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Smyth, Stewart

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Embedding financialization: a policy review of the English *Affordable Homes Programme*

Stewart Smyth

The Centre for Research into Accounting and Finance in Context (CRAFiC), Sheffield University Management School, Sheffield, UK

ABSTRACT
Decent, affordable housing continues to be a major concern for policy-makers, providers and society at large. This paper contributes to the debate over the future of social housing in England by reviewing the *Affordable Homes Programme* (AHP). The *AHP* (2011–2015) saw the level of grant funding reduced dramatically; with the shortfall to be filled from housing associations own resources, increased rents and borrowing. To understand the implications of the AHP, this paper utilizes the concept of financialization. Financialization is a multifaceted process that seeks to explain the increased role and power of the financial markets in society. Specifically, the paper shows that the AHP leads to increased debt levels in the social housing sector, is predicated on short-termism and accumulation by dispossession. Finally, by employing financialization the paper also addresses debates about the nature of housing policy and how it can best be conceptualized.

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1. Introduction

Decent, affordable housing continues to be a major concern for policy-makers, providers and society at large. The English housing system exhibits a range of dysfunctional characteristics with the housing market being described as broken by the government (DCLG, 2017). Private house builders are prioritizing profit-making and dividend payments over increasing the volume of homes built (Archer & Cole, 2016). Further, despite the wider housing policy emphasis on increasing homeownership, levels of owner-occupation are decreasing (Wilcox *et al.*, 2016a). Homelessness acceptances in England stand at 58,000 per annum in 2015/16, nearly 50% higher than in 2010 (Wilcox *et al.*, 2017, p. 94). A common policy analysis concludes that not enough houses are being built (Lyons Housing Review, 2014); although this conclusion is not held by all. For example, Dorling (2014) argues that there has never been more bedroom space available in the UK, the problem is the inequalities in access to, and distribution of, those homes.

This is exacerbated by a lack of government funding for public services generally (Hodges & Lapsley, 2016; Wilcox *et al.*, 2016b). In these circumstances, government housing policy

CONTACT Stewart Smyth s.j.smyth@sheffield.ac.uk

has been geared towards delivering the maximum number of houses possible, for the limited public funding available. Through the course of the *Affordable Homes Programme* (2011–2015)[1] the Coalition government dramatically reduced the average level of grant funding per home provided to housing associations. The resulting gap in funding was expected to be filled from housing associations own resources, increasing rents through new affordable rent products and increased borrowing. Affordable rent products, is the government's own term to denote a new form of rental home in England which lies between the lower social rents and full market rents. Affordable rent is commonly described as up to 80 per cent of open market rents, but is a contentious and much debated term.[2] The creation of affordable rents as a category is relevant to this study because it allows additional borrowing (debt) to be taken on by housing associations.

This paper contributes to the debate over the future of social housing in England by reviewing the *Affordable Homes Programme* (AHP) within a financialization framework. Financialization is a multifaceted process that seeks to explain the increased role and power of the financial markets in society (Aalbers, 2016, 2017; Cooper, 2015; Fine, 2010; Lapavitsas, 2009). Specifically, the paper shows that the AHP not only leads to increased debt levels in the social housing sector but is also predicated on short-termism (Cooper, 2015). Harvey's (2003) concept of accumulation by dispossession is also utilized to show how the AHP is being subsidized by a transfer of public land at a discount or for free to aid new developments.

Research into the role of financialization in and through the state and public services is still in its infancy (Aalbers, 2017). Aalbers (2017) observes the contradictory actions of different state actors towards financialization: 'Some state agents actively – but not always consciously – create the conditions for the financialization of housing and other assets, sectors and markets … while other state agents may try to limit financialization pressures' (Aalbers, 2017, p. 550). The analysis below highlights how a government department (DCLG) is mobilized to increase financialization in the social housing sector; but in the process its policy also has implications for the housing benefit budget of another department (DWP). This paper contributes to our understanding of financialization through the state with an empirical analysis of an actual government programme.

Furthermore, the framework and analysis allows for greater theoretical understanding of financialization and the nature of housing policy developments. This has relevance beyond the English housing system to the devolved administrations with the UK (McKee *et al.*, 2017) and other jurisdictions. In the process, this review seeks to address the call made by Madden & Marcuse (2016, p. 144) to move the debate about housing policy 'beyond the shallow idea that the housing question comes down to determining the right balance between state and market'.

To achieve these aims, the paper is structured as follows: the next section sets up the theoretical framing by exploring the debate about the nature of housing policy (Madden & Marcuse, 2016) and ideas related to financialization (Aalbers, 2016; Cooper, 2015; Harvey, 2012). This is followed by a section outlining the research design. Section four analyses the AHP policy by relying on policy documents issued by the government bodies and coverage of the policy in industry publications. Section 5 discusses how the AHP helped embed financialization in the social housing sector, before a concluding section re-addresses the debates on financialization and the nature of housing policy.

2. Housing policy and financialization

This paper adopts a financialization framing through which to analyse the AHP (2011–2015). The adoption of this framing is a deliberate attempt to overcome the limitations of housing policy analyses that see such policies as the actions of a 'benevolent' or a 'meddling' state (Madden & Marcuse, 2016). By utilizing financialization, the analysis will highlight both the nature of the AHP and allow for a broader comment on the nature of housing policy within an advanced capitalist state. Before exploring the literature on financialization and developing an analytic framework, it is necessary to set out a critique of the nature of housing policy.

