

Report to the Board

22 November 2018



Title: Corporate Plan 2018-2023: Progress

Report of: Director of Business and Development

Purpose of Report

1. To provide the Board with an update on progress in delivery of the company's Corporate Plan 2018-2023; and propose priorities for the company's activities in 2019/2020.

Background

2. In March 2018 the Board approved a new five-year Corporate Plan for the business. The plan:
 - Provides focus and direction for the business, defining its purpose and setting out a clear vision and objectives for the next five years.
 - Responds to the wider operating environment; demonstrates the company's understanding of stakeholder expectations; enables the effective planning and management of risks; and creates opportunities to grow and develop.
 - Provides structure to support strategic decision making over the long term.
 - Builds competitive advantage and safeguards the company's position in the market place.
 - Assists in the planning of resources.
3. The plan was developed following extensive consultation with customers, employees, Board members, the Council and other key local stakeholders. The Board agreed that the plan would be reviewed regularly to ensure it continues to be responsive to the environment in which the business operates.
4. The company's Corporate Plan 2018 – 2023 proposed a new vision for the business:

“To be the housing provider of first choice for everyone making their home in a thriving Gateshead”
5. The plan also proposed four new strategic objectives:
 - Taking our services to the next level
 - Creating outstanding homes and living spaces

- Sharpening our business focus
 - Unlocking our potential through our people
6. The Corporate Plan is a five-year plan and Board agreed in March 2018 that a full review of progress against the Corporate Plan and performance would be provided to the Board on an annual basis. The Board also agreed that they would consider the strategic position of the business in relation to its key strategy at the midpoint of each financial year.
7. In October 2018, the Board met with the company's Senior Management Team to consider and discuss:
- The strategic position of the business
 - Ambitions for the future and possible risks and opportunities for the business
 - Priorities for action for the next financial year (2019/2020)
8. During the session, the group considered the company's progress so far in delivering the Corporate Plan. Since April 2018, the company has prioritised:
- The development of plans to strengthen the Property and Assets Directorate. Dealing with compliance issues and strengthening the company's approach to business assurance
 - Understanding data and seeking ways to simplify systems
 - Joining services up, internally and with the Council. This is particularly evident in the company's work on the Public Services Reform agenda
 - Exploring the company's current and potential people offer

Progress in delivering the Corporate Plan's key activities to date includes:

- The design and implementation of the C Change project, which seeks to develop and improve the company's repairs and maintenance offer
 - A largescale project on reforming the company approach to landlord compliance and business assurance
 - The development of customer profiling dashboards, which has supported the identification of gaps in the company's data and the initiation of a data review and cleanse project
 - Public service reform projects delivered in partnership with Gateshead Council.
 - The review of the Choice Based Lettings system
 - A joint project has been completed with the University of Teesside to review the impact of welfare reform and introduction of Universal Credit on customers' health and wellbeing and the business
 - Consultation with Trade Unions on the review of terms and conditions and a change plan is being implemented
9. The group also considered the company's operating environment and noted the following key national issues which are either currently impacting on the business; or have the potential to impact on the company in the next year:
- **Brexit** and the uncertain economic conditions which may result from Britain's exit from the European Union.
 - **Grenfell and the Hackitt Review:** The investigation into the Grenfell fire tragedy continues. In May 2018 the Hackitt Review of building regulations

was published which recommends a new regulatory regime for tower blocks over ten storeys; reform of the large scale cladding testing regime, by introducing “test houses” in which annual reports of testing results will be published; rebranding Local Authority Building Control as “Local Authority Building Standards”; redrafting building regulations on fire safety; and professional bodies to establish a set of criteria for the “competent person”

