

Value For Money (VFM) Statement

Our commitment to Value For Money (VFM) as one of our key corporate strategies includes being transparent and giving meaningful information on our plans and progress in this area. There is also a regulatory expectation that we will make full information available to our stakeholders at least annually. The contents of our VFM statement are set out below:

1. What does VFM mean for the Association?
2. Cost of services and comparison
3. Performance of our services
4. Customer satisfaction
5. Key financial data
6. How our assets are performing
7. Social and environmental impact
8. What we have achieved
9. Future plans

1. What does VFM mean for the Association?

The Board approved a new Value for Money Strategy in February 2015 with a plan that covers the period 2015-19. This is a key part of the Corporate Plan. It also aims to demonstrate to our key stakeholders that we are fully complying with the HCA's Governance Standard. There have been six strategy objectives identified for this plan. These are:

- Understanding costs better
- Delivering improved services to customers and cost savings
- Effective use of assets
- Improving procurement
- Involving customers, staff, Board and stakeholders
- Demonstrating improvements.

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To ensure that the VFM Strategy goals link closely to our overall Corporate Strategic Objectives we have mapped the Corporate Strategic Objectives and the VFM Strategy Goals.

Table 2 - VFM Strategy Goals Linked to the Corporate Strategy

Corporate Strategic Objectives	VFM Strategy Specific Goals
Produce and use effective, high quality, accurate and timely data	<ul style="list-style-type: none">• Understanding costs better• Involving customers, staff, Board and stakeholders• Effective use of assets• Demonstrating improvements
Establish an investment measure for social and financial return	<ul style="list-style-type: none">• Involving customers, staff, Board and stakeholders• Demonstrating improvements• Improving procurement
Ensure investments generate optimum social and financial value	<ul style="list-style-type: none">• Effective use of assets• Improving procurement
Reduce costs and drive efficiency	<ul style="list-style-type: none">• Delivering improved services to customers and cost savings• Improved procurement
Ensure operational performance is maintained at a high level	<ul style="list-style-type: none">• Involving customers, staff, Board and stakeholders• Demonstrating improvements• Delivery of improved services to customers and cost savings

Diagram 1 - What does VFM mean for the Association?



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The diagram on the previous page shows the interlinked themes that need to be delivered if VFM is to be achieved.

Cost – the Association must ensure that it is obtaining the best price for its service delivery – this is the input element.

Effective resources are the way in which the inputs are being used to maximise their benefit.

The **Customer satisfaction** element ensures that Wellingborough Homes is meeting customers' expectations.

The **Performance** element means that Wellingborough Homes needs to set clear targets for improvement and to benchmark with other organisations. The diagram is circular emphasising the need to continually review and reassess our performance internally, with customers and with peers.

The Association's definition of VFM

There is no one universally accepted definition of VFM. The National Audit Office uses the definition:

“Good value for money is the optimal use of resources to achieve the intended outcomes.”

It is important that each organisation defines their VFM objectives in a way which is meaningful to them and their customers.

To help frame this we use a measure of the 3 E's:

- Economy:** is minimising the costs to obtain the inputs required i.e. a measure of good value.
Efficiency: is obtaining the best outputs given the inputs i.e. a measure of productivity.
Effectiveness: is maximising the outcomes both in terms of quality and quantity from the outputs i.e. a measure of impact.

Our business planning process includes a clear link to our overall objectives and a fully costed 30 year plan. Budgets are linked to budget holders who are responsible for delivering targets. Using Housemark benchmarking data the Board has agreed that improving the performance, cost and satisfaction ratings are a key priority for the forthcoming 4 years.

Our aim is to expand the number of new build properties over the forthcoming four years; being able to deliver improvements in VFM is key to achieving this goal.

We use the Housemark benchmarking system to compare our costs and performance with other Housing Associations within the Eastern Region reporting the results to our Board. Each quarter the Board receives performance reports which chart progress against targets and a comparison against the top performing benchmark.

2. Cost of services and comparison

Wellingborough Homes has used the Quality Assured Housing Consultancy (QAHC) efficiency model (Social housing efficiency tool), which provides a total efficiency score using cost, performance, satisfaction and financial indicators. The scoring is based on quartile performance for each measure indicated. Over 30 points would represent top quartile performance and 10 for bottom quartile.

