ctBRIEF

June 2014
No.14

ATTENDING THE CIH CONFERENCE 24-26 JUNE?
VISIT US AT STAND F34

Nick Horne CE, Knightstone Housing Group
Get the balance right

"Knightstone's legacy has always been rooted in the development of new homes. Our appetite to build more homes is as strong as ever and a core part of our purpose. In the 2011-15 period for example we will have developed 1600+ new homes for sale and rent - a 15+% increase over existing housing numbers.

But critically, we also recognise that of increasing importance is our role in supporting and sustaining existing communities and the people who live in them. This is especially important at a time of - for most of our residents - ongoing austerity and hardship - and is essential to ensure we protect the value of our social and financial investment and legacy.

"Our appetite to build more homes is as strong as ever and a core part of our purpose."

As we take decisions about our 2015-18 development programme I'm confident Knightstone will continue to make a major contribution to meeting housing need in the West of England & Somerset.

This will not however be at any cost. Tough choices will be made about what we do and don't do. Our key imperative is to get the balance right - for the short, medium and long term - between investing in new homes and investing in existing homes, communities and people."

knightstone.co.uk

Alison Hadden Group CE, Paradigm Housing Group
'We fully support the 3% challenge'

Paradigm Housing Group was the fastest growing large housing association in 2012/13 adding almost 7% to its stock, according to a recent Inside Housing survey.

The survey, which comes as we celebrate our 25th anniversary, shows an increase in stock of 6.81% taking the total number of homes we owned and managed last year to 12,844.

"The fact that we top this survey really demonstrates our commitment to providing much-needed new homes" says Paradigm's Group Chief Executive Alison Hadden. "In fact we have added another 476 homes since then, a further 3.7%, taking our total stock to 13,320."

The latest figures are revealed as Grahame Hindes, Chief Executive of Octavia Housing, called on housing associations to commit to increase their stock by 3% a year.

"We fully support this 3% challenge as we recognise the growing need in our communities for quality housing and support" adds Alison.

"Although we recognise that not every social landlord will be able to meet the challenge it will encourage the sector to think creatively and embark on new initiatives to address the increasing need for new homes."

paradigmhousing.co.uk

THIS ISSUE

'The 3 percent challenge - the sector responds'

3% responses from:

Have you signed up to the challenge yet? Have your say at **campbelltickell.com/3percent** or using **#3percentchallenge.**

Also inside – how providers are preparing for the future

Boris Worrall Executive Director Futures, Orbit Group

Orbit 2020

"When Orbit launched its long-term 2020 vision and business strategy a year ago we took a deliberate decision to set nine really ambitious, challenging targets to push our thinking and ensure we focused on doing everything we could to fulfil our goal of building communities.

Although this new vision put community investment - with a target to invest £30 million into our communities by 2020 - and customer service at the heart of our ambition, we recognised that tackling a long-term housing crisis was one of the biggest challenges we had to address. For us, that also meant providing a broader range of housing products and a more flexible housing 'journey'.

With that ambition in mind, we modelled what our financial plans and current capacity would enable us to deliver in terms of new homes between 2013 and 2020. And then we added half as much again. That means that our target is to deliver 12,000 new homes over seven years, almost doubling our current output of around 1,000 homes a year and driving us to explore new partnerships and funding to deliver the extra 4,000 homes beyond our current financial envelope. Based on existing stock of 36,000, that equates to an annual increase of around 4%.

"our target is to deliver 12,000 new homes over seven years"

What has proven interesting about setting this and the other eight targets (which you can find on our website at http://www.orbit.org.uk/main.cfm?type=2020) is the impact on our thinking and focus. Committing to such demanding ambitions has driven us to pursue new models, partnerships and financing with real vigour. Led by the board, it has given both management and staff teams real clarity of purpose and something very tangible to aim for. Interestingly, the impact of our 2020 targets is also shaping our culture as we embrace the concept of profit for a purpose to generate more resources to deliver on our aims. But also in very practical ways, for example our Value for Money campaign which explains to staff that for every £25,000 we save we can build an extra house towards our 12,000 target, or take on two apprentices as part of our commitment to provide 10,000 training and job opportunities.

