

GreenSquare Group Residents Scrutiny Panel

Inquiry

Business Planning GreenSquare Group

March 2010

1. Background

Business Planning Inquiry

- 1.1 This inquiry arose from one of the key findings of the Electric Heating (Westlea Housing Association) Inquiry conducted by the Residents Scrutiny Panel.
- 1.2 One of the issues identified by the Panel was that there was a lack of transparency over the way in which the Westlea Board dealt with the 2009-10 budget process. The Westlea District Forum (consisting of residents) had engaged in a Residents Business Planning process in the autumn of 2008 and as a result had prioritised an increase in resources for electric heating improvements. This had initially been accepted by the Westlea Board, subject to resources being available, but during the budget process the additional resources were not allocated.
- 1.3 During the Inquiry hearings it became clear that there were choices made about the allocation of resources (most notably to fund new development work) but it was very difficult to see exactly where these decisions had been made and the reasons why certain activities were prioritised and others were not.
- 1.4 One of the key recommendations arising from the Inquiry was as follows:

Budget and decision making process

1. **The budget decision making process be reviewed to achieve greater levels of transparency and accountability to residents.**

- 1.5 This was accepted by the Westlea Board and we understand that budget discussions with Board members will now be minuted and that efforts will be made to increase the transparency of decision making on these issues.
- 1.6 In order to assist the GreenSquare Group with its work in improving its transparency and accountability to residents over resource allocation decisions it was decided that the Panel would undertake a specific inquiry into business planning, with particular reference to greater openness and more involvement by residents in resource allocation decisions.

2. The Business Planning Inquiry

- 2.1 The Residents Scrutiny Panel agree to conduct this Inquiry at their meeting on the 22 July 2009.
- 2.2 The GreenSquare Group's business planning process starts in the autumn of each year. As part of this process both Westlea and OCHA produce a Residents Business Plan which sets out residents' priorities for the coming year. These views are fed into the business planning process and results in the Residents Business Plan sitting alongside the Business Plans agreed for each subsidiary organisation.
- 2.3 In many Audit Commission inspections a criticism is made that housing associations find it difficult to show how residents have been involved in the strategic decisions taken by the organisation, such as on the allocation of resources between competing priorities. As noted above the Resident Scrutiny Panel Inquiry into the Westlea Affordable Warmth Strategy

found some evidence to suggest that there were weaknesses in the transparency and accountability to residents in such key decisions in the Group.

2.4 The Residents Scrutiny Panel's working assumption in respect of the business planning process is that:

- the views of residents expressed by the District Forum/OCHA Citizens Panel and other groups (including the Residents' Scrutiny Panel) on business priorities are collated and considered by the relevant Boards;
- the Board decides the Business Plan and budget, taking into account all of the proposals collected as part of the budget round within the framework set by the organisation's strategic priorities and resource availability;
- there is feedback to the RSP, District Forum and other groups on the business priorities and the action which it is proposed to take on each of the priorities identified.

2.5 The Resident Scrutiny Panel agreed to undertake a review of the process adopted by Westlea and OCHA to ensure that residents' views on strategic priorities are better reflected in the Board level decisions on the business plans of the two associations.

2.6 The Inquiry set out to examine:

- how the ideas for the Resident Business Plan are put together in OCHA and Westlea;
- how the proposals are considered by the Boards of OCHA and Westlea;
- the extent to which the views of Residents in the Residents Business Plan on strategic issues are reflected in the Business Plans of each subsidiary;
- how other organisations ensure that resident views are reflected in the strategic decisions taken by Boards

2.7 The aim of the Inquiry was to make recommendations for improving the way in which residents' views on strategic priorities are reflected in the business planning process in Westlea and OCHA and clarifying the relationships between the Residents Business Plan, individual Business Plans and the relationships between the District Forum/Citizen's Panel and the Resident Scrutiny Panel and the Boards.

3. Methodology

3.1 The Scrutiny Panel received a briefing from officers on how the business planning process worked in OCHA and Westlea in previous years and the proposals for 2010-11.

