

North Lincolnshire Homes
Corporate Strategy and Business Plan
2010-2015

March 2010

Building Successful Communities

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1. CHAIR'S STATEMENT

1.1 Welcome to North Lincolnshire Homes Corporate Strategy and Business Plan 2010-15. This Five Year Plan has been developed to outline the Association's current market position and set out its ambitious objectives and direction for the future.

1.2 This is the first Corporate Strategy and Business Plan that the Association has produced since its inception in 2007. During this time, we have already made significant progress in terms of achieving strong governance, financial viability and excellent service delivery. We have also made significant progress in delivering the promises to tenants and leaseholders agreed as part of the original stock transfer.

1.3 However, we are operating within an environment of considerable challenge and change, and it is important that we maintain the pace of improvement to ensure that our customers continue to receive first class housing services.

1.4 The Board has worked with tenants and staff to develop a strategic direction for the Association that places our residents and the diverse communities in which they live at the heart of everything we do. We will focus our priorities moving forward on improving the quality of our services, and on achieving sustainable communities and growth.

1.5 We will achieve our vision through applying our commitments to continuous improvement and adopting a flexible and innovative approach to identifying opportunities for growth.

1.6 We will also develop and enhance our relationships with our partners to maximise the impact we can have in the neighbourhoods in which we operate.

1.7 The challenge ahead will be to maintain our continuous improvement program, develop our organisational capacity, whilst retaining the clear vision of delivering our Promises to Tenants and together creating better homes and stronger communities.

1.8 These are exciting times, and the Board will ensure that it supports its staff to deliver the objectives set out in this plan to the utmost standards of quality and excellence to bring about real improvements for the tenants and communities that we serve.

Tony Lightfoot
Chair

2. EXECUTIVE SUMMARY

2.1 This document represents North Lincolnshire Homes Corporate Strategy and Business Plan 2010 -15. It is a five year rolling business plan that sets out the Association's corporate priorities and objectives. It is supplemented by annual Corporate and Operational Plans which provides a greater level of detail about the delivery targets and timescales that will be implemented over the forthcoming year.

2.2 The Business Plan sets out our Vision to “**Inspire Our People And Partners To Make Positive Differences**”. Our Approach is set out through the delivery of three corporate objectives namely:

- **Delivering Excellent Services and Homes**
- **Ensuring Customers are at the Heart of the Business**
- **Maximising Resources and Opportunities**

2.3 This is to be achieved in accordance with a set of Core Values that have been set which outline the minimum standards that should characterise all of NLH's interactions with its staff, customers, partners and stakeholders. Our Core Values will form the new culture that the organisation will develop and foster over the coming years.

2.4 Together our Business Vision, Corporate Objectives and Core Values help to achieve our Core Purpose in “**Building Successful Communities**”.

2.5 Following an outline of NLH's past history and its present position, the Business Plan outlines the association's future intentions over the next 5 years.

2.6 In devising its future strategy, NLH has considered the environment in which it operates and undertaken a market analysis with reference to geographical factors and range of services. Reference has been made to the wider housing sector which is undergoing a period of considerable and radical change. This creates both opportunities and risks for NLH, as reflected in its **SWOT** and **PESTEL** analysis. This Business Plan therefore sets out how NLH will take advantage of the opportunities that exist whilst mitigating the risks.

2.7 The Business Plan refers to the provision of our housing services, client groups served and potential for diversification into new activities in the future. Key factors influencing this strategy will be the impact of our geographical location in North Lincolnshire, demographic changes, competition from RSL's and the private sector, new government policy along with our own capacity to deliver existing and future services.

2.8.1 To deliver excellent services and homes, we refer to our key landlord services, including our strategies relating to housing management, investment and asset management.

2.8.2 To ensure our customers are at the heart of the business, we set out how this is to be achieved through our strategies relating to Access and customer Care, Equality and Diversity and Resident Involvement.

2.8.3 The Plan refers to how we will maximise resources and opportunities through building the capacity of the organisation to support and grow the business, including our strategies for

diversification, HR, ICT as well as PR, Marketing and Communications. Reference has also been made to our organisational cultural change program as well as the overarching performance management frame work.

2.9 The final section considers our resources and Financial Plans including our funding arrangements and 30 year financial forecast and budgets supporting delivery of the Business Plan. Key factors relate to our Gap Funding, Treasury Management Strategy and the need to meet our loan covenants and demonstrate our financial viability to our stakeholders. The supporting financial documents will cover our assumptions, income and expenditure accounts, balance sheets, cash flow statement and the annual viability review which validates our financial forecasts. There is also reference to our financial sensitivity analysis to show the impact of modelling changes on a number of key variables to demonstrate how our plan will respond to these potential risks.

3. VISION, CORE VALUES AND CORPORATE OBJECTIVES

3.1 Vision

Our Vision, as North Lincolnshire's largest social landlord, is to "Inspire Our People and Partners To Make Positive Differences".

Through inspiring our people, customers and key stakeholders we can help realise their full potential and maximise opportunities through effective partnership working in order to build successful communities.

3.2 Corporate Objectives

We have developed our Corporate Objectives which are central to achieving our vision, and set out what we plan to do as an organisation whilst maintaining our core values. These objectives were developed by the Board of North Lincolnshire Homes and take into consideration the promises made to tenants and our aspirations for the communities which we serve. The Corporate Objectives set out below create the framework for measuring performance across the organization. These objectives will form the basis of operational, team and individual plans as we aim to direct our organisational and individual activity towards achieving these objectives.