The Association has used Housemark data for 2014/15. Due to the peer group cost information for 2014/15 being unavailable at this time, the 2013/14 peer group costs figures have been used with an uplift for inflation to compare against our 2014/15 costs. Although this method is basic it does allow comparisons to be drawn.

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Diagram 2 - Efficiency Score








The overall efficiency score shows Wellingborough Homes just below Quartile 2 with an overall score of 80 against the QAHC index. The efficiency score for 2015/16 has been set as a minimum target of 100. This would see the Association move towards the top of Quartile 2 and represents a significant move forward.

The overall make-up of our efficiency score is shown below.

Table 3 - Overall Efficiency Measure

Efficiency Measure	WH Results 2014/15	Peer Median 2014/15	Quartile	Score
Total cost per unit	£4,353	£2,928	●	10
Total Performance Score	200	210	●	20
Operating Margin	32%	27%	●	30
Satisfaction Score	100	110	●	20
Total Efficiency Score	80	80	●	80

Key to Quartile Scores

Quartile Key	
Upper Quartile	
Mid-Upper Quartile	
Median	
Mid- Lower Quartile	
Lower Quartile	

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Total Cost per Unit

The summary above shows that Wellingborough Homes total cost per unit is relatively high when compared to our peer group. The main reasons for this are analysed in our costs per unit comparisons which are shown in the table below.

Table 4 - Costs per Service Area

Service Area	WH Cost Per Unit 2014/15	WH Cost Per Unit 2013/14	Peer Median Cost per Unit 2014/15	Quartile
Major Repairs	£2,309	£2,576	£1,209	
Routine Repairs	£819	£840	£664	
Planned Repairs	£263	£292	£260	
Housing Management	£314	£289	£252	
Estate Services	£128	£103	£113	
Overheads	£520	£506	£534	
Total CPU	£4,353	£4,606	£2,928	

Major Repairs

This table clearly shows that by far the highest area of expenditure is in major repairs with our costs being almost double that of our peer group. This is due largely to the completion during 2014/15 of two major projects. Firstly, a major refurbishment project at Diana & Sylvanus House where we spent £4.5m during the year. This project involved completely taking back the two blocks to their basic structure and completely redesigning them. This has meant that previously unpopular blocks will now have an expected life of more than thirty years and it has helped to improve the surrounding areas. The second major project substantially completed in year was our flat enveloping programme. During 2014/15 we spent £2.6m on flat enveloping. Total spend on major repairs was £9.2m. For 2015/16 our budgeted costs are £3.8m and we would expect to be below peer group spend on this measure with an anticipated per unit cost of £1,035 which is below the current peer group median.

Routine Repairs

Our routine repairs are also comparatively high when compared to our peer group. However, we have been able to record a year on year reduction on per unit cost in this area and are working with our contractor to reduce costs further whilst improving service and customer satisfaction.

Planned Repairs

This area covers gas servicing, asbestos checks, electrical checks and cyclical repairs. Our costs have reduced from last year and are close to our peer group median.

Housing Management

Our housing management service is currently under review, we are consulting on changes which will allow us to meet the challenges of welfare reform for our customers. We are mindful that we must balance expenditure in this area with the need to support tenants through welfare reform and to resource this area so that we can meet the challenges of universal credit. We have been supporting tenants with options to deal with under occupancy and there are now 100 fewer households under-occupying than at April 2013.

Estates Services

Our estate services costs are broadly in line with our peer average. We have been working with BCW to improve efficiencies through joint working. Targets have been established in this service to improve efficiencies and costs.

