CAMPBELL TICKELL

BRIEF

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Welcome to the latest issue of CT Brief. Aimed at organisations with which we work, the purpose of the bulletin is to keep you informed of work we're doing, trends we see emerging and elements of best practice that come our way.

In this issue: Value for Money, Social Housing across borders and more...


Value for Money - must try harder

By Jon Slade and Jonathan Card

It's always a nerve wracking moment opening a letter sent home from school. Housing associations have found themselves in the same boat lately, nervously opening letters from the HCA telling them that despite late efforts to catch up on missed homework, their efforts on Value for Money (VFM) still fall short of the mark and their governance rating has been downgraded.

So what are the lessons to learn if more associations are to avoid the 'walk of shame'?

The sector as a whole has failed to demonstrate robust engagement with VFM. A typical response has been to make some effort and then put VFM in the box marked 'Too Difficult.' But the regulator and indeed government clearly wish to challenge this thinking. The regulator is unimpressed at what it sees as a dearth of quality in response to the VFM agenda as evidenced in VFM Statements. And this is not just a few bad apples in an otherwise healthy basket. The regulator is dismayed by overall quality as much as the weakest. It seems excellent VFM Statements are hard to find.


Housing association downgraded by regulator

A robust approach to VFM requires acknowledging and enquiring into the dimensions, scales and attributes that influence the value you deliver to customers. It requires you to understand your cost base and ask yourself the big, difficult questions about size, geography, service models and procurement as well as reaching down into smaller issues. It goes well beyond switching your printers to print mono and double-sided.

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New Director at Campbell Tickell

We are delighted to announce that Senior Consultant Gera Patel has been promoted to Director. Gera has been with CT since 2008, and runs our human resources and recruitment services.

Gera has worked in the housing sector for the past 20 years. She latterly served as Executive Director for People & Performance at AmicusHorizon Group, before becoming an independent consultant and then joining CT. In addition to her HR and recruitment expertise, Gera has particular experience in such areas as governance, organisational strategy, community and resident engagement.

Said Gera "I am delighted. CT is a great place to work and I have an excellent group of colleagues. I believe we have a unique offering for the housing, regeneration and care sectors - and beyond."

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Value for Money - must try harder

By Jon Slade and Jonathan Card

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Understanding your cost base is fundamental to businesses whose customers can take their business elsewhere and whose shareholders require a profit. The absence of these drivers has allowed the sector to take a half-hearted approach to cost. Interestingly there is no demonstrable correlation between high cost and high resident satisfaction in the housing sector. The span of costs is considerable: recent analysis of a number of large associations found the lowest operating cost per unit a full 80% cheaper than the most expensive, and with overall customer satisfaction 9% higher.

Organisations typically say that their stock, geography and/or customer base account for their higher costs. These may well be factors, but in some cases they are a smokescreen that disguises a failure to address the challenging fundamentals of VFM. Unless providers get to grips with VFM, more may find themselves downgraded. The regulator has stated clearly their expectations for the quality of VFM statements next year will be higher.

Organisations need to ask themselves how they will analyse and compare costs and how they will assess the value of their outcomes. The spending cuts of recent years mean that added social value is more needed than ever, but the case to do so must also demonstrate underlying efficiency. When implemented thoroughly, your work to build a strong VFM Statement will pay for itself through the learning and savings it provides and the decisions it informs and enables.

To discuss how to better embed VFM in your organisation, contact Jon Slade at jon.slade@campbelltickell.com.

Social Housing in Scotland....an independent ethos?

By Ed Duguid

The 'Future of Scotland' has just been published by the Scottish Government. Will Scotland soon be an independent country? Well, we'll just have to wait and see.

However, Scotland has always been independent of mind and deed, and its current housing situation, like elsewhere in the UK, is driven by past experience. The vast 20th century municipalisation programme has continued to influence Scottish social housing. Recent changes to the shape of English social housing such as large scale stock transfer and Arm's Length Management Organisations have not taken hold there, except for the huge Glasgow Council stock transfer. Following the creation of Scottish Homes in 1989, there was a flurry of activity, with the transfer from the Scottish New Towns and of some 70,000 homes from the Scottish Special Housing Association to a large number of small and medium sized Housing Associations (Registered Social Landlords, as they are now called).