2.1. The nature of housing policy

Housing policy in Britain has been subject to a series of step changes since the mid-1970s (Murie, 2012). The post-war consensus of expanding public housing based on a benevolent, interventionist approach to housing policy was abandoned (Murie, 2012). In its place, the dominant view of the neoliberal period has been of state withdrawal from direct housing provision. These views are critiqued by Madden & Marcuse when they state: 'Housing policy is an ideological artefact, not a real category. It is an artificially clear picture of what the state actually does in myriad and at times contradictory ways' (2016, p. 119). From a critical stance housing policy, as a concept, obscures the actual motivations and actions of the state. Housing policy is often portrayed as a consistent attempt, by successive governments, to solve housing problems (Marcuse, 1978). In this subsection, the assumptions that underpin this artificially clear picture are explored, before an alternative framing is expounded that links to the financialization framework developed later in the section.

The nature of housing policy is based on two related myths. The first myth is of a benevolent state which is trying to do its best to house its citizens. This myth recognizes that housing-related actions by the state have often failed but ascribes this failure to poor implementation, a lack of courage, self-interested parties or inaccurate knowledge (Marcuse, 1978). The benevolent state myth was the dominant view among housing policy-makers and academics during the post-war social welfare state consensus in Britain. However, this view of the state has been criticized for lacking empirical evidence (Glynn, 2009; Madden & Marcuse, 2016) and ignoring the theoretical work of a range of critical theorists – for example, Harvey (2005), Milliband (1967), Peck (2010) – on the nature of the state in capitalist society. This is not to argue that individual housing programmes or policies do not benefit different sectors, for example low or middle-income earners, but these benefits are secondary to the priorities of maintaining political stability and the accumulation of private profits (Glynn, 2009; Madden & Marcuse, 2016; Marcuse, 1978).

The second myth is of a meddling state (Madden & Marcuse, 2016; Marcuse, 1986). This myth has gained significant traction in policy and academic circles over the past 40 years as the rise of neoliberalism and free-market fundamentalism has developed (Harvey, 2005). Advocates of the meddling state myth argue that the solution to the housing problem lies in letting the private market reach an equilibrium through the interaction of supply and demand. In this view, state actions related to housing become an intervention in the natural workings of the market. Therefore, housing policy should be geared towards getting the state out of the way of the market by reducing regulation.

As with the myth of the benevolent state, the myth of a meddling state cannot be sustained when scrutinized. First, it is impossible for the state to withdraw from housing systems. The state and housing are intimately intertwined, through maintaining private property rights and legally enforcing contracts (the basis of both the owner-occupier and private-rented sectors) but also through funding public infrastructure (such as roads, schools) necessary for housing developments. Second, the idea that by the state withdrawing from direct provision of housing, the private sector house builders will fill the gap left lacks evidence to support it (Murie, 2012). Over the past 40 years, the private house builders continue to prioritize profit-making and dividend payments (Archer & Cole, 2016) over increasing the number of completions despite the reduction in social house building (i.e. the state getting out of the way).

In place of these two myths Madden & Marcuse argue that the 'state has used the housing system to preserve political stability and support the accumulation of private profit' (2016, p. 120). This is not to argue that there is some sort of crude economic (or political) determinism at work, nor a 'conspiratorial, unified ruling class that controls the state in an unchallenged way' (2016, p. 120). As already stated individual state actions are often contradictory or lacking in substance when compared to the related political rhetoric. However, the twin (and related) strategies of preserving political stability and supporting private profit-making provide a useful basis on which to critically analyse the nature of housing policy.

Madden & Marcuse (2016) illustrate these twin strategies with examples from the US housing system, particularly from New York, but there are also examples in the English housing system that support this analysis. For example, Glynn (2009) illustrates a history of grassroots campaigning and resistance – from the Glasgow 1915 rent strike (Gallhofer & Haslam, 2006) to the anti-stock transfer campaigns of the past couple of decades (Smyth, 2017a) – that has directly impacted on the actions of the state and how it has reacted to maintain political stability, when she quotes Prime Minister Lloyd George at the end of the First World War, who speaking in support of the 1919 Housing Bill said 'Even if it cost a hundred million pounds what was that compared to the stability of the state?' (quoted in Glynn, 2009, p. 287). This point was reinforced by a junior Minister at the time stating that 'the money we are going to spend on housing is an insurance against Bolshevism and revolution' (quoted in Harloe, 1995).[3] Although these views are a century old they set the precedent that housing remains for various governments, an important part of maintaining the status quo.

As for private profit-making, the past century has a number of examples illustrating how state action has maintained or improved the conditions for such accumulation; for example, tax subsidies for private home ownership (such as Mortgage Interest Relief) or the Right to Buy policy for council housing tenants (Murie, 2016). A key implication of the arguments in this paper is that the AHP is another policy that enhances the accumulation of private profit through the use of increased private sector borrowing by housing associations.

However, it should be stated that while these two general strategies (of maintaining political stability and enhancing private profit-making) set the limits for the actions of the state with regard to housing, individual housing programmes can have beneficial outcomes for certain low- or middle-income groups and individuals, at least in the short run; for example the Right to Buy policy (Murie, 2016). The argument is however that there are limits to such benefits and over the longer term the pursuit of political stability and profit accumulation will dominate. To capture this dynamic, the analysis below adopts a dialectical understanding of the relationship between (economic) base and (political/state) superstructure, including housing policy:

> [T]he actions of states … and other social institutions cannot be understood on their own but only in relation to what shapes the dynamics of society as a whole, which in a capitalist system remains the pursuit of profits and capital accumulation.
>
> (Catchpowle *et al.*, 2004, p. 1049)

The financialization framework developed below allows for a dialectically integrated political economy approach to understanding the nature of the AHP. In the process, financialization becomes the expression of the private profit-making strategy pursued in social housing by the Coalition government. The next subsection explores the literature on financialization, developing a framework relevant to analysing housing policy.

