

The TMO's IT

Just as we have noted that TMOs come in all shapes and sizes, so do the issues TMOs need to consider in relation to their IT. Some TMOs will be relatively 'high tech' and use a range of software to help them manage services and the business of the TMO. Others will be distinctly 'low tech' with little use of ICT systems and associated paraphernalia.

For most of us, IT of some form has become part of our everyday working life. The Business Plan provides an opportunity for the TMO to consider how it uses IT and what action points need to be taken on board to ensure the TMO is working effectively.

Consideration of IT can quickly relate to other aspects of the Business Plan such as training, housing management, how you communicate with others, performance monitoring and spending plans.

Some questions you could consider addressing in the Business Plan are:

- What IT is used to help you manage services?
- Are you storing data or making calculations manually when IT could improve things?
- What are the strengths and weaknesses of the systems you use?
- Are your various IT systems integrated?
- What is the shelf-life of your IT (software and hardware) and do you need to start thinking about upgrading or replacement?
- Who is trained to operate your IT and should others be trained?
- Do you ensure information stored on your computers is appropriately backed up?
- Have you taken sufficient steps to safeguard information held in your IT systems – including 'hacking' through the internet?

8. Financial Management

In this section:

- *We look at how the strategies and plans you adopt in the business plan may have an impact on the TMO's finances*
- *We look at how you can evaluate the risks associated with your business plan and how these could impact on the TMO*
- *We look at how to analyse your financial projections for the period covered by the business plan.*

By adopting new strategies and action plans, the TMO is embarking on a process of change. It is highly likely that the 'process of change' will have an impact on the finance of the TMO. The business plan needs to make a realistic assessment of what these impacts may be. Some may be of minor importance and will not need to be looked into in any great detail. Others could be significant and may have an impact that needs to be factored into the TMO's financial projections for the years ahead.

Impact of the Business Plan on the TMO's finance

The changes you have planned will have an impact on your finances. Also, the analysis you should have undertaken as part of the business planning process is likely to have identified issues which could impact on the TMO's finances. This does not mean that absolutely everything needs to be assessed to see what the impact will be, but it does mean the significant factors need to be identified and their impact needs assessing.



Negative impact on the TMO's finances	Impact on the TMO's finances may be variable (Negative or Positive)	Positive impact on the TMO's finances
Cut in allowances	Fluctuating interests rates	Low void rates
Training	Decent homes	Reduced repairs costs
Increased insurance premiums	Staffing costs	Reduced overheads
Increased salaries, pensions, etc		Grants
New IT systems or equipment		Additional income

The list of things that could change and have an impact on your TMO will depend on your specific circumstances.



Go to the exercise on the CDROM or Appendix 2 (exercises 14) to help identify the nature of the financial impact change will have on the TMO.

It may sometimes be difficult to identify the exact monetary effect something will have, but you can say if the impact will be low, medium or high. In order to convert this into a form of risk analysis, you could also assess the likelihood of these things actually happening.

What you are trying to identify are those factors, events, developments, etc, which may have a high impact and are highly likely to happen. The exercise contained on the CD Rom asks you to rate the financial risks you have identified (high and low) and the likelihood of that risks materialising.



Go to the exercise on the CD Rom or Appendix 2 (exercises 15) to plot the level of risk and the likelihood of the risk materialising.

Financial Analysis and Planning

Some TMOs may have already developed systems for multi-year budgeting. More often than not, TMOs adopt a year by year approach to financial planning, which does not allow for longer term financial modeling.

The lifetime of the business plan can vary, but a three year cycle has been adopted by the TMO business planning guide. That means the strategies and plans adopted by the TMO should be projected over this 3 year period.

Just as the risks and issues, strategies and plans of the TMO can cover a period of three years or more, so to the financial planning of the TMO should cover a similar period. Contained on the CD Rom is a simple template for projecting the TMO's finances in the years covered by the business plan.

You are advised to adopt a cautious approach to your forward projections in relation to the TMO's finances. This should particularly be the case if you are identifying financial commitments or budgeting your future expenditure based on income projections.

Guidance on completing the TMO financial plan is contained on the CDRom, the key features of which are:

1. Key Parameters and Assumptions

You are asked to set some key parameters for each of the financial years covered by the plan, this includes anticipated interest rates, loss of properties through Right to Buy, expected annual increase/decrease in allowances, estimated financial impact of Decent Homes.

Name of TMO	No Such TMO Limited	
	Adjust these values	
Inflationary Rise	2.50%	3.00%
Annual stock loss	2.00%	1.50%
Annual Efficiency Target	2.00%	3.00%
Anticipated effect of decent homes on maintenance spend	-2.00%	-2.00%

2. Income Projections

You are then asked to input your current or next year's income. The spreadsheet will calculate future years income based on the parameters you have set (you can of course overwrite the formula if you have reason).

Income Projections	3 year Financial Plan		
	2005/06	2006/07	2007/08
Allowances	£550,000	£541,970.00	£534,084.34
Interest	£8,500	£8,712.50	£8,973.88
Other Income (Hall hire)	£2,463	£2,524.58	£2,600.31
Other Income (Grant)	£2,000.00	£2,050.00	£0.00
Total	£562,963	£553,207	£545,659

The impact of stock loss and efficiency savings is cancelling out the annual inflationary rise and leading to decreased income year on year

This grant is time limited and stops in 2007/08

3. Repairs and Maintenance Costs

You are then asked to input your current or next years repairs and maintenance costs. The following years cost projections will be calculated by the spreadsheet. Some of the repairs costs may be impacted by decent homes and some will likely not be affected. Similarly, the loss of stock will reduce repair costs to tenant properties, but will have little impact on caretaking, lift expenditure, etc.

Expenditure Projections	2005/06	2006/07	2007/08
Repairs and Maintenance			
Caretaking	£47,000	£48,175.00	£49,620.25
Gardening	£25,000	£30,000.00	£30,900.00
Bulk rubbish	£15,000	£15,375.00	£15,836.25
Cyclical repairs	£67,000	£65,995.00	£64,675.10
Responsive repairs	£105,000	£102,425.00	£101,356.50
Voids			£35,000.00
			£19,003.50
			£316,392

Despite the homes, additional spending on gardening costs

The parameters set at the top of the year.

