK optimal bandwidth	40.38		41.11		50.89		54.21		29.38		29.10		40.09		36.86	
* p < 0.05, ** p < 0.01, *** p < 0.001																

Table 7.4: 2019/20 outcome variables. Fuzzy RDD estimates and robust standard errors (SE).

after controlling for factors related to the cross-subsidy model, there is strong evidence that social housing providers and developers were responsive to the increased capital grant, with rates of new social rent increasing accordingly. This gives credence to the notion that a fundamental driver of the decline in new social rent supply over the course of the 2010s has been changes in the funding model (Gibb, 2021; Graham *et al.*, 2019).

7.5.2. Social rent starts by HAs

Figure 7.6. visualises the treatment effect for social rent starts by HAs in 2019/20 in the left panel. Figure 7.6. again suggests a potential causal effect from treatment. Compared to social rent starts the treatment effect is likely smaller, but this is always to be expected given total social rent starts is the sum of HA delivery and all other delivery mechanisms (e.g. S106). Also, it is notable that policy compliance is strong below the cutoff, with very few HAs developing social rent in authorities where additional grant was unavailable, suggesting capital grant is a critical factor for stimulating social rent supply among HAs. By contrast, social rent delivery by HAs was unrelated to covariates including rates of private sale, commercial development and GDP per capita. This supports the argument that changes in the rate of capital grant can affect the viability of social renting as a tenure for HAs, and provide a counter-cyclical stimulus to expedite new social rent supply that is unrelated to fluctuations in the private construction or sales markets.

The LATE estimate excluding covariates in Table 7.4. is 0.60 social rent starts per 1,000 dwellings ($p < 0.05$). And including covariates the estimate is also 0.63 starts per 1,000 dwellings ($p < 0.05$). This latter estimate is equivalent to 51.86 social rented units delivered by HAs in an average compliant local authority. Or alternatively, that if the capital grant was made available in one additional authority, HAs would respond by delivering an additional 51.86 social rented starts. The findings suggests that the majority of the total increase in social rent delivery was attributable to HA supply. The right panel in Figure 7.6. shows the LATE is consistently positive and statistically significant across the range of potential bandwidths, providing assurance of a genuine causal effect. As such, these findings suggest that the additional capital grant had a notably strong effect on social rent delivery among HAs, and that changes in the funding model exert a strong influence on the fluctuating rate of social rent delivered by HAs.

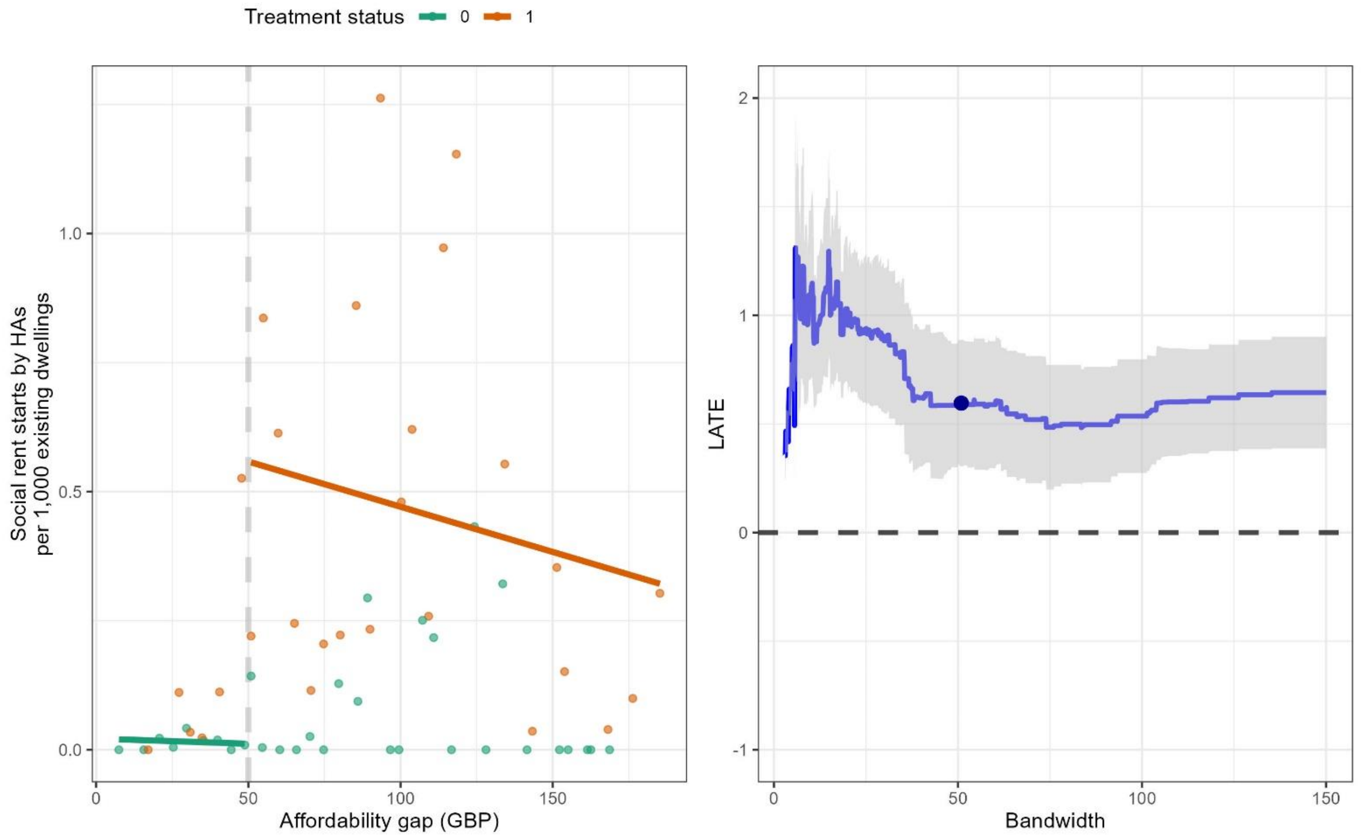

Figure 7.6: Social rent starts by HAs 2019/20. Left panel: social rent starts by HAs by affordability gap and treatment status 2019/20. Right panel: LATE sensitivity to different bandwidths with 95 per cent confidence interval, blue point is IK optimal bandwidth.

7.5.3. Social rent starts by LAs

Figure 7.7. shows the social rent delivery by LAs by affordability gap and treatment status. Delivery by LAs is lower than by HAs, and there is only a small gap between treated and non-treated local authorities, suggesting there is little to no causal effect. Table 7.4. provides support for the inference of no effect. Regardless of whether covariates are included or not, the results suggest a very small effect for social rent starts by LAs, which is also non-significant. Figure 7.7. shows the LATE for LA social rent starts fluctuates between a negative and positive estimate across the range of bandwidths, and is consistently non-significant. Despite the stated intent of a "new generation of council housing", the policy had little effect on social rent supplied by LAs.

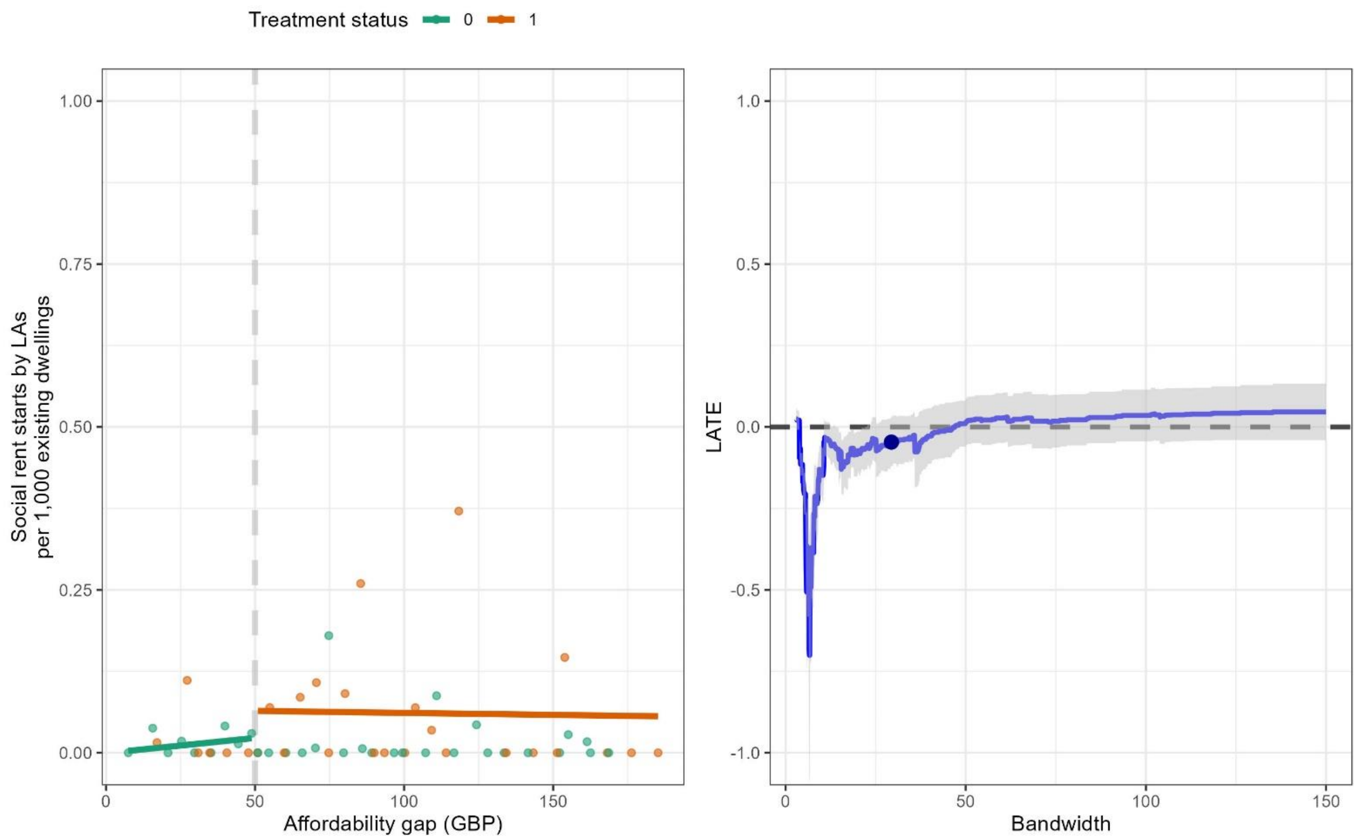

Figure 7.7: Social rent starts by LAs 2019/20. Left panel: social rent starts by LAs by affordability gap and treatment status 2019/20. Right panel: LATE sensitivity to different bandwidths with 95 per cent confidence interval, blue point is IK optimal bandwidth.