2.2. Financialization and housing

Financialization is a term that is increasingly being used to capture a range of processes which have become evident since the financial crisis of 2007/08; although the term has a much longer history.[4] The term has been deployed in a number of disciplines. Christophers (2015) identifies three foundational versions of financialization: as processes of capital accumulation and profit generation, whereby capitalism as a system has become financialized (Arrighi, 1994; Krippner, 2005; Stockhammer, 2004); in the realm of corporate motives and governance based around the shareholder value revolution (Froud *et al.*, 2000); and, with the expansion of finance's influence into the sphere of daily life, the lived experience (Martin, 2002). Deutschman (2011) argues that financialization can be seen operating at the macro-level (such as the studies by Arrighi, Krippner and Stockhammer), meso-level (studies by Froud *et al.*, 2000; Haslam *et al.*, 2015) and the micro-level (studies such as Langley, 2008; Martin, 2002). Aalbers (2017) recognizes the impact of financialization on the state and state finances as part of the meso-level processes (Deutschman, 2011).

In the housing literature, there is a growing focus on financialization (Aalbers, 2016, 2017) which includes showing how social housing providers have become active in the derivatives market (with disastrous consequences in at least one case, the Dutch housing association Vestia) (Aalbers *et al.*, 2017). Other housing studies have addressed the resistance that financialization of housing has generated (Fields, 2015); predatory lending practices (Newman, 2009); the changing nature of housing association finance sources (Wainwright & Manville, 2017) and securitization of mortgages (Aalbers, 2008).

The utilization of the financialization as a concept has been critiqued with Christophers (2015) setting out a series of limits (existing and potential) to this body of work and challenging academics who use the term to be rigorously specific. To that end, the framing utilized in this paper does not see financialization as a new process that has only existed for the past quarter of a century or that financialization is an inevitable, all encompassing process. Instead, financialization is an expression of the broader processes towards the neoliberalization of society (Harvey, 2005). It operates in conjunction with other concepts such as accumulation by dispossession (see below), privatization/re-commodification (Ashman & Callinicos, 2006) and globalization of the financial markets (Cooper, 2015). Therefore, this study's use of financialization is located at the confluence of an analysis that identifies the over-accumulation of capital in the global capitalist system (Roberts, 2016), seeking new arenas to make profitable returns from the opening up of previously publicly provided (de-commodified) services (such as social housing) to exploitation by private capital (Cooper, 2015; Harvey, 2005). In this context, the focus on how a government policy is designed to enhance financialization, is innovative and adds to our understanding of the impact of financialization through state actions (Aalbers, 2017).

Although the study is based on a specific jurisdictional context (i.e. England), it does address one of the other limits advanced by Christophers (2015) that of the empiric, by which Christophers means whether financialization is a real process. Taking just one element of financialization, the increasing use of debt finance, as stated above the use of private finance (debt) is not new, indeed it is older than capitalism (Graeber, 2011); however, financialization is a real component of the processes involved with remoulding public services to the requirements of private capital. As Christophers (2015, p. 195) states in passing, financialization is the 'frontier of accumulation'; in this case, in the social housing sector.

With the above discussion in mind, the analytical framework expounded below covers three themes – increased levels of debt; short-termism and accumulation by dispossession. Fine argues that the 'current era of financialization is precisely one in which there has been not only a disproportionate expansion of capital in exchange, through extensive and intensive proliferation of financial derivatives but also the extension of finance into ever more areas of economic and social reproduction' (Fine, 2010, p. 112). This process can be illustrated by the UK's debt to GDP ratio which in 2014 stood at 252%; an increase of 30 points since 2007 (McKinsey Global Institute, 2015). The global financial crisis (GFC) of 2008 was an expression of the longer term financialization trends. For example, total debt in the English housing association sector doubled between 1990 and 2006 (Wilcox *et al.*, 2015, Table 71a). Politically, the impact of the GFC enabled the incoming Coalition government to institute the age of austerity, including cuts in grant funding, central to the AHP 2011–2015.

Therefore, the first analytic theme of financialization is the increased interest-bearing capital in the UK and global economies (Andersson *et al.*, 2014). This theme also aims to capture the extension of private debt capital into an arena that was previously financed by government funding.

Cooper (2015, p. 71) argues that the maximization of shareholder value is the 'guiding principle of financialisation'. Over the past 40 years, this has led to the adoption of short-term strategies by directors of companies to maintain share prices (Deutschmann, 2011); for example, through the remuneration packages of directors. In the process, boards of directors increasingly engage in activities to maximize shareholder value in the short-term (not just increasing profits but also increasing share prices through share buyback schemes) even if this means reducing productive capacity (Cooper, 2015). Although, housing associations do not have shareholders in the manner of private for-profit companies, they are subject to policy decisions by governments that have spent the past 30 years implementing New Public Management-inspired policies (Hood, 1995), including private sector management techniques. On this basis, as financialization has grown in importance for management in private sector companies, it is to be expected that elements of financialization, including its expression in the form of the maximization of shareholder value, have permeated the policy-making of government departments. This is the basis of the second analytic theme with an emphasis on short-termism, drawn from the maximization of shareholder value.