4. Management Expenditure

Management expenditure for the current or next year is required, future years calculations are undertaken by the spreadsheet based on the assumptions set at the outset of the exercise. The headings used in the spreadsheet can be changed as necessary.

Management			
Office Staff	£125,000	£128,125.00	£131,968.75
IT software and equipment	£20,000	£20,500.00	£21,115.00
Audit	£14,000	£14,350.00	£14,780.50
Insurance	£12,000	£12,300.00	£12,669.00
Training and development	£13,400	£13,735.00	£14,147.05
Office telephones	£980	£1,004.50	£1,034.64
Office heating and light	£1,056	£1,082.40	£1,114.87
Stationary	£3,900	£3,997.50	£4,117.43
Postage	£2,789	£2,858.73	£2,944.49
Office equipment	£4,675	£4,791.88	
Newsletter and communications	£3,000	£3,075.00	
Consultation/tenants survey	£3,987	£4,086.68	
finance fees	£23,000	£23,575.00	
Other	£0	£0.00	
Legal	£6,789	£6,958.73	
	£10,000.00	£10,250.00	£10,557.50
	£15,800	£16,195.00	£16,680.85
	£260,376.00	£266,885.40	£274,891.96

Many of the items simply increase in line with inflation.

Some items may need to be adjusted based on the analysis undertaken during the development of the business plan.

This may be a new item in the budget based on the strategies adopted in the business plan

5. Summary Position and Annual Balance

Lastly, your brought forward surplus is required. Clearly, the surplus available will change over the 3 years covered by the business plan depending on your income and expenditure projections.

In the example used here, the TMO had an opening balance exceeding £100,000. Due to a relatively small decrease in income and increasing costs, the balance to be taken into 2008/09 would be insufficient to meet anticipated costs. In turn, this TMO would be required to consider ways of increasing income and/or decreasing costs.

Summary Position

Annual and Accumulative Surplus/deficit/reserve	2005/06	2006/07	2007/08
Annual Surplus/deficit	£587.00	-£25,098.33	-£45,625.04
Surplus B/F	£104,000.00	£104,587.00	£79,488.67
Accumulative Surplus/deficit	£104,587.00	£79,488.67	£33,863.64
% C	53.7%	53.9%	53.5%
% C	46.3%	46.1%	46.5%

An opening balance of £104,000 is reduced to £33,863 by 2008/09 which – based on current projections would be insufficient to cover annual expenditure.

The red cells indicate a negative annual balance (i.e. expenditure higher than income).

The spreadsheet also allows the TMO to see the balance between management and maintenance costs.



Go to the exercise on the CD Rom to project your three year financial plan. Remember, the spreadsheet allows you to use the budget headings you are familiar with. The template for the financial plan is also shown in Appendix 3 of this guide.

Generating a Surplus

Some TMOs are able to accrue a surplus fund. Having the opportunity to run services efficiently and generate a surplus fund for the estate can be seen as a positive feature of having a TMO.

The TMO needs to consider any potential risks associated with building up a fund in an environment where the landlord may be looking for a justification for reducing allowances – this could especially apply if the TMO has no real plans for how such a surplus could be spent. A number of examples of TMOs having their allowances reviewed and reduced are starting to emerge. Often, this appears to have been influenced by the fact that a substantial surplus was being built up – regardless of the fact that the Management Agreement may not allow for allowances to be amended in this way.

What if the Business Plan exposes a deficit budget?

It may be that the objectives, strategies and actions you adopt in the business plan outstrip the funding you currently have available. This is something that TMOs sometimes confront when setting annual budgets.

Under such circumstances, the TMO has a number of options (or a combination of options). Simply approving a business plan where a deficit budgetary situation has been identified is not satisfactory and is likely to challenge the financial viability of the TMO itself.

Option 1: Set a deficit budget:

This is not generally recommended as it may suggest the TMO has a lack of financial control and may also lead to confusion on what aspects of the business plan can and cannot be actioned.

The TMO may consider using its future years deficit budget projections to seek to renegotiate higher Management and Maintenance allowances – or to try transfer specific costs and/or responsibilities back to the landlord if they are not cost efficient (i.e. costs more to run than the income it brings in). This will take the TMO on to the next option of 'Review and Revise'.

Option 2: Review and Revise:

Under this scenario, the Business Plan could be seen as a draft document until the point where the financial budget projections can be balanced. The process of review will depend on the scale of the deficit. If the deficit is marginal and only requiring minor adjustments, the cost assigned to specific elements of the budget could be reviewed – if possible – to address the deficit.

If the deficit is more substantial you may need to look at adjusting your aspirations and/or at opportunities to introduce efficiencies in the way you operate.

Prioritising which aspects of your future programme are of greatest importance and those which are optional is also a useful method to consider. Those aspects of your programme with the lowest profile could be considered for inclusion in future years.

The type of issues you could consider here are:

- Can the surplus fund be used to address any revenue deficit?
- Can income projections be realistically adjusted – for instance, one TMO, faced with a deficit budget, agreed to make certain aspects of the business plan conditional on gaining additional grant funding.
- Are you operating at maximum efficiency or could changes in the way you employ your staff and contractors introduce savings?

Option 3: Fundamental Review:

All businesses need to face up to the possibility that their plans and aspirations are not viable under current arrangements– i.e. the income falls significantly short of anticipated expenditure (assuming that the 'review and revise' stage has been considered). This scenario suggests that the vision and strategic objectives of the TMO need to be reconsidered.

This chain of thought, could led the TMO to consider the range of responsibilities it has under the Management Agreement – could, for instance – taking on additional responsibilities help address the deficit (i.e. additional income exceeding additional expenditure)?

At the most fundamental level – if the TMO is not able to establish a balance between what it wants to do and the funding available to achieve that vision – it may have to question its viability as an organisation and its willingness to continue under current arrangements.

