



Glasgow and West of Scotland
Forum of Housing Associations

Making your Business Plan the focal point of strategy and decision-making

GWSF guidance for members, January 2024

The primary aim of this non-prescriptive guidance for Forum members is to suggest a Business Plan approach which means that no separate or additional options appraisal exercise is needed when particular events – such as the announced departure of the senior officer – take place.

It is intended to complement the revised version of SHR's Business Planning Recommended Practice, which is due for publication around April 2024.

1 Introduction

It's a long-held view that one of the 'constants' of the housing association sector is that nothing stands still, that change is always present. It's also generally agreed that, throughout their history, individually and as a movement, housing associations and co-ops have demonstrated enormous innovation, flexibility and resilience.

As the scale and range of activities, expectations and requirements have grown, it has become ever-more important to ensure that there is a robust framework to support the strategic and organisational decisions that are required of GWSF members as RSLs.

This guidance is being produced at a time of unprecedented uncertainty and volatility for the sector, which coincides with a period of significant change for members.

There has been substantial turnover amongst staff, particularly at senior level; the economic climate is driving reviews of costs and services; anticipated quality and safety standards are likely to require substantial investment; and tenant expectations are increasing, partly driven by decisions of councils and other agencies to reduce services.

In this climate, members are looking for some guidance to support their decision-making and demonstrate – internally and externally - that decisions are both well-informed and in the best interests of tenants.

The key to good strategic and organisational decision-making is the existence of a clear set of objectives against which any decision and its consequences can be assessed. For housing associations and co-ops, that strategic framework is a robust Business Plan, which is a:

- statement of intent (vision / objectives / outcomes)
- delivery strategy (resources / plans)
- performance management tool (targets / success measures)
- prospectus (for tenants, funders, partners, communities)
- financial plan

It has come to be widely understood that a significant event, such as the departure of the senior officer, requires a specific strategic exercise to be undertaken, usually independently, to assess the way forward: known as an options appraisal. This guidance takes a different approach, but one that is consistent with the SHR's current position, namely that provided an organisation has an up-to-date business plan, that takes account of recommended practice¹, it should be the basis of the governing body's decision-making.

This should mean that, in the event of the departure of the senior officer (or the announcement of plans for the departure), no additional exercise is required, unless there has been a fundamental change of circumstances or a crisis develops that the BP cannot accommodate. In either of these scenarios, a review of the business plan would be required anyway, regardless of the intentions of any member of staff.

This guidance is intended to provide a reference point for GWSF members who want to ensure that their business plan provides a sound focal point for effective decision making, including when determining how to proceed following the announcement of plans for the departure of the senior officer.

The starting point for any business plan is to identify what the organisation wants – and is required - to do, and then to consider how those objectives / outcomes will be achieved, taking account of legal, constitutional and regulatory requirements, tenant expectations, agreed values and standards: effectively a combination of strategic and organisational planning and review. The process of producing a business plan, however it is undertaken, inevitably involves a consideration of options about, for example, what the organisation wants to do and is able to deliver; the standards it wants to achieve and how these can be met. The approved business plan should demonstrate that the organisation can achieve its agreed objectives and outcomes effectively and successfully within its available resources and organisational structure.

If, during that process, a fundamental obstacle is identified (e.g. resources), that cannot be accommodated by, for example, re-scheduling or similar adaptation, an additional exercise is likely to be necessary to consider how that challenge might be tackled – appraising the potential options and their implications / impact. In contrast

¹ SHR Recommended Practice: Business Planning (2015; updated 2020 – under review Jan 2024)

to the strategic focus of business planning, any such exercise is likely to include a focus on organisational structure, as it is looking at ways (options) to address an identified problem.

This guidance is, therefore, intended to help GWSF members ensure that their approach to business planning is sufficiently comprehensive and robust to provide a sound strategic framework for effective decision-making *throughout the life of the plan*.