New Social Housing builds in Scotland

Scotland has not seen similar levels of private finance, complex financial products, increasing commercialisation, and focus on risk management, that have become commonplace in England. Scottish social housing policy has evolved separately and distinctly. Resources for the supply of new affordable housing have been relatively finite and recently shrinking. There are various key differences in housing policy and social housing profile:

- Scottish Local Authorities operate their Housing Revenue Accounts with more discretion than in England. Almost all Scottish Councils operate without subsidy and therefore have more freedom over rent setting, and the reuse of surpluses to augment prudential borrowing for capital spend.
- There are limitations on large scale transfer from Councils. There have been over 100 small scale transfers, prior to a handful of LSVTs under the previous Labour-Liberal Democrat Scottish Government Coalition. No ALMOs or Private Finance Initiative models have featured.
- In England there has been 20 years' experience of using Section 106 planning gain agreements. The Scottish equivalent, Section 75 Agreements, are relatively new.
- There has been no direct competition for grant in Scotland. There have been higher grant rates per unit. Scottish HAs have less experience of procurement consortia and simply less scale in development and finance. Their capacity to deliver affordable housing quickly and to scale has been consequently reduced.

Now however, falling levels of public funding following the global economic crisis have forced the Scottish Government to reduce grant funding, asking RSLs to make up the difference. Combined with other factors - the effects of the Banking Crisis on lending, increasing borrowing costs, welfare reform, rising Pension Fund deficits and slow economic recovery, putting pressure on their traditional customers - Scottish RSLs are on a fast learning curve.

To compound this, the new Independent Scottish Housing Regulator (SHR) is focusing on building financially robust and sustainable RSL businesses. As in England, the Regulatory Standards focus on Governance and Financial Management, i.e. business competence and the ability to manage the increasing risks in an increasingly adverse financial climate.

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'For the SHR, any activities deemed potentially risky will come under close scrutiny. New property development is high on this list, especially with lower grant rates (although the Government has temporarily at least relieved this). Subsidiaries involved in 'commercial' activities are viewed with some caution until the SHR can be convinced this will not drain the social housing side of the business.

In their recent Regulatory Advice Note on Financial Risk and Viability, the SHR highlighted key areas of concern: the impact of welfare reform; borrowing costs and debt; group structures and diversification; increased rent arrears and voids; and the difficulty in meeting increased pension contributions to meet the rising deficits.

At a time of great need for new homes and increased investment in existing RSL properties to meet the Scottish Housing Quality Standard (by 2015, with a potentially more challenging standard post-2015), Scottish RSLs are having difficulties controlling expenditure and securing income. Moreover, at a time of restraint in the public sector, the collective bargaining agreement through the widespread membership of the Employers in Voluntary Housing (EVH) scheme continues to add regular increases to both salary and pension costs.

Scottish RSLs have not yet seen the widespread Board payment, contracts of service or performance review systems to ensure the right blend of skills and experience, or indeed limits on Board tenure that have become the norm in England. These elements have generally been seen as contrary to the Scottish ethos.

A middle way is nonetheless being developed by a number of RSLs, where regular appraisal of Board members incorporates the need to consider skill balance and succession. The role of the customer in scrutiny and on Boards is also being developed, though as yet to a limited extent.

In Scotland, people still refer to the 'Movement'. It would be a shame to lose this voluntary ethos and commitment, which still underpins the general antipathy to the payment for Board members. However, it is important to recognise the changing needs of the sector. As the SHR stresses in recent publications, strong governance helps guarantee a strong response to the sector's risks. Scotland's housing sector might do things a little differently, but the challenges social housing faces are just the same whichever side of the Border you are sitting.

