

Agenda Item 8

Housing Review Board

26 November 2009

JG



Systems Thinking progress report

Summary

This report assesses the progress in respect of the System Thinking review in housing and evaluates the benefits of the Check and Redesign work we have undertaken in respect of homelessness; housing advice; housing applications; allocations; voids; new tenancy 'sign ups'; initial rent payments; and Notice to Quit from ex-tenants.

The report refers to the various operational principles adopted to do 'what matters' to the customer and that we undertake the 'value' work, reducing waste and preventable demand so that we become more effective in meeting our adopted purpose – to match the right people with the right home.

A key element of the report is the presentation of a series of leading and lagging measures that show our performance in implementing the redesigned system.

Recommendation

To endorse the proposed Redesign following a period of experimentation and evaluation.

a) Reasons for Recommendation

To enable the Board to monitor the Systems Thinking work and understand what is happening in the system particularly in relation to the keys to keys activities.

b) Alternative Options

Not to pursue the Systems Thinking approach to service improvement or to redesign our system in a different way.

c) Risk Considerations

That we are not achieving purpose and the 'new world' system is not reducing preventable demand and waste in the flow of work.

d) Policy and Budgetary Considerations

The Systems Thinking approach has been established on a series of principles and a purpose that is consistent with what matters to our customers.

e) Date for Review of Decision

I plan to report on performance quarterly to ensure that we are improving the service provided to customers.

1 Background

- 1.1 One of the ways that EDDC is delivering our corporate vision of '**outstanding and sustainable quality of life for everyone in East Devon**' is by using '**Systems Thinking**' principles which underpin the design and management of the work we do. So far we are using systems thinking principles in Planning, Benefits and Housing. These principles are built through knowledge and understanding of how we deliver service from a customer perspective. We look at ourselves from the 'outside in', as a complete system which delivers the service's purpose and meets customer demand. Once we have understood the nature of our customer demands and know what matters to our customers, then we redesign the system to do the work and only the work that delivers these - we call it the 'value work'.
- 1.2 As we phase in the implementation of these new principles across our range of services, our performance has improved and our costs have started to fall. Our customers have also noticed the difference because they get what they need quickly and correctly. Service, efficiency and revenue all improve and our people like working in this environment as they feel empowered and supported to deal with issues. This has positively impacted on the culture of the organisation.
- 1.3 Fundamental to understanding our services from a systems point of view is to understand '**what matters to our customers**' and have clarity of our operational '**purpose**'.
- 1.4 We need to measure how well we are doing and the critical test of a **sound operational measure** is:
- Does it relate to purpose?
 - Does it represent the system?
 - Is it used by those in the work and managing the work to further improve the work?
- 1.5 We refer to these measures as 'Leading Measures' because they help us lead change and improvement. Examples of leading measures are:
- Demand analysis - the type (preventable or value demand) and frequency of customer. Value demand is what we are here to do and preventable demand is demand caused by our failure to do something or to do it right.
 - Our ability to deal with requests/demand first time (one stop).
 - How long a process took from start to finish (end to end time).
- 1.6 In addition to leading measures we also use 'Lagging Measures' or rear view measures because they represent a state of play after the service has been delivered. They quantify the effectiveness or efficiency of service delivery but should not be used to lead change improvements. Examples are:
- Management accounts: revenue and cost;
 - Customer satisfaction.
- 1.7 The following leading and lagging measures will be built into our monthly and quarterly reporting and over time will cover all service areas:

Leading Measures (measures as we do the work)

Customer demand – Value/Preventable

Capability measures – Capability of business processes, one stop shop and end to end times.

