Annual Report to HBC Executive Board

December 2018

1. Introduction

Operating Environment

1.1 The operating environment in which Halton Housing (HH) is working has continued to be challenging. In July 2015 the Budget included a 1% reduction in rents for four years to March 2020, a benefit freeze and change to the benefits caps. These together with the roll out of Universal Credit (UC), are having a significant impact.

1.2 As part of our stress testing and scenario planning, we have identified a range of options to deal with unforeseen economic factors. These are invaluable in enabling us to respond to any further threats to our future financial viability.

Key achievements

1.3 Over the last 12 months we have delivered several significant achievements and outcomes. We are increasingly becoming a leading player in several areas due to our innovative approach and fresh solutions to the challenges we face.

1.4 Some of our key achievements include:

- Continued investment in our homes and neighbourhoods: In 2017/18 we have invested an additional £4.8m in improving our customers' homes and neighbourhoods. This represents over £150m investment in the 12 years since transfer and has significantly improved the quality of our homes and neighbourhoods
- Completed the construction of an additional 224 new homes. This has taken the number of new homes built and acquired since stock transfer to almost 1,200.
- Secured additional funding of £80m, which will be used to deliver our growth strategy to build an additional 1,200 new homes for rent, shared ownership and for sale over the next five years
- Built our first general needs shared ownership scheme

- Performed well against our rent collection targets, even though there have been issues with the roll out of the full digital service of Universal Credit (UC)
- 93% customer satisfaction with digital services achieved and 88% of all customer generated transactions now being delivered through online self-serve routes
- Retained the highest possible regulatory rating (V1 G1)
- Successful move to Waterfront Point completed with minimal disruption to services or performance
- Successful lobbying campaign as one of the UC pilot areas

Key Partnerships

1.5 We have continued to actively support and contribute to a wide range of local strategic partnerships and groups across Halton and the wider Liverpool City Region (LCR). We value the opportunity this involvement offers to influence and contribute to key local and regional strategic decision and policy making.

1.6 We enjoy a strong strategic relationship with Halton Borough Council and we continue to be represented and play an active role in contributing towards the Council's strategic priorities.

2. Our Direction (OD2.0)

Our vision

2.1 Since 2012, Our Direction has provided the framework for how we run HH. We have achieved a lot and we will continue to Improve People's Lives in the future.

2.2 External changes and better knowledge of our customers has led us to review our approach. Our Direction (OD2.0) is our framework for the next three years.

2.3 Our Direction (OD2.0) enables us to have the flexibility to improve more people's lives in the future and is the basis for all our decision-making processes. Further information can be found here.

2.4 We expect the following trends will continue and have an impact on us: demand for good quality housing, cuts in government spending on welfare and housing, government support for home ownership, an ageing population, rising energy costs and advances in digital technology.

2.5 In early 2019 the HH Board will be agreeing the next phase of our strategic direction: OD3. This will build upon the successful delivery of our existing priorities. The strategic direction will reflect the changing operating environment in which we are operating.

3. Cross cutting themes

Governance

3.1 We have a strong, challenging Board who drive the business forward and have been fundamental in setting the strategic direction of the organisation. We operate under the NHF Excellence in Governance Code and expectations and performance are monitored.

3.2 We have adopted the NHF Merger Code and we have developed our own Merger, Acquisition and Partnership Policy. Within this context HH continues to explore opportunities for enhanced collaboration and where appropriate, acquisitions.

3.3 The Regulator of Social Housing has recently confirmed our assessment as a top performing housing association with the continuation of our V1/G1 regulatory rating.

Value for Money (VFM)

3.4 The Scenarios, Priorities and Principles within Our Direction (OD2.0) underpin our strategic approach to delivering VFM. By using Our Direction (OD2.0) our Board has a basis for making decisions using a framework that is cascaded, understood and utilised throughout all levels of our strategic, operational and decision-making processes.

3.5 We aim to provide good services that are both affordable for ourselves and our customers. We asked our customers if they feel that HH offers value for money for the rent that they pay; 87% say that we do, and 91% would recommend us as a landlord to a friend or family member.

3.6 We have developed our VFM self-assessment report, which has been included within our Financial Statements and published in summary form on our website.

3.7 Our operating performance compares favourably to our peer group:

- We have invested in our Digital First approach to redefine how we provide modern self-serving services to customers, to enable us to deal with the impact of UC in the most cost-efficient manner and to be able to therefore provide our support to those customers who need it the most.
- Our service charge costs are significantly lower than the average. This is reflected in the charges that are passed on to customers
- Our routine and planned maintenance costs are significantly lower than average.
- We recognise that our major repairs costs are still higher than average because of our continued policy of investing in our existing homes. However, they have significantly reduced over the last three years and continue to do so.
- Taken together our routine, planned and major repairs are in line with the norm.