9. Establishing a Communications and Involvement Strategy

In this section:

- *We look at why you should consider developing a Communications Strategy and Plan*
- *We look at the links between your Communication Plan and the Business Plan*
- *We recommend that you look at the In-touch Toolkit*
- *We consider the importance of effectively communicating with your council or housing association landlord*

For a TMO communication and involvement is not an optional extra – it is at the very heart of what makes a TMO a TMO. To reflect the importance of this area of a TMO's work a separate guide has been produced. The In-touch Toolkit is a guide to communication, consultation and involvement. The Toolkit looks at the unique nature of TMOs and how to consider developing a communications strategy and plan.

Some of the issues addressed by the In-Touch Toolkit are also covered in the business planning guidance relating to good governance.

One of the building blocks of a TMO Communications Strategy and Plan is an understanding of the tenants and residents as your *customers*, even though these same people may also be members and officers of the TMO. This unique situation of TMOs does not mean you will automatically understand all the issues, problems and needs of your customers. And, of course the flip side of this is that not all residents, including the TMO's members will understand all the issues relating to the TMO.

That is why the In-touch Toolkit talks you through issues such as satisfaction surveys, focus groups questionnaires, etc as a way of getting to know your customer better. Your Communication Strategy and Plan should be fundamentally linked to your business plan.

Developing a Communications Strategy and Plan

It is not essential that you have a Communications Strategy and Communications Plan linked to your business plan. It is, however, strongly recommended and will likely prove highly worthwhile. Again, consider the alternative. A TMO without a Communications Strategy and Plan is at risk of failing to communicate effectively and of not fully exploring ways of involving customers and the community in the running of the organisation.



The consequences of not being sufficiently in-touch could include:

- Little or no feedback being received from customers on TMO services provided by the TMO – so, how does the TMO know it is being effective?
- Mixed messages – often, one group of service users may be satisfied with services, whilst another group may be dissatisfied. This could mean that below the surface problems could be brewing.
- Reduced involvement and/or participation. A TMO with low levels of active participation and involvement is in real trouble. The TMO needs to be innovative and flexible in the ways it involves people in the organisation.
- Lack of awareness of the TMO's vision, objectives and good work. Within the wider community it is not unknown for many tenants and residents to be unaware of the work being done by the TMO. The TMO needs to ensure it is getting the message over, both about day to day services and the overall vision for the estate and community.
- Reduced ability to direct resources to the areas of highest priority to customers. It has been said before, efficiency is not about cutting back on services or reducing funding, above all it is about ensuring the resources you do employ are directed to where the TMO can make a real difference.

For further information on developing a Communications Strategy see the In-touch Toolkit which can be accessed from the Business Planning CDROM.

To support the TMO's analysis of its communications and involvement requirements, including any strengths and weaknesses, the business planning guide includes a self-assessment exercise.



Go to the exercise on the CDROM or Appendix 2 (exercises 8f) to undertake the In-touch analysis exercise. This will help the TMO identify any gaps in its approach to communication, consultation and involvement.

10. Business Planning for Groups in Feasibility and Development

In this section:

- *We look at the specific business planning issues for groups- both in the council and housing association sector - investigating the feasibility of establishing a TMO*
- *We look at the business planning needs for groups undergoing the TMO development process.*

Guidance issued by the Office of the Deputy Prime Minister (ODPM) for groups looking at the feasibility of establishing a TMO, and those undertaking TMO development, stresses the role of business planning during these early stages of setting up a new TMO. The Housing Corporation has also stressed the need for all TMOs to ensure they have effective business plans.

Housing Association Based Groups: The Need to 'Sell the Case'

The following section (Business Planning for Housing Association TMOs) stresses the pivotal role of business planning in the housing association sector. This very much applies to existing TMOs and also to those groups considering establishing a TMO.

Feasibility and Development for TMOs within Housing Associations

Groups within the housing association sector can investigate the possibility of developing tenant management. The Involvement Policy published by the Housing Corporation includes tenant management as one of a range of involvement options.

The Right to Manage does not exist within the housing association sector so the case for establishing a TMO – firstly with regards feasibility and then onto development – needs to be made in a business plan. The business plan therefore needs to set out a convincing and robust 'case for change' for the housing association to consider and respond to in keeping with the Regulatory Code for the sector.

Feasibility Stage: Developing an Outline Business Plan

Much of the guidance covered by the TMO Business Planning guide is aimed at assisting TMOs put robust and comprehensive business plans in place.

Groups undertaking feasibility studies should be working with their appointed agent to prepare an 'Outline Business Plan' as part and parcel of the feasibility process. Indeed, guidance issued by the ODPM stresses the need for groups undertaking feasibility to have an 'Outline Business Plan' in place by the end of the feasibility stage.

The point has been made that groups in the earliest stages of setting-up a TMO may find the idea of a 'business plan' a little strange – as for many the idea of actually running services and developing strategies may seem far off. But, many organisations that have gone on to form successful TMOs have highlighted how not having an outline plan prepared at the earliest stages of their development, reduced their effectiveness and strategic control. If tenant management is about putting tenants in the driving seat, having an outline business plan will help ensure groups can be clear about what their aims are and how they intend to develop from the very start.

Aims and Vision

Just like TMOs who have been running for many years, those groups still undertaking feasibility need to know what their aims are, both in the short and longer term. Surely, the starting point is to spell out exactly why the group are seeking to become a TMO!

One of the first things to think about is the aims and objectives of the TMO. Most TMOs stress that they do a lot more than simply run estate services. It may be difficult at the feasibility stage to draft a detailed vision and set of aims for the organisation. It may be that some of the aims of the group at this stage will focus on getting through the 'development stage' in an effective and efficient way. The group's vision and aims may extend beyond the 'housing services' covered by the Management Agreement. These could relate to development of the community, ensuring all have a say and are involved in the TMO and provision of wider services to local people. A key part of the vision which should be taking shape at this stage is the vision of what the TMO and its services will look like (*eg. A small office on the estate, a full-time manager, perhaps a handyman/caretaker, keeping the estate clean and the grass cut.*). The Outline Business Plan needs to show in general terms that this vision is achievable with particular reference to the likely level of allowances.

What are the Key Issues?

At the very heart of any successful business plan is an honest and frank assessment of the issues facing the organisation. These could be issues arising within the organisation itself, or issues which impact on the group from outside. Groups taking the first steps towards setting up a TMO need to be especially clear on what could be ahead.