7.5.4. Social housing starts

Figure 7.8. presents social housing starts by affordability gap and treatment status. While there is a jump between regression lines at the cutoff, there is also greater uncertainty in this estimate than for other outcomes with substantial amounts of non-compliance. This is supported by the LATE estimates in Table 7.4. The model for affordable housing starts excluding covariates estimates a small LATE of 0.15 starts per 1,000 dwellings, and the standard error is large. The model including covariates produces a negative estimate for the LATE, which is also statistically non-significant. Furthermore, Figure 7.8. also shows the LATE fluctuates between negative and positive depending on bandwidth and is consistently non-significant. Given this uncertainty, these findings are interpreted as suggestive of no causal effect. This finding suggests the policy did not result in more social housing overall, rather it produced similar amounts of social housing with proportionately more social rent. This could be seen as a limitation of the policy change as Homes England aims for the homes produced from SOAHP to be additional to those that would be otherwise delivered in a counterfactual scenario (Milcheva *et al.*, 2022). The findings suggest there is a feasible scenario

where similar levels of social housing were delivered for less capital grant by allowing the homes to be other tenures (e.g. affordable rent, shared-ownership). It is worth noting that in the model including covariates in Table 7.4., social housing starts are positively associated with the rate of starts by private developers, and the effects is large at 4.70 starts per 1,000 dwellings for private developer starts. This finding is illustrative of the pro-cyclical nature of social housing delivery as it is tied to activity in the private construction sector via S106 (Crook, 2020).

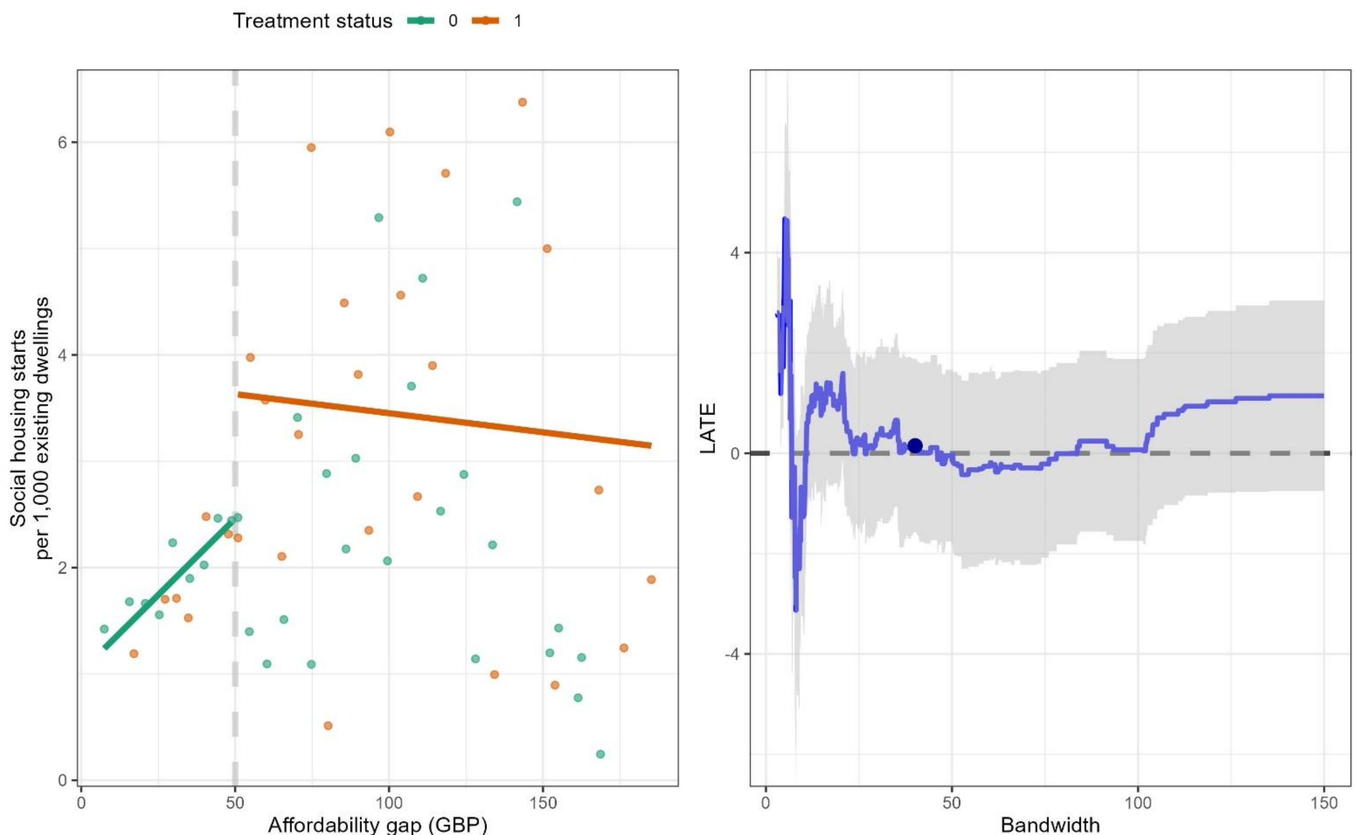

Figure 7.8: Social housing starts 2019/20. Left panel: social housing starts by affordability gap and treatment status 2019/20. Right panel: LATE sensitivity to different bandwidths with 95 per cent confidence interval, blue point is IK optimal bandwidth.

7.5.5. Robustness checks

Table 7.5. displays the LATE estimates for 2016/17 social rent starts, 2016/17 social rent starts by HAs and 2019/20 starts by private developers. In each case the results suggest no effect, which provides assurance against the presence of a pre-policy treatment effect or a treatment effect on a theoretically unaffected covariate. The estimation of treatment effects using a triangular kernel produced similar effects to the main results reported in Table 7.4 (see Appendix for full reporting of robustness checks). The placebo tests using fictitious cutoff points were suggestive of no effect and

were non-significant. In sum, the causal effects inferred for social rent starts and social rent starts by HAs appear robust to all checks undertaken.

7.6. Interpretation of findings

In section 1.1. I argued that one of the central criticisms of the HA sector post-2010 has been a perception they are prioritising other tenures – affordable rent, shared ownership, private sale – over social rent. In response some HAs have argued that critiquing them on this basis is overly simplistic, as it obscures the important context of housing policy and economics that makes social rent an unviable development proposition (Graham *et al.*, 2019). This perspective is summarised succinctly by the view of a HA executive leader interviewed for this thesis:

> So, there's been work done to point out the that the number of homes we develop is a financial output. It's got nothing to do with how much we want to build them, or how much we care about the people who live in them, or anything. It's a financial equation.
> **STAKEHOLDER_1**

Arguably this response is also overly simplistic, as there are power relations inherent to the landlord-tenant relation, and some HAs who have been bullish in embracing the post-2010 cross-subsidy model (Morrison, 2017; Watt, 2021), neither of which can be reduced to a simple question of economics. Nonetheless, the evidence in this chapter does provide rigorous evidence that the degree to which HAs are reliant upon capital grant vis-à-vis private finance and cross-subsidy has a constructive role on the rate and composition of new supply.

The rationale of the post-2010 funding model was that HAs could continue to develop new decent and social housing provided they were willing and able to leverage their asset base strategically (Gibb, 2018; Smyth, 2019). These results suggest that HAs have continued to deliver new social housing under this model, but at the expense of a reduced rate of social rent, which evidence suggests will produce negative externalities in terms of reduced affordability, and higher long-term public cost due to the need for ongoing subsidies to service debt and demand-side rent assistance (Gibb, 2021; Lawson *et al*., 2018). As Gibb points out, other things being equal – i.e. same macro-economic environment, same rent settlement, and most importantly, the same tenants on relatively

	Social rent starts (2016/17)				Social rent starts by HAs (2016/17)				Private developer starts (2019/20)			
	Covariates: N		Covariates: Y		Covariates: N		Covariates: Y		Covariates: N		Covariates: Y	
	Estimate	SE	Estimate	SE	Estimate	SE	Estimate	SE	Estimate	SE	Estimate	SE
Treatment	0.491	0.875	0.561	1.011	1.164	0.903	1.118	0.911	1.704	1.499	0.580	1.379
Affordability gap	0.008	0.004 *	0.010	0.005 *	0.007	0.004	0.009	0.005	0.042	0.021 *	-0.006	0.019
Treatment * Affordability gap	-0.010	0.007	-0.007	0.009	-0.009	0.007	-0.008	0.008	-0.098	0.036 **	-0.022	0.035
Private developer starts			1.113	0.444 *			1.133	0.392 **				
Earnings			0.216	0.311			0.316	0.301			3.420	1.870
Households			-0.201	0.551			0.078	0.428			-4.918	1.860 **
Households change			-0.277	0.537			-0.297	0.504			4.216	1.412 **
Private sales			-0.638	0.409			-0.614	0.332			14.652	1.925 ***
Social housing %			0.114	0.440			-0.248	0.312			4.147	1.262 **
Professional and finance %			-0.509	0.408			-0.667	0.384			-0.391	1.313
65+ %			-0.287	0.365			-0.300	0.288			0.263	1.155
Intercept	0.249	0.062 ***	0.593	0.493	0.134	0.048 **	0.622	0.420	5.607	0.530 ***	-4.164	1.244 ***
N	292		266		292		266		277		266	
IK optimal bandwidth	39.23		44.43		55.54		47.73		35.16		35.05	
* p < 0.05, ** p < 0.01, *** p < 0.001												

Table 7.5: Robustness checks. 2016/17 pre-treatment outcomes and 2019/20 covariate placebo test. Fuzzy RDD estimate and robust standard errors (SE)

low-incomes – over the long-term the social rented homes produced from this policy should cost less to the Exchequer in rental assistance than the counterfactual affordable rented homes, such that at some point this more than compensates for the cost of the higher initial capital grant (2021: 15). Moreover, developers are currently managing risks related to slowdowns in the economy and housing market and rising interest rates (see chapter four). The findings affirm that social housing delivery is reliant upon a pro-cyclical private construction market via S106, where delivery entails inevitable contractions in supply during such periods (Crook, 2020).