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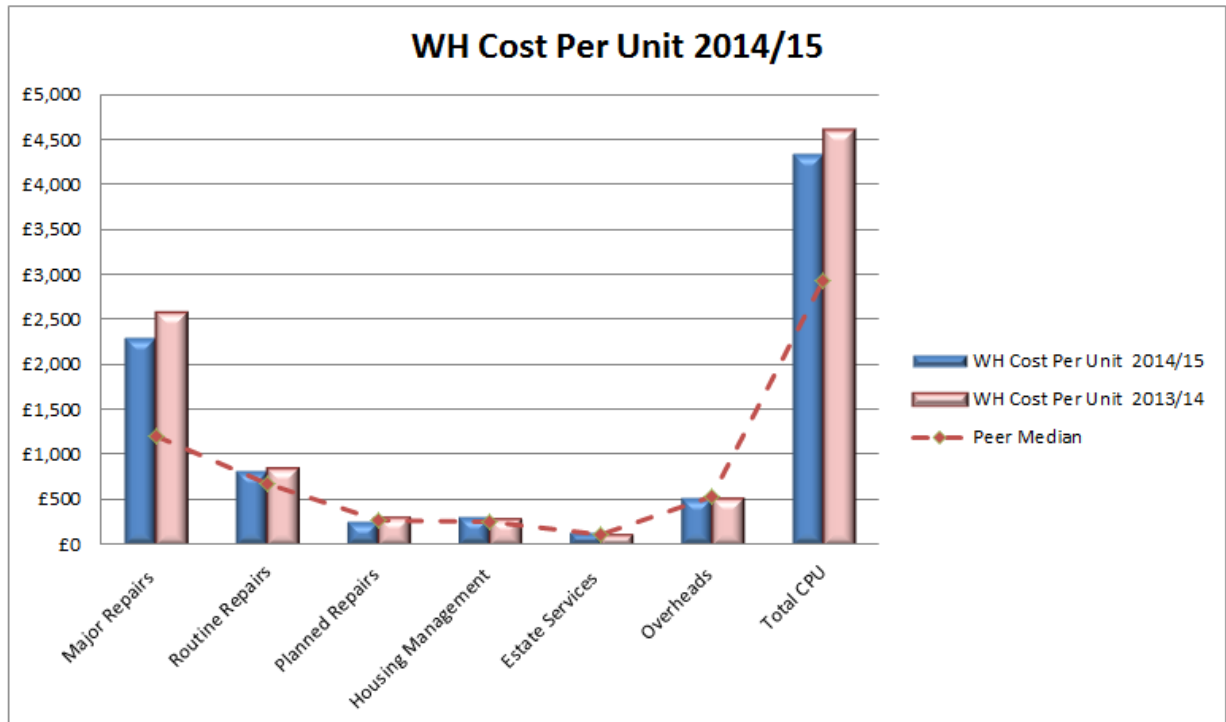
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Overheads

Our overheads compare favourably with our peer group; however this is an area that has been identified as a target for additional savings within our VFM Strategy with a 3% reduction being set by the Board. This will be an area of focus in the forthcoming year.

Diagram 3 – Peer Group comparison on costs per service



Areas of variance are flagged by the cost per unit graph above with major repairs spend flagged as the main area of variance in terms of monetary spend and variance from our peer median. This area's expenditure is budgeted to fall sharply in the forthcoming year.

Operating Margin

Our operating margin has improved through being able to reduce repairs and controlling costs whilst increasing our income.

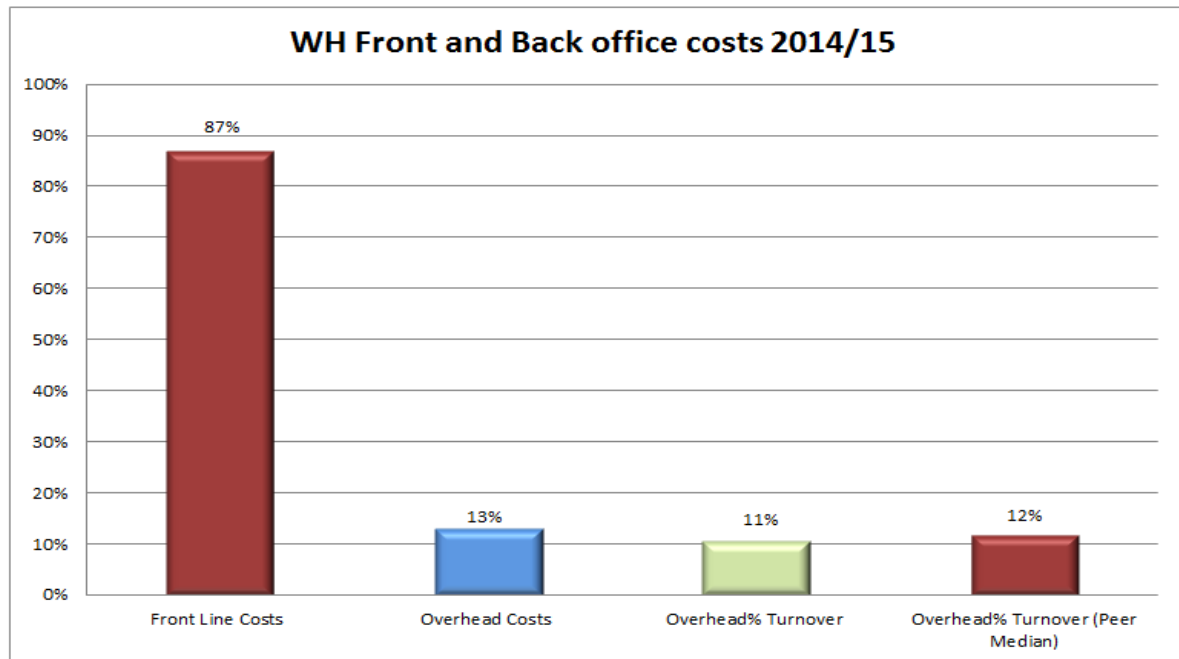
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Understanding Our Costs

