Added Value

Annual Review 2016-17

Contents

Introduction

During 2016/17 we've made a real difference to life in County Durham by improving services, strengthening communities and enhancing the look and feel of our neighbourhoods. We aim to continue this success by providing the services and support our customers need to live a life without barriers.

As a group we have transformed the way the business works so that we are modern, flexible and confident that we will continue to make a difference across the county for years to come; all while maintaining customer satisfaction. We will also continue to look for opportunities to diversify our housing offer, and have made some significant progress already with plans for almost 300 new homes in the pipeline over the next few years.

Our achievements to date are something we are all proud of and we intend to build on our success by seizing opportunities and dealing with the challenges we face head on. Over the next year, our focus will be on the things that matter most to our customers, which will cement our place as a landlord of choice in the region.

Our ambitions are set against the backdrop of an unpredictable and continuously changing operating environment. Developing, embedding and delivering added value are essential to mitigate the external risks to the group whilst we continue to achieve our ambitions.

We have entitled this year's self assessment our Added Value Annual Review and it sets out what we've done to build upon the work we started in 2015/16, provides an update on the targets we set ourselves and details our achievements during the year, whilst also setting out our new aims for 2017/18.

County Durham Housing Group

The group is made up of four registered providers (RPs) operating a common board structure representing County Durham Housing Group (CDHG), Dale & Valley Homes (DVH), Durham City Homes (DCH) and East Durham Homes (EDH). As one of the largest groups of RPs operating in County Durham, we have both the benefit of size and influence to be able to shape the future of the county and its communities.

Our services and homes cover a large geographical area, stretching from the remote rural Pennine area of outstanding natural beauty in the west of the county, through Durham City, and out to the more densely populated heritage coastline in the east.

Collectively, we own and manage more than 18,000 homes, representing around 40% of all social housing stock in the area. In 2016/17 we generated a combined turnover of £68.3m and had a social housing asset base of around £145.8m.

Objectives and strategy

The group's core vision and values established the foundation for the group's Corporate Plan which was approved by the Board in March 2016 and are as follows:

Our Vision

We believe in a life without barriers.
If everyone expects more, they can achieve more and we can transform lives together. It is this power of "more" that will let people realise what is possible – change perceptions, raise aspirations and create inclusive, vibrant communities.

Our Values

People first
People are at the heart of everything we do. In our communities the way we listen and respond to people will determine the way we grow. It is only by connecting with and trusting people that living can be fully brought to life.

Outstanding delivery
Push the boundaries of customer service and added value through proactive behaviour. Because the smallest detail can make the biggest difference, outstanding must be the new standard and the new routine.

Proud communities
Taking responsibility and feeling confident only occur when there is a sense of pride and optimism at home. Positive steps lead to more positive steps and as a result, there is an ability to create and seize better opportunities.

Our Objectives

The group's Corporate Plan also sets out the following objectives:

Objective 1: Enhance our customers' experience of their homes, neighbourhoods and the services we provide *by radically improving the look and feel of their home and the* *neighbourhood they live in and providing outstanding services that really make a difference to their lives.*

Objective 2: Build vibrant and resilient communities *which are empowered to take control of their own destiny and are actively influencing and shaping local decision making*.

Objective 3: Establish the County Durham Housing Group brand *by setting a reputation for creativity, quality; innovation and outstanding service that set the organisation's that make up County Durham Housing Group apart from other Registered Providers.*

Objective 4: Create an environment for long lasting business success and growth *by investing in people and services to establish a culture where outstanding performance is the norm.*

In March 2017 we refreshed the group corporate plan and objectives – further details of these changes are set out in the '*Our plans for 2017/18*' section on page 38. During 2016/17 we have also begun to revisit and revise the group's culture and values and work will continue on this project throughout the coming year.

Regroup – our transformational change programme

Regroup was launched in January 2016 with four key themes:

- **Transform services** – bring together our operational teams into one directorate so they deliver consistently outstanding services in local communities, helping us to benefit from shared expertise, capacity, skills and economies of scale to deliver outstanding operational performance.

- **Transform people** – ensure that people working across the business are enabled to do an outstanding job by implementing consistent and fit for purpose structures and processes; and establish a joined up organisational culture that is led by strong and effective decision makers.

- **Transform systems** – develop cutting edge IT systems that support the delivery of outstanding services across the whole group; and benefit from economies of scale to purchase, develop and deliver outstanding services through common IT systems.

- **Transform finances** – ensure the group remains financially robust, provides value for money, delivers targeted efficiencies and remains constantly vigilant in testing risk and stress testing the business plans.

To deliver Regroup, eight strategic projects were developed:

During 2016/17 significant progress has been made across all of these projects and the details are set out throughout this report.

By July 2016 we had substantially completed the project objectives for the governance review, engagement review, financial assessment tool and asset locator and new homes projects and these were therefore stood down from the Regroup programme and, instead, were incorporated into our day-to-day operations. Work will continue on the remaining projects – operational transformation, people first, single housing management system and cost reduction and efficiency programme - during 2017-18.

What we said we would do during 2016/17

The following actions and targets were set out in our 2015/16 Added Value self assessment. We put forward the group's key areas of focus for 2016/17, which represented the Regroup programme and associated strategic projects. A summary of the progress with these projects is set out below, with further detail elsewhere in this document:

Single housing management system	**In progress** - the introduction of a single new integrated solution is set to make a major impact in terms of efficiencies. Details of these efficiencies are set out on page 9 of this document.
Governance review	**Completed** - the group reviewed its governance structure in 2016 and introduced a Common Board from 15 September 2016. Further details are set out on page 11.
Customer engagement review	**Completed** - we completed our review of engagement across the group in September 2016. Further details of the outcomes from the review are set out on page 24.
People First	**In progress** - during 2016/17 new structures have been put in place across the Finance & Resources directorate, the Assets directorate and the Performance and Business Development directorate. In addition work started to implement a single Operations directorate, with the new structure in place from July 2017. Work has now commenced on the group's culture and values which will be developed further over the course of 2017/18, with a view to establishing a refreshed set of values to embed across the group. A series of group wide HR policies have been developed and approved by the Board in 2016/17, with further work to continue streamlining remaining HR policies across the group planned in 2017/18. The aim is to have a complete set of consistent, group wide HR policies by April 2018.
Cost reduction and efficiency programme	**In progress** - Regroup savings of £1.5million have been realised to date and are reflected in the budgets for 2017/18. The savings are as follows: • Meridian Court lease savings of £100k per annum; • IT Service Level agreement net cost saving of £170k per annum following the insourcing of the service help desk; • A reduction in the group's voids budgets offset by an increase in gas servicing costs resulting in net saving of £436k; • Savings in grounds maintenance service level agreement of £63k per annum; • Regroup staffing savings of £481k from centralisation of teams to date; and • Centralisation of services and associated cost and procurement savings of £250k.

	Forecast future Regroup savings of £2.5million phased over 2018/19 and 2019/20 as follows: • 2017/18: cost savings of £1.1million; and • 2018/19: cost savings of £1.4million.

In addition to the overarching strategic projects set out above, we also set a number of specific savings targets in last year's self assessment that link to both Regroup and the group's corporate objectives.

We've worked hard to meet these targets during 2016/17 and have set out the progress we've made in the following table:

Corporate objective(s)	Action/Target	Status
3	£4,200 saving on hosting costs for a single website	**Completed** - see 'Added value in action' box on page 25.
3	£3,600 saving for single online accessibility	**Completed** – saving of **£4,195** achieved through consolidating the online accessibility tools used on our websites.
4	£65,000 saving across the group from rationalising postage arrangements.	**In progress** - a procurement exercise will be completed in 2017/18 and is expected to realise a direct cost saving as well as improved efficiency.
4	Subscriptions and memberships – no value attributed to saving	**Completed** - we have rationalised and streamlined our group subscriptions and memberships during 2016/17 and this has resulted in a total saving of **£3,329**.
4	Facilities / travel / office equipment - aiming for £5,000 savings.	**Completed** - changing the supplier for office consumables has resulted in the group saving **£1,332** per year.
4	Aim to attain a 5% increase where leases are due for renewal.	**In progress** – see page 21 for specific details of the work undertaken.
4	Savings from negotiations of annual rent of office accommodation – value to be established.	**In progress** – we have successfully renegotiated short term leases for Thomas House and Lumley House in Durham at no additional annual cost. See further details on page 22.

1, 4	Improve Group Property Services (GPS) bottom line position by £50,000 through a review of their fleet and stores.	**In progress** - procurements have been completed, however direct cost savings have not been realised as the existing contract was very competitive and the supplier declined to tender again, whilst confirming they could not continue to provide fleet services in particular. Expected efficiency savings from using new stores facilities will be monitored during 2017/18.
3, 4	Staffing - £40,000 saving through the use of North East Jobs website and reduced external agencies.	**Completed** - we have seen a reduction in our expenditure on agency staff of approximately £430k between 2015/16 and 2016/17 as a result of a range of measures, including our use of the North East Jobs website.
2, 4	Attain £200,000 additional grant funding to deliver new build developments.	**Completed** - in 2016/17 the group attained £8.608m grant funding to support its new build development aspirations. Further details are provided on page 9.
3	£16,000 saving on production of Annual Report.	**Completed** – for details, please see the 'Added value in action' box on page 25.
3	£10,000 saving on production of Tenants newsletter.	**Completed** – for details, please see the 'Added value in action' box on page 25.
3	Tenant surveys - savings estimated to be up to £3,000 by using one system rather than three.	**Completed** - saving of £2,250 achieved. This included extending the contract for an additional three months to align the three licences for the landlords.
4	Saving of £20,000 through increased use of internal resources and free external service providers for training.	**In progress** - saving of £17,750 achieved to date, with further savings anticipated for 2017/18.
4	Achieve savings of £13,000 per annum on licencing agreements for the Group's asset management system, PIMSS .	**Completed** – £13,000 savings achieved through rationalising our PIMSS licensing arrangements.

1, 2, 3, 4	Group wide accreditations review – value of savings to be established.	**In progress** - a review of the group wide accreditations and understanding which accreditations link to the group's Corporate Plan objectives and strategies is ongoing.
2, 4	Section 106 new build units - Aim to save 30% when compared to CDHG developing its own units.	**Completed** - costs for the acquisition of section 106 new build units based on actual and forecast expenditure are 56% less than the expected costs for development of own units.
2, 4	Aim to achieve a £100,000 net gain in the business plan as a result of FATAL (Financial Assessment Tool and Asset Locator).	**In progress** - 2016/17 has seen the first use of the group's FATAL model to identify and dispose of properties which are a financial drain on the group's resources. Further details are provided in the 'Added value in action' box on page 17.
4	Legal staffing / costs - £24,000 saving initially, plus potential for reduced external legal spend.	**In progress** - KPIs within legal services are to be set to monitor targeted reduction in spend for in-house legal services. Wider procurement of legal services will be considered throughout the latter part of 2017 so that savings and efficiency can be targeted.

New developments in 2016/17

Unity – a single housing management system for CDHG

When it was created, the group inherited three housing management systems operating across our subsidiaries. These systems are inconsistent in their operations and are highly inefficient in terms of service delivery and from an IT support perspective. Consequently, replacing the three systems with a single universal system across the group has been a priority to enable improved operational efficiency, rationalisation and consistency of processes across our landlords, and delivery of a much more seamless service to our customers.

Moving to a single framework will allow the group to respond better to external challenges, provide a platform for future joint working opportunities and pave the way for more innovative service delivery models.

