

# Creating an Assets and Liabilities Register

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# Creating an Assets and Liabilities register

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- Why have a land and property asset register?
- Why have a liabilities register?
- The challenges and limitations of an asset and liability register
- Constructing an asset and liability register for your organisation
- Component registers and what goes in them?
- Key features of each component register



# Why have a land and property assets register?

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*“What do we own and what are our obligations arising from what we own?”*

- Housing associations, whatever their size, are fundamentally property investment and management businesses
- Property = the business foundation
- Charitable / social objectives can't happen without them
- Asset register = basic good business management

# Why have a liabilities register?

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*“What have we committed to do and when have we committed to doing it?”*

- Operating as a corporate body exposes business to legal, statutory and basic contractual commitments and obligations
- Diversity and complexity not only increases the level of risk but also the nature of that risk which cannot always be ring-fenced to protect the social housing assets
- Most associations carry a significant level of financial risk in their loan portfolio
- Investing in property development is a standard activity that is well understood but scale and commercial risk is increasing

# The challenges and limitations of the ALR

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- Fundamentally the ALR is an “index” to the business
- It is **not** a single repository for everything but instead acts as a signposting mechanism for users to identify where the relevant information can be found
- Relies on data drawn from a number of corporate and operational systems
- Requires methodology to be put in place for ongoing maintenance and updating of data
- Requires individual business functions / departments to hold responsibility for collation of base data, populating and updating relevant registers
- Requires Executive Directors to hold single point accountability for the assets and liabilities within their business function(s) and maintenance of links with relevant registers
- Requires a board level Lead Director to take overall responsibility for maintaining the corporate register
- Key role for Company Secretary in providing link between management and governance reporting frameworks and cycles
- Key role for ICT in providing platform for / accessibility to / reporting on registers

# Constructing an ALR for your organisation

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- Most associations are primarily asset based so majority of effort required on developing land and property asset register
- However, land and property assets likely to account for far less risk than other activities, so significant intellectual focus required to develop liabilities register
- Establish materiality threshold for liabilities to ensure cost / benefit balance to business
- In considering liabilities need to consider diversity / complexity / scale of:
  - Standard non-rental HA activities e.g. Supporting People contracting, AHP funded development programme, regeneration schemes, community investment projects
  - Non-standard activities e.g. market rent, student accommodation, commercial provision of management services, PFI contracting, development for outright sale
- Establish management accountability and governance assurance frameworks
- Identify the links with corporate and operational data, management and reporting systems
- Develop the methodology for maintaining and updating the registers on an ongoing basis

# What components comprise a comprehensive asset and liabilities register?

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Four key components:

- A register of all freehold and leasehold land and property assets
- A register of all corporate liabilities and material obligations
- A register of all financial liabilities and material obligations
- A register of all property investment liabilities and material obligations



# What goes in a land and property assets register?

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- Primarily a repository for legal information and documentation
- Comprises all property assets – residential and non-residential, f/hold and l/hold
- Title, encumbrances (restrictions, reversions, planning requirements)
- Land Registry primary source for validation of legal data, internal (development) archives for other documentation
- Digital storage of deeds, plans, leases, S106 / nomination agreements
- Static / quasi-static data, long term assets





# Land and property assets: Key features

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- Land Registry title number
- Address, Postcode, Local Authority and NLPG reference
- Property type and number of bedrooms
- Ownership tenure and date of ownership / lease commencement
- Lease information:
  - Term
  - Landlord obligations
  - Restrictive terms
  - End of term provisions
- Planning information:
  - S106 agreement
  - Nominations agreement
  - Restrictions on use / sale



# What goes in a corporate liabilities register?

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- Repository for all live contracts / documentation associated with corporate activity:
  - Material service contracts (including SP and intra-group contracts)
  - Subsidiary and/or minority interests
  - Joint venture agreements
  - PFI contracts
  
- Legal and statutory obligations:
  - Corporate taxation
  - Insurances
  - Pension schemes
  
- Contingent liabilities



# Corporate liabilities: Key features

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- Commercial contracts:
  - Nature of agreement, counterparty details
  - Contract specification, material payment obligations
  - Performance parameters, early termination provisions
  - End of contract term provisions
- Subsidiary and JV agreements:
  - Legal status of venture, nature of shareholding interest, control mechanism(s), form of investment (equity / debt)
  - Performance / delivery / return thresholds, future working capital / investment commitments, review options
  - Governance provisions, partner performance review, withdrawal options, exit provisions
- Statutory employment obligations (notice periods, severance terms, redundancy policy)
- Pension provision, risk and deficits
- Non-property related grant funding repayment / clawback terms



# What goes in a financial liabilities register?

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- Loan agreements
- Bond finance
- Hedging instruments
- Guarantees
- Day to day taxation
- Day to day pension management



# Financial liabilities: Key features

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- Loan agreements and Bonds:
  - Counterparty details, type of loan, purpose, restrictions
  - Amount, term, interest rate, margin, fees
  - Material payment obligations, late / non-payment penalties
  - Covenants, default provisions
  - Early redemption, end of term provisions
- Hedging instruments:
  - ISDA master agreement, counterparty details, credit rating
  - Credit support annex, valuation dates, collateral tests
  - ISDA confirmations, amount, effective date, term, maturity details
- PAYE, NI, VAT, SDLT
- Pension scheme contributions, deficit reduction programme payments



# What goes in a property investment liabilities register?

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- All live development contracts
- Options agreements
- Development agreements
- Grant agreements
- Professional advisor appointments
- Material maintenance and/or major works contracts



# Property investment liabilities: Key features

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- Development contracts:
  - Counterparty details, contract specification / units / price
  - Completion dates, latent defects period, retention
  - Material payment obligations, late / non-payment penalties
  - Contractor performance parameters, default provisions
  - All property details (transfer to asset register on completion)
- Options agreements:
  - Counterparty details, conditions precedent, material payment obligations
- Development agreements:
  - Counterparty details, contract specification / units / price, material payment obligations
- Grant agreements:
  - Counterparty details, contract specification, investment / material payment obligations
- Professional advisors:
  - Counterparty details, nature / scope of appointment, fees, termination provisions



# Benefits of an Assets and Liabilities Register

- Implementation and maintenance of a comprehensive Assets and Liabilities Register allows the Board to demonstrate that:
  - It understands the liabilities / obligations / commitments of the business
  - It understands the risk of these commitments on its going concern status
  - It has a governance structure that is relevant and proportionate to the scope, scale and risk profile of the business
  - The business has the capacity / liquidity to maintain these commitments over time
  - Resources are being invested appropriately in optimising the income generating capacity of the property assets
  - Resources are being appropriately managed and deployed to provide a return on the public investment in the business
  - It is balancing the ambition to grow with the responsibility to protect the social housing assets
  - It is compliant with regulatory requirements





# Questions

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