2 Purpose and scope of Business Plan

The BP is a high-level strategic plan that should be outcome-focussed. It normally spans between 3-5 years and is reviewed at least annually. The GB should be actively involved in developing the BP and in monitoring its delivery².

A comprehensive BP is likely to include information that enables the document to be:

<p>Statement of Purpose, Intent, Values</p> <p>Strategic purpose (consistent with legislation, constitution, regulatory requirements)³ – long term Vision and Objectives</p> <p>Activities planned to achieve vision and objectives over life of the plan</p> <p>Standards / values that will underpin delivery (e.g. equalities, inclusion, affordability, community control; accountability)</p>
<p>Framework for Decision Making</p> <p>During the life of the BP, decisions about potential changes should be considered against the strategic objectives and priorities set out in the BP. These changes could include:</p> <ul style="list-style-type: none"> • New initiative(s) – how does the proposed initiative / activity / opportunity support the achievement of the agreed strategy / objectives? Does it help to manage / reduce risk or costs – or might they increase? Are there resource requirements / implications? What adjustments are needed to ensure these are managed effectively, without impacting core activities adversely? What are the benefits / costs / disadvantages? Are they worth it? • Change in policy &/or operating climate(s) – e.g. new legislation / regulatory / funding requirement(s); failure of key supplier; political change; changed economic climate. Do assumptions have to change? Can the BP sustain the impact of the changes (e.g. external rent control; increased loan cover requirement)? What adjustments are needed e.g. re-scheduling improvement programmes; re-prioritising work (e.g. affordable warmth

² Regulatory Standards of Governance and Financial Management: Standard 1.1: “The governing body sets the RSL’s strategic direction. It agrees and oversees the organisation’s business plan to achieve its purpose and intended outcomes for its tenants and other service users” (2018/2024)

³ Including Housing (Scotland) Act 2010; RSL Rules; SHR Regulatory Standards of Governance and Financial Management; Scottish Charity Trustees and Investment Act 2005; FCA requirements etc.

instead of new bathrooms)? Are they acceptable? Will standards and compliance be maintained?

- Emergence of additional risk – how might the delivery of the BP objectives be affected? Are there implications for related strategies e.g. asset management, development, succession planning?
- Resource challenges (e.g. staff turnover; GB recruitment / retention) – does the departure of one or more experienced GBMs require the recruitment of specific skills / knowledge / experience? Do any departures require a review of the staff or GB succession plan? Do assumptions or intentions about housing quality need to be revised? How should resources be prioritised?
- Proposed organisational change (e.g. establishment of subsidiary; potential partnership; service sharing) – how will the proposal support the delivery of the BP?

Performance Management Tool

BP sets out specific outcomes and success measures e.g. ‘by the end of the plan period, we will have launched a digital repairs service’; ‘all our homes will have kitchens which are not more than X years old’; ‘we will have installed non-fossil fuel heating sources in X of our properties’

Operational delivery should be planned to achieve these organisational outcomes and monitored against agreed performance measures. At least annually, progress towards achieving the BP outcomes should be considered

The GB should be actively involved in reviewing performance and progress

Prospectus

BP sets out how RSL is positioned to fulfil its purpose and meet expectations effectively and compliantly; potential to be used as basis for partnerships; funding / borrowing; recruitment. Demonstrates that RSL is focussed on doing what it has determined to be the ‘right’ things effectively

Financial Plan

The BP describes the organisation’s intentions and ambitions, demonstrates that these can be achieved and funded effectively, evidences robust risk assessment and resilience; demonstrates that assets are being managed effectively and sustainably and that financial projections are realistic.

