



Added Value Annual Review 2017/18





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Introduction

During 2017/18 County Durham Housing Group has worked to transform the way the business operates to become more modern and flexible and deliver a consistent and high quality service to customers. We have invested in the housing stock and local communities and we aim to build on our success by providing the services and support our customers need to live a life without barriers.

We have achieved a huge amount since 2015, and 2017/18 has been no different. During the year we have realised some significant achievements including the completion of our transformation projects. This has allowed us to invest in developing new homes around the local area with 545 new properties included in the latest development plans. Over the next year, our focus will be on the things that matter most to our customers, which will cement our place as a landlord of choice in the region.

Our ambitions are set against the backdrop of an unpredictable and continuously changing operating environment. Developing, embedding and delivering value for money – which we refer to as ‘added value’ - are essential to mitigate the external risks to the group whilst we continue to achieve our ambitions.

Our Added Value Annual Review reports on what we’ve done to build upon the work we started in previous years, provides an update on the targets we set ourselves and details our achievements during the year.

Embedding added value

During 2017/18, we have continued to work towards our aim of developing and embedding an added value culture within the group. This is a long-term process that the group embarked upon in 2016/17 with the recruitment of staff added value champions and an added value champion Board Member. This year, we have built upon the initiatives introduced previously and have further refined and developed what an ‘added value’ culture represents for County Durham Housing Group.

The work undertaken this year has included the development and delivery of staff briefings by the group’s added value champions. The sessions covered what added value is, why it is fundamental to the success of the group and how all staff can contribute to delivering it in their own roles. Staff were invited to think about the work that they carry out for the group and how they felt it could be made easier or more efficient to complete, making clear that all ideas and suggestions were welcome and actively encouraged. The recognition that added value is the responsibility of everyone in the organisation, and that those who complete tasks on a daily basis are often best placed to see potential improvements, is intrinsic to the group’s approach to developing an added value culture.

During 2017/18, we have also created ‘the Greenhouse’, to help staff generate, develop and refine their ideas. The Greenhouse provides a physical space devoted to the generation of ideas and then provides a framework of support to aid staff in translating their thoughts into



practical, realisable proposals. The group’s added value champions are part of the team that will help to facilitate the Greenhouse and this will form a major part of their role from now on.

We have also developed the concept of #thinkdifferently, which has been launched in tandem with the Greenhouse, and seeks to build upon the idea of staff innovation driving improvements that deliver added value for the group. We are empowering staff to devote time to thinking about the group, it’s work and their own roles and to put forward any ideas they have around how we can do things better by thinking differently about the challenges we face. These ideas can then be taken through the Greenhouse process to transform them into proposals that will make a real impact on how we operate.

#thinkdifferently represents a significant cultural shift for the group, removing many of the perceived barriers to innovation that previously existed, and looks set to bring about new and exciting developments that will enhance the value the group can deliver in 2018/19 and beyond.

What we said we would do during 2017/18

The following actions and targets were set out in our 2016/17 Added Value Annual Review which focussed on the group’s strategic projects. A summary of the progress with these projects is set out below, with further detail elsewhere in this document:

<p>Unity – implementation of QL as the new single housing management system for the group which will replace the three legacy systems currently in place. This is anticipated to achieve direct cost savings of over £1m over five years as well as further savings in more efficient processes.</p>	<p>During 2017/18 work continued on Unity and on 3 April 2018 the new system successfully went live. Future phases of the project will look at further developing the system with a specific focus on improving the group’s digital offering to customers and staff.</p>
<p>Operations transformation – completing the restructure of housing operations teams across the group to create a single Operations directorate operating our East and West areas.</p>	<p>From 1 July 2017 a new operations structure was put in place to deliver local services to customers through centrally managed teams.</p>