- Despite the impact of UC, at 1.4% our bad debt charge is significantly lower than the average. Our financial forecasts continue to anticipate that this charge will increase because of Welfare Reforms – principally UC.
- At 0.5% our rent loss from void properties is exceptionally low and expected to continue. There is strong demand for our properties, which is reflected in the re-let time achieved of 20.93 days.
- Our headline Social Housing Cost per Unit has remained consistent and is lower than average.
- Our operating surplus has increased. Overall our operating surplus is higher than average.
- Our management costs per unit have increased. A significant element of this increase is attributable to an additional £505k in defined benefit pension costs. This has had an impact of increasing the cost per unit by £71.

3.8 We continue to track this information on an annual basis to see how our actual and forecasts compare and change.

3.9 Our rents remain amongst the lowest in the borough, when compared to the other housing associations in Halton.

3.10 We have long term funding facilities in place, which are sufficient to finance our Business Plan for the short to medium term.

Health & Safety

3.11 As a landlord and employer we have a duty of care to ensure all employees and customers are safe in the environments we provide, whether that is their place of work or their home. We employ a Health and Safety Manager to ensure compliance with statutory obligations and to offer advice to employees who have any Health and Safety concerns. We also employ a construction-specific Health and Safety Officer who ensures safe working practices in the way we deliver our repairs and investment work.

3.12 We take our responsibility to provide a safe home for our customers seriously. During 2017/18 we've completed fire risk assessments on our flatted blocks and set aside £1.6m within our 2018/19 budget to undertake works to improve fire safety. We are also transitioning to a five-yearly cycle for electrical safety reports from our current 10 year cycle.

Diversity

3.13 We are committed to achieving a working environment, which provides equality of opportunity and freedom from unlawful discrimination on the grounds of race, sex, pregnancy and maternity, marital or civil partnership status, gender reassignment, disability, religion or beliefs, age or sexual orientation. We also aim to provide a service that does not discriminate against its customers in how they can access the services supplied by HH.

3.14 The Single Equality Scheme takes account of the requirements within the Equality Act 2010 and the Public-Sector Equality Duty (PSED). The framework describes in a single document how HH will fulfil its statutory and regulatory requirements to promote equality of opportunity, avoid discrimination, demonstrating its commitment to placing the promotion of equality and diversity at the centre of every aspect of its work.

3.15 We published our Gender Pay information by the deadline of 4th April 2018. The results were extremely positive. Average salaries show a 0.25% pay gap in favour of female employees. This along with a large representation of females at Director level provides a positive pay gap of approximately 14%. However, the report has highlighted a couple of actions for HH to progress.

Environmental

3.16 We aim to reduce the environmental impact of our activities. To achieve this, we operate an Environmental Sustainability Policy. This shapes how we consider our environmental impact across all its business activities.

Health & Wellbeing

3.17 HH welcomes the opportunity to contribute to improving the health outcomes for all those living in the borough through its role on the Health & Wellbeing Board.

3.18 In conjunction with the CCG, we have developed a jointly funded role to practically deliver health related initiatives across the neighbourhoods in which we operate. This builds upon the foundations laid in 2016/17 when the focus on developing a strategic approach was developed through a joint Director of Housing & Wellbeing role.

3.19 Our move to Waterfront Point in September 2017 enabled us to offer a modern, award winning workplace and a working culture, which provides flexibility for people to deliver their best performance.

4. Key performance indicators

Actual performance for 2017/18 (Appendix 1)

4.1 We have seven key performance indicators that are reported to each Board meeting. These are our lifeblood measures, as they are critical to the financial health and wellbeing of the business.

4.2 Our key strategic targets have been delivered, as evidenced by us outperforming six of the seven challenging 'Lifeblood Measures' targets. Our sector leading Digital First targets have been achieved and are now part of our normal working approach. A monthly update against our Digital First targets are published on a monthly basis (Appendix 3). The only target not achieved was "Net New Homes". This was because 10 properties due to be completed in March 2018 slipped into 2018/19. Right to Buy and Right to Acquire Sales also exceeded expectations.

4.3 We have maintained our delivery of new homes, with 1,200 built and acquired in the last five years. We have an excellent relationship and track record with Homes England.

4.4 Our portfolio has shifted as part of our risk diversification, with mixed tenure developments and growth in our sales skills. An active pipeline of 800 additional new build homes has been identified, against our target of 1,100 by 2024. Of these, 134 homes have been secured through strategic land purchases and 378 homes are in construction or completed.