During 2016/17, the group ran a competitive tender exercise which resulted in the appointment of Aareon as the provider of the new single housing management system. The selection team, drawn from across the group, were all impressed with Aareon's user-friendly interface, contact management and workflow, reporting, mobile working capabilities and the potential to support digital solutions for improving customer service. Rather than trying to roll out one of their existing systems, Aareon are creating a new system from scratch that works for everyone across the group.

Implementation of the new system across the group has now commenced. Drawing on staff expertise from all areas of the organisation, the project has seen CDHG working closely with representatives from Aareon to design, build and test the new system to ensure it meets our specific requirements. Progress to date has been good and we are on target for the system to go live in April 2018.

Added value in action – Unity project

We anticipate our Unity project will make a major impact to the group in terms of efficiencies. Examples include:

- Software savings of **£1.2m over 5 years** through replacing three separate housing management systems plus a number of related systems with one integrated solution;
- Implementing a single system and a consistent set of operational processes to support the creation of a new Operations Directorate, resulting in full time equivalent (FTE) savings which will be quantified after the project launch;
- Introducing an integrated electronic document and records management solution, saving scanning and printing costs;
- Introducing self-service options for customers, as part of a wider digital strategy;
- Introducing improved workforce scheduling and mobile working systems for responsive repairs operatives.

New build housing developments

The group has made significant strides this year to deliver its aspiration of providing more than 700 new build homes by 2022, with firm commitments now in place to deliver 289 homes over the next three year period; this is expected to see a total investment of around £32m in new homes and provide up to 100 new jobs and apprenticeships.

In addition the group were awarded investment partner status by the Homes and Communities Agency (HCA) this year; endorsing the group's technical ability, financial capacity and business standing to receive public funding and confirming the HCA's confidence in the group to deliver its development schemes independently, and without the backing of another housing provider.

Having the confidence of the HCA allowed the group to secure over £6.7m in grant funding as part of the HCA's Shared Ownership & Affordable Homes Programme 2016/22. This is a fantastic achievement and means that the group can begin to develop 195 new properties under the scheme, all across the region. From an added value perspective, securing this funding from the HCA also means the group can free up existing resources to invest in other new schemes and therefore deliver additional affordable homes where they are most needed.

Work has also been undertaken during the year to secure other sources of grant funding and, in total, the group has been successful in attaining £8.608m to support its new build development aspirations. This comprises:

Grant	**Value (£)**
HCA Shared Ownership & Affordable Homes Programme 2016/22	6,772,500
HCA Affordable Homes Programme 2015/18 (via Contractor Partner)	1,258,000
Commuted Sums Funding	378,000
DCLG Estate Regeneration Funding for Woodhouse Close Estate	199,500
Total grant	**8,608,000**

Work is well underway on a significant number of schemes funded through the group's own resources and through the grant funding mentioned above. The development schemes, at Pity Me, Rookhope, Crook and St Helens Auckland (54 new homes in total) received planning permission for development in 2016/17. Building work is therefore expected to commence on all four schemes in 2017/18, with building contractor partners now appointed for each.

All remaining schemes are to be delivered under the HCAs Shared Ownership & Affordable Homes Programme 2016/22. In total, this will see the delivery of 74 two-bed specialist wheelchair adapted bungalows and the provision of 121 three-bed 'Rent to Buy' homes for working families. The Rent to Buy homes will provide a new tenure option to the Group's current housing offer and will help ease the transition from the rental market to the housing ladder for younger residents in particular by offering affordable homes at 80% of market rent, and allowing residents to save for a deposit at the same time.

The procurement of a building contractor partner to commence construction of each of the Group's HCA funded schemes is due to commence in 2017/18, enabling the Group to start on site on its first HCA projects in Summer 2018.

The group is also to start preparation of a housing renewal masterplan for Woodhouse Close, Bishop Auckland during 2017/18. This follows the award of £199k of Estate Regeneration Funding from the Department for Communities & Local Government (DCLG) in March 2017 to assist with feasibility studies, master planning work and public consultation to develop mixed tenure new homes on the estate. An initial draft masterplan is due to be developed by Autumn 2017, with public consultation events held in turn during Winter 2017/18. A finalised masterplan is expected, following public consultation and the involvement of all landowners on the estate, by Summer 2018.

Our governance arrangements

In our 2015/16 self assessment, we set out the issues we had identified with our existing governance structure where multiple Boards and Committees resulted in significant process and management inefficiencies and extra costs being incurred by the group. This view was confirmed by the HCA who highlighted the governance-related duplication and inefficiency in their regulatory judgement, published in March 2016 following an In-depth Assessment (IDA). The narrative accompanying the judgement praised the self-awareness of the group in recognising the inefficiencies in the existing governance structures, the positive action taken in commissioning a governance review so early in the group's life cycle and the good use the group had made of internal audit services to objectively assess governance arrangements.

The review of the group's governance arrangements referred to by the HCA had been initiated in January 2016, with support from independent consultants Altair, and saw a streamlined governance structure implemented from September 2016. The new arrangements reduced membership of the Board, from in excess of 40 non-executives, to 9 non-executives plus 2 executive members (the Group Chief Executive and Group Director of Finance and Resources), creating a 'Common Board' which represents each of the 4 organisations within the group. An Operations Committee was also formally constituted as part of the review to focus upon operational performance measures across the group and therefore allow the Common Board to focus on the group's strategic direction. The Operations Committee consists of 2 non-executive Board Members and 6 additional non-executive Members who ensure representation from across all the group's geographical areas of operations. The Committee has direct reporting links to our Voice of the Customer and Leaseholder group (VOCAL). More details on VOCAL are set out in the Customer Involvement and Scrutiny section of this document.

In addition to the changes described above, a Group Audit Committee and Group Remuneration and Nominations Committee were also constituted as part of the governance review. Both committees consist entirely of serving non-executive Board members.

Since the introduction of the new structure, there has been a clear reduction in duplication of reporting, and the number of meetings being held annually has reduced from 62 to 20. The administrative burden of facilitating the new structure has reduced costs both in terms of materials and staff/Board Member time.

Additionally, the group has moved to producing electronic Board papers and this has significantly reduced costs in terms of printing materials, as well as being more efficient for staff to administer. After accounting for the initial investment required in iPads for Board and Committee Members, the saving to the group is estimated to be £6,250 per annum.

Within our Governance and Legal teams, a staffing re-structure took place in January 2017, which resulted in a number of efficiency improvements. These include:

- The creation of a shared Governance and Legal team staff resource;

- Reallocation of responsibilities to allow a reduction in the number of Governance Lead posts from 3 to 2 following the retirement of a previous team member; and
- The recruitment of a further in-house solicitor to work with the Group Solicitor, to reduce outsourced legal services spending.

The anticipated annual savings from these actions are estimated at £35k in 2017/18.

Embedding added value

A key way in which the group can continue to make progress in driving a more efficient and effective operating environment is through developing and embedding added value, with the buy-in of all staff. We acknowledge that truly embedding added value is long term process requiring a shift in how the group thinks about the work that it does. However, during 2016/17 we have begun to make progress towards this aim, implementing a number of new initiatives that we intend will contribute towards fully embedding added value within CDHG.

In August 2016, we requested volunteers from staff to become ‘Added Value Champions’ and have recruited 13 individuals to fulfil this newly created role. One of the key aims of the Champion’s role is to act as a link between the Added Value working group and the group’s staff base, passing on guidance from the working group and relaying feedback from staff members. The Champions are also tasked with collecting details of the added value achievements made by their teams so that they can be recorded on the group’s added value log, and also recording any added value ideas generated by their team so these can be communicated to the group’s management for further consideration. In March 2017 HouseMark provided the Champions with training covering the fundamentals of added value, to provide them with the necessary understanding of the topic to be able to talk confidently to other staff members about its importance in the group’s operations. In 2017/18, the Champions will begin to roll out briefings to their colleagues, further disseminating and embedding the group’s added value message.

In March 2017 the Board nominated an Added Value Champion, who acts as a link between the Added Value working group and the group’s Common Board. The Board Champion will periodically attend meetings of the Added Value working group and will aid in the development and editing of the group’s Added Value Annual Review. Having an Added Value Champion will improve the Board’s visibility and oversight of the work the group is undertaking with regards added value and will provide additional assurance to the Board that we are continuing to progress in the right direction, maximising our service with the resources we have available to deliver the group’s corporate objectives.

We have utilised the group’s internal audit function during 2016/17 to undertake a review of our approach to added value, including the development of a strategy and action plan, the processes the group have put in place to monitor, record and publish added value achievements and the steps taken to develop added value thinking throughout the organisation. The internal auditor’s report was classified as a ‘low’ risk, with a number of areas of good practice identified; specifically around the development of our strategy and the initiatives we've implemented to begin to embed added value within the group's collective thinking. The report also set out three 'low' and one 'advisory' rated recommendations providing us with direction and guidance as to how we can further develop and improve our approach to added value in the future.

Board assurance on added value

The Board ultimately has overall responsibility for ensuring the delivery of the group's Added Value strategy and objectives.

The Added Value working group is overseen by the Board and reports annually to the Board on progress against added value objectives. Additionally, as mentioned above, a Board Added Value Champion has been recruited to act as a permanent link between the working group and the Board. Reports are presented to the group's Executive Management Team for their review prior to being presented to the Board.

In addition, the Board has oversight of a range of other information from both internal and external sources, which provides assurance of the group's performance in respect of achieving value for money. All reports presented to the Board include a section covering the added value implications of the report which is entitled value for money, and this helps to ensure the Board maintain their oversight of the group's added value position.

Managing business risk

Ultimately, work on embedding added value across the group helps to mitigate the risks facing the business. The group's Risk Management Framework sets out the our approach to risk management, including a policy statement, strategy, the Board Risk Attitude Statement and roles and responsibilities for managing risk.

The group's strategic risk register is monitored and reviewed by the Risk Management Working Group and reported to the group's Executive Management Team, Audit Committee and the Common Board on a quarterly basis.

The group's strategic risk register at 31 March 2017 includes the following risks, all of which are directly or indirectly related to, and impacted by, added value:

- **Asset Management:** Inadequate asset management arrangements lead to poor investment decisions.

- **Health and Safety:** Inadequate health and safety arrangements lead to injuries or illness, reduced productivity, and poor staff morale.

- **Agile Business:** the group do not adapt quickly to insight on the changing operational environment leading to potential financial risk, missed opportunities and timely decision making.

- **Workforce Management:** Poor management of workforce matters may result in poor employee relations, failure to retain key skills and experience and failure to deliver services effectively.

- **Reputation**: Lack of organisational commitment to effective Board and management oversight, strong communication, and focus on quality and operational performance leads to poor reputation of the group.

- **Political Uncertainty:** Failure to understand the impact of political uncertainty and future political decisions on the business plan and service delivery.

- **IT Strategy:** Inappropriate IT strategy leads to poor value for money, poor customer services and ineffective business processes.

- **Robust Financial Management:** Ineffective financial management leads to poor VFM, inability to ensure cash flow and covenant compliance, resulting in regulatory downgrading.

- **Fraud:** Internal or external fraud leads to financial loss and / or reputational damage.

- **Welfare Reform:** Failure to model the financial impact on income streams through welfare reforms results in the group's inability to deliver the business plan and services.

- **Governance and Compliance:** Insufficient skilled resource, technical infrastructure, and inappropriate governance arrangements leading to potential for data loss, financial loss, poor decision making, reputational damage or unsatisfactory regulatory grading.

- **Business Continuity Arrangements:** Business continuity arrangements are not sufficiently resilient resulting in the group being unable to operate effectively.

- **Data Quality**: Poor data quality results in the group being unable to determine accurate business performance and make properly informed business decisions.

- **Procurement and Contract Management** : Ineffective procurement or contract management prevents the group meeting its business objectives

- **Development:** Lack of due diligence, adequate funding and poor performance management lead to unnecessary development costs and reputational damage.

