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**Agreed following GHA Board meeting of 31/7/09 and
stakeholder consultation**

GLASGOW HOUSING ASSOCIATION

Strategic Options Review – Specification and Proposal

by the Financial Information Company Ltd

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Presented by:

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1. INTRODUCTION

- 1.1. Since the transfer of Glasgow City Council's housing stock in 2003, Glasgow Housing Association has been providing services to 63,000 tenants and 26,000 owners throughout the city. It has also been delivering a major investment programme, developing tenant empowerment, progressing a programme of second stage transfers and acting as a regeneration partner with the City Council and other agencies. In September 2007, Communities Scotland undertook an inspection of GHA. The inspection identified much progress in delivering commitments made to tenants and in improving the quality of service delivery. It also identified the need for GHA to undertake a "fundamental review ... [of the organisation's] ... overall purpose and onward business strategy", taking into account the views of tenants and GHA's other key stakeholders. GHA responded to this requirement by undertaking an extensive exercise which culminated in the publication of a new business plan in May 2009.
- 1.2. In June 2009, the Scottish Housing Regulator (SHR) reported on an audit of GHA's progress in addressing the issues identified in the 2007 inspection report. Whilst recognising GHA's substantial progress in some areas – most particularly service delivery and core landlord functions (such as reducing rent arrears and void periods) – the audit report severely criticised the quality of GHA's strategic review. In relation to the work GHA had undertaken on its future strategic direction, the SHR concluded that:
- GHA had not sufficiently reflected the views of key stakeholders, most particularly the Scottish Government and Glasgow City Council
 - GHA did not consider all options for its future and did not involve all stakeholders well in its review of overall purpose
 - uncertainty remained over the role of asset ownership and transfer within GHA's medium to long term strategy.
- 1.3. Both GHA and the SHR recognise that it is important for the future of GHA, and the well-being of its tenants and communities, that the processes used to decide future strategy have the confidence of its stakeholders and produce proposals that are credible. Consequently, GHA has agreed to commission a focused strategic options review, using independent consultants, which will seek to build upon the work undertaken by GHA, gain the benefit of a fresh and experienced eye, and seek the structured input of stakeholders.

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- 1.4. This specification and proposal has been prepared by the Financial Information Company (FIC). FIC is the publisher of Social Housing magazine, the housing sector's specialist journal on funding and governance. In addition to publishing Social Housing, FIC provides advice to organisations operating within the housing sector on strategic issues.
- 1.5. The directors of FIC are Julian Ashby, Derek Joseph and Jeff Zitron who were the original owners of the HACAS Group, the housing association consultancy formed in 1978 and now part of the Tribal Group PLC. Julian, Derek and Jeff each have more than 30 years' experience of housing, most particularly in housing association funding, governance and strategic planning.

2. OBJECTIVES OF THE REVIEW

- 2.1. The objectives of this review will be to identify and evaluate strategic options for GHA that:

- Deliver sustainable high quality services for tenants
- take into account the purpose of and commitments made in the original stock transfer
- reflect the strategic aims of GHA i.e:

"We are committed to delivering better homes and better neighbourhoods that help create better lives for our 63,000 tenants and 26,000 factored homeowners. And we are also determined to provide better and more local housing services for our customers. We aim to be an exemplary landlord, engaging, listening and responding to our tenants and homeowners and playing a central role in the physical, social and economic regeneration of Glasgow."

- take into account the expectations of key stakeholders, most particularly tenants, the Scottish Government, Glasgow City Council, GHA's funders and the Scottish Housing Regulator
- further progress tenant empowerment
- demonstrate value for money
- are financially viable and sustainable, initially, through any transitions, and in the long term.

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- 2.2. The review will seek to use and build upon the work already undertaken by GHA on reviewing options, the most recent business planning review and the Association's development of tenant empowerment principles. It will draw on the views of stakeholders and the experience of the FIC team.
- 2.3. The Scottish Government as a key stakeholder has also asked GHA for a strategic plan to transfer the majority of its stock. The review will need to take this into account.