3.2 The Scrutiny Panel commissioned a report from an independent consultant as to how the best performing housing associations involve residents in informing high level strategic and resource allocation decisions.

3.3. The Scrutiny Panel wanted to hear from the Westlea District Forum and the OCHA Citizens Panel (or similar) on their views as to how the business planning process and their involvement in it might be improved in relation to key strategic and resource allocation decisions.

4. Independent report on business planning with residents

4.1 The Resident Scrutiny Panel commissioned Hookmoor Ltd to produce a best practice briefing on how other organisations involve residents and service users in strategic business planning and budget decisions. The consultant was asked to identify and evaluate different approaches to this type of involvement, and recommend how best practice might help to develop the GreenSquare Group approach. In particular, the Panel suggested looking at ways of involving residents in these aspects that go beyond just having resident Board members. The brief listed some key issues on which the Panel wanted examples of where residents have real influence:

- 2 balancing investment between new homes and existing assets and services
- 3 consultation on rent increases
- 4 direct input into budgeting decisions.

- The report “What Residents Want” is attached at Appendix 1 and is an excellent summary of the initiatives underway across England where residents are involved in strategic planning decisions.
 - The report identified a number of examples of good practice but also showed that only a small number of organisations had been able to design processes where residents were able demonstrably to shape the allocation of resources and key strategic decisions.
 - As a result of the report the Residents Scrutiny Panel decided that it would seek to have an involvement with officers and Board members in the 2010-11 budget setting process and arrangements were made with the Managing Directors of OCHA and Westlea for Resident Scrutiny Panel members to be invited to join in budget setting discussions to observe the process.
- **Resident Scrutiny Panel Member involvement in the 2010-11 budget process at OCHA and Westlea.**

5.1 Nick Fry, Kerry Law and Ian Wilmer were involved in the Westlea Business Planning Process in the following way.

5.2 **Nick Fry advised the Panel:**

“I have been involved with the last two resident’s business plans, They were both produced differently. The 2009-10 was done with the aid of an independent consultant and the 2010-11 was led by Westlea staff. This is not to suggest that any influence was used but there was more emphasis on high and low costs this year. It takes about 10 meetings in all to arrive at the Final Plan.

With regard to the two budget meetings I have attended, the first was when the bids were put forward and the rents were discussed. The residents wanted a rent freeze but it was eventually recommended to accept the government’s suggestion of a decrease of 0.9%.

These bids were finally decided at a meeting between the District Forum and Westlea.

The second meeting I attended was to look at the final budget to be put to the Westlea Board. It was clear to me that most of the Residents Business Plan was included in the final budget; however I feel it advisable that the Residents Scrutiny Panel should be in attendance at all of these meetings.

My final recommendation/suggestion is that it would be ideal for the Residents' Business Plan to be delegated to the District Forum, therefore allowing the residents empowerment of their own Business Plan.

5.3 Kerry Law advised the Panel that:

"I attended a meeting of the Westlea board on December 3rd 2009; this was an informal meeting with members of both the district forum and resident scrutiny panel present, in addition to the board. The main role of the meeting was to update the board on the budget setting process for the 2010-2011 financial year.

To inform the meeting about the progress with the budget so far Ann Cornelius had produced a four page confidential report detailing the first principles, headline numbers and especially the direct responses to the stated Resident Business Plan priorities as set out in the 2009 RBP.

I found the meeting very informative, and found that there had clearly been considerable consideration of the RBP priorities, checking on this being my brief so to speak when attending the meeting. All the priorities in the RBP were addressed and had a capital commitment made to them at this stage of the budget. It was noted however that further "bloodletting" meetings were planned where some things could possibly be cut. I was not invited to attend those meetings. I did note that the amounts of money highlighted for each of the RBP priorities were not negotiated or discussed, simply stated.