- **Pensions:** Failure to clearly understand the local government pension scheme fund deficit and longer term financial and workforce impacts.

Making best use of our assets

Asset management

In 2015/16 we developed a financial appraisal tool entitled "Financial Assessment Tool and Asset Locator" – FATAL. This tool uses, as far as practicable, real financial data to provide every individual property owned by the Group with a value representing its contribution to the Group's financial position. The model covers 30 years, aligning it with the Group's business plan, and makes use of the information held on the Group's asset register, housing management systems and stock condition database, PIMSS. The output of the model is a net present value (NPV) which shows, in current values, whether a property will have a net positive or negative financial contribution to the Group over the 30 year term. This allows identification of those properties that represent a financial drain on the business and targeting of them for an options appraisal.

Utilising the FATAL model, we can be smarter in determining where to focus investment in our stock, withholding investment where a property is loss-making until a final decision on that property's future, either to invest or to dispose, can be made. By having the data in the model held at a granular property level, we can implement a more sophisticated asset management strategy, which may involve different decisions and outcomes for properties on the same street. It also allows us to consider the impact on changes in letting patterns, costs and future assumptions.

During 2016/17 we have continued to refine our Financial Assessment Tool and Asset Locator (FATAL), building upon the work undertaken last year to develop the original model. A full update of the datasets used within the model has been carried out and improvements have been made to the processing and allocation of the group's costs across the stock.

The most significant improvement made to the model during 2016/17 has been to overhaul the way in which demand for our properties is reflected. Originally, historic void data was used to adjust the income generated by each property to reflect expected future void losses. However we identified that, for a significant number of the group's stock, the historic void figures were not reflective of our expectations regarding their future void rates. To resolve this issue we utilised the knowledge and experience of our housing management teams to assign each of our properties a score from 1 to 5 (where 1 reflects our least popular properties and 5 our most popular) and then translated this demand score into a void rate to be used over the thirty year period covered by our model. The demand score takes into account our housing management team's experience of a property's historic popularity as well as their understanding of how well that property meets our customer's future requirements.

Additionally, we have used the demand scoring to adjust our allocation of tenancy turnover costs, with properties identified as having poorer demand also assumed to have shorter tenancies and therefore more turnovers. Each turnover has a number of standard costs associated with it and, as a result, a property which turns over more regularly will cost the group more money. By utilising the demand scoring system, we have ensured that the model now more accurately reflects this distribution of costs.

During 2016/17 we have also made improvements to the way in which we utilise FATAL to make intelligent, informed asset management decisions. A process map has been developed in collaboration between the group's asset and housing management teams. It sets out the actions that need to be taken when a property becomes void to ensure it is assessed for its sustainability and, where unsustainable properties are identified, these are put forward for a more detailed options appraisal to determine the most effective course of action.

Where more detailed options appraisals identify that disposal is the most beneficial course of action, we are utilising the proceeds received for the properties to support our new build development programme. This ensures we are replacing properties which are no longer viable with properties which better suit our customers' current and future requirements.

The voids process represents the reactive side of the proposed usage of FATAL and, having developed and established a process for this, we are now beginning to look at ways in which we can utilise FATAL proactively to identify individual or groups of properties requiring detailed appraisal because they do not provide the group with value for money or do not fit with our longer term strategic plans. The first review of this kind is beginning early in 2017/18 and we anticipate further reviews will follow later in 2017/18 and beyond.

CDHG 2016/17 NPV profile

The graph on page 18 shows a profile of the net present values of the group's stock. At £3,291, the average NPV of the group's stock has fallen from £4,665 in 2015/16, while the proportion of properties with a positive net present value has also fallen from around 75% in 2015/16 to 65% in 2016/17.

Whilst this is disappointing, and suggests our properties are not performing as well as they were in 2015/16, the main reason for the change is the update and overhaul of the way we reflect demand in the model. Using historic data for the 2015/16 model meant that a significant minority of properties had very low projected void rates because this is the pattern we had seen over a number of previous years – a lower void rate results in a better performing property and a higher NPV. However, having determined to change this element of the model to better reflect our expectations for the demand for properties in the future, which may not follow historic performance, we found many properties had reduced future demand and therefore saw their NPVs reduce.

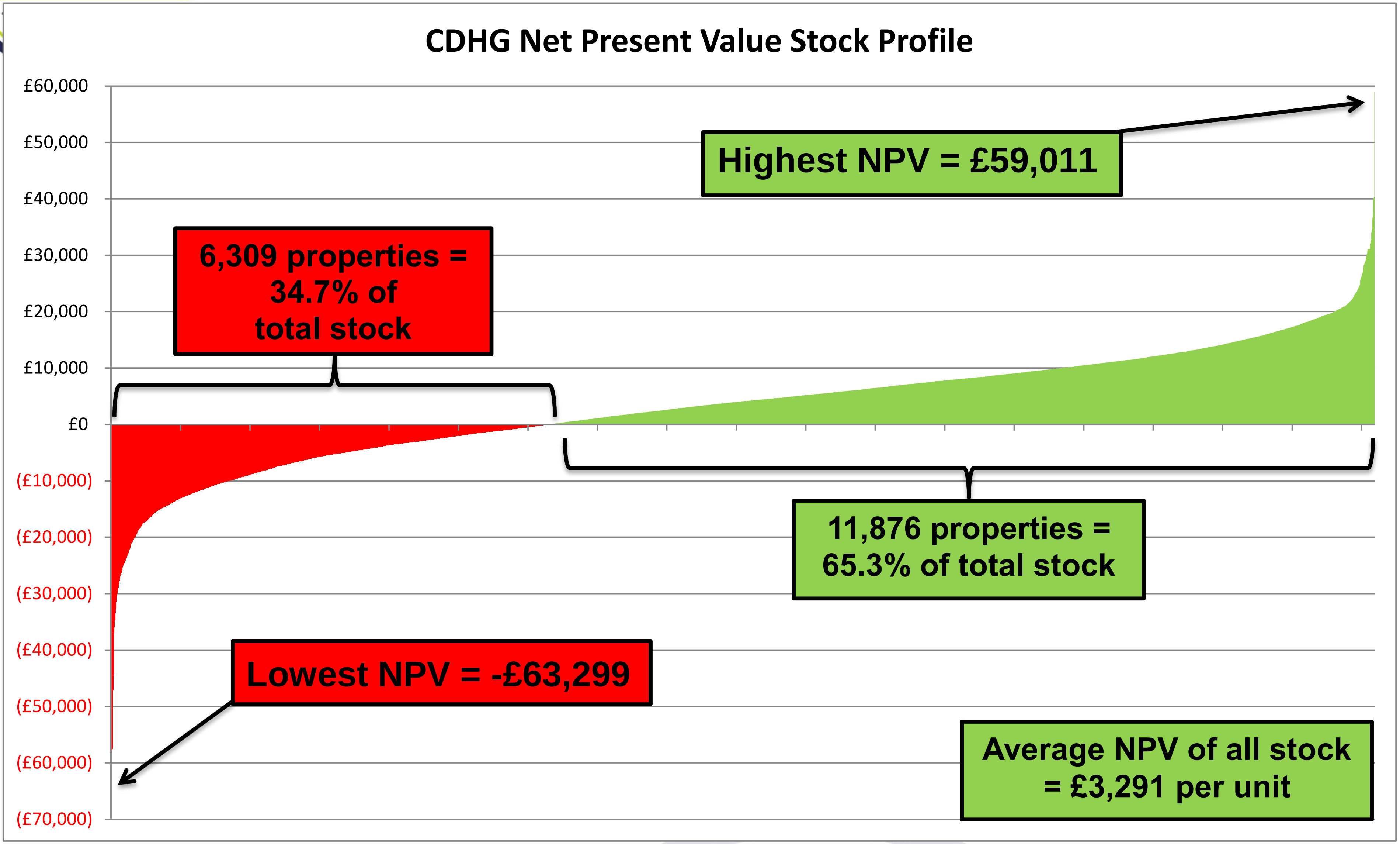
So whilst it appears that there has been a marked deterioration in the performance of the group's stock in 2016/17, in reality, we have re-based our model and now have a tool that we feel is a much more accurate reflection of the future financial viability of our stock and can be used to make more informed, and ultimately beneficial, asset management decisions. We intend to utilise the model throughout 2017/18 to make strategic and operational decisions regarding our most poorly performing stock, with the aim of improving the overall average NPV and proportion of properties with a positive NPV.

Added value in action – FATAL disposals

Utilising the FATAL model, and following our newly developed void process, during 2016/17 we have identified 13 properties with negative net present values (NPVs), representing a drain on the group's financial resources, and which, in becoming void, presented us with an opportunity to critically assess their overall long term sustainability.

After an options appraisal was undertaken for each property, we identified that the best value option for the group was to dispose of the properties on the open market. To protect and sustain our communities, we included a covenant as part of the sale to require that the purchaser be an owner occupier.

During 2016/17 we completed upon 2 sales where the total original NPV of the sold properties was -£69k and the consideration received from the sales totalled £32k. This therefore represents **a £101k net gain** to the group resulting from these sales. Additionally, there are 11 properties where sales are currently proceeding and are expected to complete in 2017/18. The total NPV of these properties is -£200k and the expected combined sales proceeds are estimated at £276k, giving a **net gain of £476k** to the group.


CDHG Net Present Value Stock Profile
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£50,000
£40,000
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(£30,000)
(£40,000)
(£50,000)
(£60,000)
(£70,000)
Highest NPV = £59,011
6,309 properties = 34.7% of total stock
11,876 properties = 65.3% of total stock
Lowest NPV = -£63,299
Average NPV of all stock = £3,291 per unit

Return on capital employed

We can also keep track of our asset's performance through the return on capital employed (ROCE) ratio, which is calculated using figures taken from our financial statements, specifically the group's surplus generated, plus the gain on disposal of property, plant and equipment, as a proportion of our housing stock net book value (the initial cost of our properties, plus the value of works subsequently undertaken on the properties, less the depreciation charged against each property) and our net current assets.

Using figures from our financial statements allows us to compare our performance against our peers, both locally and nationally, using the Homes and Communities Agency 2016 Global Accounts of Housing Providers, which are produced from the financial statements of regulated providers of social housing. Please see the sector scorecard on page 32 for the group's ROCE, benchmarked against our peers and the wider social housing sector.

Improving our current stock

The three landlords within the group have worked closely together for a number of years to agree common practices in the way that we deliver planned investment in the stock, including the formulation of the "Durham Standard". This standard has brought together the best areas of all three organisations.

A three year stock investment plan was approved by the Board in July 2016. The plan was designed around the following factors:-

- Information from an external stock condition survey
- A draft programme produced from the single asset management database system (PIMSS) which utilised up to date stock condition information.
- Review of the PIMSS generated programmes against repairs and maintenance data and the local knowledge of CDHG staff.
- Helping deliver the promises made in the offer document.
- Ensuring that all sustainable stock, per the FATAL asset management tool, continue to meet the Decent Homes standard as a minimum.

A group assets team was formed in October 2016, which consolidated the existing assets teams from the three landlords. As part of the group restructure, a dedicated team of stock condition surveyors was formed to deliver a rolling programme of stock condition surveys, ensuring the group has good stock information at all times. The team is currently developing a handheld solution that enables all stock condition surveys to be entered directly into our asset management software PIMSS.

A procurement exercise is currently underway that will see a single external contractor appointed to deliver a substantial proportion of the group investment programme. The contract will be for an initial three year period with the option to extend this by up to seven years should value for money continue to be demonstrated. The remainder of the investment programme will be delivered by Group Property Services (GPS), the group's in-house direct labour organisation, and consideration will also be given to using frameworks to deliver some of the programme.