3. METHODOLOGY

- 3.1. The proposed methodology aims to be thorough but also to recognise that an over-long process will continue to leave GHA with considerable uncertainty which works against the interests of tenants, staff and stakeholders. It also should be recognised that areas of work already undertaken by GHA can be drawn upon, so the exercise is not one built from scratch. The approach therefore anticipates a timetable of 18 weeks from commissioning by GHA to submission of the final report to GHA (see the more detailed timetable in section 4). A start date will be agreed with GHA's Board. GHA is the client for the review, and is responsible for its management and for the agreement and delivery of its outcomes
- 3.2. The key stages proposed are as follows:

Initial briefing

- 3.3. Following confirmation of the commission, the FIC Project Director (Jeff Zitron) would meet with the nominated GHA client personnel to discuss the background to the review, information requirements, stakeholder contact, and project management. Following this, he will confirm the proposed process
- 3.4. In order to achieve maximum ownership of the process, it is proposed that the FIC Project Director would also seek early discussions with the SHR, the Scottish Government and Glasgow City Council over the proposed process. He would feedback the results of this to GHA and discuss any suggested amendments. Following agreement of the process with the GHA Board, the FIC team would begin making arrangements to conduct the detailed fieldwork.

Desk based analysis

3.5. The initial discussions with GHA will generate a list of information requirements to allow the team to begin the desk based review. It will be helpful for this information to be provided as it becomes available. The initial review may generate questions or requests for further information which, as far as possible, will be handled by telephone and e-mail, for speed and to avoid unnecessarily tying up GHA resources.

Fieldwork

3.6. Fieldwork is anticipated to include the following:

- individual discussions with GHA's Chair, Committee Chairs, Chief Executive and Senior Management Team
- meetings between the FIC review team and stakeholders, including the City Council, other key agencies in Glasgow, the Scottish Government, the SHR and GHA's lead funder
- discussion with LHOs – including e.g. Chairs Forum, non-SST LHOs, and a sample of potential second stage transfer (SST) recipient bodies

3.7. These will be confidential interviews between the FIC team and the personnel concerned in order to enable candid discussion. However, in the case of external stakeholders, the FIC team will provide a record of the key messages which the stakeholder would want taken into account in the review.

Discussion paper

3.8. The first stage of feedback to GHA would be through the preparation of a discussion paper by the FIC team. This would include:

- a summary of the work undertaken to date with any information or methodological issues identified with proposals about addressing these (including, for example, the need for any further fieldwork)
- a summary of the key issues identified with suggestions on a process for exploring these further
- the establishment of criteria for evaluating options
- emerging options
- proposed next steps

3.9. The FIC team would wish to meet the Board members (and, if required by GHA, advisers) to discuss the paper, and to seek feedback. Additionally, a revised draft of the discussion paper would then be discussed with the SHR to seek feedback which would be reported back, and the discussion paper finalised.

Developing and evaluating options

3.10. Following feedback on the discussion paper, further fieldwork (if required) will be undertaken. Options will then be developed by the FIC team including undertaking financial modelling, drawing where possible on existing modelling undertaken by GHA.

3.11. The aim will be to identify discrete business models that GHA could pursue to achieve its objectives set out in paragraph 2.1 and that take account of the regulatory and policy framework in which social landlords in Scotland operate. The description of options will be inclusive and comprehensive within these boundaries. The evaluation may, of course, result in some options proving less viable or even unrealistic, for example, because of stakeholder views. However, in order to provide a transparent process, such issues will be made explicit in the evaluation process.

3.12. Options will be described in terms of:

- Main market(s)
- Main products and services
- Headline resource requirements (i.e. not detailed budgets or resource assessments but overall identification of key financial, human and other resource needs)
- Major transitions (i.e. how and in what way would GHA have to change to adopt this business model?)
- Risk analysis
- Fundability assessment of the organisation under this business model (taking into account, for example, estimated transition costs and any likely loss/gain in economies of scale)
- Governance arrangements

3.13 Evaluation of options will be:

- against agreed criteria
- assessed for feasibility and,

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- for high feasibility options, a headline action plan for implementation will be provided.

Draft report

- 3.14. The above analysis will be included in a full draft report submitted to GHA. The FIC team will discuss the draft report with the Chief Executive and senior management team, and with Chair and Committee Chairs. .
- 3.15. The timetable anticipates that GHA will wish to consult tenants, funders, SHR, the Scottish Government and the City Council on the draft report. The form of that consultation will be decided on in the process.

Final report

- 3.13. The report will be finalised by the FIC team and submitted to the nominated GHA client personnel. The FIC Project Director will present the report to the Board.

