Appreciating assets

January 2011

Mark Lupton, Mervyn Jones, Abigail Davies and Haritha Tippireddy

Supported by
**Authors:** Mark Lupton, Mervyn Jones and Abigail Davies  
**Modelling:** Haritha Tippireddy  
**Editor:** Abigail Davies

**Project supported by:**  
Bromford  
Circle Anglia  
L&Q  
Waterloo

**Participants:**  
Nick Cummins, Alex Dixon and Sue Harrison; Bromford  
Mike Ward, James Francis, Jeff Baker and Mark Jones; Circle Anglia  
Steve Moseley, Melissa Madjitey and Colin Chin; L&Q  
Dermot McRoberts and Anthony Riley; Waterloo  
Phil Kirby and Leigh Booth; Broadland District Council  
Gwen Russell; Cotswold District Council  
Peter Brown; Croydon Borough Council  
Anne Shoreland and Jason Oxley; East Lindsey District Council  
Raj Patel; Harborough District Council  
Patrick Odling-Smee; Islington Borough Council  
Wandworth Borough Council

**Additional thanks go to:**  
Jamie Ratcliffe at the HCA and Andrew Dench at the TSA for offering advice and expertise.

Whilst all reasonable care and attention has been taken in compiling this publication, the authors and the publishers regret that they cannot assume responsibility for any error or omission that it contains.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior permission of the publishers.

© Copyright: Chartered Institute of Housing & Savills, January 2011  
Registered charity No. 244067/R
## Contents

- Executive summary ................................................................. 4
- Introduction ........................................................................ 7
- Strategic and management challenges for housing associations  9
- Financial and business planning issues ................................. 21
- Understanding the market ...................................................... 30
- Conclusion ............................................................................ 33
Executive summary

*Appreciating assets* explores the potential impact of housing associations having and using freedoms to manage their assets on their own terms based on understanding of local markets and agreements with local authorities.

It considers how housing association business and finance, and local authority duties and strategic objectives would be affected if housing associations had the ability to convert vacant social housing into intermediate rent, market rent, or shared ownership, or to sell it. *Appreciating assets* was informed by work with housing associations and local authorities to explore possible approaches, responses, issues and impacts.

Effective strategies

The associations each produced a range of approaches, products and priorities reflecting their assessment of their local market and informed by understanding of local income to price ratios and gaps in provision.

All were committed to ensuring that they are still letting a proportion of their vacant properties at social housing rents to meet local need. Where they were moving from social to intermediate rents, none were keen on a fixed 80% of market level for rent – they believe that retaining flexibilities is important to most effectively meet local needs.

Most included a component of void sales. The modelling demonstrated that this provided a critical contribution to maximising the number of new homes created.

The provision of new homes is undoubtedly high on most associations’ agendas but there are other considerations that they have to take into account. In particular; reinvestment in the stock, energy efficiency and investment to ensure neighbourhood sustainability.

If more flexible asset management freedoms are to work, associations will need to assess their priorities, skills and analytic capacity and to use the views of their tenants and other stakeholders to inform their decisions.

Finance and risk

In looking to raise rents associations have to assess what their lenders’ views might be of increased exposure to market risk. When applied to new homes produced with a lower percentage of grant this will result in higher gearing. This could result in lenders looking for higher margins.

It is extremely important that associations properly consider the risks involved in delivering new homes at very low levels of grant particularly the impact on their financial position and loan covenants.
Associations will need to consider the issue of housing management costs further, as they move to a significantly more diverse set of tenancies including shorter social housing tenancies.

**Effective analysis**

Associations need to be able to ensure that they know their local markets and can conduct robust analysis on a localised basis. Effective market analysis will be more difficult and complex for larger geographically dispersed associations, spread across many market areas.

**Effective management**

To use these freedoms effectively associations would have to understand both the long term performance of their property portfolio and the investment performance of each individual property.

Because associations are social businesses they have to be clear that ‘investment’ means getting the best return for both landlord and tenant in terms of *economic performance and social and economic sustainability*.

Associations will have to think through whether mixing social and intermediate rented products will need more radical approaches to provision, in terms of the comparability of price and product offered between tenure types.

**Stock rationalisation**

A new approach to asset management could provide real incentives to focus on where rationalising stock would have business advantages. This is likely to be a spur to significant rationalisation within the sector as housing associations seek to concentrate on a smaller number of markets.

**Relationships with local authorities**

One of the key challenges involved in moving to a different way of providing housing association homes and providing a wider set of offers will be the development of agreements between local authorities and the associations working in their areas.

Many authorities have indicated they expect new capacity to be channelled into investment in new homes in their area. In practice it may be hard for associations to guarantee reinvestment in the local authority area where funds were raised. Associations and authorities will have to agree approaches which, while local in focus, still support the generation and flexible use of capacity across administrative boundaries.

Having to agree approaches to asset management with a range of different partner authorities who have differing priorities will create real challenges for associations.
Conclusion

There is a real possibility for significant change in the way that associations manage their assets which potentially could lead to a more dynamic system of developing and managing homes.

The key issue is not to have centrally driven targets but to enable and facilitate housing associations to manage their assets in the most effective way to meet their aims. Giving associations the freedom and clear responsibility for doing this could drive efficiency, produce more homes and allow better analysis of local markets. It also has the potential to transform associations into the sort of entrepreneurial socially-focused rented property companies which offer a range of products across the whole market, and which this country currently lacks.
Introduction

The government is challenging housing providers to consider radical changes to enable the continued development of new affordable homes in an era of reduced public and private funding.

These new approaches have real potential to finance new, much-needed homes. However, there is a serious risk that the development of flexible and efficient asset management and consideration of associated wider issues of allocations, needs and community balance could be bypassed in the rapid moves to create new national systems and priorities for providing new affordable housing.

It is therefore important to have an open debate about the potential offered by flexibilities in asset management, and the links to allocations policies, neighbourhood sustainability, and customer service. *Appreciating assets* draws on the experiences of housing associations and local authorities to consider the potential of new approaches to asset management in social housing, and the strategic, management, financial and business planning implications of these, in some detail.

CIH and Savills have worked with Bromford, Circle Anglia, L&Q and Waterloo housing groups as well as a number of local authorities to model the business and financial issues arising from these new approaches, and to identify views and priorities of providers and strategic housing authorities.

We undertook this work across six areas of the south and midlands with differing characteristics, needs and markets.

The research involved two key aspects.

*A virtual modelling exercise*

This involved collecting data on providers’ recent experiences of asset management and void turnover, in particular a profile of their lettings over the previous 2 years.

