

ctBRIEF

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Greg Campbell partner, Campbell Tickell

Taking stock: an analysis of current trends in English housing

“The reshaping of social housing’s funding and the market have meant a significant change of focus for providers. It is also impacting on their customers. Here are the main considerations for housing providers, their boards and their residents.

Development and supply

The government wants increased housing supply, but of homes for sale. Housing minister Brandon Lewis has highlighted a target of 1 million new homes over this parliament; David Cameron wants 200,000 starter homes. There is a renewed drive to develop unused public land, plus changes to the planning process, and section 106 refocused on starter homes. But a significant increase in delivery will not be easily achieved, given the financial challenges for housing associations (which have typically developed one-third of total new build output in recent years) and councils of the 1 per cent annual rent reduction and the apparent unwillingness of the commercial development sector to play ball.

Although many associations intend to continue developing affordable rented homes, this will largely only be fundable via cross-subsidy from market sale or market renting. Some large housing associations are taking on the developer role and some have house building subsidiaries. The Homes and Communities Agency (in London the Greater London Authority) meanwhile is taking on the developer role for land it owns, directly commissioning house builder-contractors. This may be gradually expanded to cover 160,000 plots of public land.

As regards to right to buy for housing association tenants, while it is intended that sold properties should be replaced by new supply, it is doubtful this will be achieved, especially in the same areas or same tenure, even in London where the government now agrees each property sold should be replaced by two new ones. Devolution, particularly in the north of England and the midlands, may provide opportunities for associations to develop housing on a co-ordinated basis at scale, and the new Homes For The North group may be well placed to facilitate this.



Ambitious: housing minister Brandon Lewis wants to build 1 million new homes over this parliament.

House prices

Is a house price bubble inflating? Some believe the economic problems in China and Russia will mean reduced demand for high-end properties that have fuelled house prices in London and the south east. Others anticipate a flight of foreign money to safety in UK real estate. Some authoritative commentators expect prices to continue rising, even if the level of increase reduces in the most expensive areas. Meanwhile, the proportion of new homes in expensive parts of London and the south east sold to absentee overseas owners, continues to cause concern.

Affordability

Assuming predictions of continuing house price and private rental increases are correct, the unaffordability of many areas will worsen. The new shared ownership flat in inner London recently priced at more than £1 million is not a one-off. Some London councils are exporting their homeless to lower-cost areas. Meanwhile banks are relocating staff outside London to save costs, and ‘Big four’ accountancy firms are buying homes for staff or otherwise helping with housing costs. ‘Hidden homelessness’ (grown-up children living with their parents because they cannot afford to move out) is

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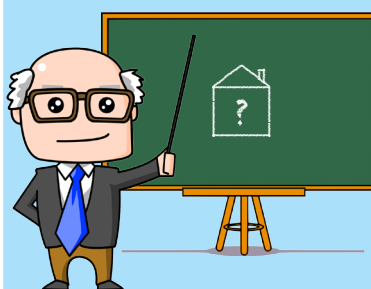
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increasing. Moves away from higher-cost areas are likely to increase with 'pay to stay', the benefits cap reduction (though most people on benefits are in work) and the bedroom tax..

Homeownership demand

Housing minister Brandon Lewis recently said the government's changes could bring homeownership to those on the lowest incomes. This does not address the financial capability of people on low incomes to meet mortgage commitments, other than in the cheapest areas. Just eight years ago, an international financial crash was triggered in particular by the prevalence of 'sub-prime' mortgages in the US. Many people are not in a position to own, or may not wish to do so. Where people cannot afford ownership and there are insufficient affordable rented homes, that leaves the private rented sector, where there is an increase in the stock owned or funded by institutions and corporates, but a potential reduction in the availability of properties owned by smaller-scale investors, following the chancellor's restrictions on buy to let.

Investment and funding

The funding markets are in a complex position. In recent years, the bond markets became the principal sources for housing association development funding. Since the rent reduction announcement, there have been few bond issues, mainly at higher cost than before. Funders like index-linked income, and while the government has said the rent reduction is for four years only and will then return to consumer price index plus 1 per cent, that is seen now as doubtful.

Rating agencies have been issuing warnings for some time about the sector. The assessments vary between 'negative' and 'stable', but there is seemingly no definitive view of the whole sector, as distinct from views of individual housing providers, with larger, more diverse organisations seen as lower risk. Reduced credit ratings look likely for many providers, leading to higher borrowing costs.

There are plenty of funders – banks, institutions, private money – but investors will be choosy about where they put their money. As for HCA and GLA grant, beyond existing commitments, most future funding will be for homeownership initiatives, with some for supported housing.

Homelessness

There are clear signs of homelessness rising, for people who are inadequately housed and at the extreme of street homelessness. There are clear links to



Hidden homelessness: many adults can no longer afford to move out of their parents' homes.

In numbers

1 million

target number of homes to be built over this parliament

1/3

proportion of new build homes typically developed by housing associations in the past

2 per cent

proportion of new build housing currently targeted at older people

1/3

proportion of social housing tenants over the age of 65

the affordability problems cited above. Many believe the reduced benefits cap combined with universal credit could lead to more rent arrears, more evictions and more homelessness.