Lagging Measures (measures after the work is complete)

Complaints

Customer satisfaction

Staff morale – Happy Healthy Here focus groups
Employee turnover
Absenteeism
Grievances/disciplinary
Headcount/Full time equivalents
Financial management accounts

2. Systems Thinking in housing

- 2.1 We embarked on Systems Thinking in housing in January 2009 and undertook a review of the housing activities concerned with homelessness, housing advice, housing applications, allocations, tenancy 'sign up', rent payments, and notice to quit. This in depth review phase is known as **Check** and is where we consider our purpose, what matters to our customers, how customer demand reaches our system, the type and frequency of demand, what is value demand and preventable, the system conditions (factors that cause us to operate in a particular way), how work flows through our system, and the value steps to get work completed.
- 2.2 The Check phase is followed by **Redesign** where we redesign our system around the customer and what we discovered in Check. A model for Redesign is shown later in this report. We have been implementing the redesigned system for tenancy end to commencing a new tenancy, including homeless approaches and housing advice, since early May 2009. There is a considerable amount of jargon associated with Systems Thinking and I have tried to explain the various new terms throughout the report.
- 2.3 We labelled the areas being reviewed 'moving out' and 'moving in' phases of the tenancy experience. The four main customer demands we discovered are:
- Can I end my tenancy ?
 - Can I have a home ?
 - Can I have a different home ?
 - Can you set me up right ?
- 2.4 A new keys to keys system has been designed following Check including an evaluation of 'what matters' to customers, the value steps in the system, assessing the type and frequency of demand (separating value and preventable demand), looking at flow (determining value work and waste), considering capability of response, identifying system conditions, and establishing a customer focused purpose, which is to **match the right people with the right home**.
- 2.5 As a minimum we wanted to achieve the following through Redesign:
- Reduce waste and preventable demand in our application and allocations process;
 - Reduce the length of time void properties are with contractors and design a more stable system with less variation;
 - Improve the 'sign up' process with more emphasis on the payment of rent.
- 2.7 We also wanted to achieve the following outcomes:
- Higher customer satisfaction, fewer complaints, increased staff capacity to undertake the value work;
 - Provide a service that is from the customer perspective 'right first time';
 - New tenants in void properties quicker and an increase in rental income (less rent loss);
 - Rent accounts clear (no arrears).

2.8 We adopted a series of principles and operational procedures to act as a framework for the Redesign. In practice it was as if we had had some previous operating principles as follows:

- We prioritise applicants, band them and ration homes
 - (this results in applicants wanting to be in the gold band).
- We bring homes up to the decent homes/void standard before letting
 - (this leads to delays whilst properties are prepared for letting).
- We emphasise speed of housing people over the ability to pay their rent
 - (this leads to a high percentage of tenants falling into arrears early in their tenancy).
- We split work into functions for greater efficiency
 - (but this leads to 'handoffs', multiple visits, and rechecking and therefore delay).
- We aim to meet housing need in a variety of ways
 - (this results in the need for customers to be flexible in how their demand is met).
- We encourage applications, and let in, 'unclean' (incomplete, with errors) applications
 - (leads to 'write backs' and time delays).
- We give applicants choice in bidding for homes
 - (but leads to multiple bids and preventable demand).
- Our priority is to meet statutory requirements and regulations because we have to!
 - (potential over-specification, rework and delays).
- We measure National Indicator and local targets for speed and accuracy
 - (but leads to quick decisions rather than best decisions and that may lead to rework later).
- We operate an alphabetical split and in date order to manage cases for easier management of capacity
 - (but leads to inconsistency in work practice and divisions between staff).

2.9 The new written **Operating Principles** are:

- Fully understand the customers housing needs.
- Resolve the customers housing need at the earliest opportunity.
- Receive complete and correct information at first contact with the customer.
- Make it clear to customers what we can and can't do.

- Have up to date and detailed information about our properties.
- Make sure that the tenant (current and new) understands and is fully informed about their rights and responsibilities.
- Reduce the time from keys to keys:
 - Get the new tenant out quickly;
 - Get the new tenant in quickly;
 - Get the property prepared quickly;
 - Minimise rent loss.
- Do the work required to the property and those works agreed with the tenant.
- Be accountable and responsible for raising issues and finding solutions to things that affect the work.

2.10 We also adopted a series of change, leadership and management principles which are set out below:

Change principles in housing

- The purpose of change is to improve our service.
- We will understand current principles, and then build new ones.
- Performance of the system is as a result of its design and management thinking.
- Improving performance means changing thinking.
- Change must be based on knowledge (we firstly need to understand the 'what and the why of current performance' before planning and implementing any change).
- We will focus on the value work required to deliver our customer demands.
- We recognise that change can be challenging and management needs to be focused, calm and organised.