- **Universal credit and welfare reform:** The roll out of the system has been slowed and changes to process have been made, but more tenants and potential tenants are moving into the reformed benefits system which is affecting their vulnerability and quality of life and is also impacting on rent collection and rent arrears.
- **Social Housing Green paper – A New Deal for Social Housing:** Built around five core themes the green paper seeks to tackle the stigma surrounding social housing and refocus on thriving communities; expand supply and continue to support home ownership; effectively resolve complaints; increase the tenant voice in decision making; strengthen the regulator and expand its focus on local authorities and their managing agents; and ensure homes are safe and decent.
- **Raising of the HRA debt cap** allowing authorities to access increased borrowing. The implications for HRA Business Plans are yet to be confirmed.
- **Risks facing the social housing sector** continue to be wide ranging, but the Regulator for Social Housing (RoSH) has highlighted in its latest “Sector Risk Profile” that Boards should be clear about their health and safety responsibilities, both for stock they own and manage to ensure that tenants are safe in their homes and staff are safe at work. The profile also reflects an increased emphasis on considering stakeholders expectations in decision making including tenants and residents; lenders and investors and central and local government.
- **The future of ALMOs:** The number of ALMOs operating across England has halved within the last ten years, but those remaining are diversifying their offer and moving into new markets to support Housing Revenue Accounts (HRA) and boost business. This is leading to more ALMOs and their parent authorities reviewing the purpose of the organisation and redrafting Management Agreements to reflect new responsibilities and ventures. This is leading to changes in ALMO governance arrangements to ensure increased risks are managed and financial plans are safeguarded.
- **Growth of the private sector** – numerous private sector organisations are moving into the social housing sector. Some organisations are specialising in specific contracts (such as refugee housing or homelessness provision) and some are operating as for-profit providers. This is diversifying the social housing sector, attracting new forms of funding and increasing competition by replicating private market conditions.
- **Efficiency and VFM:** Since the 1% rent reduction in 2015, a major strategic priority for all social housing providers is reducing costs and driving efficiency savings. Significant changes in Government policy and legislation have also led to unstable long-term business plans. In response, providers have implemented transformation programmes to completely redesign service delivery, create new practices and processes and alter organisational structures to make savings, ensure long term efficiency and value for money.
- **New ways of working and delivering services:** Shifts in consumer behaviour and increasingly diverse communities mean that social housing providers are rethinking the services they provide and the ways in which they provide them. Most customers and employees expect providers to enable

being connected, independent, mobile and self-serving offering digital services and ways of working are increasingly becoming the norm.

10. The group also considered the company's current position within its operating environment and noted the following key local or internal issues which are either impacting on the business now; or have the potential to impact on the company in the next year:

- **Compliance and H&S:** The company received an external review which identified significant issues in relation to its approach to landlord compliance and health and safety. It is currently implementing plans to improve the position.
- **HRA:** There is potential instability in the HRA as demand reduces for the types of home managed by the company; Universal Credit embeds; the 1% rent reduction continues to impact; and RTB continues. Increased pressures on the HRA in relation to spend on capital works; repairs; and compliance work will also contribute to reducing the sustainability of the HRA in the long term.
- **Demand and expectation on services** is changing with diversifying communities; a growing elderly and disabled population; and more demand for digital services.
- **Management Fee:** The company is paid a fee by the Council, from the HRA, annually, as remuneration for managing its housing stock. In the past the fee has reduced, and it is possible that the fee for 2019/20 may represent a reduction. A substantial reduction in fee will impact on the company's ability to provide the same level of services and will require a major transformation programme, across the business, to achieve savings.
- **Welfare reform:** There are substantially more Universal Credit cases emerging in Gateshead than initially anticipated and issues in relation to the timely payment of the benefit are much greater than first expected. This has impacted on rental income and rent arrears targets and performance.
- **Decency and strategic asset management:** Decency levels across the stock are reducing and this could impact on the quality of home offered by the Council. The Government has called for a more dynamic approach to dealing with decency, including a re-defined decency standard to primarily account for compliance and health and safety issues. There is also a need for a more proactive approach to strategic asset management to understand actual and potential value of stock; to generate value for money from investment and to consider options for homes in line with wider place shaping ambitions.
- **Relationship with the council:** The company works closely with the Council to deliver housing services on its behalf. The company also contributes to the achievement of the Council's "thrive" agenda. A positive, working relationship and a deep understanding of the roles and responsibilities of each organisation and their dependencies is essential if the best service and outcomes are to be achieved for customers.
- **Risk:** The company faces risks in relation to compliance; health and safety; reputational risk; and data through to operational and financial management risks. The company has also expressed its ambition to expand its range of activities to boost income to the HRA and on that basis a clear strategy around risk and its associated governance is required. An updated strategic risk register is in development.