The TMO Business Planning Guide provides two exercises aimed at setting out the range of issues to be considered by the TMO. The exercises relating to both SWOT and STEP analysis are simple and effective – but remember, most groups benefit from having a facilitator to help explore the issues.

The group undertaking feasibility should also be aware of the policy framework relating to establishing a TMO. Groups are strongly advised to visit the ODPM, Housing Corporation and NFTMO websites in order to explore national policy in relation to tenant involvement and tenant management. The landlord's policies and strategy relating to tenant management is clearly a critical factor for any group in development.

Groups undertaking TMO feasibility are also advised to consider the issues covered by the In-touch Toolkit in terms of effective communication, consultation and involvement.

Objectives and Strategies

The outline business plan should set out what the key objectives of the group are – both in the shorter and longer term. Once you have been clear about what you are aiming to achieve, your strategies should outline how you are intending to make them a reality.

Financial Analysis

Guidance issued by the ODPM stresses that groups should seek some indication of the level of Management and Maintenance Allowances it could expect once it becomes operational.

It is likely that many groups will find it difficult to get firm figures from the landlord organisation during the feasibility stage. The outline business plan should – where possible – contain an assessment of the level of allowances available. Such analysis should be assessed against the expenditure the TMO could expect to incur – at this stage possibly based on regional/national analysis of the type of management and maintenance costs incurred by other TMOs and the TMO's own vision of how they will deliver services.

Risk Analysis

For groups at the end of the feasibility stage, the biggest risk is likely to relate to not successfully completing the TMO development process.

Other risks may relate to involvement, funding, training and those factors which could emerge from changing circumstances.

The exercises contained in the guide in terms of risks provide tools to help identify and manage risks.

Updating the Plan

When the group first prepare the 'plan' (regardless if it is a detailed or an outline business plan) this should be based on an understanding of circumstances affecting the group and which contribute to the achievement of aims and objectives. Based on such an analysis, the group should establish a series of priorities.

However, circumstances and the priorities of the group may change. This means that the 'plan' should be reviewed from time to time and amended in order to ensure it continues to assist the group act strategically and effectively.

Development Stage: Developing a Detailed Business Plan

Groups in receipt of Section 16 funding, within the Development Stage are required to prepare a detailed business plan. Further guidance on this is available from the ODPM as part of the revised guidance issued alongside the release of the revised Modular Management Agreement. Groups who fall outside the Right to Manage are also advised to develop a detailed business plan in order to support the case for establishing a TMO.

The business plan prepared at the development stage will need to take up the Outline Business Plan developed during feasibility and start adding specific, updated and detailed information in order to demonstrate the comprehensive viability of moving from development into becoming an operational TMO. The Detailed Business Plan is, therefore, a key part of the final development report, required prior to the final ballot.

During the Development Stage, the TMO needs to work towards developing an organisation and putting in place the strategic and management framework that will enable the TMO to operate effectively. Above all the TMO will need to demonstrate that towards the closing stages of the development stage that it has become a competent and businesslike organisation. The TMO business plan has a critical role to play in this regard.

The business plan established by the end of the development stage needs to incorporate sound and insightful understanding of the issues facing the estate, the local community and the TMO and to set out the following:

- **Vision:**
This will describe the TMO's vision and aspirations. These are likely to go beyond the management of housing services and may incorporate issues relating to the development of a healthy and thriving community.
- **Values:**
It will demonstrate the characteristics of the TMO and the way it intends to operate and provide services?
- **Service Strategy:**
This will set out the TMO's objectives and related strategies in those service areas covered by the Management Agreement. Typically this will include repairs and maintenance, rents, void management, caretaking, etc.
- **Community Strategy:**
This will set out how the TMO intends to communicate, consult and involve, and may also cover issues such as community development and equal opportunities.
- **Organisational Strategy:**
This sets out the TMO's strategies on issues such as staffing, health and safety, IT, etc.
- **Governance Strategy:**
Good governance is at the very heart of being a successful TMO. With effective governance in place, the TMO will be more robust and able to sustain itself through hard times. Without good governance – a TMO's weaknesses will be quickly exposed and may even threaten the continued existence of the group. Governance strategy sets out TMO objectives on issues such as training, equal opportunities, meetings, decision making and representation. Governance also includes important aspects of equal opportunities and is likely to link to the TMO's Community Strategy.
- **Finance Strategy:**
The Finance Strategy will usually include how the TMO will achieve efficiency and 'value for money'. How risks will be identified and managed should also be included in your Finance Strategy.
- **Action Planning:**
Above all, the business plan needs to be a guide for action and key actions should be identified and set-out in the business plan itself.

Financial Analysis

Clearly, as the TMO progresses through the development stage, options need to be considered which will have an impact on the TMO's future finances. These could include:

- The size of the TMO in terms of the properties it manages and the split between tenanted and leasehold properties
- The range of services the TMO wishes (at this stage) to adopt
- The way the TMO decides to procure services (such as direct staff or external contract)
- The service standards the TMO wishes to adopt
- The intended level of staffing
- How the TMO intends to organise itself in terms of office accommodation, service reception and IT.

A full list is extensive and will emerge as the TMO works its way through the business planning process. It will require the TMO to start thinking operationally. This also means that budgets will need to be forecast, based on firmed up costs and levels of income.

All business plans are ultimately based on assumptions about future events. Risk analysis should help the TMO assess whether these assumptions are fair and what would be the impact if situations changed. The main TMO business planning guide looks into financial planning and risk in more detail.

Business Planning – a Key Competency

The TMO will need to demonstrate it has the key set of competencies required to run and sustain a successful organisation. One of these key competencies is the need to have a 'business like' and strategic approach to the TMOs operations and on-going development.

Having a business plan and understanding the role of business planning as an on-going tool for managing the TMO and its resources is therefore essential. The TMO should be working closely with its appointed agent or advisers to ensure it is aware of the level of competency required of groups in development and that the TMO can demonstrate its competency in relation to business planning.

For TMOs within the housing association sector, the ability to demonstrate competency in relation to business planning is just as essential.

Preparing Your Detailed Business Plan

The business planning guide has been designed to be used by both groups in development and those currently operating as TMOs. The issues groups face as they are developing and subsequently move into becoming operation will vary. However, the business planning methodology remains the same. You now need to go to work through the exercises in the guide and start the process of drawing up your TMO's business plan.

