Community Led Homes

Guidance – planning for today and tomorrow

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This guidance is about developing business plans for the development and management of community led homes. It relates to **P2 Introductory Business Planning** and **L6 Long Term Business Planning** in the **Community Led Homes Programme**.

This guidance considers the following areas:

1 Why do community led housing organisations need business plans?

(a) Planning because it makes good business sense

Any organisation with that has spent no time being realistic with itself about its plans or has no plan is less likely to succeed or achieve its objectives in a reasonable timescale. As the saying goes 'fail to plan; plan to fail'.

A good plan is like a road map: it shows the final destination and usually the best way to get there.

Some would say that 'we're setting up community led housing organisations not businesses!' The reality is that community led housing organisations are businesses and no financial institution will invest in or lend to an organisation that has no business plan or shows contempt for having one.

Just because we are small scale or volunteer led does not mean we have to approach developing our organisations like amateurs. Community businesses should not be seen as having (or being able to have) lower standards of governance, financial planning, service delivery and customer care.

Making community led approaches a mainstream option for people all over the country is about creating great homes, in great communities, where people want to live and feel valued; it is not a race to the bottom or a fast way to build homes that look great on paper or when built. The community led housing sector should strive to be the best landlords or freeholders not look for ways to do the minimum and hope to get away with it.

(b) Business planning because we're told to!

In addition to the requirement for costed business plans that financial institutions will want to see, there is also the need to develop business plans because of regulatory requirements. These regulatory requirements are not created to make things difficult for organisations; they are created to protect taxpayers' investment in organisations and the homes that they develop as well as protecting the interests of the people who live in those homes.

Any community led housing organisation that accesses public funds to develop properties and intends to manage them post development will have to demonstrate its compliance with the following components of the Regulatory Framework:

Governance Standard – organisations must have an appropriate, robust and prudent business planning, risk management and control environment. Key to complying with this standard is proportionality; what may be appropriate for a large scale community led development or regeneration project will not be the same as a single building development or refurbishment for four people.

Financial Viability Standard – organisations must have financial forecasts that are based on appropriate and reasonable assumptions; carrying out detailed and robust stress testing on those assumptions and understand the impact that changes would have on future financial viability.

Value for Money Standard – organisations must develop a robust approach to making decisions on the use of resources (property assets, financial assets and funding and peoples' time) to deliver the organisation's objectives

Home Standard – organisations must maintain the quality of accommodation and have a prudent planning approach to delivering repairs and maintenance services.

Whether an organisation intends to use public funding or to self-finance, whether it intends to be a Registered Provider or for a partner service agency to manage its homes; these are all sensible guidelines that should form the baseline for ensuring reliable and appropriate plans are created that deliver the homes that an organisations' community needs and that those homes continue to be well managed and maintained into the future.

2 How is a business plan created?

The process of creating a plan for any organisation must be driven by the people within that organisation; in a community led housing organisation that is its members and residents.

It is important that having created a plan it is communicated to all the organisations' members and residents so they understand and own its objectives and targets. Individual actions and (SMART) targets should be agreed that focus on meeting the organisation's objectives; these should be:

Specific – something definite rather than vague (such as to *build 10 homes for low cost rent, 10 homes for intermediate rent and 20 for sale at a 15% discount to local market values – rather than build some homes for the community*).

Measurable – something that can be easily measured (such as *for low income local residents with a household income less than £25,000 per year –* rather than *for the community*).

Achievable – something that can be done (such as residents *must attend a minimum of six meetings a year* – rather than *residents must attend three meetings a week*).

Realistic – something that is based in the real world (such as *we will borrow from a bank at 6%* - rather than *we will borrow £150 million as a new start up with no assets* at 3%).

Time-related – something that has a definite completion date (such as *we will incorporate our organisation in six months* – rather than *we will incorporate our organisation*).

Whilst outside help and guidance is important, don't get a consultant, staff member or service agency to just write something! A plan should be a living document not something that is produced because you have to do it.

Ten reasons for unsuccessful plans

Many organisations have created plans that have succeeded, bit sometimes that is not the case; watch out for these pitfalls:

- Creating a plan that is too scruffy or slick – such as a plan that has been thrown together because someone says you need one or that is a triumph in design with more thought given to the photographs and graphics than the content
- Creating a plan with too much waffle – such as a plan that is long and wordy but doesn't actually say anything

- Being too vague – such as a plan that pays lip service to how decisions will be made or how members will control the organisation
- Basing assumptions on errors of fact – such as a plan that is based on unreliable costs or land value data
- Creating a plan that lacks detail – such as a plan that is based on ideas not facts
- Creating a plan with omissions – such as a plan that does not state who will be doing what
- A plan that is based on not enough 'what if' analysis – such as a financial plan that assumes immediate sales or 100% rent collection over a 25 year period and fails as soon as these targets are just missed
- A plan that is based on unrealistic financial assumptions – such as a plan that is dependent on sales values or rents that no-one will pay, has underestimated long term costs, forgotten about VAT or inflation
- A plan that has been produced to raise finance or satisfy external bodies – such as going through the motions for someone else's benefit!
- A plan that is produced solely by consultants – such as a plan that no-one in the organisation defined the targets in, understands or has even read!

Preparing to plan

There are a number of components to a business plan but 2 key questions need to be answered before work to create the plan can begin:

1. What is the timescale for the plan? This will vary depending on where the organisation is in its journey; for example, a developing organisation may create a 25 year business plan to demonstrate that its development is viable and that it can service loans that it takes out, a new organisation may create a 3 year plan to build community support, grow its membership and build partnerships.

