

An aerial photograph of a city area, showing a mix of residential housing, commercial buildings, and green spaces. A semi-transparent blue banner is overlaid across the middle of the image, containing the title and subtitle. The background image shows a dense urban environment with various building styles, streets, and some greenery.

Trading Places

Efficiencies through stock rationalisation

Creating homes. Shaping communities. Changing lives.



Where we work

Operating in southern England, with over 36,500 homes, 80,000 residents and 958 employees, Sovereign Housing Association has a clear mission:

Creating homes.
Shaping communities.
Changing lives.



Trading Places

Efficiencies through stock rationalisation

“This strategy is not about expansion for its own sake . . . stock rationalisation can deliver significant efficiencies, value for money and a better deal for residents.”

Ann Santry, Chief Executive, Sovereign Housing Association





Introduction: our philosophy and strategy



“In the past couple of years we have been very active in the stock acquisition market. Since the start of 2012 we have acquired 2,238 homes from other landlords, but have also transferred out 703.

This strategy is not about expansion for its own sake; we strongly believe that, when done well, stock rationalisation can deliver significant efficiencies, value for money and a better deal for residents.

This is vital, given the economic context in which we are operating. Landlords need to be able to achieve value for money while still delivering a high level of service. And if, like us, you want to continue to build more homes, some of the savings and efficiencies that stock rationalisation realises allow you to reinvest in development.

Our strategy is to acquire stock in our heartland, so that new residents feel the benefit of being close to our services and are also part of an existing community of Sovereign residents.

Of course, it's important that any deal benefits both the buyer and the vendor. While we have been able to grow our estate, at only marginal cost, those selling make savings in management costs and overheads.

Our experience is that an organisation needs to devote significant resources to this area if it wants to do it successfully; taking on new stock is often akin to acquiring a new business.

To this end, we have set up a dedicated team that has accumulated a great deal of expertise and developed a tried and tested stock transfer process. We are now confident of avoiding the many potential pitfalls, and keen to help other housing providers do likewise.”

Ann Santry, Chief Executive

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Stock rationalisation - how we do it at Sovereign

Last year, we commissioned Ark Housing Consultancy to write a report, Stock Exchange, outlining some of the lessons learned from the stock transfer deals we have completed in recent years. We stressed the importance of due diligence, communicating with residents and staff, and of having a strategic rather than opportunistic approach to stock rationalisation. We also emphasised the need to deal in an open, honest and transparent way with partners.

As an organisation, we aim to optimise the return on our assets to meet the needs of current and future residents. We have developed a *Net Present Value* (NPV) model which allows us to fully understand the value of stock – both financial and social – to the business.

On this basis, we have assessed all our current stock and identified those properties which we feel would be more efficient for other housing associations to manage.

Equally, when other landlords are looking to divest themselves of their more peripheral stock, we will, using our NPV model, assess not only whether it makes financial sense for us to take on these properties, but also whether we can improve the service for residents.

The advantages for selling organisations include:

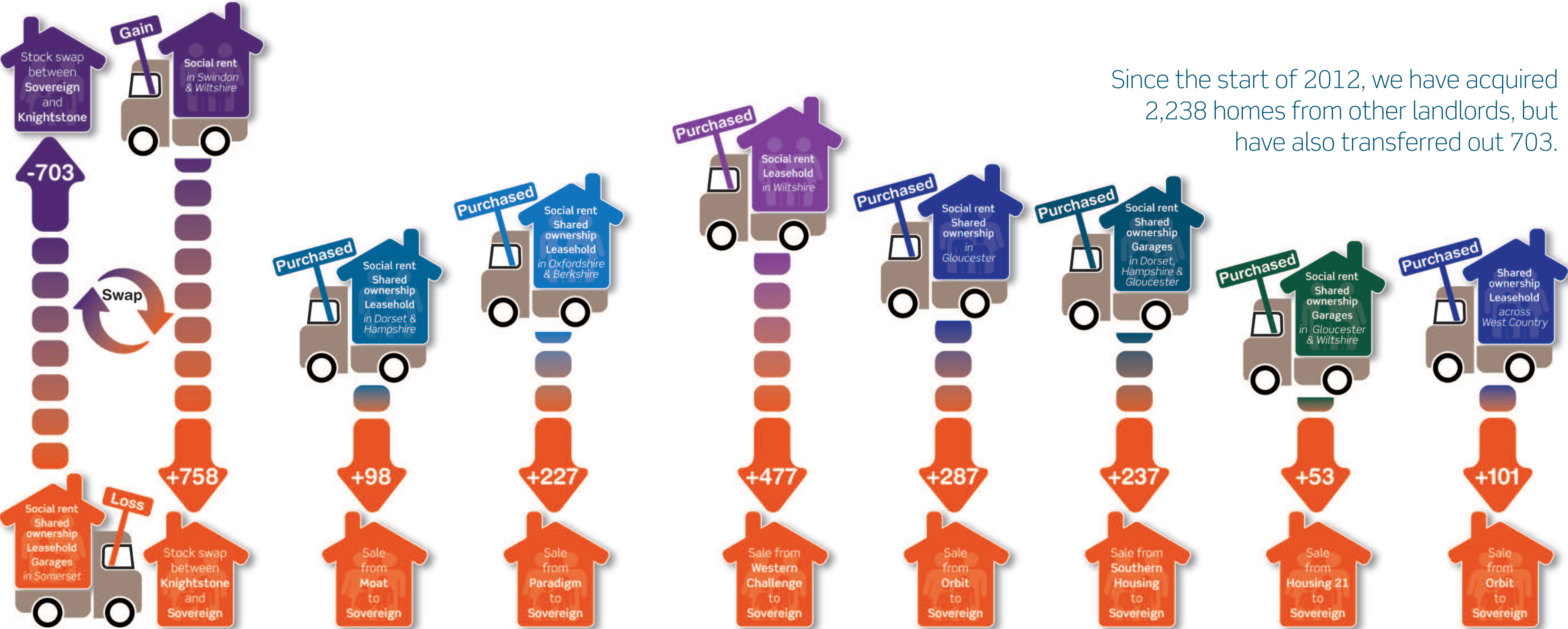
- Consolidating their geographic 'footprint', leading to reduced costs and improved customer experience
- The release of cash which can be reinvested in housing services, development and maintenance
- Improved financial standing as non-performing assets are removed from their portfolio.

We would like to hear from any organisation that wants to discuss how they can use the NPV model to understand the value of their asset base, and how it is contributing financially and socially to their business.



Julian Ashby, Chair of the Homes and Communities Agency Regulation Committee, praised Sovereign's approach to stock rationalisation at the Housing 2012 Conference in Manchester.

Sovereign stock transfers since January 2012



Since the start of 2012, we have acquired 2,238 homes from other landlords, but have also transferred out 703.



*Employment and Training
Coordinator Lorraine Hartung
meets a resident in
Basingstoke.*

Why other housing providers choose Sovereign

Transfer of 98 homes from Moat Housing Association, September 2012

“These homes do not lie in one of Moat’s key local authority areas, and are some distance from the nearest Moat neighbourhood office. We therefore wanted to find the right provider, with a strong track record in housing, and a good local knowledge to take over their management.

Sovereign fulfilled our criteria, and now manage the properties from two local offices. Residents welcomed the rationale behind our decision and we feel certain that Sovereign will deliver high quality, customer-driven services to residents in the Dorset and Hampshire areas.

There were some complex historical issues relating to these properties, but Sovereign put together an experienced professional project team who we were able to work very effectively with staff at Moat to bring about a smooth transfer of management of these homes and meet the agreed timescales.”

*Mark Jervis
Business Initiatives Manager
Moat Housing Association*

Transfer of 227 homes from Paradigm Housing Group, November 2012

“Sovereign Group submitted a thorough and highly competitive bid for property within our disposal programme. Dealing with the task of transferring a large portfolio of properties to another registered provider was considerably eased by Sovereigns ability to work closely with us in creating a seamless transition through their staff’s professional and experienced approach.”

*Tony Lovelee
Senior Housing Project Manager
Paradigm Housing Group*

Meet some of our transferred residents and staff

Stock swap with Knightstone, January 2012

Dale Evans, Housing Services Manager, transferred across to Sovereign from Knightstone Housing Association at the same time as a major stock swap in January 2012.



“When I was initially told that I would be transferred, I felt a mixture of relief - because I wasn’t being made redundant and we had heard some positive things about Sovereign - and anxiety, because I wasn’t sure where I would be working. There were a number of good points about the transfer. We met Sovereign staff - including the team we would be working with, HR and the Regional Director - before we joined.