Care and support

Care sector costs have risen (including with the coming national living wage). The government currently shows no sign of implementing the Dilnot recommendations to cap individuals' future care costs. Various private providers are potentially under threat, the latest being Four Seasons.

Among not-for-profit care providers, there is a growing number of mergers and takeovers, smaller/medium providers giving way to larger providers aiming for £100 million plus annual turnovers. Years of council spending cuts have resulted in supporting people budgets being slashed or

being merged with adult social care. Various substantial housing associations have exited supported housing. Other providers are seeking to exit council contracts. A critical issue here is whether supported housing will be exempt from the rent reduction and the local housing allowance limit on housing benefit.

Retirement housing is a key area meanwhile, with more than one-third of social housing tenants over the age of 65, and significant increases projected over the next decade. Just 2 per cent of new build housing is currently targeted at older people. Local authorities and housing associations are starting to address these matters by looking at their sheltered housing provision and whether it needs to be remodelled. Some providers are considering retirement villages largely funded by lease sales. But providers will increasingly have to deal with tenants growing frailer physically and mentally, and with greater incidence of dementia.

So what now?

The relatively benign environment housing associations once operated in is over. The sector can no longer rely on the funding and support it previously received. Associations have proved they can adapt in the past and now they must find ways to take control of their destiny, demonstrating entrepreneurial skills while continuing to focus on those parts of the community they were established to serve. It will not be easy, but failure to take the initiative and grasp opportunities could leave them in a progressively weak and increasingly irrelevant position.

To discuss any issues in this article, please email zina@campbelltickell.com



Alice Smith consultant researcher, Campbell Tickell

After Kids Company: let's talk about governance



The Public Administration and Constitutional Affairs Committee (PACAC) recently issued a damning report into the demise of the charity Kids Company. None of those involved escaped criticism: the chief executive, auditors and professional advisors, government ministers and regulators. But the harshest words were reserved for the board of trustees.

Reading the report, one can't help but feel a sense of déjà vu. The warnings echo those in reports on the governance failings of banks, international sports bodies, supermarkets, car manufacturers and housing associations.

Cosy relationships

A key message is that boards need to demonstrate leadership, judgement and a willingness to challenge assumptions. This must extend to constructive challenge of the chief executive; trustees should not suspend judgement when dealing with charismatic leaders. The report points out that a long, cosy relationship between chair and chief executive is not conducive to challenge.

There are other familiar but valuable lessons, too. Trustees should apply their critical judgement to areas of high risk, such as expenses and safeguarding



Governance failure: former Kids Company chief executive Camila Batmanghelidjh and former chair of trustees Alan Yentob

procedures. Boards need trustees with relevant expertise in the charity's field of work. When professional advice is sought, boards need to ensure that it is thorough, useful and considered.

None of this is new. But the report can act as a prompt for all boards to take a step back and ask themselves: how do we know we're good? Where do our

weaknesses lie? What can we do better? How can we assure ourselves, our stakeholders and beneficiaries, that we are an effective board?

Media spotlight

While PACAC is careful to state that this report should not taint the whole sector, it is inevitable that the media spotlight will turn again to charity governance. Public trust in charities has already fallen following last summer's fundraising scandals and other bad news stories.

Meanwhile, as the public sector is cut, charities are being asked to do more with less, and the pressures on trustees continue to grow. Conflicting narratives abound: "trustees aren't doing their jobs properly" vs. "boards are becoming too 'professionalised'"; "charities need to be self-sufficient and self-regulatory" vs. "charity fundraising is an annoyance and needs to be tightly regulated".

But rather than being defensive, charities can use this as an opportunity to take their governance to the next level. This is the time to talk about what good governance looks like, to share with the public the important role that trustees play, and to look at their own practices for recruiting, retaining and developing trustees.

To discuss any issues in this article, email Alice.smith@campbelltickell.com



Golden opportunity identified for housing associations to access public land



Research by Campbell Tickell has uncovered an unexpected opportunity for housing associations to take advantage of their current status as public bodies. As reported in *Inside Housing*, we have confirmed with the Cabinet Office that associations can use a 40-working-day window to prepare bids for public land, before these opportunities are opened up to the market.

In outline, the system works like this.

1. Land holding central government departments are obliged to update the electronic property management information mapping service (e-PIMS) with

details of surplus properties and land.

2. Within 40 working days, an initial assessment will determine whether the land is suitable for the government's centralised disposal model.

3. Public sector agencies (which now includes housing associations) can access e-PIMS and use the 40-working-day window to identify new uses for the land.

It is not clear how long associations will remain classified as public, or indeed whether the proposed deregulatory changes via the Housing and Planning Bill will be sufficient for Office for National Statistics to 'declassify' the sector. Even if this does happen, we believe it is unlikely to be

sooner than June 2016.

To take advantage of this opportunity, associations will need to move quickly, in order to assemble credible bids for parcels of public land that are becoming available.

Maggie Rafalowicz, associate director at Campbell Tickell, said: "Although the classification of housing associations as public bodies was unwelcome for both the sector and the Government, we have identified an opportunity that associations committed to developing new homes may be able to use – provided they can gear up to act quickly."