Northern Ireland review: rising to the challenge

By Peter Shanks

Northern Ireland Action for Mental Health (NIAMH) and Oaklee Homes Group announce their joint venture 'Inspire',

Northern Ireland's housing association global accounts 2012/13 (PwC) illustrate why HAs are among NI's biggest and most successful social businesses. Despite a tough operating environment, last year HAs attracted £74m private finance and £85m government grant, starting 2,336 much needed new homes. Another funding achievement was Co-Ownership Housing's £50m deal with Barclays and the Bank of Ireland: the biggest funding transaction in the sector's history. The sector has proved its resilience through good financial health and steady positive growth during the recession, with an operating surplus of £48.7m last year. Martin Pitt of PwC believes this is 'a surrogate measure of the efficiency of the sector' but there remains capacity to do more.

Meanwhile the Northern Ireland Federation of Housing Associations (NIFHA) reported that 9 out of 10 tenants were satisfied or very satisfied with their home; more than 4 out of 5 felt their rent was good value for money.

HAs enjoyed many other successes last year. Northern Ireland Action for Mental Health (NIAMH) and Oaklee Homes Group announced a joint venture 'Inspire', now a major player in care provision and developing learning disability services. Associations were also catalysts for small scale stock transfer; housing-led regeneration and improvement schemes; refurbishing vacant homes; employment and training; and working with advice agencies on tenant debt and affordable credit. Hopefully future accounts for the sector can measure the social return on investment of such wider activities.

Many challenges remain however. The biggest concern for many is Welfare Reform with its ill-conceived 'Bedroom Tax'. Economic modelling by NIFHA and the Chartered Institute of Housing Northern Ireland has shown that the direct costs for implementation of £21m to the Northern Ireland Housing Executive and HAs will exceed the projected savings of £17m. Research by Sheffield Hallam University has shown that 33,000 NI households will be adversely affected by the introduction of the 'Bedroom Tax' at an estimated annual cost of £20m. Additionally, the government's drive to reduce the Housing Benefit bill while also reducing grant levels, looks set to squeeze HA budgets further and shape their forward strategies. More alarmingly for tenants, recent analysis by the National Housing Federation shows that 1 out of 7 households penalised by the 'Bedroom Tax' have had a possession notice served on them.

Access to development sites is another challenge. Against a backdrop of rising housing need, NIFHA has called on the National Asset Management Agency and banks to make available land for social/affordable housing. Banks own or control an appreciable amount of land that could be released at market value. There is also a difficulty in securing access to surplus public sector sites – these should be earmarked for social/affordable housing development, if the Programme for Government's target of 8,000 social and affordable homes by 2015 is to be achieved. Development faces other barriers too: local opposition, prescriptive procurement rules, and the absence of a planning policy framework for social/affordable housing.

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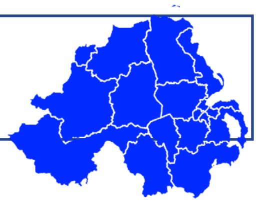

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The development of an 'enhanced regulation and inspection unit' within the Department for Social Development (DSD) is another concern. Associations are already subject to high levels of regulatory activity, the most recent addition being the Charity Commission for NI. A new approach to regulation is needed, which empowers tenants; provides freedoms for associations to innovate and diversify; and sets clearly defined and outcome focused standards. It seems counter intuitive to enhance regulatory powers as government grant falls, and with private lending representing a greater stake in development.

'Research by Sheffield Hallam University has shown that 33,000 NI households will be adversely affected by the introduction of the 'Bedroom Tax''

However, conformance with standards goes hand in hand with organisational performance, and there is a pressing need for excellence in HA governance structures and processes. Boards need to assert their independence and exemplify strong leadership and governance qualities. The Universities of Ulster and of Birmingham will publish an independent review on HA corporate governance arrangements in late 2014.

HAs will need to continue to evolve. There is a lot of history and emotional attachment to the sector. A new narrative is needed to respond to the new operating landscape.

Lower grant means that subsidised housing will become increasingly difficult to deliver. This poses questions: will further mergers increase borrowing capacity? do associations need to review their objectives, values and purposes and become more commercial to cross-subsidise social activities? do

boards and management teams have the skills and expertise to thrive in a commercial environment? how will associations respond if competition for grant is opened to private developers?

