



Business Plan

March 2009

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1 GLOSSARY

This document sets out the strategic and financial direction of WATMOS Community Homes. We are keen to encourage engagement and involvement with our many stakeholders. Anyone wishing to discuss the issues raised by our business plan, or who may want to have points clarified, please contact a member of our Executive Team who would be happy to assist.

Below, we have set out a short glossary which explains some of the terms and abbreviations used in our business plan.

Term	Meaning
BME	Black and minority ethnic - this denotes people and communities who are black, Asian or from other ethnic communities (including Irish).
Decent Homes	A standard set by the Government regarding property condition and quality which all housing associations have to achieve by 2010.
Housing Corporation	The Government agency responsible for regulating the housing association sector
KLOE	Key Line of Enquiry - a set of Service and organisational standards established by the Audit Commission
Management Agreement	A binding legal agreement between the TMO and the landlord organisation (i.e. WATMOS).
NFTMO	National Federation of Tenant Management Organisations
VFM	Value for Money - a long used term, recently adopted by the Government to denote a service which has an appropriate balance between cost, services, quality and satisfaction.

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2 WATMOS COMMUNITY HOMES OVERVIEW

2.1. Introduction

2.1.1. The launch of WATMOS in January 2002 and the transfer of housing stock from Walsall Metropolitan Borough Council to WATMOS in March 2003 has become an important landmark in the development of tenant empowerment nationally. Building on the long-running tradition of tenant management within Walsall, WATMOS promotes the values of community-controlled housing through our unique governance arrangements.

2.1.2. WATMOS is a registered social landlord - set up to receive the transfer of 1,828 homes owned by Walsall Council. All the housing stock owned by WATMOS is managed by locally controlled tenant organisations. Eight Tenant Management Organisations (TMOs) manage and maintain our properties under Management Agreements which set out the responsibilities and duties of both parties. As part of the transfer, all eight TMO's became subsidiaries of WATMOS Community Homes.

As a Registered Social Landlord (RSL) WATMOS has secured loan finance to undertake the necessary backlog of repairs, carry out improvement programmes and provide for future replacement and renewal consistent with our requirement to ensure we maintain our stock above the minimum standard of Decent Homes. WATMOS has retained responsibility for major repairs and works closely with the TMOs to ensure efficient and effective running of the overall improvement programme.

2.1.3. WATMOS's aim is to provide an opportunity to build on Walsall's strong and successful record of tenant management. With the benefit of additional resources and the greater flexibility and freedom offered to RSLs, tenant management will have the potential to achieve even more. WATMOS's ownership and board structure allows tenants to play the leading role in running the organisation but with active involvement of independent directors who bring additional expertise and a different perspective.

2.2. The WATMOS Partnership

2.2.1. At a summary level, WATMOS, as the landlord organisation owns the stock and is responsible for its improvement. Through management agreements with the TMOs, WATMOS provides services to tenants. We have a fundamental commitment to empower our tenants and residents to enable meaningful community control over day to day services and the regeneration of estates. This means that WATMOS has an important

enabling and supportive role when working in partnership with the eight TMOs.

The TMOs have been delegated responsibility for day to day management and maintenance of our estates and housing stock. Each TMO has a detailed management agreement which sets out the duties and responsibilities of the TMO and those duties and functions retained by WATMOS.

2.3. Constitution and Rules of WATMOS Community Homes

2.3.1. The constitution and rules of WATMOS set out the objects and governance framework for the organisation; which state that

The association is formed for the benefit of the community. Its objects shall be to carry on for the benefit of the community:

- *the business of providing housing and any associated amenities for persons in necessitous circumstances upon terms appropriate to their means; and*
- *any other charitable object that can be carried out by an Industrial and Provident Society registered as a social landlord with the Corporation.*

2.3.2. Briefly, the rules of WATMOS allow it to:

- Promote the establishment and development of housing associations and other forms of tenant and consumer controlled housing organisations
- construct, improve, manage or facilitate or encourage the construction, improvement or management of housing and provide land or buildings either exclusively or in conjunction with others to be kept available for letting or for purposes connected with the requirements of persons occupying housing and any function supplemental or incidental thereto;
- act as managing agent for or as secretary to and provide services and facilities for any housing Association, or any like body or any body providing services and support to such bodies; and
- carry out any other object that can be carried out by an Industrial and Provident Society registered as a social landlord with the Housing Corporation.

2.3.3. WATMOS achieved charitable status on the 2 November 2004 and is exempt from tax under Section 505 ICTA 1988.

WATMOS is not permitted to trade for profit. Any surplus generated will

not be treated as profit, and can only be used as provided by the rules of the Association. Surpluses cannot be distributed to shareholders of the Association.

3 THE WATMOS/TMO STRATEGIC PARTNERSHIP

WATMOS is a unique organisation which can only be understood by appreciating the core strategic importance of the partnership and dynamic relationship between WATMOS Community Homes and the eight TMOs which manage the stock and provide day to day housing management services to our residents. Formally the partnership rests on the Management Agreement between WATMOS and each of the eight TMOs.

The Management Agreement with each TMO and our adopted strategic framework, set out a range of core responsibilities for both WATMOS and the TMOs.

3.1. WATMOS Community Homes (WATMOS)

3.1.1. *Strategic Responsibilities*

WATMOS Community Homes combines a range of strategic and enabling roles within the overall WATMOS partnership. These roles include:

- ensuring the organisation conforms to regulatory and statutory requirements
- ensuring that the TMOs fulfil the terms of the Management Agreement
- ensuring that TMOs operate within the agreed strategic and policy framework of the organisation
- monitoring the quality and delivery of services to our tenants and residents
- ensuring the organisation fulfils its commitments under the terms of the stock transfer
- ensuring the financial and non-financial aspects of the business plan are delivered and successfully implemented

WATMOS also has an important supportive role, which includes leading on organisation wide initiatives, supporting TMOs in fulfilling their duties under the management agreement, liaison and partnership working with external agencies and networks.

3.1.2. *Governance and Accountability*

WATMOS is governed by a board of twelve voluntary unpaid directors. The Board decides on the organisation's policies, priorities and strategic direction and monitors its performance. The Board is made up of the following members:

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- 8 Tenant Board Members (one nominated by each TMO)
 - 4 Independent Board Members (selected for their expertise and skills)

See the section below for further details of the governance arrangements of WATMOS and a breakdown of Board membership.

3.1.3. *Management and Executive Team*

The Executive Management Team is responsible for the running the organisation on a day to day basis and for implementing policies and priorities agreed by the Board. The Executive Team advises the Board members on all aspects of the business and on financial and regulatory framework within which we operate.

The Executive Management Team consists of three senior officers, as follows:



Stuart Masters
Chief Executive



Kul Bains,
Director of Resources
& Company Secretary



Yusef Masih,
Director of Housing
Services

3.2. The Tenant Management Organisations (TMOs)

3.2.1. *Operational Responsibilities and Service Provision*

The eight TMOs are WATMOS's managing agents. They are tenant-run organisations who have managed their own estates on behalf of the Council for a number of years through a process known as the Right to Manage.

On behalf of WATMOS, they continue to undertake all the normal housing management services on their estates (e.g. caretaking, tenancy management, rent arrears management, allocations and routine repairs) based on a formal management agreement. The eight TMOs are set out in the following diagram:



Each of the TMOs carries out a wide range of housing services including allocations/lettings; void management, rent arrears, repairs, environmental works, tenancy and estate management and the provision of support and advice to tenants and residents.