We considered asset management flexibilities in their broadest sense – migrating social housing to intermediate rent, market rent, shared ownership or selling it altogether, when it becomes vacant.

The providers identified a range of options for how those properties might have been used differently if they had the freedom to do so. They were asked to consider the options and consequences of sales or relets, and the prices they might charge.

We then undertook a virtual modelling exercise which allowed them to analyse the asset management and financial issues involved.
**Provider interviews**

Detailed interviews were undertaken with the four associations involved in the project and local authorities within whose areas they work, to discuss the likely impact of these potential approaches, particularly on allocations policies and ability to meet local housing need.

*Appreciating assets* therefore seeks to provide some insights on how policy could be strengthened and broadened, good practice developed and outcomes optimised.

**Notes**

1) In looking at the rented options available to associations we use the term intermediate rent to define where an association is moving a property to a rent pitched between social rent and a market rent, and aimed at identified client groups based on local circumstances.

It is important to distinguish this from the way the government is using the term ‘affordable rent’. Whilst this also relates to a rent between social and market rents, it seems principally to be aiming to house the social housing client group at a higher rent.

2) The modelling undertaken is for illustrative purposes and the hypothetical approaches described should not be taken as any indication of intent by the associations involved.
Part one
The strategic and management challenges for associations

1.1 An asset led revolution?

This research project was not designed to consider the detailed reforms that the government has recently put forward. The project was undertaken before the publication of the Comprehensive Spending Review, the consultation paper *Local decisions: a fairer future for social housing*, and the Localism Bill.

*Appreciating assets* does however explore something more radical than the government’s proposals - giving housing associations the freedom to manage their assets on their own terms based on understanding of local markets and agreements with local authorities.

There are some key findings in relation to how these freedoms are used which we would highlight at the outset:

- The associations each produced a range of approaches, products and priorities reflecting their assessment of their local market and informed by understanding of local income to price ratios and gaps in provision.

- All were committed to ensuring that they are still letting a proportion of their vacant properties at social housing rents to meet local need. Where they were moving from social to intermediate rents, none were keen on a fixed 80% of market level for rent – they believe that retaining flexibilities is important to most effectively meet local needs.

- In looking to raise rents associations have to assess what their lenders’ views of increased exposure to market risk and higher gearing might be. This could result in lenders looking for higher margins.

- It is extremely important that associations properly consider the risks involved in delivering new homes at very low levels of grant particularly the impact on their financial position and loan covenants.

- Associations will need to consider the issue of housing management costs further, as they move to a significantly more diverse set of tenancies including shorter social housing tenancies.

- Associations need to be able to ensure that they know their local markets and can conduct robust analysis on a localised basis. Effective market analysis will be more difficult and complex for larger geographically dispersed associations, spread across many market areas.

We will examine these in more detail in part two of the report which considers the financial and market implications of moving specifically to a free asset management approach.
It is however the case that many of the implications of the research in terms of an associations’ priorities and management also apply to the new regime which the government is suggesting for associations.

The first part of the report therefore looks at:

- clarity about priorities and culture
- developing more proactive approaches to asset management
- fully thinking through the housing management arrangements which will be needed to properly manage a more diverse portfolio of properties
- working in conjunction with the local authorities to develop robust local solutions.

1.2 Priorities and culture

*Priorities for investment of newly raised income*

The associations involved in this study were all enthusiastic about actively managing their asset base to help create new homes. They all recognise that associations operate within different markets with local needs and therefore will need to take different approaches. This is reflected in the differing assumptions and decisions made in selecting their priorities for modelling (see Part 2.1).

All the associations recognised that these changes may have an impact upon the profile of people associations house in future, and there are implications here that associations will need to consider carefully.

All associations also recognised the need to consider wider sustainability issues. Whilst the provision of new homes is undoubtedly high on most associations’ agendas there are other considerations that they have to take into account.

Not least are the views of their tenants. If rents are being increased and the nature of an association’s housing is being changed as a result of new asset management approaches and shorter tenancies, then associations have to consider the views of their tenants, for example in terms of how the extra income raised is to be used.

It may be that tenants have other priorities for investment of new income, particularly in terms of:

- reinvestment in the stock, and energy efficiency programmes
- investment in wider community activities to ensure continued neighbourhood sustainability.

The associations involved in this study were already spending some of their surpluses on wider issues that benefit their tenants such as capacity building and measures to tackle worklessness through neighbourhood investment.
However, the need to invest in community services may become a more significant issue for associations as reductions in public expenditure, particularly in terms of local authority services, begin to bite. As authorities will inevitably redefine the boundaries of their responsibilities, residents (and indeed boards and directors) may have a view as to whether any service gaps should be filled by associations. Indeed this fits in with the government’s approach to the Big Society and the freedoms to take on public services envisaged in the Localism Bill.

For example if an association has a joint agreement with the local police service that officers should be stationed in a particular area, and the police service decides that it can no longer afford to fund this, the association may look to provide funding from rental income to ensure that crime and anti social behaviour do not worsen.

Similarly, the associations in this study were keen to help reduce poverty amongst their tenants at a time of rising rents and reduced benefit payments. They highlighted the need to maintain sustainable tenancies by helping tenants keep their costs down, for example by spending increased rent income on retrofitting to help lower tenants’ fuel bills and thus to reduce financial pressures.

This shows that the asset management flexibilities we are considering would allow associations, in conjunction with local authorities, to tackle the local priorities identified in communities. A focus only on raising rents to fund new development targets runs the risk of distorting these local priorities.

**Government priorities**

The government has stated that it is aiming to transfer responsibility for decision making and stewardship of assets from the state to local communities. A greater flexibility for associations in terms of the management of their assets might enable a stronger engagement between housing associations and communities to establish common local priorities, including the balance between investment in new stock, improvement of existing stock and investment in wider community activity.

However the government's current proposals for affordable rent would not allow associations to use asset management freedoms to tackle some of these wider issues. Only those providers which agree a development deal with the Homes and Communities Agency (HCA) will be allowed to convert social rents to affordable rents, and all new capacity generated by higher rents will be expected to go into new supply.

This is disappointing. Our research shows that there is a real potential for asset management flexibilities to generate new thinking and local partnerships which could revolutionise the way that the provision of new homes and local services are delivered.
Culture, skills and value issues

Associations will have to think through whether new approaches to asset management have cultural consequences for their organisation. For most associations the priority to date has been looking to meet the needs of the most vulnerable. For many, products such as shared ownership have been a relatively small part of their operation and can be seen to meet the needs of the most vulnerable in an indirect way (by providing cross subsidy).

