

Report to Shareholders Board



16th October 2019 – Business Plan 2017-2022



southessexhomes

working **smarter** together

Shareholder Board – 16 October 2019

South Essex Homes are pleased to present this second report to the Shareholder Board. The report encompasses our published fully narrated accounts in respect of the last trading year, 2018/19, along with the updated internal publication 'Vision 2022', the South Essex Homes' Business Plan.

We continue to negotiate our new partnership agreement with Southend Borough Council and anticipate that the discussions may lead to the Council being able to approve the new agreement by the end of the year. We believe our key stakeholders remain supportive of South Essex Homes continuing and expanding services well into the future. Our joint determination to succeed places all parties in the best position to take advantage of a wholly owned trading concern.

Following approval of our new agreement, we will be able to fully revise and renew our business plan to encompass the new agreement in terms of KPI's, quality enhancements, compliance with the Council's 2050 ambition, innovative projects, and a new stronger contract compliance regime. Our teams are already working closely with the Council on the Better Queensway project and, along with other local suppliers, working hard to support the 2050 ambition. Our ambition is that, along with other Council owned businesses, we will continue to work collaboratively to bring about a better Southend for residents, businesses, and visitors alike.

The 12 months since our last report have passed swiftly and our focus on fire safety in particular remains constant. We continue to install uprated fire doors and fire safety systems whilst improving systems and response times. Rent collection rates remain high despite the introduction of universal credit. Revenue streams across commercial activities are strong and I am pleased to report that we have achieved a balanced budget before the addition of pension liabilities.

Overall, this has been a good year, one forming a solid base through which to pursue the many opportunities brought to us by way of the proposed new partnership agreement.

South Essex Homes are proud of our privileged role supporting the Council in delivering its key Borough-wide housing objectives and we are determined to play a full role in the years ahead.



Roger Eastwood
Chair South Essex Homes

Section two

Business Plan

Report of Director of Business Development

to

The Shareholder Board

On

16 October 2019

South Essex Homes' Business Plan 2017-2022

1 Purpose of Report

- 1.1 To present to the Shareholder Board the South Essex Homes' Business plan 2017-2022

2 Background

2.1 Business Plan

The Business plan represents the business vision of South Essex Homes from 2017 forward. The plan is due for revision and representation in 2019/20, following approval of our new partnership agreement with the Council. The new agreement will contain critical KPI's and clear business objectives tied to the Southend 2050 ambition.

- 2.2 Our expectation is that these important performance measures will influence our direction and operation, and as such, will feature prominently in our revised business plan.

- 2.3 As the new partnership agreement, although close to conclusion, has yet to be agreed, until agreement is reached we continue to operate our existing rolling plan, albeit updated here.

3 Context

- 3.1 Our plans as presented here are well formed and they relate directly and practically to our corporate agenda. Our objectives are reviewed regularly and we believe will be retained within the forthcoming partnership agreement. Our objectives are to –
- Deliver Value to the Council
 - Empower Residents
 - Provide innovative solutions
 - Engage with communities
 - Develop commercial activities
- 3.2 Set against the background of these objectives South Essex Homes has identified within the plan the following contributing strategic projects and performance goals. –
- Careline review – bringing to commercial viability
 - Repairs and Maintenance – redesign the externalised service delivery
 - Re-engineering of front line services – cost reduction whilst maintaining performance levels
 - ICT review – delivering more effective IT services in support of improved performance
 - Expand the future role of SEH – commercialisation and the commercial subsidiary

4 Progress

- 4.1 Since writing and publishing the business plan South Essex Homes have made considerable progress in respect of project and goal implementation
- 4.2 Careline
- 4.3 Southend Borough Council transferred full responsibility for Careline services to South Essex Homes on 1st April 2018. During 2017/18 South Essex Homes planned, managed, and achieved the financial turnaround of Careline moving to a breakeven position whilst providing a free service to sheltered housing residents within the South Essex Homes management portfolio. Currently, Careline now rebranded CarelineSoS continues to maintain a breakeven budget position.
- 4.4 Repairs and Maintenance
- 4.5 South Essex Homes (SEH) have re procured the repair service contract replacing Keir with Morgan Sindall. It is early days within the contract mobilisation and expectations are that after an initial dip in performance consequential to the changeover, significantly improved services will be put in place to benefit residents.
- 4.6 Re-engineering the front line service
- 4.6 South Essex Homes completed a full re-engineering exercise in respect of staff levels and structures during 2017/18 and have fully implement the redesign over 2018/19. Costs have been significantly reduced such that projected 2018/19 outturns show South Essex Homes as breaking-even and this remains the situation in 2019.