<p>HR systems – roll out of a new people management system, including an employee self-service system, which will allow for administrative tasks such as requesting holidays, recording sickness and claiming expenses to be completed online. For managers the new system will also provide improved reporting functionality, which will allow for better monitoring of areas such as sickness absence. Following on from the launch of the new system, future developments planned in 2017/18 will include recruitment, performance and learning and development.</p>	<p>The new employee self-service system for employees was rolled out in June 2017 and the recruitment and learning and development modules of the system were launched in March and June 2018 respectively. The new system has automated numerous manual processes and improved reporting of information for managers.</p>
<p>People First – finalising the group’s new structures within the single operations directorate. This project will also look at the development of the group’s culture and values and the development of a modern employee offer.</p>	<p>New centralised structures were put in place across the group. In addition, work has been ongoing to develop the group’s new values and will continue to embed the new values and supporting behaviours across the group. Consultation for the new Modern Employment Offer commenced in November 2017 with employees and trade unions.</p>
<p>Cost reduction and efficiency programme – monitoring the achievement of the £4m annual savings target.</p>	<p>A value for money savings target of £4m was set at the inception of Regroup. The budget setting process for 2018/19 identified that the savings target of £4m had been exceeded, a year ahead of target, with capital and revenue expenditure savings realised.</p>
<p>New development – the development programme sets out the plans for 2017/18 and beyond for the acquisition and development of new properties for the group.</p>	<p>The group has continued to make progress to deliver new homes with a total of 54 delivered since transfer.</p>
<p>Review of under-performing assets – work will continue to develop FATAL and review underperforming assets held by the group, including assets such as community buildings and garage sites.</p>	<p>FATAL has continued to be used by the business to identify poorly performing assets and help inform decisions on the future of those assets.</p>



New developments in 2017/18

During 2017/18 we introduced a new set of values for the group:



The following key developments in 2017/18 explain how our work reflects these values.

Do the right thing for our people

Insourcing of the IT helpdesk

In April 2017, the group transferred the previously outsourced ICT Service Desk and Desktop Support function to a new internal ICT support team.

We invested in:

- A new internal support team to proactively manage and deliver the service to our people
- A new service desk system for people to log queries with the team
- New automated tools to manage our desktops to make it a more efficient process.





Doing the right thing for our people - added value in action

Overall we have invested £183k which is a saving of £80k when compared to the cost of the external contract. Importantly, in addition to the cost saving, further benefits for our people include:

- An internal team who understand the organisation and can respond more quickly to customers resulting in high resolution rates.
- A more accessible service for our people evidenced by the increase in calls each month from an average of 197 to 444 since the team was established.
- A more efficient deployment of new operating systems allowing people to make use of digital facilities.
- Efficient deployment of new software which was vital with the implementation of a new housing management system.
- Improved ICT security arrangements.

A single housing Operations Directorate

The Operational Transformation project's aim was to establish a single housing Operations Directorate across the group that was consistent, efficient, modern and delivered outstanding services and performance.

The project considered how services should be provided in the future and the structures and teams which would need to be in place to deliver this.

The Operations Directorate was put in place in July 2017, with two overarching service areas of Operations and Neighbourhoods. Since then work has been ongoing to review policies and processes to ensure that there is a consistent approach to services provided to customers and prepare for the introduction of the new single housing management IT system. We have centralised teams delivering services to our customers, providing a consistent service and better mechanisms to support our customers.

Annual savings totalling £804k were realised from the creation of the Operations Directorate, which are a combination of staffing savings and savings from the consolidation of multiple budgets. Importantly we now offer a consistent, high performing first point of contact through our customer service team. Our unified approach to lettings is exploring new and innovative ways to letting homes, as well as playing a greater role in the sub-regional lettings partnership, Durham Key Options.

Do the right thing for our business

New build housing developments

The group has continued to make significant strides this year to deliver the original aspiration of providing more than 700 new homes by 2022. A total of 545 homes have been incorporated



into the group's 2018 business plan. Of these, 54 homes have now been completed in total, with 36 of those in 2017/18. Our development programme has progressed much quicker than originally anticipated as we have been able to use our existing funding facility to support the new build programme, alongside successful bids for grant funding.

