ctBRIEF

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No. 24

Mark Henderson chief executive, Home Group
Northern exposure

"Homes for the North (H4N) launched in parliament in January. But just who are we, and what is it that we want to change?

H4N is made up of the 20 biggest housing associations in the north of England. Collectively, we provide homes for more than 1 million people in the region, providing one in three social rented homes. We estimate we make a £2.5 billion gross value added (GVA) contribution to the northern economy each year.

We are big employers, key local stakeholders, and play an important role in community regeneration. Some of us have a national footprint; others have a more local focus. All of us have large-scale development aspirations.

Big ambitions

H4N has big ambitions. We are fully committed to making housing policy work for the north, working with local and national stakeholders to achieve this. We are a non-partisan body working closely with the government to influence and negotiate what we believe would work best for our customers and economic growth objectives.

We recognise that a shortage of housing is a key issue affecting the country, and major house building targets have been set (1 million new homes by the end of this parliament). H4N members are keen to step up to the plate, working with partners, including the government, to overcome barriers and ultimately deliver our share of these new homes in the north.

So what needs to change? First, we view the Northern Powerhouse proposal to boost economic growth as a huge opportunity. It is important for the way we live, the way we work, the image we project, and how we move about. But we feel housing doesn't always feature as much as it should in some of the devolution deals. We are sharing what is working across the city regions and raising the profile of what we have to offer with the dealmakers.

Homes for the North members provide more than 1 million homes in northern English cities like Liverpool

"Housing doesn't always feature as much as it should in some of the devolution deals."

Mark Henderson, Homes for the North

Need for flexibility

What about the national agenda? The way national policy is constructed should enable us to deliver our ambitious aspirations around increasing housing supply, but arguably this is not always the case in the north. For example, shared ownership works really well in the south, but in the north it only really works in areas of particularly high demand. This means many parts of the north may not be able to take advantage.

We would be keen for greater flexibility within the affordable homes programme to respond to market conditions. This could be

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THIS ISSUE

Edited by Stuart Macdonald and Zina Smith

Michael Holland head of regeneration strategy, Pocket

Resident-led regeneration for London

pocket

"Everyone knows there is a shortage of affordable homes in London. The issue is so acute that the recent London mayoral election was dubbed a 'referendum on housing'.

With 607 square miles, Greater London should be able to house its growing population. However, when 24 per cent of land is used as back gardens and 22 per cent is classified as 'green belt' there is inevitably severe pressure on what's left for new housing (see box: In numbers).

There are many solutions but Pocket's experience is that we aren't being ambitious enough with density and the reuse of previously developed land. Pocket is focused on unlocking significant numbers of infill sites across London's housing estates to help house the people on average incomes who contribute so much to our city.

In numbers: London

607 square miles
Size of Greater London

24 per cent
of Greater London land is gardens

22 per cent
of Greater London land is green belt

3,500
approximate number of housing estates in London

10,000
number of new affordable homes resident-led regeneration could bring forward over the next 10 years

Existing opportunity

According to Institute for Public Policy Research (IPPR) data, London is dotted with approximately 3,500 housing estates capable of delivering hundreds of thousands more homes. Many estates were designed in an era with much lower density requirements and contain patches of open space that now serve little or no amenity purpose.

Communities are, often rightly, suspicious and fearful of council plans to bring these zones into active use for housing. At the very least, they lose some open space and gain a building site, followed by more tenants and few or no benefits. This is why councils so often find themselves either in active confrontation, deadlock on estate regeneration plans, or constantly postponing plans to avoid key political events.

As a result the typical approach to estate regeneration involves wholesale demolition and reconstruction – after all, if you know the process is going to be politically painful, you might as well get the maximum possible social, environmental and economic benefit.

Pocket's approach is slightly different. We seek to use regeneration as an opportunity to re-engage communities with the possibilities available on their estate, help them work out what they want to keep and repair, and ultimately rebalance the estate with a new cohort of local people on average wages.

Modular construction

We repair through an approach to densification that focuses on infill rather than demolition. We are leading the market on the use of modular construction, which allows our homes to be delivered quickly and with minimum disruption to residents (our recent schemes reduced development traffic by 90 per cent).

By retaining residents and the social capital which already exists and adding a new wave of local homeowners on moderate salaries we help rebalance communities. Our densification is achieved with one-bedroom and two-bedroom homes that are sold at a discount of at least 20 per cent to the market to local first-time-buyers and remain affordable forever.

Our approach is localism at work: by incentivising residents to actively support new housing on their estates and allowing them to share in the financial benefit created by the development, they will bring forward previously undeveloped land for new homes. The Greater London Authority estimates this approach has the potential to deliver at least 10,000 new affordable homes over the next decade. We hope our approach will empower local communities and lead to genuine resident-led regeneration across London.

To discuss the issues raised in this article, email maggie@campbelltickell.com

Northern exposure

H4N

Continued from page 1

through increasing the proportion of rent to buy within the programme, and building in flexibility to sell shared ownership properties with no take-up after a certain period of time. Such an approach would build greater confidence among developers in the north.

Research activity

H4N is also programming research activity to enable us to understand how we can play our part in meeting the needs of a 21st century northern economy. This includes, for example, what we can do as housing providers to attract and retain talent in the north, and support activity to promote inward investment.

We are also considering how best to grow homeownership levels, and how we can open up further opportunities to promote the economic and social mobility of our customers. This includes overcoming the unintended consequences of inflexible and inconsistent nominations and allocations systems when a customer gets a new job in a different area – enabling, rather than restricting, their ability to take up this employment.

We are in listening mode and keen to understand what we could do more effectively to play our part in driving economic growth and increasing housing supply across the north. Please get in touch if you would like to share ideas and work with us going forward.

For more information or to get in touch with H4N, visit www.homesforthenorth.co.uk

Maggie Rafalowicz director, Campbell Tickell

Breaking new ground: challenges for councils under the new Housing and Planning Act

"Every so often a parliamentary act comes along which fundamentally changes things. I started my career in housing at the time of the 1988 Housing Act, which changed the landscape of social housing. It elevated the role of housing associations in the provision of affordable homes and introduced mixed funding to stretch publicly funded money and produce more homes to support the government's new build and stock transfer programmes.