In addition to the activities undertaken as part of the Management Agreement with WATMOS, the TMOs provide other important services to their local community. These services vary widely between the TMOs and often depend on the make-up of the estate and local circumstances. The activities provided by the TMOs include:

- Social activities for older people
- Children's summer outings, play schemes, educational and social events
- Support for locally based Charities and community organisations
- Training and support to unemployed residents or those wishing to return to work
- Community facilities and clubrooms
- Environmental and gardening projects

3.2.2. ***TMO successes and Plans***

The eight TMOs within WATMOS are rightly proud of the many and varied successes they have achieved to date. Many of these successes have

been achieved independently by the TMOs, in some cases preceding the establishment of WATMOS. Some of the achievements and successes have come about as a result of joint working between WATMOS and the TMOs.

Each of the TMO business plans set out in some detail the successes and future plans of each of the TMOs. In summary and intended only as an illustration, these successes have included:

Community Development and Regeneration

Attracting national recognition and funding as part of the Guide Neighbourhood programme (Burrowes Street)

Setting-up and supporting a community based charity (Delves)

Development and running of a first class social and community facility (Twin Crescents)

Turned around run down and deprived estates and created into desirable places to live (All TMOs)

Service Delivery and Improvement

Top quartile performance for empty property management (Chuckery)

Extension of operating hours to improve customer services (Delves, Burrowes Street)

Introduction and operation of estate based CCTV systems (Sandbank, Burrowes Street, Chuckery, Leamore)

Radical transformation of estate environment to reduce crime and fear of crime (Burrowes Street, Sandbank, Chuckery, Leamore, Avenues, Twin Crescent, Delves)

Adoption of decent homes plus standards (All TMOs)

Governance and Organisation

Introduction of block champions scheme (Burrowes Street, Chuckery)

Introduction of 'shadow committee members' to successfully involve wider group of local residents (Sandbank)

Recruitment and retention of committed and experienced staff (All)

4. WATMOS'S STRATEGIC AIMS

Our Business Plan sets out the strategic direction of the whole organisation. The Executive Team and Board are responsible for establishing, reviewing and implementing the WATMOS-wide business plan.

But, unlike traditional models of tenant empowerment within the housing association sector, WATMOS represents a unique partnership way of working between the TMO and its (tenant controlled) landlord organisation. Each of the TMOs therefore operates in a strategic framework which could be described as both 'bottom-up' and 'top down'.

Each of the TMOs has the independence and resources to develop and implement their own business and operational plans, but they do so within the overall strategic framework established by the WATMOS Board (see below).

4.1 Our Mission

WATMOS has an agreed mission statement which reads as follows:

"To create strong, sustainable communities within safe and pleasant neighbourhoods through resident control and locally accountable tenant management."

This mission statement forms a baseline for the development of our business plan and the on-going development of our strategic framework.

4.2 Our Objectives

WATMOS has agreed seven key objectives, around which we form our service and development strategies. Our objectives are as follows:

- To provide affordable, high quality & well maintained homes for rent
 - To achieve the continuous improvement of services to our tenants.
 - To support and foster the Tenant Management Organisations in their role as managers of our estates.
 - To safeguard tenants rights and entitlements.
 - To successfully implement a viable business plan.
 - To recognise all employees as valued assets and partners.
 - To value diversity and promote equality of opportunity in all of our activities.
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4.3 Our Vision and Values

Fundamental to WATMOS are the vision and values which make us distinct as an organisation. Our vision and values guide both our day to day operations and the strategic framework we have developed in partnership with the eight WATMOS TMOs. Key features of our vision and values are:

4.3.1. *Get the basics right*

We recognise that, first and foremost, the success of a landlord is based on getting the basics right. This means maintaining an effective and efficient approach to managing the business including:

- Minimising the number of vacant homes and how long they are empty.
- Maximising the collection of rental income.
- Maintaining our homes in good condition.
- Good tenancy management and the control of nuisance.
- Maintaining a pleasant residential environment.

4.3.2. *Democratic resident control*

We aim to promote the values of community-controlled housing and demonstrate the benefits of tenant management. We are convinced that services under the democratic control of their users are more likely to be in tune with their genuine needs and requirements.

4.3.3. *Being organised on a human scale*

We believe that real accountability is only possible where an organisation is structured on a human scale. Therefore, even if we grow or become part of a larger network, we will ensure that we are structured in a way that allows local tenants and residents to exercise effective control over their services.

4.3.4. *Being local and accessible*

We are a community-based organisation with strong roots in our neighbourhoods. We are committed to providing services at a local estate level through accessible offices within walking distance in every TMO area.

4.3.5. Providing a secure and pleasant residential environment

We know that many tenants have chosen to live on a TMO-managed area because of the attractive estate environment and feeling of security that has been created. We intend to protect and extend this feature of our neighbourhoods.

4.3.6. Creating strong communities

The TMOs have always given a high priority to fostering a sense of community on their estates. We are committed to creating strong and diverse communities in which people are encouraged to play an active part.

4.3.7. Offering social and personal development opportunities

Being involved in a TMO provides tenants and residents with personal development opportunities and the chance to get involved in a wide range of social activities. We aim to promote and extend these opportunities in future.

4.3.8. Working with others to strengthen community-controlled housing

Association and resident-led housing thrives on positive partnerships and networks. We will work with like-minded organisations locally, regionally and nationally to promote and raise the profile of community-controlled housing and strengthen the sector within the wider housing world.

4.3.9. Representing a successful alternative model of social housing

We are committed to the idea of community-controlled housing and believe that WATMOS represents a good example of its benefits. We will strive to be a role model that other tenants and residents organisations will want to follow.

4.4 Corporate Priorities

The following corporate priorities have been adopted by WATMOS. These priorities complete our strategic framework and have been used by each of the TMOs to ensure that the assessment framework applied to their business planning and the resultant action plans are linked and cross referenced.

4.4.1. High Quality Homes

We will continue to invest in our homes to meet and exceed the Decent Homes Standard.

4.4.2. Excellent Performance

We will ensure that our operational performance across a range of indicators attains and remains within the upper quartile for all housing associations .

4.4.3. Real Tenant Satisfaction

We will regularly consult tenants about satisfaction and take steps to ensure that satisfaction levels exceed the National Housing Federation benchmark standard in all areas.

4.4.4. Effective Resident Involvement

We will be recognised locally and nationally as a housing association leading the way in resident involvement and community empowerment

4.4.5. Financial Strength & Stability

We will constantly review and develop our business plan to maintain real financial strength and stability.

4.4.6. Strength through growth

Guided by our values and objectives, we will further strengthen WATMOS by increasing our business .

4.4.7. Productive Relationships & Partnerships

We will maintain excellent relationships within the organisation and with external stakeholders and partners.

4.4.8. Positive Publicity & Promotion

We will positively promote the values and achievements of WATMOS locally, regionally and nationally.