Work has started to deliver another 57 new homes by the end of 2018/19 across County Durham and planning permission has been obtained for the development of a further 98 homes on land we own.

Our new homes will be a variety of sizes and tenures, including the group's first 'rent to buy' properties, ensuring we continue to provide a wide range of homes to meet our customer's needs.

To ensure we achieve these numbers, we intend to:

- deliver our current Homes England Development Programme (2016-2021)
- acquire further properties via section 106 planning agreements
- acquire 'off-the-shelf' units from local developers
- prepare and submit a bid to Homes England for a Phase 2 Development Programme (2016-2021) under the Shared Ownership & Affordable Homes Programme

Doing the right thing for our business - added value in action

In 2017/18 we have invested £3.7m in delivering new homes. A total of 36 new homes were completed in the year in the following areas:

- Middlewood Moor, Ushaw Moor (11 units)
- Bracks Farm, Bishop Auckland (7 units)
- Chilton Moor, Houghton-le-Spring (7 units)
- Urpeth Grange, Ouston (5 units)
- The Woodlands, Newton Aycliffe (4 units)
- Boltsburn Crescent, Rookhope (2 units)

Making best use of our assets

The group's "Financial Assessment Tool and Asset Locator" – FATAL – was developed and embedded as part of the group's asset management practices in 2015/16. FATAL is a tool that, as far as practicable, provides real financial data about each of the group's assets and then calculates its value and contribution to the group's overall financial position. The model covers 30 years, aligned with the group's Business Plan, and enables more focused investment and disinvestment decisions to be made about our stock.

We regularly review and refine our model and the group is currently undertaking a comprehensive programme of stock condition surveys to improve our knowledge of the



investment our properties will require in future. Future investment needs are an important factor in determining the financial sustainability of our housing stock.

FATAL provides a Net Present Value (NPV) for all residential stock owned by the group. When a property becomes void, is difficult to let, and it has a negative NPV of £5,000 or more, actions have been agreed through our asset management and local lettings practices to assess the property's sustainability over the longer-term. Should the property be considered unsustainable as part of this process, a more detailed options appraisal is then undertaken to determine the most effective course of action for the asset. Receipts from the sale of properties through this process are invested directly in our new build programme and therefore reduce the group's borrowing requirements and means we make savings on interest costs.

Doing the right thing for our business - added value in action

During 2017/18, the FATAL model was utilised to identify 51 properties that were considered financially unsustainable over the long-term and represented a drain on the group's resources. We reviewed our options and determined that the best approach was to demolish 18 of the properties and dispose of the remaining 33 on the open market. To ensure we can protect and sustain our local communities, all disposal decisions have included a restriction (upon completion of the sale) that requires the new owner to live and reside in the property for a minimum period of five years.

10 of the 18 demolitions have been completed to date, saving the group up to £18k per year in council tax alone. The properties are also forecast to have cost the group the equivalent of around £90k over the next 30 years and therefore this future expenditure requirement has also been avoided.

Of those properties agreed for disposal on the open market, 11 have been sold during the year, 9 have sales agreed and are under legal instruction and the remaining 13 are being actively marketed for sale. Of those with sales agreed, or already completed, capital receipts of £401,750 are expected to be generated, with the proceeds to be directly utilised to support our new build development programme. In addition to the income, the group is expected to avoid the equivalent of £517k in future expenditure on these properties over the course of the next 30 years. As such, the net benefit to the group from the sales is around £918k.

Do the right thing for our customers

Supporting customers

We have a consistent group-wide approach to supporting customers to sustain their tenancies, including a new pre-tenancy sustainment service and a dedicated team to support people on Universal Credit.



We recognise that when someone moves on to Universal Credit it can be a significant change to how they have previously received benefit and therefore we need to provide a different type of service to support customers through this change. The specialist Universal Credit team along with the sustainment team working closely with customers to support and assist them through this change.