- 4.7 SEH will continue to review all structures regularly to ensure that they remain consistent with changing operational needs.

4.8 ICT Review

ICT issues continue to be a cause for concern. Early in 2017 SEH commissioned a comprehensive technology review from a specialist technology company. That review indicated additional spend is required to change the entire technology suite in the order of £800,000. SEH consider this excessive and that the costs will far outweigh the benefits.

- 4.9 Given this SEH have commissioned a small piece of work to identify where integration is possible and where the cost of that integration would be outweighed by the benefit derived. To date, we have (accepting the need for economy) planned the expenditure of approximately £145k to mobilise existing software for use in front line situations and improve self-service provisions via the internet (Website).

4.10 Expanding the future

- 4.11 Following the appointment of a Director Business Development in 2017 SEH have made significant progress in terms of commercial expansion. The commercial subsidiary South Essex Property Services (SEPS) has been returned to surplus earning status (2017/18) and commercial activity within SEH is gradually being consolidated and secured for the longer term. Total turnover exceeds £2m pa of which approximately £1.4m pa is delivered outside of employee hosting services. Employee Hosting services are delivering beyond financial expectations and currently provide net savings to SEH of approximately £100k pa.

- 4.12 Our client base within both companies (SEH and SEPS) continues to expand boasting; Housing Associations (Registered Providers), the University sector, other Local Authorities, and many private individuals amongst their client list. Southend Borough Council remains by far the SEH biggest client, and biggest supporter. It is still early days and surpluses are small but both companies are jointly building both a capability and capacity that will be ready for exploitation within the near future.

- 4.13 The success of commercial and SEH business activities highlighted the need to ensure future continuance of a strong delivery and commercial service. In February 2019, South Essex Homes appointed 2 Assistant Directors, one Operations and one Commercial Services. Both appointees are settling well into their new roles. The Board and Executives of both companies (SEH and SEPS) are confident that the managerial future is secure.

5 Diversity and Equal Opportunities

- 5.1 There are no direct Equal Opportunities or diversity issues which arise from this report.

6 Financial Implications

- 6.1 Financial implications are reported throughout management accounts and internal budgets

7 Resident Consultation

- 7.1 Resident Board Members are party to all decisions impacting the Business plan.

8 Background Papers

8.1 None

9 Appendices

9.1 Business plan



Business Plan 2017 to 2022

Vision 2022

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South Essex Homes Business Plan

1.0 Introduction

- 1.1 South Essex Homes is the management company established in October 2005 by Southend Borough Council (The Council) to manage the 6,500 homes of the Council's rented and leasehold properties. We have made significant progress in improving services, working with residents and investing in homes over the last 11 years.
- 1.2 This business plan is about the future. It covers the period from 2017 to 2022 and is above all intended to be a practical document providing the operating framework for South Essex Homes over the next five years. The objectives we have set are ambitious while recognising the constraints and challenges that continued pressure on public finances create.
- 1.3 The plan emphasises the importance of our continued relationship with the Council and that, for us to continue to add value, the partnership needs to be underpinned by clear expectations and shared ambitions. We understand and accept the need for a continued re-evaluation of our on-going role and articulate through this plan how we see our contribution developing.
- 1.4 South Essex Homes and the Council have a strong track record of achievement in the Housing Service. We believe this provides a sound platform for the future development of the services we provide but also recognises the need for us to invest in our staff, our systems, our residents and our key relationships for us to continue to make a difference in the future.
- 1.5 We also realise that we must expand our sphere of work and increase income to ensure the long term sustainability of South Essex Homes. We aim to achieve this through our subsidiary South Essex Property Services.
- 1.5 The essence of this plan is about practicality and delivery. We have set out clear ambitions and identified outcome measures that will enable us to demonstrate results to both the Council and residents. The ambitions set out here will form the basis of action plans which describe the detail of how South Essex Homes will continue to deliver a high quality service for the Council by working smarter together.