The BP itself is likely to be supported by a series of related strategies, plans and projections, which may be referenced but not replicated e.g. asset management, risk management, financial projections. The BP should provide the organisation and its GB with assurance that the agreed strategy and organisational model are supported

internally and by key stakeholders, including tenants. Confirming agreement about what's important will contribute to ensuring that the BP is robust and that fundamental principles that have to be recognised as part of any review during the life of the BP are respected. For GWSF members, and dependent on the specific circumstances, these are likely to include:

- Purpose and objectives
- Community control
- Tenant / resident engagement
- Local identity
- Housing need priorities (including the needs of particular groups)
- Development and growth
- Housing-related activities

3 What supports, informs and contributes to a strong Business Plan

Analysis of:

- External Environment – understanding of relevant local and national situations
- Anticipated need / demand for RSL services: housing list/ CHR data / turnover/ demographics and impact on related services e.g. adaptations, sustainment
- Finance – organisational strength; rent affordability (current and projected); arrears management; financial plans & projections (plan period and long-term); liquidity;
- Consideration of what the organisation is doing / expected to do (by tenants/ regulators / government / partners / funders) – currently and over planning period
- Risks / implications and how they are managed
- Stock / Asset Information: fabric condition; standards and safety compliance; current and projected demand; 'fit' with need, demand, quality standards - amenities / size etc; asset management plans
- Investment plans / requirements: current and anticipated borrowing requirements; relationship with funders and expected access to borrowing; security requirements / availability; current borrowing profile; anticipated rises in costs
- Affordability: impact of rising costs; comparison with peers / averages
- Governance: strength of GB; ability to recruit; succession planning
- Compliance requirements: Health and Safety; EESSH2 (SHNZS); transition to net zero; tenant & resident safety; SHR

- Competition (other RSLs): e.g. impact of neighbouring RSL development on demand & satisfaction

This guidance is not seeking to be prescriptive about the content /structure of the document that is described as a 'Business Plan' – what's important is that such a document draws on and is informed by all the considerations that are described. Statistical and financial information may be contained in a data 'book' which can be easily updated. The consequences of any such updating may require some adjustments to the BP e.g. significant financial changes or revised demand projections.

4 Business planning 'tools'

Organisations are likely to find it helpful to use established business planning techniques such as SWOT (assessing relevant **S**trengths, **W**eaknesses, **O**pportunities, **T**hreats) and PESTLE (considering **P**olitical; **E**conomic; **S**ocial; **T**echnological; **L**egal; **E**nvironmental / **E**thical factors) to support the preparation of their BP. The PESTLE analysis typically assesses factors over which the organisation has limited control but which can have a significant impact on viability / feasibility and performance. Whilst usually applied primarily at an organisational level, the SWOT technique can also be useful in considering specific objectives or activities (existing or proposed).

Using these tools to consider external and internal factors that are relevant to future plans and strategies can be especially useful to support engagement with the GB, tenants and staff. Having identified the various factors that are likely to be relevant, assessing their potential impact is a useful way of identifying pressures and / or risks and confirming (or otherwise) the viability and resilience of your plans.

These techniques can help assess whether the organisational (or structural) 'status quo' remains the best delivery model, for specific objectives, business activities or more generally – otherwise known as options appraisal.

5 Options appraisal of specific strategic objectives

By way of example, the following two tables illustrate how a sample of 'familiar' strategic objectives / business activities might be appraised / assessed:

Business activity / objective	Community development/wider role activity
Considerations / Risks	<ul style="list-style-type: none"> • Community development post is funded by rental income – no prospect of external funding in foreseeable future • The post brings in external funding for specific activities (e.g. related to food, fuel support, wellbeing support such as funding for cycle storage) • Tenant feedback continues to indicate high degree of support for our community development work
Continued ability to deliver now / longer-term	<ul style="list-style-type: none"> • Current position is that we can continue to fund this post – current salary and oncosts are £xx • Pressure on rental income will always mean non-core (non-housing) activity will be regularly reviewed • Ongoing attraction of external funding by the post-holder, and evidence of continued support for this work from tenants, likely to be needed year on year: external funding secured through this post has averaged £xx over the period 2017/18-2022/23
Options to re-schedule / re-profile	<ul style="list-style-type: none"> • Reversion of this work to the Director is seen only as a short term measure – e.g. to replace a departing post-holder, but not as a permanent arrangement as this needs to be a dedicated post • Option to reduce post to part-time could be considered in the future, if necessary, but post has been full-time and would need to continue as such if we are to avoid reducing our community development activity
Ongoing suitability of delivery / organisational model	<ul style="list-style-type: none"> • External (consultancy) support could potentially be used for specific tasks such as funding applications • But our community-focused work needs to be carried out by a staff member who works with colleagues across the organisation • Any future consideration of major structural change may particularly threaten our community development work, as a larger, regional or national RSL is unlikely to be able to maintain a focus on this

