Innovation – the brave new world?

A research paper on approaches to innovation and best practice among West Midlands housing associations
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- The above organisations also allowed us to use their activities as case studies and examples highlighting innovative and best practice approaches to the new sector environment. Other examples and case studies used have been sourced from publicly available documentation. It is hoped that these case studies and examples will provide learning and inspiration for other associations considering how best to respond to the new challenges facing the housing sector.
2. | Executive summary

2.1. | Introduction

The most successful organisations are those which are willing and able to innovate in times of challenge. Private sector organisations such as UPS, IBM and Google have all had to reinvent themselves in response to unexpected pressures on their business. The ability of an organisation to visualise what it needs to do to remain viable and take the necessary steps to achieve its vision is paramount to its success. This is no different in the housing sector.

The housing sector is facing a host of new pressures and changes, including the 1% rent cut, the reduction in household benefit, changes to development funding and devolution. Brexit has also introduced uncertainty to the operating environment. These new circumstances pose significant challenges for housing associations of all sizes but also provide an opportunity for them to engage in new thinking, creativity and innovation around how to continue to deliver their strategic objectives in an efficient and effective way.

In recognition of this, Altair was commissioned by the NHF West Midlands Regional Committee to undertake research into how associations of all sizes are responding to the new operating environment, specifically in terms of business restructuring, partnership working and funding arrangements. The NHF’s ultimate intention for this research is to proactively highlight innovative and best practice examples to provide inspiration and prompt further thinking among West Midlands housing associations.

Our research comprised of three strands:

- An online survey administered to members of the Committee and to other associations in the wider West Midlands region
- Interviews with key personnel within associations who responded to the survey to gain a deeper understanding of their responses and their approach to the sector
- Ongoing desk-top research into wider sector trends, examples of best practice and out-of-sector examples of innovative approaches

Throughout the report we have included examples and case studies to demonstrate the types of innovation and best practice taking place in the region and the sector more widely.

2.2. | Findings

2.2.1. | Efficiency and savings

As a consequence of the changes and challenges posed by the external operating environment, many associations in the region have concluded that they need to deliver savings ranging from less than 5% of their annual turnover to 30% of annual turnover, with most identifying savings equating to 10-15% of annual turnover. At the same time, organisations are mindful that management and operating costs have been singled out as a potential area for efficiency savings and placed under increasing scrutiny by the Homes and Communities Agency (HCA) in its recent regression analysis (June 2016).

There has also been a shift in the perception of savings and efficiency from being an aspiration that will free up funds for investment into further development or other initiatives, into a necessity that will help
generate the revenue associations now need to remain financially viable.

In the 12 months since Government announced the 1% rent reduction, delivering efficiencies and savings appears to be a key driver for the development of innovation and best practice. We have found that many associations have implemented or have plans to implement changes to their business structures, partnership arrangements and funding arrangements to varying degrees. The findings for each of these areas is summarised below.

2.2.2. | Business restructuring and transformation

Our survey indicates several associations have carried out extensive business restructuring activity in the past 12 months.

The trend towards increasing digitalisation is particularly noteworthy and is an area where a number of innovative and best practice approaches are taking place, including the development of more online and digital processes by organisations such as Orbit, whg and Midland Heart. Associations are also making increased use of their online presence through social networks such as Facebook to engage more directly with their customers. For example, Bromford and Stonewater have adopted particularly interesting ways of approaching customer engagement online.

However, the extent to which channel shift has been implemented has varied and our research indicates that effective digitalisation requires an organisation-wide commitment to avoid unnecessary duplication of processes. It therefore seems to be an area where there are significant opportunities for associations in the region to learn and adopt best practice approaches from other organisations in the sector. There is also potential to learn from out-of-sector organisations such as British Gas and Facebook in the pursuit of such changes.

Other trends in business restructuring are towards staff restructuring, which has seen the consolidation of multiple roles into single multi-skilled posts and a move away from specialised employees to generic workers within some organisations. The latter has led to more innovative approaches to operational service delivery such as Bromford’s ‘Neighbourhood Coach’ model, with other associations planning to adopt generic ‘Property Manager’ roles in the future, drawing inspiration from the private sector.

A number of associations have also concentrated their service offer to tenants on the delivery of contractual obligations required for legal and regulatory compliance.

The adoption of innovative “active asset management” strategies and tools has become widespread, allowing for more dynamic and accurate management of stock, and the more effective strategic disposal of units.

The corporate/governance side of associations’ business has also seen significant change, with a continuing trend towards collapsing group structures, bringing in dormant or underperforming subsidiaries and rationalising group governance structures.

2.2.3. | Partnership arrangements and delivery vehicles

It has been well-documented in the housing press that there has been an increasing trend towards mergers across the sector. However,
our research suggests this trend is not being reflected in the West Midlands and that few associations are intending on engaging in any merger, acquisition or amalgamation activity. The majority of mergers currently occurring are “mega-mergers” between large associations.

In terms of other partnership working options, however, there are a number of innovative and good practice arrangements currently taking place across the West Midlands. For instance, partnerships between whg and Midland Heart, and Fortis Living and Rooftop Housing are of particular interest. A number of other associations are also exploring the potential offered through sharing services.

As this is a key area where associations can achieve significant savings and efficiencies, it is hoped that the numerous examples we have highlighted will increase awareness of the range of partnership options available to associations.

2.2.4. | Funding arrangements

Associations are taking a varied approach to treasury management and funding arrangements in the new sector environment. Our findings suggest that the approach to funding arrangements is not an area that has yet seen significant innovation, partly due to the strong financial position of West Midlands associations providing some insulation from new pressures. However, associations have begun to venture into the bond market in increasing numbers as the availability of government funding becomes increasingly limited.

It is possible that a lack of clarity around the implications of FRS 102 is stymying creativity in this area of associations’ business. There are also risks associated with the generation of too much innovation in this area.

2.2.5. | Conclusions

This research paper was commissioned to provide an opportunity for associations across the West Midlands region to engage in wider thinking around how they can continue to operate and deliver services in an efficient and effective way.

Our findings suggest that, as the full extent of the ramifications of new legislation and other challenges are felt, innovation has begun to spark in the West Midlands and more widely in the housing sector. This is likely to be a process that is accelerated over the coming months and years. In particular we have found particularly interesting and innovative approaches in the region to online engagement, digitalisation, partnership working and re-thinking the way services are delivered to customers.

It is important to note that this innovation and the benefits of further innovation applies to associations of all sizes. This research has incorporated the views and activities of associations of sizes ranging from fewer than two hundred units to the tens of thousands. Many have increased their focus on delivering value for money, and are keen to understand and explore the increased efficiencies that innovative thinking and new approaches can deliver.