While the foregoing are general trends across economies and societies, the role of housing and the city more broadly in the rhythm of capitalist development and accumulation is also relevant (Harvey, 2012) to the understanding the nature and working of government policies. As we have already seen Madden & Marcuse (2016) argue that housing policy is in part driven by supporting the accumulation of private profit. One component of this drive is captured in Harvey's conception of *accumulation by dispossession* (Harvey, 2003, 2005). Developed from Marx's *primitive accumulation* (Marx, 1990), Harvey (2003, p. 15) argues that a 'closer look at Marx's description of primitive accumulation reveals a wide range of processes … All features of primitive accumulation that Marx mentions have remained powerfully present within capitalism's historical geography up until now'. Harvey locates the need for accumulation by dispossession in the overaccumulation[5] of capital that has plagued the capitalist system since the early 1970s.[6] Accumulation by dispossession seeks '… to release a set of assets (including labour power) at very low (and in some instances zero) cost. Overaccumulated capital can seize hold of such assets and immediately turn them to profitable use' (Harvey, 2003, p. 149).

For Harvey privatization has opened up public assets, previously off-limits, to overaccumulated capital arguing that:

> … if capitalism has been experiencing a chronic difficulty of overaccumulation since 1973, then the neo-liberal project of privatization of everything makes a lot of sense as one way to solve the problem.
>
> (Harvey, 2003, pp. 149–150)

Accumulation by dispossession can be seen in social housing developments that reduce the council housing stock through demolitions producing fewer homes afterwards; or in the release of publicly own land for private development (Christophers, 2017). Accumulation by dispossession is relevant to understanding the specifics of the AHP but also enables a deeper understanding of the processes at work in the capitalist economy over recent decades. It provides a link to the analysis on which the critique of neoliberalism developed by Harvey (2005) sits and enables an insight into how different but related processes (in this case accumulation by dispossession and financialization) converge in the outworking of a specific government (housing) programme.

These three themes (of increased debt, short-termism and accumulation by dispossession) form the basis on which the analysis of the Affordable Homes Programme is set out in Section 4 below. This financialization framing is also built on the earlier discussion of housing policy, especially the dual strategies of maintaining political stability and private profit-making from housing. The nature of housing policy will be returned to in the discussion and conclusion sections. The next section sets out the research design and how this framework was utilized to analyse the AHP.

3. Research design

This paper seeks to build on the previous policy review of the early years of the Coalition government in England from 2010 (Murie, 2012). An analysis of the AHP is appropriate as the programme represents a qualitative change in how below market-rented accommodation is delivered by the state. While elements were already present in the previous programmes (such as cuts in grant funding and intermediate rents – see below), it is the scale of the changes, including the almost complete absence of new build social rent homes that makes the AHP a turning point in housing provision in England.[7]

The analysis below is based on publicly available documents. The focus is on relevant documents produced by two government bodies, the Department for Communities and

Local Government (DCLG) and the Homes and Communities Agency (HCA). While the DCLG is the central government department responsible for social housing in England, they have transferred the funding of new build social housing and regulatory responsibility for social housing to a non-departmental public body, the HCA. The documents analysed include the AHP prospectus, along with updates and progress reports. A National Audit Office (NAO) (2012) report into the financial viability of the social housing sector under the AHP was also analysed.

These reports were supplemented with a review of media reports and opinion pieces in the housing trade publications. In the first instance, the reports and trade publication pieces were read to gain an understanding of the overall functioning of the AHP. Based on this initial impression the official reports were read closely to identify key aspects of the financialization process (Morales *et al.*, 2014).

A common approach to analysing qualitative data is *thematic analysis*. Thomas (2011, pp. 171–172) sets out how themes can emerge through the constant comparative method. The aim of this method is for the researcher to regularly and iteratively revisit the data refining the themes each time. In contrast, Braun & Clarke (2006) identify that themes can be derived theoretically as well as inductively. The analysis in this paper follows Braun and Clarke with the themes derived theoretically from the financialization literature (i.e. increased debt levels, short-termism and accumulation by dispossession). Having derived those themes the relevant documents (set out above) were again read closely for both an overall understanding of the programmes design and for empirical evidence of the themes. In this way, the thematic analysis when applied to a social housing policy enables and generates deeper insights.

4. The Affordable Homes Programme – a policy review

Despite the perception that the UK possesses a weak welfare state, with housing as its 'wobbly pillar', there is a long legacy of government intervention in the housing system (Murie, 2012). As alluded to above government interventions have continued in recent years although its form has changed – from one of supporting direct provision, through privatization programmes (such as the right to buy and large-scale voluntary transfer) to the current policies of market making and seeking increased private finance.

During the 1990s, the government pursued the Approved Development Programme (ADP), where eligible housing associations in England were able to access the Social Housing Grant (SHG) on a 'mixed funding' basis (Gibb *et al.*, 1999, p. 109). The SHG was supplemented with private finance through the loan aggregator *The Housing Finance Corporation* (THFC) and/or borrowing direct from the private sector. For most housing association developments, the average SHG percentage declined from 75% in 1991 to 56% in 1998 (Gibb *et al.*, 1999, p. 109), resulting in a gap in funding that was filled by increasing debt levels even if such funding was a minority contribution.

From 1997, the New Labour governments prioritized improving the condition of the existing housing stock, mainly in the social housing sector, through the *Decent Homes* programme (DETR, 2000). It was only in later years that the emphasis of government policy changed to developing new social rent housing through the National Affordable Housing Programme, first launched in 2006 with the main round of bidding during 2008/11. The

Table 1. Comparison main features of Affordable Homes Programmes.