11. Business Planning Issues for Housing Association TMOs

In this section:

- *We stress the need for TMOs within housing associations to understand the requirements of the Housing Corporation's Regulatory Code and Involvement Policy.*
- *We look at the key business planning issues to consider for TMOs and Co-operatives based within housing associations.*
- *Explore the critical link between the housing association's business plan and the TMO's business plan*
- *Consider how the TMO's business plan can be used to assist communication between the TMO and housing association and build the case for change where required*
- *Explore the importance of self-regulation within the housing association sector and how this impacts on the TMO's business planning*

All housing associations are required to have a detailed business plan and that plan has a critical part to play in the strategic management and development of each association. Business planning also has an important part to play for TMOs within the housing association sector. Both for groups seeking to develop tenant management and for those already operating as TMOs, the business plan sets out the priorities of the group and where necessary builds the 'business case'.

The Regulatory Code for the housing association sector clearly identifies tenant management as one of a range of involvement options. Groups seeking to develop a new TMO or expand the services provided by an existing TMO will need a robust business plan in order to support and strengthen the case they make to the landlord housing association.

The Association's Business Plan

Housing associations need to show how they will achieve and sustain the standards set for Decent Homes through the efficient management of an association's assets. Where major improvements and development is required, associations may need to look at borrowing funds from banks and financial institutions. Clearly, an association without a robust business plan has less of a chance of attracting the funding it requires. The TMO business plan is very much of interest to the housing association – and the association's plan should be an important point of reference for the TMO.

In some cases the future success and sustainability of the TMO may have a direct impact on the success of the association's own business plan. Because business planning is pivotal to the regulatory regime within the housing association sector, TMOs need to understand the Housing Corporation's Regulatory Code. The Housing Corporation's Involvement Policy is also critical as this helps set the framework in which new and established TMOs operate.

What is the Starting Point?

Before you can start writing your business plan, you should have undertaken analysis of the current situation of the TMO. The relationship between the TMO and the housing association will have a very important impact on both day to day issues faced by the TMO and the future direction of the TMO.

TMOs are strongly advised to understand who their stakeholders are and what influence these stakeholders have on the TMO's business planning. It would be very surprising if the housing association landlord was not identified as one of the key stakeholders and one with a significant influence on the TMO business plan.

Understanding the policy direction of the housing association (who own and are responsible for their assets) and how this may complement or contradict the TMO's plans is critical for the success of the TMO's business plan. There could be many examples of this. For instance, the housing association could be seeking to centralise services in order to improve value for money and efficiency. The TMO, on the other hand may be wedded to local, estate based service delivery. Another case where the TMO and housing association may have seemingly contradictory plans could be around procurement. Again, from the perspective of improving efficiency, the housing association may be looking to establish a partnership with a large repairs and maintenance company. The TMO may be committed to employing local companies, and see benefits in addition to lower costs.

The TMO business plan is not a magic wand, but by setting out the TMO's position and reasons for adopting its strategies, the TMO can at least present its case in a comprehensive (and hopefully) coherent fashion.

In assessing the business planning issues faced by the TMO, the following questions should be asked:

- What opportunities and constraints does the housing association's business plan place on the TMO's own business plan (Remembering that the association's business plan is critical for the success of the association)?
- What Management Agreement services and other issues need to be incorporated into the business plan – and what additional services and issues (i.e. those that fall outside of the Management Agreement) need to be covered?
- How are the two business plans linked and what interests do the TMO and housing association share?
- Who, how and when does the housing association need to be consulted in the preparation of the TMO's business plan?
- Does the TMO have an opportunity to influence the future direction of the housing association's business plan?
- How will this all affect the tenants and residents and how can their interests be best served?

The TMO business plan is an important tool to help clarify issues and show that the TMO has a well planned and sustainable future. Those reading the business plan will be seeking reassurances that the TMO is able to efficiently and effectively manage services and implement policies. The desired message could be **"The TMO adds value to the association, develops and builds communities and delivers first class services to residents"**



Regulation and Monitoring

TMOs need to have a firm understanding of the regulatory and policy directions applied to the housing association sector. The landlord housing association may be able to provide guidance on issues of regulation and monitoring. Critically, self-regulation plays an important part in the housing association sector. This underlines the importance of the association's business plan as the association is required to demonstrate how it has achieved its stated aims and objectives.

Some things for TMOs to consider include:

- Best Value:** The principles of best value apply to housing associations and TMOs will need to ensure they are meeting the required performance and quality standards. The TMO should never expect to be side-lined or exempted from the need to demonstrate best value.
- KLOEs:** The TMO business planning guide has adapted the 'key lines of enquiry' adopted by the Audit Commission for the purposes of inspection. Self-assessment against the KLOEs is an important feature of improving performance.
- Evidence:** Housing association landlords are required to monitor TMO performance. TMOs need to ensure that they can appropriately evidence performance and service outcomes. TMOs also need to ensure an audit trail is kept so that performance monitoring can be seen to be robust.
- Efficiency:** Housing associations are required to prepare Annual Efficiency Statements (AES). This has a number of implications for TMOs. Firstly, TMOs need to be up to speed on what is often called 'the efficiency agenda'. Guidance is available from the Housing Corporation's site on efficiency. The overall thrust of the drive for greater efficiency is to ensure that value for money and quality services are being provided and that resources are appropriately focused on front-line services.

Service Provision

Housing associations – in common with other social housing providers – have the ultimate target of achieving excellence in the provision of housing services. The TMO will need to show that it is capable of running a service and sustaining performance at a standard that is at least as good as the landlord housing association. This also means that the TMO's targets and service strategies need to be aiming to achieve excellence and efficiency.

So, if the landlord has improved its performance over recent years then the targets and objectives set within the TMO business plans need to be equally ambitious. The business plan needs to show not just how the TMO will sustain and improve the services it provides, it needs to show how the TMO will innovate and develop to best meet the needs of its customers.

