



The diversification gene – Keith Edwards

The recent Public Accounts Committee inquiry report on sector regulation in Wales is in danger of missing a fundamental point – diversification is in the DNA of associations, argues HQN Cymru Lead Associate Keith Edwards.

Forgive me for reverting to my default position. To understand housing in Wales you need to compare things here with the rest of the UK, and England particularly. The reason is simple. Until the millennium we were absolutely tied to the English way of doing things – laws, policies, practices. Since devolution arrived we have struck out in different directions in all of these areas.

Of course, we still continually contrast what we do with our big neighbour. It's taken a while, but England is starting to notice the difference too. The English housing community was first to catch on, looking enviously at the much more benign post-crash operating environment here, where social housing is still valued and partnership with the sector championed by politicians. More recently the UK Government has peeked below its radar at our approach to homelessness and liked what it saw. The result will be our biggest policy transfer to you since (drumroll)...mandatory charges for carrier bags.

One area is revolutionising the way we plan and deliver services across all sectors. [The Well-being of Future Generations Act](#) requires public bodies in Wales to think about the long-term impact of their decisions, to work better with people, communities and each other and to prevent persistent problems such as poverty, health inequalities and climate change.

We can make a strong case that our approach to housing works better for a small country. It allows us to be more flexible and to fashion partnerships with government and across sectors. At its heart is a different way of defining value for money which goes beyond the 'economy, efficiency, effectiveness,' approach in England and, according to the regulator, covers 'tenant perspectives and social value'.

Neither is this new; many associations were formed to not just provide quality affordable homes, but to regenerate their areas and provide sustainable communities. More recently many organisations have diversified into non-core business areas that either generates income to be reinvested, contribute to wider social outcomes including health and well-

being, or create local jobs and training, often using the [Can Do Toolkit](#) approach developed here in Wales.

The recent Public Accounts Committee (PAC) [report](#) identified the potential risks of associations developing new initiatives that move away from their core business. It concluded that, whilst there is nothing wrong in developing commercial activities outside the core business, it was essential to ensure effective scrutiny based on good governance and effective regulation.

However unintentional, there is a danger that the message that gets out is that associations should simply 'stick to the knitting' in future and concentrate much more on their core business – building, managing and maintaining affordable homes. In my view this is the wrong approach, based on a false dichotomy: that we either do housing or regeneration – we can't do both. An unintended consequence of this could be boards balking at opportunities to innovate, to the detriment of the longer-term interests of their residents and communities, and to associations themselves.

As Stuart Ropke of Community Housing Cymru said in his evidence to PAC, diversification helps spread public money more widely by allowing surpluses generated from this non-traditional activity to be reinvested in developing new housing and new services for tenants. The Welsh Government has also acknowledged that 'diversification can be an important way in which housing associations meet the changing needs of their communities and/or generate income to cross subsidise their core social housing business.'

And it was always the case. Core business was never just about providing homes for rent. Helen White, Chair of the Regulatory Board for Wales pointed out to PAC there was 'real value in exploring the role that housing associations can play in creating sustainable communities and better outcomes for people in Wales – they can really add value to that. Diversification that supports that should be welcomed.'

There are also increasing expectations – not least from government itself – that associations will step up their involvement in wider public service delivery. In my 2015 [Is the feeling mutual?](#) report for ministers I pointed out that associations share common social, economic and environmental values with government and have a 'track record stretching back decades in delivering housing, plus initiatives.' Carl Sargeant, the Cabinet Secretary for Communities and Children, acknowledged this recently when he pointed out that associations were 'under increasing pressure to diversify and to take a wider role in addressing community issues, partly as a consequence of reductions in local authority finances.'

At the heart of this entire issue is the modern tendency to conflate cost with value, to bean count rather than take a longer view of outcomes. What differentiates the sector from private housebuilders is the commitment to the long-term health and well-being of people and communities, goals it shares with government. In Wales this is very much part of our DNA.

Stuart Ropke correctly pointed out that there are clear benefits in diversification 'as long as the risks are managed.' In an ever-changing world where standing still is not an option, there is though in my view a greater risk: the risk of not diversifying. We shouldn't be spooked by failure as long as we learn and learn fast. These are key challenges for

boards, to stay true to values and move with the times. Diversification will be an increasingly important aspect of this.

Keith Edwards is an independent consultant and former director of the Chartered Institute of Housing Cymru and Tenant Participation Advisory Service Cymru. He is a member of two housing association boards and chair of the democratic body of Wales' first tenant/worker housing mutual. He is the author of the 2015 *Is the Feeling Mutual?* report for Welsh Government on alternative models for public service delivery.

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