4.5 The last year has been when we have focused on listening more – both with customers and colleagues. Our customers and colleagues value what we do: 91% of customers and 84% of colleagues would recommend HH as a landlord/ employer to friends or family.

4.6 Customeyes is our sector leading transformation programme. This will radically change how the business delivers it services as well as improving our operating effectiveness and efficiency. A summary of the Programme is included at Appendix 4.

NROSH data submission (Appendix 2)

4.7 Each year HH must submit data to the Regulator of Social Housing. The submission for 2017/18 reflects our strong performance across a range of key measures.

4.8 Some of the highlights of the data submission include:

- The number of homes owned and managed has increased from 6,878 to 7,048.
- The average social rent for a general needs property is £82.97 (52 weeks). This reflects a decrease of 1.0% compared to the previous year following the rent reduction.
- HH had just 54 empty homes at the end of the year. This represents 0.8% of the total number of homes.
- HH let 754 homes during the year. This represents a turnover rate of 11%.

- HH evicted 75 customers during the year. 74 of these evictions were for rent arrears and one for Anti Social Behaviour (ASB). This is an increase of 15 from the previous year.
- HH sold 56 homes during the year through the RTB and RTA initiatives.

Targets for 2018/19 (Appendix 3)

4.9 There are seven key Board measures for 2018/19. We have robustly reviewed the targets that we have set for the year.

4.10 One of the measures will measure the percentage of customers who would recommend HH as a landlord to friends or family member. Our target is to achieve 80% (4 out of 5) of customers.

4.11 Our key priorities for 2018/19 include:

- Continued focus on income collection and dealing with the impact of UC
- Improving our H&S compliance policies, processes, monitoring and reporting
- Implementation of GDPR
- Delivery of new homes for rent and sale
- Review of how we allocate our homes
- Continue the roll out of Digital First
- Development and implementation of our Workforce Development Plan
- Implementation and roll out of the new Board 'Lifeblood Measures'
- Review of customer service delivery structures as part of our Customeyes Project (see Appendix 4)
- Implementation of the action plans arising from the governance review and IDA preparedness review
- Commencement of the review of Our Direction (OD2.0) in readiness to launch a refreshed strategy in early 2019

5. Welfare Reform

5.1 One of our most significant risks is Welfare Reform – particularly UC. We anticipate that our rent arrears and bad debts will increase. We continue to review the provision within our financial forecasts. We have assumed a bad debt charge of 3% for 2018/19 and 4% in our future financial forecasts from 2019/20.

5.2 Our Housing Services Team focus on those customers who need our help and support the most. It is based around the three key areas of debt recovery, tenancy support and tenancy enforcement.

5.3 Through increased levels of automation and our renewed focus, we can mitigate some of the increased costs from UC. Our Digital First Programme has freed up resources to focus on debt recovery and support those customers who are most vulnerable. Recent analysis shows that the introduction of DF has saved £750,000 additional staffing costs that we would have needed to collect our UC related income (Appendix 6). We have prudently provided additional costs in our financial plans to cover additional staffing, mobile technology and collection costs.

5.4 We have reviewed our policies and procedures to ensure that they are all fit for the future and where applicable have placed a greater emphasis on customers taking responsibility for the choices they make. Underpinning the review is the adoption of our two Principles: choice and responsibility.

5.5 Since August 2016 we began to experience the impact of the full digital roll out of UC at around 20 cases per week. The roll out of the service has been difficult to manage and resulted in significant increases in the arrears of those who have transferred to this service. Despite the challenges, as a result of the investment in our systems and structures, we are still achieving our targets. We recognise and appreciate the significant investment made by the Council in providing £93k in Discretionary Housing Payments (DHP) in 2017/18.

5.6 We continue to use our evidence base as an early rollout area to lobby for the changes needed if UC is going to operate successfully. This has included our five separate submissions to the Work and Pensions Select Committee Inquiry into UC. Copies of these submissions and the regular summary infographics we produce to make the case for changes, can be found in the dedicated area of our website.

5.7 We are working hard with our customers to keep them informed and to help them to make changes and plan. During 2017/18 our four Welfare Benefits Money Advisors have generated £2.4m potential annual gains for customers including £775k in back pay and lump sum payments in benefits.

5.8 We continue to develop partnerships and we have a place on the Board of our local Credit Union, into which we have invested £100k.

5.9 On a final point we have continued to punch well above our weight as an organisation. The Halton brand is stronger than ever, as evidenced by our lobbying and evidence gathering/ sharing work on the impact of UC. This has also provided us with unprecedented levels of political and local influence across Halton and the wider LCR footprint.

