

The Wrekin Housing Group



Group Strategy 2017

Together we're even better!

Wrekin Group Strategy

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Introduction

The first Wrekin Housing Group strategy document was approved at the Group Board on 27th September 2016. Within that document is outlined the Group's Purpose and Objectives:-

Purpose: to assure the future sustainability of the Partnership.

Ambition: to be the main provider of housing and care solutions in Shropshire and Staffordshire.

This will be achieved through four objectives

- **Ensure Financial Stability**
- **Maintain Governance Excellence**
- **Deliver Strategic Coherence**
- **and therefore Grow the Business.**

These objectives will be delivered through a set of **Key Deliverables** and monitored through an action plan.

Key Deliverables are the framework for the partners' Strategic Plans. These will only be approved together with budgets and business plans if they meet the requirements of the Group Strategy. Each partner will be required to clearly state:

- **How their plans contribute to the delivery of the Key Deliverables**
- **The financial plans achieve the delivery**
- **Stress testing of these plans and how this fits within the Group's assessment of risk appetite.**

The role of the Group Board is to ensure it delivers its own actions while monitoring progress on partner plans - then taking steps where these are not progressing. The **Board Assurance Framework (BAF)** (which incorporates the Group Risk Register) will be the key tool for monitoring this progress.

Taking each objective in turn

- **Financial Stability** - by financial stability is meant setting and delivering overall business plan targets for the Group as a whole, particularly in relation to the level of financial return made by partners and ensuring that all services are delivered to benchmarked levels of value for money.
- **Governance Excellence** – by governance excellence is meant ensuring that across the Group the quality of governance is at the highest level and appropriate mechanisms of accountability and risk assurance are in place, that appropriate succession plans (executive and non-executive) are in place

to ensure that all boards have the range of skills and perspectives they need, and that all board members live the values they have agreed

- **Strategic Coherence** – by strategic coherence is meant understanding of the partners' ambitions, leading the overall corporate planning process, taking a clear view about the overall direction of the Group and its growth ambitions, having a governance structure with effective control, receiving, commenting on and approving partner strategic and business plans, identifying interdependencies and potential for synergy between the plans and agreeing an overall corporate plan for the Group as a consequence.
- **Growth** – this will be through delivering individual and partners' ambitions together with the Group Board's plans for developing the Partnership.

The objectives for the Group Strategy will include the key objectives impacting on the Partnership and not replicate every objective set out in partner plans. An introduction to our five partners is at **Appendix 1**.

As an inaugural document the Group Board recognised that it required further work in order to develop it to achieve its stated strategic objective to '**Maintain Governance Excellence**'. This has taken place as a result of subsequent Group Board strategy away day events that majored on the Group Board challenging its role and purpose within the current Group Structure and how it might undertake its governance role more effectively and indeed if the current structure was an impediment to achieving this.

In the interim Wrekin Group experienced an In Depth Assessment from the Homes and Communities Agency (HCA) that commented (**Appendix 2**) "*WHG's role in respect of business planning has been focused on the approval of each subsidiary's individual strategy*".

Thus, at the December 2016 strategy session, the Group Board continued to challenge its governance role and how it might best demonstrate its stated objective to '*Maintain Governance Excellence*'. The previous conclusions held true that it was essential to continue looking at how the Partnership is working and in so doing how the Group Board might satisfy itself that it is demonstrating good governance in the partnership businesses in the best interest of various stakeholders.

At the December session the Group Board reflected on the questions it had posed at its March 2016 Group Board strategy day:-

- *What is the Group for and does the current model still work?*
- *Given the Group's purpose, what should the Group Board's strategic space be, what is its leadership function?*
- *How does the Group Board ensure that it fills that strategic space by the way that it works, the things that it does?*
- *What are the implications of these ideas for the composition of the Group Board – and for longer term succession planning (exec as well as non-exec)?*
- *What are the implications for the rest of the Group of these ideas?*

It recalled too the journey and heritage from the outset of the Group to the December strategy event and how it had concluded at that time that a 'Federation' best described how the Partnership currently works and that the Partnership could be termed as an association of independent social businesses. Given the heritage of each of the partners, at the formative time of individual partners joining there was no appetite or expectation from them for a fully integrated corporate group driven from the centre – though this is probably the more common and most easily recognised model in the housing association world.

Since then and given the Group Board's experience of actually operating in this 'federal style arrangement' it now questioned if the existing structure remained fit for purpose going forward and concluded that it was timely to explore options for other governance models and to take appropriately experienced independent advice in order to do so, thus approved the appointment of consultants Campbell Tickell to advise on such a review.

