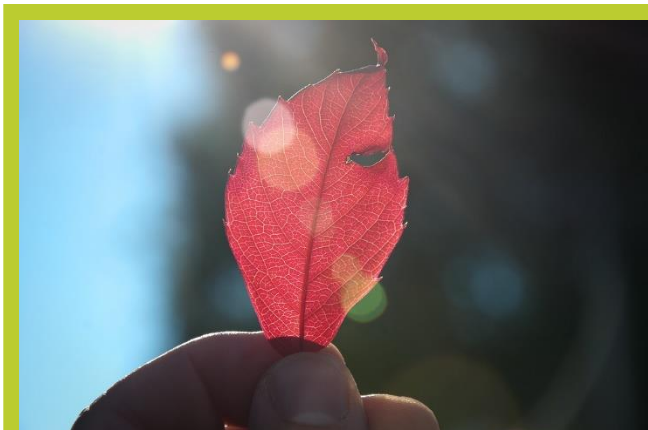
adecoe NEWSLETTER

Issue 5



“Decent homes may not have left the building yet, but many think it is starting to at least look at the bus timetable”

Adecoe
Kemp House
152 City Road
London
EC1V 2NX

info@adecoe.co.uk
www.adecoe.co.uk

Is No News Good News?

Will we remember the autumn statement of 2015 as the starting point for something new, and maybe if we say it quietly enough, something radical? Ignoring the changes on benefits for the under 35’s for a moment, the absence of bad news or even just further policy meddling in social housing took many of us by surprise, given what has happened over the last year or so.

Inevitably there have been a variety of responses to the recent deluge of never ending bad news. Some have been thrown in to a state of panic, others have decided to simply to ignore it and some have decided to manage their way out of it year on year. However, there are increasing numbers out there who are not thinking about the next few months or even the next 12 months, but are thinking about what their organisation will look like in five years – ten years even - and what services they will deliver, how they deliver them, how they pay for them and what it means for their customers and their organisations.

Decent homes may not have left the building, but many think it is starting to at least look at the bus timetable. It would be premature to report the death of decent homes, and we will wait until review of the regulatory regime, but its clear that it is no longer the be all and end all of asset management. There is a new desire to think beyond elemental asset management and to think about homes in terms of asset performance both for customers and as well as the long-term viability of the portfolio.

At the very least many hope that the autumn statement heralds a period of stability. We didn’t see the tax credit reversal being paid for by further attacks on social housing, nor the ending of the energy supplier obligation and in a we never-dared-hoped-for moment the renewable heat incentive survived and there was even new – proper new – money for heat networks.

The question is, is it time to start being brave again? It’s a little too early to tell, but I know that the smart ones are beginning to plan on that basis and are now putting together the new pieces of the jigsaw that have been thrown in to the air over the last year.

ADECOE NEWSLETTER

Issue 5

For a long time, housing portfolios and asset management have often only meant two things – decent homes and asset value. The recent downward pressure on revenues has challenged this – there is simply less resource to meet existing or even growing investment demands.

This means that people in the sector are beginning to think in new ways and are developing new approaches and ideas. Its always been one of the features of the sector - and the reason I joined all those years ago – is that it rises to new challenges, whether that is welfare reform, changes in the housing market or changes in policy and regulation. And once again this is beginning to happen. Its early days yet, but the housing providers we talk to are now beginning to lift their heads and look to the horizon.

But is there a different way to look at those assets and think of them not just in terms of their demand on resources, but also what value can be generated either through new revenues, new efficiencies or more effective allocation of investment to deliver the same outcome for less. That's what we have been testing with housing portfolios recently and are now starting to see the results coming through.

We have focused on the world of energy because that it is our background, but it's also the area with the greatest potential. The energy world is also going through its biggest change in a generation. We have already seen many new entrants to the energy markets bringing with them new ideas, we have seen new technologies both in the home and in energy generation and in 2016 we will see the ramping up of the smart meter roll out. All of these can provide answers to our three questions above and they provide some food for thought.

There is a revolution going on in the homes the sector manages. The question is can the sector turn this to its advantage and not only deliver better services with less resources, but radically alter the way it thinks about housing forever. We think it can.

Three questions now being asked of asset management

We have already starting to look at housing portfolios in a radical new way – not just asset management based on what needs to be spent, but realising the value that potentially exists in the housing portfolio. We are now working with housing providers to see what this new picture will look like and to see what asset value lies within their existing homes.

The people we are working with are asking three simple questions:

1. What new revenue can be generated from existing homes?
2. How can efficiencies be generated by delivering existing services quicker and in some circumstances at lower costs?
3. How can we invest differently so that it delivers the same outcome at lower cost?

The new options open to housing providers means they can start thinking in new ways about their homes. Its an approach that is fast evolving with different housing needing different approaches to reflect the homes and needs of customers.

Looking at some typical numbers in a portfolio of 10,000 homes, they indicate that by year five there is new potential value that can be realized in housing portfolios –

Annual income - £244, 392

Tenant Savings - £125, 660

Efficiency gains - £26, 710

This is annual income so each year the total gains grow – and none of this involves PV (Photovoltaic)!

Interested in finding out more? Click here to send us an email and we will be in touch.