2. Who is going to create the plan? Determining which members are going to undertake which tasks and when external support will be needed is critical; ensuring that people have the capacity both in terms of time and knowledge to deliver their tasks and remembering not to over rely on one or two key individuals.

Environmental analysis – SWOT analysis

Undertaking a SWOT analysis helps organisation's understand the environment they are operating within and how they as an organisation are placed to deliver in that environment; it enables organisations to assess their current position in terms of strengths and weaknesses and future options in terms of opportunities and threats. The following table shows some examples that may be relevant in such an analysis; some will be relevant to new or established organisations only, others to both.

Strengths and weaknesses	Opportunities and threats
Membership numbers	Demographic change within the membership and community
Community support	Changes in legislation and regulation
Governance and Governing Body capacity	New developments (new build, refurbishment or conversions)
Service delivery	Technological change
Satisfaction with services	Increasing costs; materials, maintenance, financing, salaries and fees
Financial strength, cost base and rent / service charge levels	Grant rates or availability of grants
Availability of finance	Greening properties and behavioural change
Availability of land	Developing non-residential properties and delivering non-housing services
Political support	Utilising reserves and property assets
Partnerships	Brand loyalty and public perception of the organisation type
Information and communication systems	
Attitude to risk	
Culture of the organisation and its members	

Creating a plan

Developing or updating mission, vision and values – what is the organisation seeking to achieve, what is critical to defining it and what does it stand for?

Community consultation – how are all members enabled to have their say in defining the organisation's plans and how are they consulted on the business plan as it takes shape?

Environmental analysis – what could impact on the likelihood of success both internally and externally?

Risk management – what could go wrong and how is the organisation going to minimise the chances of that happening or the impact that it would have?

Development of strategies – what strategies need to put in place to help deliver the plan?

Financial planning – how is the organisation going to finance its plans?

3 What should a business plan include?

(a) Development plan

A business plan for a new organisation seeking to undertake a development should include the following sections:

Executive summary – the final section of any plan to be written is the opening section or executive summary which should seek to encapsulate the plan in no more than 4 pages; if an organisation cannot provide a clear summary of what it intends to do it is unlikely that external stakeholders will read any further or provide it with financial or political support.

The organisation – a section that outlines what the organisation is about (mission, vision and values), who is part of the organisation (its structure and key people) and how it is governed.

The development proposal – what is the proposed development; outlining the site and any work needed to prepare it for development, numbers of homes to be built or refurbished, tenure split, price points for sales and rental properties, legal and governance model for the scheme and who the scheme house both at the initial completion stage and in the future.

Demand analysis – demonstrating that the demand exists for the development in its proposed form and that it aligns with other local plans such as a Neighbourhood Plan.

Environmental analysis – what are the organisation's strengths, weaknesses, opportunities and threats and what strategies has it agreed regarding these.

Products and services – how is the organisation planning to ensure that residents are delivered high quality and reliable housing management and maintenance services.

Action plan – outlining the key targets and actions, who will be responsible for doing them and when they will be completed by.

Financial plan – how the development proposal stacks up financially, how will it be funded and how will any funding be repaid and over what timescale.

Sensitivity analysis – 'what if' analysis that demonstrates how the financial plan can flex and withstand unforeseen changes to key assumptions regarding costs and revenues.

(b) Long term business plan

Alongside the sections that a development plan includes (although those sections will relate to an organisation rather than a development), the following sections should also form part of a long term business plan for new and existing organisations:

Analysis of property portfolio – current property condition survey and details of age, condition and type.

Asset management plan – a costed long term plan to maintain and improve the property portfolio through ongoing investment.

Treasury management plan – how the organisation plans to invest its surplus funds and how that strategy aligns with its cashflow requirements.

Member and community profiling – an outline of the organisation's members and how its membership reflects the community it serves.

Service delivery – how and by who are housing management and maintenance services are delivered and current levels of resident satisfaction with those services.

Strategies for the future – what plans the organisation has for the future; new developments, property conversion or adaptations and succession planning.

4 Future proofing and succession planning

A successful organisation outlives its founder members and grows over time to meet new challenges and community priorities. It is crucial that succession plans are made before significant change happens to ensure a smooth transition over time and to prevent the organisation from running out of steam.

The following issues should be considered:

- Involving newer members – how will the organisation induct new members into the organisation such that they understand its objectives, mission, values and vision?
- Challenging long standing practices – how will the organisation move with the times and not get stuck in the past, holding onto outdated practices and attitudes; how will it continue to understand its community and respond to its needs?
- Training programme for members – how will the organisation budget for ongoing member development and empowerment?
- Should there be maximum terms of office for Governing Body members and key Officers (Chair, Secretary and Treasurer) to ensure that power does not become too concentrated in a few hands?
- How will the Governing Body appraise its effectiveness and communicate the outcome of such reviews to its membership?
- Should Governing Body members be paid and if so what should be the process for agreeing payments?
- How will changing demographics affect the organisation?
- How will changes to income levels affect the organisation and the viability of its financial model?
- How should the organisation adapt to changing supply and demand for tenure types and price points in its area of operation?
- Does the organisation need to review or amend its governing documents to adapt to change over time?
- How will the organisation involve, consult and communicate with its members and community?