To find out how Campbell Tickell can help you, email maggie@campbelltickell.com



Stephen Bull senior consultant, Campbell Tickell

The evolving role of the company secretary



“Not-for-profit organisations are facing a growing range of challenges to transform, meet regulatory requirements, diversify, and stay viable. The need for effective governance is paramount, and within that, the role of the company secretary is critical.

The role of a company secretary is extremely diverse. In a large organisation there will be a team dealing with all aspects of running the board and committees. For example: ensuring compliance with the law; maintaining the statutory registers and completing returns; disclosure reporting; maintaining relationships with shareholders; managing internal and external audit, as well as ensuring data protection and risk management.

In medium and small organisations, the role can be vested in one person or shared between different staff members, for example, the chief executive, PA to the chief executive or finance director.

Growing role

In the housing and charity sector the role of the company secretary is growing. Now many have a responsibility to ensure that the staff and board are risk-aware, and that risk is embedded throughout the company. As organisations become more complex, the company secretary will be needed to assist with servicing more committees, deal with a greater churn on the board, as well as human resources, payroll and recruitment issues (see box: Role expansion).

In an ideal world each organisation would have an appropriately qualified company secretary who can either work within a team, or on their own, depending on the size and complexity of the organisation. We do not live in an ideal world, however, and many organisations need to use their resources as effectively as possible. This sometimes means the company secretarial role can often be an addition to someone's full-time job. While this is good in theory, it brings up several risk factors:

- What happens if there is a need for the company secretary to take an active role in board appraisal, yet the company secretary is the chief executive?
- What if the chair and chief executive have certain 'issues'? Who will give impartial advice, especially, for example, if the company secretary is the chief executive's PA?

Role expansion

In future, company secretaries will increasingly need to:

- assist with far more complex board appraisal processes;
- act as the main point of contact on a day-to-day basis with the regulator(s);
- coordinate board assessments;
- manage the fallout of adverse regulatory judgements and strategic decisions, such as restructuring, mergers, acquisitions, joint ventures and de-registering.



- Who can be the bridge between the board and the executive?
- If the workload of the company secretary becomes overwhelming, what happens to their day job?

These are just a few scenarios, but they are realistic ones and need to be explored when considering resourcing for an organisation's governance function.

Different approaches

Numerous organisations are buying in this resource from external consultants, who can offer the service when it is needed. Others could consider grouping together to fund a company secretarial service that operates remotely yet services each organisation onsite when needed. Some organisations may separate the various functions that come under the company secretarial role but make sure there is one person who oversees work, to ensure no function falls through the net.

The role of company secretary has changed. While there is the operational and statutory work that needs to be completed, increasingly the role requires a substantial amount of relationship management. Although this can be extremely resource-intensive (and time-consuming), the benefits of this being sensitively managed is extremely worthwhile in terms of a well-run governance operation and a strategically focused, well-resourced, and mature board.

To find out how Campbell Tickell can help, email stephen@campbelltickell.com

Campbell Tickell announces changes to its consultancy team

Campbell Tickell has announced two major changes to its team this month. Radojka

Miljevic has been promoted to partner, while experienced governance and regulation specialist Stephen Bull has joined the senior consultancy team.

Radojka is in her tenth year with Campbell Tickell, and has been instrumental in the consultancy's growth as a leading governance advisor in housing and beyond. Her work has included governance and strategy reviews, board appraisals, resident scrutiny, and board recruitment. Alongside her work with housing associations and council-owned companies, Radojka is leading Campbell Tickell's expansion into the sports and leisure and charity sectors.

Stephen has been working in the affordable housing sector for 20 years, first at the Housing Corporation and latterly at the National Housing Federation, where he was company secretary and head of governance. Stephen is a qualified company secretary and brings a wealth of experience in the field of governance, board management and recruitment.

He will now be working as a member of Campbell Tickell's 21-strong core team to provide a range of consultancy services in such areas as governance, strategic review, business assurance and performance improvement.



Stephen Bull



Radojka Miljevic



Radojka Miljevic partner, Campbell Tickell

The new sports strategy could have far-reaching benefits



“Every government, whatever its political hue, will be prone to worrying about future budgets for the health service. We know, for example, that the UK has the highest level of obesity in western Europe, that changes in modern culture are making us more prone to inactivity, and that our environment will contribute to our levels of activity. A Foresight report (*Tackling Obesities*) in 2007 for the Government Office for Science estimated that by 2050 60 per cent of males and 50 per cent of females could be obese.

Unsurprisingly then, the government's new strategy for sport – *Sporting Future: a new strategy for an active nation* – places a strong emphasis on physical activity (rather than solely formal sports) and its links to other kinds of outcomes. The strategy has been broadly welcomed across the political spectrum after a relative lack of interest in this subject by the coalition government; indeed, some say that sports minister Tracey Crouch has pocketed many of the shadow sports minister's ideas.

The five key outcome measures are:

- physical wellbeing;
- mental wellbeing;
- individual development;

- social and community development;
- economic development.

Broadening participation

The new strategy is decidedly customer-centric, with investment being targeted at sports projects that have a “meaningful, measurable impact on how they are improving people's lives”.