It is probable that in the current economic and political climate events will continue to generate challenge to the housing sector in the future. There remain a variety of opportunities to learn and adapt in order to meet these challenges, not only from within the sector but also more widely.
Associations in the West Midlands are already taking steps to equip themselves to thrive in this brave new world; for this to continue apace, organisations should continue to seek further opportunities to share good practice and new innovative ideas.
3. | Introduction

3.1. | Background and context

Adversity breeds innovation. When UPS saw their letter-delivery business being dismantled by the rise of emails and instant online communication, they re-invented themselves as a supply chain and logistics company. IBM completely overhauled their business not once but twice in response to changes in the market, moving from a mainframe manufacturer, to a computer company, to a consultancy with proprietary technology. Google, facing growing competition in markets it had once dominated, invested heavily in diversification, launching a range of different services and products.

The organisations which succeed in times of challenge are the ones which are able to visualise what they need to do to remain successful and take the necessary steps to achieve their vision, no matter how bold. This is no different in the housing sector.

In recent years the housing sector has undergone a period of significant change. In recent months this has continued with the annual 1% social housing rent cut stipulated in the 2015 Summer Budget, with the Conservative government targeting a 12% reduction in average rents by 2020/21. It is estimated that this will reduce social landlords’ annual rental income by £2.3 billion and could reduce the amount of new housing supply.

This direct pressure has been compounded by the Housing and Planning Act 2016, and the Welfare Reform and Work Act 2016. These acts have introduced a reduction in the household benefit cap, the introduction of “pay to stay”, on a voluntary basis for housing associations, voluntary right to buy, de-regulation of the housing sector and freezes to working-age benefits, all of which place additional pressure on social housing tenants and providers of social housing. More recently, the long-term impact of Brexit remains unknown, but it has contributed to general uncertainty for housing providers. A survey of housing association (HA) Chief Executives undertaken by Inside Housing found that 78.4% believe Brexit would have a directly negative impact on their organisations (June 2016). However, this multitude of challenges also presents an opportunity for housing providers to engage in new thinking, creativity and innovation in order to deliver their strategic objectives and secure their long-term financial viability.
3.3. | About the research

In recognition of the current operating context, the NHF West Midlands Regional Committee commissioned Altair to undertake research into the ways in which housing providers in the region are responding to the new operating environment, specifically looking to identify the strengths, weaknesses and learning points of the approaches that have been adopted.

In order to establish a general understanding of the pressures faced by associations in the region, we sought to gain an overview of the level of savings which associations have identified need to be achieved over the next five years in response to the new operating environment. From there, we broke down associations’ approaches to three key areas where there is potential for innovation in response to new sector pressures: business restructuring, partnerships and delivery vehicles, and funding arrangements. This has allowed us to identify general trends and specific examples of innovation and best practice among West Midlands housing associations.

The overall objectives of the research are to proactively share good practice and thinking across the West Midlands in these three areas, and to allow Regional Committee members and associations across the region to engage in wider thinking among their boards and executive teams around how they can continue to operate and deliver services in an efficient and effective way.

As per the brief and scope of this project, our research has been largely focused on West Midlands housing associations; however, we have set our findings in the context of wider sector trends where possible. We have also included out-of-sector examples to provide a more complete picture of the options available to associations as they seek to remain viable and efficient.

This report contains our findings from the research. It comprises a summary of our approach, a thematic analysis of our findings and the conclusions which we have drawn from the project.
4. Approach

In order to ensure the appropriate blend of individual examples and examination of broader sector trends, the information presented in this report has been gathered in three key ways:

**Online survey**

In co-ordination with the Regional Committee, we designed and administered an online survey to Committee members to explore their past, present and planned approaches to business restructuring, financial arrangements, partnerships and delivery vehicles, with a view to identifying examples of best practice and innovation.

**Interviews**

Alongside and following the survey, we interviewed the chief executives or directors of eight West Midlands associations to explore a number of areas of interest which were identified either from their survey responses or from their organisations’ financial statements, value for money statements and strategies.

**Research**

Research was undertaken throughout the project to identify wider sector trends and examples of associations’ approaches to the new operating environment. This research drew upon existing reports, sector press, examination of associations’ corporate documentation and out-of-sector examples.

We then reviewed and triangulated all of the key outputs from the above sources in order to produce our key findings. We have included case studies throughout this report to provide specific illustrations of the ways in which organisations have approached various aspects of their business. The intention is to provide other associations with a picture of what sort of activity is being undertaken both within and beyond the housing sector, giving them a starting point for further innovation and creative thinking.
Our survey received full responses from senior personnel within fifteen West Midlands housing associations – which represents an approximate response rate of 15% for the region.

The size of respondents’ associations ranged from fewer than two hundred homes to approximately forty thousand.

Together, the respondents’ associations own and manage over two hundred thousand homes.

Following the survey, we interviewed eight of these respondents to gain a deeper understanding of their approach to the new operating environment.

The fifteen associations who provided complete responses to our survey were a diverse range of organisations providing a variety of services, from traditional affordable housing to a full social offer including careers coaching and other customer and community engagement offerings.

While we are confident that our survey findings can be generalised to the wider region and sector given the diversity and number of our respondents, we have ensured that our findings are checked against wider research in order to facilitate as accurate an understanding of the current state of the sector as possible.

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1 In addition to the fifteen completed responses which we received, a small number of incomplete surveys were also submitted. The information from these surveys has been incorporated into this report where possible.
5. | Findings

5.1. | Efficiency and savings

The need to pursue greater levels of savings and efficiency is not a new trend in the sector. However, changes in the operating environment have increased the importance of delivering efficiencies. Associations have identified savings targets for the next five years ranging from a few hundred thousand to the multi-millions, with savings often constituting a high percentage of their turnover (see Figure 1).

The Homes and Communities Agency (HCA) has recently highlighted in its regression analysis (June 2016) that a significant area for potential savings is operating and management costs. It found that there is significant variance among associations’ unit costs; around fifty percent of this variation cannot be explained by observable factors. Associations are therefore conscious of the need to deliver more efficient services and find savings within their operational activities.

Our research indicates that associations have identified a wide range of means to achieve efficiencies in order to deliver these savings in the future, while some associations in the region have already made changes to their approach to contribute towards obtaining these outcomes in the past year.

Our survey responses indicate that business transformation, procurement and overheads are the most frequently specified means for delivering efficiencies and savings (see Figure 2). Meanwhile, partnerships and collaboration, and mergers and acquisitions are the least prevalently identified areas.

Associations are taking a wide variety of interesting and innovative approaches to these areas of their businesses in order to achieve their savings and efficiencies targets. Business structures, partnership arrangements and funding structures are all being adapted in light of the new operating environment. The following sections of this report will explore each of these areas in greater depth.
5.2. | Business restructuring and transformation

As mentioned earlier, changes in the operating environment have cast the pursuit of efficiency and savings in a new light. It is no longer an aspiration that will free up funds for further investment into associations’ business; it is a process necessary for the very survival of some associations. This is a sentiment expressed by a number of our survey respondents and interviewees, and echoed by a number of associations’ financial and value for money statements, with associations of all sizes being affected.

Our survey results and research suggest that this shift in perception has been borne out in West Midlands associations’ past restructuring and transformation activity, with restructuring and transformation widespread across the region in 2014/15 and 2015/16.