If a move to convert social rent into different products takes the association away from a focus on the most vulnerable then associations have to be clear how this fits with their values and aims, particularly if they have charitable objectives.

There may be a reputational issue too, if stakeholders have concerns about organisations with value-based objectives moving away from meeting the greatest unmet need.

The role of associations’ boards is particularly important in managing business decisions which may challenge embedded culture or values. Associations’ boards may, for instance, find it challenging to make or support decisions which will eventually result in different people paying different rents for the same product.

There is also an issue about whether boards, and indeed executives, are fully equipped with the skills to take the added commercial risks that we have identified. Moving to a position where the asset base is used more robustly to support business objectives requires associations to move from a role which was principally about ‘good husbandry’ to one requiring a much more active management of resources; and the skills here are very different.

These concerns have to be considered against the opportunities inherent in new approaches to asset management. To date the rented property sector has been divided between value-based businesses providing social housing and a private rented sector principally composed of small scale landlords. Freeing up associations to act more commercially, whilst still retaining their not for profit status, would allow them to develop as community property businesses meeting a wide range of needs and aspirations.

Analytic capacity

There is a range of factors that associations will have to take into account when planning to take new approaches to asset management, including the state of the local market, the incomes of tenants, and what sort of product they are offering.

This will require considerable work by the associations and approaches will need to be tailored to meet the demands of the communities and markets in which they work.
For the last 10 years landlords have been working under a regime which - in pegging rents to a formula - has not encouraged them to develop any deep understanding of the market. All four associations involved in this study have taken steps to improve their analytic capabilities. This has included employing business and property analysts to evaluate their local markets. It will take time for the majority of associations to be able to analyse what will work in their particular circumstances.

1.3 Managing the assets

Since 1975 associations have faced regulatory constraints on their ability to freely manage their assets, particularly in terms of rents being controlled and the regulator having to give permission for many transactions.

This has meant that asset management strategies have often been based on the assumptions that:

- properties will normally remain in social housing forever
- the social landlord which built the property will be the right landlord to manage it.

Strategies have consequently focused principally on the delivery of works programs rather than actively managing the asset.

If the approaches we have examined were implemented, associations would have a wider range of options open to them and they would have to think through how they made asset management decisions based on local market information.

Associations would therefore be free to:

- make decisions about rent levels for the products they are offering based on local needs and markets
- dispose of stock that is no longer fit for purpose or is inefficient to manage
- release equity to best meet their aims
- transfer stock to better placed landlords
- invest in new homes and/or sustainable neighbourhoods on the basis of agreements with local authorities and communities
- develop a range of products that allows a variety of needs to be met, including using the option of more flexible tenancies.

To use these freedoms effectively associations would have to understand both:

- the long term performance of their property portfolio
- the investment performance of each individual property.

It needs to be clear that - because associations are social businesses - ‘investment’ here means getting the best return for both landlord and tenant in terms of economic performance and social and economic sustainability.
To do this effectively associations would need to have a clear understanding of their own property costs and of the local market conditions. Given the length of time taken to build up portfolios of rented property they will need to adopt long-terms strategies and plans.

To decide the best use, providers would have to assess management costs and risks – assessing void rates, taking different approaches to housing management, and meeting different requirements for renewing fixtures and fittings. They would have to do this property by property, and over time as the market changes.

The potential of increased income and therefore investment opportunities arising from such approaches would give an incentive to associations to regularly review their portfolios, taking account of market changes and the costs of management.

These measures, in conjunction with those being taken by regulation and investment agencies to effectively sweat associations’ assets, will lead to a drive for greater efficiency, which may manifest in more commercial asset management strategies aimed at cost reductions and improved services to tenants.

**Asset churn**

One of the results of moving to a more flexible approach to asset management is likely to be that associations would seek to churn their assets more, to release capital and minimise management and maintenance liabilities.

Private sector property companies look at their portfolio property by property. They balance the ongoing income streams with the need for refinancing and disposals to meet their longer-term asset commitments.

When moving to a new approach to asset management, associations are therefore likely to look at their portfolio as a whole when considering long-term maintenance costs and how to manage these accordingly.

This might also mean that when developing properties associations consider that at least a proportion of new properties will be sold within 10 to 15 years, before liabilities for the replacement of key building components start to arise. These receipts would be used to invest in new properties, whilst expenditure during ownership would be minimised.

**Rationalising stock**

Having to develop a clearer understanding of their costs and to decide the best use of individual properties will require associations to be much more focused on making explicit decisions about whether they want to keep operating in a particular area. Associations will have to consider whether their
current spread of stock makes economic and management sense, especially
given that a premium will be attached to knowledge of local markets.

A new approach to asset management could provide real incentives for
focusing on where rationalising stock would have business advantages. This
is likely to be a spur to significant rationalisation within the sector as housing
associations seek to concentrate on a smaller number of markets.

1.4 Service delivery

Changes to asset management are likely to have a significant impact on the
way that associations deliver services. This is compounded by the fact that
the government is intending to introduce the option of shorter tenancies, which
associations may choose to use.

The impacts of changes to asset management are likely to be cumulative.
Initially only a small part of the stock could be let at higher rents or as new
tenures, so the position would not be drastically altered from the current
position where most associations develop and manage a limited number of
intermediate products supplementing their much larger social housing assets.
However, this is likely to change quite quickly as associations get a much
more varied set of tenancies. Typical turnover rates are 5-7%, so after 10
years as much as 50% of the stock may be let on different bases.

Most associations to date have managed their leasehold, shared ownership
and intermediate rented products separately from their social housing.
In future associations will manage estates, schemes and neighbourhoods
where there is a range of types of products which cannot easily be separated
out and where management will need to be co-ordinated.

Associations will therefore need to consider whether they have the skills
available to deal with the changed situation. L&Q, the association in this study
that has gone furthest down the road of putting these approaches into
practice, has already moved to having generic mixed teams to manage all
their properties, rather than separating out social and intermediate products to
be dealt with by different teams.

This has led to a focus on ‘upskilling’ and a significant cultural change. They
have had to make staff changes to make it work. People used to leasehold
management were not used to dealing with ASB; and people managing social
housing were not used to the different demands for service voiced by
leaseholders, particularly concerning service charges. Overall there was a
need for a much more rigorous focus on customer care and tenant
satisfaction.

**Tenancy reviews**

Associations that are keen to maximise the potential offered by asset churn
will have to make decisions about the type and length of tenancies they will
offer. Again this is something that should be influenced by the particular market conditions and the allocation priorities that associations are pursuing.