Leadership Principles in housing

Leaders:

- Champion the principles of challenge and improvement.
- Are accountable and responsible for improvement.
- Use measures and knowledge to support improvement and make change happen even during difficult times.
- Help management through change and in tackling obstructions - both operational and behavioural.
- Prioritise open, consistent and frequent communication.
- Keep clear on 'purpose' and protect the team from other pressures.
- Work with staff to find solutions to externally driven change.
- Understand the system and the issues currently being worked on.
- Will be available on 'pull' (when required) to make the work work.

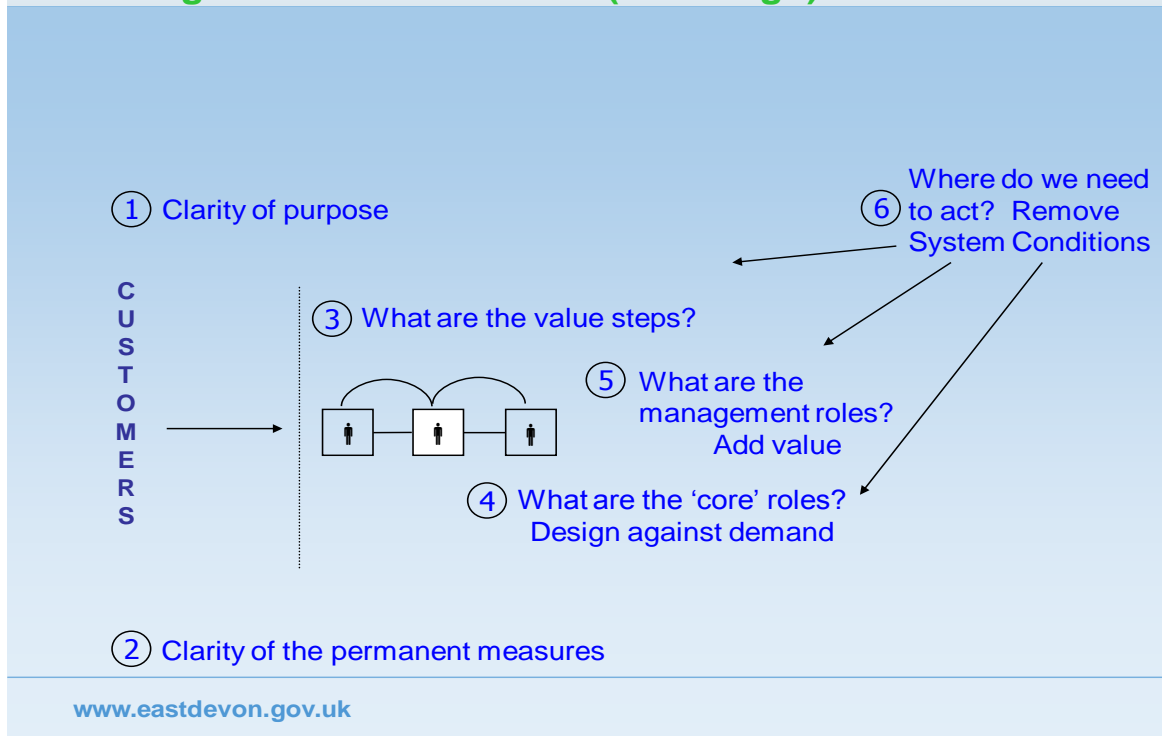
Management principles in housing

- Focus on our customers:
 - Understand what we are being asked for or told;
 - Understand what's important to them.
- Make sure there is clarity of Purpose and Principles throughout our work.
- Use Measures that inform and guide us in improving our Capability to meet purpose and demand.
- Work with our staff to design processes that deliver housing services in the most efficient and effective way:
 - Make sure the skills, knowledge and expertise are in the right place to deal with demand.
 - Make sure the right tools are available.
 - Understand our capacity to make sure that the relevant resources are available.
- Work with our staff to tackle issues affecting their work, and causes of waste and preventable demand in our processes.
- Help our staff through change and tackle obstructions - both operational and behavioural.
- Comply with regulatory and statutory obligations, but challenge and strive to limit their negative impact.
- Make decisions based on knowledge, understanding and data, not assumption.
- Be accountable and responsible for the capability of our staff.
- Be open and honest in our communications.
- Teach our staff the 'end to end' process.