Our strategic approach therefore is set out through the delivery of three corporate objectives namely:

- Delivering Excellent Services and Homes
- Ensuring Customers are at the Heart of the Business
- Maximising Resources and Opportunities

We know that there is a real passion amongst our customers and communities for excellent services and homes. Working with tenants and residents, listening to them and understanding their needs will help to shape our services. We will continue to reach out to, and involve, more customers to help us deliver excellent, value for money services and to keep improving. Our success lies in the strength of our partnerships with customers, tenant and resident groups, North Lincolnshire Council, our funders and key stakeholders. We aim to maximise all available resources and seek opportunities to grow and diversify the business in order to realise our vision and deliver our core purpose.

3.3 Core Values

How customers, staff and other organisations feel about us is very important to us. How we do things is as important as what we do. We aim to demonstrate the following values in all we do.

- Invest In Our People,
- Work Together As One Team,
- Be Customer Focused,
- Be Respectful And Honest,

- Be Responsible and Accountable
- Be Positive and Care about what we do
- Welcome Challenges
- Value Relationships with our Partners
- Deliver the Highest Standards
- Continuously Improve

We recognize that our staff are our best asset, therefore we will invest in their development to ensure we have a highly skilled, trained and motivated workforce. These values and behaviours will be used to recruit and retain the best staff and ensure we can perform to the highest standard through effective teamwork. Our aim is to be customer focused and empower staff to be responsible and accountable for their actions. Our “Can do Culture” will require staff that are positive, who welcome challenges and continuously seek to improve the service. Our new culture will be underpinned by these core values and will form the basis of our core competencies and performance management system.

4. OVERVIEW OF THE ASSOCIATION

4.1 North Lincolnshire Homes Brief History

North Lincolnshire Homes (NLH) is a stock transfer association set up in February 2007 to receive the transfer of 9950 homes from North Lincolnshire Council. The current profile of the housing stock shows there are 4279 houses, 3431 flats, 1861 bungalows, 188 maisonettes and 106 bedsits. NLH are a registered charity, a not - for - profit housing company, 'limited by guarantee', registered as a social landlord with Housing Corporation. NLH have an ambitious 5 year £125m improvement program to ensure all homes meet or exceed the Decent homes Standard by 2012 and are now well ahead of schedule in delivering our Capital Investment plans. The loan facility of £105m provided by Barclays Bank at the time of the transfer is supplemented by £46m gap funding from central government and £43m VAT shelter reclaim that maximizes our investment program outcomes. We have made good progress against the original Business Plan, annually outperforming our financial assumptions, regularly meeting our loan covenant agreements.

NLH relocated to new Headquarters at Meridian House, Scunthorpe in 2007, which further enhanced the Company's own identity and independence as a new stock transfer association. Since transfer we have challenged and tested our service delivery arrangements through Mock and Audit Commission Inspection, Internal Audit, STATUS tenant satisfaction surveys, as well as our own program of Service Reviews.

During this period we have strengthened our organisational infrastructure and capacity to improve and consolidated our financial position. We have further developed our Strategic Planning and Performance Management framework and track record in delivering service improvements for our tenants.

NLH are now in the third year in terms of "Delivering the Promises to Tenants" and have made an excellent start, with progress measured regularly by the Board.

4.2 Board Composition and Operation

NLH is run by a Board of 15 members, one third nominated by Council, one third Tenants and one third Independent chosen for their skills and knowledge. The work of the Board is supported by the Operations, Resources and Audit & Risk Committee, as well as specific working groups who carry out delegated responsibilities on behalf of the main Board. Annual Board Away Days review the strategic and business planning approach and develop corporate governance arrangements for the Company.

4.3 Management Structure & Staffing

The Senior Management Team is led by a Chief Executive and comprises a Director of Housing Services, Technical Services and Finance, supported by a number of Assistant Director/Heads of Service, with responsibility for various operational elements of the business.

4.4 Key Stakeholders and Partnership Working

NLH recognise that in order to deliver its vision and objectives we must develop effective relationship and partnership working with our key stakeholders.

NLH have developed good relationships with the Tenant Services Authority our regulator following transfer and have recently achieved three green lights for Governance, Financial Viability and Management following submission of our compliance statement against the regulatory code.

We have a strong relationship with Barclays Bank our main funder and continue to build our track record and confidence in meeting the loan covenants built into the funding agreement.

Our main Investment Partners Mears, Bullocks and Anglian have ensured an excellent start to delivering the program of capital improvement works to our stock, supported by our other maintenance contractors to ensure our properties are maintained to the highest standards.

Our Service delivery partners include a range of statutory and voluntary organisations to ensure our tenancies and estates and communities are safe, secure and sustainable.

NLH have renewed and strengthened strategic links and working relationships with North Lincolnshire Council and other key partners following transfer. The stock transfer agreement sets out the primary obligations and main service delivery arrangements with the Local Authority. NLH will continue to support NLC in relation to meeting housing needs, preventing homelessness, ASB, providing decent homes, adaptations and being an active partner on the Local Strategic Partnership.