Will we deliver? Well, we know we cannot do it alone. Partnerships and collaboration will be key. But we will certainly give it our best shot. As a successful, asset-owning social business we have a duty to do whatever we can to address the housing crisis in this country."

Alistair Sharpe-Neal Associate Consultant, Campbell Tickell

Shared services - pushing back the boundaries

"Council service delivery nationally is going through fundamental realignment. Almost every authority in England now has some shared-service arrangement in place, saving £357 million in 2014 (Local Government Association). Partnership threads are developing between neighbouring councils, across local government tiers, and increasingly with other public and private sector bodies. What trends are we seeing?

Sharing and reducing back-office costs: Many councils share chief executives, management teams and specialist functions. 17 share legal services, including Lambeth and Southwark, who saved a total £1.6 million in the scheme's first two years. Buckinghamshire and partners are seeking to create an alternative business structure to operate as an independent legal practice.

Sharing and reducing third-party costs: Six authorities, including Brent, Croydon and Havering, are working with CapGemini to standardise financial systems. Programme Athena will align IT systems across all London Boroughs.

Sharing and innovating: Customer-facing, shared-service partnerships are rapidly coming to the fore. Hoople, a commercial joint venture between Herefordshire Council and Wye Valley NHS Trust, delivers support services across health and social care, schools, academies and private companies. The 'tri-borough' partnership between Westminster, Hammersmith & Fulham, and Kensington & Chelsea Councils is reshaping £300 million of shared services by completely removing operational boundaries.

Shared Risk and Reward

The case for shared services is compelling, but there are significant risks. What do you need to launch and sustain successful partnerships that support local needs without losing control, compromising accountability or disenfranchising residents?

1. A clear sense of purpose, underpinned by rigorous due diligence, a realistic business case, agreed spending and reinvestment priorities, and tangible customer benefits;
2. A strong governance framework and operational leadership to drive the partnership forward, sustained by political oversight to counter perceived loss of identity or control;
3. A partnership roadmap to deliver the anticipated convergence, savings and benefits, alongside a mandate to innovate.

With £100 million of government funding available in 2015 to promote partnership innovation, now is the time to consider service delivery models and examine the potential benefits of shared-service partnerships."

Alistair Sharpe-Neal is a CT Associate Consultant working on shared service options in local government. To discuss how we could help in this area, contact Alistair.Sharpe-Neal@campbelltickell.com.

Stuart Macdonald Associate Consultant, Campbell Tickell

Can social landlords gain wider influence?

"Can social landlords gain wider influence? This is probably the question I faced more often in five years as editor of Inside Housing than any other (perhaps apart from 'are you still running that bloody chief executives' salary survey?').

The answer to this question of influence is 'yes'. Sounds simple enough, but what I found was that few landlords had much interest in taking the next steps and answering the questions that follow: influence with whom? For what purpose?

In my view too many housing organisations are attracted to the idea of greater influence with politicians and policy-makers or the general public, but recoil from the increased scrutiny this will bring. There are several reasons for this in my experience:

- The organisation has had a bad previous experience with the media;
- The organisation does not know what it wants to say or how best to say it or to whom;
- The organisation has no clear idea what its strategic aims are in seeking greater influence, or, worse, has not really contemplated what the business benefits might be of greater influence;
- The organisation is not confident it is doing all it could to deliver value for money, or has some other background issue it is worried may undermine its efforts.

These are all entirely understandable reasons for caution, but are they truly reasons not to engage with a wider audience?

'influence with whom? For what purpose?'

Housing providers are aware the cosy days of higher grant rates and paternalistic regulation and inspection are gone. That is why the issue of influence is now to the fore more than ever, as landlords seek to find their place in the new housing order.

'if a landlord is seeking to increase revenues...it will fail if it is not more visible'

Much of what landlords are seeking to do now – whether councils or housing associations – involves the 'r' word: risk. Culture change, new revenue lines, altered allocation policies – whatever strategies landlords pursue requires them to raise their head above the parapet more widely. Indeed if a landlord is seeking to increase revenues in new areas of business then it will fail if it is not more visible.