6. Group Chief Executive

6.1 As you will be aware, Nick Atkin has announced he is moving to Yorkshire Housing.

6.2 There is an exceptional team and organisation. HH will continue to evolve and innovate and so deliver for customers. This is integral to our DNA. The Board has agreed a strategic direction that will deliver this through OD3.

6.3 To enable OD3 to be delivered, the Board have also commenced the process to recruit a new Group Chief Executive. We are selecting a specialist recruitment agency to support this, with an advert due to be published immediately following the Christmas Break.

6.4 The Board have reviewed the handover plan the Executive Team have been developing for interim arrangements. To ensure there is no loss of the momentum and progress we have successfully secured, we have agreed the timescales for a managed handover to be completed by 31st March 2019.

6.5 The processes and timescales we have put in place will ensure there is a managed transition and continued delivery of the exciting and pivotal projects planned for 2019 and beyond.

Appendix 1: KPI's 2017/18

Measure	Target	Performance	Comments
Income collected from current customers	Cash Collection: 95.95% Arrears: £1.1m	Cash Collection: 96.4% Arrears: £842k	The target has been achieved despite the impact that UC has had on our cash collection and arrears.
Average number of working days lost due to sickness absence	6.2 days	4.89 days	Sickness absence has significantly improved from the previous year and HH has performed well within target.
Void rent loss	£155,348	£144,484	551 properties we re-let this year with an average void period of 20.93 days.
OSUK (profit before tax & fair value adjustments)	£142,592 profit	£374,515 profit	OSUK has achieved Profit and Loss targets at year end.
Net new homes (HH only)	+204	+168	10 properties due to be completed in March originally are now due in June 2018. Right to Buy and Right to Acquire Sales have exceeded expectations which has resulted in not achieving the target.
Interest cover	Range from 151% to 166%	Range from 191% to 220%	HH has exceeded the interest cover covenants set by the funders.
Digital Contact/Activity	85%	87.5%	HH has achieved the target of 85% for March 2018 and is on track to achieve the 90% target by December 2018.

Appendix 2: Headline NROSH+ Statistical Data Return Information with Annual Comparison