4.4.9. Performance Through Our People

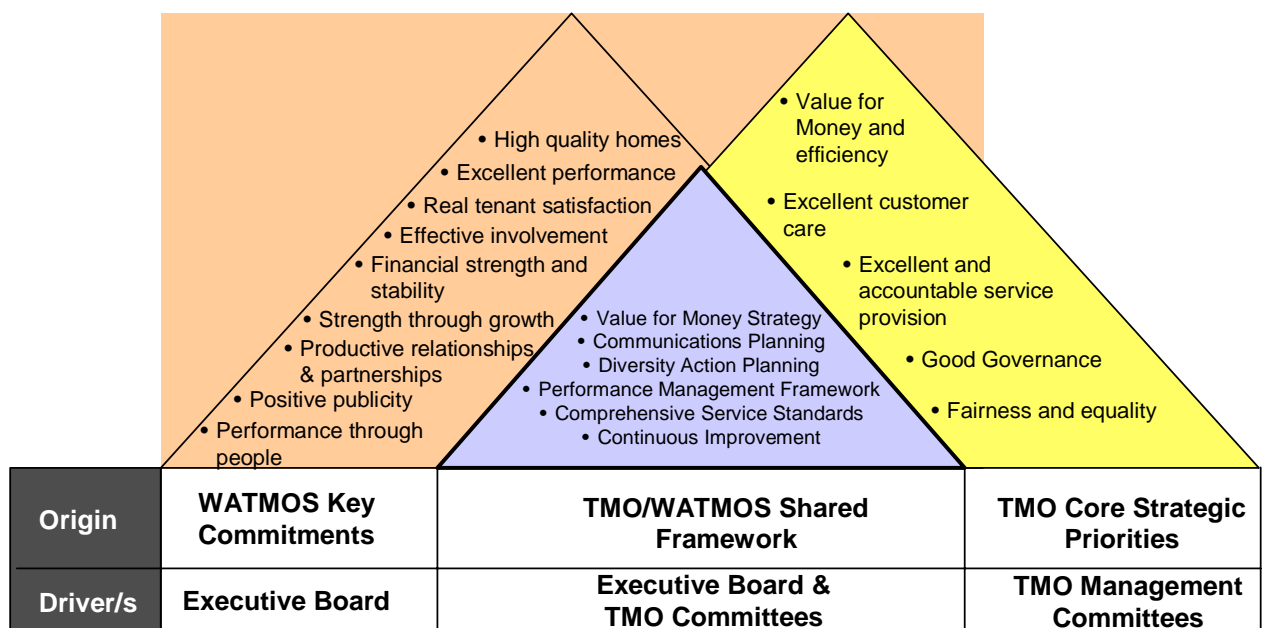
We will value the contribution of our people (both employees and volunteers) and will provide them with the training, support and encouragement they need to achieve our corporate priorities.

4.5. The WATMOS/TMO Strategic Partnership

4.5.1. TMO Business Plans

Each of the eight TMOs has its specific business plan, containing its own set of vision, values and objectives and service improvement action plans. Reflecting a commitment to the WATMOS partnership, the TMOs have developed their business plans within the WATMOS strategic framework.

The strategic framework for business planning enables each TMO to pursue its own unique priorities and action planning based on its specific set of circumstances. However, shared priorities and core values and a range of WATMOS-wide issues, applicable to all of the TMOs have enabled common themes to be developed and adopted in each of the individual business plans.



4.5.2 TMO Shared Issues

Working through a common assessment framework which incorporated the TMO/WATMOS shared strategic priorities, all eight TMOs agreed a core set of shared actions alongside those issues and actions unique to their own organisation.

In summary, the set of shared issues are as follows:

<i>TMO Shared Business Planning Issues</i>	
<i>Quality and Continuous Improvement</i>	Need to further develop and sustain systems and procedures to support quality management and continuous improvement across the group.
<i>Comprehensive Service Standards</i>	Need for TMOs to develop, consult and measure performance in relation to a comprehensive set of service standards – in addition to the baseline service standards contained in the Management Agreement.
<i>Value for Money</i>	Better evidencing of VFM in relation to comparative cost, performance and user satisfaction and need to establish an assessment framework and strategy in relation to VFM.
<i>Communications Planning</i>	TMOs need to undertake a comprehensive review of information, consultation and involvement requirements and adopt strategies to ensure adoption of best practice.
<i>Diversity and Equal Opportunities</i>	TMOs have identified a number of challenges in terms of service delivery and involvement which need to be contained in a comprehensive Diversity Action Plan in order to maximise impact and effectiveness.
<i>Performance Management Framework</i>	TMOs have identified the need to perform at the highest level which in turn will strengthen the Group as a whole.

4.6. WATMOS Service Improvement Project

Linked to the assessment of strategic and operational issues analysis undertaken as part of the WATMOS and TMO business planning process an organisation-wide Service Improvement Project (SIP) has been established to help sustain continuous improvement throughout the organisation.

Led by WATMOS the SIP involves all the TMOs. A key principle of the SIP is to acquire, disseminate and adopt good practice throughout the organisation. This good practice exists both within the organisation (with various TMOs excelling in aspects of service delivery, governance and efficiency, etc) and in the wider housing sector.

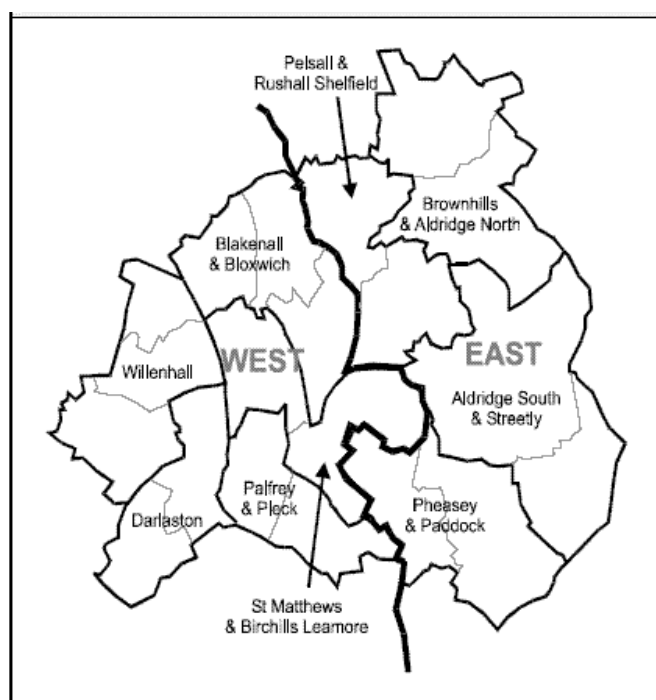
5. OVERVIEW OF WALSALL AND OUR TENANT MANAGED ESTATES

5.1. Walsall Metropolitan Borough

Walsall is a West Midlands Metropolitan Borough, lying off the M6 motorway North of Birmingham, east of Wolverhampton. It forms the north east boundary of the West Midlands conurbation with Staffordshire.

The Borough forms part of the historic 'Black Country' and has strong links to its industrial past of coal mining quarrying, iron and steel production. The industrial past, and more recent developments have resulted in the development of an East/West divide in the Borough which is reflected in housing, health inequalities, income levels and educational attainment. Assessing Indices of Deprivation for the Walsall area accentuates the existing East/West divide, with the overall picture placing Walsall 54th out of 354. However looking at ward level it can be seen that 45% of the population of the Borough live within the top 10% of the most deprived areas of the Country.

- 5.1.1. The majority of Walsall's households (almost 65%) are owner occupiers, which is slightly lower than the England and Wales average of 69% (2001 Census). Average house prices in the Borough are £121,249, 18% lower than the West Midlands average. The area has experienced a considerable increase in property prices in 2005 (up 15%). This may be an important factor in determining levels of housing demand and need in the area.



- 5.1.2. The borough consists of a number of distinct communities; Pelsall, Bloxwich, Willenhall, Darlaston, Aldridge, Brownhills, Palfrey and the town centre itself. The borough of Walsall is home to over 260,000 people and over 100,000 people work here.