At NLH our residents are key stakeholders. The association supports a network of 27 active resident associations throughout the North Lincolnshire area and there is a dedicated Resident Involvement Team and budget to support residents. Tenants can attend Board Meetings as observers and are encouraged to be Ordinary members of the association and Tenant Board Members receive specialist training on Governance and other matters as part of their training and development program.

A Stakeholder mapping exercise will be undertaken annually to ensure we are identifying all our key stakeholders and engaging with them in the development and delivery of our business plan.

4.5 The Future, Looking Forward

We are a relatively new organisation with a clear vision, committed to delivering excellent services and decent homes including the promises made to our tenants at transfer. We are self aware and recognise the challenges ahead, however are determined to succeed with the support of our key partners, through learning from best practice and involving our residents to ensure they are at the heart of our business.

Key challenges going forward are meeting and then exceeding the new TSA Regulatory Regime and delivering the Audit Commissions recommendations following the recent Inspection which gave us promising prospects for improvement. Over the next year financial

we will be delivering our Corporate and Service Improvement Plan priorities, undertaking a number of service reviews and achieving further efficiencies in managing the business, through modernising our DLO and implementing our new ICT Housing Management System.

Alongside this we will continue to deliver the capital improvements program, as well as the environmental improvements across our estates, tackling the non traditional housing stock, low demand sheltered and small scale regeneration of problem sites in conjunction with North Lincolnshire Council.

At the same time we will be progressing with a sub regional Choice Based Lettings (CBL) scheme, bidding for the Supported Housing Contract, as well as market testing and monitoring the Grounds Maintenance contract.

NLH are on a journey of significant cultural change and organisational development whilst seeking to develop the capacity to deliver the new vision for North Lincolnshire Homes.

5. MARKET ENVIRONMENT

5.1 North Lincolnshire Homes Stock

North Lincolnshire Homes stock is exclusively located within the boundaries of North Lincolnshire. Approximately two thirds of the stock is in the main town of Scunthorpe



A significant proportion of the remainder of the stock owned by North Lincolnshire Homes is situated in the following market towns and villages:

- Barton upon Humber – 572 properties
- Brigg – 368 properties
- Winterton – 309 properties
- Crowle – 205 properties
- Broughton – 189 properties
- Epworth – 169 properties
- Hibaldstow – 137 properties
- Keadby – 127 properties
- Kirton Lindsey – 116 properties
- Belton – 102 properties

5.2 Local Context

North Lincolnshire is situated on the south side of the Humber estuary and covers an area of 85,000 hectares of which 89% is agricultural land. The overall population is approximately 166,900. The patterns of settlement reflect its mainly rural nature with market towns surrounded by many small villages.

The main urban centre is the town of Scunthorpe and is famous for its steelworks, which is still a major employer in the area despite the decline of the steel industry. Whilst Scunthorpe is the main centre for jobs, shopping and further education, the agricultural heritage of the County lead to the development of 6 market towns. Epworth and Crowle serve the Isle of Axholme and Barton, Brigg, Kirton in Lindsey and Winterton serve their neighbouring rural areas. The M180 motorway runs east to west through the County providing good road transport links in and out of the area.

5.3 Local Demographics

Population Data

- Local population has increased by over five per cent in the last decade. The population at the mid-year point of 2008 stood at 160,300.
- Population is forecasted to grow 198,900 by 2031:
- The number of people who are over 65 is forecasted to almost double over the period from 17.8% to 30%. This is in line with the national picture.
- Black and minority ethnic (BME) people make up about 3.95% of the population overall but some areas such as Crosby in Scunthorpe, have a significantly higher proportion. The main ethnic minority groups are of Asian or Asian British heritage but the Iraqi Kurdish community is increasing. Since 2001, the proportion of Eastern European workers has also been increasing.
- In the twenty five year period 2004-29, it is estimated that North Lincolnshire will grow by 21,000 households to 88,000 (31.3% increase). The growth will predominantly be one person households, specifically made up of people over 45 years of age.
- Sources suggest in order to meet this increase in the population North Lincolnshire will need to build 750 dwellings per annum, a significant proportion of which will need to be aimed at affordable housing.

5.4 Inequalities and Health

North Lincolnshire is ranked as the 132nd most deprived area out of 354 in England, this is about average using the Index of Deprivation (ID) score. However, there are some wards around Scunthorpe where NLH has housing stock that are significantly more deprived, notably Brumby, Crosby, Frodingham and Ashby.

5.5 Unemployment & Income Levels

- 5,079 people were claiming Job Seekers Allowance (JSA) in North Lincolnshire in May 2009. A significant rise on May 2008 when the number of claimants was 2,251. The number is the highest it has been since August 1996.
- 5.2% of the working age population of North Lincolnshire are now claiming JSA (May 2009). This figure is higher than both the sub region 4.8% and Great Britain 4.1%.
- On first examination the average wage for North Lincolnshire compares well to that of the region. However, closer examination highlights a significant proportion of the workforce within North Lincolnshire is actually receiving well below the average annual wage. 25% of workers are earning £12,467 pa or less which has an impact on housing affordability.