By contrast, the causal effect found here suggests that increased capital grant for social rent can provide an effective counter-cyclical stimulus to housing supply, which may be particularly important during periods of economic uncertainty (Milcheva, 2020). Herein lies perhaps a case for cautious optimism. The findings suggest that actors within the polycentric regulatory environment such as Homes England are able to exert a causal effect on the rate and composition of new social housing supply via their influence on HA strategy. To an extent, the core objective of the 2018 policy change was met i.e. "to provide additional rented housing for those who cannot afford it at the market price" (Milcheva *et al.*, 2022). For context, the average number of existing social rented homes per 1,000 dwellings in a treated and compliant local authority was 28.6, and so the new supply delivered was equivalent to 2.58 per cent of existing supply. Given these homes were additional to that which was delivered via alternative mechanisms (e.g. S106), and that it followed a nadir in social rent delivery in the 2010s, this achievement should not be trivialised. And it is worth highlighting that the lagged effect of the grant on supply will mean the overall rate of social rent delivery across the multi-year AHP will be higher, and annual rates of delivery may well increase in subsequent years as providers incorporate social rent into their pipelines.[16]

Yet there are three important limitations of the 2018 policy change that nuance our understanding of how effective capital grant can be in definancialising social housing supply. Firstly, there is the lack of effect for social rent starts by LAs, despite the stated intent of a "new generation of council houses". Although this study cannot say definitively why there was no effect on LA starts-on-site, existing evidence suggests that countervailing factors may have undermined the potential policy impact, such as the disincentives to build from the potential threat of losing the housing via RTB, restrictions on the usage of RTB receipts for new supply, and a loss of capacity and skills within LAs following long-term declines in their resourcing via central government (Christophers, 2019; Perry *et al.*, 2020). This suggests that the causal effect of capital grant on stimulating social rent is contingent upon the

[16] In correspondence with Homes England (2023) they suggested that 2019/20 was perhaps too early to see an effect of the grant. So the impact estimated here may be particularly encouraging for later years.

presence of certain prerequisites, namely the capacity of delivery partners and the construction sector to ramp up supply, and a coherent social housing policy agenda. It remains an aspiration of the current government to extend the RTB to HA residents. These findings suggest that concerns expressed by the HA sector that this would undermine their development capacity do not appear unfounded (Wilson and Barton, 2022b: 33).

Secondly, the policy failed to boost total social housing delivery as there was no effect on social housing starts. Further research could look at a more granular level to understand the lack of additional social housing, such as the effect of grant on the viability of individual sites. The lack of additional social housing might suggest that grant increased the delivery of social rent on sites that would still be viable in the counterfactual scenario of no grant, just with a different tenure mix. Given the importance placed on additionality within the AHP's stated objectives, the impact of policy interventions on site viability could form an important research and policy agenda.

Thirdly, the effect sizes reported above might still be considered small relative to the size of unmet housing need. This is particularly important given that roughly 200,000 social rent homes were lost from the sector between 2012/13 and 2020/21, primarily due to RTB and demolitions (Wilson and Barton, 2022a: 39). And so even though the 2018 policy change helped support new social rent supply, it is unlikely to have resulted in an increase sufficient to produce net growth of the tenure once losses are accounted for. A simple but plausible explanation for the relatively small impact of the 2018 policy change is that the systemic barriers to delivering social rent produced a funding shortfall that in many cases the average grant of £57,580 per home was not sufficiently generous to fill (Graham *et al.*, 2019; NHF, 2019). As outlined in section 7.3., it is problematic to assume that the RDD estimates would generalise to the entire population as the LATE applies to a subpopulation of observations at the cutoff, and the theoretical existence of non-compliers means we should expect the ATE to be smaller in any case. Thus we cannot assume that making the capital subsidy universal would result in 56.81 additional social rented homes in each local authority. But even if it was possible to extrapolate these results very optimistically to all ineligible local authorities, it would result in an additional 7,044 social rented homes per year, which when summed to the 5,786 social rent homes actually started in 2019/20, still results in a total far short of the 90,000 social rent homes required per year to meet housing need according to available estimates (Bramley, 2018).

The cost and availability of land is a critical barrier to expanding supply as land price inflation has been shown to undermine the viability of social rented homes by increasing the subsidy gap (Bramley *et al.*, 2010). As I have argued in the literature review, speculative investments in housing and the proliferation of cheap credit produce an inflationary house-price dynamic, in part due to the

reliance of housing on a finite supply of an underlying land asset, a land asset which is itself exchanged in a speculative market that compensates landowners for its potential value post-development (Ward and Swyngedouw, 2018; Bentley, 2017). The relevancy of this point for this discussion is that it reminds us that the potential for capital grant to definancialise and decommodify social housing supply is somewhat limited by its location within a wider process of housing and land financialisation. Therefore, further research could explore the interaction between capital grant and complementary policy changes, such as the more proactive approach taken to land assembly and acquisition by Homes England and the GLA (Falk, 2018; Heath, 2021).

7.7. Conclusion

In this chapter, by using a fuzzy RDD approach and applying a non-parametric local linear regression within a sub-sample of local authorities that are comparable in terms of their affordability gap, I tested whether different funding models cause variation in the form and rate of new social housing supply. The RDD results estimate increased capital grant had a causal impact equal to an additional 56.81 social rent homes in an average compliant local authority in 2019/20. And the effect on HA delivery was notably strong, equal to 51.86 social rent starts in compliant authorities. The latter effect likely reflects the head-start given to HAs relative to LAs – i.e. the long-term government preference for HAs as providers of new social housing, the constraints of RTB on LAs – and the counter-cyclical stimulus provided by social rent during periods of economic uncertainty.

However, the findings have implications beyond whether the narrow aims of the 2018 policy change were met. The findings evidence a commonly asserted proposition that among the drivers of the HA sector's reduced focus on delivering new social rent – alongside, for instance, the pull of commercialism (Manzi and Morrison, 2018) – has been the push factor of changes in the availability of capital grant (Graham *et al.*, 2019). However, one of the contributions of the analysis is to provide rigorous causal evidence, by way of a natural experiment, that the availability of capital grant is a crucial determinant in the investment strategies of HAs. The evidence in this chapter demonstrates that HAs are, to an extent, responsive to the cues they receive from policymakers and funders, and will increase the rate of new social rented housing accordingly.

By providing causal evidence that additional capital subsidy increased the rate of social rent starts-on-site, this chapter adds to a nascent evidence base on the effectiveness of interventions that may definancialise housing by "strengthening the public and affordable housing sector" (Wijburg, 2021: 1). Yet increased capital grant was not sufficient to reinvigorate LA delivery, nor was the additional capital grant sufficient to prevent a net loss of social rented housing via RTB, and increase the rate of social housing starts overall. This may reflect that the extent of definancialisation in the treatment

group is quite modest compared to the size of the funding shortfall that it is necessary to fill to make social rent viable (NHF, 2019). But it also suggests that capital grant is but one lever among many that can be pulled to strengthen social housing supply. Indeed, it may be the interaction between available subsidy and complementary interventions, such as land market reform, that results in a more dramatic impact by unlocking additional sites for development, and reducing the size of the subsidy gap such that capital grant goes further (Bentley, 2017).

The responsiveness of HAs to changes in the funding model is an important finding that builds upon an overarching narrative developed in this thesis, namely that the size and decency of social housing supplied by HAs emerges out of the co-evolution of HA asset strategies and the polycentric regulatory environment (Goulding, 2018; Raco *et al*., 2023). Chapter two argued that the post-2010 era of austerity provided a historical juncture that increased the dependence of HAs on private finance, transforming HA practice and governance. Chapter four showed that this historical juncture has given way to one characterised by reduced HA borrowing capacity and a pendulum swing back towards investment in existing homes. Chapters five and six showed that in the absence of alternative forms of funding, this pendulum swing has not existentially unsettled financialisation, rather it is being transformed with new forms of institutional investment emerging, and the constraints imposed by HA borrowing being among the drivers of cases of disrepair. Finally, this chapter complements these findings by showing that the pendulum swing post-Grenfell has also included a partial definancialisation of the funding model in localities of high affordability pressure, and that this has initiated a small increase in new social rent on HA developments. In this vein, chapter seven demonstrates that institutions within the polycentric regulatory environment exert a causal influence over the “social and moral mission” of the HA sector, influencing the extent to which they are constrained by their borrowing capacity in delivering social rent.

8. Conclusion

8.1. Introduction

The aim of this thesis has been to understand the financialisation and assetisation of English housing associations, and how it is affecting the governance and supply of decent social housing post-2010. This aim emerged from a literature review in which I took financialisation to refer to the increased importance of private finance to HA business models, facilitating capital flows, and driving changes in social relations and housing outcomes (Aalbers and Christophers, 2016). Financialisation is also underpinned by a process of assetisation, involving the mobilisation and management of housing and land as assets that can be used as collateral for investment due to their role in storing wealth and generating income streams (Birch, 2017).

I identified several gaps in the literature on the financialisation and assetisation of HAs. Such gaps included a lack of research at the sector wide scale that sufficiently substantiates and operationalises the dominance of private finance across the heterogeneous HA sector (Krippner, 2005; Marsh, 2018; see section 2.6.1.). Furthermore, I argued that analysis and conceptualisations of the financialisaton of HAs should be grounded at the meso-level of organisational governance, practice and strategy, as this provides a corrective to the tendency to depict financialisation as an overly abstract and all-encompassing process (Christophers, 2015; Ouma, 2015; see sections 2.4. and 2.6.2.). Doing so highlighted a lack of research on how the polycentric regulatory environment for HA governance has co-constituted a diversity of organisational asset management strategies, transforming HA practice in the process (Raco *et al*., 2023). Perhaps most pertinently, I argue that the consequences of financialisation for the supply of decent social housing are critically underexplored (see section 2.6.3.). Disaggregating supply into new development and the stock of existing homes raised questions regarding a) the effect financialisation has had on new supply, in particular new social rented supply and b) whether the concepts of financialisation and assetisation can help us understand recent high-profile cases of disrepair (Gibb, 2021; LUHCC, 2022).