The leverage of private finance progressively became a more important component of scheme funding for general needs rented homes, with grant rates eventually dropping from 50 per cent to nil. Since then, housing associations have diversified their activities and their social purpose is only one element they consider.

Shutterstock.com

First rung: new legislation aims to get more first-time buyers onto the property ladder

The end of social housing

The Housing and Planning Act 2016, which received Royal Assent at the end of May, is equally groundbreaking (see box: Key measures). It focuses on supply for homeownership and hastens the end of social housing as we know it.

It aims to help the government achieve its goal of 1 million new homes by 2020 and turn 'generation rent' into 'generation buy'. Aspiration for homeownership is the only aspiration the government supports.

A key part of the act is the starter homes provisions. Developers will be expected to deliver 20 per cent starter homes of all new housing developments. This will absorb the majority of affordable homes requirement in councils' Local Plans (commonly 20-30 per cent). Councils will begin rethinking those plans as a result.

With the introduction of fixed-term tenancies, social housing will no longer provide permanent homes where families can settle down securely, but will be a temporary measure for those in greatest need. The end of secure lifetime tenancies will plainly impact on communities when tenants know they may have to move on after five years.

The voluntary right to buy for housing association tenants (following the deal between the National Housing Federation and Department for Communities and Local Government) is to be funded from the sale of higher value council properties that become void. This will apply to all councils, not just those in affluent areas. These monies are to be paid by the authorities to the Treasury. However, rather than being based on actual sales of properties, they will be based on assumed sale proceeds.

As regards the replacement of homes sold under the right to buy, while the government has pledged to fund one-for-one replacement (using the monies collected from local authorities), this will not lead to the replacement of homes on a like-for-like basis. Social rent homes may well be replaced by starter homes of different sizes and in different locations.

Key measures: Housing and Planning Act 2016

- 20 per cent starter homes on all new developments.
- End of secure lifetime tenancies for new tenants.
- Councils to pay a levy to cover the sale of housing association properties under the voluntary right to buy.
- Council tenants must 'pay to stay' if they earn more than £40,000 in London and more than £30,000 outside the capital.
- Deregulatory measures for housing associations.
- Considerable detail to follow in new regulations

The 'pay to stay' provisions will require councils to charge higher rents for any tenant with a household income above £30,000 outside London and £40,000 in London. Councils will again need to pay the additional rent collected to the Treasury.

Administrative burden

In order, however, to establish which tenants are liable for the higher rents, tenants must provide councils with information about their incomes. If they do not, there will be an automatic assumption that they should be charged the higher rate. This will create substantial extra work for housing officers and other staff. One may imagine how this will affect the interaction with council officers when tenants start getting charged more.

In some areas, the difference between social and market rents is not great and the administrative costs of pay to stay could outweigh the income gained. In areas such as London and the south east though, whole swathes of social housing could become void as tenants opt to leave if they cannot afford the higher rents: household incomes of £30,000 and £40,000 respectively cannot reasonably be described as high.

Major changes are afoot then, which over the coming years will significantly alter the nature of social housing, reduce its availability and change the relationship between council landlords and their tenants.

To discuss the issues raised in this article, email maggie@campbelltickell.com

Sally Nicholson interim head of health and care, Riverside

How can we speak the same language?

Healthcare & Housing

"The NHS continues to struggle with the task set out by the *Five-year Forward View* in 2014 – to save £22 billion via new, innovative care models by 2020. Recently we have seen attempts to find those savings with varying degrees of success; the Better Care Fund, the NHS vanguard sites, healthy new towns, and most recently the sustainability and transformation plans.

Social housing providers are ideally placed to be part of this transformation, with large bodies of evidence suggesting the sector could transform adult social care pathways, tackle health inequalities, prevent admissions to hospital and reduce delayed transfer of care. Yet the health and housing sectors continue to operate as largely separate entities, kept at arm's-length by their contrasting dialect and differing standards of evidence.

A lot to offer

Riverside feels it has a lot to offer the health and care market and we are beginning to have some success in becoming a provider at a local level. A commitment to taking risks, constructing worked examples of effective health and care interventions using internal funding, improving relationships with local commissioners, and developing more robust data collection and evaluation strategies is starting to pay off.

As a lead supplier of the Telecare service to Liverpool Clinical Commissioning Group, Riverside has pioneered a social prescribing model for falls in the Liverpool area. We've been involved with health commissioners in the area for a long time through the Delivering Assisted Lifestyles Living at Scale partnership and successfully bid for the contract. We have calculated an indicative saving to the NHS of £234,940 through reducing ambulance admissions and A&E attendance. In other words, the package is paying for itself – and then some.

Measurable outcomes

We provide a holistic approach to health and wellbeing for our customers at The Beacon, in North Yorkshire, who are all armed forces veterans. There is currently a Public Health-funded specialist health and wellbeing worker stationed at the centre, who works on a one-to-one basis to achieve positive outcomes in the form of guidance and appropriate referrals. Our research indicates a 70 per cent increase in wellbeing levels among these customers as a direct result of moving into The Beacon and receiving our support.

Our health clinic at the Stages Academy, in Middlesbrough, provides a variety of clinical interventions to people who are homeless or at risk of homelessness with an unmet or urgent health need. The service focuses on changing attitudes and supporting customers to be more responsible for their own health and wellbeing. To date, 60 health checks have taken place resulting in 20 nurse practitioner appointments and 26 'healthy heart' checks. The service has measured a significant reduction in the number of our customers attending A&E departments.

These examples allow us to demonstrate positive health and care outcomes for three vulnerable groups: older people, armed forces veterans, and homeless people. This means we can access new markets and revenue streams, but more importantly we are contributing towards transformative change in health and care provision across the country.

To discuss the issues raised in this article, please email Liz@campbelltickell.com

Riverside's The Beacon centre in North Yorkshire provides housing to veterans with support needs

THEDIARY

ENHR Conference 2016: Governance, Territory and Housing

28 June to 1 July
Assembly Buildings, Belfast

Campbell Tickell is one of the sponsors for the European Network for Housing Research (ENHR) 2016 conference which is chaired by professor Paddy Gray. The ENHR now has 1000 individual and nearly 100 institutional members representing almost every country in Europe. Plenary sessions include "Housing, Neighbourhoods and Communities" and "Territory, Space and Social Cohesion."

www.enhr2016.com

Senior Leaders Forum Series: Preparing for In-Depth Assessments

5 July
Mercure Bristol Grand Hotel, Bristol

Gain some insider tips and practical solutions to help you and your executive team navigate the Homes and Communities Agency's in-depth assessment waters successfully. The Chartered Institute of Housing has gathered a specialist team of experts to inform you about and guide you through the process. Campbell Tickell director Sue Harvey leads the workshop "Advisor's view: creating a state of readiness".

www.cih.org/eventsfinder

Chartered Institute of Housing: To Merge Or Not To Merge?