There are a number of associations that are currently embarking upon restructuring and transformation programmes; however, a significant number of our survey respondents indicate that they do not have any major business restructuring or transformation planned for 2016/17. This appears to be...
because they have already undergone restructuring and transformation programmes in the recent past.

As noted in the previous section, a number of associations identify business transformation, changes to service delivery and staffing as some of the main changes being enacted by their organisations. We have categorised findings related to these areas into two sections; operational restructuring and transformation, and corporate/governance restructuring.

5.2.1. Operational restructuring and transformation

For many associations, rethinking their service delivery and operational structures has been the first port of call in the pursuit of savings and efficiencies. In some cases, this has led to extensive business transformation, with associations making fundamental changes to their structure, service delivery methods and processes.

Digitalisation and channel shift

One of the most prevalent forms of operational restructuring uncovered throughout this project has been digitalisation: the move away from traditional processes and face-to-face or phone-based contact towards online IT-based alternatives. A high proportion of our survey respondents (including five of our eight interviewees) indicate that their associations are currently (or are planning to be) involved in digitalisation programmes. The bulk of digitalisation activity which we have identified has centred around reporting repairs and general engagement with residents.

This trend is not limited to the housing sector; globally, it is estimated that digitalisation has created 19 million jobs and contributed over £3 billion to economic growth over the past two years alone. It has also led to significant disruption of established industries; Uber and Amazon are two prominent examples, redefining the landscape of the taxi and shopping industries respectively. Other digital advances such as the rise of digital payments, remote monitoring and sophisticated analytics software have all contributed to a global expansion of possibilities in terms of service delivery.

Associations are making increased use of their online presence through social networks

Case Study 1 – British Gas and digitalisation

Finding its long-standing business model under threat from small, lean and efficient digital start-ups, British Gas resolved to radically modernise its way of doing business.

The foundation of this modernisation was the creation of the Connected Homes business unit, which became a hub of innovation with senior support which was largely independent from British Gas’ existing back-office functions. Leading tech talent was recruited from outside the organisation and a raft of new products were developed and launched, primarily the Hive Active Heating app which enables central heating control via smartphone, PC or tablet; and the British Gas Smart Energy Report, an analytics software tool which enables customers to understand their energy use.

This digitalisation has been extensive – nearly 100,000 customers use Hive. It isn’t stopping there either – Connected Homes’ next goal is to add the millions of boilers in the UK to the “Internet of Things”, allowing customers an even greater level of control from their mobile devices.
such as Facebook to engage more directly with their customers. Bromford has particularly harnessed its Facebook networks to resolve customer complaints and neighbourhood issues more effectively. It has also built the “Connect” social network to allow its customers to explore personal development, skills and career opportunities in a social environment while also building customers’ digital capabilities. Bromford intends to grow its online offering by introducing online customer accounts which enable access to information and interactions on a wide variety of areas including tenancy, rent and repairs, in addition to reporting ASB issues and getting help with moving home.

Stonewater have also moved away from the more traditional channels of communication to using a digital platform. They hold virtual meetings using Yammer and have introduced a new customer forum called The Customer HUBB (Help Us Be Better). This forum is designed to engage with customers outside of their normal working hours, aiming to create a virtual community/newsletter. These methods of involvement are part of the organisation’s wider drive to become digital by default, deliver better value for money and engage with a wider audience to help shape and influence services.

Associations are also tapping into the meteoric rise of smartphone usage, with smartphones overtaking laptops as the most-used device for getting online in mid-2015, and 29% of social housing tenants now having smartphone access. For example, whg have launched the free “My Landlord” app to allow tenants of the association’s circa 18,000 homes to access services from their phone or tablet.

Associations such as Orbit have also invested in innovative online “live chat” services which allow customers to have direct online conversations with employees to support a more personalised and efficient way of delivering customer service. This service has led to the proportion of Orbit’s transactions taking place online rising from circa 5% in 2013 to 20% in the most recent quarter.

At the other end of the online messaging spectrum, a range of out-of-sector companies such as Barclays and Facebook have begun introducing “chatbots”, increasingly sophisticated artificial intelligence

Case Study 2 – Aviva and gamification

Struggling with a general public perception that insurance simply isn’t interesting enough to warrant much thought, Aviva turned to digitalisation and specifically “gamification” – introducing game-like elements to service delivery – to improve customer engagement.

Aviva developed its free “Drive” app, which monitors users’ driving skills. Users receive a driving score out of 10, with safer drivers who score highly enough standing to save an average of £150 on their car insurance. In addition to the “competitive safe driving” encouraged by the app (drivers can compare their score against the national average as well as their friends), drivers can complete specific tasks to collect “badges”, marks of achievement which they can collect.

The app has seen significant uptake, and now has over 100,000 users. Aviva’s chief digital officer Andrew Brem says “the reason I think that it is so powerful is because it’s not a do-goody instructional thing; it’s actually in effect a game. Everyone thinks they drive well and everyone thinks they drive better than their mates".
programmes that simulate human conversation and are able to assist customers and users with basic issues, often with much faster response times than human representatives. Facebook is a particular champion of this approach; its Messenger service now hosts over 11,000 different “chatbots”. Others have also adopted innovative apps in order to increase engagement amongst their customers, through techniques such as gamification (see Case Study 2).

We have found that for several organisations much of this digitalisation is in the early stages of development; a number of associations have set ambitious targets for digitalisation (e.g. moving 75% of customer-facing processes online) and are looking at out-of-sector examples such as British Gas (see Case Study 1) for guidance on how to maximise their customers’ use of online services.

Digitalisation offers benefits internally as well as for customers. East Lothian Housing Association (ELHA) was one of the earliest adopters of digital processes, and has implemented increasingly advanced digital systems since it first began its path to full digitalisation in 2008. An example of this is ELHA’s Dynamic Resource Scheduling (DRS) software, which removes the necessity for manual intervention from all stages of the repairs booking process and automatically schedules visits for available and appropriate tradespeople, resulting in a quicker and easier process for both the customer and for ELHA.

A more local example of the benefits that digitalisation can provide internally is Midland Heart, whose Property Care maintenance team were shortlisted for the “Most Innovative In-House Repairs Contractor” award at the 2016 Housing Innovation Awards for their use of modern repair scheduling systems and mobile technology, which has improved both customer satisfaction and driven efficiency and savings within Midland Heart.

The benefits offered by digitalisation are extensive; reduced resource requirements, more streamlined services and the potential of moving away from large, cumbersome contact centres all offer the possibility to extensive savings and efficiencies. Despite the advantages offered by digitalisation, there are considerable challenges and

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**Case Study 3: Halton Housing Trust**

In response to the welfare reform changes currently impacting the sector, Halton embarked on a far-reaching digital transformation project, centred around its “Digital First” strategy, the central objective of which is for 90% of Halton’s customers to access the association’s services via a digital self-service route by 2018.