5.6 Private Sector Housing

- From Land Register data, average house prices across all of North Lincolnshire dropped by 12% between April 2008 and April 2009 i.e. £120,709 (April 2008) to £106,057 (April 2009).
- House prices in England and Wales fell by 16.2% in the same period.
- House sales in North Lincolnshire fell from 170 in February 2008 to 70 in February 2009.
- The annual gross income required on a 100% mortgage on an 'entry-level' property (£89,000) for a single earner would be £27,143. According to CACI income distribution data, 51.6% of all households in North Lincolnshire have incomes below this level.
- The gap between earnings and house prices and therefore the affordability of mortgages, despite house prices falling is unlikely to have reduced significantly due to the recession. At the same time, national data implies that it is becoming more difficult to borrow, particularly for first time buyers and those looking for 100% mortgages.
- The number of people North Lincolnshire Council has a duty to house after being made homeless due to mortgage arrears, increased from 17 in the year 2007/08 to 21 for the year 2008/09. In percentage terms this is a 24% increase with the majority of these being families.
- Private renting is relatively affordable in North Lincolnshire compared with national private rent levels requiring an assumed annual income of £15,088 for a one-bed property. According to CACI income distribution data, 24.3% of all households have income below the required for private renting.

5.7 Waiting List Demand

- Number of people on the housing waiting list
May 2009 – 4899 (22% of which are aged 16 to 25 and 28% of which are aged over 60).
- One in 6.9 households in North Lincolnshire are on the social housing waiting list.
- Around 70% of current applicants have registered within the last two years.
- 41.5% of applicant households are classed as either private tenants or living in owner occupied property and a further 17.3% as sharing with family. This means that over half the applicants represent households with a new requirement for affordable housing.
- Current demand is very much from young people and families, with only 15.3% being from applicants 65 and over. 43.6% of applicants represent one-person households.
- The main requirement in terms of bedroom size is for two bed property, 53.1%. The requirement for four or more bedrooms is only 1.3%.

5.8 Future supply and demand of Affordable Housing

- The 2006 Strategic Housing Needs and Market Assessment (SHNMA) identified the need for 302 additional affordable homes per annum, this rose to 373 per annum in 2008 (SHNMA, market review 2008).
- As activity in the housing market has declined, the number of new affordable homes delivered through the planning system has reduced. Before the downturn in the housing market took hold, it was expected that 48 new affordable homes would be delivered in 2009/10 to date only 7 have been completed.
- Housing Associations are currently expected to deliver 90 new affordable Homes by 31 March 2010.
- Potential demand for products to meet the Intermediary Housing Market i.e. shared ownership, home buy direct
- The Rural Housing Needs survey analyses households in need compared to supply and pressure points highlight Crowle, Broughton, Gunness, Winterton, Hibaldstow as priority areas.

5.8 Demand and Supply Analysis

It is evident from the above that North Lincolnshire Homes currently has a significant part to play in the provision of affordable housing in North Lincolnshire. It currently owns over 88% of the social housing provision in the area. Appendix 1

High demands for affordable housing are predicted for the future due to population increases. Predicted changes in the demographics of the population will affect the type of property in demand. Despite lower property prices, a high proportion of people due to low wages and unemployment are still unable to gain entry into owner occupation in the private sector housing market. The private sector rental is more affordable, however, whilst the sector is relatively small, it still provides direct competition to NLH.

5.9 SWOT Analysis

To better understand NLH's position in the marketplace a SWOT (Strengths; Weaknesses; Opportunities; Threats) analysis has been undertaken to enable the organisation to focus upon its key priorities. This is produced below as follows:

Strengths	Weaknesses
Market Share (88% of social housing sector)	Gap Funding
Affordable Rents	Condition of stock and environmental areas
Low Cost base-Economies of Scale	Pockets of Low Demand
Robust 30 year Financial Plan	Limited track record
Improving Customer Satisfaction &	Poor ICT Housing Management

Involvement Strong SMT & Board Collective experience, knowledge & skills – promising prospects for improvement High Demand for property	System Traditional range of housing services Benefit Dependency
Opportunities Regeneration Rebrand & create new Image Local Property Management & Stock Transfer Diversifying & Marketing services to others Technological Advances & Innovation Availability of housing development sites Strengthening Partnership Working	Threats Competition – RSL’s & Private Sector Changes in legislation Reduction in funding Regulatory Changes & Inspection Regime Increased Maintenance Costs Changes in interest & inflation rates Loss of key staff

This analysis identifies some key strengths that NLH will use to pursue its corporate objectives and target opportunities for growth and diversification of the business. NLH are a major player with 88% of the market share of social housing in the area and have huge potential to market its management and maintenance services to other landlords.

The private rented sector is relatively small compared to the national average (6.3% NLH vs 13.9%) this presents an opportunity for NLH to diversify into the intermediary housing market.

There are also opportunities for small scale stock transfer to NLH as there are 17 RSL’s sharing a dispersed stock of 1,338 units as they may seek to divest their small portfolio’s through pressures of stock rationalization. Over time NLH will automatically address some of its perceived weaknesses through investment in its housing stock, ICT Systems and build its track record and financial capacity with less dependence on gap funding.

5.10 PESTEL ANALYSIS

NLH will regularly review the external influences that can impact on the housing market and environment in which it operates. Housing has now become an issue of major debate within the political arena, driven in particular by concerns over affordability, and rising property prices, spurred on by low interest rates and limited supply; and by large scale regeneration initiatives such as Housing Market Renewal. Social Housing is also subject to significant change and its most extensive upheaval in a generation, therefore NLH must review and

respond to these drivers for change as part its business planning process. The PESTEL analysis provides a useful tool to consider a range of factors including Political, Economic, Social, Technological, Environmental and Legal. This analysis provides a framework to receive, quantify and analyse the flow of external information to the organisation.