The team have worked with over 1,000 customers since they were established and following the full service roll out in Peterlee and Bishop Auckland areas in 2017/18 it was recognised that further investment in the Universal Credit team was needed to provide support to the increasing numbers of customers who were on or moving to Universal Credit with the full service roll out in the Durham area looming.

Doing the right thing for our customers - added value in action

The sustainment team supports customers with a wide range of issues that may affect their ability to maintain their tenancy, but the biggest area of activity is providing support and advice on money matters. Our team work with people to make sure that they are getting everything that they are entitled to, including advice on the range of benefits, support with submitting claims and putting in appeals. The team also helps people apply for external support, including grants, Council assistance and support with utility bills. We also help people access low cost goods and services, from contents insurance to credit union loans, furniture and fittings. We also work with people who are applying for housing, to help them prepare for the costs that you incur moving into a new home, as well as running it once you move in.

Last year we successfully generated £1.832m in additional income for our customers. This helps customers sustain their tenancies as well as helping us by improving their ability to pay their rent.

Capital investment programme

The group's stock improvement programme covers the planned major investments we make to our properties. It can include works such as roof replacements, new kitchens, bathrooms or electrical rewires. This programme is vitally important to maintain a good standard of home for our customers and forms a significant element of our overall expenditure every year – therefore it is crucial we obtain value for money from this work.

The procurement exercise for this work in 2017/18 provided an excellent opportunity to maximise value for money in this area of our business. The outcome was a contract that provides added value to both ourselves and our customers.



We have undertaken an analysis of the successful contractors' rates, when compared to the rates previously in place, and identified an overall reduction in costs of 1.97%. In addition, we expect that having no inflationary increases in the first 3 years of the contract will produce a net saving of around £560k when compared to the previous rates.

Doing the right thing for our customers - added value in action

During the first year of the contract in 2017/18, our commercial asset team has closely monitored how the contract has operated. Their work included reviewing and remeasuring quantities of work and materials, identifying alternative rates and product selections that still achieved the project requirements and challenging the contractor on items proposed in addition to the main works agreed in the original contract. Through this close management of the investment programme, the commercial team has saved the group around 15.5% on the initial contractor cost submissions for the 2017/18 stock improvement programme.

Engaging with our customers and investing in our communities

VOCAL

Following a review of the way in which we engage with our customers in September 2016, the Voice of the Customer and Leaseholder ('VOCAL') was established as part of the group's governance structure.

Customers have been recruited to VOCAL based on their skills and experience to ensure that they play a key role in reviewing and challenging performance, gathering feedback from other customers and performance information to hold the group accountable as a landlord. VOCAL has been involved in two key areas in 2017/18 – the development of the group's service standards and further investigation into the areas for improvement identified from the STAR survey. For both of these projects, VOCAL was able to help identify customer priorities and contribute to the overall final plans and proposals for both the new service standards and future STAR surveys.

The group's community investment team delivers our community investment plans, focussing on our identified priority areas. These areas have been identified using a range of information to ensure that we work in communities where we can make the greatest difference. In the course of our work, we concentrate our resources on three key themes:

- Worklessness and helping to tackle low levels of skills and qualification attainment;
- Increasing household income; and
- Working in partnership to deliver wellbeing projects to improve health and confidence.



Our employability service

Our employability service continues to work with our customers to give them the skills and support to access training and employment. Our specialised training service ensures that customers can access accredited and non-accredited training that allows the development of further skills and experience. During 2017/18 our employment and training service supported the following:

- 135 customers referred into the Employability Service
- 15 prospective customers referred into the Employability Service
- 90 employment support assessments carried out
- 18 customers were supported into employment
- 10 people who accessed training courses through the employability programme achieved employment
- 3 people achieved apprenticeships
- 11 people were helped into volunteering opportunities, of whom 6 were customers
- 68 training courses were organised, facilitated and delivered
- 690 people attended the training courses, of whom 231 were customers
- 312 people received accredited training, of whom 104 were customers
- 333 people received non-accredited training, of whom 127 were customers

Links with the pre-tenancy team means that customers can access support prior to becoming tenants. This delivers benefits to both our customers and our business, providing confidence at sign-up that the tenancy will be sustainable.