15 July
London

Join senior figures involved in some of the biggest mergers that have taken place in the UK over the past five years as they walk through the process and discuss the benefits and pitfalls they have come across. Campbell Tickell partner Greg Campbell will discuss the pros and cons of mergers and your business opportunities, alongside Geraldine Howley, group chief executive of InCommunities.

www.cih.org/eventsfinger

Gillian Moy director of housing and customer services, Nottingham City Homes

Housing and Health Coordinator project: an interim evaluation

Healthcare & Housing

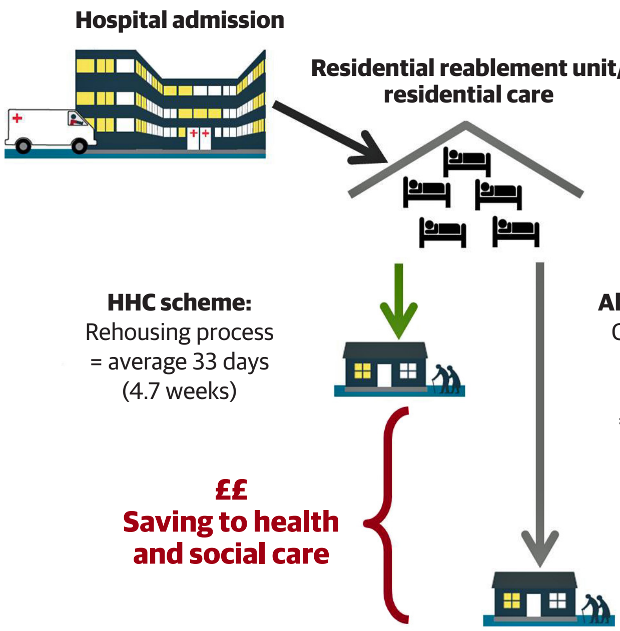
"Delayed discharge from hospital or 'bed-blocking' has recently resurfaced in the news with reports that one in 20 patients is not being discharged quickly enough when medically fit.

The National Audit Office found these delays are costing £820 million a year and that the extended stay is having serious health implications. Housing providers are playing an important role in providing temporary and long-term support, as part of an integrated health approach. An interim evaluation of the Housing and Health Coordinator (HHC) project run by Nottingham City Homes is showing evidence of the cost-saving opportunities and positive health outcomes.

The HHC project provides the housing options and housing support element to integrated care. The project aims to support people who cannot be discharged because they are inappropriately housed, or where their housing is inappropriate for other reasons and where this is likely to result in a health intervention being required.

The HHCs take referrals from health professionals where the patient is deemed unable to return to their own home, or the home is unsuitable and negatively impacting on their health. Where appropriate, the HHCs support individuals to be rehoused into social housing for older people (in independent living schemes or bungalows). The aim of the scheme is to intervene at an earlier stage to support and enhance the best possible outcomes for people and their carers, and hopefully reduce the number of admissions into hospital.

In action: the Housing and Health Coordinator project



The costs per bed day for various types of health or social care facilities were sourced from Nottingham City Clinical Commissioning Group. Where costs could not be sourced locally, national data was used from the New Economy Unit Cost Database, which has been developed on behalf of the Department for Communities and Local Government to support the evaluation of the cost-effectiveness of programmes or interventions, and are quality assured by HM Government.

Initial results

An interim evaluation was carried out to assess the outcomes and cost-effectiveness of the HHC project over the first four months of operation. The model compared the outcomes under the HHC project with a hypothesised alternative scenario, in which clients would have applied for a social housing independent living property under the general housing register system, as a medical priority (see graphic: In action).

The evaluation found that the pro-rata running costs of the HHC project over the first four months was just over £26,000. It is estimated that so far the HHC project has created savings of between £142,000 and £153,000, as compared with the alternative scenario in the absence of the HHC project. This shows that the estimated net financial return on investment is between £4.47 and £4.87 for every £1 spent on the HHC project, as a result of savings generated for local public sector agencies (NHS, Nottingham City Homes and Nottingham City Council).

"The aim of the scheme is to intervene at an earlier stage to support and enhance the best possible outcomes for people and their carers, and hopefully reduce the number of admissions into hospital."
Gillian Moy, Nottingham City Homes

The headline findings included:

- 68 referrals were made to the HHCs. A quarter of cases were referred because the individual was currently occupying a hospital bed and was unable to return to their home (bed-blocking). Three-quarters of cases were referred from health professionals in the community, because the individual's home was considered unsuitable given their current health

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needs (early intervention).

- 22 clients were successfully rehoused into an independent living property in the first four months. On average this process took 33 days. In comparison, on average it takes 126 days for an individual with a medical priority to be let an independent living property through the general housing register.
- Of the first 22 cases, nine were examples of bed-blocking. The HHC project reduced the total number days of bed-blocking in residential health or social care facilities by 827 days. This results in savings of £54,030 for the NHS, and £34,978 is saved by the local authority (adult social care). The average saving per case is £9,890.
- There were 13 cases of early intervention. It is estimated that this reduced the risk of poor health outcomes (and associated treatment costs), such as falls and associated injuries, flare-ups of chronic obstructive pulmonary disorder, anxiety and/or depression, and associated health risks of living in a 'non-decent' home. The early intervention is estimated to have saved the health service between £7,237 and £17,773 in treatment costs.
- In three cases the individual was at risk of becoming homeless. The HHC project is estimated to have saved a total of £13,342 in costs to Nottingham City Council's Housing Aid service.
- 22 independent living properties were let via the HHC project. These properties had been empty for 86 days on average prior to letting. More than a third of these properties were from NCH's 'hard to let' stock, ie had been empty for more than the average length of time. By letting the properties more swiftly through the HHC scheme, NCH has received £25,800 in rental income that it might otherwise not have received and saved £6,472 in costs for empty properties.
- Baseline data was collected on clients' health and wellbeing status at the point when they were referred to the scheme. As may be expected, general health scores and mental wellbeing scores were below the UK population average. These health measures will be assessed again six months after re-housing to compare the difference. Change in use of health services will also be measured.