It seems likely that HA activity will continue diversifying, and the sector will consolidate, requiring stronger governance and risk management. Alongside greater partnership working across sectors, this is crucial to overcoming the above challenges. The bigger developing HAs may feel it makes sense to adopt private sector practices. Although concerns over loss (perceived or real) of community ethos of smaller HAs are often raised, the potential gain for the sector is being able to support far more households in housing need. In my view, the benefit outweighs any loss but there must also be a role for smaller community based providers with specialist insight and knowledge of their communities.

The current successes, financial health, and the adoption of new working practices will place the HA sector in an ideal position to play a much greater role as we move towards new housing structures, and continue to deliver and grow in 2014.

Peter Shanks is Lecturer in Housing Studies at University of Ulster

This article is written in a personal capacity.

Employment and training initiatives

By Alice Smith

As welfare reform takes effect, many housing providers are keen to upskill residents and support unemployed people into work. Services such as CV and interview workshops, apprenticeships and construction training are commonly on offer. But dig a little deeper and a range of approaches to delivery, funding and impact measurement emerges. The challenge is to deliver value for money services that produce sustainable results.

What's on offer?

Assessing residents' needs can help housing providers decide what services to offer. When Newlon Fusion surveyed its general needs households, staff found a significant proportion of unemployed residents had been out of work for over five years. The organisation now offers a bespoke IAG (Information Advice & Guidance) service, supporting individuals (pictured below) long-term, one-to-one.

Innovative schemes we have seen include an 'enterprise club' to support tenants starting their own businesses (Newlon Fusion), and a six week 'boot camp' for long-term unemployed (Family Mosaic).

Working with external agencies can bring expertise, experience and cost savings. Providing services in-house though gives housing providers more control over what they provide and whom they target. Few housing associations are partners in government schemes, perhaps because they prefer a more tailored approach, targeted at their residents.

How much does it cost?

Comparing scale and costs is problematic: projects have different activities, client groups, and levels of support. A ball-park cost for an intensive training programme is c.£1k per participant.

Housing associations spent c.£80m on jobs and skills projects in 2010/11. Just under half of this was their own money (£39.5m) . Plainly investing your own funds gives you flexibility, but spending must be justified alongside other costs.

How well is it going?

Measuring impact is a significant challenge for many, and we have found a lack of consistency. One option preferred by some, such as Affinity Sutton, is the Matrix Standard , which provides clear guidelines for setting up, assessing and measuring IAG services.

The key to meaningful impact measurement is to choose a method and targets that suit the desired outcomes. Some organisations aim for 'quick wins', matching highly skilled residents with work placements; others offer a holistic service starting at tenancy sign-up. For Newlon Fusion, the focus is on sustainability, with a job brokerage service supporting residents before and after starting work, and a follow-up call after a year.

When designing successful employment and training initiatives, it's worth considering what you want to achieve:

- Who do you want to help?

- **Do you know enough about your residents? A survey or other data collection might be needed.**
- **How does your understanding of the target group affect what services should be offered?**

- What does success look like?

- **What needs to be measured before, during and after the project?**
- **What resources are needed to measure impact?**

- What resources will you need?

- **Internal or external delivery?**
- **Where will the funding come from?**
- **What partnership opportunities are available locally?**

Alice Smith is Researcher with Campbell Tickell.

To explore options for developing employment and training programmes for your residents, contact Sue Harvey at sue.harvey@campbelltickell.com.

Southern Housing Group adding value in-house

Southern Housing Group

By Anthony Armitage

After many years in private practice followed by a long spell as a procurement adviser, my move in-house in 2012 completed my journey from supplier to client. I figured a suitable job description for the new role might be 'facilitator' - a lawyer who understands there is more value in prevention than cure, and tells the client how they can do things rather than find reasons why they can't; someone who understands the commercial impulse that motivates Southern Housing's Board and Directors.

My brief was to embed the Group's new law firm panel, which I had helped set up over the previous six months. Some of my first tasks were to get to know the different departments, meet staff and visit our regions. Starting from scratch like this, I was able to acclimatise gradually to my new role.

A prime reason for the new post is to get better value for money from our legal budget. I am determined that the in-house legal function should be self-financing, with potential to achieve savings greater than its cost of operation. The value of the work that I do equates to around £750 per day. I actually cost considerably less than that, but since starting work I have contributed to a 35% reduction in legal expenditure. I have also been able to generate new income through fee-earning work and obtaining compensation payments.