Working closely with our sustainment team, we can provide an effective pathway of support enabling our more vulnerable customers to successfully access employment whilst developing the skills and experience to successfully manage a sustainable tenancy. The implementation of Universal Credit has impacted many of our customers and our employability team continues to work with our Universal Credit Team to ensure that new claimants are supported throughout their claim and are given the support and training they need to successfully access the employment market.

Investing in our communities

The group operates a Group Grant scheme which provides community organisations across County Durham with the opportunity to access up to £500 of funding to undertake activities supporting their local community and demonstrating how this will be of benefit to our customers as well as the wider community.



During 2017/18 the customer-led grants panel awarded individual grants totalling £21,227 to 46 different organisations. This funding allowed groups to provide activities and events including targeted work with young people, inter-generational activity, work to alleviate social isolation, sporting activity and providing diversionary activity for young people.

Doing the right thing for our customers – added value in action

During 2017/18, we identified a number of communities that would benefit from enhanced investment. By supporting community organisations in these areas, the group is demonstrating a desire to invest in our customers and to develop strong and sustainable communities. Examples of areas we have supported include:

- **Deneside (Seaham)** – Creative Youth Opportunities with a young-people-led arts project.
- **East Durham** – The People’s Takeaway with East Durham Trust.
- **Gilesgate** – Arts and Wellbeing project delivered by RT Projects and Greggs Breakfast Club linked to Gilesgate Primary School
- **Hornden** – Hub Grub café with low cost and free meals for local families.
- **West Auckland** – Greggs Breakfast Club linked to Oakley Cross Primary School
- **Willington** – wrap-around support services linked to Foodbank provision delivered by Willington Methodist Church.
- **Woodhouse Close** – we are continuing our partnership with Auckland Youth and Community Centre to deliver a County Durham Housing Group employability offer.

Performance

Information on our performance in 2017/18 compared to our own internal performance indicators as well as the social housing sector value for money metrics is set out in the County Durham Housing Group financial statements which can be found at: <https://www.countydurhamhousinggroup.co.uk/about-us/finance/>.

Future plans

The following new priorities have been identified for 2018/19 and beyond:

- Further development of the housing management system with a key priority being the development of a customer app to provide an alternative way for customers to access services.
- Looking at improving the group’s digital offering to both customers and staff to enhance services and help us work in a smarter, more efficient way.



- Progressing an agile working pilot, looking at different ways of working to maximise benefits to our people, our business and our customers.
- Completing work to implement the group's Modern Employment Offer, providing one consistent set of new employment terms and conditions and employee benefits that deliver best value.
- Review the way in which repairs and maintenance services are delivered across the group to provide the best, value for money service for our customers.
- Development of neighbourhood plans to better analyse issues and needs to produce targeted bespoke solutions.
- Embedding our new values and behaviours into our ways of working to establish an added value culture within the group.





Glossary of terms

FATAL	Financial assessment tool and asset locator - the group's asset management tool.
Homes England	A public body that funds new affordable housing in England.
NPV	Net present value - a measure of financial performance derived from discounted cash inflows and outflows over a specified period of time
QL	The group's housing management computer system.
Regroup	The name of the transformational change programme covering 8 strategic projects that have fundamentally changed the way we provide our services.
STAR survey	Survey of Tenants and Residents - our framework for periodic surveys of customer perception.
Unity	The name given to the project that facilitate the implementation of a single housing management computer system for the group.
VOCAL	Voice of the Customer and Leaseholder - the group's customer engagement panel.