"The project has been delivering more in savings during the first six months of operation than the set-up and running costs of the scheme."

Conservative estimates

The cost-effectiveness model demonstrates that the project has been delivering more in savings during the first four months of operation than the set-up and running costs of the scheme.

The model, however, assumes these individuals would have otherwise applied for an independent living property through the general housing register. In reality, many of those supported through HHC would not have been aware of the alternative housing options, nor would they have been able to go through the process without a high level of support.

In many cases the alternative scenario without the intervention of HHC would have been to remain in inappropriate housing or bed-block with even higher long-term cost implications. The cost savings are therefore a conservative estimate.

The evaluation will be updated with the data from the first nine months of the scheme, in order to inform stakeholders in deciding the future of the project beyond the initial 12-month trial period.

This project is yet another example demonstrating how a timely housing support-based intervention can pay dividends for health services and social care and housing departments, as well as demonstrate efficient use of stock and improved quality of life for individuals who would otherwise be stuck in unsatisfactory living environments or in a hospital bed.

To discuss the issues raised in this article, please email Liz@campbelltickell.com

CAPTION COMPETITION

Sue Harvey, Campbell Tickell director, and Conor O'Shaughnessy, Campbell Tickell associate, enjoy an ice cream on a hot sunny day in Derby!

Email your best captions to zina@campbelltickell.com or tweet them to @campbelltickel1 before 22 July for the chance to win a mystery prize!

LAST ISSUE'S WINNER

Congratulations to Bill Prescott, business improvement manager at Alliance Homes Group, for the winning entry for May's competition: "Jon warns of the perils of slavishly following a satnav!"

Patricia Dearnaley, associate, Campbell Tickell

What's it got to do with us? Housing providers and delayed transfers of care

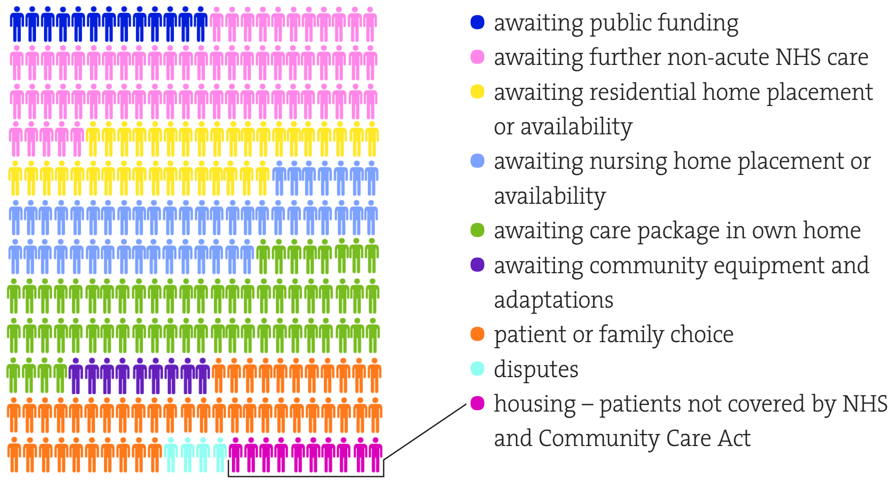
Healthcare & Housing

"Crunching the numbers released in any government statistics always throws up an interesting angle adding perspective, and last year's Department of Health figures on the reasons behind delayed transfers of care (DTOC) were no exception.

The Care and Support (Discharge of Hospital Patients) Regulations 2014 established a system of charging social service departments £155 per patient day in London (£130 outside the capital) for social care delays, which goes some way towards offsetting a daily cost to the NHS of £4,001.

This, understandably, has concentrated minds on identifying the causes behind delays and benefits providers by offering an analysis of where they may be best placed to partner with local Clinical Commissioning Groups (CCGs).

Delayed Transfers of Care 2015/16



Identifying opportunity

One small but significant group stands out: the 53,041 days lost for 'patients not covered by the NHS and Community Care Act' (see graphic). That's a staggering £21,216,400 annual cost, and in an ideal world, an opportunity to which housing providers may give some consideration.

This group are deemed not to meet the eligibility criteria for social care and therefore are not the responsibility of social services, do not represent potential reimbursement costs and are left to local authority homelessness services to process. Some, including single people below retirement age, asylum seekers and other 'non-vulnerable' individuals, may be suitable for, and require only general needs housing without support, but all are regular users of primary care. According to professor Barry McCormick, former chief analyst at the Department of Heath: "Homeless people attend A&E six times as often… are admitted four times as often and stay three times as long – because they are three times as sick."

The main difficulty for many of these individuals is an ongoing housing need, and a very commendable reluctance on the part of health services to discharge to homelessness or tenuous accommodation.

The 2010 London Health Programmes report *Preventing Delayed Transfer of Care and Accessing Settled Housing* offered useful insights into the issues from a mental health service perspective. This focus within the capital has clearly yielded results: when considering the hotspot local authorities reporting DTOC for this group, London is underrepresented with none of the capital's boroughs appearing in the top 10. This group of authorities between them account for more than 35 per cent of the entire national total.

With evidence that supported and sheltered housing is facing decommissioning and redesignation, alternative opportunities may exist for providers to negotiate step-down provision with local NHS Partnership Managers. NHS England's Sustainability and Transformation Programme aide mémoire (www.england.nhs.uk/wp-content/uploads/2016/05/stp-aide-memoire-uec-7dhs.pdf), published in May 2016, directs local health commissioners to "develop partnership with providers of care homes, homecare and housing (adaptations and extra/supported housing) to implement the improvements outlined in the Quick Guides".

> "Homeless people attend A&E six times as often… are admitted four times as often and stay three times as long – because they are three times as sick."

After many years of work on the part of providers and sector representatives, it would seem the door to real engagement with the NHS is firmly open: it is time for providers to be real partners in addressing some of the social issues impacting upon the effectiveness of the health service.

Good practice models

A number of good practice models are already in place: the range and complexity of interventions and contractual/partnership arrangements are diverse, and may include fully integrated teams comprising housing and health professionals, specialist health staff working in supported housing projects or preventative programmes, all responding to local needs with individualised, outcome-focused and person-centred arrangements.