3. Evaluation of 'redesign' in housing

- 3.1 Having undertaken the 'Check' phase of the Systems Thinking review we redesigned operational activity around our purpose and 'what matters' to the customer. We devised a series of operational principles and practices (stated above). The Redesign model is shown below.

The Vanguard model for 'Plan' (Re-design)



- 3.2 We carried out two Redesign experimental systems. The first involved roll-in of Redesign using existing staff working in their specialist teams (operating like a virtual team) and the second approach was to create a specialist Change of Tenancy Team with Housing Needs staff working with a Technical Assistant and a Rental Officer.
- 3.3 Following some six months of Redesign we evaluated the success of the two approaches. We attempted to compare the advantages and disadvantages of the Virtual Team and the Change of Tenancy Team. We have partially evaluated each of the key stages in the new system known as the Value steps.
- 3.4 The Evaluation Framework is set out in **annex 1**. I have been using these questions and themes to assess the effectiveness of the two redesigned system options.
- 3.5 We have found the Redesign changes very popular with our customers. They liked the opportunity to influence works to the void property and liaise directly with the staff and contractors. This is a critically important endorsement of the changes made through Systems Thinking.
- 3.6 We discovered that by using a single Technical Officer it was difficult to fit in all the void inspections in the days assigned for appointments which led to some delays of appointments into a second week. A diary sheet has been devised to schedule appointments, which seems to have largely overcome the problems experienced during the experimental period.
- 3.7 End to end times have worryingly increased but some of this is down to our contractors not being able to manage with the number of void properties presented to them. They have been requested to increase their tradesmen to meet demand and get back to the improved timescales we were achieving last year (typically in the order of 14 days).
- 3.8 Rental payments have improved considerably under Redesign partly because of the emphasis placed on this aspect at tenancy 'sign up', improved liaison with Housing Benefit colleagues and advanced notification to the prospective tenant of the need to come to the 'sign up' with information of how they will pay their rent.

4. Measures of performance

- 4.1 An important aspect of the Systems Thinking review is the measurement of performance. We use a variety of measures referred to as leading and lagging measures. These are explained and shown in **annex 2**. This is a template that I will be using to report performance in the future.
- 4.2 We have used a timeline of critical steps (value steps) in our system to measure 'end to end' times. We measure keys to keys, that is to say when we receive the keys from the outgoing tenant to when we hand the keys to the new or incoming tenant **annex 3**. We also measure the steps between:
- Keys received from outgoing tenant (accompanied viewing) to void work completed – **annex 4**
 - Void repairs complete to tenancy start – **annex 5**
 - Time to pay rent (from tenancy start date) – **annex 6**
 - Time to clear rent account.
- 4.3 You can see from the capability charts that since undertaking the Check stage our performance in terms of the speed that rents reach the rent account our Redesign changes have reduced the time it takes for the first rent payment to hit the rent account (predictably from 55 days to 40 days - **annex 6**). The average time to pay rent is 11 days from the start of the tenancy. We need to aim to reduce the variation (fewer spikes in the graph) and have more of our data points clustered around the 0 line. We are asking new tenants to come to their 'sign up' with the ability to pay their rent. If the rent is being met by Housing Benefit this is normally organised on the 'sign up' day. Some tenants elect to pay by Direct Debit and this typically means making a payment for the period between the tenancy starting and the Direct Debit date. This has caused a few problems.
- 4.4 We have not reduced the keys to keys time (predictably from 64 days during Check to 74 days - **annex 3**). I feel that there is considerable scope for reductions, but we must remember speed is not the prime or sole objective as much of our work is around improving the customer experience. We have excluded several exceptional cases, but it would appear that our performance has deteriorated the longer we have experimented with the Redesign. Initially performance improved to predictably 60 days, but since July greater variation has been allowed to come into the system and the upper control limit (predictability) has risen to 88 days. This is not acceptable and needs to be addressed quickly. Some of the deterioration coincides with the creation of the specialist Change of Tenancy Team, but I am not convinced that this is the sole cause of all the variation.
- 4.5 We can see that there is still a considerable amount of variation in our system. The time properties are with contractors for void work is highly variable and probably directly related to the varying condition that properties are returned and the amount of work required to reach our Void Standard. We have found a high proportion of properties recently requiring full modernisation. We have discussed performance with our contractors and requested improved speed of void turnaround and better scheduling of resources. We intend to take a firmer position on agreeing void ready dates and press contractors for continuous improvement in their performance. We have agreed to give them early notification of voids (at notice to quit stage) to help them plan their workloads. On the positive side we rarely extend the void ready dates because properties are not ready when anticipated or required unforeseen works, which would have consequences for new tenants.
- 4.6 We need to review why it is taking so long between the void ready dates to tenancy start, predictably 22 days and average 7 days, whereas in Check this was 10 days and an average of 5 days (**annex 5**). We have not excluded the exceptional causes, but we must achieve a shorter timescale between the property being ready and the new tenant moving in.