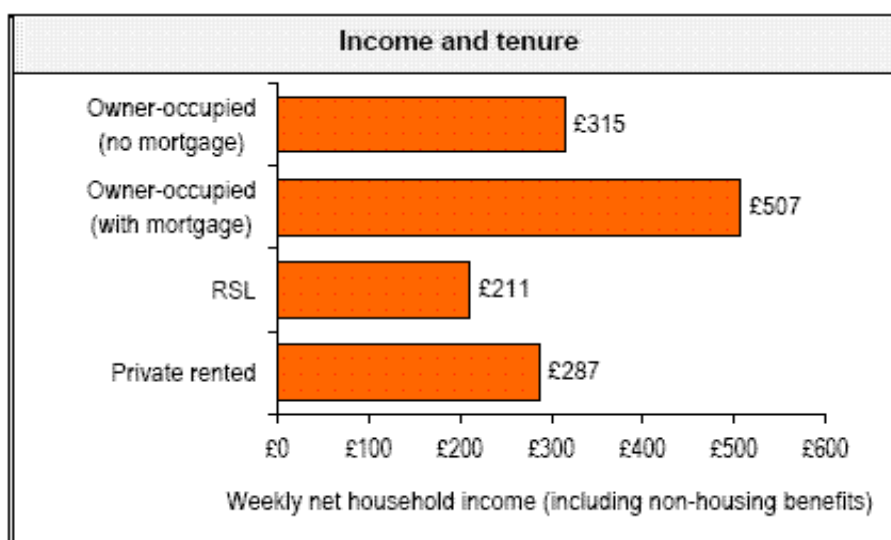
- 5.1.3. From a housing needs survey conducted by Walsall MBC in 2005, it is estimated that around 69% of households are currently owner-occupiers with around 26% living in the social rented sector.

Table 1 WMBC: Households by tenure group

Number of households in each tenure group				
Tenure	Total number of households	% of households	Number of returns	% of returns
Owner-occupied (no mortgage)	31,410	30.7%	934	33.3%
Owner-occupied (with mortgage)	39,334	38.4%	978	34.9%
RSL	26,714	26.1%	756	26.9%
Private rented	4,942	4.8%	138	4.9%
Total	102,400	100.0%	2,806	100.0%

- 5.1.4. The survey estimated average net weekly household income (including non-housing benefits) to be £360. There were, however, wide variations by tenure; with households living in social rented housing having particularly low income levels.

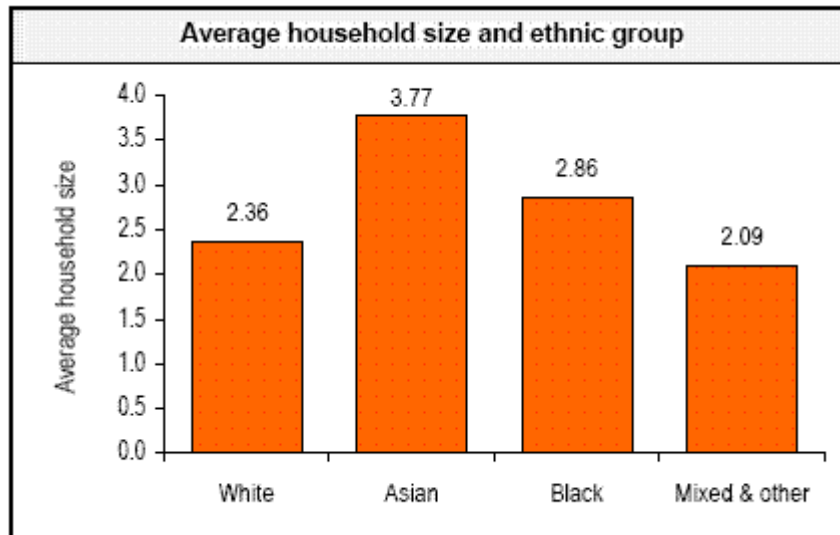
Graph 1 WMBC: Household income and tenure analysis



- 5.1.5. The survey revealed that 90.7% of Walsall heads of households were White, with 7.0% Asian, 1.7% Black and 0.7% in 'Mixed and Other' ethnic groups. Survey results show that Asian households were disproportionately living in owner occupied (with mortgage) accommodation whilst Black and 'Mixed and Other' households were particularly likely to live in the RSL sector. The survey also showed that

Asian households have a larger average household size than other households.

Graph 2 WMBC: Household size and ethnicity



5.2. The Tenant Managed Estates

The eight TMOs that manage WATMOS's housing stock are community run organisations which were all set up prior to the founding of WATMOS. Each of the TMOs previously negotiated management agreements with Walsall Metropolitan Borough Council. A driving factor for tenants to opt for tenant management was the run down and neglected nature of many of the estates. It is a tribute to the TMOs that these same estates are now considered desirable with extensive waiting lists of applicants.

Avenues TMO

- 5.2.1. Located north east of the town centre and at the edge of the borough boundary with Staffordshire, the Avenues TMO is a pre-war estate of over 150 family homes. The TMO backs onto Holland Park playing fields and is a short distance from the high street shopping area of Brownhills. As at 31 March 2008, WATMOS owned 121 3 bedroom houses in this estate.



Twin Crescents TMO



5.2.2. Grove and Garden Crescents together form Twin Crescents Association. Located on the edge of the village of Pelsall, the stock of low rise flats and family houses is well located with shopping facilities within a short walk. The borough boundary with Staffordshire is within two miles affording the area a semi rural position with local farmland and open space north and east of the village. As at 31 March 2008, WATMOS owned 64 homes in this estate.

Sandbank TMO

5.2.3. Sandbank TMO comprises over 250 flats in 4 multi storey blocks built in the 1960's. The name of the TMO is taken from Sandbank, an area of Bloxwich in which the TMO is located. Bloxwich lies to the north of the town and its high street provides a variety of shopping facilities. The local swimming baths and recreation centre are only a short walk away. The flats themselves are positioned close to the centre of Bloxwich and on one of the main routes into Walsall. As at 31 March 2008, WATMOS owned 249 homes in this estate.



Leamore TMO



5.2.4. Leamore Residents Association comprises 1, 2 and 3 bed flats in a total of 16 high and low rise blocks. Seven of the blocks are specifically for mature tenants. The estate is located on the main road system giving access to the facilities in Bloxwich a short distance away and the town centre of Walsall. A number of local shops adjoin the estate. The area benefits from being close to Bloxwich swimming baths and recreation centre, the local park and local primary schools. As at 31 March 2008, WATMOS owned 271 homes in this estate.

Chuckery TMO

5.2.5. Chuckery Tenant Management Association comprises 5 high rise blocks located on the edge of the town centre of Walsall and is therefore ideally situated in terms of shopping facilities and transport networks either by road, rail or bus. The towns Arboretum, which hosts Walsall illuminations each autumn and the



towns municipal golf course is a short walk away. Chuckery was the first tenant group in Walsall to look at tenant management and along with Burrowes Street were the first to sign their management agreement with Walsall MBC in 1994. As at 31 March 2008, WATMOS owned 349 homes in this estate.

Burrowes Street TMO

- 5.2.6. Burrowes Street Tenant Management Organisation is located on the edge of the town, a short walk away from the main shopping area and on one of the busy town centre roads that links up with the M6 and the Black Country Route. The estate offers a choice of accommodation, low and high rise flats, and a scheme specifically for elderly residents. In addition to managing



Street.

homes on behalf of WATMOS, the TMO works in partnership with both Caldmore and Accord Housing Associations, managing a small number of homes on behalf of each organisation. In addition, the TMO manages a small block of 10 flats in Raleigh Street. As at 31 March 2008, WATMOS owned 284 homes in this area including those flats at Raleigh

Delves East and West TMOs

- 5.2.7. These two tenant management organisations located either side of the West Bromwich Road and south of Walsall town centre, are together the largest of the areas covered by TMO's, with over 550 properties. The estates lie on the outer edge of the town with some of their streets adjacent to the borough of Sandwell. Both tenant management organisations have a range of stock including low-rise flats and family homes. The houses were built predominantly in the 1930's with a very small number being built post war. Joseph Leckie Comprehensive School is situated on the estate. Bescot Stadium, home of Walsall football club, and access to the M6 are both a short drive away. As at 31 March 2008 WATMOS owned 409 homes in this estate.