To address these research gaps I undertook a mixed-methods study that combined longitudinal clustering of balance sheet data, RDD, qualitative documentary analysis and semi-structured interviews with HA staff and stakeholders. In this conclusion, I reflect upon the findings of the research by outlining several overarching contributions of the thesis to the literature on financialisation and social housing governance. Following which I discuss the limitations of my research and areas of potential future enquiry, and finally outline implications for policy and practice.

8.2. Contributions of thesis

8.2.1. Understanding variegated HA financialisation at the sector-wide scale via a mixed-methods approach

In this thesis I drew upon the literature on financialisation and HA governance to argue that each is co-constitutive of a variegated HA financialisation. I argued the shape of institutional investment in the sector is a product of its interweaving with, and transformation of, HA governance. HAs act as contextually bounded meso-level institutions that link transnational and national capital flows to local spaces, producing distinct forms of actually existing financialisation as it emerges from the path-dependency of their respective business models, opportunities and constraints (Goulding *et al.*, 2023; Ward *et al.*, 2019). The HA sector is reflective of this variegation in terms of the diversity that exists in forms of investment, accompanying asset management strategies, and outcomes produced. Nonetheless, the increased importance of private finance to HA business models remains the common denominator (Durand, 2017).

This conceptualisation of financialisation was reflected in a novel mixed-methods approach critical to exploring it as a variegated phenomenon. Studies of variegated financialisation tend to be restricted to singular methods, and by consequence largely fall into one of two camps. On the one hand are quantitative comparative studies where variegation is evident in financialisation effecting change across a variety of outcomes, or the existence of clusters of observations along a single dimension (e.g. debt as a ratio of income) (ibid.; Fernandez and Aalbers, 2016; Karwowski *et al*., 2020). On the other hand are studies analysing multiple cases to explore variegation as the co-constitution of financialisation within particular spatial or institutional contexts (Goulding *et al*., 2023). By contrast, the mixed-methods innovations of this study combine the breadth of the quantitative strand with the depth of the qualitative. The quantitative strand illustrates that private finance is driving change in HA governance across the sector at large. While the qualitative strand shows that the abstract world of financial instruments and equity vehicles is made concrete through the ways in which it transforms HA practice and the supply of decent social housing (Newman, 2009). This methodology also allowed for data collection that could draw upon material artefacts and records (e.g. debt on a balance sheet, housing supply), while exploring the interpretation of value inherent to seeing housing as an asset (Braun, 2020; Birch, 2017; Ward and Swyngedouw, 2018).

Through my mixed-methods approach, I identified five HA clusters that illustrate the distinct financialisations that are produced as private finance is embedded within, and transforms, existing business models: *large multi-tenure providers*, *indebted developers*, *smaller providers with low margins*, *definancialised supported housing providers*, and *lease-based supported providers*. *Large multi-tenure providers* are the prototypical HA discussed in the literature (Marsh, 2018), and their

significant asset base allows them to absorb debt with less risk of hitting their gearing ceiling than HAs in other clusters. *Indebted developers* are smaller than large multi-tenure providers, but are borrowing heavily to pursue growth and have converted homes to affordable rented housing to facilitate this. *Smaller providers with low margins* provide above average rates of supported housing and older persons housing, which constrains their borrowing capacity. *Definancialised supported housing providers* are small HAs that have chosen to forgo growth, and by implication debt finance, to focus on supported housing and associated services. While *lease-based supported providers* are also small HAs who have engage in risky lease arrangements with third party investors to continue to continue to grow, or in the eyes of some stakeholders, extract profit from the exempt accommodation sector (Raisbeck, 2019).

This typology contributes to the literature on HA financialisation by disrupting the commonsense notion that smaller HAs are less financialised than larger landlords with higher gearing (Clare *et al.*, 2022). S*maller providers with low margins* may have lower levels of debt relative to their assets, but this a necessity that reflects their relatively constrained borrowing capacity. Moreover, HAs across all segments face a common challenge in accessing capital to fund investment in new and existing supply, whilst maintaining financial viability. And in response to this challenge smaller HAs often adopt asset strategies that are similar to those of larger HAs – such as disposals and demolition of under-performing assets (Morrison, 2017) – as well some novel and inherently risky strategies in extreme cases e.g. lease-based deals.

This typology also contributes to the literature on HA governance by providing a necessary update to previous work that has segmented the sector, for example previous distinctions between traditional and post-LSVT landlords (Pawson and Fancy, 2003; Pawson and Mullins, 2010). Financialisation is as much a driving force behind transformations in HA governance as regulatory change and CCTs, and indeed has become interwoven with these factors over time (Goulding, 2018; Pawson and Sosenko, 2012). The clustering of HAs according to changes in their indebtedness over time produced groupings with meaningful differences in terms of forms of institutional investment (e.g. bank loans, bonds, ESG investment, lease-deals, SORPs). But also in terms of the outcomes produced, with landlords varying in terms of their capacity to weather economic downturns and fund investment in new and existing stock.

Again the mixed-methods approach was crucial, producing unique insights as the research strands were brought into conversation with one another (Fetters *et al.*, 2013). The quantitative strand found that interest cover has been in decline for most HAs in recent years, with the *definancialised supported housing* cluster of providers the minor exception. However, integrating the research

strands by using the clustering results as a sample frame for case study selection and documentary analysis allowed me to expand upon this finding, with variation between HAs in terms of borrowing capacity proving a critical point of difference in shaping the consequences of financialisation. For instance, the qualitative strand showed how declining interest cover was contributing to a reduction in new supply among *large multi-tenure providers*, whereas *smaller providers with low margins* were often more constrained in their ability to invest in either new or existing supply. Moreover, chapter six provided evidence that variation in the borrowing capacity of HAs has contributed to distinct pathways to disrepair, with Ambition mismanaging the regeneration of the Meadowview Estate, and IDS disinvesting from Evelyn Court in part due to the constraining effect of their interest payments. Meta-inferences such as these demonstrate how the quantitative strand has added value to the qualitative by providing structure to the selection of case studies, while the qualitative has been critical to understanding changes in HA practice and housing outcomes.

8.2.2. Understanding HA financialisation in an era of high expenditure and interest rates

The models of financial investment and asset management across the HA sector may be diverse, but one commonality is that each involves some transfer of risk between parties. Lenders and equity investors accept the risk that they may not achieve the returns expected or that borrowers may default, but in response transfer risk back to HAs. Such risk transfers include interest rate risk, the potential for HAs to lose ownership of their assets, and especially in the case of lease-based equity, income and expenditure risks related to occupancy rates and maintenance costs (Raisbeck, 2019). Risk transfer, therefore, is an inherent feature of financialisation given the uncertainty related to future returns (Poovey, 2015).

This inherent uncertainty can complicate attempts to operationalise financialisation quantitatively, and in turn evaluate its effects (ibid.). This is one of the underlying issues in what Hick and Stephens (2022) label the “dependent variable problem” in financialisation studies; studies trying to estimate the effect of financialisation on housing outcomes are inevitably confronted with the predicament that some of its effects are unobservable, such as the latent risk that lenders could exercise their right to possession over social housing in the case of a HA insolvency, even if this is not actualised in practice (Goulding, 2018). As illustrated by chapter five, these risk transfers still effect changes in HA regulation, practice and strategy (ibid.; Marsh, 2018). But this methodological issue is arguably one of the contributing factors to the dominance of studies on the structural transformation of HAs to the detriment of research on housing outcomes, as highlighted in chapter two.

One of the potential mitigating strategies researchers may adopt to understand the risk and uncertainty inherent to financialisation is to analyse its effects over time (Adkins, 2017; Christophers, 2019). By looking at financialisation over time I have been able to view its effects in the HA sector

either side of a 'pendulum swing', namely the shift from a period of low-interest rates and light touch consumer regulation, to a period of rising interest rates, regulatory reform and increased HA expenditure on existing homes. A temporal dimension does not completely resolve the methodological challenges inherent to financialisation research, but it does increase the likelihood that certain risks are actualised, and powers are exercised.

This study sheds new light on how HAs, investors and regulatory bodies are responding to the ending of the historical juncture of low interest rates and low inflation (Christophers, 2019). Chapter four shows that borrowing capacity has on average declined across the sector, most notably due to declining interest cover, unsettling the debt-led model of HA financialisation. This has largely been driven by the convergence of different factors: the one per cent rent cut, slowdown in the housing market, and rising major repairs expenditure via building safety, decarbonisation and cases of disrepair. Declining borrowing capacity across the sector is catalysing new forms of equity investment, with lease-based deals, SORPs and for-profit HAs increasing in prevalence (Pawson and Milligan, 2013; Wijburg and Waldron, 2020). Equity demonstrates the ability of the investment community to dynamically respond to changing political-economic circumstances and pursue new, potentially higher yield, opportunities. But chapter four also shows that equity has introduced new social risks into the HA sector, with for-profits taking on greater responsibility for housing management, and lease-based deals producing opaque structures that RSH is increasingly attempting to navigate to ensure minimum standards of service are maintained. This underlines an urgent need for further research into how private finance is responding to a more challenging political-economic environment where an increasing number of HAs are at risk of breaching their covenants (Brill *et al*., 2023).