I did also note with regard to the budget in general that the meeting felt very much like a presentation to the board of the budget; and was left feeling as though the board's role was very much to sign on the dotted line. One relatively new board member did ask at one point whether this years budget would be handled like last years, where apparently the board simply rubber stamped things. She was informed that a special interest group of board members was to be set up to follow the budget process through in more detail this year. I believe further meetings to this end have occurred, but I have been unable to attend due to personal commitments.

There was some general discussion regarding this years rent levels; the board indicated by a show of hands that they would stick with the rent calculation formula despite the residents present suggesting alternatives.

There were no major strategic discussions about the organisations priorities regarding such matters as new building. It was stated that there was a significant increase in development, with an aim to build 250 new homes each year for the next several years, the impact of this on the budget was not discussed however it was simply stated as a matter of fact.

With a view to improving transparency to residents in future years, I must state that I felt this meeting was held at a stage in the budget setting process which was already fairly far along the line, reducing the chance for much flexibility. The major strategic planning has obviously already taken place, with regard to such things as the focus of the organisation on building more homes each year for example. At what point those decisions are taken, and who

specifically is involved, I am not clear. I certainly did get the impression that some board members wanted more information about this too, though perhaps they are new additions to the board.

I also attended a meeting of the Westlea Board on the 28th January 2010. Item 10 on the agenda was for the Board to approve the Budget for the year 2010 – 2011, and also to agree the GreenSquare recharges. The details of the Budget were given in the Board papers and the Board agreed the budget with no amendments.

I would like to raise one further point regarding the issue of the Residents/ Business Plan. In discussion with a member of the District Forum who was involved in the RBP this year, and has been for many years, a concern was raised that the residents feel that they are losing control of the process. In past years an external agent has been employed to help the Residents write the plan. This year no-one was employed and Westlea staff helped the Residents. There were apparently meetings where the staff present outnumbered the Residents; and thy feeling of at least one resident present was that the residents had lost their independence.

The Resident Business Plan is a credit to Westlea and its value to the company is significant. If Resident' begin to see it as something that they are not in control of, then that will be a loss to both the Residents and to Westlea.

- 5.4 The Panel also asked that the Westlea District Forum representatives be asked for their views. Josie Evans said:

"I felt that the budgeting went well and things were explained as we went along so that everyone could keep up with what was being discussed. I felt very fortunate to be involved in it. I felt that I was being asked about what I thought of how the money was being divided.

The only improvement I would say would be that we could have been more involved right at the very beginning".

- 5.4 In OCHA Keith Fellows, Gerry Webb and Tony Shillingford were also involved in various meetings

- 5.5 Tony Shillingford advised the Panel that:

"I attended a section of the recent OCHA board meeting that included the discussion on final budget agreement. There were a number of questions from board members including the Chair. In all cases these questions were about specific, relatively small value, areas of the overall budget and did not involve basic questions about major topics such as how many new houses were being built and why. There was a discussion between residents and the board regarding OCHA's actions on residents that fall behind on rent.

- 5.6 Keith Fellows wrote:

"I attended two meetings at OCHA's Barns Road offices in connection with the association's budget for the year 2010/11. My aim was not to engage with comments made during these meetings (except for the purpose of clarification) but mainly to observe the process and to note how resident involvement influences the association's work.

Meeting 1: Monday afternoon, 30th November 2009 :OCHA Budget Meeting

(Time allocated for the subject:3 hours,30 minutes.)

Present: 7 members of staff; 4 members of the resident business planning steering group; 1 member of the resident scrutiny panel.

Andrew Smith (MD OCHA) welcomed the residents and said that this was the first time OCHA had discussed the budget with residents at this stage of the process. Mr Smith went on to describe a circular process regarding the route of the budget: i.e., Westlea and OCHA needed to agree their budgets but in order to do so they needed an indication of expenditure from GreenSquare. But GreenSquare needed to know how much they had to spend, which depended on the OCHA and Westlea budgets. Therefore the budget passes through several stages in December and gathers some refinement en route.