	National Affordable Homes Programme 2008–2011	Affordable Homes Programme 2011–2015
Planned/approved units	173,900	80,000
Government investment (planned)	£ 8.9 billion	£ 1.8 billion
Government funding per home (planned)	£ 51,179	£ 22,500
Delivery model	Scheme by scheme bids	Whole stock assessment over period of the programme
The main products	• Social-Rented Homes • Temporary Social Housing • Shared-ownership Homes	• Affordable Rents (with four funding streams) • Affordable Home Ownership
Notes	Use of intermediate rents (a precursor of affordable rents) within limited parameters	Social rent scheme are only to be supported in exceptional cases

Sources: NAHP 2008–2011 Prospectus; AHP 2011–2015 Prospectus, and Wilcox and Perry (2014, p. 56).

key features of the NAHP are set out in Table 1, including planned expenditure and output levels, to allow for comparison with the later AHP 2011–2015.

4.1. The National Affordable Housing Programme (NAHP) 2008–2011

The NAHP was the Labour government's flagship policy focused on addressing the shortage in affordable and social housing in England. The programme was delivered through the Housing Corporation and subsequently the Homes and Communities Agency, with the SHG remaining at the centre of this programme. The NAHP was delivered on a scheme by scheme assessment basis, where bidders had a range of 'products' (to use the government's term) available to them including social rent homes, temporary social housing and various shared-ownership schemes. The programme also identified a role for intermediate rents[8] (a precursor of affordable rents) within very limited parameters.

There has not been a comprehensive assessment of this programme. However, while discussing the next generation AHP Wilcox and Pawson state that in 'comparison with the three-year National Affordable Housing Programme (NAHP) running to 2010/11, the new AHP will generate just over a third of the annual output, though at only about one sixth of the annual cost in public subsidy towards initial capital costs' (2013, p. 72). According to the HCA's own statistics the NAHP delivered 150,300 homes at a total grant of £8.9 billion, with an average grant per home of just under £60,000 (Allen, 2011).

4.2. The Affordable Homes Programme (AHP) 2011–2015

The Coalition government's policy on social and affordable housing initially appeared to focus on reforming the welfare system (including housing benefit) and lifelong tenancies. These reforms were consistent with the long-term aim of residualizing the social housing sector, which according to the government's view should only be a temporary safety net; hence, the desire to remove lifelong tenancies for council housing tenants and replace them with five-year means-based tenancies. Further, the previous Conservative governments' emphasis on privatizing the social-rented sector 'was no longer the touchstone of policy' (Murie, 2012, p. 1034). When house building was considered, the focus was on the failures (perceived and/or real) of the planning system. Leading the Housing Minister at the time to write:

> For decades house building has failed to keep pace with people's needs. And recently, a combination of the recession, divisive top-down targets and a public subsidy-driven approach has led to a catastrophic decline in the number of new homes … The previous system did not provide the right incentives for councils and local people to welcome the local growth that they can see is needed.
>
> DCLG (2011, p. 4).

The Minister pointed out that the level of house building was at its lowest peace time level since 1923–1924.

Among the early announcements of the new government was an idea that is now central to the AHP, the *affordable rent product*. Affordable was defined as up to 80% of the market rate for that local area (HCA, 2011, p. 19). The basic idea is to generate additional incoming cashflows that could sustain higher levels of borrowing. This additional income stream allows the public subsidy through AHP to be reduced dramatically.

The other major change from the previous NAHP concerned the process for assessing the bids, with the funder stating:

> We are looking for providers to set out their proposals for a four year programme covering how they will manage their existing assets and capacity – and in particular how they will use the flexibility to convert some of their current stock to Affordable Rent (or other tenures) – alongside HCA funding – to generate significant volumes of new supply.
>
> HCA (2011, pp. 7–8).

In effect this meant a move from a scheme by scheme appraisal to a whole stock assessment over a four-year period, for each bidder. This whole stock assessment was implemented as the government had identified spare borrowing capacity in the housing association sector – see for example, Walker (2014) – and so housing associations were expected to set out the contribution they will make to support their proposals to deliver a programme of new supply (HCA, 2011 p. 9). In the new programme, the contribution from bidders was to come from four broad sources (HCA, 2011, pp. 8–9):

(1) the additional borrowing capacity that can be generated from the conversion of social rent properties to Affordable Rent (or other tenures), as well as borrowing capacity generated by the net rental income stream of the new properties developed;
(2) existing sources of cross-subsidy, including provider surpluses, income from developing new properties for outright sale and from planning gains[9];
(3) HCA funding where required for development to be viable, and
(4) other sources of funding or means of reducing costs such as free or discounted public land, including local authority land.

It is here that all three elements of financialization outlined earlier are present. First, there is the additional debt the housing associations were expected to take on; second, there is the one-off consumption of existing resource highlighting the short-termism involved; and third, there is accumulation by dispossession where publicly owned assets (e.g. local authority land) were to be handed over for free or at a discounted level.

Alongside homes at affordable rent levels, the other 'products' available under the AHP 2011–2015, included affordable homes ownership and mortgage to rent rescue schemes. Homes at social rent levels were only to be supported by government grant in exceptional circumstances.

In July 2012, the National Audit Office published a report into the *Affordable Homes Programme* (NAO, 2012). The NAO reported that the AHP is expected to deliver 80,000 affordable homes, for both rent and ownership, over the four years of the programme. The report summarizes the financial ingredients to fund these new homes:

> The Programme is intended to build housing with a third of the grant per home of earlier affordable housing schemes. It will involve housing providers spending some £12 billion on new homes, funded by a combination of government grant (£1.8 billion), borrowing by providers supported by rents on the new properties (we estimate around £6 billion), and funding from other sources (about £4 billion). Rents totalling around £500 million a year on new homes will be paid by tenants, approximately two-thirds of whom are supported by housing benefit.
>
> NAO (2012)

On a per unit basis, using the numbers in the NAO report, the average public funding grant is £20,000 per home and borrowing supported from the new rents will be £75,000 per home. Significantly, another £46,000 per home comes from 'other funding'. This represents an increase of £12,000 per home on the previous programme. The total scheme cost of £141,000 per home is also £14,000 lower than under the previous programme. These numbers led one commentator to the question: 'So the programme relies more on other funding and a reduction in the total cost per home than it does on grant. Is that repeatable?' (Birch, 2012).