Some things for TMOs to consider include:

- Procurement:** TMOs need to consider how services are currently provided and if it has any opportunities for gaining better value for money. The landlord housing association is likely to also be looking at improved efficiencies arising from better procurement methods which may in turn impact on the TMO. Procurement then could be seen as both an opportunity and a challenge.
TMOs need to consider any requirement or expectation from the landlord housing association to formalise the way the TMO procures services. TMOs often highlight the benefits of using local companies to undertake repairs and the benefits of small scale contracts. Likewise the housing association, may want to stress the benefits of developing

- partnering with large-scale contractors over longer periods of time (See the section of the business planning guide dealing with efficiency for further discussion of this point).
- Quality:** The business planning guide stresses the importance of self-assessment and the role of KLOEs in measuring the quality and standards of services provided by the TMO. The In-touch Toolkit also stresses the need for TMOs to consult and involve service users in providing feedback on service quality and satisfaction issues.
- Major Works:** TMOs within housing associations will need to present a strong 'business case' if they are considering expanding the range of services provided under the Management Agreement. The business case is critical, as TMOs within the housing association sector do not have the Right to Manage. For instance, some TMOs who have been part of the stock transfer process have stressed the importance of major works as a TMO function post-transfer. However, as these TMOs no longer have the Right to Manage, they are less hopeful of the Management Agreement being reviewed so that this activity can be transferred to the TMO. The need for a business plan has an important part to play in setting out a convincing case for change (such as the expansion of TMO services).
- Standards:** The point has been made above that the TMO and housing association business plan should be linked in key areas. One such area could be in relation to service standards. The TMO may wish to provide higher or different standards (such as in relation to responsive repairs and/or caretaking services) – the business plan should make this clear.

Financial and Risk Management

All TMOs should ensure that appropriate systems are in place to manage finance and risks faced by the organisation. The management of risk plays an important role for housing associations in ensuring resources are managed efficiently and that business planning outcomes are achieved. TMOs should also be seeking to have in place effective risk management procedures and should ensure that risks are assessed against the objectives, strategies and outcomes contained in the business plan.

Some things for TMOs to consider include:

- Risk:** The TMO will also need to show both in its business plan and day to day operations that risk is appropriately identified and managed. The TMO needs to be aware of the risk assessment procedures adopted by the housing association and how these impact on the decision making processes affecting the TMO.
- Expansion:** Partly because of the impact on management and maintenance allowances, TMOs planning to expand the range of services they provide under the Management Agreement cannot use the Right to Manage (as this does not apply within the housing association sector). Critically, the TMO will need to present a strong and robust business case for any such expansion to be considered by the housing association.
- Surpluses:** TMOs within any sector are vulnerable if significant surpluses have been accrued over and above the levels deemed appropriate for the TMO to manage risks and ensure good financial management. The TMO needs to seriously consider the risk of allowances being reduced by the landlord organisation – especially if any such surpluses are not linked to convincing expenditure plans (such as accruing a certain level of surplus in order to fund a new initiative or improvements for the estate).

Decision Making and Control

In a number of regards, the decision making processes within a housing association are likely to be very different from that of a council. Also, if housing associations merge, creating larger and more dispersed associations, it may have an impact on the TMO. If a housing association 'group structure' is created, the TMO may feel more remote from the decision making process and may find it harder to influence decisions made by the parent housing association.

Some things for TMOs to consider include:

- Lobbying: The governance and decision making arrangements within housing associations are significantly different from that of a local authority. The TMO business plan could consider issues such as how the TMO finds an effective voice within the housing association. One point to consider is the role of tenant representatives on the housing associations board.
- Centralisation: Some TMOs have expressed a view that the tendency for housing associations to merge and in some cases to form group structures, could lead to certain services being centralised (such as the development of a call centre). It could also be that 'support services' such as legal, finance and facilities management may also be centralised. TMOs need to weigh-up the possible benefits of achieving efficiencies through such 'centralisation' with the desire to keep services small scale and local. Again, the business plan is important in setting out the TMO's vision, aims and position in relation to service provision.
- Relationships: Change within organisations often means that relationships have to be re-established and renegotiated. TMOs often stress that an important success factor for them is the relationship with the landlord organisations, and this may be based on an understanding built up with individuals, teams and organisations. If a housing association merges or undertakes radical change, these relationships may be at risk – just as a change of political leadership or personnel within a local authority can put a strain on established relationships. The business plan should consider such a scenario and outline any measures which could be put in place to maintain (or improve) a good relationship.

Appendix 1: Example Business Plan Format

The following business planning template has been designed to assist TMO business planning. By completing the key exercises contained on the TMO Business Planning CD Rom, text will be added under the headings shown in the template, which in turn will build-up your business plan section by section. If you prefer, you can complete the exercises in Appendix 2 and then use the results to draft your business plan.



Go to the TMO Business Planning CD Rom to find-out more about developing your own TMO business plan.

Section 1: Introduction and background	
1.1. <i>About the TMO</i>	The type of TMO you are and how you are legally constituted, number of properties managed, number of members, year the TMO has been operating
1.2. <i>Setting the scene.</i>	Geographic location and description of estate/area.
1.3. <i>About our community</i>	About your community: Its make-up and issues it faces.
1.4. <i>History and background</i>	Summary history of the TMO – its origins and when it was set-up. If appropriate the name of the Section 16 agency.
1.5. <i>Operating context</i>	Summary information about your landlord organisation and other TMOs in the area.
1.6. <i>Services provided</i>	What are the key services provided by the TMO (Both those in the Management Agreement and in addition)
Section 2: Our Vision and Objectives	
2.1. <i>Our Vision</i>	What is the TMO's overall vision, why do you exist?
2.2. <i>Our Values</i>	What 'values' does the TMO have
2.3. <i>Our Community Objectives</i>	What objectives do you have in relation to your community, this could include how you communicate, consult and involve, making the estate a good place to live, etc.
2.4. <i>Our Governance Objectives</i>	What objectives do you have in relation to governance?
2.5. <i>Our Organisational Objectives</i>	What objectives do you have in relation to organisation
2.6. <i>Our Service Objectives</i>	What objectives do you have in relation to services that the TMO provide (note. This could be several objectives depending on the management responsibilities of the TMO)?
2.7. <i>Our Financial Objectives</i>	What objectives do you have in relation to finance (this could relate to 'value for money', maximising the amount spent on 'front-line services', etc)