- **Governance fit for the future:** As the company continues to respond to its changing operating environment and business model, the right skills and corporate governance infrastructure to effectively manage change and mitigate risk is crucial to business growth and sustainability.
11. The group also considered the company's performance in relation to its strategic objectives. Performance data was sourced from the company's 2017/18 report to Housemark. Information was provided to the group complete with comparisons of performance with the wider sector in terms of upper, median and lower quartiles:

Objective 1: Taking our services to the next level

- Customer satisfaction with services stood at 84% at the last biennial survey (2017) which situated the company's performance in the lower quartile in comparison with other housing providers. The company has since completed an in-depth review of customer satisfaction the results of which will be made available to Board on the 22 November 2018.
- Direct cost per unit of community investment has reduced by £4.38 since 2016/17.
- The company has responsibility for the delivery of the homelessness service and by the end of 2017/18 had prevented 4711 people from becoming homeless.

Objective 2: Creating outstanding homes and living spaces

- The Board receives a comprehensive performance report on landlord compliance activities ranging from fire risk; water management; asbestos; gas; electrical inspection and testing; and lifts. An updated performance report (in relation to compliance) will be made available to Board on the 22 November 2018.
- Tenancy turn over levels were high and were performing in the upper quartile at 9.3% in comparison to a lower quartile performance of 5.9%.
- Tenant satisfaction with the neighbourhood they live in was performing in the median quartile at 83% compared to an upper quartile performance of 86.17%.
- Void loss was high at 2.93% compared to an upper quartile of performance at 1.34%.
- Decency levels stood at 8% of the stock being classed as non-decent.
- Satisfaction with quality of home was high standing at 86.6% in comparison to an upper quartile of 86.71%.
- Satisfaction with repairs was very high at 99.3% compared to an upper quartile of 98.44%.
- The average cost of a repair was £164.14 (median quartile) compared to an upper quartile cost of £195.62.

Objective 3: Sharpening our business focus

- Rent collected stood at 99.86% compared to an upper quartile of 100.13%.
- Rent arrears were increasing, standing at 5.07% compared to an upper quartile of 5.4%.

Objective 4: Unlocking our potential through our people

- Average days sickness per employee was high, standing at 17.01 compared to an upper quartile performance of 11.47.
 - Voluntary turnover of employees was 8.5% (median) compared to an upper quartile performance of 13.71%.
 - Involuntary turnover of employees was low at 0.3% compared to an upper quartile of 5.62%.
12. In summary, when reflecting on the operating environment, strategic position, performance and risks to the business the Board considered the following:
- Drivers of satisfaction
 - Costs
 - Business needs in terms of decency, compliance and health and safety
 - The role of the company in neighbourhoods and in building thriving communities
 - Maximising income through intensive management of the existing stock; more dynamic asset management; letting homes and sustaining tenancies; and diversifying the services offered.
 - Focusing on the employee offer and attracting, retaining and nurturing the workforce of the future.

Outcomes of the workshop

13. As part of the session, the group completed a workshop during which they considered priorities for the next iteration of the Corporate Plan; potential savings and efficiencies; and opportunities for growth and development. The notes of the workshop are set out at Appendix 1.
14. The Board also identified the following principles to guide activities over the next financial year:
- Legal and statutory responsibilities
 - Tailoring services to those most vulnerable
 - Maximising income (particularly in relation to voids, lettings and rent arrears)
 - Asset management
 - The company's social purpose
 - People offer particularly in relation to absence management and workforce planning
15. The group agreed that the vision and objectives set out in the Corporate Plan would not need to be changed, but key priorities for reflection in the company's plans and activities for the next financial year (2019/20) include:

Objective 1: Taking our services to the next level

- Review our approach to:
 - Lettings
 - ASB
 - Learning from complaints
 - Neighbourhood investment and community building
 - Placing the customer at the heart of decision making

Objective 2: Creating outstanding homes and living spaces

- Compliance and health and safety and implications in terms of revised regulation
- Strategic asset management:
 - Working with the Council to develop a comprehensive asset management strategy
 - Linking investment plans with place shaping, regeneration strategies
 - Agile asset management – delivering the right homes in the right places
 - Understanding and developing options for unsustainable stock
 - Develop smarter investment programmes

Objective 3: Sharpening our business focus

- Safeguarding the future of the HRA:
 - Dealing with voids and rent loss
 - Exploring spend, opportunities for efficiency and value for money
 - Reviewing service delivery and considering reducing costs through using different delivery methods i.e. digital and agile working
 - Reviewing procurement practices
 - Using data to drive efficiency including developing better processes

Objective 4: Unlocking our potential through our people

- Considering our people offer and strategy:
 - Culture
 - People management policies and practices
 - Workforce planning
 - Investment in skills
 - Engagement with employees

16. The principles and priorities suggested at the workshop will be reviewed and expanded upon in partnership with Executive Management Team. Senior Management Team and the Board.