Added value in action – DCH monitored smoke alarms

Monitoring and maintenance of responsive smoke alarms and panic alarms in DCH properties was provided by a third party via an SLA at a cost of £80,000 per annum. The system proved problematic and required numerous repairs call outs each year, each time at a cost to DCH. Additionally, we undertook an analysis of the list of properties for which DCH were being charged and it was identified that there were over 1,500 properties that were either not owned by DCH, no longer had systems installed or had previously been demolished. As a result, it was determined that continuing under the existing arrangements represented poor value to the group and an alternative solution was sought.

It was agreed that we would cease the SLA with the third party provider, but to do this we had to ensure every affected property had a smoke alarm system installed to current regulations. This was done in agreement with County Durham and Darlington Fire Rescue Service, who were supportive of our initiative. The work was competitively tendered and a preferred bidder engaged. We also identified associated asbestos works would be required as part of this project and engaged the preferred bidder to perform this work for us as well.

The project was completed in August 2016, slightly under budget at £338k. The payback time of our investment, when compared to the original SLA cost is a little over four years. The useful lives of the new smoke alarms is 10 years and therefore we expect to realise a saving of around **£480k** over the life of the alarms, when compared to the existing SLA. This assumes similar ongoing repairs and maintenance costs to the old system, but we anticipate the new system will have reduced repairs and maintenance requirements, particularly when compared to the problematic existing system.

During 2016/17 an appraisal was carried out by an independent consultant to consider the different options available to deliver the repairs contract at Dale & Valley Homes. From an added value perspective, the assessment focussed primarily on two areas:

- current costs of delivering the repairs services across the three subsidiary areas; and
- performance across the three subsidiary areas.

In May 2017 the Board received a report detailing the outcome of the value for money assessment and approved the recommendation to bring the repairs contract in-house and allow GPS to deliver the contract. In 2017/18 GPS will be undertaking the necessary preparatory work to take over this contract from the existing external contractor, with the new arrangements commencing from 1 April 2018. There will be close monitoring of costs and performance over the next two years to confirm that the use of GPS continues to be value for money. In the longer term, the outcome of the new arrangements will be used to inform a decision over the repairs contract at East Durham Homes.

Commercial properties

In 2016/17 the group re-negotiated five commercial lease interests where agreements had expired and the group's commercial tenants were holding over on historic passing rents. Each renewal attained an increase in rental income of between 13% and 163% for the group; this was due to a move from historic passing rents to newly agreed Market Rents. Some specific examples of those Lease negotiated are detailed in the table below:

Property	Location	Passing Rent (£ per annum)	New Rent (£ per annum)	Change (per annum) £	%
Retail property A	Peterlee	7,500	19,700	12,200	163
Retail property B	Bishop Auckland	2,820	3,175	355	13
Retail property C	Bishop Auckland	2,800	3,600	800	29
Retail property D	Bishop Auckland	1,965	2,900	935	48
Communal Building A	Blackhall	500	775	275	55

In addition to these transactions, the group has also taken a commercial view of some vacant residential dwellings connected to its commercial interests this year and where there is evidence from FATAL that the property has no long-term sustainable future as a social dwelling.

Added Value in action – Linking commercial properties and void dwellings

An example of the work undertaken to combine the letting of our commercial units with attached residential dwellings is in Seaham. The lease on the retail unit had expired in June 2014 and a passing rent of £4,200 p.a. was being charged. Located above the retail unit was a first floor three-bedroom flat which had been void since being transferred to the group from Durham County Council in April 2015. The flat required immediate investment of £16,826 and an estimated £6,500 over the next ten years. FATAL showed a net present value (NPV) to the group estimated at -£31,749, suggesting that, in its current state, the flat would be a significant drain on the group's resources over the next thirty years.

CDHG approached the tenant of the retail unit with a view to them taking on the associated first floor flat as part of their renegotiated lease agreement. The tenant agreed to this and so the group was able to achieve a new rent for the retail unit and flat combined of **£6,600 p.a**. This represents a **£2,400 (57%) annual increase**, with the additional benefit of leasing a poorly performing dwelling that would otherwise have incurred the group significant expenditure in future years, without providing any income.

There are three such examples this year; all were three-bed void flats above ground floor retail units let on separate commercial agreements. Each of the flats suffered from poor demand, required significant investment and returned negative NPVs in FATAL. The tenants of the associated ground floor retail units were approached about including the flats in their commercial agreement. Each was very interested in doing so, which led to all three voids being included in the associated ground floor commercial premises.

Office accommodation

Negotiations concluded this year on three of the group's office accommodation premises that were due for renewal; all were previously leased in by the group at fixed Market Rents. Executive Management Team agreed in September 2016 that the group would seek to retain all of its office accommodation currently and then, following the implementation of Regroup, commence a Strategic Office Accommodation Review from spring 2018. This strategic review will seek to ensure the group has sufficient office accommodation for its business needs in the future, whilst also looking to rationalise existing premises where possible and where there is no longer a business requirement for them. A report and costed recommendations are to be considered for future needs in central and west Durham by September 2018, with the same to be concluded for east Durham by March 2019.

This being the case, negotiations concluded in 2016/17 to renew leases for a number of office premises occupied by the group. In all cases, a five-year short term lease has been agreed, with flexible break clauses included to ensure the group can terminate each agreement during the agreed lease period. No increase in rent has also been successfully negotiated in all circumstances, ensuring the group are not exposed to any additional annual running costs during the lease terms.

Making best use of our resources

Procurement

The group has a comprehensive Procurement Strategy to cover the period 2015-2018 which outlines the group's approach to procurement, including the role of procurement in achieving added value.

The procurement team have been in place since July 2016 and support the group's procurement activity and contract management arrangements. A procurement workplan has been established for each year up to 2020/21 based on cost analysis information on all suppliers which has been produced for 2015/16 and 2016/17. The aim of the procurement workplan is to consolidate existing contractual arrangements across the group and achieve better value for money by ensuring appropriate contracts are in place.

The In-Tend e-tendering and contract management system was implemented in January 2017. This enables all information pertaining to procurements to be held centrally and also for all tenders to be completed electronically reducing the administration time for the full procurement process. In addition, quick quotes are being completed electronically via the In-Tend system. This ensures that the processes are being followed correctly, that the correct number of quotations is being sought in line with the group's procurement strategy and Financial Regulations whilst reducing administration time required in requesting quotes and gathering the appropriate information.

A savings target of £1million recurring annual savings has been set for procurement, to be achieved by 2019/20. To date, £250k of annual, recurring savings have been secured from procurements carried out during the year. This does not include the savings from the procurement of the new housing management system which is a separate and discreet project with its own savings target to be achieved.

Added value in action – Procurement

During the year a number of procurement exercises have been undertaken, resulting in direct savings to the group. Some examples of this are as follows:

- The provision of confidential waste services has been reviewed and a procurement exercise completed which resulted in a cost saving of **£15,000** (**over 70%**) over the life of the contract and has streamlined and consolidated the confidential waste service across the whole group.
- The procurement of a new employee self-service IT system was completed during the year. The new system replaces a number of legacy arrangements and will realise an estimated direct cost saving of more than **£114,000** over the life of the contract. In addition to this cost saving, based solely on the current costs of our existing HR system, there will be additional savings arising from supporting systems and improvements in efficiency. These mean that the overall net benefit of the new system is estimated at over **£300,000** over the life of the contract.

We recognise that we have a responsibility to our local communities and the potential of social investment opportunities available through procurement exercises, to deliver economic, social and environmental objectives

Our procurement strategy is clear in setting out that we will ensure that internal policies and procedures do not discriminate against smaller/local potential suppliers and are actively seeking to implement methods of reducing barriers faced by small and medium sized companies when dealing with the group. We are bound by the Public Services (Social Value Act) 2012 to consider how the services that are being commissioned or procured will improve the economic, social and environmental aspects of the area where these services are being delivered. When the group is procuring larger contracts, either directly or via consortia, we will seek, where appropriate, to leverage social benefit in the form of providing apprenticeships and/or employment opportunities within the local community as part of the contract specification.

Review of service level agreements

In 2015/16 the service level agreements ('SLAs') in place with Durham County Council were reviewed to assess the level and quality of service provided, the scope and cost of the agreements to determine if they continued to provide value for money. In 2016/17 a similar review has taken place again and 3 agreements have not been renewed and 2 agreements have only been partially renewed. A number of services currently provided under the SLAs are to be reviewed and procured in 2017/18.

Added value in action – Grounds Maintenance Service Level Agreement (SLA)

A grounds maintenance SLA is in place between CDHG and Durham County Council for the period from 2015/16 to 2017/18, with the option of an additional two years to 2019/20. An agreement has been reached to extend the SLA for the additional two year period and CDHG and DCC held discussions regarding the core cost of the service for the 2018-20 period. As a result of the work undertaken by both CDHG and DCC an agreement was reached which has seen a saving of **£63,000** made in 2017/18 and an additional estimated saving of **£100,000** to the group for period 2018 to 2020.

Engaging with our customers and investing in our communities

We completed our review of Engagement across the group in September 2016, shaping our thinking and plans on how we will engage with our customers in an efficient and cost effective way in the future.

This comprehensive review considered our current practices and the outcomes being achieved, compared to an external review of how other organisations were engaging with their customers both within and outside of the housing sector. This was considered alongside the future plans and wider priorities for the group.

Central to this review was our commitment to ensure that customer feedback and views should drive improvements within the business and that the outcome of this review will support our group objective to build proud communities.

One of the outcomes of our engagement review was the establishment of a streamlined group-wide team in January 2017 with two areas of focus; engagement and community investment. This restructure has been supported by the development of an Engagement Plan and Community Investment Strategy, which set out the aims of the service and key activities to focus on.

The new approach will focus on planned, targeted activities and measuring the outcomes and impact of activities carried out.

Our Community Investment Strategy sets out how we will work in communities in a planned way, focusing our resources on three themes:

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

Added value in action – Communications

Our Communications team have been busy in the past year updating and improving the way CDHG communicates with staff, customers and other stakeholders. The team has worked hard to streamline the format of communications, as well as moving towards producing much more digital content. Specific examples of their achievements include:

- Revamping staff communications via a dedicated, fully responsive website which can be accessed on PC, laptop, tablet or mobile phone inside and outside of the workplace. Previously the printed format cost the group £10,200 per year. After initial set up costs, the annual cost of the new format is £1,320 per year, giving a recurring annual saving of **£8,880**.
- Bringing the three existing tenant newsletters into one new group publication. The old newsletters were printed and posted to customers on a quarterly basis, whereas the new newsletter is published online on a monthly basis, with printed copies available where requested by tenants. The new newsletter utilises the same digital format as staff communications, so additional set-up costs have been avoided. Annual savings for the new, improved tenant newsletter over the old newsletters are **£51,680**.
- Overhauling the design and format of the group's annual report. Previously each group landlord printed and posted copies of their annual report to all customers, but for 2015/16 a single combined annual report was produced. Additionally, the team created an online microsite to publish the report, with only a limited print run for customers who requested a hard copy. Utilising the microsite allowed the team to track readership of the report and also resulted in an annual recurring cost saving of **£15,531**.
- Rationalising the group's existing websites onto one common platform. In reducing the number of group sites, there has been a reduction in staff time required to maintain the sites, an improvement in the consistency of message communicated by the group and a reduction in the group's hosting fees of **£1,400** per year.

We have identified priority areas that would benefit from our support in 2017/18 to help to manage the effects of high levels of deprivation; high levels of stock turnover; low levels of rent payment; investment needs with regards to asset management; and opportunities to strengthen the wellbeing of the community.