From my experience as a property lawyer, I have broadened my practice to cover almost everything from data protection to development projects. I give practical advice and support to staff, help to manage risks and look after some of the general housekeeping associated with managing the legal services panel.

We're also now much better at monitoring our external legal spend. This is not just about reducing cost or analysing management information. It's about relationship building and not putting law firms through unnecessary hoops in order to work for Southern. Law firm appraisals are important as they allow both sides to identify problems and learn lessons. We have developed a process for collecting feedback on performance from the front line staff who instruct our external lawyers.

Nearly two years in, the volume and variety of work has increased steadily and the legal function has integrated well with the Group's existing company secretariat team. There is a good crossover of skills and the added resource means that workload is shared so that we can manage peaks and troughs more easily.

Saving money is important, but to measure value in monetary terms alone misses the point. Having an in-house legal function at Southern has created a pervading feeling of well-being and improved service quality: benefits that are much harder to quantify.

Anthony Armitage is Group In-House Counsel at Southern Housing Group.

South London YMCA Annual Report

Campbell Tickell have many years experience of designing and arranging annual reports and publications. Our most recent work, the London YMCA Annual Report 2013, was compiled by CT associate Jamie Elliot. We really like its distinctive style.

Download the annual report at the following link:
http://www.campbelltickell.com/images/stories/publications/SLYMCA%20 2013%20Annual%20Report%20Final.pdf

Trends in HA structures and recruitment

More commercial, more sophisticated, but costs under focus

By Greg Campbell

Our analysis of trends in housing association group structures has shown increasingly sophisticated approaches becoming the norm.

Some years ago, there was a plethora of merger activity, often driven by opportunism (such as potential chief executive retirement).

Mergers and groupings are still taking place — after a couple of quiet years we have seen a recent upsurge of activity — but overall that market has slowed.

Meanwhile there has been increased activity within existing groups, simplifying their structures.

This has included formal collapse through transfers of engagements, amalgamations (when required to deal with pension crystallisation), or common purpose/coterminous boards (where funder consent is an issue).

'Some new CEOs have been recruited on pay at 20 per cent less than their predecessor'

Broadly, there are three group models: unitary; federal; and business-streamed (a separate subsidiary for each principal business stream). There are now fewer federated organisations, and the unitary model has become the norm.

That said, the businessstreamed model, while newer, is growing in popularity, including for some of the largest groups.

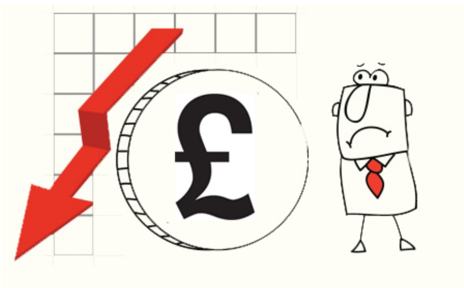
There is a common desire to reduce complexity and duplication in governance structures, to redirect resources to the benefit of residents and attract potential new merger partners, through freeing up capacity to deliver more.

Moreover as the sector becomes more diverse and faces greater competitive pressures, having a simplified structure assists with understanding and managing risk.

At the same time, access to capital bond markets is typically seen as easier when all assets are in one legal entity. Value for money too has become a driver of group structure collapses – not that combined groups have always demonstrated greater efficiency, but there should in principle be enhanced scale of combined resources. And indeed, pressure from government and the regulator for housing providers to demonstrate and achieve greater efficiency and value for money is expected to increase.

Whilst traditionally growth was typically seen as opportunistic, increasingly associations are approaching growth more strategically, with a clear view of where they want to be in future, and with structures shaped accordingly.

In cases where group structure collapse has been held back by the need to obtain funder consent without triggering loan book repricing, virtual boards have been established with common membership.



This governance semiseparation is not mirrored on the ground though, where operational integration is the norm.

Whereas group structure collapse has in the past often been seen as a disincentive to new entrants, a more common current view is that, managed effectively a unitary or business streamed structure is better able to facilitate a coherent approach to growth.