Diagram 4 – Comparison of Front Line and Overhead Costs



Our split of front line and overhead costs is shown above. We compare favourably against peers in terms of the amount of turnover which is spent on overhead as a percentage of our total turnover.

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3. Performance of our Services

We report Key Performance Indicators (KPI's) to our Board on a quarterly basis with performance against target and year-on year performance being examined. A selection of Key Performance Indicators calculated through the Housemark system is shown below:

Table 5 – Wellingborough Homes KPIs

Wellingborough Homes KPI	2014/15	2013/14	Peer Median	Quartile	Trend	Target 2015/16
Rent collected current/former tenants (inc arrears b/f)	96.02%	96.14%	97.20%	●	↓	96.00%
Current tenant arrears (excluding voids)	3.53%	3.14%	2.69%	●	↓	3.50%
Former tenant arrears (excluding voids)	0.62%	1.12%	0.95%	●	↑	0.99%
Rent loss due to voids	0.91%	1.03%	0.91%	●	↑	-1.00%
Average days to complete repairs	13.59	9.59	8.98	●	↓	n/a
Repairs complete on the first visit	91.19%	90.37%	93.25%	●	↑	85.00%
Percentage of dwellings non-decent	0.00%	0.00%	0.00%	●	n/a	0.00%
Average relet time (days)	35.24	34.61	27.53	●	↓	28.00
Gas safety certificate %	99.93%	99.93%	100.00%	●	n/a	100.00%
Tenancy turnover	9.03%	9.01%	8.66%	●	↓	n/a
ASB cases successfully resolved	97.87%	98.87%	95.15%	●	↓	97.00%
Percentage of complaints resolved at first contact	74.34%	77.61%	74.32%	●	n/a	75.00%

The Board approved targets were set before 2014/15 performance had been assessed and the targets have been adjusted where necessary to match Housemark definitions.

An analysis of key messages from the Key Performance Indicators is shown below:

Rent collected - score has remained similar to last year. The proposed changes to our housing team will allow for more resources to be focussed on rent collection, training of officers is also planned. We will establish a dedicated income recovery team under our restructure proposals.

Current tenant arrears - this has dipped slightly from last year, re-organisation of the team and additional training has been identified to improve performance.

Former tenant arrears (FTA) - new processes are being put in place to manage FTA's along with a dedicated role in the proposed new structure which should allow for pro-active management of and regular write offs of debt.

Repairs completed on first visit - repairs performance has improved recently with a higher percentage being completed at first visit.

Percentage dwellings non-decent - our decent homes programme has been completed successfully.

Average re-let time - new voids process has been established at the end of the financial year, we would expect to report an improvement for 2015-16, latest performance is showing relet time of 28 days.

Gas safety - a key measure for us and we take every possible step to ensure that we gain entry to properties to carry out checks. We employ an in-house Gas Manager to ensure the highest standards are maintained.

Tenancy turnover - our performance is comparable with last year slightly above peer median.

ASB cases successfully resolved - good performance maintained in the year.

Percentage of complaints resolved at first contact - we are performing well against peer median with a slight dip in performance from previous year.

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4. Customer Satisfaction

Customer satisfaction is a key element in delivering VFM to ensure that we are delivering what is important to our customers. The analysis below is based on STAR survey 2013 data.