For each project supported through the Community Investment Strategy, we will be measuring the social value derived using the HACT wellbeing values.

Our approach to engagement is focused on ensuring that we gather the views of the wider customer base in efficient and effective ways. This will include moving away from traditional, regular meetings to more project and task focused activity, bringing people together when there is something to deliver. We will also review the way we capture satisfaction and work towards delivering real time satisfaction to gain customer feedback as they receive a service from us to drive our business forward. We will develop our approach to online engagement reaching a wider audience and providing us with low cost and effective methods of capturing views to feed into our service development.

We have also introduced VOCAL (Voice of the Customer and Leaseholder) which will bring a group of customers together as part of our governance structure. Customers have been recruited to VOCAL based on their skills and experience to ensure that they play a key role in reviewing and challenging performance, considering feedback from tenants and performance information to hold the group accountable as a landlord.

We will review the effectiveness of our new approach to Community Investment and Engagement through a range of performance measures and will use this to reflect and amend our activity in the future.

Our employability service

CDHG have offered a bespoke employability service since April 2015. The group-wide engagement review covered in the previous section also resulted in the expansion of CDHG's employability provision from 1 officer to a team of 3 officers providing support to customers across County Durham.

Following the introduction of Universal Credit and other welfare reform initiatives, the service has experienced a surge in demand with an increasing number of customers accessing support across CDHG.

In response to this increase in demand, the team conducted an internal review of provision, highlighting areas of weakness within existing provision and areas for efficiency and development. Initially all customers were contacted directly by the Senior Employability Co-ordinator to arrange a face-to-face interview to determine the level and type of support needed. It became quite common at this stage for customers to not attend these pre-arranged meetings and for customers to become quickly dis-engaged with the timescales involved in this process.

The triage system was developed and implement in March 2017 and has allowed officers to not only provide a better service to customers but also provide a more effective and efficient service to external and internal referrers. Customers are now contacted directly by the Community Investment Apprentice who completes an initial questionnaire determining the level and type of support needed, thus allowing the service to identify those customers requiring an immediate referral to external providers or those customers whose circumstances have changed or those who do not want to engage with the service.

Added value in action – Stepping Stones employability training and support

Stepping Stones is an externally funded initiative delivering employability training and support to individuals who are detached from employment for reasons such as social engagement issues, mental health issues and low confidence in personal and employability skills.

Working in partnership with Auckland Castle Trust, CDHG are able to deliver a project that is intrinsically linked to the regeneration of Bishop Auckland. The Trust has been able to provide in-kind support to the initiative through volunteering, work placements, interview skills and future employment opportunities.

We have been able to develop this project using external funding sourced from:

- £13,900 – North East Procurement (NEP)
- £10,000 – Area Action Partnerships
- £8,500 – local councillors

Stepping Stones began in January 2017 with the first 15 attendees initially recruited to a 21 week course. However, following a review of the project, it was agreed to condense it into a shorter 10 week programme to realise a number of benefits.

Reviewing the project resulted in more effective use of officer time, allowing better targeted, bespoke support and engagement with attendees. A shorter, focussed course also helps members to remain actively engaged in the process and ensures a lower number of drop-outs. Other incidental savings include reduced travelling expenses for both attendees and officers.

To date, we have seen the following outputs and outcomes from the project:

- Entered employment or volunteering – 4 people
- Signed up to further training – 6 people
- Actively applying for jobs or volunteering opportunities – 5 people
- Employment Interviews secured – 2 people
- Improved confidence – 15 people

Following this responsive initial triage process customers are able to access a bespoke service that meets their needs and aspirations leading to higher levels of customer satisfaction and higher retention rates for customers accessing service provision with few delays in gaining the support needed. Benefits for the business include less wasted time for staff attending meetings where customers do not attend and a more streamlined service that allows the employability service to more effectively meet demand and complement the other services provided across CDHG.

Our performance in 2016/17

In 2016/17 we have continued to place a strong focus on our performance, recognising the challenges that we have faced in maintaining and delivering good services whilst undergoing significant change.

We continue to be committed to achieving outstanding performance across all our landlords and services. The Performance Management Framework has continued to underpin our approach to developing clear and measurable indicators from Board level down to operational indicators which all in turn support us to drive the business forward and to identify challenges as they occur.

Our Agile Performance Toolkit supports our framework by providing clear guidance on how targets were set out at the outset of the year to drive improvement and maintain compliance.

A suite of Key Performance Indicators (KPIs) were developed for 2016/17 linking these to our strategic objectives, as outlined in our Corporate Plan and Business Plans. The indicators were developed with our Board to ensure that they provided the right level of information and assurance that we were operating well as a group, meeting financial and legal requirements and still delivering a good service to customers. This included those to be collected on a group-wide basis and those where performance was monitored at a group and landlord level to identify areas where specific landlords were either performing strongly or needed to improve to deliver high quality, efficient services across the group. Some indicators were revised or introduced for 2016/17 and therefore we are only able to compare performance against target for the year. Please see Appendix A for the group's 2016/17 year end performance scorecard.

2016/17 saw the introduction of a central performance team responsible for collating performance information for the three landlords and reporting this to our Board and Operations Committee on a regular basis. During this first year as a centralised team, there has been a particular focus on data quality and reviewing our performance information, particularly across the three landlords to ensure that there is consistency and the information is robust. This ensures that we can be confident we can make sound business decisions using our data.

We have also been using this as preparation for the Unity project to ensure that when we have a new centralised system in place, we are able to easily draw out accurate and consistent information across the group to fully utilise and drive efficiencies from our services.

Whilst maintaining performance this year has been a key focus, at the same time we have been developing and reviewing processes across the business using this to identify opportunities for us to streamline and realise any potential efficiencies in the way we will deliver services in the future. We will continue to take that approach in 2017/18.

Going forward into 2017/18, performance will be measured on a group-wide basis with a move away from breaking down information to individual landlords. This reflects the changes to the way we are delivering our services and instead we will be looking to identify trends irrespective of the landlord area.

We have monitored performance closely during the year against the scorecard to ensure that whilst going through a period of significant change and a whole organisational restructure, we continue to operate well, deliver quality services and meet any requirements for compliance.

Sector scorecard and social housing cost per unit

In 2016/17 social housing providers have worked together to develop a common suite of performance metrics which have been combined together into a 'sector scorecard'. The scorecard has been developed for greater transparency in the reporting of performance and to allow easier comparison between different housing associations.

Whilst the final format of the sector scorecard has yet to be agreed upon, we have decided that, to improve the reporting of our own performance, we will utilise a prototype scorecard in this year's Added Value Annual Review.

The scorecard includes a number of financial and non-financial metrics and also incorporates the social housing cost per unit figures developed and introduced by the HCA in 2015/16.

We have also decided to revisit the peer groups we use for comparing and benchmarking our performance. In 2015/16 we used relatively broad peer groups, primarily based upon stock numbers and location, for our benchmarking. In light of regression analysis published by the HCA in June 2016 investigating the key explanatory factors which influence variations in unit costs between registered providers, we have looked to create more specific bespoke peer groups with providers more closely matching CDHG's characteristics. The HCA analysis identified that 50% of the variation in unit costs can be explained by these key measured factors; the provision of supported housing, the provision of housing for older people, regional wage variations, whether the organisation was created via stock transfer and how long ago this took place, levels of deprivation in areas of operation and the reduction in the number of a provider's units not meeting the Decent Homes standard. Of these factors, the most important for explaining variations in unit costs were the size of a provider's provision of supported housing, regional wage variations and if a provider has been created via a stock transfer in the last 7 years.

By using these factors to create a peer group closely mirroring CDHG's profile, we can carry out more meaningful contextualisation and comparison of our performance, with confidence that any differences are genuine performance variances rather than those arising from basic organisational characteristics. We have also benchmarked our performance against our closest individual peer (for CDHG and the subsidiaries) to provide a clear like-for-like comparison of our performance. Details of the peer groups selected for our performance comparison are shown in Appendix B.

Our 2016/17 performance scorecard for CDHG, including appropriate benchmarking comparisons, is as follows:

<table>
<tr><th colspan="3">Overall operating margin</th></tr>
<tr><td>2016/17 CDHG
2015/16</td><td>**34.7%**
39.1%</td><td rowspan="9">We have delivered a strong operating margin in 2016/17, around 7 percentage points above our peers and the social housing sector at large. This reflects, in part, that we don't provide supported housing or housing for older people which, in being more costly, reduces a provider's operating margin. Our overall operating margin has reduced by 4.4 percentage points in the current year, driven primarily by an increase in our responsive repairs costs.

The group's operating margin solely on social housing lettings is very similar to the overall operating margin – reflecting that the overriding focus of the group's operations is our social housing offer.

Closer analysis to our peers suggests it is the group's comparative lack of costs for which a service charge is charged and lower depreciation charge which results in our higher operating margin. Service charges are charged to directly cover costs and so they do not generate a margin for the provider. The group's depreciation charge is lower than the majority of our peers because our properties had a lower original value, based on the cost paid for them, rather than their existing use value.</td></tr>
<tr><td>2015/16 consolidated sector median</td><td>**28.2%**</td></tr>
<tr><td>2015/16 CDHG peer group median</td><td>**28.0%**</td></tr>
<tr><td>2015/16 CDHG closest comparator</td><td>**28.0%**</td></tr>
<tr><th colspan="2">Operating margin – social housing lettings</th></tr>
<tr><td>2016/17 CDHG
2015/16</td><td>**33.9%**
39.2%</td></tr>
<tr><td>2015/16 consolidated sector median</td><td>**32.1%**</td></tr>
<tr><td>2015/16 CDHG peer group median</td><td>**27.5%**</td></tr>
<tr><td>2015/16 CDHG closest comparator</td><td>**28.9%**</td></tr>
<tr><th colspan="3">EBITDA MRI interest cover</th></tr>
<tr><td>2016/17 CDHG
2015/16</td><td>**184%**
108%</td><td>CDHG has an EBITDA MRI interest cover of 184% in 2016/17, an increase of 76 percentage points over our 2015/16 position. The increase is due to a reduction in our capitalised major repairs expenditure in the current year and an increase in our depreciation charge for the year.</td></tr>
<tr><td>2015/16 consolidated sector median</td><td>**177%**</td><td>Our interest cover is slightly higher than the sector and our peer group's median figures, but below that of our closest comparator. The primary difference between our figure and that of our closest comparator is their depreciation</td></tr>
</table>

2015/16 CDHG peer group median	**182%**	charge which, at almost four times the size of our charge, significantly improves their EBITDA MRI figure. An interest cover well in excess of 100% provides assurance that the group's operations have sufficient earning- and cash-generating capacity to continue to comfortably service its debts without significant risk of default.
2015/16 CDHG closest comparator	**225%**	
Number of new units developed		
2016/17 CDHG *2015/16*	**18** *0*	We acknowledge that the metrics concerned with developing new properties show we are currently some way behind the sector and peer group mean figures. We are currently in the early stages of an ambitious new build development plan which will see the group deliver almost 300 homes over the next three years and so our performance for 2016/17 only represents the very beginning of this programme. We expect to deliver around 94 new homes (around 0.5% of our total units owned) in 2017/18 and so should see a corresponding increase in the amount invested in new supply for every £1 generated metric.
2015/16 consolidated sector median	**77**	
2015/16 CDHG peer group median	**78**	
2015/16 CDHG closest comparator	**165**	
New units developed as a proportion of units owned		
2016/17 CDHG *2015/16*	**0.1%** *0%*	
2015/16 consolidated sector median	**1.2%**	
2015/16 CDHG peer group median	**0.6%**	
2015/16 CDHG closest comparator	**1.1%**	
Gearing		
2016/17 CDHG *2015/16*	**77.9%** *85.2%*	Our gearing ratio is higher than both our peer group median and the sector median position. This is symptomatic of the recent nature of our stock transfer, even when compared to our closest peers. Every year post-transfer sees the book value of our stock increase through investment works carried out and capitalised but, assuming this investment is funded through earnings, there is no corresponding increase in group debt and therefore the gearing ratio falls. Our gearing ratio in 2015/16 was 85.2% and has fallen to 77.9% in 2016/17 and we expect that this ratio will continue to fall in future years unless additional debt is drawn down to fund, for example, new build development.
2015/16 consolidated sector median	**49.3%**	
2015/16 CDHG peer group median	**33.6%**	
2015/16 CDHG closest comparator	**33.6%**	
Customer satisfaction ***(Percentage of respondents very or fairly satisfied with the overall service provided)***		
2016/17 CDHG *2015/16*	**88%** *89%*	Our customer satisfaction has remained high during 2016/17 and is closely comparable to the sector median