The government wants more people from every background regularly and meaningfully: a) taking part in sport and physical activity; b) volunteering; and c) experiencing live sport. Broadening participation is to include targeted efforts at those who are often under-represented: women and girls, people with disabilities, people in lower socio-economic groups, and older people. Sport England's role will extend beyond sport to certain kinds of physical activity, such as cycling, dancing and walking, and the strategy looks to focus investment in children from the age of five rather than 14.

UK Sport, Sport England and the home nations Sports Councils are to agree a new UK Sports Governance Code by September 2016 and compliance will be mandatory for any bodies seeking public funding.

While the new code should raise the bar for governance across the sports sector, organisations shouldn't be waiting to see what

is coming. There is a huge amount of information publicly available about ‘good governance’, and boards ought already to be assessing how they perform against some of those core requirements and standards.

A good first step is an examination of who gets to sit around the board table. As with other not-for-profit sectors, there must be a shift away from governance structures that prioritise ‘representation’ and pay insufficient heed to skills and proficiency in strategic planning and direction. If organisations are to set about tackling a wide range of outcomes, it's likely they will benefit from all manner of skills – whether research, marketing, health, housing, financial or commercial.

Moreover, as with other sectors (housing, charity, etc.), sports organisations are under pressure to reduce their reliance on public sector funding and have more of a mixed-income model; Sport England and UK Sport will now set targets around this. It is likely, not only at board level but within the workforce too, that other kinds of skills (for example, business development) will be needed to effect these changes. Some have already been moving in this direction, as we know from our own work with county sports partnerships.

Diverse boards

The routes to board membership need to be open and navigated in a way that encourages and promotes diversity. Some membership bodies find it difficult to move away from election and nomination processes for fear of alienating their members, but it's helpful to ask searching questions about how many people actually participate in these processes, whether the processes operate in a way that prioritises skills and competencies, and whether the processes are being successful in delivering strategic boards capable of using customer insight to grow participation, activity and inclusion. If historical or cultural reasons mitigate against change, there is still a lot that can be done to promote clarity about the content of the board member role and encourage those who put themselves forward to be people who will enjoy and execute it well.

Governance transformation needs to be handled in a way that doesn't alienate the enthusiasm, commitment and passion for

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Iain Turner researcher, Campbell Tickell

Bad governance nearly cost me my club



“Plymouth Argyle FC's problems first began when England lost the bid to host the 2018 World Cup to Russia. Two Japanese-based investors had bought large shares of the then established Championship club from existing board members, with plans apparently solely based on the premise of Plymouth becoming a World Cup city.

The unsuccessful English bid ended the hope of a ground redevelopment, but only after £300,000 had already been spent on laying a new top-of-the-range playing surface. Argyle was then relegated to League One, losing £2.5 million in TV income alone, and an overextended wage bill of £8.5 million quickly started to become very exposed.

Conflicts of interest

Promised payments of £2 million from the elusive Japanese investors failed to materialise, board members started loaning funds to the club themselves and staff and players went unpaid for months. There were also further governance difficulties when trustees of a supporters training trust, with close links to the Argyle board, agreed to loan the club £300,000 of the charity's money to help pay off Argyle's debt. This attracted comment from the Charity Commission, which was concerned about



the failure to disclose conflicts of interest and whether the transaction was genuinely in the charity's interest. It did, however, recognise that eventually the trustees tried to rectify the situation by seeking to recover the money.

Mounting debt

Having racked up debts of £10 million, Argyle went into administration in March 2011, were deducted 10 points, and were relegated into League Two, where they fought to survive relegation for two successive seasons and had to sell virtually all of the team's emerging and existing young talent.

Thankfully my beloved club is now in a much better place – at top end of League Two – having been saved by an astute local businessman. However we are still paying the price for a complete failure in governance, with 50 per cent of the sale of any player

going towards paying back the money owed to various creditors, many of whom have been left significantly out of pocket, and a crumbling grandstand with wooden seats and a fake plastic owl (don't ask!).

Need for good governance

These failures and their catastrophic outcomes highlight the need for good governance at any level. There are numerous activities that boards of any organisation, in housing or sport, need to undertake, to ensure they are well positioned to deal with various potential changes to their operating environment and funding streams.

In football it could be relegation to League One, in housing it could be the 1 per cent cut in social rents. The sums are considerable and place pressure on boards to look ahead, model possibilities and scenarios, and create adequate recovery plans for when the dreaded 'drop' happens. To discuss any issues in this article, email Iain.turner@campbelltickell.com

Campbell Tickell is a sponsor of the Why Sport Conference taking place in Manchester on March 9. For more information, visit www.campbelltickell.com/events

The new sports strategy could have far-reaching benefits

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sport of the hitherto involved, and boards will still need to understand the kind of grassroots drive that see banks of volunteers turning out on wet Sundays on football, netball, hockey pitches and suchlike, while contemplating how to nudge people off their sofas.

As with many other sectors, the operating environment for sports organisations is changing. For boards to be proactive in driving change, in thinking about how the future may be different and whether their organisation is fit for purpose, board meeting agendas or away days or strategy sessions need to build in time and space for the board to reflect and to exchange thoughts and ideas with senior staff in a way that fosters a depth of shared

inquiry. This means tabling fewer things to discuss and covering them in more depth.