Halton addressed the issue of internet availability by partnering with O2 Telefonica to provide assistance to customers without Internet access to get online – a service Halton is now offering to other associations.

Among the wide array of digital services which Halton has introduced is an online chat service, an app, digital self-service points at offices (accompanied by a reduction in “in person” reception opening times) and the migration of a host of services online including ASB reporting, rent payments and repairs.

This has resulted in significant savings possibilities for Halton: transaction costs drop from £15 for serving a customer in-person to £0.90 via the app, resulting in the potential for the realisation of £2.4m efficiency savings.
barriers to entry to associations wishing to adopt this approach.

In some cases, associations who have implemented digital processes have found that they have duplicated existing work, with the digital process becoming an additional step in an existing process (for example, by generating an email that will require further manual interventions from officers) rather than removing the need for manual interventions by staff and automating ways of doing business. Others have moved a limited number of processes online, focusing on fairly transactional areas. For example, at some associations customers can pay their rent online but cannot check the status of their account; others can report a repair but cannot track its progress.

To avoid the risk of creating inefficient ways of working and for digitalisation to be effective, our research suggests it needs to be a far-reaching shift, accompanied by appropriate changes to culture, processes, policies and procedures, etc. An example of an association who has taken this approach is Halton Housing Trust (Halton), who have implemented an ambitious "Digital First" strategy (see Case Study 3).

A potential barrier to entry is how receptive some residents, particularly those who are more vulnerable, will be to a new, more technology-based approach. While this is a legitimate concern, organisations who have successfully implemented digital programmes have also developed intelligent approaches to using customer insight and segmentation to target support and digital inclusion activities towards those customers who need more help getting online. For example, Longhurst Group (Longhurst) have implemented a solution which facilitates automated digital communications and campaigns. This has been combined with an enterprise management solution which builds detailed profiles of each tenant, ultimately allowing Longhurst to predict tenants’ needs before they arise and target these tenants with personalised and timely communications in order to encourage them to engage with Longhurst’s online services.

A more pressing barrier perceived by those who took part in the interviews and survey is the monopoly which large IT companies hold over the sector, allowing them to increase prices to levels which may be beyond the reach of some associations. However, we are aware of some organisations who have been able to work with their current providers to adapt their existing software to give the required functionality to deliver and implement their digital programmes, without the need to re-procure and buy new systems.

There are concerns that the decline in face-to-face and phone-based contact may damage the "personal touch" of associations, but in the current operating environment it is becoming increasingly recognised by associations that it is vital to ensure that the services which they deliver to their customers are as efficient as possible in order to deliver against ambitious savings targets. Moreover, digital interaction is fast becoming the preferred method of contact in the modern age, and if implemented properly can offer customers faster, easier and more effective customer service.

**Staff restructuring and service delivery**

Internal staff restructuring and redefining staff roles has been identified as a means to achieve savings and efficiency by a large number of housing associations, such as Staffordshire Housing Group (Staffordshire HG), with eleven of our fifteen survey respondents indicating that they had...
undertaken it in the past year and nine indicating that they are planning to undertake such restructuring this year (see Figures 3 and 4). For example, Pioneer Group has identified between £1-2m in savings from such initiatives out of a turnover of £12m.

Specific staff restructuring measures ranged from consolidating the responsibilities of multiple roles into a single post to fundamentally changing the roles of large numbers of staff.

This is in line with earlier sector research pieces such as “New era, changing role for housing officers” (June 2014), within which Wheatley Group and the Chartered Institute of Housing (CIH) predicted a fundamental shift in the role of housing officers away from specialised roles bounded by processes and procedures and towards a broader range of skills enabling a more tailored approach to tenants’ issues.

This move has begun to gain traction in the West Midlands. A regional association (which wishes to remain anonymous) is moving away from specialised employees to a generic “Property Manager” role made up of multi-skilled caseworkers, combining this with smaller patch sizes to enable these employees to establish genuine relationships with the residents within their area of responsibility. This is a model based on the private sector, specifically residential landlords and property management companies such as Grainger Plc who direct their tenants to a single point of contact for the majority of enquiries. The association intends for this new Property Manager role and the smaller patch sizes to enable proactive resolution of tenants’ problems. The aim is to reduce the amount of time spent going through lengthy processes and multiple operatives by empowering the Property Manager to resolve as many issues as possible at the first point of contact.

Another example is Trident Social Investment Group (Trident), which discontinued its Housing Officer role in favour of Tenant Support Officers, who in addition to traditional housing officer skills also possessed skills in care and support. This was in recognition of the increasing vulnerability of Trident’s residents and the need to support them towards self-sufficiency via officers with a broader skill-set.

Bromford has created a multi-skilled Neighbourhood Coach role to provide a single point of contact for customers, reduce handovers to specialists and enable the creation of a highly personal, enabling relationship with customers. This relationship focuses on customers’ aspirations, addresses barriers and identifies opportunities for customers to build networks.

The Neighbourhood Coach role will deliver the Bromford Deal across all tenures in a more intensive way, being accompanied by a substantial reduction in patch size from c500 homes to c175 customers/households. The role includes highly developed coaching skills as well as generic responsibility for business areas such as income control. Bromford is investing in 150 Neighbourhood Coaches in six locality teams. Pilots have indicated the potential for significant business return in areas such as improved rent collection and reduced repairs demand, as well as considerable social value returns on investment over the next five years.
Another example of an association which has transformed its approach to housing management is Bromford, which has taken an innovative approach to housing management by developing a new ‘Neighbourhood Coach’ role based on the principles of proactive coaching interventions to enable customers to be more in control of their lives and aspirations, stretching well beyond housing. This has been coupled with the association’s well-established ‘Bromford Deal’, a service philosophy based on a high levels of trust being embedded in customer relationships.

Associations are also engaging in new thinking around how to maximise the efficiency of the internal resources they have at their disposal. This has led to increasing use of customer insight and data to inform patch sizes, understand priority areas for work as well as creating profiles for specific projects. For example, Orbit is developing a resource model for their housing management which allows them to direct their resources into the right areas. Orbit has managed growth of around 4% per year in stock terms by absorbing new homes into existing teams and is now exploring a more scientific approach.

Similarly, an out-of-sector example of good practice is the Greater Manchester Police who have worked with the London School of Economics (LSE) to use ‘place-based data’ to map out crime hot spots and look at where crimes are likely to happen. It has been suggested that this has enabled them to develop more cost-effective, dynamic and smarter policing to ensure that supply accurately reflects demand.

Others have also utilised mobile technology, such as Staffordshire Housing Group (Staffordshire), which has continued to invest in technology to create efficiencies through ICT initiatives to improve the use of mobile technology and virtual teams. This has enabled Staffordshire to deliver a countywide home Improvement Agency (HIA) service where staff can maximise time spent with customers without taking on additional office resource.

**Service offering**

Alongside the aforementioned methods associations have developed to preserve or improve their service offer while cutting costs, a number of associations have instead taken a different approach, paring down their offering to cut costs directly.