Tony Churton

Chair of the Board, March 2017

2.0 Our Mission

2.1 South Essex Homes Mission is ***Working Smarter Together***

3.0 Our Aims

3.1 Our aims reflect the fundamental goals we must achieve in close collaboration with the Council. These are set out below:

Working Smarter Together
In partnership with Southend Borough Council

We will:

- **Provide** excellent services
- **Ensure** our sustainability

4.0 The Influencing Factors

4.1 South Essex Homes' aims are driven by a series of influencing factors, from national economic pressures to the Council's own strategic objectives. Our goals are inextricably linked with these factors. Our overriding purpose is to work holistically with the Council in ensuring tenants receive a high quality, cost effective service and that our future is sustainable.

4.2 The National Context

We face a time of very significant change for housing and the public sector more widely. This business plan is being prepared in the context of that continuing change and uncertainty. In addition it is likely that public sector spending constraints will remain a priority for the Government, putting further financial pressures on both the Company and the Council.

The key national factors likely to continue to impact on South Essex Homes directly and indirectly are:

- The Government continuing to reduce public expenditure
- The challenges to increase affordable housing in the wider context of a general shortage of housing and the increase in private rented housing for families
- The challenge of meeting the future demands of welfare reform
- The ageing population and the social care challenges arising from this

In addition the National Federation of ALMOs (NFA) and the Association of Retained Council Housing (ARCH) have stated that the Councils and ALMOs they represent are keen to help deliver new homes across every tenure, and believe that, given the right help, they could make a major contribution. Specifically they have asked the Government to:

Encourage and support Councils to supply homes for sale, market rent and low rent housing depending on the needs of, and market issues in, local areas.

Reconsider social rent reduction plans and debt caps to enable Councils to finance much more new building from their HRAs.

Make sure that arrangements to replace Council higher - value homes give Councils the resources and flexibility to deliver at least one-for-one replacement.

4.3 The Local Context

The challenges facing Southend are reflective of the national context and South Essex Homes has a key role in supporting the Council to respond to these.

4.4 The Local Housing Context

The Council's local Housing Strategy contains three aims which reflect the national agenda and are particularly relevant in terms of South Essex Homes' role. These are:

- Promote the delivery of quality housing, including affordable, to meet local needs and promote a sustainable and balanced housing market
- Promote improvement in the quality of the existing housing stock achieving Decent, Healthy and Environmentally Sustainable homes across all tenures
- Promoting greater accessibility to different types of housing and promoting independent living for vulnerable groups and continuing work to prevent homelessness

The Company's objectives reflect these aims.

4.5 The Broader Local Context

The Objectives identified in the Council's business plan are intended to contribute to helping the Council achieve its strategic priorities.

The five key strategic aims of the Council remain:

- **Safe**
 - *Create a safe environment across the town for residents, workers and visitors*
 - *Working in partnership with Essex Police and other partners to tackle crime*
 - *Look after and safeguard children and vulnerable adults*
- **Clean**
 - *Continue to promote the use of green technology and initiatives to benefit the local economy and environment*
 - *Encourage and enforce high standards of environmental stewardship*
- **Healthy**
 - *Actively promote healthy lifestyles for all*
 - *Work with public and private sectors to provide good quality housing*
 - *Enable the planning and development of quality, affordable housing*
- **Prosperous**
 - *Improve the life chances of our residents, especially vulnerable children and adults, by working to reduce inequalities and social deprivation across our communities*
 - *Ensure continued regeneration of the town through a culture lead agenda*
 - *Ensure residents have access to high quality education to enable them to be lifelong learners and have fulfilling employment*
 - *Ensure the town is 'open for business' and that new, developing and existing enterprise is nurtured and supported*
- **Led by an Excellent Council**
 - *Work with and listen to our communities and partners to achieve better outcomes for all*
 - *Enable communities to be self-sufficient and foster pride in the town*
 - *Promote and lead an entrepreneurial, creative and innovative approach to the development of our town*

The key focus for the Council will be:

- *Responding effectively to and supporting the move towards the integration of the health and social care agenda*
- *Responding to the pressures on the children's services*
- *Delivering the services across the borough holistically and within integrated communities with the public taking more responsibility*

Achieving this through the transformational agenda of:

- *Having a more entrepreneurial approach, including income generation*
- *Being more of an enabler rather than a provider working with communities and partners to deliver services*

These offer us both business opportunities to support the Council and major challenges to the way we deliver our services to support these objectives.