Complex environment

Organisations across the not-for-profit sectors now operate in an environment of increased complexity and risk compared with a decade ago. Technology is continuing to transform the way we think and work – every service organisation now has both the luxury of an ample supply of data and the terror of how best to use it. The squeeze on public funds is driving

many socially orientated organisations to be increasingly commercial in their outlook. Board composition and the design of board work is changing. For forward-thinking housing, health and sports providers, there are undoubtedly benefits in working together more actively to maximise the impact of their interventions on some of the same client groups. The focus on outcomes across different sectors should be encouraging us all to think more creatively around effective collaboration.

To find out how Campbell Tickell can help, email Radojka@campbelltickell.com

“There are undoubtedly benefits in working together more actively to maximise the impact of interventions on some of the same client groups.”



Alistair Sharpe-Neal associate, Campbell Tickell

Racing into the digital age



“Less than three years ago, Thurrock Council’s housing department was at a standstill. It had poor customer care, paper-based services delivered to an inconsistent quality, and a low-performing team with rock-bottom morale. What the team needed was a “born digital” culture – investment in ICT to drive cost savings, efficient processes, consistent customer care and the resolve to Get Things Done!

Out of the blocks

A transformation programme shaped and guided by two Campbell Tickell consultants proposed a completely fresh approach to service delivery – moving the service out of the office environment by embracing mobile working, opening-up organisational silos by reengineering disjointed processes and removing admin-intensive processes by adopting electronic working. The initial impetus of transformation was achieved by:

- Deploying an objective electronic document and records management (EDRM) solution and launching (within 12 weeks) an ‘electronic filing cabinet’ to provide a secure, searchable, single view of customer information.

- Archiving paperwork and creating a ‘scan on demand’ service for users to recall documents digitally, avoiding expensive upfront back-scanning.
- Deploying laptops to all front line staff and fitted-out local ‘staff micro-hubs’ in sheltered housing complexes with scanning facilities, to enable flexible working.

The pace of transformation was accelerated by deploying a ‘production line’ of in-house developed workflows, based on reengineered tenancy processes. These ensure a timely, standardised and higher quality of service is delivered to customers, and enable demand-based resources deployment, improved oversight and timely management interventions:

- More than 300 tenancy enquiries per week are responded to within 48 hours and 50+ housing options enquiries per day prioritised and routed by the contact centre.
- Sustainment of 400 introductory tenancies.
- Annual support reviews for 1,000 independent living residents.

- Cyclical audits of 10,000 tenancies and initiation of legal action in case of breach.
- Case management of complex, data sensitive interactions such as anti-social behaviour, hate crime and domestic abuse

Across the line

Paperless working has transformed inefficient processes and contributed to a 50 per cent reduction in administrative support (from 20 to 10 full-time equivalents), and an 80 per cent reduction in paperwork. Adopting flexible and mobile working practices has reduced space needs by more than 30 per cent.

Housing has rationalised its property portfolio and generated income through commercial leasing. The transformation will contribute to £1.5 million in operational savings over five years and is facilitating wider service and organisational redesign. Today, a revitalised housing team is leading the way as the pathfinder in the council’s race towards digital transformation. To find out how Campbell Tickell can help, email jon.slade@campbelltickell.com

“The transformation will contribute to £1.5 million in operational savings over five years.”



CAPTION COMPETITION

Gerri Green, Campbell Tickell HR project manager, gets into character as Fairy BowBells in the Christmas pantomime Dick Whittington at Winston Churchill Hall for the Argosy Players.

Email your best captions to zina@campbelltickell.com or tweet them to @campbelltickell before 25 March for the chance to win a mystery prize!



LAST ISSUE’S WINNER

Congratulations to Clementine Daniels, recruitment administrator at Campbell Tickell, for her winning entry for December’s competition: “Were they listening when I said simulate the perfect storm?”



Gavin Cansfield chair, HACT

Taking innovation mainstream



“From time to time, ideas have breakthrough moments. A point in time when a concept moves rapidly from being a fringe interest to something that sits at the heart of the mainstream debate. We’ve seen that start to happen recently around the debate on a basic income. What was a radical idea on the fringes of the political debate has suddenly gone mainstream across the world. Experiments are taking place in Finland and the Netherlands. A referendum on its introduction will shortly take place in Switzerland.

New approach needed

That leap from fringe concept to mainstream politics is because of a growing recognition that current welfare-led solutions to tackling poverty and inequality have reached the end of the line. Changing demographics and a breakdown of the political and societal consensus needed to sustain current welfare settlements – many of which have roots dating back to the aftermath of a world war that took place before most of us were born – are putting

pressure on existing approaches. As the next wave of welfare reform fails to deliver in the UK, I’d be surprised if we don’t see the emergence of basic income as part of the political debate here, too.

We’re seeing something very similar happening now in housing. A new – and to many unexpected – political settlement has emerged, that will probably remain in place for the next decade at least. And with it has come radical changes to our status, the way we are funded, how we are regulated, the ownership of our stock.

We are all faced with the challenge of a new and uncertain operating environment, and with it the sudden emergence of new challenges and opportunities as we seek to adjust and adapt our businesses, while keeping close to the principles that have always underpinned our missions as values-driven housing providers. What is clear already is that everything is now in a process of change, everything needs to be questioned. And in five years’ time what is currently the housing association sector will look nothing like it does now.