It was a challenge having seven new members of staff starting in our small Swindon office and over 700 new properties being transferred on the same day, but we survived it.

Having a manager among those staff moving across was also beneficial as I was able to support the team through the process. It was really useful having staff who knew not only the properties but the residents.

Some of our residents were concerned that Sovereign would not know ‘what had gone on in the past’, but they were reassured when they realised that several of us had also come across to Sovereign.

For me personally, it has been a great move. I really enjoy working at Sovereign and, having gone through the restructuring of the housing team, I know that I have been chosen to work here and am not here because they had to have me!”

Transfer of 477 homes from Western Challenge Housing Association, January 2013

Alan and Samantha Jackson became Sovereign residents in January 2013 following a stock acquisition with Western Challenge. Their Sovereign housing officer advised them on ways to avoid the bedroom tax and helped them to move from their two-bedroom home in Chippenham to a smaller property.

“Sovereign weren’t our landlord for long but I can’t fault them, the service has been brilliant,” Alan said.

“... I can’t fault them, the service has been brilliant.”

Alan and Samantha Jackson



The process

Stock rationalisation can be a complex and lengthy process, often akin to buying a business, rather than a collection of homes.

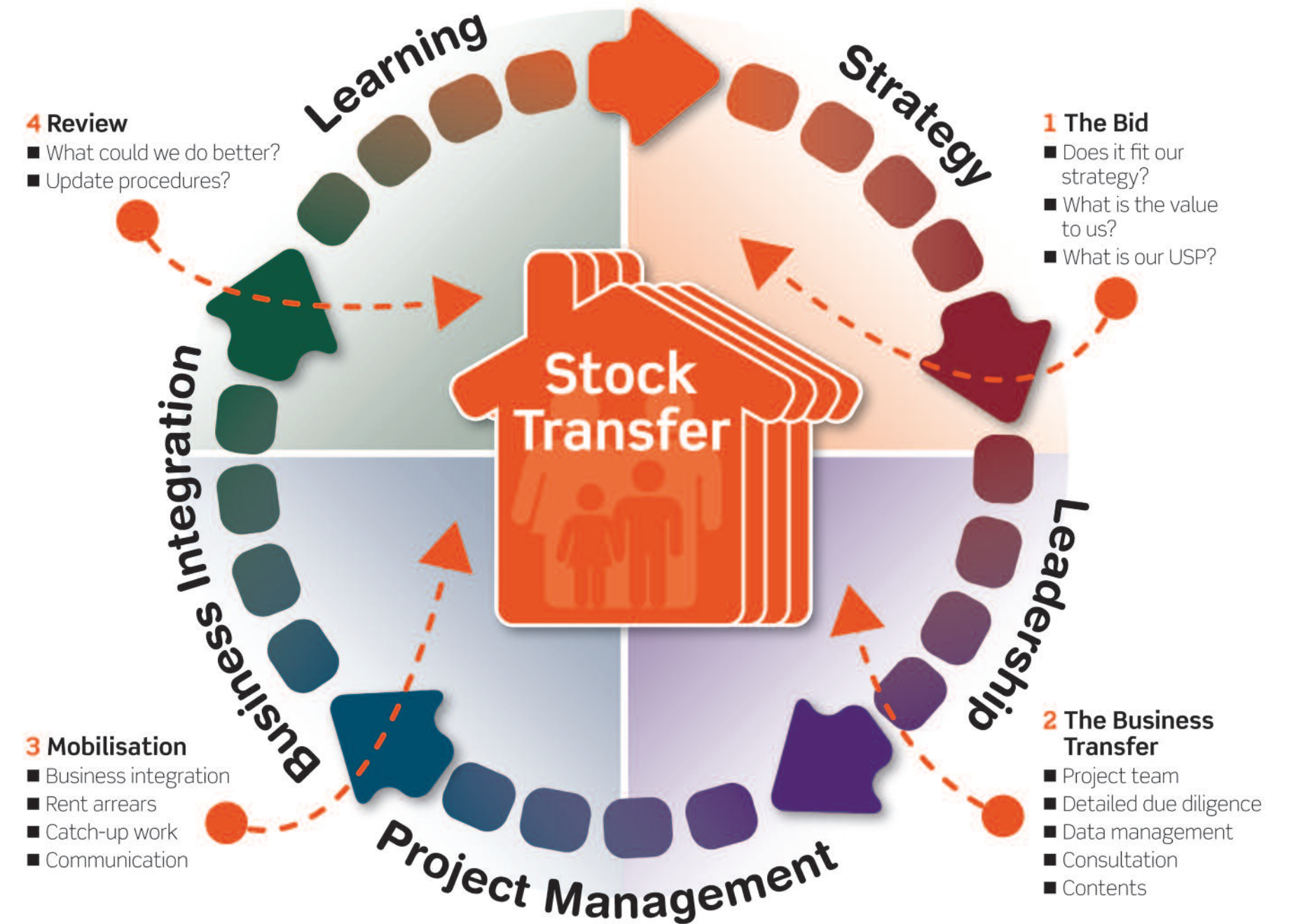
No two transactions are the same, but there are important steps that are common to all of them – whether communicating effectively with residents and staff, conducting rigorous financial evaluation or carrying out thorough due diligence – that will ensure that the process is smooth for residents and staff alike.