Business activity / objective	New build development
Considerations / Risks	<ul style="list-style-type: none"> • Identified need for new housing in the area, confirmed in local authority's Local Housing Strategy • Council is keen for HA to contribute to increasing supply • TSS confirms existing tenants want to see more houses in community • Potential to diversify housing stock by building for particular needs • Pressure to provide increasing proportion of allocations to council • Construction market volatility / fragility
Continued ability to deliver now / longer-term	<ul style="list-style-type: none"> • Two suitable sites in ownership • Potential brownfield sites available: acquisition and remediation costs uncertain • Healthy financial position; strong borrowing capacity • Recent tenders significantly exceeded benchmarks • Anticipated demand on reserves to support net zero / EESSH2 (SHNZS)
Options to re-schedule / re-profile	<ul style="list-style-type: none"> • Potential to pause progress on current sites until construction market more stable • Committed to developing sites in ownership
Ongoing suitability of organisational model	<ul style="list-style-type: none"> • Potential to partner with another RSL to manage / reduce exposure to development risk and control costs for existing and/or future projects / commitments • Already use external resources to support development • Existing staff could be re-deployed within asset management function to support net zero / EESSH2(SHNZS) transition • If the opportunity to develop one or both of our sites becomes available, we will aim to take this up. In doing so, we will explore options for buying in development services or working through a 'lead developer' arrangement with another RSL.

6 General principles to support effective planning

Aim to	Aim to Avoid
<ul style="list-style-type: none"> • Ensure GB actively involved throughout preparation – initial scoping / blue-sky thinking / objectives and success measures; risks • Engage with tenants – are the ‘right’ activities / priorities being progressed; are the costs affordable; are standards acceptable? • Ensure evidence-based and data-strong: consider developing a data-book that can be easily updated when required (e.g. census data; assumptions) • Make use of external evidence sources (e.g. LHS; ARC; benchmarking; national / local data; sector averages; independent forecasts e.g. financial, household projections, demographics) – using these contribute rigour and objectivity • Ensure BP is supported by related strategies (e.g. asset, risk management) and annual operational delivery plans • Link GB reports to specific BP objectives to demonstrate how what’s being considered relates to the agreed objectives and priorities⁴ • Review delivery at least annually; link operational performance reviews to BP objectives • Be specific if / when commissioning external support – brief should be precise about 	<ul style="list-style-type: none"> • Creating a huge document: BP should be clear and accessible: appendices and supporting documents are useful – but need to be inter-linked and kept up to date • ‘Contracting-out’ preparation: the BP needs to be ‘owned’ by the organisation; the GB and SMT need to be actively involved and ‘signed-up’ to taking it forward – there needs to be a partnership between the organisation and external advisers • Treating the BP as a single exercise that’s completed and then ‘shelved’ until due for review • Using the budget as the BP – the annual budget & 5YFP are only the financial elements of the BP

<p>scope and purpose of exercise; external support should supplement / complement internal resources rather than replace⁵</p>	
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7 Responsibility

A key role for the GB is to agree the RSL’s strategic direction⁶. The BP development process should be inclusive, providing opportunities for GBMs to take part in ‘blue sky’ thinking at an early stage and then consider drafts, before final approval.