If landlords are willing to embrace a more risky operational environment, they must extend this approach to their communications. After all, if you don't speak out for your own interests then who will? What is the worst that might happen? Someone might hear what you have to say and dislike it? At least they've heard you and by then you have begun the conversation.

To discuss how we can help you with your communications strategy, contact Greg Campbell at greg@campbelltickell.com.

Ian Wright Member Services Director, HouseMark

Business Connect Update

HouseMark business intelligence

When HouseMark, in conjunction with Campbell Tickell, launched its Business Connect programme we had one objective in mind: to help housing organisations learn from the best leaders and businesses in the private and social enterprise sectors.

We have undertaken 12 such visits to date, so what have we learned?

Focus, focus, focus. One of the clearest messages is the unrelenting focus by the 12 organisations on their purpose. They work hard to avoid distractions. For example, following the recruitment of its new chief executive, Greggs is now moving away from its image as Greggs 'the bakers' to Greggs 'food on the go'. The chief executive, Roger Whiteside, and his management team apply this one simple test for all new products or services they are looking to launch. If it does not contribute to fulfilling this vision it doesn't happen, even if it would make a profit!

Greggs

John Lewis in store | online | mobile

FordRetail

Understand your customers and your competitors. Housing may think it understands its customers and competitors, but the data and analysis done by John Lewis is at a different level. It spends so much time on this because of the highly competitive nature of its industry, but also because it knows that, to deliver the best customer experience, the more it treats customers according to their individual preferences the more they will spend and return. John Lewis knows that Amazon is, surprisingly, its number one competitor. It can't do all of the things Amazon does so it competes on what it does best and which Amazon can't do. This is customer service and in its stores it has just three measures for this:

- could the customer find an assistant, quickly and easily?
- did they make them feel valued as a customer?
- and could they pay for their goods quickly and efficiently?

Relentless implementation of incremental change. It is not all about the next big idea. Nissan UK knows that each second it removes from its production process equates to a cost-saving of £1 million. This understanding across the business about the potential value of small details to the bottom line, ensures process improvement is at the centre of every team meeting. Every employee also has the authority to halt the production line if they are not happy with the quality of the work. Nissan UK's belief is 'do not pass the problem on'.

That is a brief snapshot of the simple but highly effective approaches taken by three very different businesses.

If you are interested in joining HouseMark and Campbell Tickell on future study visits to the likes of the Eden Project, Harlequins RFC, Ford Retail and Hemingway Design then please contact Ian Wright, member services director at HouseMark, on ian.wright@housemark.co.uk.

Alice Smith Researcher, Campbell Tickell

The boom years are over: hard times for homelessness services

"This spring the London Housing Foundation published Atlas 2013, a detailed look at services for the homeless in London. It reports that over the past five years 12 agencies have closed, 24 have merged and the majority of floating support services are now led by just three providers. The trend has continued with the recent merger of St Mungo's and Broadway. We asked the report's author and CT associate, Dan Currie, for his thoughts on what has led to this situation and what the future holds.

Q What are the main reasons behind the closures and mergers?

A The reasons are familiar: charities run out of money and steam. When a charismatic founder retires, small organisations can struggle to keep up the momentum. For those that expanded pre-recession, a funding dip now means they can't afford to keep their best staff. And when the business model no longer stacks up, a merger can offer the best chance of survival. However, the underlying causes are deeply troubling – unprecedented cuts to adult social services are compounded by what an anonymous provider in The Atlas calls the 'vicious and unhelpful agendas of welfare reform and ever-less intelligent procurement'

Q Meaning welfare reforms and cuts to the Supporting People programme?

A While we have yet to see the full impact of welfare reform, cuts to Supporting People budgets are taking their toll. According to Homeless Link research, most accommodation-based services rely on SP as their primary source of funding. In Westminster, two hostels will close this summer after the council withdrew its funding and in Newham, a specialist unit for young parents will shut its doors. But as local authorities slash budgets, sector leaders predict a rise in rough-sleeping and crime.

Q Given this context, procurement options must be limited?

A Procurement is becoming increasingly cut-throat, to the detriment of organisations, paid staff and their service users. Small organisations lack the resources to dedicate to competitive tendering or a 'payment by results' contract. Specialist staff are losing out as volunteers are written into specifications to save money. Also staff fear that organisations will target 'easy to reach' service users to get the results they need, leaving out the most marginalised people in our society.

