

making
connections



FACTORING STRATEGY 2014-2017 SUMMARY



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INTRODUCTION

PHA currently has responsibility for managing over 400 buildings with a diverse range of tenures including social tenants, owner occupiers, commercial owners, sharing owners, commercial tenants and mid market rent tenants.

Partick Works Limited (PWL) was established in 2002 to carry out factoring services to residents and commercial owners on behalf of PHA, which, as a registered charity, cannot operate in the commercial market.

This strategy outlines how PWL will deliver and develop a quality factoring service as a commercial business which supports PHA, providing value for money and meeting owners' needs.

IN WHAT CONTEXT HAS THIS STRATEGY BEEN WRITTEN?

In 2011 PHA made the decision to halt further growth in the factoring business to dedicate time to five specific areas.

1. Property Factors (Scotland) Act 2011

PWL dedicated a significant resource to ensuring compliance with the Act. We registered as a Property Manager and issued service statements to all owners, together with the code of conduct.

2. Benchmarking and value for money

Due to a lack of benchmarking information, the Scottish Federation of Housing Associations and the Glasgow and West of Scotland Forum established a Property Managers Forum to encourage discussion and sharing of information. PWL supports the Forum and anticipates that in time it will facilitate more benchmarking information. In the meantime PWL has held discussions with other RSLs to gather information on the range and type of services provided and service delivery costs.

PWL also attempted to gather information about customer perception around the value for money we offer through our services. We issued a full satisfaction survey to owners, however return rates were extremely poor, making the data unreliable. The survey did however indicate that 78% of respondents felt the Factoring Fee represented good value for money.

3. Service delivery costs

In 2013 PHA procured a range of contracts which owners benefit from or sign up to. Contract costs are charged back to owners on a pro rata basis and include the cost of procuring, managing and delivering the contract together with 10% uplift. The process of delivering each contract involved a significant level of staff time and so we will develop a new system. Where possible, we will test the resulting 10% uplift charge against the commercial market to ensure that income is being maximised.

4. New service requests and major works programmes

PWL allocates significant staff resources to addressing minor complaints and attempting to introduce new services on the requests of individual owners. Currently PWL does not recover the cost of staff time in managing these requests, which often fail to receive the support of other residents.

This strategy supports a change in approach so that new service requests and requests for major improvement works from fully owner occupied blocks will only be considered where:

- The service can reasonably be delivered by PWL.
- The cost of introducing and managing the service will be fully accounted for and recharged to owners.
- Costs will be charged and paid for in advance of the service being provided.
- The service is fully supported by all affected owners.

An exception to the above rule will apply where:

- Owners are willing to bear the full cost of the work.
- Glasgow City Council has already committed to fund missing shares under its Private Sector Housing Scheme of Assistance.

In fully owner occupied blocks:

- PWL will not fund missing owners' shares by placing charges on their property.
- The staff costs involved in investigating grant funding will be fully accounted for and recharged to owners whether the project proceeds or not.

In mixed tenure blocks:

- We will consider a new service request or request for major improvement works where it benefits PHA tenants.
- Where the lack of a common repair could affect the habitability of a PHA owned flat, PWL may consider proceeding with common repairs on the basis of a majority instruction, and will consider forward funding missing owners' costs by placing a charge on their property as a last resort.

PWL will ensure that owners are informed on all the services covered by the annual factoring fee which include:

- Building insurance.
- Housing sales fee.
- Arrears admin fee.
- Gas servicing.
- Common improvement projects.

PWL will not act on new service requests or amendments to a service received from individual owners, without first establishing that all the other owners are willing to receive and pay for the service.

5. Asset Management

PWL owns and manages 36 commercial units and two market rent properties, with an asset value of £3,202,000. We have increased its profitability over recent years and in March 2014 PWL was worth £1.35m.

PWL will consider ways in which we can increase and rationalise our property portfolio, including:

- Potential commercial acquisitions.
- Residential property acquisition for market rent.
- Commercial units for disposal to the open market or to PHA to support its Corporate Business Plan (e.g. to increase office accommodation).

PWL will:

- Develop business case criteria to inform decisions on acquisition or disposal.
- Identify lending opportunities to support investment decisions.
- Actively consider acquisition where it would allow us to take over factoring of a block to carry out a backlog of repairs and improvements, or dispose of poorly performing assets where management and maintenance costs are not covered by revenue.