And with that wave of fundamental

change, the concept of innovation currently feels more relevant than ever in housing.

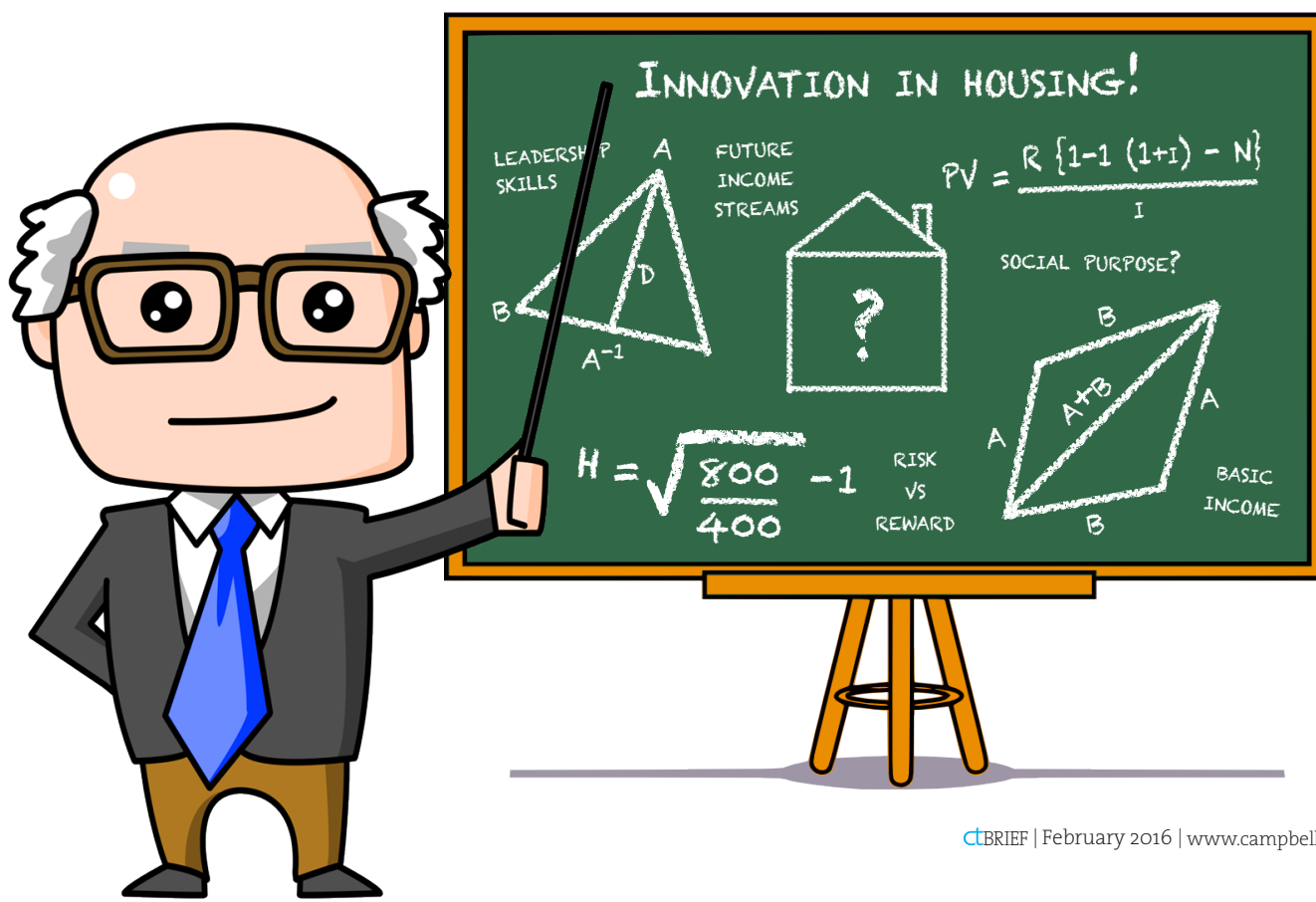
More risk than reward

For a long time in this sector innovative approaches seemed to many to offer more risk than reward. There was a stable model with long-term funding plans, clear cash flow projections, secure borrowing and minimal risk. Sure, there might be the odd award for allegedly ‘innovative’ projects here and there but, for the most part, innovation was seen as a bit of an indulgence and, largely, confined to ‘pilot projects’ which rarely became part of the mainstream business.

Well, they say necessity is the mother of invention – and new ideas have never been more necessary than they are now. Suddenly innovation has gone mainstream. Inside Housing has launched an ‘Innovation Index’, we’ve seen the emergence of some genuinely innovative connected technologies with the potential to radically shift the way we design and deliver services.

Sector bodies like HouseMark are

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redefining themselves as doing the 'innovation thing'. As with every concept that makes it into the mainstream, there is a slight risk that in the rush to embrace the innovative, the term loses meaning. What is true is that a lot of the traditional ways we have had of doing business are no longer capable of meeting the needs of the businesses we want to build, and the tenants and homebuyers we offer our products and services to.

This isn't just because of the upheaval in the political settlement, although clearly that has been significant. The rest of the world has been changing, too. While many housing associations were comfortably focused on a stable business model, the world of customer service went digital and then mobile. Customers have developed a fundamentally different set of expectations about the kinds of services and relationships they want. So we need to do more for less, and we need to do it differently.