6. OUR HOUSING STOCK AND IMPROVEMENT PROGRAMME

6.1. Our Housing Stock

The stock of 1,749 units owned by WATMOS consists of houses, high and low rise flats, and maisonettes of varying age. An analysis of the stock movement is illustrated in Tables 5.1A (by number of bedrooms) and 5.1B (by type).

Table 2 Analysis of stock size by number of bedrooms

No of Bedrooms	Number of Dwellings as at 27 March 2003	Number of Dwellings as at 31 March 2008
1 Bedroom	176	174
2 Bedrooms	1,104	1,102
3 Bedrooms	528	455
4+ Bedrooms	20	16
Total stock	1,828	1,747

Table 3 Analysis of stock by type

	Number of Dwellings as at 27 March 2003	Number of Dwellings as at 31 March 2006
Bedsits	20	20
Houses	579	498
Flats	1,229	1,229
Total stock	1,828	1,749

6.2. Stock Condition

A stock condition survey was undertaken by FPD Savills in 2002 and outlines the major works investment programme bring the properties up to a modern standard. In addition to this, WATMOS continues to undertake a rolling programme of stock condition assessments to validate existing information. WATMOS aims to assess 20% of the stock each year.

WATMOS owns 21 high rise multi storey blocks. A structural survey was undertaken in 2006 to assess the long term viability of each block. The survey determines the extent of investment required in future years and

these priorities are reflected in the Asset Management Plan.

6.3. WATMOS's Stock Improvement Programme

In 2008, and as part of preparing the Asset Management Plan, WATMOS has developed a detailed five-year plan for the investment work in consultation with tenants. This plan identifies levels of spend for responsive and cyclical maintenance, catch up and planned maintenance.

However the cost assumptions allowed for in this business plan for carrying out these major works have now been substantially increased. More realistic component replacement costs have been accommodated.

6.4. Procurement Strategy

WATMOS considered large scale procurement for its major works investment programme. However, this did not appear to deliver the economies of scale originally envisaged, WATMOS's buying power was dwarfed by the larger stock transfer in Walsall and investment programmes being delivered regionally. Instead, WATMOS initially procured investment works through a series of contracts at a local level. This method of procurement allowed TMOs to remain in control of the programme offering opportunities for liaison and involvement.

We have had a positive and fruitful relationship with our key contractors, and our intention for 2009-2013 is to move towards open book partnering contracts. In February 2009, the Board awarded a partnering contract valued at £8m.

6.5. Planned Maintenance

On the basis of the Stock Condition Survey revised costing assumptions, WATMOS has already spent £18 million on major works during its first 5 full years and has a further provision of more than £60 million for future planned maintenance over remaining life of the Business Plan period. These figures include preliminaries, estimated inflation, contingencies, fees and VAT in part.

Investment of around £7m is also assumed to ensure the continuing structural integrity of the tower blocks.

6.6. Responsive and Cyclical Maintenance

This programme, which amounts to £800,000 per annum, follows the Stock Condition assessment. A greater proportion of these allowances are now being targeted towards planned works rather than responsive.

6.7. Estate Improvements

Improvements of £1.2 million for the first five years have already been incurred. Future environmental works will be absorbed by TMOs as part of their strategy to reinvest surpluses in their estates. However, WATMOS has made provisions in 2009-2013 for around £200,000 for further environmental works where this has been identified as a local priority.

6.8. Aids & Adaptations

We endeavor to adapt our tenants' homes to enable our tenants to remain in them for as long as possible providing (in partnership with Walsall MBC where appropriate) facilities such as:

- Showers over baths
- Level access showers
- Ramps to entrance doors
- Specialist disabled kitchens
- Grab rails and handrails
- Stair lifts

We have established funding of £30,000 per year to support these plans in addition to the provisions made in our major works contracts. WATMOS has an Aids and Adaptations Policy that sets out how funds will be earmarked where demand for adaptations are greater than budget availability.

6.9. Decent Homes Standard

The Decent Homes Standard was originally issued in July 2001 and has had various amendments since. The standard set out clear criteria that a property needs to meet in order to be classified as decent:

- a property must meet the statutory fitness standards
- be in a reasonable state of repair
- the property must have reasonably modern facilities and,
- a reasonable degree of thermal comfort

In accordance with the strict interpretation of the Decent homes criteria at 1st April 2008 approximately 2% (38 properties) of the stock failed the standard. Works to these properties have been refused by the tenants, mainly due to ill health reasons.

Actual and forecasts	2003	2004	2005	2006	2007	2008	2009(f)
Total managed stock @ 1 st April	1828	1775	1753	1749	1740	1747	1746
Number of non Decent properties @ 1 st April	1651	1527	983	508	78	38	30
% of stock non-decent	90%	86%	56%	29%	4.4%	2.1%	1.7%
Number of non decent (excl refusals) @ 1 st April	1651	1527	983	440	10	0	0

A number of the TMOs have also addressed the issue of the Decent Homes Standard by adopting in their business plans a 'Decent Estates Standard'. The aims of such a standard are to address the importance of the communal environment on our estates. The funding required to meet any such standard will be the responsibility the TMOs adopting this policy

6.10. Investment to date

WATMOS is currently embarking on the next tranche of major works costings around £8m over 2009-2013.

In our first five years of operation we have invested over £18 Million in the improvement of our housing stock. The following table illustrates both the range and level of the improvement programme undertaken to date.

7. MANAGING WATMOS COMMUNITY HOMES

WATMOS has made a range of commitments to tenants as part of the transfer and development agreement entered into with Walsall MBC. WATMOS also has agreements with lenders for substantial private finance to fund part of the planned maintenance programme.

As an RSL, WATMOS has obligations to the Tenant Services Authority. In particular we are required to comply with the Regulatory Code for Housing Associations. The need for strong and decisive leadership, effective organisation and management systems are therefore central to WATMOS's success.

7.1. Leadership

WATMOS is tenant-led in terms of both governance and service delivery. There are over 100 tenants directly involved in the governance of the organisation, including at a local level within the eight TMOs and organisation-wide on the WATMOS Board. This level of active involvement

equates to over 6% of the total tenant population. The WATMOS Board has a tenant majority and almost all local landlord services are provided by the eight TMOs.