Developing flexible asset management and new approaches to provision will involve selling some properties to help finance new homes. This can be done within the natural turnover of social tenancies, but it is more likely to involve associations utilising the new flexibilities to grant fixed tenancies to gain some control over vacancy rates. Some of the associations in this study were considering whether to grant longer tenancies for non-social properties - possibly of around five years - that will give tenants more security and a better ability to plan for their next move than the six-month or one-year tenancy normally on offer in the Private Rented Sector (PRS). In management terms this represented a significant change from the current tenancies they offer.

Associations are also considering how they might plan the use of fixed term tenancies to address the different demands on their stock. For some there is a ‘natural’ turnover of a range of properties, which would allow them to develop a varied offer of non-social tenancies. For others there are particular types of property (e.g. one bedroom flats) which turn over more regularly whilst others do not become vacant, so they may want to control availability of other properties so they can fully exploit asset management opportunities.

Some providers have already introduced a regular ‘review’ of the changing needs/aspirations of their social housing tenants in relation to their tenancy, which allows them to discuss with individual tenants what their options are. Others are used to ensuring that rent to buy tenants are moving towards a position where purchase is possible. If housing providers develop a more flexible approach to managing their assets and introduce regular tenancy reviews, then skills, costs, professional culture, and impact on the social housing product need thorough consideration.

**What about different approaches to management?**

One association had already found some resentment among intermediate rented tenants when they learned that they were being charged significantly more for homes identical to those let to social tenants. Several interviewees identified potential community cohesion problems if former social homes were seen to have been allocated to ‘yuppies’, ‘outsiders’ and so on. On the other hand the phenomenon of differing prices for the same sort of homes is commonplace in the private sector, where the emphasis is on what the tenant is willing and able to pay, and is broadly accepted within communities.

Associations will have to think through whether mixing social and intermediate rented products will need more radical approaches to provision. This will involve deciding whether intermediate and market tenancies should be:

- let as different products from social housing or
- the same product but differentiated by the form of entry and rent charged.
L&Q believes that what tenants want is to have the basics done properly at an appropriate price. Circle Anglia and Bromford on the other hand do have different standards for furnishing, provision of white goods etc in their current intermediate rented properties, to match the expectations and needs of a client group with differing expectations. Different approaches may be taken by organisations in different contexts.

It is likely that associations may well be competing with private landlords for customers in certain areas. This may require them to ensure that they can make the best available offer to prospective tenants. This might involve intermediate or market tenancies being seen to provide different services/features to justify the higher rent. Ability to offer choice could become a more significant aspect within a landlord’s management and maintenance considerations.

This approach could however result in a two tier service based on tenants’ willingness and ability to pay for services from a menu of options and costs in terms of appointments, replacing fixtures and fittings, upgrading kitchens and bathrooms, replacing white goods on re-let etc. Housing providers will need to decide whether this is acceptable and deliverable.

1.5 Meeting needs and the role of the local authority

Flexible products

All the associations and local authorities stressed that local solutions were key in developing a wider range of products. This means that allocations/access policy and practice would be different in different places to deal with differential markets and priorities. Four possible scenarios for how local arrangements might work were identified:

- increasingly dealing with people in the most need by offering them short-term starter tenancies linked to a contract between the tenant and the landlord which focuses on them moving along progressive housing pathways as their circumstances change
- having a twin track housing register which steers people into either a social rent stream or an intermediate/market stream, depending on income and circumstances (this might require councils to specify new reasonable preference groups using the system proposed in the Localism Bill)
- under Choice Based Lettings a ‘social market’ may emerge where tenants prepared to pay a higher intermediate rent may enjoy a wider choice or a faster offer of accommodation
- offering a range of tailored products linked to income, circumstances and tenant expectations. This might include products which focus on purely rented options, save to buy and shared ownership.

These options all require a potential reordering of priorities around who gets housed. In all cases there would be a need for focused and effective advice on the options available to prospective tenants.
Our research suggests that associations should be aiming to produce homes that meet local needs and improve market functioning, based on their analysis and the ability to fund them effectively. Balancing these factors may mean that associations are not able to provide the sort of properties that are most needed in an area. However if, for example, they are helping create better local ladders within and between submarkets or supporting transitions between different life stages, then they - and the local authorities who they work with - may feel this is still an appropriate role for them.

Associations might also have to be much more proactive about matching the affordability of their different products to the households being targeted. They will have to be clear that one implication of this could be a detailed affordability assessment, similar to that used for applicants for shared ownership housing, at the point of letting. This may need to be repeated periodically and probably whenever any fixed term comes to an end to ensure customers are able to access the widest possible range of options to meet their needs and aspirations.

**Working with local authorities**

All the authorities we interviewed felt that a joint approach with associations is needed to determine the range of rents/products to be offered.

Authorities generally want a say in the level of rents that associations are to charge for intermediate housing and in how any increase in development capacity arising from associations’ asset management changes in their area should be reinvested. Normally they would expect new capacity to be channelled into investment in new homes in their area, especially if the converted social homes were to be allocated using means other than the local authority housing register.

In practice it may be hard for associations to guarantee reinvestment in the local authority area where funds were raised. It will be difficult for associations working in more than a few authorities to plan on this basis.

One option suggested was that a borough might be willing to see the investment going into an ‘overspill’ area with the borough having nomination rights. A borough which might be on the receiving end of such an overspill had great concerns about this type of approach. Another authority felt it would be appropriate for new development capacity to be reinvested elsewhere as long as there was a clear long-term programme that would result in some reinvestment in the council’s areas at a pre-stated time.

**Local authority housing registers and allocations systems**

The authorities were all very clear that there was a need for the associations involved to continue to house people most in need from their waiting lists. Most were willing to consider more varied arrangements that included higher rent tenancies (e.g. to house low income earners who are often low priority on
housing registers), but they were clear that there needed to be a continuing flow of properties let at social rents.

Some authorities already have mechanisms in place to channel applicants with different incomes and profiles into different types of tenancies – this is more through the housing options approach than the housing register per se. It was however unclear how far authorities were prepared and able to expand their housing register’s appeal, to support new approaches to assets by getting people on it who would be suitable for intermediate market products but are currently more likely to go to lettings agents than via the local authority route.

There was concern about where control of allocations would be held. Some authorities and associations felt the balance is wrong and could be made worse by conversion of social homes to other tenures. Others were quite sanguine about ceding control to other local partners.

A particular issue is in relation to Choice Based Lettings (CBL). One authority in particular was part of CBL scheme involving several authorities which had taken a lot of negotiation and harmonisation to get up and running. To now change the system so one authority in the partnership could change procedures to enable allocation to different tenures would be challenging.