The Council is under pressure to meet local housing needs as a result of rising house prices and also the level of rents in the private rented sector. Ensuring the delivery of additional housing across tenures in the Borough is a key priority for the Council. The Council is seeking to pursue a number of initiatives over the coming years in order to deliver this.

South Essex Homes can support the Council to deliver these broader objectives by widening the scope of its own service delivery to the Council.

5.0 Our Objectives

5.1 Taking into account the national context, the local pressures and our aims, we have identified the key strategic objectives to be achieved over the next 5 years.

These objectives are:

- Deliver Value to the Council
- Empower Residents
- Provide Innovative Solutions
- Engage with Communities
- Develop our commercial activities

6.0 Delivering our Objectives

6.1 Delivering Value to the Council

We will:

Work in partnership with the Council to critically review our purpose and contribution:

- Continue to deliver an efficient sustainable service
- Seek to assist in the delivery of the major town centre regeneration project
- Work with the Council to support and deliver the requirements of any Local Housing Company
- Continue to respond effectively to the requirements arising from the introduction of Welfare Reform
- Maximise the Council's rental income

6.2 Empowering Residents

We will:

- Review and develop our Engagement Strategy to continue to offer the broadest range of options for residents to inform the on-going delivery of services
- Continue to work in partnership with the Residents' Scrutiny Forum to deliver actions identified from their independent reviews
- Support and train residents to encourage representatives, forums and associations to become more self-sufficient in their community involvement
- Develop the Hub concept to further support residents to deal with issues they are experiencing, which may be compromising their tenancy, maximise their income and reduce arrears for the organisation
- Support all residents to ensure sustainability of tenancies and leases

6.3 Providing Innovative Solutions

We will:

- Strive to maintain our key performance and resident satisfaction measures in the top quartile of our peers, in the context of reducing costs
- Further develop the Asset Management Strategy and Reinvestment Standard to enable informed decisions to be made about future investment in the stock

- Review the form of delivery of the repairs service to ensure Value for Money and to ensure compliance with relevant legislation
- Comprehensively review our IT and other communication systems to ensure staff are equipped to deliver excellent services, to improve communication and to ensure residents are able to access our services using a variety of online methods to suit their needs
- Review the delivery of front line services to ensure the highest quality of service in the context of our overall financial viability
- Work in partnership with the Council and other providers to contribute to building community capacity by sourcing external funding for projects

6.4 Engaging with Communities

We will:

- Identify initiatives to enhance the communities where residents live and increase satisfaction with neighbourhoods, educating and supporting tenants to take more responsibility for this
- Support the Council in achieving its objectives, including regeneration, renewal and redevelopment projects
- Work in partnership with the Council and external agencies to provide advice and support to residents to minimise the impact of Welfare Reforms
- Educate, support and encourage residents to improve their management of the use of energy and cut associated energy bills

6.5 Developing our Commercial Activities

We will:

- Maximise external sources of funding
- Review and expand the delivery of the Careline Service to maximise income
- Focus on maximising the use of our commercial subsidiary, South Essex Property Services, to provide more cost effective services and to improve our competitiveness
- Expand the services delivered to the Council to support the General Fund

7.0 Strategic Projects and Performance Goals

7.1 We have identified five key projects to drive the plan forward. The aim of these is to put the Company in a good position going forward to meet the changes and challenges awaiting us. We will work with staff to build on these to achieve the aims going forward. The five projects are:

- **Careline Review**

Transforming the Careline service into a commercially viable business unit and making it more competitive

- **Repairs and Maintenance**

Redesigning the delivery of the externalised repairs service

- **Re-engineering of Frontline services**

Reducing costs of services, whilst maintaining performance levels

- **ICT Review**

Delivering effective IT solutions to facilitate culture change and delivery models

- **Expanding the future role of South Essex Homes**

Utilising the commercial subsidiary to increase our competitiveness, expand our portfolio and reduce costs

7.2 Alongside this we will continue to strive to maintain the excellent service delivery to our tenants. We have a set of key performance indicators, which are set out in Appendix A.

8.0 Supporting our Objectives

8.1 To enable us to achieve our objectives we need to have the right business and cultural foundations in place and be able to maintain and constantly build upon these.