A much-publicised example of an organisation totally reconsidering its service offer is Richmond Housing Partnership (RHP), an 8,500-unit association which in April 2016 launched an entirely new way of doing business. It now offers tenants a five-year fixed contract on homes, during which time it conducts essential repairs but leaves all other responsibilities to the tenant. Should the tenant carry out their responsibilities in full, they will receive £1,000 cashback at the end of the five-year period. RHP also offers employment coaching during this time to assist the 60% of its customers who are unemployed.

This approach allows RHP to minimise its maintenance work while properties are occupied and has estimated that its new approach will allow it to cut its operating costs by 15% over the next three years and reduce the volume of responsive repairs by 25%.

The Riverside Group (Riverside) is another example of an organisation which has rethought its service offer and cut costs. It
has introduced regular “property MOTs” (scheduled reviews of a property’s condition) to identify any repair work that needs doing; any repair work that is needed urgently between these “MOTs” becomes the tenant’s responsibility. The Group’s 2015/16 Business Plan identified over £1m of savings to be achieved in this way. Riverside has also introduced a “repairs reduction team”, which filter the repairs requests being sent through to operatives and pruning any that are not Riverside’s responsibility.

More locally, Aspire Housing (Aspire) undertook a comprehensive review of their business plan in 2015 following the announcement of the 1% rent cut, which they have forecast will reduce revenue by £1.2m in the first year and by over £5m by 2019/20. In response to this, their VfM self-assessment statement stipulates that “we have now been required to establish new efficiency targets…which, amongst other things, will require us to cease most activities that are not required by legislation or regulation”.

Other associations have instead developed incentive schemes, such as Moat, which offers residents the ‘Moat Promise’, a two-way pledge between Moat and its residents, encouraging a healthier culture of partnership working, independence and community cohesion.

Through a tiered service system, the Moat Promise encourages residents to keep their rent accounts clear, avoid involvement in anti-social behaviour and engage with staff when necessary. Moat offer three-, four- and five-star services, meaning that repairs that are not classified as essential under health and safety rules will not be carried out for certain residents. Five-star membership offers enhanced services to residents who meet the eligibility criteria, such as evening and weekend repairs appointments.

This shift towards an extensively stripped-down service offer, or more tiered service systems, appears to represent one of the key innovative approaches currently being undertaken in the sector in order to adapt to the current operating environment. For those embarking on this approach, it is also hoped that these changes will also encourage independence among tenants by reducing their dependency on additional services offered by their landlord. However, associations need to ensure they provide their vulnerable tenants with the support they need to sustain their tenancies.

**Overheads**

Overheads are ongoing business expenses which are not direct labour costs, material costs or costs which can be billed directly to customers; essentially, the cost of doing business.

Our research suggests that savings on overheads have been predominantly achieved by associations in the region through office relocation and centralisation. There has been a long-term trend in the sector of associations moving away from small offices scattered throughout their areas of operation to a single centralised headquarters, and this appears to have gained traction among those who had not already undergone an office rationalisation programme. This is frequently combined with the aforementioned enhancement of digital services, allowing associations to reduce the cost of operating in specific areas.

Local authorities have been particular champions of office rationalisation, with councils across the UK modernising and
consolidating their offices in recent times in order to cut costs and establish a centralised physical point of contact for the areas which they serve.

An example of a West Midlands Association which has taken a similar approach is WM Housing Group (WM). As part of its transformation programme WM has completed process reviews and group-wide restructuring, implemented a new housing management system and enhanced its customer service centre. As a group with a long history of alliances and acquisitions, WM found that it had a number of local offices in close proximity to each other. In response to this and as part of its ongoing “Journey to Excellence” transformation and efficiency project, WM centralised its corporate services into one headquarters and reduced the number of local housing offices from 9 to 4 in September 2015. The group expects to recoup the £3 million cost of this project in efficiency savings by 2021.

Another example is Sanctuary Housing (Sanctuary), which has delivered a Housing Transformation Programme and has reported in its value for money self-assessment (2015/16) that it is achieving targeted savings £2.7 million per year as a result. The programme includes a combination of staff restructuring, centralisation of processes and improved ways of working between regions. This has led to a cost per unit decrease to £623 per annum, compared to a sector average of £751.

**Active asset management**

One of the major trends which we have identified throughout this project is that of associations taking a more intelligent and proactive approach to asset management so that organisations ensure that they are responsive to the reality of their stock condition.

Several interviewees reference the need to “sweat” existing assets in order to maximise their internal revenue generation in response to increased pressures on income. This is a trend that has been ongoing for a number of years as associations have moved away from “rip and replace” methods to a smarter, more commercially-minded approach. This comes at a time when the HCA has identified that although historically organisations have often struggled the most with demonstrating the return on their assets in their annual VfM self-assessment statements, there has been somewhat more comprehensive reporting over the past three years.

Having an intelligent approach to knowing and understanding stock is becoming an area where there are increasingly innovative and interesting approaches being taken by HAs in order to ensure they are able to improve the analysis of the performance of their assets. This includes developing more sophisticated approaches to inform decisions on maintenance, capital investment or stock disposals.

One of the primary methods of achieving this has been through the adoption of “active asset management” tools. These tools generally supplement standard net present value (NPV) measures by allowing for dynamic tracking and geo-mapping, enabling
associations to intelligently target unprofitable assets. This includes setting out national and local factors influencing performance (such as demand or deprivation) as well as social, environmental and local economic returns.

An example of good use of active asset management is Notting Hill Housing, who continually review their stock and sell their older, expensive properties in order to subsidise the purchase of more efficient, larger homes in cheaper areas. In 2014, this amounted to the sale of 16 properties subsidising the purchase of 102 affordable rent homes.

Another example of active asset management also demonstrates the value of interdepartmental working to achieve efficiencies. An association revamped their approach to their stock by working with their Finance department to rank each property in order of performance. This was calculated by incorporating a variety of measures including customer satisfaction, volume of repairs calls and overall cost. The rank of each property subsequently fed into later considerations around stock rationalisation, investment and voids. This example demonstrates that there is also an increasing recognition that decision-making and awareness around active asset management should be embedded throughout an organisation not just in associations’ property teams. This means that all members of staff are therefore engaged in managing homes in the best interests of the business.

As demonstrated above, the enhanced ability of associations to identify underperforming assets has led to a rise in the disposal of stock. While this has been a part of housing association financing for some time, numerous associations are predicting an increase in such disposals. For example, Accord Group (Accord) are targeting £25m of income from “strategic sale of stock” and Orbit have already raised over £15m in this way.

The importance of ensuring that organisations are able to actively review their asset performance looks set to grow in the future; for example, it will be necessary to use tools and information from assets and liabilities registers to identify the likelihood of a property being subject to an association’s Voluntary Right to Buy policy.

Case Study 5 - Fortis Living governance restructure

In its 2014/15 Annual Report Fortis Living identified the need to “create a robust business that is fit for the future, best placed to cope with the changing pressures of the economy and the housing market, and equipped to deliver excellent services for our customers”.