There were differences in both policy and preferred approach between the authorities that were interviewed. Having to agree approaches to asset management with a range of different partner authorities who have differing priorities will create real challenges for associations.

It may be that the proposed strategic tenure policies can help local authorities to articulate their priorities and to work with associations on these issues.

**Mixed communities**

Opinions differed over whether converting social homes to other tenures/price points would or could be used to improve the mix of incomes in localities. Whilst most interviewees saw this as a desirable objective, many felt that there would not be sufficient properties involved to make a real difference, or that the Right to Buy had already created a mix. It was interesting to note that associations and councils sometimes had quite different views about the mix, or need for it, in the same area.

Some concerns were expressed by authorities that if a significant amount of social housing was converted to higher rents and let to different groups this would have a negative effect by making the remaining social housing the preserve of welfare dependent households.

In general, participants in the research did want to offer suitable housing options to a wider range of people, but there was a level of scepticism as to whether offering these options would make a significant overall difference to the balance of an area.
Local agreements between housing associations and local authorities

It flows from the discussion above that one of the key challenges involved in moving to a different way of providing association homes and providing a wider set of offers will be the development of agreements between local authorities and the associations working in their areas.

This will be particularly important given that authorities are still in a key position to facilitate development through their planning role and access to land. Councils also have an important role because they can give a strategic and coordinating focus to the collective asset management and investment actions of a number of independent organisations.

Such local agreements would focus on development, rents, tenure balance, and allocations/eligibility policies, and could go further in terms of community sustainability issues. These partnerships could also have a proactive role in coordinating local market information to inform appropriate decision making.

Making agreements in this way does represent significant challenges for authorities and associations alike. Authorities would have to understand how individual associations’ asset management strategies are changing within their area of operation. For instance if a majority of associations in an area decided to make some sales, would there be a corresponding ‘match’ in terms of commitment to new supply in the area?

For both parties there is a need to establish what the legal and ‘moral’ contract between them is. This may require a mature recognition of shared objectives/values as well as where there are differences.
Part two
Financial and business planning issues

2.1 Results of the modelling

The associations in the study proposed differing approaches to their void properties over the last 2-5 years. They were given the choice of the percentage of voids that they would use for active asset management. If they had the freedom they would:

- let voids at different rents or convert to different tenures, which we have called migration
- sell voids to eliminate liabilities and release resources for reinvestment, which we have called disposals.

Note

The modelling undertaken is for illustrative purposes and the hypothetical approaches described should not be taken as any indication of intent by the associations involved.

The assumptions were:
- rents of migrated units specified by participants
- discount rate of 5% real (i.e. excluding RPI)
- RPI at 2.5%
- sales price of voids estimated by participants
- development costs estimated by Savills
- rents of new units at 80% of market rent
- value of new units from Savills development model
- loan to value ratio of 65%
- new grant per unit of £31,000
- typical 2 bed units to be produced.

Migration

We modelled the increase in capacity that would be generated by migrating social housing to a range of other products over 2-5 years (depending on the approach of the participants). We have calculated the increase in capacity using standard discounted cash-flow techniques to arrive at the Net Present Value (NPV) of the additional cash-flow. We discuss below the potential funding that could be raised, which depends on the Loan to Value Ratio that will be acceptable to funders.

Where participants proposed migrating from rented housing to shared ownership products the cash-flow will reduce, resulting in a negative NPV. The additional receipts are reflected below.
The associations in this study, alongside seeking to use changes in asset management policy to raise money to help fund new homes, were committed to ensuring that they are still letting a proportion of their vacant properties at social housing rents to meet local need. In particular, none proposed changing the number of lettings to the most vulnerable – those in need of sheltered and supported housing.

Where they were moving social to sub-market rents none of the associations were keen on a fixed 80% of market level for rent – they believe that retaining flexibilities within the 60-80% range was important to most effectively meet local needs.

It is also important to emphasise that in these calculations of what is needed in a local market it is not just about moving to ‘affordable rents’, it is also about providing a range of products that are needed in the local area. The associations set different priorities which reflect their assessments of their local markets, which were informed by their understanding of local income to price ratios and gaps in provision. L&Q in particular proposes setting rents that reflect local incomes.

This is important because with the current difficulties experienced by people wanting to enter home ownership, and with the growth in the private rented sector having weakened, there is a wider range of needs that associations are in a position to tackle. This was discussed in the recent CIH publication *Widening the rental housing market*.

**Disposals**

The associations had different approaches to disposals to release resources for investment in new properties. It was not part of this project to examine the profile of the voids put up for sale. They can include properties that:

- are no longer fit for purpose e.g. supported housing where Supporting People funding has been withdrawn
- a liability because of their high costs in use

---

1 CIH 2010.
• a potential source of additional resources because of their high vacant possession value.

The ideal choice for disposal would be property with high costs and high vacant possession value.

For each disposal the association would reduce its cash flow, and hence the NPV of its existing stock, so we have computed the loss of capacity that would arise.

<table>
<thead>
<tr>
<th>South East</th>
<th>South West</th>
<th>West Mids</th>
<th>South Mids</th>
<th>East Mids</th>
<th>East Anglia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Units</td>
<td>14,767</td>
<td>4391</td>
<td>5312</td>
<td>298</td>
<td>5865</td>
</tr>
<tr>
<td>Shared Ownership Units/Equity Sold</td>
<td>-266 (30%)</td>
<td>0</td>
<td>0</td>
<td>-13 (40%)</td>
<td>-314 (40%)</td>
</tr>
<tr>
<td>Units Sold</td>
<td>0</td>
<td>-129</td>
<td>-155</td>
<td>-13</td>
<td>-314</td>
</tr>
<tr>
<td>Percentage of stock</td>
<td>-2</td>
<td>-3</td>
<td>-3</td>
<td>-9</td>
<td>-11</td>
</tr>
<tr>
<td>Shared Ownership Equity (£000)</td>
<td>£4,300</td>
<td>£0</td>
<td>£0</td>
<td>£546</td>
<td>£10,048</td>
</tr>
<tr>
<td>Outright Sales (£000)</td>
<td>£0</td>
<td>£19,995</td>
<td>£24,025</td>
<td>£1,365</td>
<td>£25,120</td>
</tr>
<tr>
<td>Cash Receipts (£000)</td>
<td>£4,300</td>
<td>£19,995</td>
<td>£24,025</td>
<td>£1,911</td>
<td>£35,168</td>
</tr>
<tr>
<td>Reduction in NPV (£000)</td>
<td>£0</td>
<td>-£4,100</td>
<td>-£5,729</td>
<td>-£347</td>
<td>-£7,601</td>
</tr>
</tbody>
</table>

**Increased capacity**

It is important to note the different priorities that the associations have demonstrated. These priorities reflect their assessment of their local market.