Section 3a: Community Issues and Strategy

Issues identified	Our Community Strategy	Our measurements of success
<p>What issues have you identified in relation to your Community Objectives (This could be from the SWOT analysis, benchmarking, consultation, etc)?</p> <p><i>Example:</i></p> <p><i>We have identified through our consultation with tenants and residents that 85% of respondents were satisfied with the opportunities to be involved with the running of the estate.</i></p> <p><i>Benchmarking has revealed that TMO membership levels are below average at 55% of eligible households having a member of the TMO.</i></p>	<p>What strategies will you adopt to address the issues you have identified in relation to your Community Objectives?</p> <p><i>Example:</i></p> <p><i>We will establish an 'Estate Compact'</i></p> <p><i>We will have an annual 'membership drive'</i></p> <p><i>We will establish a consultation and involvement fund to pay for crèche facilities.</i></p> <p><i>We will hold quarterly open meetings for all tenants and residents to attend.</i></p>	<p>How will the TMO measure success and what targets will it adopt over the period covered by the business plan?</p> <p><i>Example:</i></p> <p><i>To achieve 95% of residents satisfied with opportunities to become involved by April 2008.</i></p> <p><i>Increase membership levels by 5% per year to achieve 70% of households having a TMO member by 2008.</i></p>

Section 3b: Governance Issues and Strategy

Issues identified	Our Governance Strategy	Our measurements of success
<p>What issues have you identified in relation to your Governance Objectives (This could be from the SWOT analysis, benchmarking, consultation, etc)?</p> <p><i>Example:</i></p> <p><i>During 2004/05 only 70% of Management Committee meetings were quorate.</i></p>	<p>What strategies will you adopt to address the issues you have identified in relation to your Governance Objectives?</p> <p><i>Example:</i></p> <p><i>The TMO will undertake training on 'running effective meetings'.</i></p> <p><i>TMO committee meetings to move from monthly to bi-monthly.</i></p> <p><i>Baby sitting allowance to be</i></p>	<p>How will the TMO measure success and what targets will it adopt over the period covered by the business plan?</p> <p><i>Example:</i></p> <p><i>To aim for 100% of Management Committee meetings quorate.</i></p> <p><i>Average Management committee meeting to be 2 hours.</i></p>

Section 3b: Governance Issues and Strategy

Issues identified	Our Governance Strategy	Our measurements of success
<i>TMO needs to establish a Code of Governance.</i>	made available to Committee Members. Code of Governance to be introduced using new guidelines	<i>TMO benchmarking to show above average for governance by April 2006.</i>

Section 3c: Organisation Issues and Strategy

Issues identified	Our Organisation Strategy	Our measurements of success
<p>What issues have you identified in relation to your Organisation Objectives (This could be from the SWOT analysis, benchmarking, consultation, etc)?</p> <p><i>Example: Staff training needs need to be assessed and training programmes established.</i></p> <p><i>Estate Manager currently does not receive appraisal.</i></p> <p><i>No performance management systems in place.</i></p> <p><i>Opportunity to develop new housing management IT system</i></p>	<p>What strategies will you adopt to address the issues you have identified in relation to your Organisation Objectives?</p> <p>Example: Training needs assessment to be undertaken annually and training programmes established</p> <p>Increase the Staff training budget by 20% in 2005/06 and monitor spend per member of staff.</p> <p>Agree a performance management <i>framework for the TMO.</i></p> <p><i>To develop new housing management IT using the Councils system.</i></p>	<p>How will the TMO measure success and what targets will it adopt over the period covered by the business plan?</p> <p><i>Example: 100% completion of training needs analysis per annum.</i></p> <p><i>Estate Manager Appraisal undertaken annually.</i></p> <p><i>100% spend on staff training budget.</i></p> <p><i>New IT system in place by Dec 2005.</i></p> <p><i>TMO staff reporting improvement in IT system by April 2006.</i></p>

Section 3d: Service Issues and Strategy

Issues identified	Our Service Strategy	success
<p>What issues have you identified in relation to your Service Objectives (This could be from the SWOT analysis, benchmarking, consultation, etc)?</p> <p><i>Example:</i></p> <p><i>The void turnaround time is poor.</i></p> <p><i>The Grounds Maintenance contract is due to end in Sept 2005, and satisfaction with current contract is poor.</i></p>	<p>What strategies will you adopt to address the issues you have identified in relation to your Service Objectives?</p> <p><i>Example:</i></p> <p><i>The TMO will introduce pre tenancy termination inspections.</i></p> <p><i>The TMO will relet the voids maintenance contract to ensure efficient completion of works.</i></p> <p><i>TMO caretaker & handyperson will undertake clearance and cleaning of new voids.</i></p> <p><i>The TMO will relet the Grounds Maintenance contract in partnership with other TMOs in the area.</i></p>	<p>How will the TMO measure success and what targets will it adopt over the period covered by the business plan?</p> <p><i>Example:</i></p> <p><i>Void turnaround time to be TMO average by Dec 2005 and above average by Dec 2006.</i></p> <p><i>No increase in the cost of the contract.</i></p> <p><i>Higher levels of satisfaction with works undertaken.</i></p>

Issues identified	Our Finance Strategy	Our measurements of success
<p>What issues have you identified in relation to your Financial Objectives (This could be from the SWOT analysis, benchmarking, consultation, etc)?</p> <p><i>Example:</i></p> <p><i>The TMO's surplus fund is above average and under-committed for</i></p>	<p>What strategies will you adopt to address the issues you have identified in relation to your Financial Objectives?</p> <p><i>Example:</i></p> <p><i>The TMO will establish a 'Community Fund' for local projects and environmental</i></p>	<p>How will the TMO measure success and what targets will it adopt over the period covered by the business plan?</p> <p><i>Example:</i></p> <p><i>Tenants' satisfaction survey to show a high % stating that the TMO provides value for money.</i></p>