To this end, Fortis established a coterminous board to govern the activities of two asset-holding RPs in its group structure, Festival Housing and Worcester Community Housing, in addition to Fortis Living itself. This has been accompanied by the introduction of a new Customer and Communities Panel which offers additional scrutiny of services and influences strategy decisions.

These governance changes have helped Fortis to remain on target to deliver its planned merger savings of £3m by 2017/18, and has supported the association to secure the Group’s G1V1 rating with the HCA.
5.2.2. Corporate/governance restructuring

Corporate/governance restructuring was another trend identified through our research. Seven of our fifteen survey respondents indicate that they have undertaken such changes in the past year, although only two state that they have such activity planned for the coming year.

**Group structures**

Group structures have been adopted by associations in order to ensure that services can remain tailored to communities. However, group structures are the aspect of governance that have been most frequently adapted by associations in recent times, with many citing the need for greater control and value for money as reasons for doing so. Associations who took part in the research have taken a varied approach to group restructuring, with associations both adding to and reducing their group structures, with reductions appearing slightly more prevalently.

This is in line with long-term trends; associations have previously created or expanded existing group structures in response to the need to diversify in terms of geography and activity, with reductions and simplifications to structures subsequently being implemented in order to ensure effective control of subsidiaries and to drive out unnecessary complexity from group structures, in line with the HCA-sponsored “With the benefit of hindsight” report (June 2015).

Such collapses can be accompanied by the formation of a “virtual” board to avoid one of the primary barriers to associations looking to collapse their group structures: the need to obtain funder consent, which often triggers loan book repricing and other charges from lenders. This allows associations to move to simpler structures and achieve savings while retaining the separate legal status of their subsidiaries.

Two recent high-profile examples of associations collapsing group structures to achieve efficiency are Circle and Network. Circle confirmed its intention to collapse its group structure and move towards a single RP structure in December 2015 in a bid to become more efficient. Network Housing Group (Network) completed a similar collapse in May 2016, becoming a single RP named Network Homes. Network believes that this new structure will allow it to save £1m a year, rising to £2m by 2020/21.

Similarly, Together Housing Group, a 36,000-home association, also announced in April 2016 that it too would be collapsing its group structure in order to save money and support the government in its drive to build more new homes.
5.3. | Partnership arrangements and delivery vehicles

Partnership arrangements and shared delivery vehicles present an intriguing option for housing associations seeking to lower their costs while maintaining their service offering. Our survey and research have explored associations' approaches to a number of partnership arrangements, which are briefly explained opposite.

There is a degree of wariness surrounding partnership working in comparison to other methods of pursuing efficiency, with eight of our fifteen survey respondents stating that they are not currently involved in any such arrangements and seven that they had no plans to engage in partnership working over the coming year (see Figure 6).

Despite this, almost all of our interviewees state that they are “open for business” as far as partnership working is concerned; which represents a continuation of long-term interest in partnership working among housing associations, with a 2014 survey indicating that 46% of housing association chief executives believed that the benefits of closer partnership working outweighed any risks.

Our research has identified several reasons behind this apparent contradiction. Chief among them is the view that, given the current sector climate, associations must be certain that any partnership arrangements are in their best interests and ensure the association retains its autonomy.

Despite these concerns, however, there are numerous examples of successful partnership working both within the West Midlands and across the wider sector. A number of these examples have been included as case studies in order to illustrate the range of options available to associations and to quantify the benefits that have been achieved through such arrangements.

The forms of partnership working that have gained the most traction in the sector so far appear to be those at the far end of the spectrum, including mergers, acquisitions and amalgamations. Procurement consortia also appear to be seeing increased usage as more associations realise the potential

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**Partnership arrangements**

**Merger, acquisition and amalgamation** – two or more organisations becoming one, either by mutual agreement or by one buying the other

**Strategic alliance** – an agreement by which two or more organisations pursue a single set of objectives while remaining independent

**Joint venture** – an agreement by which two or more organisations pool their resources to accomplish a specific task

**Cost-sharing vehicle** – a company set up for the purpose of providing goods or services more cheaply than the owning organisation(s) would be able to otherwise, for example due to tax exemptions

**Consortium** – a group of organisations that negotiate with external service providers as a group to secure better prices
savings that can be delivered through such arrangements.

5.3.1. Merger, acquisition and amalgamation

As alluded to earlier, trends around mergers, acquisitions and amalgamations appear to have moved in an unexpected direction. “Mega-mergers” between large housing associations have become common, with mergers currently being negotiated across the sector amounting to approximately 25% of the total stock owned and managed by housing associations in the UK.

The key driver behind these mergers appears to be the 1% rent cut, with a recent survey of housing association chief executives indicating that a third of chief executives believe that their associations will be more likely to consider a merger given the cut.

The potential economies of scale are also tempting. For example, Affinity Sutton and Circle have stated that their planned merger would allow them to build 20,000 homes in five years; similarly, and although one organisation has since pulled out of the planned merger, L&Q, Hyde and East Thames stated that they believed their planned merger would give the new organisation the ability to deliver 100,000 homes over the next ten years.

It is important to note that the trend towards mergers is not just limited to the sector’s “super-big” associations. Smaller pairings such as Octavia and Ducane in London (owning fewer than 5,000 homes between them), and Bernicia Group and Four Housing (owning approximately 14,000 homes between them) have either merged or are planning to merge.

In terms of planned mergers, acquisitions and amalgamations, there are some recent examples of similar activity in the West Midlands. Accord, Bromford and Stonewater have all been involved in such activities in recent times. Currently two of our survey respondents are planning on making acquisitions in the coming year, and one on taking part in an amalgamation.

The organisations which have been involved in mergers are predicting significant efficiency savings as a result: £38m over ten years for Stonewater (in addition to £5.9m annual savings after implementation costs),
for example. Stonewater is also planning on taking advantage of the new economies of scale its size has granted it by launching in-house training schemes, reducing the size of its executive group, increasing its gearing ratios and improving its income recovery techniques.

5.3.2. | Strategic alliance

Strategic alliances were the most prevalent form of partnership arrangement that our survey respondents had either engaged in over the past year (three respondents) or have planned for the coming year (three respondents).

An example of a public sector strategic alliance is the North East London Strategic Alliance (NELSA). NELSA is a politically-led organisation comprising of six local authorities based in the region. Its aim is to develop a unified vision for North East London as a whole and to provide the strategic leadership to ensure that the potential of the sub-region is realised, with a particular view to securing the delivery of new homes, jobs, improved skills and better public services.

Another example is a new partnership between LoCaL Homes (LoCaL) and Halton Housing Trust (Halton). LoCaL, part of the Accord Group, is an innovative offsite manufacturing hub which produces high-quality, sustainable low-carbon housing. LoCaL has partnered with Halton to deliver a £500,000 four-home pilot scheme to demonstrate the enhanced speed of housing delivery that can be achieved through manufacturing homes off-site.