'specialist staff are losing out'

'Preventative services are at risk'

Q What does this mean in terms of the services delivered?

A Preventative services are at risk. The Atlas showed that the majority of closures were among non-residential agencies such as advice providers. The value of preventative services can be hard to demonstrate with evidence, making them vulnerable in target-driven commissioning processes. But cutting preventative services is short-sighted and stores up problems for the future. As government support continues to fall away, we'll see the number of organisations continue to shrink and the number of church-run shelters and food banks grow. It seems that history is repeating itself.

Q Is there another way?

A An anonymous commissioner in The Atlas calls on local authorities to adopt more flexible approaches to raising money and delivering services. With another round of cuts on the horizon, councils should radically re-think their Supporting People services. The Atlas is a useful tool here, showing the areas where service provision does not meet need. Housing associations can also step in. With strong balance sheets and large back-office teams, they are in an excellent position to support small, interesting, innovative projects that might otherwise be lost.

"when the business model no longer stacks up, a merger can offer the best chance of survival"

Dan Currie, Associate Consultant, Campbell Tickell

Sue Harvey Assistant Director, Campbell Tickell

Stress-testing your business plan

“As the Cosmopolitan ‘Lessons Learned’ report is published, the chair of the Homes and Communities Agency Regulatory Committee, Julian Ashby, has expressed concern the sector is becoming pro-cyclical and more vulnerable to a downturn in the economy. In the past, near-insolvencies were avoided with a combination of grant top-up or sale-on-voids and grant abatement. But we know that next time, due to cuts in the HCA’s budget, there won’t be any grant top-up, and the prospect of housing associations being ‘too big to rescue’ looms large.

‘All models are wrong but some are useful’

‘too big to rescue’ looms large

The new regulatory framework that has just been published for consultation by the HCA will require registered providers to stress-test their business plans to demonstrate they are responsible, long-term stewards of social assets. Much like the new Bank of England stress tests, the regulator is not interested in forecasts, but rather in the assessment of an organisation’s resilience under coherent, but extreme, scenarios. In asking for a series of plausible, serious and robust scenario analyses, the HCA is encouraging organisations to seriously consider what would happen if the worst-case scenario were to arise.

I spent the first decade of my career carrying out economic forecasting for international corporations, banks and governments, which used our forecasts to drive their business planning scenarios. Moving into the social housing sector, I built business planning models and sat on boards in a finance capacity. In my work for Campbell Tickell, I have run board training sessions on finance, risk and business planning. I have also worked on a number of regulatory problem cases.

So what have I learned? From the private sector, I’ve discovered that scenario planning is highly resource-intensive and that forecasting is, to put it bluntly, a mug’s game. In the housing sector, I’ve seen that sensitivity tests are too easy to ignore and that housing associations carry out limited testing of risks to their portfolios. I’ve learned that few consider correlated risks and only some show their boards any sensitivity tests of covenants or cash flow.

The new HCA framework will ask boards to consider the crystallisation of interrelated risks arising from higher gearing, cross-subsidy from sales, variable interest rates and price inflation. I would make a heartfelt plea for organisations to steer away from complex and time-consuming extensive scenario analysis. Better for boards to ask ‘what could kill us?’ and to test the effectiveness and timing of any mitigating actions that might be required in those extreme circumstances.

The British statistician George E. P. Box said: ‘All models are wrong, but some are useful.’ The best use of useful models is not about forecasting to two decimal places in year 27, but rather about the intelligent exploration of the impact of volatility and uncertainty. Used properly, they can help boards articulate their risk appetite in a very concrete way and hence decide how much overall risk they are comfortable carrying to cover their development programmes, diversification and for-profit activities.

To help your Board understand the new regulatory framework and assist with challenging your own ‘perfect storm’ scenario, contact Sue@campbelltickell.com

THEDIARY

Chartered Institute of Housing Conference & Exhibition
24-26 June 2014
Manchester

Visit us on stand F34

National Federation of ALMOs Annual Conference, AGM and Awards: ‘Building on firm foundations’
16-17 July 2014
Manchester

The Stephen Lawrence 14th Annual Memorial Lecture
16 September 2014
London

20 YEARS ON
ARCHITECTS OF OPPORTUNITY

Baroness Doreen Lawrence OBE and The Stephen Lawrence Charitable Trust, invite you to attend the 14th annual lecture, in memory of her son Stephen Lawrence.