“The board makes the final decisions in January 2010 on what bids to accept, therefore our only role at this stage is to consider what bids we might reject in order to present a well balanced budget to the board that meets our financial covenants as well as our promises to residents as set out in our corporate plan and residents' business plan,” said Mr Smith.

The MD went on to describe the background of the budget and that the association will have a greater surplus than expected, due to some shared ownership proceeds. Wendy Spray (Head of resident and community investment) explained her team's neighbourhood development bids, such as extending the employment period for the Rose Hill (Oxford) community development worker; an additional resident involvement officer; a residents' champions (pilot) scheme (providing direct links between residents and OCHA); funding for Shout youth and community projects and children's play bus; a (pilot) allotment scheme; more windows ; security measures on estates.

“All were ideas that supported the main outcomes of the residents' business plan, particularly their desire to see more active resident involvement,” said Ms Spray.

Budget bids from other departments included a call for computer modules, software, laptops, internet access for residents, improvements to the Barns Road reception area, storage for keys, replacement of meeting room chairs, additional staff for the rents team in order to tackle arrears and to give debt advice, etc.

The meeting was orderly and calm without any expectation of surprise or disagreement; all attendees had received the necessary agenda and advance papers. The meeting was led throughout by the association's MD Andrew Smith who gave unceasing patience to a continuous stream of questions raised by one member of the resident business planning steering group on the subject of various computer modules, their costs and comparisons.

The other senior members of staff generally made comments of approval or raised minor or perfunctory points. The members of the resident business planning steering group made few comments (apart from the questioner referred to in the preceding paragraph). However, there was more of a discourse on the subject of the debt advice officer and a long and detailed discussion about the re-modelling of OCHA's reception area. The budget figure for the latter, based on quotations of £10k to £17k was reduced by the residents to £2,500!

Meeting 2: Monday evening 25th January 2010: OCHA Board of Management Meeting

(Time allocated for the subject: 15 minutes.)

Present: 7 independent board members; 4 resident board members; 5 members of staff (including MD); 4 members of the resident business planning steering group; 2 members of the resident scrutiny panel.

Consideration of OCHA's annual budget 2010/11 was item 4 on the agenda. Roger Setchell (Head of finance) presented the subject matter to the board noting that several good discussions had been held by e-mail which would be attached to Athena and the minute book. Commenting on a point that perhaps savings targets should be more ambitious than 0.5%, Mr Setchell pointed out that once budgets were signed off "they were set in stone" and that there would be no changes to it pursuant to any discussions at the business plan stage.

MD OCHA gave some updated background information regarding the budget overall (the progress, needs and savings made) adding that the budget and business plan are based around what residents want in terms of the £400K extra spend available.

"Residents from the resident scrutiny panel and the resident business plan steering group had been very involved in the whole process this year" said Mr Smith. "This has worked well and will continue next year."

Comments mainly arose from the independent board members and staff. One resident board member asked a question relating to the proposed re-modelling of OCHA's reception; and three of the residents from the business planning steering group asked questions about the arrears (of rent) officer and about a rent deposit scheme.

Summary and conclusions

Both of the meetings provided a valuable insight into OCHA's procedure prior to planned expenditure. Staff at both meetings made the residents welcome and encouraged them to participate. By the first budget meeting, the "ideas that supported the main outcomes of the residents' business plan" had been put into the draft budget as 'budget bids'. Therefore, the RSP should have attended one or two of the earlier meetings to see how those ideas arose and from whom.

The minutes from the first meeting confirm that there were no objections to those bids, yet they are difficult to trace in the finished budget presented to the board on 25th January, with the exception of the community worker and resident involvement officer who are identified. However, I have received assurance that all of the bids are included in OCHA's budget.

In future, to find out to what extent were the views of residents expressed in the residents business planning process, then reflected in the actual draft budget, we would have to be in at the very beginning, when there is just a blank sheet of paper.