Our approach is based on four key principles:

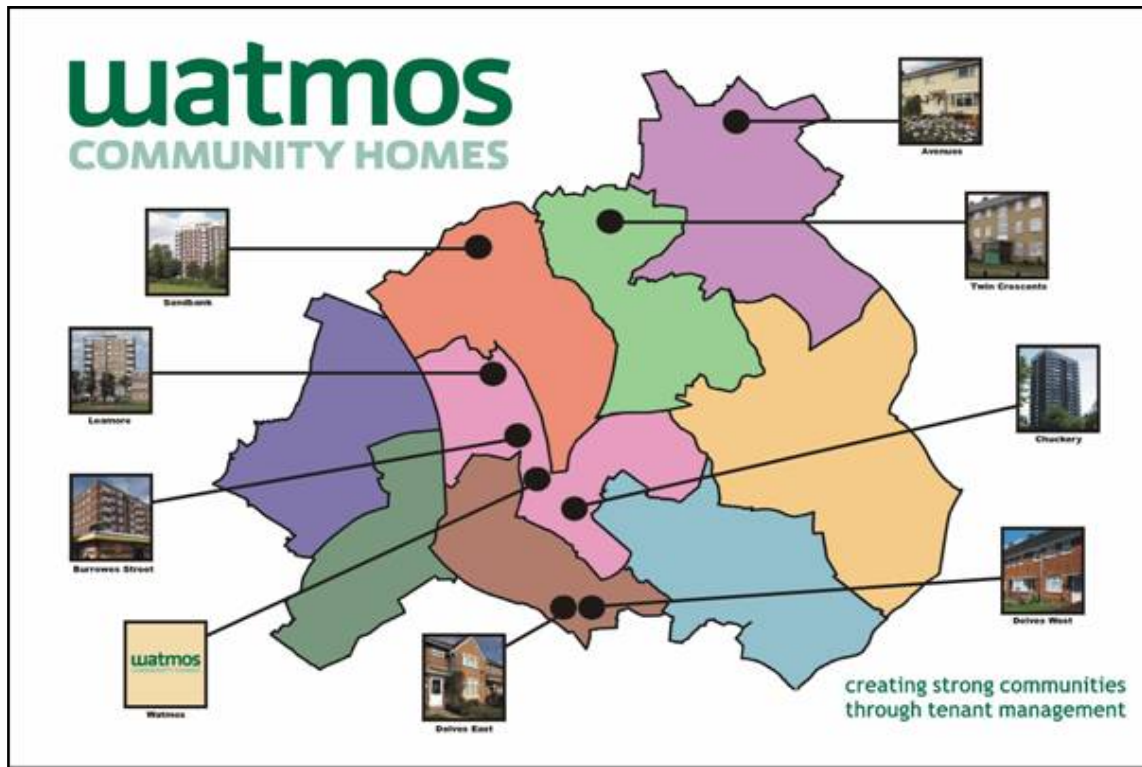
- Tenants and residents should be in the driving seat, managing their own estates.
- Housing services should be organised locally, with accessible staff based in offices within walking distance on every estate.
- Our estates should be attractive and offer a high level of security.
- We shouldn't just be managing housing; we should be building a real sense of community where people look after one another.

WATMOS and the TMOs have close associations with the co-operative movement and share a commitment to the co-operative values of responsibility, democracy, equality, equity and solidarity.

7.2. Community Controlled Housing

WATMOS was established by a group of eight successful TMOs and the organisation's future success rests on the benefits of tenant management. The WATMOS model balances a commitment to services tailored to the needs and aspirations of local communities with the strengths and economies of scale associated with a group structure. The WATMOS model is a partnership between the TMO's as managing agents and WATMOS as the landlord in which all parts of the group share a genuine commitment to excellent services and real tenant control. WATMOS provides financial and operational support so that tenants can deliver the services they want.

Tenants gave overwhelming support to the proposed transfer of homes from the Council to WATMOS because they saw this as an opportunity to build on the real achievements of tenant management in Walsall. In particular it protected the ability of tenants, through democratically elected TMO committees, to decide how money is spent on their estates.



7.3. The Board

Ultimate responsibility for WATMOS lies with its voluntary Board. This comprises 12 members, eight nominated by the TMOs and four independent members. All bring a variety of experience to the work of the organisation.

The category of independent members has been used to provide complementary skills to those held by tenants. It should be remembered that many of the TMO nominees have substantial experience of running many landlord functions through the management agreements with Walsall MBC. Within its standing orders, WATMOS has a Recruitment Policy for Independent Board members that provides a firm basis for renewing and replenishing skills in the future.

7.3.1. The current Board members are as follows:

WATMOS Board Members

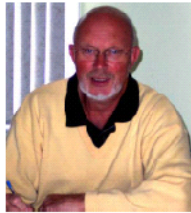
Independent Board Members

Chris Handy



Chris has a Doctorate in Business Administration, a Master of Law degree, Fellowship of the Institute of Housing and membership of the British Institute of Management. He is Chief Executive of the Accord Group. Chris has written several books including 'Housing Association Law' and 'Discrimination in Housing'. He is Chair of the Walsall Regeneration Agency, a Board member of WATMOS, acting Chair of Severnside Housing, a non-Executive Director of the West Midlands Strategic Health Authority and Executive Commissioner of the Commission on Co-operative and Mutual Housing. One of Chris's main interests is equal opportunities and diversity in housing.

Roy Thomas



Until his retirement, Roy was Director of Resources and Company Secretary at Caldmore Area Housing Association, a position he occupied for 13 years. Previously he spent 13 years as Regional Finance Manager at the Housing Corporation. Roy is a CPFA qualified accountant with a commitment to social housing in Walsall.

Jon Morris

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WATMOS Board Members

Avenues
Dot Dennis



Dot has been involved with tenant management for around five years and is Chair of Avenues TMO. She is a member of the Tenant Panel and is keen on providing activities for children and young people within her TMO. Dot also has interests in gardening, painting and photography.

Burrowes Street
Terry Edis MBE

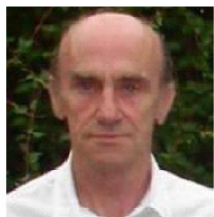


Terry is a retired engineer who worked for local companies in both sales and management. He is the Chair of the National Federation of TMOs and is involved in the Home Office Guide Neighbourhoods Project. He is Commissioner of the Commission on Co-operative and Mutual Housing and was awarded an MBE in 2008 in recognition of his long standing contribution to the community in Walsall and to the tenant management movement nationally. In the past, Terry has served as a Board member of Accord Housing Association and as Chair of Birmingham Co-operative Housing Services.

Chuckery
Conrad Baker



Delves East
Michael Greenfield

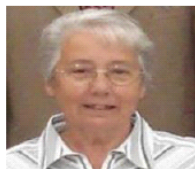


Michael has lived in the Delves area for over 20 years. He has been active in the TMO for nearly 10 years and previously with the Residents Association for 7 years. His areas of interest are housing matters and constitutional issues. He is currently Vice Chair of Walsall Tenants and Residents Federation and Chair of Delves East TMO.

WATMOS Board Members

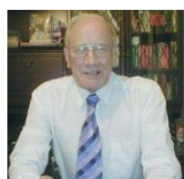
TMO Board Members

Delves West
Val Nicholls



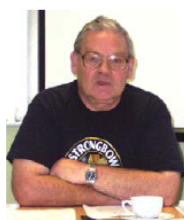
Val has lived in the Delves area since the mid sixties. She started her married life and raised her family on the estate. Until her retirement she worked for a local saddlery company, a trade for which Walsall is famous. She has been the Chair of Delves West TMO since it was established in 1999.

Leamore
Barrie Ray



Barrie has been a leading member of Leamore TMO for nearly ten years. He has held a number of committee positions including Treasurer and Vice Chair. Before his retirement he worked in the musical retail trade and as an engineer in electronic design. Barrie is a keen musician and plays bass in a local band.

Sandbank
Peter Westley



Peter is the Vice Chair of Sandbank TMO. He has been actively involved in the work of the TMO since January 2000, shortly after moving on to the estate as a tenant. Peter has worked as a warehouse manager for a small local family business for over 15 years.