In the West Midlands, housing associations from across the region have very recently formed a new partnership to engage and support the new devolved authority to deliver thousands of new homes and other related areas such as health and wellbeing (see Case Study 6). This represents a promising and proactive example of a regional strategic alliance that is well-placed to work with others, including local authorities and other partners, to deliver the best housing solutions in their communities.

Although respondents to our survey indicate they were not involved in any partnership arrangements last year, several of our survey and interview respondents also indicate that

**Case Study 6 – West Midlands Housing Partnership**

The West Midlands Housing Association Partnership (WMHAP) represents a new partnership for housing associations across the region which will help support the West Midlands Combined Authority to deliver its social and economic aims, through housing and related activities such as employment and health.

The partnership represents HAs with 120,000 homes in the core authority area and members include: WMHG, Orbit, Midland Heart, Walsall Housing Group, Bromford, Accord, Wrekin HT, Pioneer Group, Black Country Housing Group, Sanctuary, Friendship Care and Housing and Waterloo Housing Group. WMHAP is also approaching all HAs in the region to seek further support.

Partnership Chair Kevin Rodgers, Chief Executive of WM Group, said: “We have a powerful and unprecedented commitment to collectively engage the new authority in discussion about how we can help inform and then deliver its ambitions for housing in the region.”
strategic alliances are an ambition for the future.

5.3.3. | Joint ventures
The composition of joint ventures has shifted over the past few years, particularly ventures centring on development. Single-site joint ventures have fallen out of favour, replaced by “serial joint ventures”, with associations establishing development companies to deliver developments on multiple sites.

Companies such as Galliford Try (Galliford) have become extensively involved in these kind of ventures; Galliford currently has joint ventures with Thames Valley, Spectrum, Aster and Affinity Sutton, among others, providing it with a joint venture turnover of approximately £2.5bn and involvement in the development of around 9,000 homes. Another recent example of a joint venture is L&Q and Trafford Housing Trust (see Case Study 7) who have developed a partnership to deliver 2,000 homes in the North West region.

Such joint ventures provide associations with the opportunity to drive efficiencies and allow associations to build a clearer vision of their future housing supply.

5.3.4. | Cost-sharing vehicles
Cost-sharing vehicles (CSVs) were one of the least popular forms of partnership arrangement among the associations we surveyed, with only one indicating that they were currently involved in a cost sharing vehicle and none stating that they were intending to create one.

The association which responded affirmatively is Fortis Living (Fortis), whose subsidiary Fortis Property Care, a cost-sharing vehicle, maintains all of Fortis Living’s properties and also carries out repairs and maintenance work for Rooftop Housing Group (Rooftop), an arrangement that has been in place since October 2013. This partnership enables both organisations to take advantage of economies of scale, with Fortis maximising the value for money of its subsidiary and Rooftop achieving savings on its repairs responsibilities.

In addition to Fortis Property Care, there are examples of such vehicles being established successfully in the wider sector. In July 2016 Case Study 7 – L&Q and Trafford Housing Trust’s joint venture

L&Q and Trafford Housing Trust (a Manchester-based provider) have recently announced a partnership to deliver 2,000 new homes across Greater Manchester and the North West over the next four years. This partnership will pool the two organisations’ financial capacity and expertise, allowing both organisations to deliver houses more quickly than they would be able to individually.

Initially, the joint venture aims to develop 500 homes a year and will require each partner to invest around £80m over a four-year period. The project will combine L&Q’s financial capacity and development expertise with Trafford’s financial strength and local knowledge.

This venture marks L&Q’s first partnership arrangement outside of the South East, demonstrating how associations are increasingly looking to diversify not only in terms of their service offering and development strategy, but also their geographical areas of operation.
Byker Community Trust (Byker) and Isos Housing Group (Isos) set up Isos Complete Support to deliver grounds maintenance, environmental services, repairs and maintenance, income management, and sheltered housing on behalf of Byker. This vehicle is especially relevant to current thinking around partnership arrangements given the disparity in Byker and Isos’ sizes: 1,800 units and 17,000 units respectively. Isos also set up another CSV with Two Castles Housing Association last year to deliver heating services.

The primary benefit of CSVs is that they allow both organisations to save money on VAT. Moreover, organisations involved typically supply services to their members at cheaper “open book costs”. These savings are also achieved without damaging service quality.

In addition to the aforementioned concerns about autonomy and wariness of larger organisations, one of the principal barriers to entry to further CSVs among associations is the extensive amount of groundwork that goes into such ventures, with partners essentially having to conduct due diligence on each other, as they would for a merger.

Partnerships are perceived as more formal and binding than contracts, leading to the insistence among associations that they are completely satisfied that any potential partnerships are in their best interests before embarking on any such projects.

5.3.5. Consortia

The most prevalent form of consortia are procurement consortia, generating savings by combining the collective purchasing power of multiple associations. These consortia have grown steadily and some are now of a significant size, such as Procurement for Housing (850 members) and the Northern Housing Consortium (over 300 members). There are also a number of smaller, more regional consortia such as the South East Consortium and, more locally, the Central Housing Investment Consortium (CHIC).

The use of these consortia has been accompanied by a “smarter” approach to procurement in general. Procurement management systems such as Orbit Group’s “Spend Smart” and “Procurement Hub” databases enable associations to consolidate their suppliers and achieve economies of scale. Sanctuary has also been driving cost

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Case Study 8 – Midland Heart and whg

Midland Heart and whg have recently joined forces with Buy for Good (a community interest company and subsidiary of whg) to procure a framework for the delivery of legal services. The agreement has been developed to cover a range of lots from corporate governance through to property, development and construction.

The framework is OJEU-compliant and available to both housing organisations and other public bodies. As part of the tender process all of the legal companies who were approached were invited to deliver additional social value initiatives as part of the contract.

It is envisaged that the framework will be simple, fast and cost-effective. It will enable the delivery of high-quality legal services and significant savings. The new framework will be implemented in July 2016 and runs for two years, with the option to extend for two further years up to the end of June 2020.

Gary Fulford, Group Chief Executive, whg, said: “We are extremely pleased that we have been able to work in partnership with Midland Heart to secure this framework.”
efficiencies through the re-procurement of contracts. In September 2015, its new materials framework came into operation resulting in annual cost savings of £432,000. Some associations are also creating specialised internal procurement roles or teams to maximise the efficiency of their procurement activities.

In addition to consortia and the use of new tools, associations are renegotiating or retendering their current procurement arrangements to drive down costs – Orbit are targeting £9m of savings by 2020 through their new approach to procurement, and Bromford have achieved over £3m of savings through their procurement activity in recent years. Aspire is beginning to re-procure a range of external services under long-term, fixed-price Schedule of Rates contracts, allowing them to “lock in” contractors at more favourable prices.

Another good example of securing procurement savings as a partnership is Midland Heart’s and whg’s recent framework agreement developed for legal services (See Case Study 8).