I had no impression that the process involving residents was an 'open exercise' in the sense that a complete range of options were available to residents (such as cutting back on plans for development, etc). The impression I did have was that choice of options available to residents may have been limited; possibly also limited by low expectation or even by imagination on what could be possible; but I cannot say this for certain because I was not present at the outset.

Regarding recommendations of how the process could be improved: The residents need encouragement to be involved in more significant aspects of the budget and encouraged to expect greater accommodation from OCHA, regarding their influence. The budget bid items raised by residents, or influenced by residents, should be clearly identified through all stages of the budget, so that the journey of their ideas or requests can be easily traced. Even if some of the residents' ideas are adopted and consolidated within a budget category (say under 'Support Costs') a note could be added to the budget narratives to say that those ideas are there, within the total spend of that category.

6. Draft Recommendations for discussion

- 3.2 The Residents Scrutiny Panel was pleased at the openness displayed by officers during the budget setting process. It was clear from the various meetings that residents' priorities as set out in the Residents Business Plans were being considered in the process.
- 3.3 However it was also clear that there was very little involvement of residents in any of the key strategic resource allocation decisions and that this seemed not to be a feature of the Resident Business Planning process. There is a clear expectation from the Tenant Services Authority in its new regulatory framework that residents will participate in such decisions and this is an area which the Panel considers needs greater attention by GreenSquare Group in the coming months.
- 3.4 There was also a sense in which Panel members attending the various budget meetings felt that resident involvement was coming somewhat late in the process and the Panel issues a challenge to the Group to identify a procedure which can involve residents at an earlier and more influential stage in the process.
- 3.5 It is essential that the feedback loop is properly completed and that both OCHA and Westlea report back to their residents and the Scrutiny Panel as to what has happened to the Resident Business Plan priorities. This will involve them advising explicitly which of the Business Plan priorities have been agreed in full or part.
- 3.6 The Panel considers that the Group should revisit the decision to facilitate the Residents Business Planning process in house. There is a concern that this may be disempowering residents. However in return the Group may wish to discuss with residents the possibility of moving from an annual planning cycle to a three year cycle (to be debated by the RSP!).
- 3.7 Following a review of the 2009-10 business planning process the Residents Scrutiny Panel therefore make the following recommendations:
- 5 that there should be a formal procedure agreed which sets out how residents will be involved in the budget setting process across the Group. The view of the Panel is that residents need to be involved at an earlier stage in the process. This procedure should be agreed by the Group by July 2010 to enable the new procedure to be used in the 2011-12 budget round;
- 6 that there should be a written report to the RSP after each budget round from each Board setting out how **explicitly** how the Resident Business Planning process influenced the budgets and which items in the Residents Business Plan were funded in **full or part**. The first such report to be submitted to the RSP by the end of June 2010;

- 7 that in the summer of 2010 the Group should pilot a **participatory** budget setting exercise across the Group under the auspices of the RSP (as recommended in the Hookmoor report). This exercise should be used to enable residents to work with Boards on key strategic resource allocation decisions (such as the allocation of resources for development, major repairs and improvements, responsive maintenance and the use of Group savings);
- 8 the Group should continue with the Residents Business Planning process and should revert to the previous practice of this process being independently facilitated to ensure that residents feel empowered by the process;
- 9 Suggestion for discussion: should we be moving to a 3 year Resident Business Planning process with an annual budget review?

Acknowledgements

This is the second Inquiry report by the Residents Scrutiny Panel. The Panel wishes to thank all of those who assisted the Panel and the openness with which they dealt with the Panel's questions.

Panel members

Steve Harriott Independent Chair
Keith Fellows
Nick Fry
Kerry Law
Tony Shillingford
Gerry Webb
Ian Wilmer

Lesley Weare Governance support

Witnesses

Ann Cornelius Managing Director Westlea
Andrew Smith Managing Director OCHA

Evidence

Copies of the presentations submitted to the Inquiry, minutes of the RSP meetings and the background briefing papers are available from Lesley Weare.
(Lesley.Weare@greensquaregroup.com).