Twin Crescents
Joseph Ralph



7.3.2. Training of Board Members

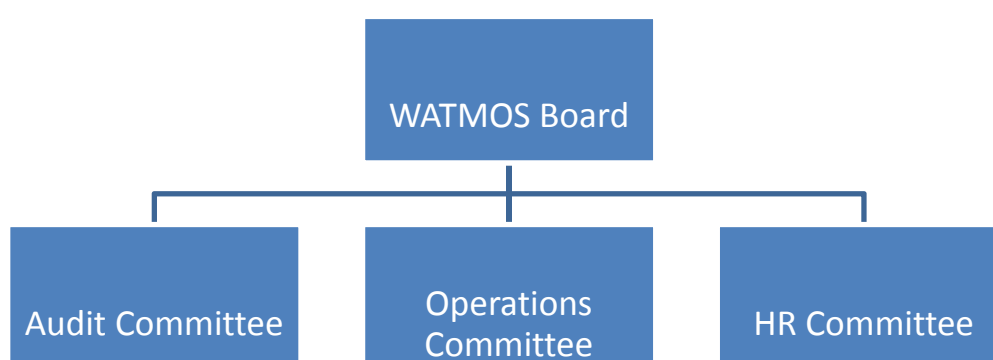
The Board has undertaken a range of training sessions and received Board presentations including, Schedule 1 training, Performance Appraisals, Value for Money, Charitable Status, and Business Excellence. A Board development programme is being devised that will tailor training needs for individual Board Members.

WATMOS plays a key role in supporting each of the eight TMO

Committees in identifying training needs and in developing organisation wide training and development programmes. The training needs identified and developed at a TMO level complements the Board development training with respect to WATMOS Board members.

7.4. Committee Structure

To assist the effective management and strategic direction of the organisation, the WATMOS Board has formed a number of committees. Standing Orders set out the delegated powers to these Committees with detailed terms of reference.



7.5. Senior Management and Staffing

The policies, priorities and vision of the Board are delivered by the Chief Executive, supported by a Director of Resources and a Housing Services Director. Our Executive Team and the wider staffing establishment at WATMOS are employed by WATMOS Community Homes.

The Tenant Management Organisations directly employ their own staff to carry out the functions contractually delegated to them through the Management Agreements.

The WATMOS staffing establishment provided for in the business plan is as follows:

Job Title	Staffing level
Chief Executive	1
Director of Resources/Company Secretary	1

Housing Services Director	1
PA	1
HR Manager	1
Finance Manager	1
Senior Finance Officer	1
Finance Officer	1
Property Services Manager	1
Clerk of Works	1
Surveyors	3
Housing Services manager	1
Quality Assurance Auditor	1
Senior Admin officer	1
Clerical Assistants	4
ICT Training & Development Manager	1
ICT technical support officer	1
ICT support officer	1
Total	23

Each of the Tenant Management Organisations directly employs their own staff to carry out the functions contractually delegated to them through the Management Agreements. There are a further 2 WATMOS employees based at TMO sites who undertake environmental duties.

8. REGULATION AND MONITORING

8.1. Housing Corporation Registration

WATMOS Community Homes is registered with the Tenant Services Authority, under the provisions of the Housing Act 1996, in March 2003. The Tenant Services Authority (established by legislation in 2008) is responsible for overseeing the activities of registered social landlords and monitoring their financial viability.

The TSA has a crucial role in the regulation of housing associations, providing advice; monitoring activities and finance; setting standards; testing effectiveness and giving guidance.

Regular monitoring of the Association's activities by the TSA means that both tenants and interested third parties can gain comfort as to the proper conduct of the business by the Association's management and its continuing financial viability.

8.2. Performance Targets

The Association has entered into and oversees the operation of management agreements with the eight TMOs. The TMOs are independently constituted management bodies, run by the tenants of the relevant estates.

The management agreements delegate authority to TMOs to manage mutually agreed functions. They include arrangements for performance reporting and accounting for funds. It is the job of WATMOS Community Homes staff, and ultimately the board, to ensure good performance and to intervene in the event of poor management.

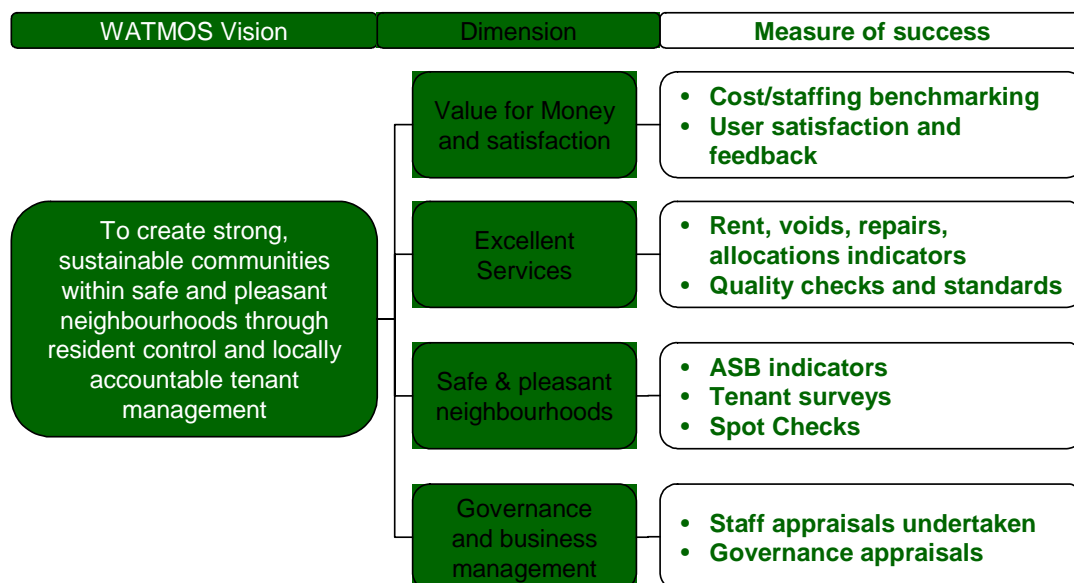
In order to fulfil the performance targets, including those which underpin the WATMOS business plan, each TMO has been set a series of performance targets. These targets are closely monitored and TMOs are supported where the need for improvement is identified.

8.3. Performance Management Framework

WATMOS has established a comprehensive performance management framework based on the broad principles of the 'balanced scorecard' approach. Accordingly, this framework incorporates indicators and targets applicable across all our activities and linked into our strategic objectives, including those relating to service provision, customer satisfaction, governance and financial management.

Monthly and quarterly performance results are reported to the WATMOS Board. WATMOS is responsible for maintaining the performance management framework and assembly of monthly, quarterly and end of year performance reports.

The WATMOS performance framework incorporates the overall and specific performance of each of the eight TMOs. The monthly and quarterly performance report is provided to each of the TMOs, providing TMO Committees with up to date key performance information. The TMOs are responsible for the supply of key performance information, distribution of reports to Committee members and action planning in order to achieve the necessary targets.



9. FINANCIAL COMMENTARY

9.1. Financial Forecast

The Business Plan's financial forecast is the means by which the Association demonstrates to the Housing Corporation and its lenders that it is able to achieve its objectives and to manage a large number of complex financial risks.

The forecast takes account of the factors which are used to determine the valuation (e.g. rent levels, management costs, maintenance and major repair expenditure) and produces a complete financial forecast over 30 years. This includes balance sheets, income and expenditure accounts and cash flow forecasts for each year of the forecast. Extracts are included in this volume.

The WATMOS housing stock had a "negative value" at the point of transfer. This is because, as with other stock transfers, the value was calculated by a Government formula, taking into account a number of factors including the rents payable, the projected cost of the works needed and the cost of providing management and other services.