<p>Political</p> <p>Change in Government – General Election</p> <p>New Housing Policies & impact on RSL’s i.e.</p> <ul style="list-style-type: none"> • Housing Finance • Housing Benefit • Rents • Right To Buy • Right To Move <p>New TSA Regulatory Framework</p> <p>New Build & Planning Policy</p>	<p>Economic</p> <p>Recession & impact on tenants</p> <p>Rising unemployment & personal debt</p> <p>Increased Poverty & deprivation</p> <p>Reduced property values</p> <p>Competition for Funding</p> <p>Inflation & Interest rates</p> <p>Pension deficit</p> <p>Global financial & stock markets</p> <p>Financial Inclusion</p>
<p>Social</p> <p>Increasing customer expectations & choice</p> <p>Ageing population – Extra Care, Adaptations, Lifetime Homes</p> <p>Increasing housing demand</p> <p>Changes to Welfare System</p> <p>Rising Crime/ASB & impact on Community Cohesion</p> <p>Residualisation & “Blighting” of social housing</p> <p>Migration of workforce</p>	<p>Technological</p> <p>Improved ICT Systems development</p> <p>Increased Home & Mobile Working</p> <p>Improved Internet & Tel-Comms</p> <p>Technological advances in house building, products, energy uses/source</p> <p>Increased use of Contact Centres, Electronic Communications, Digital TV</p> <p>Increasing access to information & knowledge</p>
<p>Environmental</p> <p>Climate change & flooding risk</p>	<p>Legal</p> <p>New Housing legislation, powers & duties</p> <p>Increasing employment legislation</p>

Rising fuel costs & focus on energy efficiency, Renewable energy initiatives Focus on rural housing, transport, new build	Increasing human, tenant/consumer rights New TSA Regulation and guidance on housing management standards
Environmental improvements & initiatives	

5.11 Risk Management

NLH have an effective Risk Management Strategy and manage strategic and operational risks through its mitigations plans which are monitored via an internal Risk Management Group. The Risk Map is reviewed on an annual basis as part of the business planning process. Strategic Risks are reviewed annually and each service area twice a year via the Audit and Risk Committee. Through effective management of the threats and opportunities facing the organisation, it will be in a stronger position to deliver its business objectives, provide improved services and obtain better value for money. A Business Continuity Plan is also in place which has been audited and independently validated.

6. SERVICES AND HOMES

6.1 Our corporate objective is to “**Deliver Excellent Services and Homes**” to the customers of NLH. NLH is a provider of general needs housing, older persons supported housing, leasehold housing and a small portfolio of commercial shop premises, miscellaneous garage sites and land assets. See Housing & Property Stock in table below:

Property Type	No of Units
General needs	7313
Supported Housing	2547
Leasehold	283
Commercial Shops	53
Garages	1800
Miscellaneous Land Assets	180

6.2 NLH provides traditional housing management and maintenance **services** based on a comprehensive set of service standards agreed with customers. These services include Tenancy &, ASB, Estate Management & Caretaking, Income & Arrears Management, Repairs & Maintenance including Voids & Gas servicing. Our Supported Housing Service to elderly & vulnerable tenants is being market tested by North Lincolnshire Council and it is key priority that we bid for and win the contract. We are also modernising our DLO using a systems thinking approach for responsive repairs and incorporating a review of stores and fleet management.

6.3 In terms of continuous improvement and delivering excellent services we commissioned a Mock Inspection of our key Services and a Diversity Health-check, resulting in a comprehensive Service Improvement Plan. This plan is co-ordinated via our Service Improvement Working Group including nominated Service Champions and is supported through our Diversity, Resident Involvement and Value for Money Working Groups. Alongside this we have a Service Review programme (Appendix 2) which includes the DLO Review and Customer Access Review and have agreed a 5 Year rolling programme of reviews with our tenants. CoValent performance management software has been purchased to help track progress with our service improvement actions and evidence outcomes.

6.4 Annual Service Statements are produced to analyse service cost and quality benchmarking data, potential areas for savings, service improvements and new initiatives based on additional investment. This tool enables NLH to target VFM efficiency savings to priority areas for service improvement in conjunction with tenants. Significant VFM success has been achieved recently stemming from the acquisition of the new fleet of repair vehicles and the closure of area offices following the Customer Access review. In total these savings amount to nearly £800k Year 1 and around £1m in Year 2.

6.5 Many of the key improvements to homes and services is covered in the original Stock Transfer Promises Document which we are still working towards. As indicated earlier there is also great scope to diversify our range of services especially in relation to supported housing for older people and offering our management services to other local landlords.

6.6 Clearly our main products are our **homes** and property assets and our Asset Management Strategy sets out our approach in terms of the investment to our properties and the environment. NLH is currently in the third year of this initial 5 year investment program worth £125m. The table below illustrates the current progress and future forecasts with regards to meeting the Decent Homes standard in 2012.