The consequences of declining borrowing capacity and HA responses vary across the clusters, illustrating that HA financialisation remains variegated and conditioned by the path dependency of institutional design (Ward *et al.*, 2019). *Large multi-tenure providers* are refocusing on investment in existing homes, and some are correspondingly reigning in their growth ambitions. *Indebted developers* are hoping to weather the storm via the higher margins on their rental homes, but some of the over-leveraged and financially distressed HAs in this cluster are being subject to rescue acquisitions. *Smaller providers with low margins* are also refocusing on investment in existing homes, but for some this is placing pressure on their loan covenants, which tend to be relatively more restrictive due to their financially marginal position. *Lease-based providers* are facing a more robust and interventionist regulatory regime as RSH has been emboldened by renewed emphasis on standards in the sector. Finally, *definancialised supported housing providers* are likely to be less affected by rising interest rates due to their low level of debt. However, the experiences of social

landlords explored in this thesis suggest this strategy does not necessarily provide a template for other HAs. Even if HAs were able to adopt a risk averse approach to private finance, they would likely be confronted with a macro political-economic and regulatory environment that necessitates greater investment in new and existing stock to meet changing standards of decency and energy efficiency, and rising housing need. A longitudinal focus, therefore, highlights that there are no risk-free HA strategies due to the inherent dynamism of HA financialisation and governance (Gibb *et al*., 2016).

8.2.3. Nuancing financialisation studies by grounding it at the meso-scale

As outlined in chapter two, in this thesis I have aimed to chart a middle path between an approach that emphasises the centrality of housing to the macro-level processes of contemporary financialisation, and a meso-level analysis that explores the practices, strategies and narratives by which social housing is mobilised as an asset (Ouma, 2015). Doing so helped the study avoid a common tendency within the political economy literature of subsuming social phenomena to the whims of 'capital', and seeing the institutions of financialisation as a monolith (ibid.; Jacobs *et al*., 2022). In chapter five I detail how variegated HA financialisation is underpinned by a process of assetisation that interacts and co-evolves with the polycentric HA regulatory environment (Raco *et al.*, 2023). Consequently, one of the contributions of the thesis is to ground the conceptualisation and analysis of financialisation at the meso-scale, and to nuance the literature by revealing the variety of forms assetisation has taken over time and across organisations.

Central to the co-evolution of financialisation and HA governance has been the role of RSH as gateway constructor, smoothing the flow of institutional investment into the sector by embedding practices, technologies and narratives that mobilise and manage HA housing as an asset (Smyth *et al*., 2020). Empirically I have added detail to the role of RSH as a financial intermediary through its cyclical engagement with HA business planning, promotion of technologies such as NPV models as tool for strategic asset management, usage of its powers of intervention to promote financial skills on HA boards, and active role in building a narrative of the HA sector as an asset class through engagement with investors and the production of VfM metrics. In addition, RSH manages the societal risk of losing homes from the social sector by ensuring HAs do not default on their loans, and has had its role as consumer watchdog strengthened by the 2023 Social Housing Regulation Bill. Thus, the role of RSH cannot be reduced solely to Aalbers' (2016) notion of 'regulated deregulation', whereby the state creates markets for finance to expand into, while simultaneously using formal regulatory rules to shape said markets. Grounding financialisation within HA governance has nuanced our understanding of how the state and its associated regulatory bodies are active in constituting actually existing financialisation. To perhaps overly complicate things with another metaphor, if

regulated deregulation suggests RSH is creating and setting the rules of the game, the findings of this thesis suggest it is also acting as a player-coach to keep the game moving and impose a style of play.

Crucially, this meso-level analysis provides a counterpoint to the claim of Raco *et al*. (2023) that polycentric regulation has allowed some HAs to be partially autonomous from financialisation, and that financialisation is in a period of "retrenchment". The pendulum may have swung in terms of investment in existing properties becoming a strategic priority for the HA sector, but the fundamental economic challenge of financing this investment in the absence of sufficient government subsidy means that achieving the varied objectives of the HA sector remains predicated upon a shared strategic principle of leveraging housing as an asset (Birch, 2017). Central to the asset management strategies considered in chapter five was the question of how HAs could leverage their relationships with different governance actors (e.g. lenders, equity investors, Homes England, local authorities) to maximise the opportunities, or overcome the constraints, of their borrowing capacity (Beswick and Penny, 2018; Wilmore, 2022). HAs continue to exploit unique opportunities within their respective contexts that are intended to ensure, in the words of a Disciple employee, that "our asset is working for us rather than living off us." Examples include the Ambition becoming a leader in ESG investment and pursuing a stock rationalisation strategy, and Disciple expanding its profitable Traveller accommodation portfolio whilst seeking to divest itself of financially underperforming properties that are hard to retrofit.

Exploring the processes by which HA housing is mobilised and managed as an asset also helps draw attention to the contingency inherent to this project, and by implication areas of potential intervention to expand the supply of decent social housing (see section 8.4.). For example, the evidence in chapters five and six suggests that RSH is somewhat prevented from exercising the full range of its powers by the imperative to not alarm institutional investors. Consequently, the thesis advances previous arguments that regulation can uphold standards of service and housing quality across the HA sector (Pawson, 2006), but suggests that this potential may be in part dependent upon reducing the importance of private finance to HA operations.

8.2.4. Bringing financialisation into the conversation on standards in the HA sector

Aalbers (2015: 217) argues that theoretical debates seeking to define the conceptual limits of financialisation can serve to distract from the more important point that "in ethical, sustainable, and humane terms, we have already exceeded the limits [of financialisation]." Although I have found it necessary to still engage in conceptual debate regarding the boundaries of financialisation in this thesis (see section 2.4.), Aalbers' argument is an important reminder for academic research to speak outwardly and contribute to debates within policy and practice. This thesis has attempted to do so by bringing financialisation into an ongoing discussion regarding standards of service and delivery in the

HA sector (LUHCC, 2022). This task is not straightforward; as I observe in chapter four, the consequences of financialisation for housing outcomes cannot simply be read off from how much debt is on an organisation's balance sheet. Rather, the findings of the thesis suggest financialisation affects housing outcomes through two indirect but important paths.

Firstly, a key finding from chapters four, five and six is that the availability of finance can be a constraining factor on improving and increasing the supply of decent social housing. In recent years borrowing capacity has fallen across the sector at a time in which urgent investments are needed to meet ambitions regarding building safety, decarbonisation, housing decency, and new supply. How HAs attempt to square this circle will have material consequences for HA residents and externalities for society at large, for instance the environmental cost of continued installation of gas boilers by Disciple, the effect on affordability and homelessness of larger developing HAs reigning in new supply, and the legacy of disrepair at Meadowview and Evelyn Court. Previous research into case studies of equity investment in affordable rental housing found it was associated with reduced maintenance expenditure, in part as a strategy to encourage resident turnover and a subsequent increase in rents (Fields, 2015; Fields and Uffer, 2016). By contrast, in detailing the constraining effect of borrowing capacity on housing investment in the English HA sector, I have illustrated how financialisation can affect maintenance standards even in the absence of investors having an equity stake in the homes, or the motive and ability to displace existing occupants.

Secondly, chapter six shows how the positive feedback between financialisation and changes in HA regulation and governance made disrepair more probable in two case studies. The interaction between financialisation and passive consumer regulation produced a self-reinforcing process in which the extent of investment required in the stock was obscured, HAs interpreted regulation as a directive to cut costs, and the primacy of financial viability in regulation allowed for HAs to divert attention from existing homes without incurring regulatory penalties as long as they did not breach the serious detriment test. Furthermore, the preoccupation with organisational growth and new supply, which was underpinned by maintaining financial viability and utilising cross-subsidy, contributed to the professionalisation of boards, and the importation of commercial practices that often prioritised increased quantity over long-term maintenance obligations. This self-reinforcing process provided the conditions in which cases of pervasive damp and mould were able to proliferate.

This process was ultimately unsettled by Grenfell and the building safety crisis, and there has been a rhetorical shift towards housing quality and improved safety among the HA sector and its stakeholders. Nonetheless, the analysis in chapter six shows that cases of disrepair and extensive

damp and mould continue to emerge. In these cases I argue that the assetisation of HA housing provided a source of path dependency; assetisation acted as a lens that channelled short-term investment decisions into the long-term disinvestment of Meadowview estate and Evelyn Court. In treating their housing stock as a portfolio of assets, both landlords considered the opportunity costs of investing in the homes in question relative to how those resources might be more effectively deployed elsewhere. When combined with the changes in regulation and governance outlined in the preceding paragraph, this acted to channel investment away from Meadowview and Evelyn Court, delay their remediation, and exacerbate their decline. In addition, the case studies provide an empirical demonstration of how financialisation and assetisation may be used fruitfully alongside concepts such as managed decline to explore the drivers and effects of disinvestment in social housing (Clare *et al*., 2022; Watt, 2021).

8.2.5. Contributing to the definancialisation research agenda

The empirical sections of this thesis contribute to the nascent definancialisation research agenda (Wijburg, 2021), and illustrate its relevancy to the English HA sector in two respects. Firstly, the case of IDS in chapter six aligns with Wijburg's call for research into "cases of local contestation of financialisation via changing urban governance and social movements" (ibid.: 3). The mobilisation of Evelyn Court residents alongside the London Renter's Union was instrumental to the subsequent interventions of RSH to downgrade IDS, and the efforts of IDS to renegotiate their loan covenants to release funds for stock investment. The Evelyn Court case is arguably also an example of what García-Lamarca calls an "insurgent practice" (2017: 41) in which socio-spatial activism disrupts processes of financial accumulation and makes inequities visible.

Evelyn Court shows how tenant activism can be a catalyst for change when supported by the formal powers exercised by the state or bodies acting on the state's behalf. But the case also reveals some of the inherent difficulties for social movements countering housing financialisation. For instance, the intervention of RSH was characteristically Janus-faced for a body tasked with both acting as consumer watchdog and maintaining access to institutional investment in the sector, with RSH downgrading the financial viability of IDS as they attempted to remediate the disrepair. This highlights the limits to which social movements may be supported in producing transformational change by a state that is often actively promoting the role of private finance in social policies (Aalbers, 2016). In addition, Evelyn Court is indicative of what Fields (2017: 7) refers to as the political challenge of making finance "knowable", that is rendering it transparent to make what is often an opaque investment community accountable for its impact on the urban environment. Understandably, in the Evelyn Court case social activism was largely directed at IDS, but the latent

power of their lenders was evident in both the consent they held over amending loan covenants, and the distance they could put between themselves and residents (Clapp, 2014).