There is also an emergent trend of associations procuring services directly from each other, with one partner outsourcing some of its service delivery to the other. An example of this is Black Country Housing Group (BCHG), who are selling their surplus back-office capacity to generate profit – an interesting alternative to reducing capacity and services.

Local authorities have engaged heavily with shared services, which has allowed them to make short-term cost savings by combining service delivery management structures. For example, Coventry City Council, Solihull District Council and Warwickshire County Council have combined their back office and customer services. Another example is Bromsgrove District Council and Redditch Borough Council, who have achieved savings of £8.25m through sharing their legal services since 2012.

In terms of other consortia, the trend is a declining interest. Development consortia in particular are set to wane in popularity and effectiveness as the availability of funding becomes increasingly limited and associations begin reconsidering their development strategies. It remains to be seen whether such arrangements will be reconfigured to remain viable for associations in the future.
5.4. | Funding arrangements

One of the most pressing challenges now facing housing associations in the new sector environment is that of remaining financially viable in the face of mounting pressures on associations’ ability to generate revenue. Associations are increasingly seeking to ensure their financial self-sufficiency in response to these pressures.

A number of associations have highlighted in our survey and interviews that they intend to increase the proportion of homes which they develop without grant funding. Many are also reviewing their existing treasury strategies, funding arrangements and increasing their borrowing from banks.

In particular, the undertaking of private placements is on the rise as associations seek to secure alternative sources of funding. While not necessarily innovative, but certainly interesting, almost £1bn was secured through such placements across the sector in 2015—a 72% increase on the previous year, suggesting that this spike is in response to the new challenges being faced by the sector.

Examples of associations which have undertaken private placements include Local Space, an 1,800-unit association based in east London, and whg, who have raised £250m to finance the development of 2,000 affordable homes over the next five years.

There are both advantages and disadvantages to this approach. On one hand, private placements can provide associations with cheaper long-term funding than they could secure from a bank, offer more flexible documentation than is available for listed bonds. They can also allow for a closer relationship with a small number of trusted investors which enables associations to create debt “tranches” which suit their own needs and the needs of investors. However, on the other hand there is a limited secondary market for private placements, meaning that the original investors must be prepared to hold notes until their final maturity. Moreover, as privately placed bonds aren’t assigned ratings, it can be difficult for investors to determine their risk.

It is worth noting one survey respondent’s comment that “responding to the needs of FRS 102 is still not completely understood in the sector and needs addressing”. A lack of clarity surrounding the implications of FRS 102 could be hindering housing associations in their efforts to make more innovative changes to their funding arrangements.

Beyond the key trends of reviewing existing treasury strategies and policies, and pursuing additional borrowing from banks, associations are taking a highly varied approach to new treasury management and funding practices in response to the new sector changes (see Figures 7 and 8).

It is possible that more concrete trends will emerge as associations begin to fully come to terms with the implications of the new operating environment and FRS102. The possibility of further welfare reform may also play a part in shaping associations’ approach to financing in the coming years. More widely, when considering other funding arrangements, such as the use of derivatives and mark-to-market swaps, associations must ensure that they are not taking unnecessary risks.
Figure 7: Treasury management changes undertaken over the last 12 months

- Additional borrowing from bonds (<10 years): 1
- Extended current overdraft: 2
- Additional borrowing from bonds (>10 years): 2
- Pursuing additional government funding: 5
- Additional borrowing from banks: 5
- Restructuring existing treasury portfolio: 5
- Altering fixed/variable interest balance: 5
- Reviewing existing treasury strategy/policy: 9
- Other: 3

Figure 8: Treasury management changes planned for the next 12 months

- Additional borrowing from bonds (<10 years): 2
- Extended current overdraft: 2
- Additional borrowing from bonds (>10 years): 3
- Pursuing additional government funding: 3
- Restructuring existing treasury portfolio: 3
- Altering fixed/variable interest balance: 4
- Additional borrowing from banks: 5
- Reviewing existing treasury strategy/policy: 6
- Other: 2

NHF West Midlands Regional Committee
Innovation – the brave new world?
6. | Conclusions

Our findings suggest that as the full extent of the ramifications of new legislation and other challenges are felt, innovation is has begun to spark in the West Midlands and more widely in the housing sector. This is likely to be a process that is accelerated over the coming months and years.

The trend towards increasing digitalisation is particularly noteworthy. Associations appear to be embracing the possibilities unlocked by technological advances. Widespread adoption of online devices such as smartphones among social housing tenants are achieving efficiency savings while improving customers’ experience and reducing strain on internal resources. Our research indicates the importance of associations ensuring where such digitalisation is undertaken it is thorough and accompanied by the necessary changes to culture and processes.

Some associations are also taking steps to improve their customer service while providing more targeted and proactive services by moving away from highly specialised roles to multi-skilled housing officers with smaller patches, reducing handovers and improving responsiveness. Others are also using data and insight analysis in order to support more intelligently targeted deployment of staffing resources. Coupled with a reduction in the breadth of associations’ service offering, this trend points towards the fostering of independence among residents while retaining and enhancing their personal relationship with their landlord.

As well as external-facing processes, there is a significant shift towards active asset management strategies that allow associations to establish a far more accurate picture of their stock than was previously possible, enabling them to intelligently target stock suitable for strategic disposal and maximise the return on their assets. The continued delivery of this core purpose has also been facilitated by a general drive to simplify governance structures, primarily achieved by collapsing group structures or implementing virtual/coterminous boards.

Encouraging signs of innovation are also in evidence in relation to partnership working. The trend towards mergers appears to be continuing at some pace, with associations joining forces in recognition of the benefits associated with economies of scale and the increased borrowing power that larger organisations command.

Moreover, despite a degree of understandable wariness around partnership working due to the associated risks and the aforementioned sector trend towards mergers, associations are beginning to explore the collaboration options available to them, particularly procurement consortia. Such collaboration can act as a catalyst for further innovation once the barriers to entry are surmounted - it is hoped that the examples and case studies provided in this report will demonstrate to associations still weighing up their options the benefits that co-operation can deliver for everyone involved.

The approach to funding arrangements is not an area that has yet necessarily seen significant innovation, partially due to the strong financial position of many West Midlands associations, which has provided a degree of insulation from new pressures. The aforementioned lack of clarity around the implications of FRS 102 may also be playing a part. However, associations have begun to venture into the bond market in increasing
numbers and are exploring other financing options as well.

It is probable that in the current economic and political climate events will continue to generate challenge to the housing sector in the future. There remain a variety of opportunities to learn and adapt in order to meet these challenges, not only from within the sector but more widely too. This includes re-evaluating approaches to customer access, digital engagement and service delivery models as well as partnership working.

Associations of all sizes in the West Midlands are already taking steps to equip themselves to thrive in this brave new world. For this to continue apace, organisations should continue to seek further opportunities to share good practice and new innovative ideas.

We hope this report provides a useful foundation to allow Regional Committee members and associations across the region to engage in wider thinking among their boards and executive teams around how they can continue to operate and deliver services in an efficient and effective way.