We modelled the additional cash-flows and capital receipts that would arise from pursuing the migration proposals outlined above over 5 years to identify how far these changes were able to increase the associations’ capacity to develop new homes. The totals of the net borrowing capacity at 65% loan to value ratio and receipts were as follows:

<table>
<thead>
<tr>
<th>South East</th>
<th>South West</th>
<th>West Mids</th>
<th>South Mids</th>
<th>East Mids</th>
<th>East Anglia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional NPV from Migration (£000)</td>
<td>£22,755</td>
<td>£3,928</td>
<td>£9,750</td>
<td>£871</td>
<td>-£4,724</td>
</tr>
<tr>
<td>Cash Receipts from Disposals (£000)</td>
<td>£4,300</td>
<td>£19,995</td>
<td>£24,025</td>
<td>£1,911</td>
<td>£35,168</td>
</tr>
<tr>
<td>Reduction in NPV from Disposals (£000)</td>
<td>£0</td>
<td>-£4,100</td>
<td>-£5,729</td>
<td>-£347</td>
<td>-£7,601</td>
</tr>
<tr>
<td>TOTAL CHANGE IN CAPACITY at 65% LTV (£000)</td>
<td>£19,091</td>
<td>£19,883</td>
<td>£26,638</td>
<td>£2,251</td>
<td>£27,156</td>
</tr>
</tbody>
</table>

This table illustrates the financial impacts of the different asset management policies being proposed by the associations. The balance between disposals and migration varied between nil disposals in East Anglia to a high proportion.
in the East Midlands. These policies were in response to local markets and the profile of existing stock. The resources released were to be invested in new housing, again across a range of tenures.

**New development**

We explored the potential to create new intermediate rent homes with the capacity released from raising rents. The associations in the study had a range of percentages below market rents which they were aiming for. This modelling therefore used 80% of market rents to show what the maximum development capacity might be. The conclusion is represented by a conversion ratio, defined as the number of *additional* properties that can be funded from migrating one property. The range of results was:

<table>
<thead>
<tr>
<th>Area</th>
<th>Conversion ratio – number of additional properties for each unit migrated</th>
</tr>
</thead>
<tbody>
<tr>
<td>South East</td>
<td>0.463</td>
</tr>
<tr>
<td>South West</td>
<td>0.460</td>
</tr>
<tr>
<td>West Midlands</td>
<td>0.460</td>
</tr>
<tr>
<td>South Midlands</td>
<td>0.337</td>
</tr>
<tr>
<td>East Midlands</td>
<td>0.163</td>
</tr>
<tr>
<td>East Anglia</td>
<td>0.298</td>
</tr>
</tbody>
</table>

It can be seen that in each case the associations will be able to grow through migration and investing the resources released in new intermediate homes. However the conversion ratio varies substantially and is highly sensitive to the assumptions, listed below.

The limiting factor is the borrowing capacity from the new and migrated and properties.

We did some further modelling work to explore the impact of disposals on the conversion rates. It should be noted that the effect on the computed conversion ratio is the same as investment of reserves or cross-subsidy.

If we wish to achieve a 1:1 conversion rate, i.e. to create one new intermediate rent home for each social rented home migrated to intermediate rent, associations will need to employ:

- loan raised on new unit
- additional loan raised on migrated unit
- Social Housing Grant
- sales receipts.
The composition of funding turns out as follows:

This result clearly demonstrates the contribution from disposals. Outcomes are highly sensitive to all the normal development parameters, including construction costs and the availability of land at discounted or nil cost. It is not the purpose of this report to explore the wide range of development factors. The results should be taken as indicative only.

The combinations of migration and disposal chosen by the associations have led to different additional capacities and ratios of number of new units generated.

The table below shows how the capacity generated from migration and disposals can be used to create new homes. We can conclude that organisations that have disposals as part of their active asset management strategy are able to generate more new units net of disposals compared to those that are only using migration of units from general needs social rent to intermediate rented.

There needs to be a balance of migrations and disposals to maximise the number new units delivered. Funding covenants, local demand and choice of properties to be migrated/disposed will hugely influence this deliverability.
2.2 Business plan implications

The associations in this study were clear that more flexible asset management approaches would allow them to release resources for new homes.

There are a number of issues which have to be considered however, some of which are practical and have the potential to limit how flexibilities can be used.

- there may be a significant time lag between raising extra income from rents and raising loan finance to invest in new properties. Lenders will need to be convinced that the new income stream is reliable and the risks are manageable
- associations will need to check the covenants on their current borrowing. If they are limited to social renting they may need to renegotiate with their funders. They then run the risk of lenders re-pricing their existing loans, which could dramatically limit their capacity
- associations that have charitable status will have to consider how changes fit in with that status. Generally, letting at rents that are below the market to households who are not able to house themselves without assistance would be considered a charitable act. Market renting or sale at market value would not
- the wording of s106 agreements (through which some properties were provided in the first place) may place restrictions on how property may be used. The wording of the s106 agreements affecting the associations involved in this study varied considerably
- LSVT agreements may have specific terms or clauses within them that require dwellings to be let for a defined period at social rent, which may require specific permissions to be obtained from the local authority or DCLG for a change of purpose.

Borrowing and risk management

In general associations did want to use tenure conversions and increased rents to fund development of new homes in an environment with reduced
public funding. However, it is not a foregone conclusion that the additional capacity can be converted into net borrowing. It is extremely important that associations properly consider the risks involved in delivering new homes at very low levels of grant, in particular in relation to increased gearing ratios (a high gearing ratio is unfavourable because it indicates possible difficulty in meeting long term debt obligations) and what that the views of the lenders are in relation to this.

The credit rating of associations is currently good. They are able to raise money at competitive rates and on terms acceptable to social housing providers. This has been underpinned by a number of factors in addition to comparatively low gearing, including the presence of a regulator active in ensuring the financial viability of associations.

Lenders have also recognised that social rents are below those being charged by private landlords and that they are supported by Housing Benefit. The combined effect is that borrowers’ income is not exposed to market risk.

Funders have been prepared to lend at 80-85% of the value of social rented homes because of the low risk associated with renting at significantly less than market price. If they perceive that risks of letting homes at rents closer to the market are higher they may only be prepared to lend at a lower loan to value ratio. We have assumed 65% for modelling purposes. In addition, the high percentage of costs covered by grant in the past has meant that associations have not needed to borrow at a high percentage of value; this will change and we have modelled the gap that will need to be filled from associations’ own resources.