For example, One Housing Group's Tile House in Camden, north London, provides an integrated service from clinical and support staff for people with complex mental health issues, Leeds Accommodation Gateway diverts hospital discharged people with mental health issues into safe accommodation, and St Mungo's Hospital Discharge Network works to prevent homeless people's readmission and attendance at A&E. These services are achieving much, but there is still more to be done.

For more information or to discuss the issues raised in this article, please email Liz@campbelltickell.com


David Williams partner, Cambell Tickell
Ian Turner researcher, Campbell Tickell

Mergers and acquisitions 101

Mergers are becoming an increasingly common feature of the housing landscape. They are also becoming larger and more complex. Here, Campbell Tickell researcher Iain Turner talks to merger and acquisition (M&A) specialist and Campbell Tickell partner, David Williams, about what he has learned from his recent work on M&A.

Q At the end of last year the National Housing Federation published its merger code to mixed reactions. Have you noticed a change in approach from boards in response to the code?

A The response to the merger code has been varied to say the least. For me, it reinforces everything that is in the NHF's code of governance. Organisations that have adopted it tend to view it as an extension of what they would already consider to be good practice. That said, a number of organisations have chosen not to adopt it, considering the code to be a charter for larger housing associations to make proactive attempts to expand their groups (see box, overleaf: Example merger savings).

What the code has done, is add to the debate within boards about consolidation in general. We have worked with many boards which have spent some time considering the code, and as part of that have reviewed, created, and refined their strategies towards merger. So it has provided a touchstone for most organisations to review their positions.

Q The Homes and Communities Agency (HCA) has encouraged associations to be "more commercial" in their approach to M&A. Are they taking note?

A Historically, the housing sector has not handled merger very well – it does not come naturally to it and is not part of its usual business cycle. Over the past couple of years that has started to change, because merger is more demonstrably identified with additional scale, and additional scale is seen by some as a key business driver to insulate organisations against risk, make them more resilient, and drive better value through greater efficiency. Not everyone buys into that argument, but our experience suggests the advantage can be tangible. As boards become more populated with out-of-sector experience, there are more people who understand the linkages between those drivers.

Key messages for boards considering a merger

- Remember that ultimately it's all about delivering the charitable purposes of both organisations more effectively – more new homes, better services, lower costs.
- Embrace the idea of a new organisation rather than focusing on protecting legacy.
- Even though the need for Homes and Communities Agency consent is going to be diluted, this puts a greater onus on boards to ensure they follow appropriate robust process for evaluating the business logic of a merger.
- The merger code is an extension of good governance. It is unlikely to result in the dominance of the sector by a few larger organisations and by adopting it, the sector is giving a positive signal to policymakers that it can act with one voice. It is, after all, a code produced by the sector, for the sector, which is something those who look at housing with a critical eye might reflect on.

The general approach to M&A has become more robust and positive. Boards are starting to recognise that 1,700 housing providers might be too many and, while there is an important role for many small and niche players, some boards have recognised the 'soft' policy nudges given to the sector to strongly consider consolidation as part of its strategies. If associations don't respond, future government policy might offer firmer encouragement.

Q You talk about efficiency – do you see cost-cutting as a central part of M&A or a convenient by-product?

A For many boards, efficiency hasn't been at the top of their list of key business drivers. Pre 1 per cent cuts to social housing rents, those organisations that saved £300 per property in management cost through merger were at the top end of expectations. The situation at the moment is a bit confused because people have clearly built in responses to the 1 per cent cut, some of which have been identified, and they are also looking to drive additional efficiencies through merger and consolidation.

But quite what the additional quantum is, is still being worked through. What is clear is that the pace and scale of transformation triggered by merger is a key determinant of success if efficiency is a required outcome.

Q So are boards approaching mergers in the right way? And do they have the necessary skills to handle the process?

A I think many boards do find the merger conversation a challenge, sometimes losing sight of the big picture as to why it may be a good idea (see box: Key messages for boards considering a merger). Some have abandoned persuasive business cases and decided not to proceed, citing reasons other boards would consider to be less important and certainly insufficient to prevent the merger happening. For example, would the location of an office really be that important when you have a business case that would deliver a significant increase in housing supply?

I also think some boards don't consider the organisation they are creating through the merger and focus too much on protecting their own history and legacy instead. That's not to say legacy isn't important, but the ability of a board to think about what it is creating and not reflect too much on the past is a very important cultural perspective for boards to embrace prior to starting out on merger discussions.

Q What other barriers do you find consistently scupper merger discussions?

A We still live in a world where there is an expectation that there should be an accommodation for key leaders. So an agreeable future for the board leadership and executive continues to be a condition precedent for some.

The problem of pace is also an issue. Some organisations approach mergers with the assumption of quite a gentle pace, but our view is that it is best to move quickly to agree a business case and a heads of terms, ideally within three to four months, and in

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Radojka Miljevic partner, Campbell Tickell

Seven key lessons for good governance

"There are seven key lessons I would highlight from the recent report by the House of Commons Public Administration and Constitutional Affairs Committee (PACAC), *The collapse of Kids Company: lessons for charity trustees, professional firms, the Charity Commission, and Whitehall*. This resonates with our long track record in governance and dealing with wider failures.

1 Boards must rigorously examine their own effectiveness. All organisations should think about the activities they will deliver over the next five years and recruit/bring into succession trustees with the appropriate skills. There need to be fixed limits for board tenure to offer insurance against complacency and cosiness. New members can be important agents in bringing issues back to first principles – why are we doing this activity? When did we last review it? There should be robust appraisal arrangements in place.

2 Boards must provide constructive challenge to executive staff, whatever their profile, history or charisma. Founders of charities are often the organisation's greatest strength and greatest weakness. The membrane between their personal identity and that of the charity can be wafer thin, making discussion of transformative changes threatening to them. Others may get drawn into the 'halo' effect, conferring other attributes or strengths to the founder on account of a particular quality that is rated highly. This appears to have played out at Kids Company: "The admiration... trustees had for Ms Batmanghelidjh's apparent vision and fundraising capabilities led to a false confidence about other areas of the organisation."