Section 3e: Finance Issues and Strategy

Issues identified	Our Finance Strategy	Our measurements of success
<p><i>2005/2006.</i></p> <p><i>The TMO needs to build the capacity of the Treasurer and finance Sub-Committee.</i></p> <p><i>Risk analysis has not previously been undertaken.</i></p>	<p><i>projects.</i></p> <p><i>The TMO will undertake programmed improvements to the OAP clubroom by April 2006.</i></p> <p><i>The TMO will undertake programmed improvements to the children's play areas by April 2007.</i></p> <p><i>The TMO Treasurer and finance sub-committee to undertake an annual training needs analysis.</i></p> <p><i>The TMO will appoint an independent consultant to undertake an annual risk analysis</i></p>	<p><i>Programme to be completed on schedule high satisfaction rates with the improvements.</i></p> <p><i>Programme to be completed on schedule high satisfaction rates with the improvements</i></p> <p><i>Above average score in TMO Benchmarking for financial management.</i></p> <p><i>Low % of issues identified as high risk.</i></p>

Section 4: Action Plans	Activity	Performance Measurement	Targets dates	Lead Officer/Member
4.1. Community Strategy	What activities does the TMO need to undertake to achieve your Community strategy?			
4.2. Governance Strategy	What activities does the TMO need to undertake to achieve your Governance strategy?			
4.3. Organisational Strategy	What activities does the TMO need to undertake to achieve your Organisational strategy?			
4.4. Service Strategies	What activities does the TMO need to undertake to achieve your Service Strategies?			
4.5. Financial Strategy	What activities does the TMO need to undertake to achieve your Financial strategy?			

Appendix 2: TMO Business Planning Exercises

The TMO Business Planning Guide is designed to be used with the CDROM which accompanies the guide. The CDROM is free to all TMOs and can be requested from the National Federation of Tenant Management Organisations (see the NFTMO website at www.nftmo.com).

The exercises are shown below, and can be used by TMOs wishing to use them without referencing the CDROM. Once completed, the relevant sections can then be input into the Business Planning Template shown in Appendix 1 (above).

List of Exercises

Getting Started: About your TMO & Celebrating our Successes

- Exercise 1: Preparing a Project Plan**
- Exercise 2: Assembling the background information**
- Exercise 3: Your Vision**
- Exercise 4: Your Values**
- Exercise 5: Your Key Objectives**
- Exercise 6: SWOT Analysis**
- Exercise 7: TMO Benchmarking**
- Exercise 8: Key Lines of Enquiry**
- Exercise 9: Step analysis**
- Exercise 10: Decent homes Impact Assessment**
- Exercise 11: Key Legislation**
- Exercise 12: Your Strategies**
- Exercise 13: Key Actions and Performance Measurements**
- Exercise 14: Financial Impact**
- Exercise 15: Financial Impact & Risk Analysis**
- Exercise 16: Risk Management 4Ts**

Getting Started Exercise: About your TMO

Use the following table, to outline basic information about your TMO. This information will then be used to help set the context and background of the TMO.

Introduction and Background

1.1. About the TMO	The type of TMO you are and how you are legally constituted, number of properties managed, number of TMO has been operating
1.2. Setting the scene.	Geographical areas
1.3. About our community	About your community
1.4. History and background	Summary history of the TMO – its origins and when it was set-up. If appropriate the name of the Section 16 agency.
1.5. Operating context	Summarise the context in which you are operating
1.6. Services provided	What are the key services provided by the TMO (Both those in the Management Agreement and in addition)

Celebrating Your Success

When considering your business plan it is always a good idea to step back and assess what your TMO actually does well. Under the following headings list your successes, you need to bear in mind the activities that you carry out as well as the impact that it has within your community.

Service Development:

Can you introduce new services – over and above those you are formally responsible for in the Management Agreement?
 Do you have evidence of service delivery? If so, what are the key indicators of your success in service delivery?

Financial:

Does the co-op have a healthy Surplus?
Can you celebrate good levels of budgetary Control
Has the TMO manage to achieve value for money in specific areas? Does the TMO successfully manage large scale programmes of works?

Community Development:

Has the TMO helped or overseen the development of community based initiatives such as a credit union, community businesses, sports or leisure facilities?
Can you celebrate the impact the TMO has had on the quality of life of local people?
How does the TMO support other community groups?
Do you regularly have social events?

Governance:

Can the TMO celebrate levels of involvement?
Does the TMO have regular and well attended meetings and can demonstrate good levels of participation?
Can training and develop be celebrated?
Are membership levels healthy and/or have you other types of successes in this area?

Exercise 1: Preparing a Project Plan

Using the following table, draft a project plan for developing your business plan. Please delete the information within the table as appropriate. The information in the table represents our estimate of the average time required to prepare a TMO Business Plan.

The Stages in developing your business plan	When	Who
Set-up the business planning sub group	Week 1	
Distribute business planning guide to sub-group	Week 1	
Agree on facilitator for TM	Week 1	
Brief facilitator	Week 2-3	
Assemble background documentation	Week 2-3	
Pull together customer feedback and satisfaction surveys, etc	Weeks 2-5	
First sub-group: plan agree values and set objectives	Week 3	
Second meeting of sub-grou impact of decent homes on TMO	Week 4	
Financial planning and risk as	Week 5	
Third meeting of sub-group: Organisation, governance and financial plans	Week 6	
Forth meeting of sub-group develop action plan agree targets and how to communicate plan	Week 7	
Report draft plan to TMO committee/Board Revise plan and publish	Weeks 8-12	
Total (Approx)	2-3 months	

Exercise 2: Assembling the background information

Using the following list, review what documents you need to assemble to create your own business plan. This should include both documents and information internal to the TMO and documents and information from outside of the TMO.

Information	Tick here if available
Landlord Tenant Compact and/or involvement policy	
TMO Management Agreement	
Customer Survey and Feedback	
Financial information	
Statistics - number of empty properties, average spend per property, number of repairs by category, average cost of repairs etc	
Information on how well your landlord performs and the satisfaction of its customers	
Landlord strategies, policy and service standards: Community Safety, involvement, repairs, rehousing, etc.	
HRA Business Plan and Annual Efficiency statement	
Stock Options Appraisal Information	

For TMOs based within the housing association sector, you should also consider:

Information	Tick here if available
Housing Corporation Regulatory Code	
Housing Association Business Plan	
Annual Efficiency Statement	