8.2 South Essex Homes has a strong track record in, and has consistently demonstrated our ability to, deliver results. We are confident we have in place the governance, leadership and key relationships to continue delivering and achieve the ambitions set out in this plan. Most of all we have confident, capable staff who demonstrate a positive attitude to the challenges ahead. Underpinning our plan are the key organisational foundations on which to deliver our aims and objectives.

9.0 Organisational Development

- 9.1 We have achieved Investors in People Gold Award accreditation and will use the lessons learned from this together with the results from our three yearly staff survey to develop our staff and leaders through our Organisational Development Programme.

10.0 Performance Management

- 10.1 The Company's performance management strategy combined with the planning process enables the targets set in partnership with the Council to be robustly monitored and delivered. This combined with effective leadership and Governance provides the foundation for ensuring the ambitions in this plan are delivered.

11.0 Risk Management

- 11.1 The effective management of Risk will be a key factor in the delivery of our business plan. To support the identification and management of risks we have in place a comprehensive strategy that supports a structured and focussed approach to risk management. The strategy aims to apply best practice to the identification, evaluation and control of key risks and ensure that residual risks are at an acceptable level.

12.0 Behaviours

- 12.1 Having the right behavioural environment for our staff to work in ensures that we work collaboratively towards our goals, both with each other, our customers and our stakeholders. Staff have worked together across the organisation on developing our corporate behaviours and are proud to say they own the behaviours. These are set out below:

- **Communicating Effectively**

Giving information or instructions in a clear and concise manner that understands and appreciates the needs of the receiver.

- **Being Consistent**

Ensuring a consistent approach is taken when we make decisions or give advice, to tenants or staff, making certain there is equity.

- **Being Respectful and Professional**

Treating everyone as they would wish to be treated, so they feel their needs are valued. Acting with integrity and a high professional standard and being sympathetic to customers' needs.

- **Having Ownership with Empowerment**

Taking responsibility for work from start to finish. Management giving staff at all levels the freedom to make decisions, where appropriate and able to do so, and supporting them throughout.

- **Having a Positive Can Do Attitude**

Looking for solutions rather than excuses. No blame, no surprises.

- **Being Collaborative**

Sharing consistent goals and being supportive of each other in achieving them and ensuring that others views are valued and respected.

13.0 Financial Resources

13.1 In moving forward the Company has to strike a balance between reducing costs and maintaining services. In setting the savings targets for the next five years, it is believed that this can still be achieved. It will however be difficult to achieve further savings without adversely affecting services. The Company is likely to need to look to use sustainable income from South Essex Property Services to support the management fee to ensure service levels are sustained. A summary of the financial position is set out in Appendix B.

14.0 Appendices

14.1 Appendix A - Performance Targets

14.2 Appendix B - Five Year Company Budget

Targets for 2018/19

PI Code	PI Name	2018/19 Target
SEH KP 4	Collection rate for rents	98.6%
SEH KP 5	Current rent arrears as % of rent due	2.6%
SEH KP 7	Void turnaround time	17.0 days
SEH KP12a	Responsive contractor repairs completed in target times	97%
SEH KP12b	Gas contractor repairs completed in target times	100%
SEH KP17	Gas safety certificates	100%
SEH KP19	% non-decent council homes	0%
SEH KP24	Working Days Lost Due to Sickness Absence	9 days
SEH KP25 (F2)	Total Complaints responded	Information Only
SEH Local R13	Current rent arrears (in cash)	Information Only
SEH Local R13a	Former tenants arrears	Information Only
SEH Local R14	FTAS as a percentage of debit	1.2%
SEH Local V3	Void loss as % of debit	Information Only
SEH Local V8	Percentage of property void & relettable	Information Only

Five Year Company budget - updated

<u>South Essex Homes 5 year Budget model</u>					
	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
<u>Turnover</u>					
Management Fee	5,958	5,858	5,908	5,958	6,008
Service Charge Income **	3,759	3,789	3,819	3,849	3,879
Other Income	679	679	679	679	679
Income from External Sources	177	177	177	177	177
Total Turnover	10,573	10,503	10,583	10,663	10,743
<u>Operating Costs</u>					
Employees	6,493	6,513	6,618	6,723	6,828
Other operating costs	4,102	3,942	3,942	3,942	3,942
Total Operating Costs	10,595	10,455	10,560	10,665	10,770
Gross Profit / (Loss)	(22)	48	23	(2)	(27)
Interest Receivable	25	25	25	25	25
Net Profit / (Loss)	3	73	48	23	(2)