The second contribution to the definancialisation agenda is to show that increased capital grant is causally related to an increased social rented supply, and is therefore an effective intervention for strengthening the social housing sector (Wijburg, 2021: 1). In chapter seven I exploit a natural experiment whereby different funding models for social housing have existed within England since 2018, with increased capital grant for social rent available – on average an additional £19,762 per home relative to affordable rent – in local authorities in high affordability pressure. I use RDD to estimate the causal effect in 2019/20. Admittedly due to the level of subsidy available, the extent to which the funding model was definancialised in this case was somewhat marginal, and the treated local authorities were undoubtedly still reliant upon private investment. Nonetheless, I found that the policy of increased grant was associated with 0.69 additional social rent starts per 1,000 dwellings, and 0.63 additional social rent starts per 1,000 dwellings by HAs.

However, there are some caveats. I found no causal effect for social rent starts by LAs. Nor did I find a causal effect for social housing starts. The findings suggest that a funding model more reliant upon private finance and cross-subsidy – i.e. local authorities in the control group – can produce similar levels of new social housing supply to treated authorities, but this comes at the cost of reduced affordability as levels of social rented supply are comparatively lower. Moreover, transferral of public subsidy in the long-term from upfront capital spend to demand-side rent assistance calls into question the notion that financialisation has provided value for money for the public purse (Lawson *et al*., 2018). Finally, the findings suggest that a wider project aiming to expedite social rented supply and definancialise its funding needs to consider how it can also build capacity among LAs as delivery partners (Perry *et al*., 2020).

8.3. Limitations and future research

In this thesis I have aimed to provide an expansive and ambitious account of HA financialisation, but there are inevitable limitations with the research that I discuss below. The first two limitations relate to the connection between how financialisation and governance were conceived and subsequently analysed. The third and fourth limitations are inherent to the choice of methods. In all cases the limitations result in gaps in the knowledge produced, and so I also point to useful areas of future research.

In the thesis I have conceptualised financialisation as variegated, resulting in qualitatively different investment strategies across the HA sector. Yet in the subsequent analysis, the quantitative differences in borrowing capacity between HAs, and how this contributes to divergent asset

management strategies and pathways to disrepair, have received relatively more focus than variation in forms of investment. In part this flows from the usage of balance sheet data in the quantitative analysis. But it largely reflects debt finance being the predominant form of investment in the post-2010 funding environment. However, the growth of equity investment suggests this could change in the future, which highlights two areas of urgent future research.

The first is to understand how equity is changing the asset strategies of the sector, in particular how equity backed for-profit HAs are managing their homes. The financialisation literature is rich with case studies of the management strategies of equity backed landlords, typically operating in depreciated and lightly regulated rental markets post-great financial crisis e.g. New York, Madrid (Fields, 2015; Janoschka *et al.*, 2020). But such cases do not necessarily generalise to an English HA sector that is more tightly regulated in terms of access and the ability to manipulate rents. Therefore, understanding the strategies of for-profit landlords in this context is of utmost importance if the potential risks of institutional capital being given control over housing management are to be mitigated (Wijburg and Waldron, 2020).

That equity has been catalysed by the unsettling of the debt-led model highlights a more general need to understand the motivations of capital during the current period of upheaval. Regardless of the potential consequences for the supply of decent housing explored in this thesis, from the perspective of investors the period spanning austerity to Grenfell provided a benign environment for financialisation. The era of low interest rates, light-touch consumer regulation and low major repairs expenditure is over at least in the immediate term. Research in the build to rent sector during the pandemic suggests that as crises emerge and unfold, rhetorical commitments from 'patient capital' around serving social policy objectives can be abandoned to pursue more short-term strategies that safeguard immediate profits (Brill *et al.*, 2023). Understanding the emergent strategies of institutional capital in the HA sector, therefore, could be a research agenda of pressing concern.

The second limitation relates to how I have operationalised regulation. Although regulation is conceptualised as polycentric in the thesis, there is a strong focus on the role of RSH as a nationwide regulatory body. This might be seen as replicating the 'deep financialisation' thesis that Raco *et al.* (2023) critique for reducing regulatory bodies to agents of finance who pressure HAs towards convergence. The focus on RSH was highly salient at the time of fieldwork given it occurred at a time in which consumer standards were under review, and therefore the gateway constructor role of RSH was a recurrent and prominent theme in interviews. Despite this, I have tried to avoid a convergence theory by highlighting the variegated nature of financialisation. I have noted the importance of other regulatory bodies where this has emerged during data collection and analysis. For example, in

chapter five I discussed how different forms of institutional investment (e.g. bank loans, equity finance, ESG investment) are critical to contrasting HA asset management strategies, and I also described how Disciple prioritised their political capital with local authorities. In chapter six I provided examples whereby tenant mobilisation and the Housing Ombudsman were instrumental in challenging disrepair. And in chapter seven I focused on the role of Homes England in determining investment in new supply. Given the diversity of actors in the polycentric regulatory environment, these examples merely scratch the surface of how regulatory institutions interact with HAs to shape their asset management strategies. Exploring more unique cases to produce a rich and nuanced picture of HA financialisation could provide a future avenue for research.

In terms of methodological limitations, the mixed-methods approach adopted has attempted to provide a balance between breadth and depth, expanding the sample of analysis to the sector wide scale in chapter four, while exploring case studies from different clusters in chapters five and six. However, largely due to time and resource constraints, the case study analysis was limited to HAs from the *large multi-tenure providers* and *smaller providers with low margins*. Exploring financialisation in more depth within the remaining clusters represents an area of potential future research. Such analysis would likely have direct relevancy to policy and practice given the risks *indebted developers* are exposed to due to their reliance upon debt finance for growth during a period of political economic upheaval (see Swan HA in chapter four). In addition, I argue in chapter four that the housing outcomes of financialisation cannot be read off from which HA has more debt on their balance sheet. Future research could therefore provide detail on how financialisation is navigated – and in some cases contested – among smaller HAs within the *definancialised supported housing providers* and *lease-based supported providers* clusters. Interrogating the consequences of financialisation among these smaller HAs is of societal importance, as there is a risk that being overly focused on *large multi-tenure providers* results in academic research being relatively silent on the practices of finance in areas of the sector that also receive comparatively less regulatory scrutiny.

There are also inherent limitations to the depth provided from the qualitative methods employed. Neither documentary analysis nor semi-structured interviews provided the ability to probe case studies to the extent afforded by more intensive methods, such as ethnography. This is not inherently problematic as each method has strengths and weaknesses in relation to respective research questions. But it does suggest that the findings here could be complemented and expanded upon by further research using alternative methods. For example, relying upon the documentary analysis for understanding the IDS disrepair case in chapter six limits our understanding of the motivations of the actors involved. The organisational strategy of IDS can be inferred to an extent from their annual reports, financial statements, press interviews and regulatory judgements. These

sources suggest that a focus on growth within IDS within the context of artificial scarcity played a key role in providing a pathway to disrepair. But we cannot interrogate whether the focus on growth, which echoed the wider focus from central government on new supply, was truly internalised within the organisation or whether it was performatively deployed in organisational documents for an external audience. Similarly, we cannot explore the internal tensions between IDS staff that result from the contrasting backgrounds and motivations of actors, for example any potential tension between staff and Board members formerly of the commercial sector and existing HA staff. Nor could we explore whether staff felt conflict within themselves as they attempted to navigate political and economic change. McKee (2015) finds in her research on HAs as 'community anchor organisations' that staff are rarely passive or unquestioning in response to policy change, with her respondents contesting the notion that HAs should facilitate austerity by being substitutes for government services. In a similar fashion, more intensive qualitative research could explore how HA staff interpret and reconfigure financialisation in context.

Finally, the documentary analysis is necessarily reliant upon, and limited in doing justice to, the efforts and labour of residents and community activists in chapter seven. Further research could build on the concepts of definancialisation and insurgent practice to explore cases of resident and community mobilisation (García-Lamarca, 2017; Wijburg, 2021). Research could explore whether the strategies of activists are shifting to hold to account an investment community that is affecting the right to housing but may not necessarily be the landlord (Fields, 2017; Marshall, 2023). In this vein, there may be a role for activist research that supports efforts to make financialisation more transparent and accountable. Potential roles for research include navigating the web of ownership structures to map equity investment in social housing, conduct data analysis that highlights over-leveraged landlords, and utilise their knowledge of housing law to support lobbying efforts (Akers *et al.*, 2019; Teresa, 2016).

8.4. Implications for policy and practice

The findings in this thesis have several implications for policy and practice in terms of the consequences of financialisation for the supply of decent social housing. Firstly, the findings illustrate that the availability and extent of funding – both public and private – for HA capital investment has a constructive influence upon the size and decency of social housing supply. As such, there are numerous points of intervention for policymakers to use their available funding mechanisms to support decent social housing provision. For instance, the RDD results in chapter seven suggest that increased capital grant funding has the potential to deliver more social rented housing, which would have the short-term effect of closing the shortfall of new homes required, improving affordability, and reducing the incentive to pursue growth via risky lease-based equity deals. Moreover, in the

long-term it could produce public expenditure savings via reduced social security payments and operating subsidies all other things being equal (Gibb, 2021; Lawson *et al*., 2018). There is also evidence that it would have positive consequences for the quality of housing (LUHCC, 2022). As shown in chapter five, the trade-off between investment in new and existing homes has become particularly acute for many HAs due to the building safety crisis, decarbonisation works and the associated increased cost of borrowing. An increase in capital subsidy for new homes could release HA capacity for investment in their existing stock.

By contrast, for many HAs the terms of their borrowing have become a constraint on their ability to invest in existing homes. These terms of borrowing were premised on the assumptions of a fundamentally different operating environment where major repairs costs were much lower. Those assumptions are now anachronistic. Furthermore, the availability of funding is acting as a critical source of delay in improving the energy efficiency of social housing at a point in which the urgency of the climate emergency is vividly apparent (Savills, 2021). There is therefore a case for allowing HAs to renegotiate their loans, for instance allowing them to use *EBITDA* rather than *EBITDA MRI % interest cover* as a loan covenant as some are already doing.[17] This would be particularly advantageous for HAs with constrained borrowing capacity, for example the *indebted developers* and *smaller providers with low margins* identified in chapter four.