Extract from Campbell Tickell Proposal (February 2017)

- *“WHG had set itself the objective of reviewing its overall structure as it recognised the need to improve the effectiveness of its governance arrangements to enable it to manage the business at group level more effectively as well as strengthen its oversight and control of group risks. The increasingly tough operating environment of risk for all housing groups is an additional and important driver for this review.*
- *This commitment has been quickened in light of the feedback from the recent In Depth Assessment (IDA) from the Homes and Communities Agency. WHG sees it as timely to conduct a fundamental review of the group structure, the number of organisations within, and the overall effectiveness of group governance.*
- *We have discussed the scope of this work with WHG and summarise it as follows:*
 - *to look into, and comment on, the operation of the corporate structure and governance arrangements of the Group, both generally, and in particular as they relate to various matters of concern, as described in the Group's November 2016 Regulatory Judgement from the Homes and Communities Agency;*
 - *provide the organisation with some options and recommendations; and*
 - *act as a 'critical friend' on regulatory compliance, risk management, VFM, stress testing and strategy issues as required, all with a view to WHG regaining its V1/G1 status at an early stage.”*

A further aspect of the away day on the 20th December 2016 was to *'reflect on the Group's approach to growth and the organisational and governance consequences'*

Appendix 3 summarises the discussion. Key points for the Group Strategy:

- The need to keep mergers under review and ensure 'we keep close to other registered providers and Local Authority housing stock holders as part of our growth strategy options'. There was no appetite for merger as a growth option.
- The structuring of the Group's services is around a wide range of brands (30), legal entities (8 – the Group, 5 partners and 2 subsidiaries), Board Meetings (50 a year) and Board members (34). This is complex and hinders smooth operations and brand development. It is recognised that this needs to be re-structured. **See Appendix 4a/b/c – 'Who Are We'**.
- Confirmation that the key role of the Group is a 'wrap-around' housing service, implying a 'client journey' where the Group can support clients across its geographical patch at various points in their lives.
- The need to debate the future and role of social enterprise within the Group, particularly the tension between businesses that struggle to recover their full costs and requiring financial support from other parts of the Group yet provide high levels of return in Social Value.
- The implication is the need to review the best way to deliver the 'wrap around and local' offer with a clearer structure. There are a wide range of possibilities – but all anticipate the Group Board as more pro-active and more in the 'driving seat' strategically and functionally.

Background and Structure

What do we do?

There are three broad strands of activity to help those with a housing need that is not provided for by the housing market

					
Housing					
12,000 homes mainly general needs for rent with some shared ownership and market rent					
Supported Housing for retirement living, people with a learning disability and young people					
Building new homes - development of 3,300 general and supported housing 2015-18					
Contracted Housing Services					
Care					
Registered care homes for people with Learning Disabilities and Older People					
Domiciliary Care					
Personal and housing support					
Social Enterprise					
Furniture recycling and reuse					
Community Centres					
Employment Initiatives					

Where do we work?

The work of the Partnership is based mainly in Shropshire and Staffordshire. A matrix is at [Appendix 5](#) and shows the activity of the partners and the depth of their involvement in different localities. The Market Analysis has been uploaded onto the portal.

Environment & Risks

Extract from Group Board Away Day – 21st March 2016

The environment around the social housing and social enterprise sectors is changing. As higher levels of poverty in its catchment area bite, levels of funding for social provision decrease. Changes in policy, nationally and locally, changes in the business climate and changes in the business performance of an organisation are each potential points of focus for a board, but together they build a strong agenda for any board to consider. Questions naturally arise about the extent to which current ways of doing things are fit for purpose.

Each Partner plan considers extensively the external environment in which they work. The appendices cover this in detail using various techniques such as PEST. Building upon this each partner has also developed a Board Assurance Framework (BAF) that provides in detail the risk analysis of their businesses that is provided to Group Board at each of its meetings.

As this is a Group Board strategy key issues from a Group perspective are the focus for this document.

The key issues have not fundamentally changed since the Board discussion of last year, they are:

- Political and Economic instability following the EU Referendum vote and the triggering of Article 50.
- The impact of Government 'Austerity'
 - Rent reduction of 1% p.a. for housing associations.
 - Tightening of Local Authority budgets and consequent cuts which would be both an opportunity and a threat.
 - Welfare Benefit Reform reducing income for our customers.
 - Reduction in development grant.
- Government Policies
 - Voluntary Right to Buy.
 - Introduction of Living Wage.
 - Promotion of home ownership at expense of affordability.
- Housing market uncertainty
 - A difficult housing market could impact on development plans while increasing demand for housing.

- Previously there were concerns about the reduction in development grant for affordable housing. This has eased to an extent by the Housing White Paper which is looking to increase supply.
- Finance – **Appendix 6** summarises the Group partners' financial position. Overall the position is strong with a healthy surplus and the ability to develop. However the financial pressure on some partners make it
 - difficult to raise sufficient resources to grow and expand;
 - difficult to reduce capacity to deal with change.
 Each Partner has been reviewing its financial strength in order to meet the Group Board requirement that all Partners must budget for a surplus in 2019.
- Brand confusion and operational overlap between Partners in older people services.
- Social Value – **Appendix 7** shows from initial work (excluding the Trust) over £10m is generated through the Group. This is now being developed to embed the process within the Group.
- Changes at Board level – the previous 18 months saw significant changes of membership at Board level, together with the creation of a new partner, Fuse, and the decision to bring Reviive into the Trust's subsidiary, Old Park Services. During 2017/18 the main changes are the appointment of a new Chair and Board member to Choices and a Board member with financial skills to the Trust.