17. A finalised set of proposals for principles and activities to be implemented in the financial year 2019/2020 will be provided to Board in early 2019.

Link to values

18. This report is aligned to the following company's values:

- Fair
- Customer focused
- Open and honest
- Accountable
- Inclusive, valuing diversity
- Innovative
- Passionate about what we do

Impact on tenants

19. A clear corporate strategy and priorities for action would align with a performance culture which should have a positive impact on tenants in terms of the customer experience of homes and services.

Risk Management Implications

20. A clear Corporate Plan which sets out strategic direction for the long term and aligns with the company's risk framework will assist in managing and mitigating strategic risks.
21. By focusing on key priorities, the Corporate Plan will:
 - Assist the company in planning to safeguard its income and protect against the impact of welfare reform.
 - Provide a strategy to insulate the company against changes in housing policy
 - Develop an outstanding customer experience
 - Focus on key business areas to reduce risk of serious health and safety breaches and compliance breaches
 - Effectively inform decision making in relation to resources, demonstrating value for money
 - Effectively manage the organisation's capacity by targeting people resources on priorities
 - Assist the Board in making important decisions about resources and strategic direction, ensuring the highest standard of corporate governance practices are employed.

Financial Implications

22. The Corporate Plan is reviewed annually and developed in conjunction with corporate budgets to ensure priorities, projects and programmes are funded for the year ahead.

Equality and Diversity Implications

23. The diversity makeup of the customer profile was considered in the development of the Corporate Plan.

Value for Money Implications

24. Stakeholders expect the group to demonstrate value for money in services and use of assets; and are maximising the use of resources. The Corporate Plan provides the company with a clear strategy to drive change; manage risks; deliver investment into key areas and ensure the company is financially resilient in the future.
25. At the same time as developing the Corporate Plan, a suite of strategic Key Performance Indicators (KPIs) were also developed for the financial year 2018/19 which measure the health of the business in terms of finance; impact on communities; tenancy management; asset management; and efficiency.

Health Implications

26. The implementation of a clear vision, objectives and priorities for the next financial year will impact positively on the health and wellbeing of customers, employees and other key stakeholders.
27. The Chair of the Board concluded the Away Day by recognising the opportunities for linking housing, health and social care.

Environmental Implications

28. Through the delivery of “*outstanding homes and living spaces*” the Corporate Plan will impact positively on the environment customers live in and by “*unlocking our potential through our people*” the Corporate Plan will impact positively on the environment employees work in.

Consultation carried out

29. Extensive consultation was undertaken with customers, employees, Board members, representatives of the Council and other key partners on the development of the Corporate Plan.
30. This report represents mid-year consultation with the Board and employees on the priorities for the next financial year 2019/2020.

Recommendations

31. It is recommended that Board:
 - (a) consider the outcomes of the Board/SMT workshop held on the 4 October 2018 and consider making further suggestions;
 - (b) approve the principles and proposed priorities for action (as identified at the workshop on the 4 October 2018) for the financial year 2019/20 for further consultation with Executive Management Team and Senior Management Team;
 - (c) approve the proposal to receive final proposals on guiding principles and priorities for action in January 2019.