This might be achieved by, for example, holding a planning event to initiate the process that enables the GB to take part in ‘blue-sky thinking’, with a subsequent opportunity to consider an interim or first draft, perhaps at the mid-point, before a final draft is presented for approval. The Self-Assurance Toolkit may be a useful reference point when considering GB involvement⁷.

It’s important to recognise that the BP is not simply a budget (the budget supports the BP), so it isn’t advisable to delegate its development completely to staff: the process should include opportunities for the GB to comment on specific proposals during the drafting and to take account of feedback and consultation.

At the time a new BP is being produced, the business planning process sits alongside the budget setting process and the two should be integrated / complementary – which may mean that members of the Audit sub-committee are involved in more detailed consideration of the budget which supports the BP. During the life of the BP, the annual budget process is likely to inform its periodic review.

The BP should be able to evidence that the GB has sought and listened to tenant feedback about what it intends to do and how it plans to do that⁸. This doesn’t mean consulting on the entire BP: building in consideration of recent satisfaction surveys, rent consultations, repairs feedback and complaints is important and targeted consultation on proposed priorities is likely to be important. Of course, it’s important to ensure that a cross-section of tenant opinion supports business planning and the organisation’s equalities data will be an important resource, too.

External / independent support may be useful: developing a comprehensive BP requires resources and takes time and some RSLs find it useful to engage additional

⁵ See section 8 ‘Commissioning external support’ below

⁶ Regulatory Standard 1.1: “The governing body sets the RSL’s strategic direction. It agrees and oversees the organisation’s business plan to achieve its purpose and intended outcomes for its tenants and other service users” (2018/2024)

⁷ Self Assurance Toolkit 2023 – published by SFHA with support from GWSF, ALACHO, SHR

⁸ Proposed Regulatory Standard 2.4 “...The GB listens to its tenants and service users and takes account of this information in its strategies, plans and decisions – SHR Consultation October 2023

expertise to assist. It's very important to remember that the BP belongs to the RSL and so any external support is really a supplement to the organisation's own resources – an 'extra pair of hands'. Commissioning external support will reduce the internal resources required and will bring specific experience and expertise, as well as additional capacity and an independent perspective – but internal knowledge, insights, time and input will still be needed.

8 Commissioning external support

Organisations may decide to commission external support, either in the preparation of the BP or to carry out a specific exercise e.g. to assess a new initiative or to identify potential solution(s) to a challenge that has been encountered or a problem that has been discovered. It's always important to be specific about requirements and responsibilities, and the table below is intended to assist when developing a brief:

Aim to	Aim to avoid
<p>Be specific about the purpose of the project e.g. to support the preparation of a business plan; to facilitate a planning event; to identify proposals to support a new initiative that is a BP priority; to identify potential solutions to an operational challenge; to consider alternative structures to address identified & specific weaknesses</p> <p>Describe the organisation's current situation accurately and realistically</p> <p>Specify any 'non-negotiables' or 'red-lines' e.g. rent affordability, charitable status, tenant involvement (with reasons)</p> <p>Ensure that decision-making responsibility is specified – and retained by the commissioning organisation</p> <p>Identify relevant governance arrangements e.g. involvement of Board / working / group-sub-committee in overseeing project</p> <p>Specify lead contact for liaison / communication</p> <p>Identify information to be provided to consultant(s) by RSL and vice-versa</p> <p>Specify requirements and responsibility for stakeholder engagement / consultation</p>	<p>Being unclear about the intention / purpose of the project and / or expected outcomes</p> <p>Transferring or delegating responsibility to a consultant</p> <p>Under-estimating the internal resources required to support the project</p> <p>Rushing the project</p> <p>Giving up or losing control of either the process or the outcome</p>

Be clear about **expectations**: is all the drafting to be undertaken by consultant? Will RSL draft specific element?

Specify **timescales** and critical dates

Allow sufficient **time** for project to be completed well

Be explicit that **ownership** (copyright) of drafts and final documents rests with commissioning organisation

Ensure commitment to **confidentiality**: content likely to be business critical / commercially sensitive