Further, given that half of the necessary funding was to come from borrowing by housing providers, the NAO commented that 'the Programme requires providers to take on increased borrowing, as well as other risks, for example committing to deliver housing over the whole of the period of the Programme at a fixed price, rather than agreeing commitments on a site by site basis' (NAO, 2012, p. 14). Despite the NAO's broadly positive assessment of the AHP's design, a number of concerns have been identified. First, the NAO identified that using *economic benefit to government cost* ratio, the previous NAHP (based in the main on delivering homes at a social rent level) provides better value for money than the current AHP 2011–2015 (NAO, 2012, p. 19).[10] This point was further elaborated by a *Capital Economics* report which showed how higher grant levels, funded by redirecting housing benefit, would provide better value for money (Chaloner *et al.*, 2015).

Second, the delivery of completed homes was heavily skewed towards the end of the programme; so that by April 2012, 18% of contracts had not yet been signed and over half of the homes were planned for the last year of the programme (Birch, 2012). Third, it appears the government was merely shifting support for social housing from one government department (DCLG) budget to another (DWP), as the housing benefit system took the strain of the new Affordable Rent levels (Chaloner *et al.*, 2015). Chaloner *et al.* (2015, p. 5) highlight that without changes in government policy the housing benefit bill would increase '… to £197.3 billion by 2065–2066, up from £24.4 billion' in 2015. It was this massive increase that in part led the 2015 Conservative government to change its social rent strategy and implement annual reductions up to 2020 (NAO, 2017, p. 32).

The government department in charge of the Affordable Homes Programme 2011–2015 has not completed an overall review of the programme, however Wilcox *et al.* (2016a, p. 73) report that the actual programme outturn was 82,115 homes at an average grant level of £21,920 per home. Therefore, the AHP 2011–2015 outperformed its target of 80,000 homes and did so with a grant level of nearly £30,000 per home less than the previous NAHP (see Table 2.4.5, Wilcox *et al.*, 2016a, p. 73). These numbers would appear to support the government's aim of delivering the maximum number of homes possible for the funding available. However, this was achieved at the expense of other indicators. The debt level in the sector has continued to grow, where debt per home has increased by £3,500 per home to £23,931 in the period between 2012–2015 (HCA Global Accounts, 2015, p. 27, 2016, p. 29); the NAO's criticism of the poor value for money compared to the previous NAHP and an astonishing reduction in the delivery of new social rent homes: 'The fall in output of social rented units is now very noticeable, from two-thirds of completions in 2010/11 to ten per cent now' (Wilcox *et al.*, 2016a, p. 72). Further, DCLG's (2015) statistical report on housing associations' returns reported that just over 70,000 homes were converted from social rent to affordable rent tenures between 2013–2015; at the same time the total additions to the social-rented housing stock was 97, 000.[11] Therefore, 70% of social rent builds go to replace homes that are being converted to affordable rents.

The foregoing analysis has set out the contours of the AHP for England under the 2010–2015 Coalition government, and in the process highlights a number of strengths and weaknesses. It has also shown how the three elements of financialization are evident in the design and application of the programme. The next section discusses the implications for housing policy and a possible future for some social housing providers.

5. Discussion

The previous section set out an analysis of the Affordable Homes Programme 2011–2015 highlighting key aspects of the programme's design and they way in which these aspects conform to the financialization framework, outlined in Section 2, including increased debt levels, a focus on short-termism and the release of public assets for private capital to exploit (accumulation by dispossession).

The most common theme among writers on financialization is the increased power of finance (or interest-bearing capital) in the economy (Aalbers, 2017; Cooper, 2015; Fine, 2010). In part, this power comes from a simple increase in debt levels. In the social housing sector, the AHP is constructed in such a way as to increase debt levels, further embedding the power of finance capital in the sector. This is a deliberate and conscious move on behalf of the government and can be seen for example in the development of the new affordable rent product to sustain the higher levels of debt. It also fits with an established principle in social housing finance where the government considers that debt taken on by housing associations is part of the private sector and so does not count towards their measure of public debt (PSND). However, PSND[12] as a measure is out of line with those used by the IMF, OECD and the credit rating agencies. The point is that government policy appears content to privatize the debt needed to build new homes, based on a socially constructed measure of government indebtedness.

Although falling outside the time frame of the AHP 2011–2015 the classification issues of housing associations, as public or private organizations, is illustrative of the tensions in the sector and the impact of government policy. In October 2015, the Office for National Statistics (ONS) changed the classification of housing associations so that they were considered to be public bodies, whose debts are included on the government balance sheet in the same way as local authority housing debts. Despite this change, the government remained committed to the principle that HA debt should be held off-balance sheet. To achieve a move back into the private sector the government passed a series of reforms in the Housing and Planning Act, 2016 diluting the power of the regulator; resulting, in November 2017, with the ONS removing HAs from the public debt measure. The outcome of this episode is that risk has increased in the sector and should a housing association find themselves in trouble the regulator now has less ability to intervene and prevent a financial collapse.