	31 March 2008	31 March 2009	31 March 2010	31 March 2011	31 March 2012
Target % Meeting DHS	30%	47.50%	82.50%	93%	100%
Actual % Meeting DHS	34.30%	67.48%	0.00%	0.00%	0.00%

6.7 The Asset Management Strategy refers to the impact of 1,860 RTB sales since 1996 and small scale property demolitions numbering 16, especially on the reduction of the better quality 2/3 bedroom stock. The Strategy also refers to the future sustainability of the stock and how we will deal with the pockets of low demand such as Kingsway House. In order to monitor the future sustainability of North Lincolnshire Homes stock, estate plans have been developed for each estate. These Estate plans contain a number of sustainability indices to assist us in identifying areas that are at risk and allow informed decisions to be made about investment, disinvestment and regeneration.

6.8 We have commissioned an independent review to consider the long term sustainability of our Sheltered Housing, as some schemes are now proving to be difficult to let and require option appraisal analysis to determine the best way forward regarding their future.

6.9 The Business Plan projects expenditure over 27 years to 2035/36 and provides funding for expenditure to improve and maintain the stock in the following categories:

- Capital program (Major Works & Catch up) - £321,938,000
- Responsive repairs & voids - £ 83,952,000
- Cyclical programmes (e.g. Gas, Grounds Maintenance, Painting & Joinery) - £81,875.000
- Aids and adaptations - £16,500,000
- Non Traditional Refurbishments - £16,731,000
- Asbestos - £9,345,000

6.10 NLH has adopted a partnering approach for the procurement of the 'Decent Homes' works that are being undertaken, including 5 years contracts entered into with Mears, Bullocks and Anglian. These partnering contracts were awarded on the 'most economically advantageous tender' (MEAT) and open book accounting has been adopted to give a measure of control of costs.

6.11 Currently North Lincolnshire Homes' involvement in Regeneration projects has been limited to small scale projects, an example being Somerby Road, Scunthorpe. In this particular area, in order to tackle low demand, a project including remodelling properties and carrying out extensive estate works has been implemented. On a larger scale the Company

is actively working in partnership with North Lincolnshire Council on the Westcliff precinct Regeneration project.

6.12 As well as the significant investment into the stock, North Lincolnshire Homes is committed to invest in the estates. Within the offer document to tenants commitments were made to carry out Environmental improvements across the estates, including improved parking facilities and improved fencing and paths. Within the Business plan there is a provision for approximately £15 million to address these works and the initial projects are now underway.

7. CUSTOMER CARE, DIVERSITY AND INVOLVEMENT

7.1 Our corporate objective is **“Ensuring our Customers are at the heart of the business”**.

7.2 NLH through its customer service strategy aims to provide services that are accessible to all and delivered to high standards of customer care and satisfaction. Through our Contact and Customer Centres, and website, we plan to provide a seamless and fully interactive one stop shop customer service. We value customer feedback and positively respond to and learn from complaints of dissatisfaction.

7.3 NLH aims to offer housing services that are fair, provide equal opportunities to our customers and are tailored to meet their diverse needs. We will ensure that the composition of our Board, Tenant Groups and workforce is reflective of the community we serve. We will deliver effective diversity training to raise awareness, undertake equality impact assessments and embed our values throughout the organisation.

7.4 North Lincolnshire Homes recognises that excellent service delivery can best be achieved by genuine and active involvement of our residents in the decision making and monitoring of services and activities. Our commitment is demonstrated in our Vision, Corporate Objectives and Core Values. With this in mind our Resident Involvement Strategy & Statement has been produced in partnership with our customers so that it is clear to all how resident involvement can achieve these aims. This work has resulted in an enhanced Menu of Options, resulting in wider opportunities for involvement to suit different customer preferences, including hard to reach groups. Our Resident Involvement approach ensures residents can influence our Business plan, key Strategies and Policies as well as service delivery.

Monitoring of service standards, delivery and accountability is strengthened using our Resident Involvement structure, via our Tenant Inspector's scheme and the planned introduction of our Tenant Scrutiny Panel.

The outcomes of our Resident Involvement activity is captured, assessed and monitored by the Resident Involvement Working Group and fed back to residents to demonstrate we listen to their views and make a positive difference. The STATUS survey indicated that 69% “Tenants are satisfied we listen to their views”. We are working towards achieving TPAS Accreditation to seek recognition for our achievements in delivering resident involvement.

8 OPERATIONAL CAPACITY AND GROWTH

8.1 Our corporate objective is to “**Maximise Resources and Opportunities**”

Since transfer the organisational structure and capacity has been enhanced through the establishment of new central teams and specialists posts to support our operational services, notably Business Improvement, PR and Communications, ICT, Human Resources, Anti-Social Behaviour and Income Management. Specialist posts include our Community Investment Officer, Benefits & Welfare Advice Officer, Value for Money Officer, Governance Officer as well as our key Service Champions.

8.2 NLH’s aims to achieve excellence in governance, standards of conduct, service delivery and accountability. We ensure that our business planning, service improvement and performance management is strong and effective. We also aim to provide effective risk management and substantial assurance through internal controls, scrutiny and audit.

8.3 NLH has developed a comprehensive HR Strategy to co-ordinate and prioritise activities for organisational and staff development. Key to the culture change is the Management Development Program run by SFL which covers EMT, Heads of Service, Managers and a stepping up program for staff with management potential covering in total 70 plus staff. The Company wide corporate Induction, PDR and Appraisal scheme ensures our staff are clear about their individual and team objectives. Our Corporate Training Plan, Team building days and the annual Staff Conference are raising awareness and developing skills to deliver Company objectives, strengthening community engagement and recognising our achievements.