In order to enable the transfer to take place, the Council made a dowry available to WATMOS Community Homes in the sum of £5.7m to offset the negative value which this formula produced. This dowry has allowed

WATMOS to commence the major works investment programme without the need to borrow any money during the first three years.

9.2. Critical Assumptions

The critical assumptions which are incorporated into the forecast include:

- a) Economic assumptions, e.g. inflation. Indices used are generally based upon a long- term view of the Retail Prices Index.
- b) Funding assumptions, e.g. interest rates. The assumed cost of funding the Association's activities is based upon rates currently prevailing in the financial markets.
- c) Operational assumptions, e.g. real increase in rents or costs. Cost increases also reflect the assumptions in the Association's valuation, but the financial model provides the opportunity to vary the assumptions, both from the outset and during the lifetime of the Business Plan to take account of real operational performance.
- d) Stock condition assumptions, based upon the amended Stock Condition Survey costs produced by FPD Savills and validated by our own internally assessed stock condition surveys.

9.3. Sensitivity Analysis

The purpose of the sensitivity analysis is to test different assumptions and demonstrate the extent to which there is headroom within the Business Plan to cope with changes, whether or not they arise from controllable events.

The Business Plan and financial forecast are dynamic documents that will enable the Board to monitor progress against its objectives throughout the life of the Association, and will be subject to regular updates.

The business plan includes summary and detailed income and expenditure accounts, balance sheets and cashflow. Underlying these is a full database, which is used to calculate the forecasts.

9.4. Main Business Plan Assumptions

9.4.1. Fiscal Assumptions

9.4.1.1. Price inflation (RPI) is forecast at 2.5% throughout the plan.

9.4.1.2. Cost inflation used for forecasting salary and overhead costs is forecast at RPI + 0.5% (3%) until 2007/08 and RPI + 0.375% (3.25%) for future years.

This provides sufficient resources to manage the organisation and deliver the promises made to tenants. WATMOS is committed to keeping costs under tight control to ensure that it is able to operate within the parameters of the Business Plan.

- 9.4.1.3. All repairs costs related day-to-day maintenance and servicing have been forecast to increase by 0.5% above RPI. This is in line with the real inflation rates suggested by FPD Savills for this period.
- 9.4.1.4. Cost assumptions for major works are based on contracts recently awarded; these are substantially higher than what was allowed for in the original stock condition survey.
- 9.4.1.5. Rents of most transferred tenants are assumed to increase by RPI + 1.5% for the first five years and by an average of RPI + 0.5% plus £2 for the next five years. This will ensure that 93% of transferring tenants' rents will have converged with target rents by 2012/13, the convergence target set out in the offer document. The remaining properties will converge over the next three years. Once convergence has been achieved, rents of all properties will increase by RPI + 0.5% for the remainder of the thirty year business planning period. Rent increases in the first five years are in line with the rent guarantee given to tenants as part of the offer. Thereafter, rents are assumed to increase by the amounts necessary to ensure, where possible, that convergence is achieved by March 2013, but subject to the maximum rent increases permitted by the Government's rent restructuring formulae (i.e. RPI + 0.5% + £2 p.a.). These increases from year 6 are a result of the Council's decision to disaggregate some service charges from rents prior to the transfer, which means that the gap between transferring and target rents is wider than previously assumed.
- 9.4.1.6. Relet rents are assumed to be at target levels from day 1 of the model, and will increase at RPI + 0.5% throughout.
- 9.4.1.7. Service charge income has been assumed in the Business Plan on the basis of the amounts disaggregated from current rents by the Council, currently £500,000 per annum. In order to achieve full collection of service costs, the plan assumes that service charges will increase by rpi + 0.5% + 75p from 2008/09 to 2016/17. A full and detailed consultation exercise by TMO has been undertaken during 2006/07 with tenants regarding the proposed strategy.
- 9.4.1.8. Interest rates have been based on the margins provided in the funding offer from Lloyds TSB. Interest rates are assumed to be at 6.5% throughout the plan. In addition to these rates, allowances for the lenders margin of 0.55% and the MLA (Minimum Liquid Asset charge) of 0.15% have been included.
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9.4.1.9. Loans are currently assumed to be at 50% fixed rate. WATMOS has a Treasury Management Policy in place which ensures that between 50-75% of its debt is fixed when it exceeds £2m. as at March 2008, WATMOS loans amounted to £4m, of which £500,000 was borrowed from subsidiary undertakings (TMOs).

9.4.2. Rent Policy Objectives

WATMOS's Rent Policy is designed to incorporate the following objectives:

- The Association's continued commitment to provide good quality, affordable housing for people on low incomes.
- The current legislation and guidelines laid down by the Housing Corporation.
- The Association's financial needs in order to maintain financial stability and long term viability.

9.5. Housing Management Assumptions

9.5.1. Voids and bad debt losses are assumed at 2.5% p.a. of rental income on all properties until 2012, with a slightly higher allowance for future years.

9.5.2. Turnover from transfer tenancies to relet tenancies is assumed to be 6 % for the next year reducing to 3.5% thereafter.

9.5.3. The average weekly net rent per unit for 2008/09 was £56.65 per week (based on a 52 week rent year).

9.5.4. Average weekly operating cost per unit (excluding property depreciation) is £56.66 for 2009/10. The organisation is faced with above average management costs, largely influenced by the decentralised and unique structure of WATMOS.

9.6. Stock Condition Spend

9.6.1. The housing stock has been subject to a stock condition survey by FPD Savills. The output from the survey has been uplifted to take account of the recent contracts that have been let. These costs are subject to cost inflation, fees and VAT. The costings also take in to account part of the savings from the VAT shelter scheme. This is discussed further below.

9.6.2. The forecast assumes that professional fees at 3% will be charged to all stock condition survey works with the exception of responsive and voids works to which no professional fees have been added.

9.7. Development and other services

9.7.1. The plan assumes a nil development pipeline.

9.8. Stock Numbers

9.8.1. The number of housing units as at 31 March 2008 is 1,747.

9.9. Sales

9.9.1. Future sales from Right to Buy (RTB) have been incorporated into the Business Plan on the basis of the report produced for WATMOS by DTZ Peda. The business plan allows for 137 RTB sales over the next 30 years.

9.9.2. Sales over the first 5 years have amounted to a total of 90, with RTB activity during 2005 – 2008 particularly low at only 17 completions (3 sales between 2007-2009).

9.9.3. WATMOS retains 100% of RTB sales proceeds in line with the agreement reached with the Council

9.10. VAT Shelter Scheme

9.10.1. WATMOS operates an approved VAT shelter scheme which is a scheme allowing the organisation to recover VAT on the major works programmes in the first 12 years following the transfer.

9.10.2. In order to accommodate the uplift in the assumptions for major works costs, some of the benefits of the VAT scheme have been modeled in to the plan. In total, £2.4m of VAT recovery has been modeled in to the plan representing approximately 75% of the benefits of this scheme.

9.11. Funding Profile

9.11.1. The loan debt profile indicated by the financial model on this basis is summarised below:

Peak debt	£6m
Year of peak debt	2024 (Year 20)
Year of debt repayment	2034 (Year 30)

10. ADVISORS

The Association has a number of professional advisers with substantial experience of working with new LSVTs. These are as follows:

- 10.1. Legal Advisers – Anthony Collins
 - 10.2. External Auditors – Grant Thornton
 - 10.3. Internal Auditors - TIAA
 - 10.4. Funders – Lloyds TSB
 - 10.5. Insurers - Britt
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