WHAT ARE THE MAIN OBJECTIVES OF THIS STRATEGY?

This strategy will support PWL to:

- Deliver quality services that provide value for money and meet owners' needs.
- Set out expectations around service improvement, service expectation, business diversification and growth.
- Operate as a Property Manager in compliance with the Property Factors (Scotland) Act 2011.
- Increase benchmarking opportunities.
- Address any perceived shortfall in service delivery.
- Ensure PWL operates as a commercial entity and the true cost of delivering service and contracts are fully identified and accounted for.
- Ensure scheme appraisals are carried out prior to accepting new business.
- Increase the number of factored properties in management to 2,500 by 2017.
- Assess the viability of introducing new services.
- Assess the viability of establishing a lettings agency.
- Assess the viability of establishing a social enterprise for the delivery of an internal repairs service to owners.
- Improve communication, re-market and re-brand the factoring service.

WHAT OPPORTUNITIES ARE THERE FOR GROWTH?

Currently there is significant unmet demand locally and in the wider areas for:

- Quality factoring services delivered by a reputable organisation.
- Quality owners services, including lettings and internal repairs services.
- Services delivered through a social enterprise model.

Options for PWL to meet this unmet demand include the three detailed below.

1. PHA Tenants who are factored by other factors

PHA currently has 109 tenants living in 60 buildings which PWL does not factor. This causes problems including:

- Commercial factors do not offer PHA tenants the same quality of common repairs and environmental services that tenants in PWL factored buildings receive.
- Common repairs costs are approximately 2.5 times more than PHA's contract costs.

PWL will support PHA tenants by conducting a business case assessment into the benefits of becoming the factor for these buildings. If the business case supports takeover, and the owners are willing to transfer, there is the potential for PWL to increase its portfolio by 500 properties by 2018, via a phased and targeted takeover.

2. New Business

Since making the decision to halt further growth in the business in 2011, PWL has rejected requests and expressions of interest from a number of owners to factor their building. PWL will re-establish contact with the owners and begin discussions about becoming their factor.

There are opportunities to expand business into neighbouring areas, including proactive market development. There are also opportunities to take over factoring services from other RSLs and commercial factors. Prior to doing so PWL will consider the business case for expansion.

This will require:

- Detailed proposals based on updated costs, value for money, future income, forecasts, risk assessment and return of investment.
- Agreement by the Board on a new staffing structure and the resources required to deliver services on a commercial basis.

3. Letting Agency And Social Enterprise

There is the potential to establish a lettings agency. PWL is interested in providing services as a social enterprise with a view to delivering benefits relating to improving regeneration, employability, environmental improvement, skills development and social inclusion. Delivery of a social enterprise falls with PHA's remit and cannot currently be delivered by PWL. This will be referred to PHA.



HOW DOES THIS STRATEGY FIT WITHIN CORPORATE/BUSINESS PLANS OF PHA/ PWL?

This strategy supports key objectives outlined in PWL's Business Plan 2014-2015 and PHA's Corporate Plan 2012-2015. These are mainly in relation to:

- Delivering high quality homes, better services and increased customer satisfaction.
- Growing and developing the business to be competitive and provide value for money.

HOW WILL PERFORMANCE ON THIS POLICY BE MONITORED?

We will report progress on the delivery of this strategy to PHA's Senior Management Team on a monthly basis. We will also report to the PWL Board as part of the Performance Management framework.

THE 'SMALL PRINT'

Updates

This strategy will be reviewed during 2015, following the publication of PHA's revised 3 year Corporate Plan.

Equality

We carried out an equalities screening exercise to assess if this strategy has the potential to adversely affect anyone in respect to age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The results showed this strategy has no negative impact and so a full Equalities Impact Assessment is not required.

Legislative & Regulatory Requirements

This policy complies with the following pieces of legislation and statutory instruments:

- The Consumer Credit Act 1974; The Property Factors (Scotland) Act 2011; The Tenement (Scotland) Act 2004, 2011.



A copy of our full Factoring Strategy is available to collect from our office or to download from our website at www.partickha.org.uk