Diagram 5

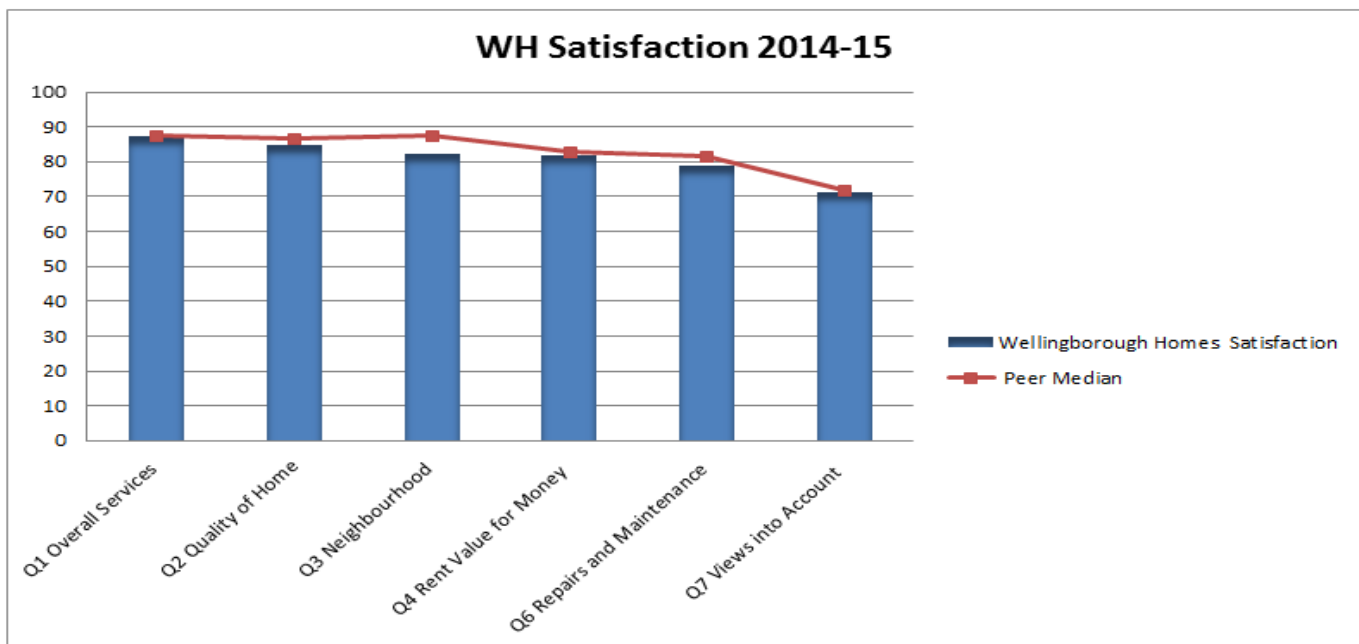


Table 6 - Satisfaction per Service Area

Question	Wellingborough Homes Satisfaction	Peer Median
Q1 Overall Services	87	88
Q2 Quality of Home	85	87
Q3 Neighbourhood	82	88
Q4 Rent Value for Money	82	83
Q6 Repairs and Maintenance	79	82
Q7 Views into Account	71	72

Our satisfaction scores are close to our Peer Group Median on all main measures above. They are based on a STAR survey. We plan to carry out a new STAR survey of our tenants to gain a better insight into the satisfaction levels and priorities of our tenants during 2015/16. Improving our information held on tenant profiles is another key area for the forthcoming year so that we will be able to target services to individual tenants and to concentrate on areas where there is most need.

Customer Involvement

The tenants' scrutiny panel carried out a review during 2014/15 of the way in which arrears are managed and made recommendations which have been agreed by the senior managers and the Board. They used benchmarking data and had access to all members of staff and information required. They also visited other Registered Providers (RPs) which have good arrears performance and incorporated best practice findings from these organisations into their report.

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The Customer and Community Investment Strategy which was approved in May 2015 gives an increased role for, and support to, the tenants scrutiny panel in order to ensure that our customers can have a strong voice in shaping and monitoring our VFM Strategy. We will employ the Housing Associations Charitable Trust (HACT) model to measure the impact of our investment in communities. The strategy will also focus on areas where our customers are clear beneficiaries.