Board/SMT Corporate Plan workshop 4 October 2018

Group 1: Priorities/Potential savings/opportunities

- Compliance – “keeping people safe!”
- Sustainability of the HRA
- Regeneration:
 - Improving neighbourhoods – “creating places where people want to live and thrive”
 - Community safety
 - Environment
 - Economic regeneration – good jobs
- Agile asset management – “delivering the right homes in the right places!”
- Culture – key to objective 4.
- Link – housing, health and social care

Group 2: Priorities/Potential savings/opportunities

- Guiding principles:
 - Commit necessary resources to deliver priorities and retain social purpose
 - Recognising we are in a different business to general RPs
 - Explore and exploit all opportunities to collaborate with strategic partners to deliver on our priorities
- Savings:
 - HRA – void rent loss
 - Through culture – savings on sickness and absence
- Opportunities:
 - Focussed investment
 - Investing to save
 - Linking housing, health and social care

Group 3: Priorities/Potential savings/opportunities

- Guiding principles:
 - Asset management strategy – value for money
 - Include cost of living
 - VFM and spend
- Priorities:

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|---|---|
| Objective 1: Taking our services to the next level | Objective 2: Creating outstanding homes and living spaces |
| <ul style="list-style-type: none"> • Work with the Council to complete a voids review • Tenancy sustainment – complete a review of multi storey buildings | <ul style="list-style-type: none"> • Fire safety and compliance • Voids |
| Objective 3: Sharpening our business focus | Objective 4: Unlocking our potential through our people |
| <ul style="list-style-type: none"> • Agile asset management • Future sustainability of the HRA - voids | <ul style="list-style-type: none"> • Absence management and workforce planning |

Group 4: Priorities/Potential savings/opportunities

- Guiding principles:
 - Legal and statutory responsibilities
 - Tailoring services to those who need it the most
 - Maximising income
 - Customer voice
 - Our people
 - Improve efficiency (VFM)

- Priorities:

| | |
|--|---|
| Objective 1: Taking our services to the next level | Objective 2: Creating outstanding homes and living spaces |
| <ul style="list-style-type: none"> • Develop the homelessness service | <ul style="list-style-type: none"> • Fire safety and compliance • Review ASB services • Improve neighbourhoods |
| Objective 3: Sharpening our business focus | Objective 4: Unlocking our potential through our people |
| | |

- Savings:
 - More structured approach to asset management
 - Investment to save – rationalisation of high rise and other not fit for purpose stock – savings from this would outweigh all other potential savings
 - Review of how we deliver services
 - Housing office network/specialist teams
 - Savings through technology – online transactions
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- Opportunities:
 - Working with the Council to create agile property management strategy
 - Embracing public sector reform agenda
 - Developing a fit for purpose workforce strategy (focused VR)/realistic RE harmonisation/employee communication
 - Flexible services – the hours we work/out of hours services; refresh of repairs policy (Council’s); Refresh of the lettings policy (Council’s)
 - Devolution

Group 5: Priorities/Potential savings/opportunities

- Guiding principles:
 - Top five housing provider as our driver
 - Employees and customers to become advocates of the company
 - Protect investment in compliance and ensure people understand their responsibility in relation to compliance
 - Invest in business assurance
 - Work on (in principle) that asset management comes in house

- Priorities:

| | |
|--|---|
| Objective 1: Taking our services to the next level | Objective 2: Creating outstanding homes and living spaces |
| <ul style="list-style-type: none"> • Understand and benchmark top 5 housing provider – take the best bits and analyse gaps; develop plans to achieve and determine cost | <ul style="list-style-type: none"> • Fire safety and compliance – absolute top priority • Review approach to lettings and the lettable standard |
| Objective 3: Sharpening our business focus | Objective 4: Unlocking our potential through our people |
| <ul style="list-style-type: none"> • Sale of services is aspirational • Raising the profile of the company | <ul style="list-style-type: none"> • Workforce planning – closer links to the housing industry: <ul style="list-style-type: none"> ○ Health and wellbeing + ○ Building the people offer + ○ Training, development and investment in skills + ○ Employee engagement = ○ Culture |

- Savings:

- Change approach to asset management – more agile and joined up with our other services – smarter investment programmes.
- Efficiencies in purchasing – better procurement and buying power making savings.
- Robust analysis of processes in line with vision for the business – dealing with data.
- Determine efficiencies – upskilling the workforce; business analyst role; right people in right roles.
- Savings in the delivery of compliance.
- Digital offer – automating the service and agile working – implementing correctly and having correct systems (i-trent and business intelligence).

- Opportunities:

- New build – drive repairs cost down; extend choice and deal with unsustainable stock.
- Full understanding of data to enable driving of services.
- Learning from complaints – getting things right first time – review of lettable standard and multi skilling.
- In-house training – train the trainer and use to upskill
- Workforce planning in line with business need and fit for the future.