2015/16 consolidated sector median	**87%**	figure and our closest comparator's figure. We will continue to work hard during 2017/18 to maintain and, where possible, improve our customer satisfaction. It was not possible to obtain a figure for the CDHG peer group for this indicator.
2015/16 CDHG peer group median		
2015/16 CDHG closest comparator	**90%**	
Amount invested in new supply for every £1 generated		
2016/17 CDHG *2015/16*	**£0.06** *£0.00*	As noted elsewhere, we are currently in the early stages of our new build development plan and so our new supply investment figure for this year is lower than we expect to see in coming years. It has not been possible to obtain this metric for our external benchmarking comparators.
2015/16 consolidated sector median		
2015/16 CDHG peer group median		
2015/16 CDHG closest comparator		
Amount invested in communities for every £1 generated		
2016/17 CDHG *2015/16*	**£0.02** *£0.02*	2016/17 saw the completion of a customer engagement review and the establishment of a community investment team within the group, supported by a new community investment strategy. Having completed the essential groundwork in 2016/17, we expect that our investment in communities will be higher in 2017/18, with effective targeted programmes making a real difference to our customers. It has not been possible to obtain this metric for our external benchmarking comparators.
2015/16 consolidated sector median		
2015/16 CDHG peer group median		
2015/16 CDHG closest comparator		
Return on capital employed		
2016/17 CDHG *2015/16*	**16.6%** *20.1%*	Our return on capital employed (ROCE) figure is particularly high when compared to our peers and the sector as a whole and, whilst this partly reflects the underlying strength of the business, it also reflects the comparatively low net book value (NBV) of our properties – a value ultimately driven by the valuation method used when we purchased our stock from Durham County Council in April 2015. Despite a comparatively high figure in 2016/17, our ROCE has fallen by 3.5 percentage points when compared to the prior year. This has been driven by an investment driven increase in our asset value not being matched by a corresponding increase in our operating surplus. The investment has been made on our existing properties which already contribute to our operating surplus, and for which there is limited scope to increase that contribution, rather than investment in new properties which would bring an additional contribution to the surplus.
2015/16 consolidated sector median	**4.1%**	
2015/16 CDHG peer group median	**5.8%**	
2015/16 CDHG closest comparator	**5.8%**	

Occupancy rate		
2016/17 CDHG *2015/16*	**99.2%** *99.4%*	Our occupancy rate has fallen slightly from 2015/16 to 2016/17 and this is linked to our work using the FATAL tool whereby we identify void properties which are no longer financially viable and seek to dispose of this stock rather than re-investing and re-letting. As a result we have had an increase in vacant properties which are being assessed and marketed for disposal and this has reduced the group's overall occupancy rate. Despite this work, however, the group's occupancy rate still remains closely comparable to the wider sector median position. It has not been possible to obtain this metric for our peer group or closest comparator.
2015/16 consolidated sector median	**99.5%**	
2015/16 CDHG peer group median		
2015/16 CDHG closest comparator		

Ratio of expenditure on responsive repairs to expenditure on planned maintenance		
2016/17 CDHG *2015/16*	**0.90** *0.49*	The group's ratio of responsive repairs to planned maintenance expenditure is 0.30 – 0.36 higher than our peers and the social housing sector. This reflects the nature of the work required to our properties during the year, but also how we internally process and carry out works and whether, for accounting purposes, works can be categorised as 'capital' (planned) or 'revenue' (responsive) expenditure. We have identified that batched repairs are significantly adding to the % of responsive to planned repairs calculations. We are proposing to remove batched repairs from the associated repairs and maintenance figures and deal with these in a consistent planned approach. The newly centralised Assets team have set up regular meetings between all of the group's contractors and staff from both repairs and maintenance and planned maintenance teams to discuss repetitive and or high cost repairs - these will be identified at an early stage and delivered through planned schemes.
2015/16 consolidated sector median	**0.60**	
2015/16 Subsidiary peer group median	**0.54**	
2015/16 Subsidiary closest comparator	**0.54**	

Headline social housing cost per unit		
2016/17 CDHG *2015/16*	**£3,121** *£3,358*	Our headline cost per unit is almost 10% below the 2015/16 consolidated sector median and is more than 10% below our peers' 2015/16 performance. Looking more closely at the constituents of the headline result, we can see that our management costs are broadly in line with our peers and the wider sector as a whole. We have a comparatively small number of properties that receive services for which a service charge is levied and therefore our corresponding costs are significantly below those seen by our peers. A service charge review is to be
2015/16 consolidated sector median	**£3,441**	
2015/16 CDHG peer group median	**£3,500**	
2015/16 CDHG closest comparator	**£3,351**	
Management cost per unit		
2016/17 CDHG *2015/16*	**£1,018** *£984*	

2015/16 consolidated sector median	**£1,018**
2015/16 CDHG peer group median	**£1,041**
2015/16 CDHG closest comparator	**£1,003**
Service charge cost per unit	
2016/17 CDHG *2015/16*	**£58** *£50*
2015/16 consolidated sector median	**£372**
2015/16 CDHG peer group median	**£245**
2015/16 CDHG closest comparator	**£203**
Maintenance cost per unit	
2016/17 CDHG *2015/16*	**£1,113** *£1,013*
2015/16 consolidated sector median	**£982**
2015/16 CDHG peer group median	**£845**
2015/16 CDHG closest comparator	**£881**
Major repairs cost per unit	
2016/17 CDHG *2015/16*	**£932** *£1,311*
2015/16 consolidated sector median	**£809**
2015/16 CDHG peer group median	**£1,225**
2015/16 CDHG closest comparator	**£1,225**
Total works to properties cost per unit	
2016/17 CDHG *2015/16*	**£2,045** *£2,324*

undertaken to analyse service charges and associated costs to ensure the group is recovering the cost of services provided. This will allow for informed decisions to be made in relation to services and the recovery of costs in light of welfare reform changes.

Similarly, the group's service offering beyond our core general needs lettings is comparatively limited and so we have no costs classed as 'other social housing costs'. Our maintenance costs per unit are between 13% and 32% higher than our peers and the sector as a whole, whilst our major repairs costs are 24% lower than our peer group median, but 15% above the sector median. This in part reflects the fact that, in 2016/17 we have incurred more expenditure on our properties that, for accounting reasons, cannot be classified as a 'capital' major works and so has instead been classed as 'revenue' maintenance costs. This situation has also impacted the ratio of our expenditure on responsive repairs to expenditure on planned maintenance which is markedly higher than the corresponding sector and peer group median ratios.

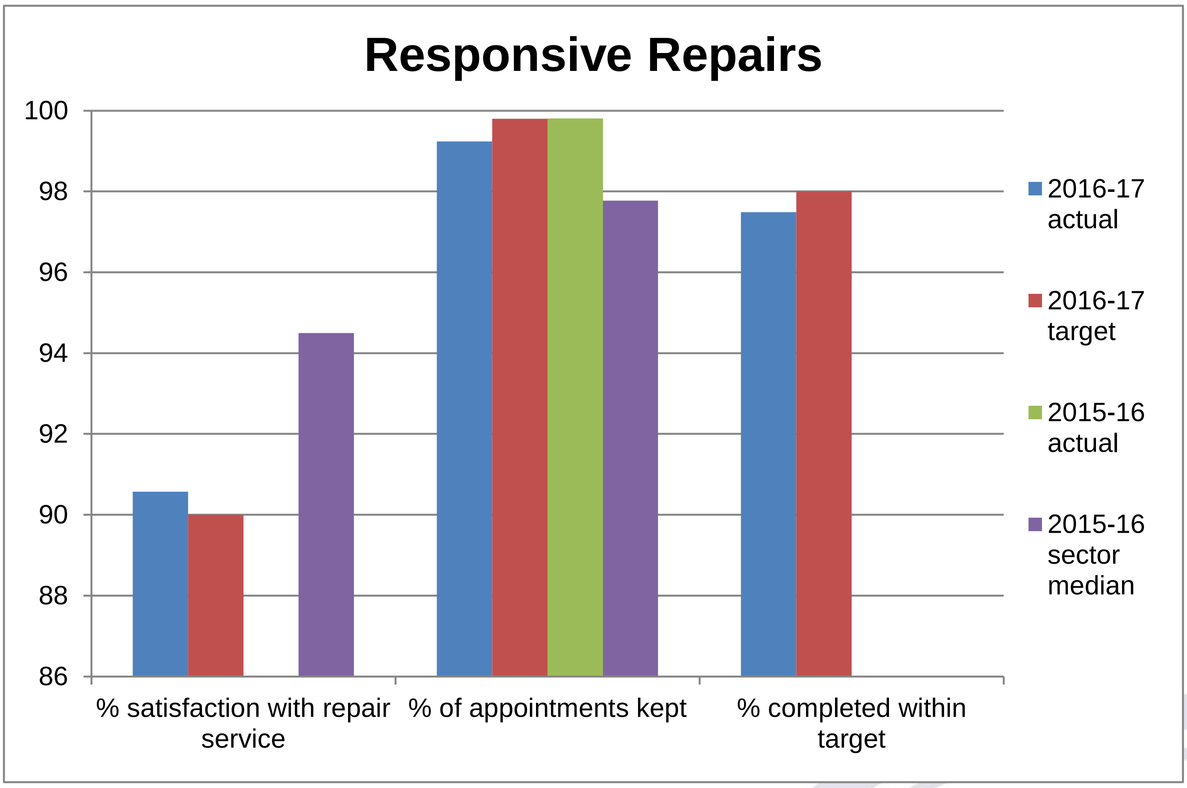
Whilst the classification of work isn't the only reason for our 2016/17 performance, we feel a better comparison it to look at the two figures in total as a 'works to properties' cost per unit to eliminate false positions driven by accounting practices. Our total investment per property for 2016/17 was within 1% of our peer group median, around 3% below that of our closest comparator, but was still 14% higher than the wider sector position. This, in part, reflects the fact that we, and our peers, represent comparatively recent stock transfers which the HCA has identified as a factor resulting in higher unit costs - particularly in relation to maintenance and major works with newly transferred stock usually having greater immediate investment needs.