Turning to current trends in senior staffing structures, when merger activity was at its peak some years ago, CEO jobs were disappearing in favour of managing director posts of subsidiaries.

As group structures have collapsed, the number of MD roles has reduced. This commonly applies in unitary organisations, albeit less so in business streamed or federal structures.

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Trends in HA structures and recruitment

More commercial, more sophisticated, but costs under focus

By Greg Campbell

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As organisations have become larger, the chief operating officer role has become more common, often with the establishment of a tier of executive directors with functional directors reporting to them.

As regards salaries, after two to three years of pay restraint in HAs, we have started to see limited upward movement at all levels within organisations. For new recruitments at executive level however, a downwards trend has been discernible, reflecting wider economic conditions, political and media pressure, and market realities (as in the availability of suitable candidates).

We are aware, for instance, of some CEO positions where the new appointee has been recruited on a salary up to 20 per cent less than their predecessor.

Other executive level changes we have seen include:

- A growing trend to seek finance director candidates with housing sector experience, reflecting the growing complexity and risks inherent in social housing funding streams
- Strategic asset management director roles created in some organisations, bringing together responsibility for asset management, maintenance, and development
- Growth and new business director roles in other organisations, commonly combining development, new business streams, and inorganic growth.
- Commercial sector experience growing in popularity for customer service roles, and for new businessroles where a range of business streams are to be explored.

The recruitment market nationally remains buoyant, with most senior vacancies attracting good numbers of well qualified candidates.

The most challenging roles to fill are those in strategic asset management and in corporate finance.

Regional differences in executive salaries now appear less evident, though they still remain relevant at more junior levels.

Regions such as the south west where there are fewer housing organisations to generate local jobs churn, are seeing pay levels for senior roles often comparable to London and the south east in order to attract candidates from further afield.

This article first appeared in Social Housing magazine, January 2014. Greg Campbell is Director of Campbell Tickell.

Join the conversation

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You can also keep up to date with all CT news, events and job vacancies by following us **@campbelltickel1** (note that the last 'L' is the number 1)

If you haven't already, why not also join our LinkedIn Group for all of the above, topical discussions and industry news?

Visit: **http://tinyurl.com/ct-linkedingroup**

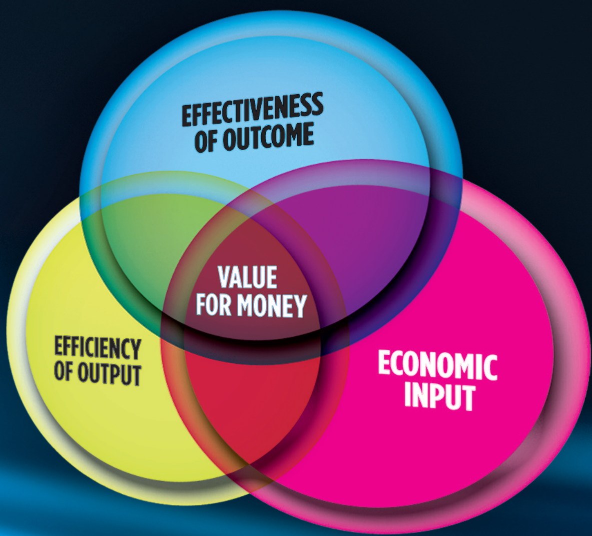
Value for money

It's not an easy concept. Some people think VFM simply means lowest price. It doesn't. Lowest price is of little use if what you're buying or supplying is sub-standard quality.

VFM isn't new, of course. People have been discussing what it means and how to achieve it for a long time. But now it's arguably more important than ever. At a time when resources are scarce and spending is under the spotlight, you need to be sure that your organisation's money is being put to maximum effect.

So how can you get on top of the principle and the practice? Whatever your size, specialism or domain, we can help:

- VFM strategy
- Costs analysis
- VFM Statements
- Efficiency review
- Contract strategy
- Soft market testing
- Procurement strategy
- Performance assessment
- Shared services feasibility
- Managing tender processes



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At the Heart of Housing and Care

To discuss how we can help you get under the skin of VFM, please contact Jon Slade on 020 8830 6777 jon.slade@campbelltickell.com.