5. Key Financial Data

In order to provide a comparison with the wider Housing Association sector we have analysed our performance for 2014/15 against the 2014 HCA published Global Accounts. Some of our key financial ratios are compared below. The HCA takes all Association accounts and analyses their performance to arrive at a sector wide set of accounts. From this notional set of accounts, sector wide average accounting ratios and costs per unit are produced. As such they may vary from benchmarking figures analysed elsewhere in the VFM Statement. No inflationary uplift has been applied to the 2013/14 Global Accounts figures for comparison with Wellingborough Homes figures. The HCA Global Accounts give a separate measure for Associations who have acquired the majority of their stock through Council Stock Transfers and this has been used in the analysis as the most appropriate measure.

Table 7 – Performance against 2013/14 Global Accounts

Measure	2012/13	2013/14	2014/15	HCA Global Accounts 2013-14 (LSVT)

	£ per unit or %	£ per unit or %	£ per unit or %	£ per unit or %
Operating margin as % of turnover	35.5%	20.4%	31.8%	27.2%
EBITDA interest cover	723.9%	657.2%	739.9%	137.7%
Growth in turnover	4.9%	6.3%	2.5%	4.3%
Gearing	24.7%	29.5%	35.2%	60.9%*
Debt per unit	£5,924	£7,514	£8,037	£17,238
Management cost per unit	£861	£988	£920	£936
Responsive and planned repairs per unit	£637	£995	£893	£1,035
Average property value	£22,999	£24,892	£25,166	N/A
Current tenant arrears	2.9%	3.4%	3.6%	4.1%

*Calculated from Global Accounts - Loans/Net Assets

How we compare

Care needs to be taken when comparing global accounts, however this can give us some useful insights into how we stand against other LSVTs. Commentary is given below on some of the key measures.

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Operating Margin – Our operating margin has improved on last year and compares well with other LSVT's.

EBITDA – Measures our ability to meet our interest payment commitments, we score well in this regard however this measure will reduce as we plan to take on additional debt to fund development.

Growth in Turnover – Our growth in turnover has slowed and is a feature of the relatively low rent increase applied in year linked to lower inflation rates.

Gearing – This measure is on our loan to net assets. The gearing measure will rise over the forthcoming year.

Debt per unit – Our debt per unit has increased as we have drawn down more finance to undertake our development programme.

Management Cost per unit – Our management costs per unit are in line with the LSVT average.

Responsive and planned repairs per unit – The overall LSVT costs are above Wellingborough Homes costs although from our peer benchmarking we have identified this as an area where there is a continued need for close contract management to ensure costs are contained.

Average property value – Our properties valued using the EUV-SH (Existing Use Value-Social Housing) methodology. The average property value has increased as we continue to invest. The rate of increase in value has slowed over the last three years. No direct comparison is given due to different valuation methodologies that are adopted by LSVTs.

Current rent arrears – Current arrears are slightly below LSVT average although we are conscious that this area will come under increasing strain as welfare reform continues.

Overall the analysis indicates that the Association can improve performance in costs in certain areas. The strong performance on EBITDA and gearing are consistent with our plans to increase our borrowing in order to build 400 new homes over the next four years.

6. How our Assets are performing

In February 2015 the Association's Board approved a new Asset and Development Strategy for the forthcoming four years. This strategy includes the commitment to expand our stock numbers with an emphasis of keeping this development largely within Wellingborough.

Working with Savills we have undertaken a major review of our assets and carried out a net present value (NPV) analysis across all our stock types. The results of this work showed that there were no asset classes which had a negative NPV. We will use this data to inform our investment and development decisions.

Table 8 – NPV Calculations of Stock September 2014

30Yr NPV per unit	Performance Description	No. of units	% units	Total 30 yr. NPV	30 yr. NPV per unit
Below £0	poor	0	0%	£-	£-
Between £0 - £10,000	marginal	331	7.38%	£2,656,771	£8,026
£10,000+	good	4,153	92.62%	£68,364,918	£16,462
Total		4,484	100%	£71,021,689	£15,839

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Using mobile technology we have established a programme to survey 20% of our properties each year. This will give us improved stock condition data and also help to plan our future investment with a greater degree of accuracy.

Our flat enveloping works have continued this year and will increase the long-term demand for these properties whilst offering improved energy efficiency. The extensive works to blocks of flats at Diana and Sylvanus House have been completed this year and have not only given these flats an extended life but given an uplift to the surrounding area.