In looking to raise rents associations therefore have to assess what their lenders’ views of increased exposure to market risk and higher gearing might be. Lenders may look for higher margins (i.e. increasing interest charges to compensate for increased risk of rent losses) as well as offering lower loan to value ratios.

There is also an issue around whether the income raised from higher rents can be fully used to support new loans. The risks which may prevent this include:

- associations’ rent arrears rising following Housing Benefit reform
- higher void losses through increased turnover if tenancies are limited to 2 years and other providers continue to offer longer term tenancies at social rents
- higher costs of letting.

Lenders may decide that as the risks are higher they will only be prepared to lend a lower percentage of the value, leading to an increase in minimum security cover ratios.

The net result of a reduction in loan to value ratios would be that associations may be compelled to invest more capital upfront in new properties to
compensate. This implies a stronger case for a component of void sales to generate capital as part of an asset management strategy.

**Pricing and stock rationalisation**

The same considerations apply to the pricing of tenanted stock being transferred between landlords as part of their stock rationalisation programmes or in LSVT. Vendors will expect to see the potential for increased rents reflected in higher prices of the stock they are rationalising. Buyers might not wish to adopt an affordable or intermediate rent policy and so will price the stock as social housing. If they take higher rents into account they will want to factor in the risks set out above. The consequence will be greater price volatility.

**Management costs**

The associations in this study were allowing for a higher void rate for their intermediate and market rent products based on their current experience of intermediate rent where there is more ‘churn’ and properties have to be re-let more often.

Associations will need to consider the issue of management costs further, as they move to a significantly more diverse set of tenancies including shorter social housing tenancies. Will this lead to differing expectations of the service by different groups of tenants? Will it lead to the need for extra advice services particularly in terms of effective debt and benefit advice? Will it affect required staffing levels and reduce revenue streams?

We looked at these issues from a strategic perspective in Part One. The actual cost involved in these changes is something that associations will have to take into account in their business planning considerations.

**2.3 The use of grant**

The government has announced that there will still be a limited amount of grant available to support new housing. The amount of grant per unit will be subject to negotiations between associations and the HCA. For the purposes of this work - where the emphasis is on defining the asset management contribution to a different approach - we had to make an assumption about the level of grant available to support schemes, and it makes sense to assume an average amount of grant across all four associations.

We have assumed that the average grant per unit is to be £31,000 because the government has allocated £1.9bn to pay for 60,000 new units, whilst meeting its commitment to the pipeline from other resources.

Traditionally the areas with high construction costs have been the ones that have needed the highest amount of grant to develop. Once associations’ asset management strategies are freed up, those associations working in areas with higher rents and values may be in a better position to generate
income than those in low value areas. A percentage of market rent produces more income for them than for those associations operating in areas with lower rents. Capital receipts from the sale of properties are also higher.

However, it is also the case that in many high value areas the ratio between market rents and income is wider. Therefore moving to a higher rent - whilst generating more income - stretches affordability.

These issues of development cost and affordability to the customer raise the issue of how grant should be used. Is it to be used to support developments in areas where it is more difficult for associations to raise extra funds and to deal with specific issues such as regeneration, or is it to ensure that rents are affordable in relation to local incomes? Any decision taken here will impact on how associations around the country can use asset management strategies.

Recycled grant

All the associations involved in this study have made the assumption that grant will not be recoverable if they convert social rented homes which were funded with grant to affordable or intermediate rent. There are sound reasons for this assumption:

- the new affordable rent product will be eligible for grant
- the HCA has approved grant for intermediate rent schemes for some years.

The current draft of the Capital Funding Guide does not explicitly cover the conversion of existing homes from social rent to affordable or intermediate rent. The wording implies that part of the historic grant might be recycled. If the additional income from the existing unit is used to subsidise one or more new intermediate or affordable rent units then the recycled grant could be allocated to them - along with any fresh grant - to make the new units financially viable.

There would be different rules for change of use from social rent to shared ownership (which is a qualifying use) or market rent (which is not). Under current rules, and on the precedents quoted, in the former case part of the historic grant would be recovered through the Recycled Capital Grant Fund, and in the latter the entire amount of grant would be recycled.

The rules for grant recovery applied by the HCA and Tenant Services Authority (TSA) will have a profound effect on the viability of the approaches to asset management outlined in this report, and could either underpin or undermine mature, locally-focused policies.
Part three
Understanding the market

3.1 Market analysis

Associations wishing to offer housing where the rent is pegged to market prices will need to understand local market rents so they can integrate with the market and maximise revenue. The associations we spoke to were also seeking to develop rents linked to what is affordable to their chosen client group in their areas. They all acknowledged the difficulties of gaining robust local data to set appropriate prices.

This is partly to do with the variability of the sources available to provide information on market rents. Much published information is historic and based on local authority or regional figures. Those sources of information which are more current and look at submarkets within local authority areas are often based on offered rents rather than the actual rent paid.

If landlords are to adopt a pricing policy based on a percentage of market rent then they will need to consider how they gain information. Some associations have considered setting the percentage against average market values. Yet if associations are to manage their assets effectively they should be setting rents for each property on the basis of its open market rental value for that particular type of property in that location.

For each area being considered associations will also need, at a minimum, to have an awareness of the following when making investment decisions around provision of sub-market rental:

- the role and profile of the private rented sector
- the links between earnings and rents
- the scale of difference between market rents and social rents.

It is important to emphasise that the PRS is very diverse with a range of different segments. The Rugg Review\(^2\) said that “the PRS is complex, and perhaps best understood through mapping its constituent niche markets.”

The difference between market and social rents can vary significantly in a landlords’ area of operation. For example, Bromford operates in an area of the South West where 1, 2, 3 bed social rent is 53-57% of market rent, and also in Wolverhampton where 1, 2, 3 bed social rent is 69 -75% of market rent. The scale of difference underlines the importance of good market awareness.

Landlords should also consider the cost of accessing home ownership in the area. It seems that to date this issue has not been considered fully. In its recent analysis of intermediate rents, Hometrack identified rents that were the same as, or in excess of, the cost of buying outright for a lower quartile property in 82 local authority areas.

---

\(^2\) The Private Rented sector: Its contribution and potential; Centre for Housing Policy, 2008
It is important that associations do not just look at regional or local authority figures. Associations need to be able to ensure that they know their local markets and can conduct robust analysis on a localised basis. Effective market analysis will be more difficult and complex for larger geographically dispersed associations that are spread across many market areas. The importance of local knowledge in a world where asset management flexibilities are available may drive rationalisation as discussed in 1.3 above.