8.4 Our PR and Communications Strategy ensures everyone is well informed through monthly Core Briefings, Team Meetings, monthly Staff Newsletters and personal review meetings to ensure we all understand and embrace our vision and values.

8.5 Our ICT Strategy and action plan sets out a way forward to improve ICT to better support the business and operational needs. A new ICT Housing Management System (Aareon) including finance and HR modules, has now been specified and procured for implementation in June 2010. In the meantime examples of ICT developments have included a new IT Operating System & WAN Infra-structure, CoValent, new Website and Intra-net software, Remote Access & Home-working, Handheld Technology, new Disaster Recovery Plan, ICT Security Review, ICT Helpdesk Facility, Tele-comms and an Electronic Document Management System.

8.6 Year on year we continue to strengthen our financial position through VFM efficiency gains which will be used to improve services and provide headroom and protection against areas of financial risk in our business plan. We have a coherent and robust financial business plan to fund our corporate objectives and can demonstrate we are a financially viable organisation.

8.7 Our Asset Management, Income Management, VFM and Procurement Strategies underpin the 30 year financial plan with capacity to deliver a wider landlord role including Financial Inclusion, Community Investment and Young Persons Support. External funding initiatives, joint procurement with partners, along with our main Investment partnerships are

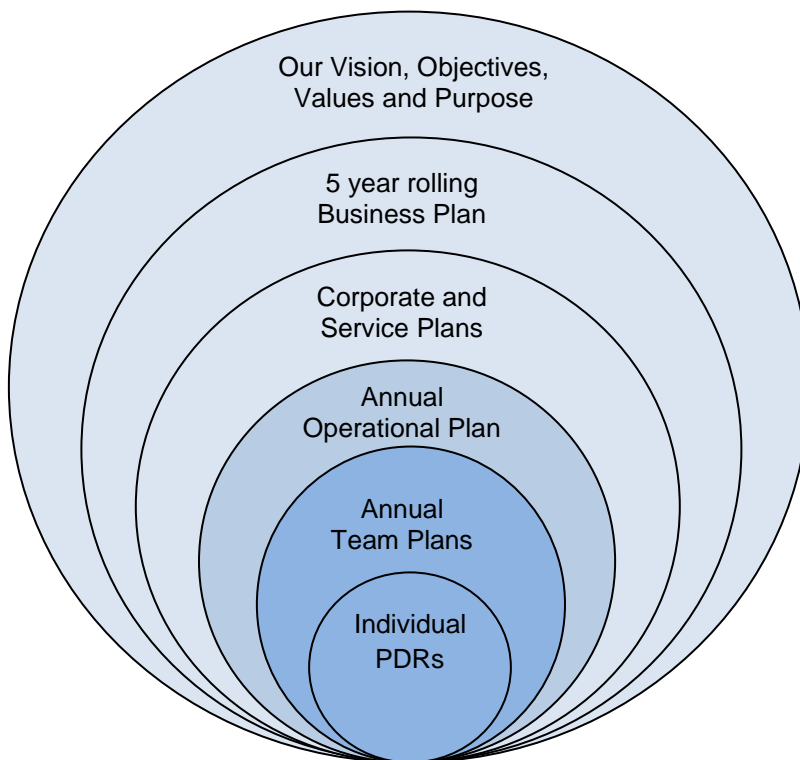
contributing to maximising income notably in relation to energy efficiency, community investment, estate clean up campaigns and purchasing building components.

8.8 As the largest social landlord in the region NLH has aspirations to diversify and market its management services to both local RSLs and the private sector. Alongside this aim we will seek to grow the business and increase housing stock through new build development, selective acquisition of property and potentially stock transfer to NLH. NLH will need to build its capacity to diversify and grow through effective partnership working, with local authorities, developers, funding organisation and increase expertise via the Synergy development partnership.

8.9 Whilst North Lincolnshire Homes' focus is very much on the existing stock and the delivery of the vast Improvement programme, it has worked closely with the Local Authority in delivering limited new build projects over the last two and a half years. To date ten Section 106 properties have been delivered along with 14 properties in rural locations. In order to deliver its new build programme and access Homes and Community Agency funding North Lincolnshire Homes is a member of the Synergy partnership. NLH has a portfolio of sites in its ownership, some of which being open spaces or gardens, others being car parks or garage sites. In view of this a desk top survey of these sites has been undertaken and 180 potential development units have been identified.

9 IMPLEMENTATION PLAN

9.1 The Business Planning process has already been agreed as part of the Performance Management Framework, in terms of the key elements in the cycle, see below:



9.2 The timing of the business planning process normally commences in October and ends in March to coincide with the start of the new financial year. This sequence takes account of activities such as performance against the previous plan, budget preparation and approval, and bidding for capital funding.

NLH Business Planning Timetable

Month	Business Plan Activity
October	Review performance against existing plan
November	Review Vision and Objectives – Strategic Direction
December	Environmental Analysis and Risk Assessment

January	Review Business Plan & 5 Year Priorities
February	Review Annual Corporate, Service & Operational Plans
March	Approval of Business Plan and Budget
April	Start of Financial Year – Set Annual Team and Individual Performance Objectives & Targets

9.3 The Business Plan reflects changes in strategic direction following Board Away Days, SWOT and PESTEL Analysis and is based on the actions following reviews of major corporate strategies such as Asset management, HR and ICT as well key service reviews and improvement plans.

