

active response

turning problems *into* solutions

No:1- WHQs Business Plans



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No 1 – WHQS business plans

Welcome to **active response** a series of briefings from **i2i** – inform to involve.

i2i is an Assembly Government supported project that works with tenants, staff and councilors in the Heads of the Valleys area to achieve WHQS - the Welsh Housing Quality Standard. We also aim to share our work with local authorities, RSLs (registered social landlords) and their tenants throughout Wales.

active response aims to take topical WHQS issues for local authority tenants, staff and councillors, identify problems and propose solutions. The views expressed are not necessarily those of **i2i**.

active response 1 - WHQS Business Plans

Local Authorities and RSLs in Wales are expected to achieve WHQS by 2012 and maintain the standard over 30 years. The options to deliver this investment are limited; either authorities can do it from within their own resources – the *retention* route; or they secure support from tenants to set up a new RSL to deliver – the *transfer* route.

active response 1 focuses on capturing the lessons of the business planning process drawing on the experiences of a range of 'experts' involved in delivering WHQS on a day to day basis.

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1. WHQS – the Welsh Housing Quality Standard

1. WHQS – the Welsh Housing Quality Standard

*'we are a major
regeneration agency'*

chief executive transfer RSL

WHQS specifies improvements to be made to the structure and design of housing as well as environmental improvements to the areas around tenants' homes making it a more exacting requirement than the English and Scottish equivalents. For all 22 authorities to reach the standard by 2012 will require an estimated £2.9 billion with an additional £4 billion required to maintain this over the next 30 years. Getting business plans right will be critical to delivering such a huge investment programme.

Some authorities are seeking to achieve the standard by retaining council housing, and the tenants of two councils – Wrexham and Swansea – have voted against a proposed stock transfer. To date six authorities have secured tenant support for stock transfer involving over 40,000 homes. All other authorities are either committed to balloting tenants or are currently considering their options.

There is growing recognition that WHQS investment could have a major positive impact on long term regeneration, particularly in socially excluded communities where many of the 167,000 council homes across Wales are located.

2. Business Plans – the issues

2. Business Plans – the issues

'If you don't get the starting point right, all else will fail'

RSL chief executive

The process of developing business plans has thrown up a lot of issues in a short time and the opportunities to learn are constantly growing. Key issues fall into a number of areas.

Defining WHQS

Certain aspects of WHQS are difficult to define, leaving it open to a range of interpretations. Although on the positive side this allows some flexibility it also means there will be difficulties measuring progress and consequently in deciding when WHQS has been achieved. The development of local 'alternative' quality standards could lead to confusion unless they are clearly an improvement on WHQS.

'local authority properties will only ever achieve 80% of what new build homes can because of design and layout problems'

lead WHQS officer

Problems will frequently arise where design or layout inhibits the achievement of an element or it is disproportionately costly – for example moving walls to gain minimal additional space. Many authorities have found it difficult to accurately cost the environmental elements of WHQS – there is some evidence that this is being used as a figure to be tweaked to balance business plan.

2. Business Plans – the issues

Action Points – defining WHQS

To help address issues around defining WHQS the **Assembly Government** should:

- clarify the interpretation of the standard and that any alternative local standard has to be as good or better than WHQS;
- review the Barclay Hanover WHQS toolkit and consider updating it to take into account the revised guidance.

Local Authorities and **RSLs** should:

- collaborate in developing common WHQS assessment methodologies and information systems.

Dealing with risk

There are a whole series of risks that need to be assessed and dealt with in relation to WHQS. The expectations of tenants and other key stakeholders such as the local authority should be aligned with the promises made in the business plan so that any variation will be in a positive direction – it's far better to under promise and over deliver than the other way around.

The difficulties in defining WHQS means that measuring could be problematic as might be any future changes to the standard, for example requirements for homes to be carbon neutral. Partial stock condition data, whilst statistically valid, will have limited operational use and therefore could hide some costs – for example it will not tell you where each kitchen that needs replacing is or where tenants in the greatest need live. Underestimating the costs of improving non-traditional stock is a possible problem.

The current and future rent setting framework will have an impact. It is hard to factor in the effect of working on 'mixed' estates with significant proportions of leaseholders / owners. The level of *right to buy* sales can vary and have a major impact on income. Demand in general for properties will be influenced by macro economic issues such as interest rates and housing market conditions. Inflation, for construction materials and labour is often greater than the general rate and this can cause problems.

2. Business Plans – the issues

There are a number of performance related risks including effectively the programme is delivered by direct workforce and / or contractors. Failure to deliver efficiently and to a high quality could have serious long term effects on organisational reputation.

Staff pensions are an important area to consider especially where stock transfer is proposed.

- are final salary schemes sustainable, particularly for new employees?
- has provision been made to fully fund before any transfer?
- have the administration costs been factored in including if there is more than one scheme in operation?