### 3.2 Will the higher values be realised?

Associations will need to assure themselves that the higher rental and property values modelled based on current market conditions will actually be realised when a new asset management strategy is implemented.

The extra income gained from increasing the rent on re-letting existing properties will not necessarily generate higher rental values. On the other hand valuers will need to take into account associations’ ability to obtain vacant possession at the end of the fixed term tenancy.

Associations will also need to look closely at how their own actions affect the market. By creating significant numbers of properties let at rents directly linked to the market, either by conversion of existing stock or new development, associations may have a direct effect on the market itself. This is most likely where their activity is concentrated.

Similarly associations that are looking to increase sales - either on the open market or by turning social rented property into shared ownership units - will have to consider the effect they might have on the local market.

Associations reflecting on these issues should consider that it is also not just about what their individual association does - other social landlords in an area may also be significantly increasing rents or selling properties. Associations will need to keep a close eye on what other social landlords within the same neighbourhood are offering. This might be an important part of any compact between associations and local authorities, as discussed in 1.5 above.

PRS rents are responsive to supply and demand. Rents fell when supply increased due to an influx of ‘reluctant’ landlords when homeowners needing to move were unable to sell during the property crash. Currently rents are high because the lack of mortgage availability to traditional home owner groups is driving up demand. If liquidity/access to finance for potential homeowners returns at some point PRS rents may fall again, and the impact of this on associations offering market rent or pegging products to market prices must be planned for in advance.

There may not be a market for intermediate renting in all areas. Two associations involved in the study were aware of other associations in the areas where they worked that had converted dwellings to what they believed were intermediate rent products and had great difficulties letting them.
There is a real risk that associations moving from letting at fixed rents with a guaranteed market either do not correctly assess the market situation in the areas where they operate, or move quickly to significantly change their approach and actually alter the terms of the local market.

Another consideration in terms of property values is that whilst associations are used to developing and marketing shared ownership homes there may be challenges which have to be identified in converting social homes to shared ownership. It would be more affordable to the customer because there would be no new build premium, but it is possible that shared ownership is currently successful principally because it is a new build product i.e. because customers want brand new homes with low maintenance costs. The costs of converting social rent properties to a shared ownership standard would also have to be taken into account because of customer expectations. It might be necessary, for instance, to replace kitchens and bathrooms that are less than 5 years old with something more modern usually selected by owner occupiers, which could add £4000 to void costs for each conversion.

Ultimately, landlords will need to develop flexible pricing/rent policies set at neighbourhood, street or scheme level. As the market changes, their policies will need to change in response.

3.3 Interaction with benefit reform

The landlords in the study were concerned that the changes to welfare benefits create considerable risk to their future plans for asset management and delivery of new products. They will affect affordability, both at the point of letting and during the tenancy.

Whilst associations’ cash flow will, in the short term at least, be still principally derived from social rented homes, the proposals for an overall benefits cap of no more than £500 a week to an individual household and to reduce Housing Benefit do provide potential challenges. Associations raised the possibility of lenders getting nervous if they believed that these changes might harm associations’ ability to collect rents.

Associations’ concerns are not just about the Housing Benefit changes and impact on their own income. One of their aims of moving to offer higher rents is to mix incomes and provide affordable accommodation for more families who are in employment. Associations had concerns about the effect of other changes on low-income workers particularly given the Resolution Foundation finding that “major changes to tax credits [that] by 2012 will hit working families hard” and the concerns expressed in their recent report Squeezed Britain. Associations do not want to trap or push households into poverty by the housing products offered.

Conclusion:
The overarching need for flexibility

Our overall conclusion is that there is a real possibility for significant change in the way that associations manage their assets which potentially could lead to a more dynamic system of developing and managing homes.

If the social housing regulatory system was amended to allow providers to be more flexible in the use of stock, providers would then be free to find their own locally-based balance between:

- meeting local needs
- selling outmoded or inefficient stock
- selling properties to release equity
- investing in new homes
- investing in sustainable communities.

There are however financial risks involved for associations and issues around the priorities of their business, and these have to be considered and managed properly. If more flexible asset management freedoms are to work, associations will need to assess their priorities, skills and analytic capacity and to use the views of their tenants and other stakeholders to inform their decisions.

Government investment and regulation policy will need to be flexible enough to allow associations and authorities to develop mature local arrangements which suit the local market circumstances and communities needs.

Our research suggests that a narrow focus which restricts the flexibilities to using one new type of tenure linked to the grant programme to maximise development of rented homes would be counter-productive.

Rent incomes and house prices vary from area to area. There are significant differences within areas in how these interact with each other. Policy which encourages associations to make early bids for long term development programmes based largely on one type of housing, before they have the analytic tools to understand the market dynamics or have partnerships with local authorities to help deliver a new programme, has real dangers in terms of impairing performance as well as the credibility of associations and the government’s policies. Similarly, flexibility to use asset management regardless of grant support would be dangerous without the proper strategic skills in place.

The key issue therefore is to not have centrally driven targets but to enable and facilitate housing associations to manage their assets in the most effective way to meet their aims. Giving associations the freedom and clear responsibility for doing this could drive efficiency, produce more homes and allow better analysis of local markets. It also has the potential to transform associations into the sort of entrepreneurial socially-focused rented property companies which offer a range of products across the whole market, and which this country currently lacks.
The Chartered Institute of Housing
The Chartered Institute of Housing (CIH) is the professional body for people involved in housing and communities. We are a registered charity and not-for-profit organisation. We have a diverse and growing membership of over 23,000 people – both in the public and private sectors – living and working in over 20 countries on five continents across the world. We exist to maximise the contribution that housing professionals make to the wellbeing of communities. Our vision is to be the first point of contact for – and the credible voice of – anyone involved or interested in housing.

Chartered Institute of Housing, Octavia House, Westwood Way, Coventry, CV4 8JP
Tel: 024 7685 1700 Email: customer.services@cih.org
Website: www.cih.org

Savills
Savills aims to be the property advisor and management consultant of choice to the public and private sectors. As market leaders in their field they provide expert advice on all aspects of the housing sector and their network of specialists across the UK provides unrivalled national and local market knowledge.

Savills plc, Lansdowne House, 57 Berkeley Square, London W1J 6ER
Tel: 020 7877 4594 Email: lcking@savills.com
Website: www.savills.co.uk/housing-and-public-sector/housing.aspx