The focus on short-termism is not as immediately obvious in the AHP or prominent in the writing on financialization but is no less an important element. In the AHP, short-termism can be seen in three aspects. First, is the shift from upfront capital funding, in the form of higher grants (under the NAHP), to a reliance on higher rent levels that increases the welfare budget (i.e. revenue expenditure). The difficulties with a ballooning housing benefit bill were recognized and addressed by the new Conservative government in June 2015, when they changed social rent policy to a one per cent reduction each year for the course of the parliament (Manville *et al.*, 2016). However, this reduction also has the impact of reducing income streams for the housing associations, which impairs their ability to maintain interest payments and raise future capital funding. This is where affordable rent tenures and the conversion of social rents to affordable rents become centrally important to the future financial viability of the sector. In the process, social rent housing becomes a burden and a problem.

Second, short-termism is also seen in the value for money approach of the department and the HCA which was to deliver the largest number of homes given the funding available, even if this produced a lower cost to benefit ratio for the government. Third, the use of housing association resources, whether through the rationalization of housing stock (e.g. the sale of voids or conversions of social rents to affordable rents) or utilizing any spare borrowing capacity, are one time funding manoeuvres; which are considered to be unsustainable as a long-term funding model. These aspects of short-termism correspond to an aspect of shareholder value maximization identified by Cooper (2015) and Froud *et al.* (2000), where corporations are devouring their own resources to maintain their share price in the short term. In the case of the AHP, the conditions are created for not-for-profit organizations to mimic the actions of private sector corporations.

There are also elements of accumulation by dispossession (Harvey, 2005) present at the heart of the AHP. As part of filling the gap in funding left by the reduction in grant levels, the government expects public bodies will hand over land to housing associations either for free or at a discount. This land will then be exploited so that the housing associations can make profitable returns, often from sales at full market prices. The disposal of public land in England does not originate with the AHP but can be traced back to the Conservative government of the 1980s (Christophers, 2017). Christophers (2017) argues that the current programme of land disposals is privatization by default and through a number of ways this privatization is subsidized. When releasing this public land the state has '… often gone out of its way to ensure that such release occurs on terms that are maximally attractive to the land's private-sector acquirers' (Christophers, 2017, p. 76).

The housing associations are not the end beneficiaries of this dispossession process. By reducing the costs of developing new homes but charging a higher rental level (e.g. affordable or market rents), the housing associations are able to take on more debt. However, as the housing associations become more indebted the cost of maintaining that debt also increases. This leads to an accumulation of profits for a range of finance providers which include traditional banks and financial institutions who have lent to the sector for decades, but also those who lend to the large housing association through corporate bonds. The issuing of corporate bonds has been a growing trend in the sector since 2008 with the level of finance raised from the financial markets now constituting a majority of the new debt in the sector: 'New debt is increasingly sourced on the capital markets. In total 41 bond issues or private placements were completed during the year, totalling £4.4bn' (HCA Global accounts 2015, p. 8). In 2009, the total new debt was just £ 1 billion.

The increased private finance in the sector is going to have long-term consequences; some of which are already evident with pressure on housing associations to move away from their social rent to affordable and full market price homes (whether for sale or rented) (Apps, 2015) and a change in accountability relations where management become focused on the latest credit rating agency evaluation (Smyth *et al.*, 2017).

Ultimately, bringing increased debt levels into the sector also brings increased risk and the potential for instability. For example, interest rates during the AHP's period (2011–2015) were at historically low levels, and while housing associations may have tried to manage the risk of future rate increases, both the underlying risk and the risk management strategies increase the likelihood of future instability. To date there has not been an outright collapse of a housing association in England, although there needed to be a strong regulatory intervention in 2013 to avoid the collapse of Cosmopolitan HA (Robertson, 2013). However, internationally there are cases of social housing providers failing, for example Vestia in the Netherlands in 2011 which was bailed out by the Dutch Government to the amount of €2 billion (Aalbers *et al.*, 2017). While the immediate cause of Vestia's collapse was speculation using financial derivatives rather than increased debt, in the English sector there is an increasing use of derivatives as a means to mitigate movements in interest rates. Added to this the downgraded role of the regulator after the Housing and Planning Act 2016, makes it more likely that the HCA will not be able to intervene and 'rescue' the next housing association that gets into financial trouble.

Further, based on previous experience of financial crises the government at the time will favour the financial institutions who lent the money (Harvey, 2005), covering their debts or bailing them out. In the case of Vestia (Aalbers, *et al.*, 2017, p. 582), the Dutch Government covered part of the debt and 'to make up for the losses, housing was sold off and rents were raised'. Further, the rest of the sector also suffered as the Dutch Government increased the regulator's charges to create a collective safety net. The collapse of Vestia indicates the priorities of a financialized housing policy where the finance providers receive their money while governments and tenants suffer the losses.

There is a limitation to the above analysis in that it is focused on only one jurisdiction within the United Kingdom. Housing is a devolved responsibility to the governments in Wales, Scotland and Northern Ireland. Over recent years, there is an evident divergence on housing policy between England and the devolved governments, which Wilcox *et al.*, (2016a, p. 70) highlight by stating that 'England is the only one of the administrations to shift its investment focus away from the needs of the lowest income households'. It is therefore inappropriate to empirically generalize from the case of the AHP 2011–2015 to the rest of the UK, nevermind internationally. However, theoretical generalizations of the use of government policy to embed financialization processes in new arenas are more appropriate, dependent on further empirical studies in different jurisdictions and contexts.