However we have recognised that our maintenance costs, in particular the costs for void properties are too high. In 2016/17 two reviews of our voids service and processes were undertaken, one internal and one external. The outcome of these reviews identified that voids processes were inconsistent across the group and were inefficient in terms of the manual nature and number of steps within the processes. A new group wide voids process has been implemented from 2017/18 and the 2017/18 budgets for capital and revenue voids have been reduced by 10% to

2015/16 consolidated sector median	**£1,791**	drive efficiency in the voids process. Further plans to improve this area are summarised above in the expenditure on responsive repairs to expenditure on planned maintenance section. We also believe that there are further improvements we can make to our management cost per unit which, although currently around the sector and peer group median, has the potential to be below the median given our favourable position regarding regional wage variations and also our lack of more costly housing for older people and supported housing. Cost savings targets established as part of Regroup continue to be monitored and the centralisation of teams and improvements in how we work will start to reduce management costs. The current years management costs include costs associated with the delivery of Regroup projects as part of the 'invest to save' principles being applied to generate longer term recurring cost savings.
2015/16 CDHG peer group median	**£2,070**	
2015/16 CDHG closest comparator	**£2,106**	
Other social housing cost per unit		
2016/17 CDHG *2015/16*	**£0** *£0*	
2015/16 consolidated sector median	**£260**	
2015/16 CDHG peer group median	**£144**	
2015/16 CDHG closest comparator	**£39**	
Rent collected from current and former tenants as a percentage of the rent due (excluding arrears b/f)		
2016/17 CDHG *2015/16*	**99.5%** *99.5%*	Our rent collected figure has remained constant from 2015/16 to 2016/17 and compares favourably with our closest peers, but is slightly lower than the whole sector median. In 2017/18 we plan to centralise the group's rental income team as well as reviewing and streamlining processes and procedures for rent collection, linking in with the Unity project.
2015/16 consolidated sector median	**99.9%**	
2015/16 CDHG peer group median	**99.6%**	
2015/16 CDHG closest comparator	**99.4%**	
Overhead costs as a percentage of adjusted turnover		
2016/17 CDHG *2015/16*	**11.53%** *14.78%*	Our overhead costs represent just over 11.5% of our adjusted turnover which represents a decrease of 3.25 percentage points over our 2015/16 position. This suggests the work we have been undertaking through Regroup and other projects has been making a positive impact on our overhead costs. However, we recognise that our overhead costs still remain a larger proportion than both our closest peers and the wider sector median position. As we complete the Regroup projects in 2017/18, we expect our overhead costs will fall further as structures and procedures are rationalised and streamlined.
2015/16 consolidated sector median	**10.50%**	
2015/16 CDHG peer group median	**10.62%**	
2015/16 CDHG closest comparator	**9.79%**	

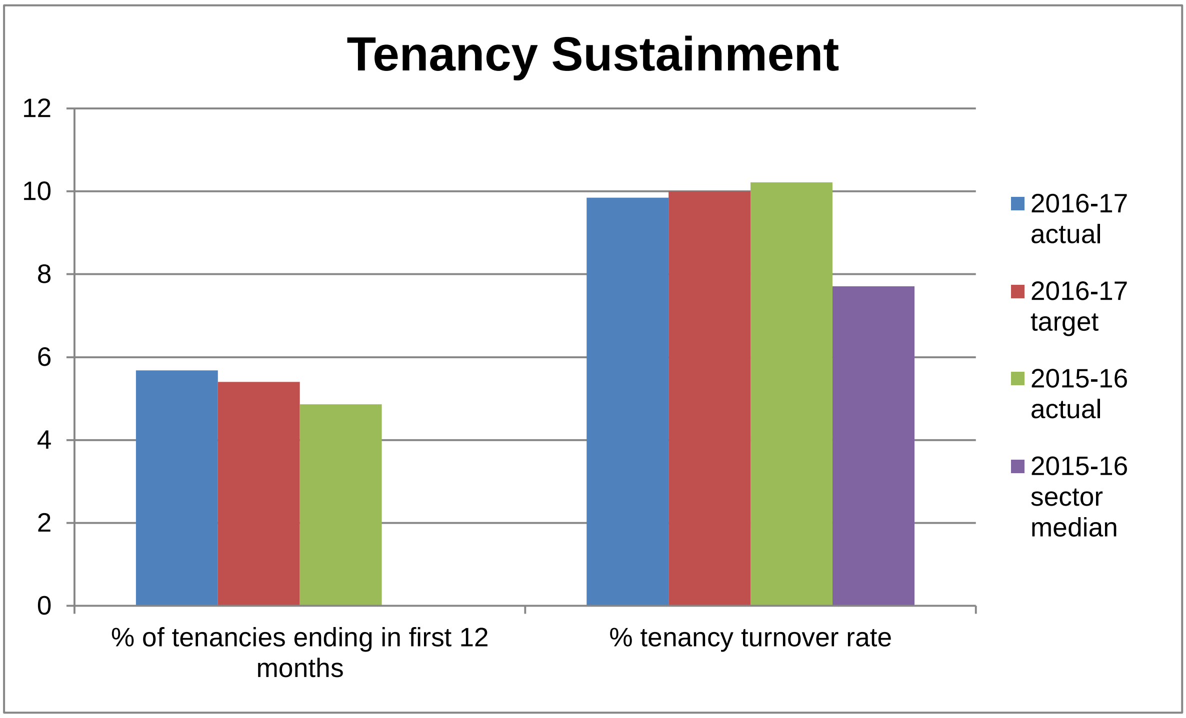
Additional performance measures

We have performed additional analysis of our performance in three key areas where we have not met our targets for 2016/17. The performance measures detailed below allow us to track the most important elements of the group's operations underpinning the delivery of the corporate objectives to ensure that underperformance, which poses a risk to the achievement of these objectives, is rapidly identified and resolved.



We continue to operate three different contracts for responsive repairs including three different sets of timescales for responses. We acknowledged in our previous report that this is an inefficient model and potentially drives some increased costs and variations in performance. Work is underway to align this approach in the future, taking into account the existing terms remaining on the respective contracts. However, in the interim there have already been measures put in place to address performance.

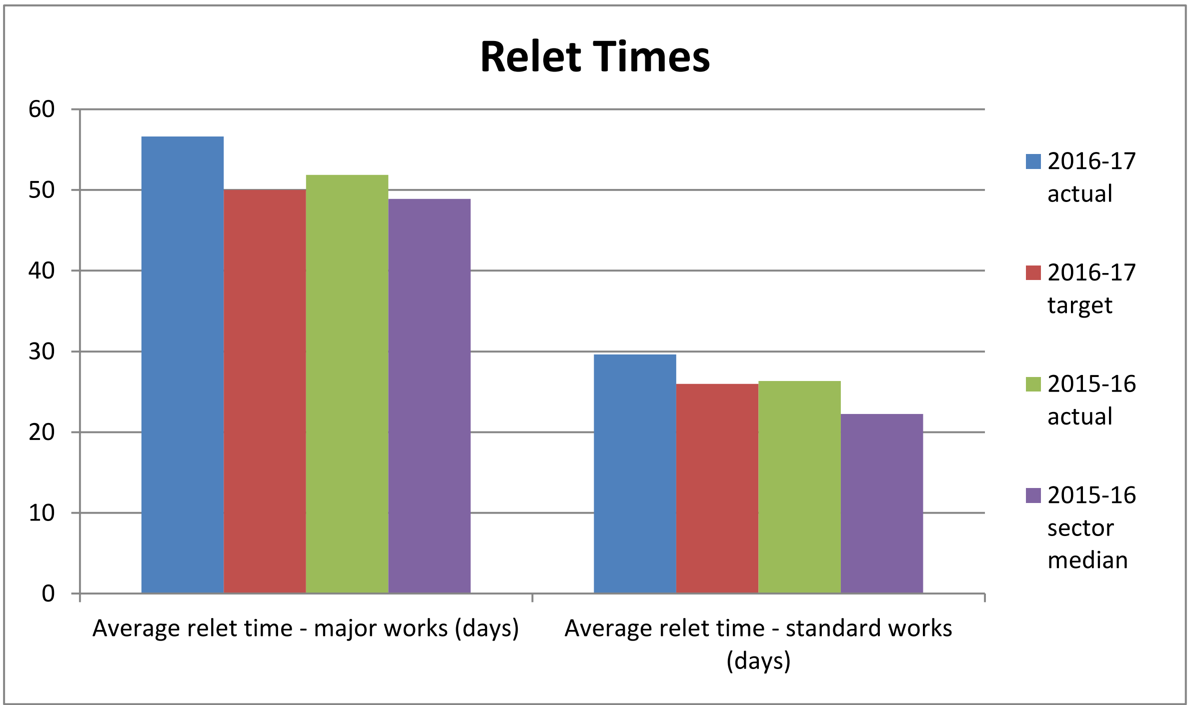
Through close monitoring of these key indicators throughout 2016/17 and a focus on ensuring that we are operating well within the existing arrangements, we have been able to identify potential challenges across the different contracts which may have been impacting on performance. As a result, we have put in place rigorous monitoring, and regular discussions about where resources need to be prioritised to ensure that a high quality service is provided, whilst balancing the cost of bringing in additional resource if required. This has resulted in a continual improvement in performance during the year which we will work to continue in 2017/18.



We recognise that tenancy turnover has a significant impact on our costs in terms of reinstating properties ready to let for future customers, as well as having an impact on the sustainability of our estates.

There is also a recognition that where a tenancy has failed, this has an impact on the individual. We want to reduce the churn of tenancies across the group and minimise the number of new tenants who have to end their tenancies. A key part of this for 2017/18 will be the introduction of an affordability element in our sub-regional CBL scheme Durham Key Options. This provides an opportunity to highlight where a potential tenant may not actually be able to afford the property being offered and prevent them being put into a property to fail.

A pre-tenancy service will be developed in 2017/18 to proactively deal with the potential risks to tenancies succeeding before people sign for their tenancy.



We continue to work within three different contract arrangements for voids works with different timescales and costs associated with these. Whilst we are moving to align these over time in line with the contractual commitments, we have continued to look at ways to reduce the volume of void properties, minimise void rent loss and bring properties back into use as efficiently as possible.

In 2016/17 a review of Void Management was carried out by HQN to identify potential ways to improve the processes and reduce the associated costs. A number of the recommendations have already been put into place. New, improved processes have been developed which will be taken forward through our Unity project. In the meantime there has been a focus on bringing properties, sometimes where they have been empty for months, reducing our rent loss but increasing our relet times.

Our plans for 2017/18

Following a review of the Corporate Plan in March 2017 our objectives were streamlined to sharpen our focus on the things that will have the biggest impact on customers, communities and the business overall. The refreshed objectives are:

- Outstanding business
- Outstanding services
- Outstanding communities

The group aims to

- manage an **outstanding business** by safeguarding our income, building a reputation as an outstanding landlord who invests in our people to maximise their potential;
- provide **outstanding services** that really set us apart as a landlord, delivering a modern, efficient customer experience; and
- build **outstanding communities** that are empowered to actively influence and shape local decision making.

The following projects are key priorities for 2017/18:

- Unity – implementation of Aareon as the new single housing management system for the group which will replace the three legacy systems currently in place. This is anticipated to achieve direct cost savings of over £1m over five years as well as further savings in more efficient processes.

- Operations transformation – completing the restructure of housing operations teams across the group to create a single Operations directorate operating over East and West areas.

- HR systems – roll out of a new self service system for employees which will allow for administrative tasks such as requesting holidays, recording sickness and claiming expenses to be done online. For managers the new system will also provide improved reporting functionality which will allow for better monitoring of areas such as sickness absence. Following on from the launch of the new system, future developments later in 2017/18 will include recruitment, performance and learning and development.

- People First –finalising the group's new structures within the single operations directorate. This project will also look at the development of the group's culture and values and the development of a modern employee offer.

- Cost reduction and efficiency programme – monitoring the achievement of the £4m annual savings target.

- New development – the development programme set out on page 9 sets out the plans for 2017/18 and beyond for the acquisition and development of new properties for the group.

- Review of under performing assets – work will continue to develop FATAL and review of underperforming assets held by the group, including assets such as community buildings and garage sites.

All of these projects link to the group's Corporate Plan objectives of outstanding business, outstanding services and outstanding communities.