In addition to how social housing is funded, this thesis has shown that regulation remains a crucial intervention in securing the decency of the housing stock (Pawson, 2006). The evidence in this thesis suggests that it is necessary to bolster accountability mechanisms in the sector to prevent a situation where investment decisions are made contrary to the wants and needs of residents, as explored in chapter six. However, concerns were raised in the fieldwork that the TSMs would not achieve the anticipated goal of providing a standardised set of measures to evaluate HA performance, but would instead have the unintended consequence of reproducing a target-meeting culture that was prevalent under the new-public management initiatives of the 2000s. Such target-meeting cultures are typified by obfuscation and behaviours that "hit the target but miss the point" (Hood, 2006), such as closing down repairs to avoid meeting target times. The deference to regulatory imperatives outlined in chapters five and six, sometimes via short-term decision-making such as curtailing maintenance expenditure, suggests that such concerns are not unfounded. Monitoring and reviewing the effectiveness of consumer regulation, and the TSMs specifically, should therefore remain a priority for RSH.

[17] Reported by CASE_TWO_1 in interview.

Finally, the findings of the thesis hopefully shed light on how HA asset management practice may be improved. As illustrated by the case of IDS in chapter six, projections of future maintenance spend and official reports of compliance with the current Decent Homes Standard can be premised upon inaccurate and incomplete stock condition data. The quality of stock condition data and improving the data collection process should therefore be a sectoral priority, and this process should be scrutinised by RSH within the reformed regulatory framework. More fundamentally, one of the persistent features of asset management strategies post-2010 in the HA sector has been repeated pendulum swings between different priorities, such as new supply or building safety. Perhaps one of the implications of the thesis is that HAs could aim for greater balance between competing objectives in their asset strategies, for example ensuring that a focus on new supply is not to the detriment of minimal standards of decency. As highlighted by the Meadowview case, in practice this could be achieved by continuing to invest in the maintenance of homes that are being considered for regeneration or disposal.

In producing the implications for policy and practice above I recognise that it may be impossible (and likely undesirable) to prevent social housing from being treated as an asset given the existence of finite resources where societal actors will inevitably have to maximise the impact of their decision-making and expenditure, especially in a capital-intensive areas such as investing in improving social housing. Furthermore, HAs that are well-governed and financially viable are not inimical to increasing the supply of decent housing. Indeed, there is value in ensuring HAs do not default on their loans to prevent the loss of homes from the social sector. Instead the potential implications outlined above aim to reconfigure the relationship between finance and the HA sector, such that finance adds rather than extracts value, and that the notion of a right to decent housing takes primacy (Mazzucato, 2018; The Shift, 2023). If HA housing stock is to be an asset, it should be a societal and community asset that can be leveraged to increase HA capacity while remaining anchored within, and responsive to, local communities (Mullins and Pawson, 2010). In essence, the funding and governance framework for English social housing should aim to ensure that the use value of social housing retains primacy over its potential asset value.

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Appendix

Appendix 1: Thematic analysis meta and sub-themes

Meta-theme	Sub-themes
interest cover	de-risking; major repairs costs
gearing	constraint; rescue
funding	bonds; capital grant; equity finance; ESG; for-profits; loan covenants
growth	commercialism; mergers and acquisitions; principal-agent; sales risk
regulation	compliance; cyclical engagement; gateway constructor; local stakeholders; passivity; polycentrism; regulatory gradings; risk management; self-governance; serious detriment; societal risk; stress testing; target gaming
strategic asset management	affordable rent; asset mobilisation; cross-subsidy; disposals; NPV; options and appraisals; patient capital; regeneration; securitisation; short-termism; stock condition data; valuations
disrepair	artificial scarcity; dismissal; distance; local accountability; managed decline; opacity; tenant labour
building safety	assurance; financing remediation
value for money	cost per unit; opportunity cost; quality; quantity
decarbonisation	financing retrofit; hard-to-treat; path dependency
new supply	social rent; viability

Appendix 1: Meta- and sub-themes in the qualitative thematic analysis

Appendix 2: Thematic coding example

This regulatory judgement downgrades our previous published assessment of The Industrial Dwelling Society (1885) Limited's governance from G1 to G2 and regrades its viability from V1 to V2.

The Industrial Dwelling Society (1885) Limited (IDS) continues to meet the requirements on governance set out in the Governance and Financial Viability Standard. However, following reactive engagement, we have concluded that it needs to improve some aspects of its governance arrangements to support continued compliance.

In February 2022, IDS made a self-referral to the regulator relating to damp, mould and condensation at its Evelyn Court estate in the London Borough of Hackney. IDS was found to have breached the Home Standard and our findings are set out in a Regulatory Notice published on 29 June 2022.

Following further engagement, we ascertained that concerns about repairs and the condition of homes first began to surface several years ago. IDS carried out some remedial action but did not fully address the problems. With over half of owned stock being built between 1895 and 1934 and including properties within conservation areas, IDS had identified the age and nature of its stock as a key risk to maintaining stock condition. However, the board did not ensure that it had sufficient assurance on stock condition and that adequate provision for asset investment had been made in its business plan. IDS had been aware since April ... did not take action in a timely

Stock condition data - lack of oversight as to robustness of the data and its implications for business planning/investment capacity. Able to maintain interest cover through a period of low spend faciliated by passive consumer regulation.

...uary 2022, IDS is now in the ...ndition and the effectiveness of its ...ve board skills and commissioned

... financial capacity to deal with a ...naterial exposures that it needs to

The provider has sufficient security in place and is forecast to continue to meet its financial covenants. However, to address the issues around its stock condition, IDS' financial plan now contains increased levels of stock investment expenditure

https://www.gov.uk/government/publications/regulatory-judgement-industrial-dwellings-society-1885-limited/current-regulatory-judgement-the-indu… 3/6

Appendix 2: Example of thematic coding

Appendix 3: Triangulation protocol

	A	B	C	D	E	F	G
1	**Theme**	**Meta / Sub**	**Agreement / Discordance / Silent**	**Quant summary**	**Qual summary**	**Qual 1**	**Qual 2**
2	interest cover	meta	Agreement - qual confirms that interest cover a constraint on capacity, but with differences between segments	Interest cover declined over time across sector - longitudinal regression and GCKM	Interest cover an increasing constraint on capacity, especially among smaller landlords	"Our performance is bel	"Because we do a lot of
3	derisking	sub	Silent		Derisking their asset and development strategies to manage declining capacity	"But it's, what are we de	"There are ways in looki
4	major repairs costs	sub	Agreement - rising major repairs costs post-Grenfell causing EBITDA MRI % decline	Rising major repairs costs - Ambition, Disciple and IDS	Major repairs costs create a new economic challenge - having to turn to new markets to fund works	Credit rating downgrade	"Brunelcare's financial fc
5	gearing	meta	Partial agreement - gearing stable and less of a constraint than interest cover. But in the qual, there are some landlords who are very occupied by their gearing due to being over-leveraged e.g. Swan	Gearing stable with high ICC, but with variation between HAs due to random intercepts	Gearing a key metric in the sector for assessing risk and borrowing capacity. Variegated financialisation - gearing varies across the sector as financialisation interacts with context	"Gearing is low compare	"We understand our gea
6	constraint	sub	Silent		Gearing is a constraint for some over-leveraged landlords, but not as much of an issue as interest cover	"But our absolute ability	"And many big housing a
7	rescue	sub	Silent		Indebted developers having to be saved via rescue takeover. RSH will force through a rescue to manage risk to the sector	Swan "rescue takeover"	"We're also quite adept

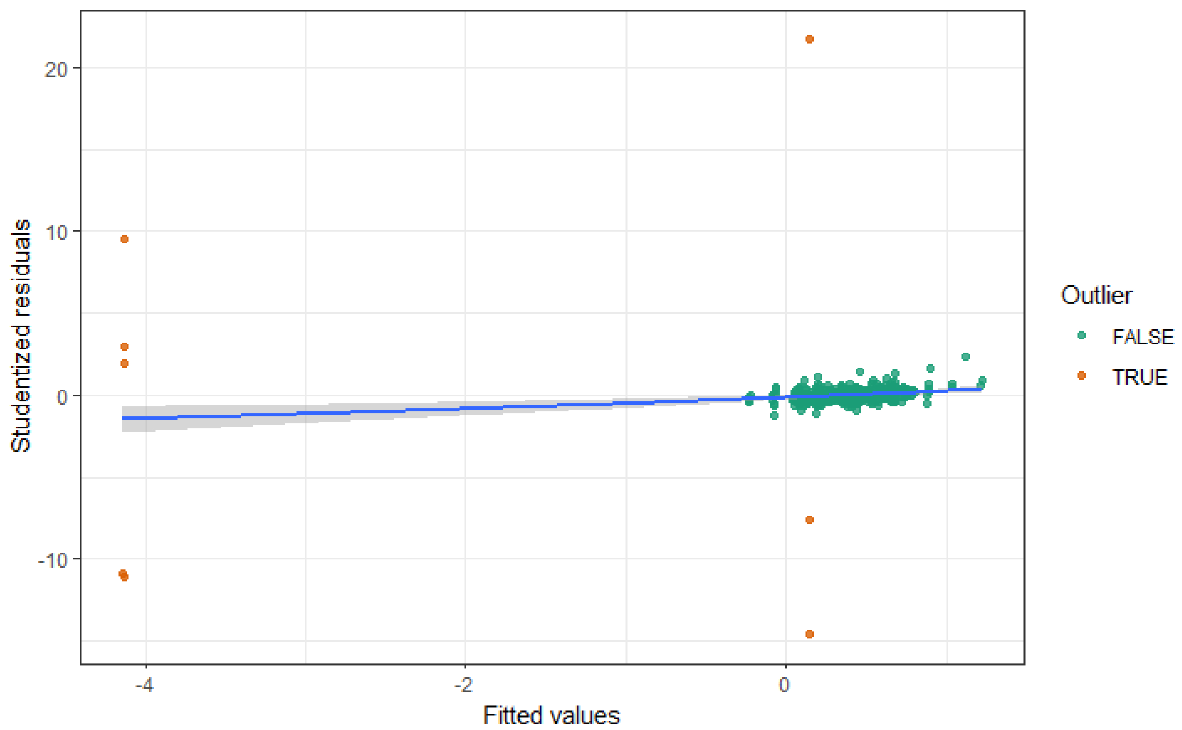
Appendix 3: Screen shot of triangulation protocol