9.4 This approach demonstrates the NLH golden thread in terms of how our Vision, Corporate Objectives and Values translate into 5 Year Service and Corporate Plans (Appendix 3), resulting in annual Operational, Team and Individual plans.

10. FINANCIAL PLANS

10.1 NLH has a coherent and robust financial business plan to fund its business objectives both in the short and long term and is considered to be a financially viable organisation. However there are financial risks associated with being a relatively new stock transfer association which has yet to complete the promises made to tenants. Financial condition and performance to date are as expected at this stage of the association's business cycle and all business plan targets are being met. The financial performance after the second full year to 31 March 2009 was satisfactory.

10.2 The current loan facility is capped at £105m. Current peak debt is forecast to be £103m occurring in 2019 and repayment is scheduled in 2038. Compliance with both lenders' loan covenants has been achieved and there are no breaches anticipated by the forecast. The covenants are based on cashflow and asset cover. No significant issues of concern have been raised in either the association's 2009 annual accounts or the auditor's management letter.

10.3 NLH is aware of the challenges and exposures in delivering a business plan that had a significant negative valuation at transfer and thus requires approximately £46m of gap funding). This is indicative of the condition of the housing at transfer and thus required HCA to provide gap funding for the Business Plan so that the transfer could be completed. HCA agreed to pay gap funding over 6 years, however recent economic pressures on the treasury have resulted in threats by the CLG to either delay or cut Gap Funding to stock transfer organisations.

10.4. The forecasts include compliance with the Governments Rent convergence policy and the Decent Homes Standard in 2012 (in line with terms agreed at the point of transfer).

10.5 NLH and North Lincolnshire Council have entered into a VAT Savings Scheme, with the total savings estimated to be £42.2m over ten years, of which £30.7m has been included in the Business Plan to fund the capital works costs which were not met by the gap funding agreement. These costs relate to asbestos works, converting bedsit accommodation, and modernizing non traditional stock. In addition around £5m of the VAT savings in the first 3 years will be utilized to finance the Pension Deficit (£2.5m), the Councils set up costs (£1.1m) and the operating deficits of B Line (£1.4m). There will be a net balance of around £2.3m to provide a limited amount of contingency against any unforeseen variances in the business plan.

10.6 The capital works program is progressing well and is forecast to deliver on time and to budget and NLH is set to achieve the Decent Homes Standards by the target date of March 2012. The 2009 Delivering Promises Monitoring Report indicates that good progress is being made; none of the 51 targets have either failed or are at risk of failure.

10.7 Disposals are arising from Right to Buy sales, however these are not crucial to maintaining viability and solvency as the sensitivity analysis has demonstrated. The nature of the sharing agreement with North Lincolnshire Council means that the business plan is not adversely affected. In fact lower numbers sold benefit the business plan in the long term.

10.8 Supporting People exposure is not considered to be significant to the Business Plan. At transfer NLH inherited a contract for Supporting People grant income of £500K. The service has been operating at a deficit (£200K), however the contract is now under review, pending a re-tendering exercise by North Lincolnshire Council. Currently this is not of material concern or a threat to viability, NLH will bid for the contract and the outcome will either result in increased income or reduced costs/savings eliminating the deficit.

10.9 Key Assumptions used in the Business Plan forecasts are set out in (Appendix 4) for information. This analysis shows the actual assumptions and forecasts for 2009/10, proposed 2010/11 budget assumptions and beyond, together with the overall impact on the Business Plan.

10.10 Financial Plans have been projected over a five year period from 2010 -2015 in line with the time-line of this Business Plan showing our Income and Expenditure Account, Balance Sheet, Cash Flow forecasts and Financial Risks and Opportunities, see (Appendix 5).

Key highlights of the 5 year plans show:

- Fixed Assets projected to increase from £76.8m to £146.2m after depreciation.
- Turnover from social housing increasing by over £7m from £30.4m to £37.7m
- Operating Costs remaining relatively stable at around £32.8m in 2014/15
- Accumulated Surplus increases by £28.7m from £18.4m to £47m in 2014/15.
- Closing balance of outstanding loans increasing by £40m to £91m.

11. **SENSITIVITY ANALYSIS** reflecting risk assessment and management

11.1 NLH has stress tested its financial Business Plan against a number of adverse scenarios some of which potentially result in it exceeding its loan facilities. Thus it is aware of the key threats to the Business Plan however there is sufficient time for NLH to re-model its Business Plan before peak debt in 2019, in order to prevent this happening.

11.2 However in the medium term, in the period leading up to peak debt in 2019, NLH faces a number of key challenges namely:

- The impact on turnover in a period of low rental increases.
- Maintaining the efficiency of the organisation and continuing to deliver promises to tenants.
- Continuing to deliver the current capital works program on time and to budget in the period up to 2012
- Thereafter continuing to deliver the major improvements works following the expiry of the five year contract. “

12 **APPENDICES**

Current Supply of Social Housing in North Lincolnshire	Appendix 1
5 Year Service Review Program	Appendix 2
Service Development & Corporate Development Plans	Appendix 3
Key Financial Assumptions	Appendix 4
Financial Plans & 5 Year Forecasts	Appendix 5