Questioning assumptions

As housing's ideas and innovation agency, at HACT we are clearly excited at the surge in attention being paid to something that has been at the heart of our mission from the very start. And we're working to define the areas in which we think housing

will most benefit from a focus on innovation and change. Clearly there is immense scope for innovation right across our businesses. And that means questioning many of the assumptions about structures, processes and approaches that have – in some cases – not changed fundamentally in decades. We can't just react to the changes that arrived in summer 2015, we need to be getting well ahead of the game, reinventing how we do pretty much everything from scratch. And over the next year, HACT is lining up an exciting programme of work very much focused on what that might mean for genuinely innovation-focused businesses.

Understanding impact

We need to get much smarter about how we understand the impact of pretty much everything we do. As value-led organisations, free to set our own priorities and targets, we need to be capable of understanding what both our core and value-added businesses contribute to our bottom line and the people we were established to benefit. Again, HACT has been at the forefront of defining the agenda in this space – in particular in relation to data, social value and wellbeing – and we'll be doing a lot more during 2016, working with some great partners,

both in housing and beyond.

Most importantly, we need to recognise that new organisations will need new types of leadership. That's a challenge for all of us seeking to drive change across our businesses. It's something I feel incredibly strongly about and will be returning to repeatedly over the course of the next 12 months. Innovation can't just be seen as something that is done at the front line of housing delivery, it needs to be at the heart of how we lead our businesses as well.

THE DIARY

National Housing Federation Housing Finance Conference and Exhibition

16-17 March
ACC, Liverpool

More than 1,200 housing finance professionals attend the Housing Finance Conference and Exhibition each year. Campbell Tickell partner James Tickell will speak about financial governance: how much do board members need to know? Campbell Tickell director Sue Harvey will also join a panel to discuss 'Managing the perfect storm – stress-testing and asset and liability registers'.

www.housing.org.uk/events/

National Federation of ALMOs Annual Conference and Exhibition

19-20 April
Jurys Inn Hotel, Birmingham

The NFA Annual conference and awards celebrate innovation and good practice throughout the sector. The conference provides an opportunity for ALMOs, their partner local authorities and board members to hear from leading speakers inside and outside the housing sector. Maggie Rafalowicz, Campbell Tickell associate director, will chair a session on engaging with the NHS entitled "How can we speak a different language?"

www.almos.org.uk

Inside Housing and Chartered Institute of Housing UK Housing Awards

26 April
Lancaster London Hotel, London

Launched in 1997, and organised by *Inside Housing* in association with the Chartered Institute of Housing, the UK Housing Awards recognise the ingenuity, creativity, passion and results of housing organisations across the UK. Campbell Tickell is sponsor of the Outstanding Campaign of the Year category. www.ukha.secure-platform.com/a/page/ukha





Robert Owens *analyst, Hometrack*

Market renting – a one way bet for rental growth?

“With the recent Office for National Statistics reclassification of housing associations as public bodies, and the government’s swift response to counter the ruling through deregulation, registered providers have been presented with an opportunity to re-evaluate where their existing assets sit in the wider market context from a capital and rental value perspective.

Diversification into market rent is also being pursued or considered by a growing number of associations to sustain their development programme and rent roll through the next four years in the face of cuts to social rents.

Despite the immediate benefits of an uplift in rental income, the private rental market is driven by market forces and customer expectations that present a new set of challenges to the traditional housing association model.

One of the challenges for any emerging market is the availability of robust information on market performance for business planning and strategy. The media is full of often conflicting reports over the levels of rental growth with the general impression that rents can only

ever go upwards. History shows this is simply not the case. Mixing trends in London with the rest of the country can deliver headlines that reflect neither market and result in a view that rents have been running ahead of what tenants can pay.

Robust data

To provide the necessary perspective, Hometrack has developed a stock-weighted, regional time series for private rents stretching back 10 years. While rents have been rising for the past four years, between 2008 and 2009 rents fell as accidental landlords boosted supply. Residential rents today are still below their 2007 levels in three of nine regions (graph 1, below, shows the aggregated trend over time).

The affordability of private rented housing has remained relatively constant in the last decade with rent as a proportion of single person earnings averaging 33 per cent. This measure has tracked in a narrow range of 31–37 per cent (see graph 2, below). This is to be expected given that occupiers can only afford to pay a certain proportion of earnings towards housing or rental

costs. This is the major attraction of market renting for investors such as pension funds who seek to own assets that track the growth in earnings in the long run.

The affordability of renting varies between regions and across the majority of areas outside London affordability looks far from stretched, suggesting there is potential for rental growth as the economy recovers and earnings continue to rise. Only in London do affordability levels look stretched as a result of higher rents. However, accurately tracking the affordability of rents in London is made more challenging by the trend towards higher occupancy with tenants sharing rental payments.

At a headline level, market rents are set to keep rising in line with earnings as supply tightens on slower levels of new investment by private landlords. However government policies such as starter homes are targeted at attracting renters into homeownership, which is likely to weaken demand in localised markets.