Keynote speaker – renowned architect David Adjaye OBE

Visit https://www.eventbrite.co.uk/e/david-adjaye-delivers-stephen-lawrence-memorial-lecture-tickets-11679356269 **or www.stephenlawrence.org.uk for more information.**

National Housing Federation Annual Conference
17-19 September 2014
Birmingham

Visit us on stand A2

Lisa Taylor Director, Future of London

A month in the life

"It has been a jam-packed few weeks at Future of London, with new partnerships, the conclusion of our first Leaders Plus course, the London Festival of Architecture and a slew of events, including our own London 2050: Grow up or grow out? at City Hall.

Our session asked whether densifying within the capital's current footprint or expanding into the green belt and beyond Greater London Authority boundaries would serve Londoners best and went on to ask how we can deliver sustainable growth in the most viable places.

The cross-sector speakers and audience included senior decision-makers, budget-holders and innovators from across London's built environment. Infill and densification won the show-of-hands vote, and there were excellent recommendations on housing delivery, from reframing what density can look like to re-assessing London's thousands of small sites for development, to tackling supply-chain gaps.

Future of London will take these ideas forward through delivery-focused events, briefings and visits and we invite you to participate.

Programming aside, one thing that struck me anew after the debate – and in conversations throughout these hectic weeks - is that we seem to have the answers for most of London's growth challenges.

The problem appears to be putting these answers into practice. Local policy initiatives in particular face countless hurdles, from councillor buy-in to lack of central government support, to staff shortages. Housing associations struggle with culture change and regulatory constraints. Developers want consistency. Risk aversion can hobble any big organisation, but innovative independents can lose the will to live in the face of bureaucracy and financing.

That being said, people are taking steps to get things done. Here are some recent examples:

- Councils calling for tougher penalties for rogue landlords
- The work of boroughs like Redbridge to leverage Crossrail's local potential
- GVA's case for infill, including small-site portfolios and rethinking estate renewal
- The GLA's launch of 20 housing zones and the impending London Housing Ban
- The thinkcities campaign for increased devolution to UK cities
- TfL's London Orbital feasibility study – could more roads be 'flyunders'?
- A proposal for water boulevards, part of the London Royal Docks Ideas Competition

To find out more about the work of Future of London and their upcoming events visit their website at www.futureoflondon.org.uk

Future of London is an independent not-for-profit policy network focused on the challenges facing urban regeneration, housing and economic development practitioners in the Capital. It is a borough-led membership organisation with a number of external partners, which provides career development, expert-led policy research, topical networking and speaker-led events.

"innovative independants can lose the will to live in the face of bureaucracy and financing"

CTGALLERY

Thanks to our clients Octavia Housing and Network Group for these photos, as featured on our new conference exhibition panels.

Network Group
CELEBRATING 40 YEARS

OCTAVIA HOUSING

What if...?

Ian Graham, Partner, Trowers & Hamlins, explores challenges and potential solutions for housing providers

"There is pressure on registered housing providers to develop more with less. What might happen if housing associations that have had significant amounts of grant, stop building homes?

I don't think it likely that the government will move to force such organisations to merge with others – after all, housing associations are independent entities. Too much control from the government risks the classification of associations as public bodies - not a desirable outcome for HMG, due to the amount of debt they carry that would then have to be added to the public balance sheet.

However, there are levers the government could pull to achieve a boost in housing supply, short of forcing mergers. It might seek a return from the historic grant invested in non-developing registered providers and recycle it to those associations with active building programmes. There's clearly a limit to what could be levied without impacting on the financial strength of the sector, but something is better than nothing.

This may be seen by some as heresy and a moving of the goal posts in terms of the rules applying to grant, but with no sign of the government easing up on austerity and a concern in some quarters at least, that there are housing providers out there that could do more, there is a risk that this or something like it might emerge. See, by way of example, the paragraph in the Mayor of London's Housing Covenant 2015-18 programme that talks about registered providers that don't bid for grant under the programme, being required to repay their recycled capital grant funds.