Appendix 4: Longitudinal regression and growth curve k-means: removed observations

Organisation	**Observations removed from gearing model**	**Observations removed from interest cover model**	**Explanation**
Sustain Housing	2017, 2018, 2019, 2020, 2021	2017, 2018, 2019, 2020, 2021	Missing data. Lease based provider with no debt or interest payments.
Local Space	2021	2021	Missing data.
Prospect	2018, 2019	2018, 2019	Missing data. Lease based provider with no debt or interest payments. Deregistered in 2020.
Plexus UK	2018, 2019		Missing data.
Inclusion	2017, 2018, 2019, 2020, 2021	2017, 2018, 2019, 2020, 2021	Outlier. Lease based provider with no debt or interest payments.
Omega Housing Ltd	2017, 2018, 2019	2017, 2018, 2019	Outlier. Subsidiary of Mears. Holding disproportionate amounts of cash in 2017 and 2018 such that gearing was negative. And owed disproportionate amounts to group undertakings in 2019 such that debt considerably outweighed assets. Missing affordable rent data for 2018.
The Abbeyfield Society		2017, 2018, 2019, 2020, 2021	Outlier. Dramatic changes in interest cover that are related to dramatic changes in the percentage housing for older people provided between years. Heavily reliant upon sales of assets rather than core social housing for earnings, hence poor interest cover and fluctuating tenure mix.
EPIC		2017, 2018, 2019, 2020, 2021	Outlier. Very high interest cover in 2017 that has deteriorated rapidly since, resulted from massively increasing interest payments.
St Mungos Community HA		2018	Outlier. Had a disproportionately high interest cover in 2018, which was an outlier relative to the rest of their returns. Had a very high level of earnings relative to their interest payments.
Total observations removed	**18**	**27**	

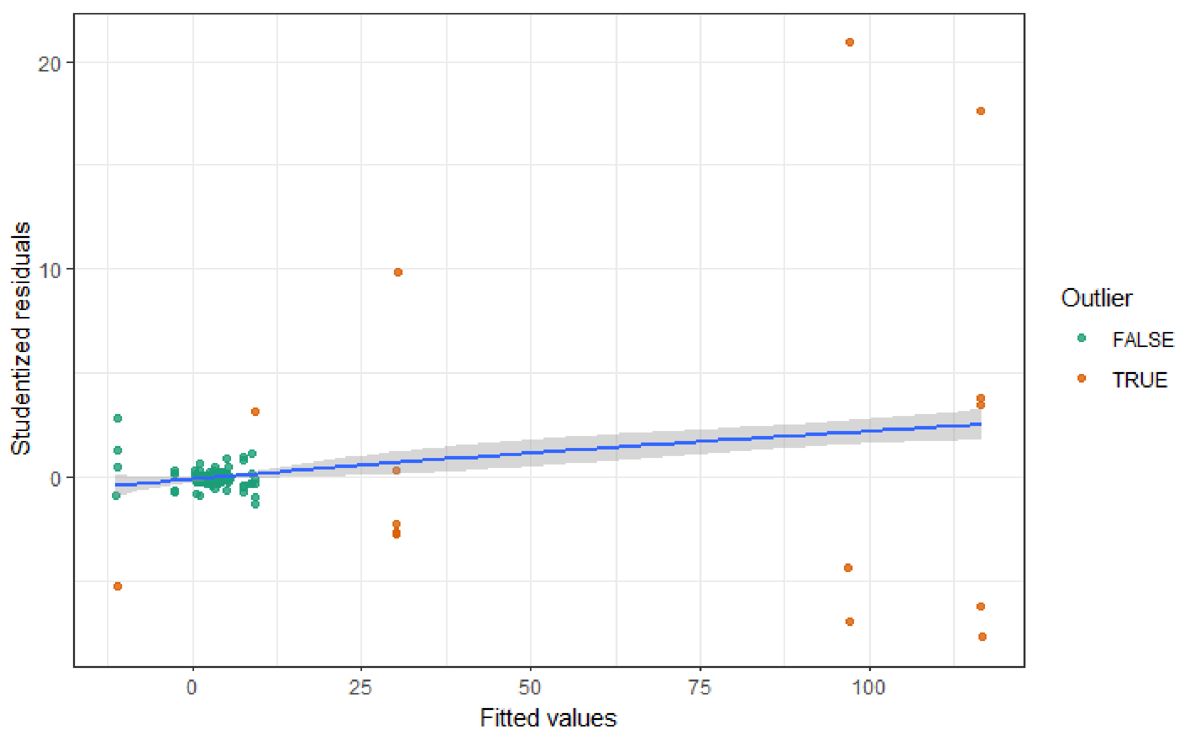
Appendix 4: Observations removed via listwise deletion, with explanation.

Appendix 5: Gearing longitudinal regression outlier observations



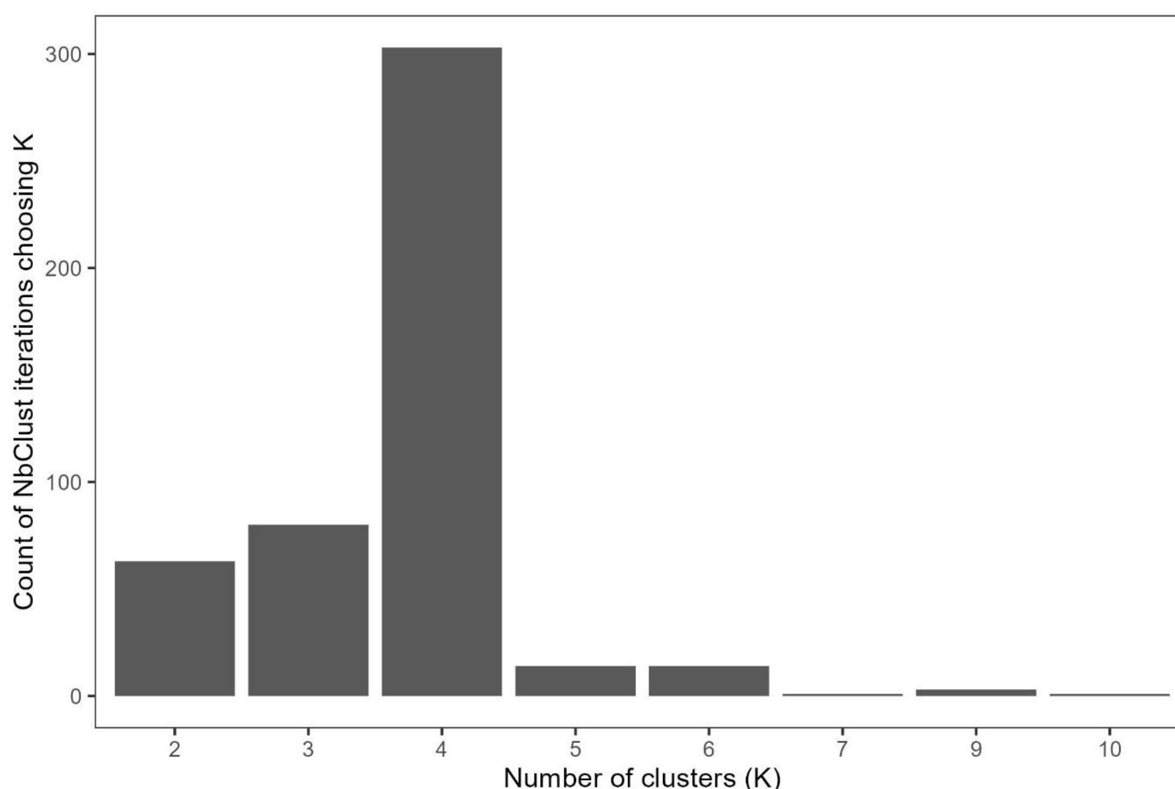
Gearing: fitted values by studentized residuals

Appendix 6: Interest cover longitudinal regression outlier observations



Interest cover: fitted values by studentized residuals

Appendix 7: NbClust results



Appendix 7: NbClust majority rule selection for 500 iterations
with random reordering of observations

Appendix 8: Regression discontinuity design triangular kernel estimates

	Social rent starts		Social rent starts by HAs		Social rent starts by LAs		Affordable housing starts	
	Estimate	**SE**	**Estimate**	**SE**	**Estimate**	**SE**	**Estimate**	**SE**
Treatment	0.742	0.195 ***	0.653	0.171 ***	-0.057	0.042	0.160	1.038
Affordability gap	0.001	0.001	0.001	0.001	0.001	0.001	0.031	0.017
Treatment * Affordability gap	-0.003	0.004	-0.003	0.003	0.002	0.001	-0.019	0.023
Intercept	0.014	0.032	-0.015	0.024	0.032	0.014 *	2.466	0.398 ***
N	278		278		278		278	
IK optimal bandwidth	51.37		64.75		37.38		51.01	
* p < 0.05, ** p < 0.01, *** p < 0.001								

Table A8: 2019/20 outcome variables. Fuzzy RDD estimates and robust standard errors (SE) using a triangular kernel.

Appendix 9: Regression discontinuity design placebo test with fictitious cutoffs

	Social rent starts		Social rent starts		Social rent starts by HAs		Social rent starts by HAs	
	Estimate	**SE**	**Estimate**	**SE**	**Estimate**	**SE**	**Estimate**	**SE**
Treatment	0.731	0.393	0.897	0.672	3.047	8.604	-0.598	0.896
Affordability gap	-0.0004	0.003	-0.003	0.008	-0.003	0.024	0.012	0.010
Treatment * Affordability gap	0.003	0.011	0.013	0.013	-0.030	0.083	-0.014	0.012
Intercept	-0.010	0.025	-0.149	0.402	-0.221	0.828	0.639	0.512
N	278		278		278		278	
IK optimal bandwidth	27.42		85.50		41.43		122.22	
Fictitious cutoff	34.67		75.65		34.67		75.65	
* p < 0.05, ** p < 0.01, *** p < 0.001								

Table A9: Fuzzy RDD estimates and robust standard errors (SE) for placebo tests with fictitious cutoffs 2019/20.