Returning to the actual housing system in England, at a time when the housing market is showing ample signs of dysfunctionality with a lack of supply (Lyons Housing Review, 2014) and damaging inequalities (Dorling, 2014), the policies adopted by the Coalition government were moulded in the same thinking that brought the financial crisis and great recession of 2008. There is a need to both redistribute access to housing and address the undersupply of non-market housing in England. Neither of which was the Affordable Homes Programme capable of doing.

6. Conclusion

By way of a conclusion, it is appropriate to reflect on the use of financialization as a framing for the above analysis and the nature of housing policy based on the discussion earlier in Section 2. That discussion reflected a number of limitations (Christophers, 2015; Deutschmann, 2011) to how the literature on financialization has developed. In response, the analytic framing in this paper has been based on seeing financialization as an ongoing process that is one element of the continued neoliberalization of economies and societies more broadly. Locating financialization in this manner enables a link to other processes within the neoliberal canon such as accumulation by dispossession and new public management, thus allowing for a strong theoretical foundation to the analysis in this paper.

It is also important to remember that in the discussion earlier it was noted that the processes of financialization are not all-encompassing, are often contradictory and have generated some resistance. For example, the reclassifications of HAs – as public then private bodies – by the ONS between 2015 and 2017 may solve the issue of keeping the debt off the public balance sheet but in the process has required a reduction in government regulation of the sector; which in turn creates another tension, increasing the risk that a housing association may default on its debts (Smyth, 2017b). There has also been resistance to financialization where some housing associations have taken a deliberate decision not to engage with the AHP; have set affordable rents at close to social rent levels, or have refused to raise finance capital through a corporate bond issue (Smyth *et al.*, 2017). There are also examples of tenants campaigning against the overall strategic direction of certain housing associations – see for example the tenant campaigns against two separate mergers of London-based housing associations (Cooper, 2017; Lal, 2018). The merger mania that is occupying many large housing associations is a response to the policy environment set by the current government; a policy environment which, as has been argued above, is driven by the financialization of a sector. This can be highlighted by the contents of a press release from early 2018 announcing a planned merger of housing associations, where one of the aimed for outcomes of the merged entity was to 'become a financially stronger, more resilient and more agile group with greater capacity and commercial acumen to better meet challenges posed by the external environment' (Metropolitan, 2018).

The financialized funding policy being pursued by successive governments is forcing housing associations away from their social mission to become private sector housing developers whose main focus is on open market developments. Leading one anti-merger tenant to state: 'We insist that housing associations support the traditional values of social housing and oppose the government's attempts to destroy them' (Lal, 2018).

Turning to the nature of housing policy and Madden & Marcuse's (2016) challenge, on the need to move the debate beyond getting the balance 'right' between the market and that state. In place of this shallow dichotomy Madden & Marcuse posit the more radical conception of a continuum between the commodification/financialization and the de-commodification/de-financialization of housing in general. In line with general trends in public services over the past 40 years, the AHP takes another step towards a more commodified and financialized (social) housing system. In this manner, the AHP further embeds financialization in the social housing sector.

The challenge for housing researchers is to develop alternative ideas that seek to halt these processes and then start to move housing policy towards the de-commodified and de-financialized end of the continuum. Developing such housing policies is likely to remain the single most pressing issue in housing research throughout the early decades of the twenty-first century.

Notes

1. The 2015 general election saw a Conservative government elected, which while continuing the AHP 2015–2018 set in place by the previous Coalition government changed the emphasis of the programme towards homeownership. This, coupled with the far more dramatic changes to the social housing sector (such as a one per cent rent reduction and the extension of the right to buy to housing associations) means that the 2015–2018 AHP is not reviewed here due to space limitations. The 2015–2018 programme deserves to be the focus of a review of its own.
2. For a flavour of the issues involved see the BBC Radio 4, *Face the Facts* programme 'The affordable housing that's unaffordable', 8th January 2014. Available at: http://www.bbc.co.uk/programmes/b03nt9vr.
3. For a fuller exposition of the relationship between housing and social unrest at the end of World War One see Swenarton (1981).
4. The debates around financialization that have been present in many left-leaning economics journals over the past 20 years, often have theoretical roots in the Marxist-influenced analysis of Rudolf Hilferding first published in 1910 (Hilferding, 1985).
5. Overaccumulation '… is a condition where surpluses of capital (perhaps accompanied by surpluses of labour) lie idle with no profitable outlets in sight' (Harvey, 2003, p. 149).
6. See Roberts (2016) for a full explanation and empirical exploration of both overaccumulation and the tendency for the rate of profit to fall.
7. It is relevant to note that the other devolved administrations have not followed England's example and implemented such drastic cuts in grant funding.
8. 'Intermediate Rent – rents for homes let on assured short-hold tenancies must not be set higher than 80% of local market levels … and must not increase annually by more than RPI + 0.5%' (Housing Corporation, 2007, p. 59).
9. In England, this is also known as s. 106 contributions where developers of private market schemes should contribute a proportion to affordable homes sector.
10. The Coalition government would disagree with this analysis pointing out that the NAO report commends the HCA and DCLG for designing a programme that provides the most number of affordable homes given the level of funding available.
11. See Figure 4 (DCLG, 2015, p. 19) and Table 16 (DCLG, 2015, p. 32).
12. For a fuller discussion on the current debate over PSND and GGGD see section 6 of *Let's get building* report (NHA, 2011).

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Notes on contributor

Stewart Smyth is a senior lecturer in Accounting at Sheffield University Management School, where he is also director of the Centre for Research into Accounting and Finance in Context (CRAFiC). He has published extensively on the impact of changing finance and accountability relations in social housing in the UK, focusing on the response of tenant and trade union campaigns to such changes.

ORCID

Stewart Smyth http://orcid.org/0000-0001-9999-3417

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