What about associations that want to develop but feel too financially constrained to do so? Access to grant may be difficult and the option of developing without grant seen as too risky or soaking up too much capacity. For such organisations the possibility of working with other like-minded players is surely worth considering. A way of doing that would be to set up a joint venture into which the participating registered providers invest a finite amount of capital. The joint venture would borrow the balance of development capital required, build and then sell homes on the open market, generating profit for the shareholder registered providers. Affordable homes produced by the joint venture could be acquired by the participating landlords, or potentially retained in the joint venture and managed by the registered providers instead.

Another commonly debated area is whether the days of traditional grant are numbered. A number of housing associations have recently publicly expressed the view that the current levels of grant per unit are not worth the strings attached. One response from the government might be to abolish it. I dare say that's not the outcome many would want, but Whitehall may point to the comments as a justification for doing so. For HMG there are advantages in its Public Sector Borrowing Requirement approach in shifting from traditional grant to recoverable investment. The Communities and Local Government department has just published a working paper entitled Affordable Rent to Buy, which is about just such a product. It proposes a loan repayable after between seven and 15 years. There may be more of this to come.

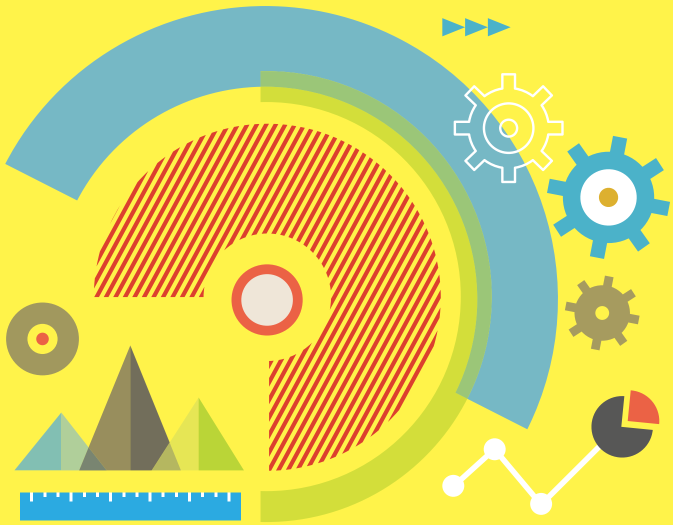
"What might happen if housing associations that have had significant amounts of grant, stop building homes?"

CAPTION COMPETITION

This little possum - sharing CT's love for cake - broke in to an Australian bakers and ate too much to move. This is how they found him/her.

Send us your best captions to jamesg@campbelltickell.com before 20 July 14 for a chance to win... cake of course!

BUSINESS ASSURANCE HOW GOOD ARE YOU?



The business of social housing has never been so risky. Achieving excellence and great value in a low-grant, increasingly diverse and self-regulating environment depends on knowing that your methods and outcomes truly reflect your strategic intent.

That's where we can help.

Campbell Tickell and HouseMark are working together to offer unique new services and support to housing associations, local authorities and ALMOs – combining CT's expertise in governance and strategy, risk and business assurance, with HouseMark's strengths in performance improvement, data analysis and business effectiveness.

To find out more, please contact Jon Slade: jon.slade@campbelltickell.com, 020 8830 6777; or Lynn Dexter: lynn.dexter@housemark.co.uk, 024 7646 0500

BUSINESS ASSURANCE

Our methodology is simple, tailored and light touch:

- A 'critical friend' approach;
- Working with staff and residents;
- Assessing the efficacy, cost and value of current services;
- Evaluating the strength of your golden thread;
- Providing benchmarking analysis;
- Scanning the sector and beyond for good practice;
- Producing a straightforward service evaluation;
- Recommending improvements.

TEAM ASSURANCE

Team Assurance brings together small groups of housing organisations to work on business assurance reviews across all the members of the group. The work is facilitated by specialist support and training from CT and HouseMark.

ANALYSIS – ASSURANCE – IMPROVEMENT

CAMPBELL TICKELL

HouseMark business intelligence