4. TIMETABLE

- 4.1. As noted in section 1, it is in the interests of GHA for this review to work to a tight timetable and we have proposed an overall timescale of 18 weeks from commissioning to submission of the final report. *While the review is targeted for completion in 18 weeks, it will not be artificially constrained by the timetable proposed by FIC and, if required, GHA will consider, agree with FIC and keep under review the overall timetable and key milestones for the project.*
- 4.2. A draft project plan with estimated consultancy resourcing is given on the next page. This will be reviewed with GHA as the detailed fieldwork programme is developed.

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GLASGOW HOUSING ASSOCIATION: STRATEGIC OPTIONS REVIEW - PROPOSED PROJECT PLAN

Activity	Week number	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	Estimated no. of FIC consultant days	
Initial briefing by GHA and agreement of information requirements and project management		■																		1.0	
Consultation of SHR, Scottish Government and GCC over brief and process			■																	1.0	
GHA provide information			■	■																0.0	
Desk based analysis				■	■															4.0	
Fieldwork:																				0.0	
- individual discussions with GHA's Chair, Committee Convenors, Board members, Chief Executive and Senior Management Team					■	■	■													6.0	
- meetings with stakeholders					■	■	■														
- discussion with sample of potential second stage transfer (SST) recipient bodies and other LHOs					■	■	■														
Preparation of discussion paper								■												3.0	
Meet board members/advisers to consider discussion paper and seek feedback									■											1.0	

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Activity	Week number	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	Estimated no. of FIC consultant days
Consult SHR, Scottish Government and GCC on discussion paper, feedback to GHA and finalise paper										■										1.5
Develop and evaluate options											■	■	■							5.0
Draft report											■	■	■							2.0
Present/discuss draft report to GHA														■						1.0
Consult SHR, Scottish Government and GCC on draft report and feedback to GHA															■	■	■			1.5
Finalise report																	■	■		1.0
Submit final report																			■	1.0
																				29.0
Plus 6 days contingency if required and by agreement																				6.0
																				35.0

5. FEE COST

- 5.1. The fee cost of this review will comprise the daily time charge for the members of the FIC review team and direct expenses plus VAT.
- 5.2. The time charge for the services of Jeff Zitron, Julian Ashby and Derek Joseph is £1,250 a day. The estimate fee cost, based on the above project plan (and excluding the six day contingency above), is 29 consultant days x £1,250 = £36,250 plus direct expenses and VAT.
- 5.3. Direct expenses comprise:
- Travel
 - Hotel and subsistence (if required to stay overnight)
 - Printing, copying, postage and courier
 - Other direct costs agreed in advance with the client
- 5.4. A timetable for payment of fees and expenses linked to milestones will be agreed by GHA. Invoices are payable within 28 days of the date of the invoice.

6. CONSULTANCY TEAM

6.1. Biographies of the team are given below:

Jeff Zitron

Jeff has worked in housing for over 35 years including as a housing association chief executive, in local government and in consultancy. He is currently an Executive Director of the Financial Information Company, publishers of "Social Housing" magazine and Chair of TIAA, an internal audit and business assurance company. Until October 2006, Jeff was a Director at Tribal Consulting, specialising in investment, funding and governance. He has written or co-written fifteen books on housing and public policy. Jeff is Chair of NHS Hammersmith & Fulham (a Primary Care Trust), Chair of a community based housing association and a board member of two not-for-profit arm's length management companies (ALMOs) which manage local authority housing

Julian Ashby

Julian was co-founder and Managing Director of HACAS. This was a successful social housing sector consultancy with a 20 year growth record that became a major subsidiary within Tribal Group PLC in 2003. He entered the social housing sector in 1974 following a career in international merchant banking. He has been Chief Executive and Chair of many associations (usually in a trouble-shooting capacity). In his consultancy role he specialises in governance, general management, mergers, strategy reviews, organisation and structure, risk management and personnel issues. He has conducted four Statutory Inquiries. Julian is a Board Member of the Tenant Services Authority, the housing regulator in England. He is the author of many leading publications on governance and risk management.

Derek Joseph

Derek is a funding and treasury expert and a Director of Tribal Treasury Services. He is Chairman of a Stock Exchange quoted business incubator group and a non-executive director of a number of quoted and private companies, particularly in the property and start-up business sectors. He is an adviser to a number of bodies including government and local authorities on housing and economic matters. Derek has written numerous books and other publications, including *New Structures for Housing Finance* and *The Use of Treasury Vehicles for Financing Social Housing*. He is managing director of Financial Information Company, publishers of Social Housing magazine. He is also Consultant to a number of major commercial property developers and financial institutions on company strategy, new products and partnership initiatives.