The graphic on the page opposite explains some of the areas that need to be addressed when engaging in a stock deal.

If you require more information, you can look at our Stock Exchange report, or contact our Asset Management team on 01635 275131.

“The nature of housing association growth over the past 40 years means that stock rationalisation has a long way to go before the sector can genuinely claim to be managing asset portfolios as well as possible. Getting the strategy, processes and risk management right is essential to delivering successful projects.”

Conclusions from the Stock Exchange Report, 2012



“We wanted to find the right provider, with a strong track record in housing, and a good local knowledge to take over their management.”

Mark Jervis, Moat Housing Association



The benefits for a selling association . . .

Sovereign is constantly exploring which of the stock it holds is delivering value for money for the business. Equally, we have benefitted in recent times from other landlords who have done the same.

Disposing of stock that is not performing for the business can have a number of benefits for the vendor. These include:

- Allowing you to refocus on your main operating areas
- Benefitting residents by giving them access to a more localised service
- Finding efficiencies that can be reinvested in:
 - developing new homes
 - purchasing stock in core areas or
 - achieving higher service standards
- Meeting government expectations around value for money
- Integrating essential asset management skills into the business, driving further efficiencies and better understanding of the value of your stock to the business.

“There is a growing preparedness on the part of the sector to explore stock rationalisation because it’s a win-win situation for both parties, and for the housing sector. Rather than shuffling homes between landlords, stock rationalisation will result in more homes as efficiencies are reinvested.”

Jonathan Cowie, Sovereign’s Chief Operating Officer, in an article for 24 Housing magazine, February 2013

Future strategy

As our Stock Exchange report demonstrated, stock rationalisation is not a one-off activity to deliver short-term efficiencies. It is an ongoing strategic process to ensure that the homes and other property we own and manage are fit for purpose and offer value both for our residents and for the business as a whole.

There is huge scope in the housing sector to make better use of assets and at the same time deliver a better deal for residents. This is not only what is expected of us, it makes sense from a business perspective.

We have worked with Faithorn Farrell Timms (FFT) to capture the knowledge we have accumulated following the publication of the Stock Exchange report, creating toolkits for both acquisition and disposal of portfolios.

These set out clear expectations of the timelines, content and format of information required at key stages. They also ensure that our knowledge from previous transactions is embedded across the organisation and not just teams that specialise in stock transfers, enabling us to maintain effective governance and project management.

This makes us an ideal partner with which to work, and are keen that other landlords benefit from the work we have done with FFT. We would be happy to discuss the advantages of our approach.

By becoming leaner and understanding how our assets are working for the business, we will be able to make those assets better meet the needs of current and future residents.

We will therefore continue to look for working partnerships with other housing providers who wish to rationalise outlying stock that sits in our core operating areas, especially when we feel we can deliver a more efficient, localised service than the current landlord.

At the same time, we are identifying the stock we hold that has a low value for the business, and where we feel another, better placed landlord could deliver an enhanced service to our current residents. This will apply to all property types and tenures.

Should you wish to discuss anything contained in this document or require any additional information, please contact:

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You can find out more about Sovereign's approach to strategic asset management and stock rationalisation at www.sovereign.org.uk/about-us/strategic-asset-management





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Sovereign Housing Association Limited is charitable.

AM-26774 Aug13inh