We have also developed a sector scorecard containing forecasts and targets for 2017/18. This will allow us to better track our ongoing performance relating to these metrics during

2017/18 and also provide a baseline for assessing our final annual performance at the end of the year. Our forecast scorecard for 2017/18 is as follows:

	CDHG 2017/18 Forecast/Target
Overall operating margin	**37.2%**
Operating margin – social housing lettings	**36.4%**
EBITDA MRI interest cover	**-1.1%**
Number of new units developed	**94**
New units developed as a proportion of units owned	**0.5%**
Gearing	**57.73%**
Customer satisfaction *(Percentage of respondents very or fairly satisfied with the overall service provided)*	**88%**
Amount invested in new supply for every £1 generated	**£0.40**
Amount invested in communities for every £1 generated	**£0.03**
Return on capital employed	**15.6%**
Occupancy rate	**99.2%**
Ratio of expenditure on responsive repairs to expenditure on planned maintenance	**0.38**
Headline social housing cost per unit	**£3,440**
Management cost per unit	**£1,096**
Service charge cost per unit	**£73**
Maintenance cost per unit	**£976**
Major repairs cost per unit	**£1,295**
Total works to properties cost per unit	**£2,271**
Other social housing cost per unit	**£0**
Rent collected from current and former tenants as a percentage of the rent due (excluding arrears b/f)	**99.8%**
Overhead costs as a percentage of adjusted turnover	**11.5%**

We recognise that there are some of the forecasts and targets above which represent a significant departure from the performance we have observed during 2016/17 – particularly with regards EBITDA MRI interest cover, ratio of expenditure on responsive repairs to expenditure on planned maintenance and the headline social housing cost per unit and its constituent figures.

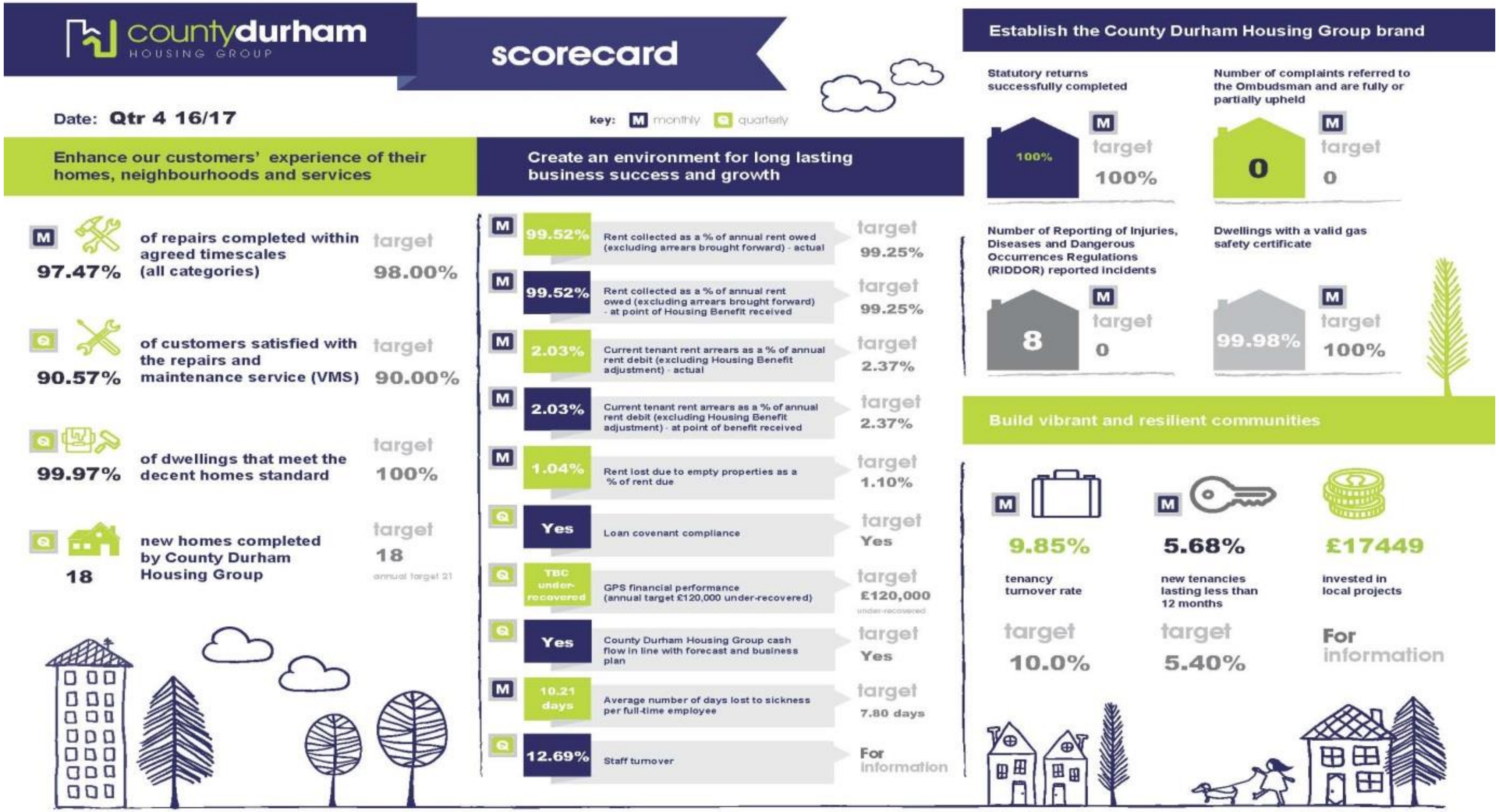
We're forecasting a slightly negative EBITDA MRI of -1.1% for 2017/18, when compared with a reported figure of 184% in the current year. The reason for this predicted change is that we expect to see increased capitalised major works expenditure in 2017/18 when compared with that seen in 2016/17. The increased capitalised major works expenditure is also the primary reason for the significant forecast reduction in our ratio of responsive repairs to planned maintenance from 0.90 to 0.38.

We are forecasting an increase in our social housing cost per unit for 2017/18 and this reflects a number of factors which we are aware will begin to impact us during the year. We have seen an increase in our employer pension contributions for 2017/18 from 13.8% to 16.1% and, with staff costs being a major element of our expenditure, this will result in a notable increase in our costs for the year.

Additionally, we expect to begin to see increased inflationary pressure on our costs across the group, linked to Brexit and the wider economic picture. This inflationary pressure particularly impacts our major works forecast which, of the constituents of the headline social cost per unit, shows the largest expected increased from 2016/17 to 2017/18 – however, we hope the procurement of a single contractor for major works during 2017/18 will mitigate some of this expected cost increase. The figure has also been impacted by an expected change in the mix of maintenance costs and major repairs costs with the increase in major repairs costs offsetting a reduction in maintenance costs.

There are also a number of additional costs we expect to bear in 2017/18 linked to our Regroup program, such as investment in agile working, which will see the group incur upfront costs to realise longer term savings and efficiencies. All of these factors lead us to forecast increased costs for the coming year and thus also an increased social housing cost per unit.

Appendix A – 2016/17 Performance Scorecard



Appendix B – Benchmarking peer groups

Organisation	Region and wage index	Group Type	Date of largest stock transfer	% supported housing	% housing for older people	No. of housing properties
CDHG Peer Group						
County Durham Housing Group	***North East (0.88)***	***LSVT***	***13/04/2015***	***0.0***	***0.0***	***18,172***
First Choice Homes Oldham	North West (0.92)	LSVT	07/02/2011	0.0	2.0	11,664
ISOS Housing	North East (0.88)	Mixed	04/02/2008	2.9	6.9	16,672
Liverpool Mutual Homes **(CDHG closest comparator)**	North West (0.92)	LSVT	31/03/2008	0.4	4.7	15,189
One Manchester	North West (0.92)	LSVT	30/03/2009	0.1	2.1	12,039
Rochdale Boroughwide Housing	North West (0.92)	LSVT	26/03/2012	0.0	7.1	13,477
Subsidiaries Peer Group						
Dale and Valley Homes	***North East (0.88)***	***LSVT***	***13/04/2015***	***0.0***	***0.0***	***4,171***
Durham City Homes	***North East (0.88)***	***LSVT***	***13/04/2015***	***0.0***	***0.0***	***5,797***
East Durham Homes	***North East (0.88)***	***LSVT***	***13/04/2015***	***0.0***	***0.0***	***8,183***
Berwick Borough Housing	North East (0.88)	LSVT	03/11/2008	0.2	3.1	1,943
Byker Community Trust	North East (0.88)	LSVT	05/07/2012	3.5	0.0	1,783
City South Manchester Housing Trust	North West (0.92)	LSVT	02/06/2008	0.0	0.7	4,276
Community Gateway Association	North West (0.92)	LSVT	28/11/2005	0.3	6.8	6,183
Derwentside Homes	North East (0.88)	LSVT	04/12/2006	0.0	2.9	6,685
Eastlands Homes Partnership	North West (0.92)	LSVT	30/03/2009	0.1	2.9	7,761
Halton Housing Trust	North West (0.92)	LSVT	05/12/2005	1.9	0.0	6,767
Meres and Mosses Housing Association	West Midlands (0.93)	LSVT	30/07/2007	0.1	8.1	2,343
Mossbank Homes	North West (0.92)	LSVT	14/04/2008	0.0	0.0	1,232
Ongo Homes	Yorkshire and the Humber (0.94)	LSVT	26/02/2007	0.1	4.9	9,724
Parkway Green Housing Trust	North West (0.92)	LSVT	30/10/2006	0.0	0.5	5,649
Salix Homes **(Subsidiary closest comparator)**	North West (0.92)	LSVT	23/03/2015	1.3	3.9	8,446
Southway Housing Trust (Manchester)	North West (0.92)	LSVT	26/11/2007	0.0	0.8	5,850
Wellingborough Homes	East Midlands (0.94)	LSVT	10/12/2007	4.9	0.0	4,631

Appendix C – Glossary

Acronym	What it stands for
CDHG	County Durham Housing Group
DCH	Durham City Homes
DCLG	Department for Communities and Local Government (The Government department with responsibility for housing)
DVH	Dale & Valley Homes
EBITDA MRI	Earnings before interest, tax, depreciation and amortisation, major repairs included (An accounting measure used as an approximation of cash generated)
EDH	East Durham Homes
FATAL	Financial assessment tool and asset locator (The group's asset management tool)
FTE	Full time equivalent (Used to express an employee's contracted hours as a proportion of a standard full time role
GPS	Group Property Services (The group's internal provider of responsive, planned and capital works to properties)
HACT	Housing Associations' Charitable Trust (An organisation undertaking research and innovation on behalf of housing associations)
HCA	Homes and Communities Agency (The regulator of social housing providers in England)
IDA	In-depth assessment (Used by the HCA to understand and evaluate the performance of registered providers)
KPI	Key performance indicator (Used by the group to monitor and evaluate internal performance)
LSVT	Large Scale Voluntary Transfer (The transfer of ownership of social housing from a local authority to a new or existing registered provider)
NBV	Net book value (The total accumulated cost of an asset less any accumulated depreciation)
NEP	North East Procurement (a consortium set up by a number of North East based social landlords with the purpose of creating commercial procurement savings and efficiencies)
NPV	Net present value (A measure of financial performance derived from discounted cash inflows and outflows over a specified period of time)
PIMSS	The group's investment programme management and planning software
ROCE	Return on capital employed (A ratio which looks at financial performance of the group's assets)
RP	Registered provider (The term for a social housing provider regulated by the HCA)
SLA	Service level agreement (An agreement between a service provider and a client)
VOCAL	Voice of the Customer and Leaseholder (The group's customer engagement panel)