Taking on ownership and responsibility for land could be a short term liability – the maintenance of common areas for example can involve considerable cost; but a medium to long term asset – it could be used as land for the development of new homes.

There are a whole series of risks that can sometimes be overlooked but ought to be factored in including:

- increases in public liability claims – especially 'slips and trips' - after stock transfer and a subsequent increase in premiums;
- the cost of maintaining infrastructure and external areas including trees and grassed areas, drains and services, play grounds, retaining walls and back lanes;
- dealing with housing management issues such as anti-social behaviour;
- dealing with contaminated land;
- the impact of de-coupling the housing revenue account - some HRAs pay large sums to local authorities for services such as legal and human resources; money from the HRA often funds other housing functions such as housing advice and the strategic housing function.

2. Business Plans – the issues

There are a whole series of issues to consider around possible change to the way social housing is funded, organised and regulated in the future including:

- Governance – how will the advent of new models of ownership and control impact on the governance of RSLs?
- Regulation – what changes could occur to the regulatory framework for local authorities, transfer RSLs and RSLs in general?
- Sheltered and supported housing – what are the long term trends and funding implications?
- Rent setting – what changes are likely or desirable to the current Assembly Government framework?
- Policy changes – what will be the balance between 'competing' objectives be in the future for example allocating on the basis of need and promoting mixed communities, delivering WHQS efficiently and securing local economic regeneration etc?
- Land use – what will be the impact on dowry funding if transfer RSLs use land holdings to provide new homes?

Action Points – dealing with risk

to address issues around dealing with risk the **Assembly Government** should:

- reviewing benchmark rents and in particular allowing an increase in 3 bedroom, 5 person properties;
- carry out robust 'reality checks' on business plan performance; clarify the basis on which transfer RSLs can bring land into SHG programmes.

Local authorities and **RSLs** should

- carry out an impact assessment of achieving WHQS on the HRA;
- share knowledge and experience on risk assessment based on an understanding of cost, equity, control, risk and benefit;
- carry out 100% stock survey as a baseline and platform for future asset management;
- consider not including right to buy sale projections in business plans
- share knowledge and experience of commissioning specialist surveys for contaminated land, drains and services, asbestos and non-traditional homes;
- carry out an impact assessment on pensions and get good quality advice.

2. Business Plans – the issues

Getting the best from consultants

Consultants will play a major role in the WHQS process – often providing the 'lead' role, giving legal advice, carrying out technical surveys, advising staff and tenants and communicating messages to key stakeholders.

*'consultants can miss issues
and as a consequence give wrong advice'*

WHQS lead officer

In spite of the valuable expertise that they can bring to the process a number of factors need to be considered:

- they may have little experience of day to day delivery in Wales;
- imported and cloned data have limitations – for example a number of things are often not covered by standard surveys – drains, retaining walls, asbestos, non-traditional stock etc;
- there may be pressure to produce a balanced business plan and therefore to underestimate certain factors - responsive repairs, catch up repairs, contingencies, environmental / external work have been cited as examples;
- the dominance of a relatively small number of consultants in the Welsh market and the lack of competition;

Action Points – getting the best from consultants

to help get the best out of consultants **local authorities** and **RSLs** should

- take the lead role in the process themselves and appoint consultants to plug specific gaps;
- share learning and experience between organisations;
- develop their own capacity through mentoring, secondments, master-classes e.g. leadership, regeneration.

2. Business Plans – the issues

WHQS plus – local community regeneration

'things are very tight – it will all depend on our performing our business plan'

financial director, transfer RSL

The **WHQS plus** agenda – getting added value from the investment in terms of local community regeneration – identifies opportunities to:

- create local jobs;
- develop and deliver community focused training;
- introduce mutual ownership models;
- grow new and existing SMEs and micro businesses;
- support new and existing social enterprises;
- commit private contractors to deliver social and community benefit;

However there are a number of issues that need to be considered at the business planning stage.

- The cost of delivering **WHQS plus** in terms of community benefit, jobs, and training needs to be fully factored in;
- Contracts need to be firm in relation local labour and community benefit – one organisation hits over 90% local labour but has difficulty recruiting its own tenants on estates;
- Authorities and new RSLs know their customers – this can be useful intelligence when developing strategies for engaging local people in regeneration;
- Working with particular groups – economically inactive, homeless people, those with learning disabilities – will require specialist support that has to be resourced.

2. Business Plans – the issues

Action Points – WHQS plus

to deliver **WHQS plus** the **Assembly Government** should:

- seek 'buy in' from senior managers of authorities and RSLs for WHQS plus their respective councillors and board members

Local authorities and **RSLs** should

- factor in WHQS plus to their strategic and operational planning
- develop and share robust contractual frameworks and resources to ensure delivery of local jobs and regeneration;
- work with specialist organisations (supported housing, BME agencies, disability groups) to provide targeted support;
- identify opportunities to lever in additional resources to deliver WHQS plus e.g. European convergence funding.

3. Further information

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Contact Us

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