3 A board must keep under review whether its charity is effective. This means checking whether its activities and impact are more effective than those of other organisations operating in the same space. Trustees must ask questions such as: how do we know that what we deliver works? And are we more effective than others at doing this? While funders may have various requirements around how this is measured and reported, there is always a simple ethical position that obliges trustees to spend the money of others wisely and be clear with donors about what can – and cannot – be achieved. Kids Company did not invest in robust evaluations of its work, thus rendering the defence of its achievements and reputation more difficult.

Kids Company shut its doors in August 2015

4 Boards must ensure the objectives and work of the organisation are matched by the available resources. There is a theme throughout the PACAC report about Kids Company's "demand-led" model. It suggests trustees failed to address

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Mergers and acquisitions 101

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doing so give a firm commitment to proceed unless the hygiene process (due diligence, etc) reveals anything untoward. Discussions that take longer are more often deals that fail to complete successfully.

At the start there may well be different expectations, but it is important to clarify early on that expectations around pace are understood and what's acceptable to both parties.

Example merger savings*

Merger region	Size of new group (homes)	Projected savings over 5 years (£m)	Projected additional costs over 5 years (£m)	Net saving (£m)	Savings unit/ year (5-year average)
North east	32,000	37.8	5.2	32.6	£204
Midlands	14,000	11.8	3.2	8.6	£122
London	900	1.6	0.4	1.2	£291
South east	23,000	23.8	5.9	17.9	£153
North east	17,000	6	2	4	£48
North west	13,000	13.9	8.1	5.8	£91

**Figures taken from the business plans of mergers Campbell Tickell has worked on in the past two years*

Q What do you make of the lenders' response to deregulation and the impact on M&A?

A The jury is out on what lenders' additional expectations might be after the anticipated removal of the HCA's power of consent. Our advice is that this puts greater emphasis on boards to ensure they apply appropriate due diligence and assurance to the process, so they can demonstrate to lenders – and to the HCA with an in-depth assessment – that they've followed a robust and appropriate process to give assurance.

To discuss the issues raised in this article, email david.williams@campbelltickell.com

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"the constant risk" that the charity's commitments couldn't be matched by its resources. The kinds of charities that offer crisis support and interventions will frequently find that demand for their services is greater than their resources. This has become even more apparent when the sanctions and conditions around welfare payments are creating increased levels of destitution. Charities must, therefore, enforce firm boundaries about what is possible – both for trustees in making strategic and investment decisions and for staff about where their work begins and ends. This can be painful, but you have to do this to protect future beneficiaries.

5 Anyone commissioning professional advice – by way of independent assurance – shouldn't allow for any sugarcoating of that advice. In hiring professional advisors and consultants, the board should take responsibility in expecting external advisors to tell the 'warts-and-all' narrative.

In the case of Kids Company, one review "provided none of the information needed to assess the governance of the charity" and reviews were read selectively.

Nevertheless, audits over many years were giving Kids Company trustees warnings of various kinds, and the report highlights that these "should have led to a change to the reserves policy, contingency planning for insolvency and substantial downsizing many years before the final crisis".

It seems that the Kids Company board was not only clinging to a certain narrative, but so too were successive governments, which "failed to carry out adequate due diligence and the charity was given over £42 million of funding from central government and was released from the competitive processes to which other charities are subject".

6 Trustees must exercise a firm grip on the financial performance of their charity and use this to inform their decision-making. There must be no false optimism about the true state of the organisation's viability and the basic facts – income, expenditure, money in reserves, cash flow, liabilities, etc. Small charities often operate with a degree of precariousness, and especially so at a time when central and local government funding is dwindling. For a charity of Kids Company's size, with significantly high levels of support, together with a funding structure that will have been the envy of most charities, to have an "historic hand-to-mouth existence" seems rather more extraordinary, and may suggest trustees put off some difficult decisions around restructuring or overheads. It appears Kids Company's cash flow crises were resolved by injections of government cash, thereby giving "tacit approval to an unsustainable and inadequate business model and eroded any incentive for Kids Company to address its own governance and management failings".

7 Trustees ought periodically to seek assurance about the culture and conduct of the organisations they are stewarding. Internal audit, external contractors and staff surveys can all help in this process. The PACAC report throws up a range of examples at Kids Company of practices or events where trustees may have been out of touch with how work was carried out in the organisation. We heard of money being given to service users to buy luxury items, of people in their thirties being helped who appeared to be well outside the scope of the charity's usual beneficiaries.

To discuss the issues raised in this article, email Radojka@campbelltickell.com

CAMPBELL TICKELL

trust

REFUGEE COUNCIL

Campbell Tickell charity partners 2016/17

Campbell Tickell has chosen to support two charities this year.

We are delighted to be able to assist **Trust Women's Project**, which provides holistic support and advocacy to women who are currently involved in prostitution or who have been exploited through prostitution in the past.
www.trust-london.com

We are also proud to support the **Refugee Council**, which works directly with refugees, supporting them to rebuild their lives. The Refugee Council also speaks up for refugees using its direct work as an evidence base, ensuring refugees have a stronger and more influential voice in decisions that will affect them.
www.refugeecouncil.org.uk

David Done chief executive, Richmond Housing Partnership

Our year of innovation

"The housing sector is facing unprecedented changes – it is at the front of the political agenda and we are operating in an increasingly risky environment with many of the givens now gone or in the process of disappearing. We need to transform our approach if we are to rise to the challenge to get better, faster and more cost effective, and invest in providing more affordable homes more quickly to those people who cannot afford to rent or buy in the local market.

As chief executive of an organisation based in south west London, where the need for more affordable housing is acute, I am committed to ensuring Richmond Housing Partnership is well placed to provide good quality affordable homes supported by modern, efficient and low-cost housing services that deliver high levels of customer satisfaction.

A significant way in which we're achieving transformation is through our new service offer, RHPi. Launched in April 2016, the digital-only offer for our new customers not only makes us easier to do business with through quick and easy-to-use online services, but it will also significantly reduce our operating costs, helping us to invest at least £250 million in providing more affordable homes over the next 10 years.

Digital service

The idea behind RHPi is simple. New customers will get a good quality home on a five-year, fixed-term tenancy, receive an essential and emergency repairs service and have 24/7 access to online services, including the opportunity to receive digital employment advice and support. The aim is that at the end of the five years, we help people move on in a practical way. And the icing on the cake? To give people a helping hand with their next step (providing they've been a good tenant) we'll give them £1,000 cash back at the end of their tenancy.