To find out how Campbell Tickell can help, email sueharvey@campbelltickell.com

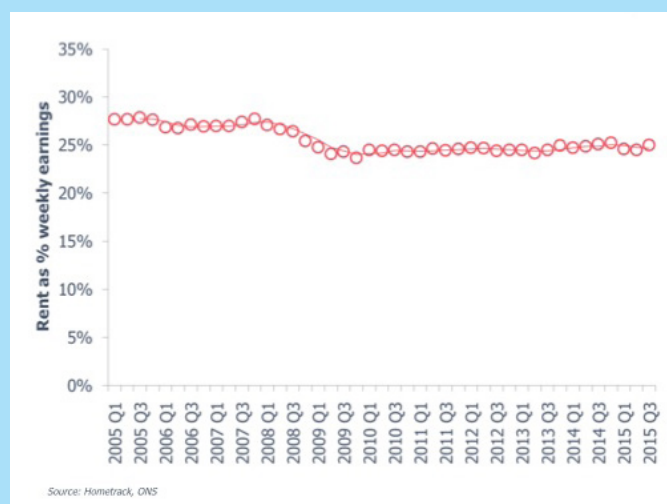
“Residential rents today are still below their 2007 levels in three of 10 regions.”

Market trends: the private rented sector

1) Regional rental index (2007 to 2015)



2) Rental affordability (occupancy adjusted)





Irene Bannon, Cath Davies and Joanna Davey

(pictured left to right) [associates, Campbell Tickell](#)

Making your business a success



“As the social housing sector moves ever faster into new arenas of increasing complexity, heightened risk, more commerciality and increasing pressures, how do leaders ensure they are prepared for what the future holds and how will they transform their organisations?”

These were some of the questions addressed at a HouseMark Business Connect Seminar, ‘The Secrets of my success – Transforming Business’, held in London in November. The key messages seemed to be: remember your purpose and innovate.

Giving their unique perspectives on these thorny questions were: Alastair Campbell, British journalist, broadcaster, political aide and author; Amy Kaherl, director of Detroit SOUP; Stuart Marks, entrepreneur, chair of innovation consultancy I Marks; Sam Conniff, chair and co-founder of youth marketing agency Livity; and Helen Bailey, chief operating officer at the Mayor’s Office for Policing and Crime.

Campbell Tickell is an official sponsor of HouseMark’s Business Connect programme and members of our team participated in a number of its events last year, picking out the following key messages.

Purpose leads to innovation

Sam Conniff talked about the importance of businesses being clear on what their purpose is, being completely focused on their purpose and designing strategy based on client need and not following the whims of changing government policy or current fashions.

He also noted that prospective employees are now more likely to be interested in what a business stands for – it’s not just about having a job and earning money – and so having a clear purpose is important. Mr Conniff strongly believes businesses will succeed if the sense of purpose and innovation are there.

Be a winner not a loser

Alastair Campbell gave an example of how Richard Branson (somebody he marks out as a winner) says he always goes

Helen Bailey:
rethinking public
services



Alastair Campbell addresses delegates at a HouseMark Business Connect seminar in November

into new business ventures to meet a need, rather than simply to make money.

He talked about the importance of reputation and asked the audience to consider the difference between Richard Branson and Rupert Murdoch (somebody he marks out as a loser!).

You don’t have to be public to provide a public service

Helen Bailey’s role as chief executive of Islington Council led her to question: ‘What is public service? What do we think of as public service?’ She thinks we have strange expectations of who should do what.

For example, we think of the NHS as being a public service, yet much is provided privately – GPs are self-employed, pharmacies are private businesses, much dental treatment is private, drug companies are private

“For the housing sector, he predicts the potential for disruption to come from procurement, logistics, construction, and the internet.”

is it a public agency.

Ms Bailey urged housing associations to maintain their sense of purpose and watch this space as the boundaries between private, public and social enterprises shift with changing economic and political forces.

Watch out for disruptors

Stuart Marks’ journey as an entrepreneur began in 1990. His number-one rule is to be honest with yourself and your audience but he offered plenty of other advice.

Innovation is an absolute must but he also highlighted the potential for other people’s innovation to become the ‘disruptors’ of your existing business. For example, look at what Uber did to licensed taxi drivers.

For the housing sector, he predicts the potential for disruption to come from procurement, logistics, construction, and the internet.

So, if you don’t want to go the way of Blockbusters, Kodak and Borders, start making those connections and innovate. For more information about HouseMark Business Connect, visit: www.housemarkbusinessintelligence.co.uk/knowledge/business-connect



transformation – can you afford not to?

The old approach of one or two per cent annual efficiency savings won't cut it any more. The policy, financial and market changes affecting housing providers require a new approach. Many organisations recognise the need to reshape their businesses and their operating models, to build in flexibility and innovation, to develop new relationships with their customers. It's a time for smart and radical thinking.

At CT, we have worked on similar challenges for many years, with housing associations, councils and others. We understand the awkward questions that need asking: how to create solutions, how to build support and momentum at all levels, and how to implement change that makes a measureable difference

It's about the present and future of who and where our customers are and what services will be delivered. It's then about defining and implementing a new service model.

We can help you with:

- Ⓢ The strategic vision
- Ⓢ The case for change
- Ⓢ Target operating model
- Ⓢ The change road map
- Ⓢ Implementation

*To see how we can help, please contact
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