Key Risks

The Group Board Assurance Framework identifies the key risks from a Group perspective as follows: -

- Difficulty in refinancing the loan portfolio in the future. This would severely damage the ability to grow and develop.
- Continued rent reductions imposed by Central Government with the same impact as above.
- Further reductions in funding by Government institutions in particular Local Government which impacts on income streams for all Partners.
- Instability in Government policy leading to uncertainty.
- Potential uncertainty in the housing market which impacts on sales and the ability to develop.
- An operational breach (typically Health and Safety related), resulting in serious detriment.
- A breach of funders' covenants.

Key Deliverables against the Group Objectives

Financial Stability

		Comment	
Performance	<ul style="list-style-type: none"> All partners to deliver financial plans 2017/18 	<p>This rolls forward the 2016/17 financial approach. Action Plan, Action 1.1, 1.2, 1.3 Forecast surplus 2016/17 £7.8m</p> <p>2017/18 surplus forecast in Business Plan – to be reconsidered following review of budgets</p>	
	<ul style="list-style-type: none"> All partners to deliver a surplus by March 2018 to give an overall Group surplus of £5m WHT to achieve a reduction in its operating costs to meet the 2017/18 1% p.a. rent reduction 		
	<ul style="list-style-type: none"> All partners to demonstrate in their financial plans how they meet the Group Growth Strategy 		
	<ul style="list-style-type: none"> Develop an Action Plan to deal with the consequences of Welfare Reform 		Following risk assessment and stress testing
	<ul style="list-style-type: none"> To invest £35m in existing assets by 2020 		Planned Programme – mainly WHT
	<ul style="list-style-type: none"> To identify and take action on non-performing assets, disposing of 560 properties by 2021, proceeds of £30m 	This is to support the development programme and reduce financial demands from non-performing stock	
Strategy	<ul style="list-style-type: none"> To raise up to £200m for new development 	<p>To achieve growth in new housing stock</p> <p>Takes forward 2016/7 Strategic Action Plan 1.4</p>	
	<ul style="list-style-type: none"> Develop and deliver Group Value for Money Assessment and Statement 	IDA Action Plan Action 5	
Care and Support	<ul style="list-style-type: none"> To make a decision on the future of the Limewood dementia unit 	New issue following operational experience	
	<ul style="list-style-type: none"> To review the financial viability of the Shire Living Extra Care Schemes 	New issue following government supported housing proposals and welfare benefit changes	

Governance Excellence

Performance	<ul style="list-style-type: none"> To achieve G1 Governance status 	See Regulatory Judgement and IDA Action Plan
	<ul style="list-style-type: none"> For each Board to review Governance excellence and update their Governance Improvement Plans accordingly 	Takes forward 2016/17 Strategic Action Plan 2.1, 2.2
	<ul style="list-style-type: none"> To review and revise the Group Assurance arrangement relating to <ul style="list-style-type: none"> - risk - stress testing - role of GARMC - Health & Safety 	IDA Action Plan Action 2 Action 3 Action 4 Takes forward 2016/17 Strategic Action Plan 2.3
Strategy	<ul style="list-style-type: none"> Each Board to review progress in succession planning 	Takes forward 2016/17 Strategic Action Plan 2.4
	<ul style="list-style-type: none"> To review the Group Governance Structure 	Follows up Strategic Action Plan 3.5 and 'overarching' comments in IDA Action Plan

Strategic Coherence

Key Partner Issues	<ul style="list-style-type: none"> To continually improve levels of cost effective customer service 	Continues 2016/17 Strategic Action Plan 3.1
Group Strategy	<ul style="list-style-type: none"> Review and implement Group Strategy 	IDA Action Plan – Action 1
Intra-Group Strategy	<ul style="list-style-type: none"> To implement the review of Old People services 	Following 'Customer Journey' research

Growth

Housing	<ul style="list-style-type: none"> To deliver 2,000 homes predominantly in Shropshire and Staffordshire by March 2021 	Continues 2016/17 Strategic Action Plan 4.1 combination of general needs and supported housing
	<ul style="list-style-type: none"> To deliver a successful transfer of Bushbury TMO 	Continues Strategic Action Plan 4.5
	<ul style="list-style-type: none"> To investigate the transfer of Council housing stock in Shropshire 	New opportunity
	<ul style="list-style-type: none"> To produce a strategy on the future of the LD care homes 	New issue following development of stock consultation survey
Social Enterprise	<ul style="list-style-type: none"> To further develop and embed analysis of Social Value 	Takes forward 2016/17 Action 3.6
	<ul style="list-style-type: none"> To promote and develop Social Enterprise 	Following Social Value report
Partnership	<ul style="list-style-type: none"> To maintain market intelligence on prospective partnership 	Following away day discussions