RHPi enables us to deliver services anytime, anyplace and on any device – a must in the modern world. This isn't a new thing for us – we started our journey of digital transformation in 2011 when, inspired by the Ocado model, we developed the first online repairs appointment booking system in the sector, enabling our customers to book a two-hour appointment slot for their repair at a time that suits them.

> "The majority of repairs are booked online and 99 per cent of all payments are now made electronically."

This required a fundamental shift in both our operating practices and our mindset to trust customers to book only the repairs they needed. That trust has enabled us to reap the benefits of delivering a lower-cost service and we know our customers who are active online have higher levels of customer satisfaction.

For more than three years we have supported customers to get online through our Digital Champion service. We've also invested in improving our employees' digital skills to ensure it's as easy for our people to do business with us as it is for our customers. Today, we are proud to say that the majority of repairs are booked online by customers and 99 per cent of all payments are now made electronically.

Earlier this year to further improve our digital services, we introduced e-tenancy agreements, along with a new easy-to-use website that allows customers to carry out key transactions in just a few clicks.

Positive feedback

A couple of months into delivering RHPi and we're encouraged with the feedback we've received from both customers and employees. We carry out an interview with all new customers four weeks after moving in and we have been delighted with the frequency of words such as "easy" "simple" "quick" and even phrases such as "life-changing" popping up. We've also used the feedback to keep improving the service too, adjusting small things that will help RHPi to keep getting better, faster and lower cost.

We're viewing the next 12 months as the 'year of innovation' at RHP and we've made a strong start; we've signed up to be one of the first organisations involved in HouseMark's start-up accelerator programme and we've put in place a new framework that will better enable employees to drive forward business improvements.

Ranked number one in the sector for innovation in *Inside Housing*'s Dolphin Index and also number one in this year's Great Place to Work Best Workplaces list (medium category), we see no end to transformation and we are committed to continuously evolve, adapt and improve.

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Greg Campbell partner, Campbell Tickell

Rethinking employment

"Change and transformation surround the public and not-for-profit sectors, scarcity of resources, technological developments, and new customer expectations increasingly mean the structures and the modes of delivery of the entities we know and (sometimes) love will, in many cases, be unrecognisable in just a few years.

I was at a fascinating presentation some time ago, from a 'futurologist' speculating on the world of work over the next 20 years. He predicted one-third of current careers could disappear in that time. What might replace them? Among the most memorable suggestions were: big data miner, virtual lawyer, social media counsellor, and body parts maker.

Diverse experience

It made me think about my career, which did not develop in a standard way, taking in general management, procurement, IT, company secretary, facilities management, community development, PR and communications, HR and recruitment, and indeed lorry driving, postman and building labourer. When I eventually fell into consultancy, I found I had been building a portfolio career without realising it – invaluable preparation for a multidisciplinary consultancy offering! (Those old enough to recall Alan Bleasdale's television series *Boys from the Blackstuff* will remember Yosser Hughes saying: "I can do that – gis a job!")

It made me reflect on my son and daughter, and how they have explored different sectors and different specialisms. It also made me reflect on Campbell Tickell's own recruitment, in particular of researchers. Every time we have gone to the market, simply using a mix of websites, social media and networks, we have attracted large numbers of applicants – typically 150+. It has always been frustrating to have only one job available; there are many more bright, able and highly appointable candidates than we can accommodate. An enormous amount of talent is being wasted and frittered away in bar jobs and unpaid internships.

> "An enormous amount of talent is being wasted and frittered away in bar jobs and unpaid internships."

Desirable qualities

As our organisations change and refocus, to the point where it becomes harder to predict their shape and style of service more than a few years ahead, how should we recruit the people we need? The trick is not just to focus on present needs but to look ahead to futures when quite different jobs may be required. My prescription? We should aim to recruit people who:

- are flexible and adaptable;
- are digitally savvy;
- are innovative and not scared of change;
- bring commercial grasp and focus;
- bring a mix of skills and experience;
- are good with people and can engage customers, colleagues and partners;
- are effective communicators using different media.

Once we get them, how can we retain their interest, their focus and energy? We should promote staff flexibility, and encourage responsiveness and initiative. We need proactive training and development programmes, which highlight interpersonal skills, relationship management, technological grasp, and support 'the inquiring mind'.

Good employment terms and conditions help encourage staff commitment and retention. This should include support for different working styles. 'Growing your own' is a strong principle, with entry-level options such as apprenticeships and paid internships, and jobs designated as 'career grade' roles. Effective recruitment is also about building a diverse workforce, not just bright young things – people who have operated in different environments and faced different challenges can bring breadth and resilience.

Understanding the business

Linking the individual to the business is critical: each staff member must understand how they contribute to the collective whole. Where possible, new starters should be given a taste of each main business stream, for instance through job shadowing, 'work tasters', and secondments. Communication must be upwards, downwards, horizontal; consultation should be genuine, and people should be given straight answers about the direction of the business.

Clearly, the above will present challenges for some. But let's be honest: if we are serious about developing the workforce we need in order to cope in changing, challenging and uncertain environments, this ain't nanotechnology.

To discuss the issues raised in this article, email zina@campbelltickell.com

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Liz Zacharias consultant, Campbell Tickell

Greggs: rising to the challenge of a changing market

"It's not all puff pastry and profits at Greggs, as a recent visit to the company's headquarters (courtesy of Campbell Tickell's sponsorship of HouseMark's Business Connect programme) showed. Transforming the business, while hanging on to your core values is something all housing providers can relate to. It was interesting to see how this aim can be fulfilled within a wholly commercial environment and I believe the housing sector has much to learn from Greggs' approach.

Greggs was established as a bakery in the 1930s. The company has been through many transformations in an effort to grow and diversify its business, increasing from one shop in Newcastle to a nationwide business with 1,700 stores (with the aim of growing to 2,000) and seven bakeries.

A plunge in profits a couple of years ago, however, forced chief executive Roger Whiteside to review the core purpose of the business, given the changes in the high street in recent years.

Learning to adapt

The company has, as a result, repositioned itself from being a high street bakery chain to a 'food on the go' business. In terms of bread and baked goods, the company has had to come to terms with a changing market. Most of us buy these goods from a supermarket now, not a neighbourhood bakery, and the market is characterised by the dominance of supermarkets on the one hand and a growth in expensive small-scale artisan/craft bakers on the others. The question for Greggs was: where does a mid-range bakery chain fit in this market?