- 4.7 We have undertaken a telephone survey of new tenants after the commencement of their tenancy. The results of this survey reveal that of the 27 new tenants contacted most rated the service received 8-10 out of a possible score of 10. The accompanied viewing was scored high and staff considered helpful and friendly. We had a few cases where the standard of the property did not meet expectations (poor quality painting and minor repairs not done). In each case we invited the tenant to say how we could improve performance and receive a top score.
- 4.8 We need to rerun the demand analysis to ensure that through our Redesign we are eliminating waste and undertaking the value work. The Devon Home Choice system is being introduced with the clear desire to do the value work and concentrate our energy on customers who are most likely to be housed.
- 4.9 We are completing much of our homeless work 'one stop' that is to say we are dealing with the customers housing situation where we can in one visit/interview and we have radically reduced the number of homeless acceptances and the use of temporary accommodation by preventing homelessness wherever this is possible. Not all of our progress can be attributed to Systems Thinking as much of this improvement is related to our Homelessness Strategy and investment in homeless prevention.

5. Check, plan do

- 5.1 The next steps in our Systems Thinking work are to complete the evaluation of the Redesign options and update the operational principles in the light of our experiences. We need to embrace the check – plan – do cycle. So in practical terms we need to properly embed the new way of working and monitor the effectiveness in terms of the leading and lagging measures, which include further demand analysis, 'what matters' to customers, customer satisfaction.
- 5.2 Our work to date seems to be very well received by new tenants who value having a say in how and when their new home is presented. New tenants are paying their rent earlier as expected and are less likely to fall into rent arrears.
- 5.3 We know that we need to work on a quicker void turnaround time with contractors and passing the keys over to new tenants, which will reduce the keys to keys times. There is currently too much variation in our system and although some of this has to do with the varying amount of work required to void properties this does not account for all of the variation.
- 5.4 We need to implement the new Choice Based Lettings scheme (Devon Home Choice) in accordance with Systems Thinking principles where we can (see separate report on this agenda) so as to do 'what matters' to the customer, do the value work (value from the customer perspective), minimize preventable demand and achieve our purpose (match the right people with the right home).
- 5.5 I will bring a fuller report on measures to a future meeting of the Board to enable you to follow progress and monitor performance.

Legal Implications

There are no legal implications set out within the report requiring comment.

Financial Implications

Financial implications have not been evaluated at this stage. Any improvement in turnaround for void properties will have a positive impact on rental income.

Consultation on Reports to the Executive

None.

Background Papers

- Previous reports to the Board on Systems Thinking dated May and June 2008, and March and April 2009.
- Check and Redesign presentations 2009.

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Housing Review Board
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