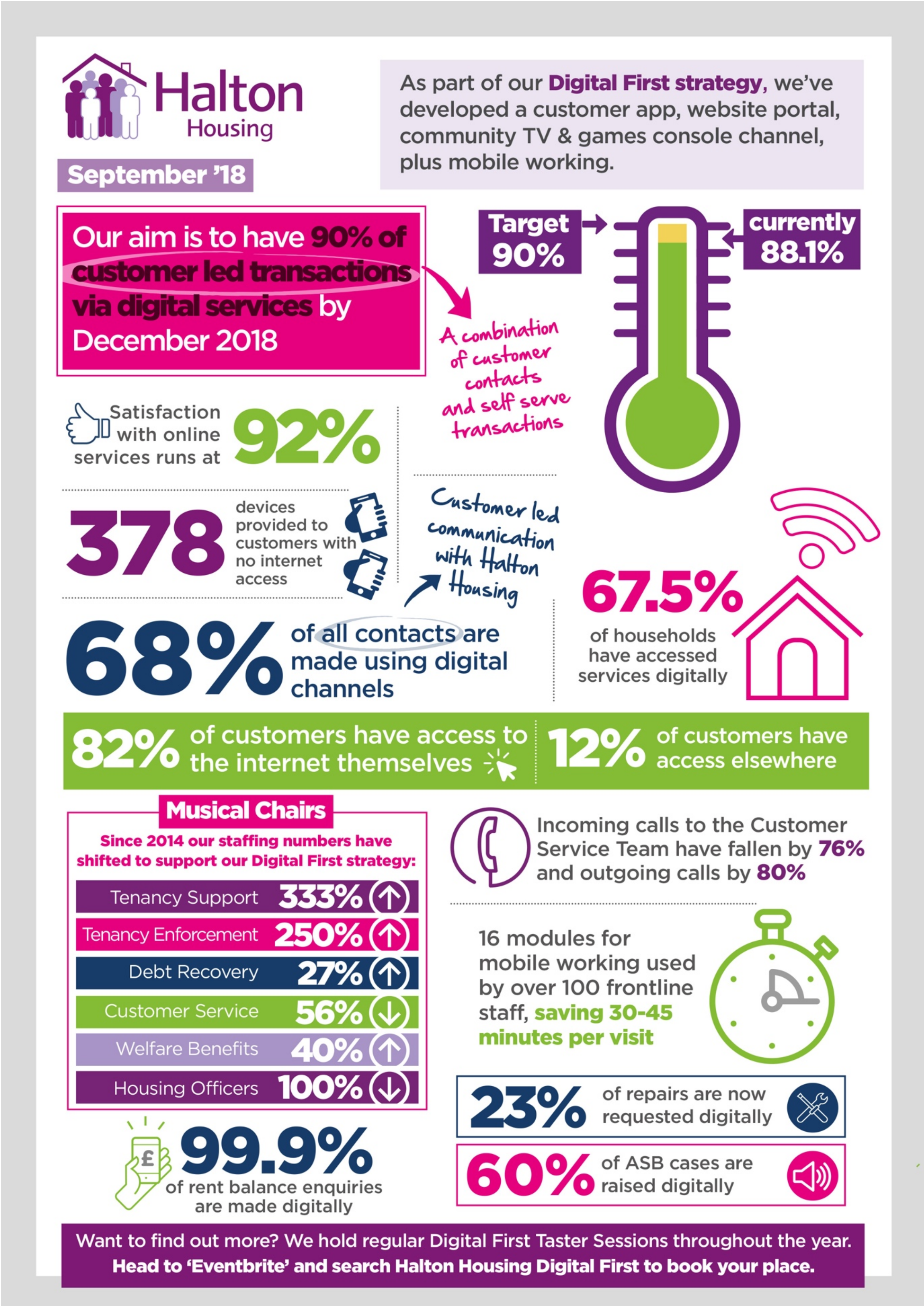
	RSR		NROSH+						
Year as at 31st March	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of General Needs Properties Excludes Affordable Rent Properties	6048	6046	6046	6158	6115	6224	6113	5759	5594
Number of General Needs Properties Managed by HH for other organisations	3	3	3	3	3	3	3	3	3
Number of Supported Housing Properties	97	97	97	128	128	128	128	128	128
Number of Shared Ownership Properties	Not in RSR		0	13	13	12	12	21	23
Number of Intermediate Rent Properties Not included in the General Needs Number	Not in RSR		0	12	17	20	19	18	17
Number of Affordable Rent Properties Not included in the General Needs Number	Not in RSR		28	82	170	269	479	949	1283[1]
Number of Properties Developed for sale but not yet sold as at year end.	0	0	3	0	0	0	17	3	2[2]
Average rent for General Needs properties	£66.97	£67.80	£71.65	£76.60	£79.49	£82.87	£84.80	£83.77	£82.97[3]
Average rent for Supported Housing Properties	£58.03	£58.51	£55.05	£67.26	£69.81	£73.67	£75.65	£76.54	£75.81
Average rent for General Needs Affordable Rent Properties	Not in RSR		£105.16	£101.20	£103.02	£104.81	£105.58	£102.29	£101.32[4]

[1] 1205 general needs, 39 supported housing and 39 temporary housing properties at Brennan Lodge.
[2] There are 2 buy back properties at Naughton Fields that were unsold at 31st March 2018.
[3] The rent reduction compared to 2017 is 0.96%. This isn't exactly 1% as there are properties that have moved from the social rent category due to sales and conversions to Affordable Rent.
[4] The rent reduction compared to 2017 is 0.96%. This isn't exactly 1% as there are properties that have moved from the affordable rent category conversions to social rent and all new build properties are affordable rent properties.

Appendix 3: KPI's 2018/19

Measure	Target	Comments
Income collected from current customers	Current Arrears £1.15m at year end	To set this target, we have estimated the increase in the number and the potential impact of new UC cases on arrears in 2018/19. This has been based on our experience of the roll out throughout 2017/18.
Void Rent Loss	£158,484	This target has been based on 600 voids throughout the year and achieving an average re-let time of 20 days.
Customer Feedback	80%	The target for this measure is to achieve 80% (4 out of 5) of customers who respond to our survey stating that they would recommend HH as a landlord to friends or family member.
New Homes Developed	22	HH are expecting to develop an additional 22 properties in 2018/19.
Number of Unsold Homes	0	All the shared ownership properties developed by HH are expected to be sold by March 2019.
Return on Investment in OSUK	3.7%	HH's Investment in OSUK is expected to return 3.7% in the year. HH's investment in OSUK will increase throughout 2018/19 as OSUK acquires or builds new properties.
Employee Engagement	65%	This will be the number of employee feedback 'pulse' surveys completed by employees. There will be several surveys throughout the year

Appendix 4: Digital First Summary Results



Appendix 5: Customeyes

Appendix 6: Life Without DF Post UC Infographic