After a review of the company's core purpose, which it based on researching and proving/disproving a series of assumptions posed by the CEO, Greggs has embarked on a wholesale repositioning to provide 'food on the go'. The organisation was very clear that all changes had to fit with the company values of being enthusiastic and supportive in all it does, open, honest and appreciative, treating everyone with fairness, consideration and respect (see box: Greggs' key factors for success).

As a company that grew on an ad hoc basis as it bought out other bakeries across the country, Greggs was traditionally a very decentralised business and it is now using process changes to centralise everything to save costs and time and improve its customer offer.

Social housing delegates visit a Greggs bakery as part of HouseMark's Business Connect programme

Greggs' key factors for success

- Having a strong value base and ensuring that every decision is checked against that by the board.
- Simplifying and then simplifying again all processes and objectives.
- Having a very clear core purpose – just one line long – and sticking to it as a business.
- Managing change *and* winning hearts and minds.
- Chief executive Roger Whiteside's belief that, "People need to see the vision if they are going to come with you on the painful journey."

Uniquely, Greggs has its own supply chain, with its own bakeries and its own delivery vans – so it is highly vertically integrated as a business. A result of this vertical integration is that it also has fixed costs in the supply chain, as well as in the products, to carry.

Interestingly Greggs does not own any property, preferring to rent all its shops so it has the flexibility to open or close stores if they are not performing well and it generally runs shops on a seven-year cycle.

Greggs' transformation has meant changing the style of its stores, moving away from the high street and towards retail and industrial parks and motorway service stations. It has also introduced new products that are fewer than 400 calories each to appeal to the health-conscious consumer. Changing its staff management arrangements has also given each shop flexibility in how it staffs its rotas.

The company scoped six customer types and segmented these into top, core and occasional customers. It looks at its products in terms of which customer segment it is addressing and whether that product is likely to generate the sales needed from that customer group when compared with the cost of making the product. This has enabled the company to be much more efficient in launching new products.

Digital investment

Greggs is also investing massively in integrating its systems with a £25 million, five-year investment in IT and digital systems, and has been reducing operating costs as a result. The new IT system will integrate all processes across the business.

The company is rationalising its bakeries from nine to four centres of excellence, which will serve the whole chain (rather than each bakery supplying a region). It has three unions to negotiate with and, as a result of ensuring that all activities and changes are in line with their value base, the company has been thanked for its approach

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Jeff Henton managing director, Rydon Maintenance

Responsive repairs: a changing landscape for housing providers

"Long a source of debate, there has been a resurgence in the number of housing providers looking to insource repairs and maintenance. Arguments favouring insourcing, or using direct labour organisations (DLOs), range from the savings that could be achieved, to improved quality, better flexibility and the desire of residents.

But in a rapidly changing landscape for housing providers, are these benefits genuine and, crucially, are they a silver bullet for all providers, regardless of size?

Outdated methods

Innovation and change in repairs and maintenance outsourcing is needed as the traditional methods of procurement – ie schedule of rates, which encourage contractors to submit the lowest possible bids to secure the deal – are outdated, often micromanaged and simply drive a race to the bottom. These types of contract are not conducive to a long-term, sustainable working relationship and impact the quality of service to the most important stakeholder – the resident and their home.

A number of organisations have pursued the DLO route, some with success, but at a time when housing providers are focused on strategy and diversification, outsourcing repairs and maintenance to an experienced and trusted partner really can help to free up a non-core service resource and confront the changes impacting the sector.

The model of the traditional housing association is evolving rapidly. The 1 per cent rent cut, the extension of right to buy and the move towards starter homes, rather than social housing for rent, have all blurred the lines of what was a reasonably well-defined housing market and have encouraged a shift into private ownership and the private rented sector (PRS).

Outsourcing repairs services can help housing providers focus on bigger challenges

Establishing a DLO from scratch requires a significant amount of financial input and commitment: establishing effective new teams, purchasing and maintaining vehicle fleets as well as HR, technology infrastructure and business planning. Fundamentally these are all distractions from the challenges that rapidly emerging housing policy changes are creating for traditional social housing providers.

Compare this with an established, specialist repairs and maintenance provider, with expert trade staff used to working in sensitive environments, who understand the challenges of maintaining good-quality housing stock and who can partner to work effectively and efficiently. Crucially, selecting the right provider can help housing providers focus on what they do best: providing housing solutions and life opportunities for those who need it.

It's about people

People, whether living in the PRS or affordable rented housing, want good quality, affordable, and well-maintained homes. If a repairs or maintenance service is required, they want it carried out effectively, considerately and right first time. The individual or organisation that provides the service, in large part, does not matter to the resident, so long as the above criteria are met. In many of the contracts we manage, our operatives are so well embedded into the contracts that residents believe it is still the local authority that provides the service.

The changing housing association model provides an ideal opportunity to update the contracts in which repairs and maintenance companies are employed. We should focus on working together to agree procurement models based on shared understanding; where the outsourced partner can be trusted to manage the whole stock, including cyclical and life cycle works, and where the best value can be provided through economies of scale, rather than engaging in battles over prices per tap washer.

Greggs: rising to the challenge of a changing market

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to employee relations throughout a massive transformation programme.

To ensure excellent performance, each team has a one-page document outlining its objectives and how they link to the values and strategy of the business – and that's it! This is what underpins all HR processes and helps everyone focus on the essentials of the business.

Greggs sees a digital offer as a central part of its business model going forward, and one innovation in the pipeline is an app that allows a 'click and collect' service.

Throughout the company's transformation, Greggs has continued to support its local communities and funded 360 school breakfast clubs that have helped to improve children's concentration and ability to learn.

It has also shared 10 per cent of profits with all employees, and offers work experience to people who want to turn their lives around through the Greggs Fresh Start employability programme.

"Each team has a one-page document outlining its objectives and how they link to the values and strategy of the business."

The business is still in its transformation phase but by staying true to its values and checking all actions and activities against these at each step of the way, it has managed to ensure that staff are brought along with the changes, that customers get a better offer, and communities continue to be supported – and all while share prices have risen.

To discuss the issues raised in this article, please email Liz@campbelltickell.com