Working in partnership with the BCW we have agreed a new initiative to provide homes for homeless and vulnerable families and individuals through use of our stock supported by Intensive Management Accommodation (IMA). This will meet an urgent need within the area and replaces the Private Sector Leasing (PSL) Scheme which was proving financially unsustainable. It also ensures that demand for the Association's stock is maintained. The business case analysis has shown that there is a positive return in comparison with letting for social rent.

We have begun negotiations to look at rationalising our land ownership on estates where BCW and ourselves own land so that overall maintenance costs can be more efficiently managed.

We do not have a significant proportion of our stock which is classed as non-traditional build, similarly we do not have significant numbers of homes which have a high market value or have very low demand. Our Asset and Development Strategy has not therefore planned for significant disposal of existing stock, this is however being kept under review especially in relation to our three bedroom properties. Each new let will be assessed to decide whether it should convert to affordable rent, remain as social rent, be used for another purpose or sold.

Investment in our stock through the decent homes programme has seen our average property values rise from £11,984 in 2011 to £25,166 in 2015. This increase in value coupled with our cash flow from operating activities will allow us to secure additional loan finance to continue to develop new housing units. We aim to add approximately one hundred units to our stock per year over the next four years.

7. Social and Environmental Impact

We have funded the FISH (Free Impartial Support and Help) shop, partnering with others to deliver services more effectively, for example our work with the Community Law Service who provides independent debt and benefits advice thereby enabling our tenants to better sustain their tenancies. We have, with partners helped 2,549 FISH customers with £8.8m worth of debt and benefits advice being managed during 2014/15. Advice was also delivered on benefit entitlements, career advice, housing and other support related issues.

We have, through a National Lottery funded programme given affordable warmth advice to over 300 people who have made savings averaging £224 per year on fuel bills.

Our sponsorship of the Catch team has resulted in people being helped by our partners in a co-ordinated approach which has addressed customers' problems at an early stage preventing and thereby saving costs to the public purse.

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8. What we have achieved

In last year's VFM Statement we set targets to be completed during 2014/15. Progress is given in Table 9 below:

Table 9 - Our targets from last year

We said we would	We did
Introduce a project for mobile working to allow front line staff to spend more time dealing directly with tenants.	We have completed mobile working for, housing, repairs and support staff and will continue to make improvements this year.
Review and evaluate our "supported living in your own home" product in order to determine the future of this product offer within the BCW area, and potentially within other neighbouring areas.	After evaluating the opportunities to extend this product it was decided to concentrate service on our existing customers.
Develop and embed service level agreements between back office services and service delivery teams with an emphasis on increasing efficiency.	Due to changes in the EMT this year and restructuring of departments this has not been completed. This will be started this year when restructuring is completed.
Review and evaluate existing, and new, potential new suppliers, through an invitation to tender process, for our stakeholder, external communications and PR activities.	Communications and PR tender has been successfully completed with savings of £45k per annum being anticipated.
Further develop our business performance assessment framework using the balanced scorecard at strategic, operational and tactical levels, to secure the best return on investment in the "Clearview desktop" product.	Clearview has been successfully established with our KPIs linked to the Corporate Plan being completely reviewed. We have also agreed to purchase the Strategy and Planning modules.
Refinance this year to allow us to continue to develop new housing and improve our existing stock.	We are finalising refinancing to increase our development programme.

Some of Our Other Successes to Date

We have secured a National Lottery grant of £300k over three years which will fund neighbourhood cohesion, advice on energy efficiency and help to build overall neighbourhood resilience. The social return from this project will have a positive impact on our tenants and others within the community.

We have made improvements to our management information reports to allow for a better response to the challenges posed by welfare reform.

We have secured grants for insulation which has allowed us to carry out works to the value of £159k and received £125k in grant funding.

We have redesigned the way that we deal with the collection of waste material on our estates allowing us to reduce waste disposal charges by recycling more material with an overall saving of £6k so far. Recycled material can be used as compost to enhance our communal areas.

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We have secured £90k of grant funding for Support Wellingborough to develop a support model for the county and for Support Wellingborough to become an independent organisation.

We have reviewed our approach to community grants to ensure that they focus more closely on our customers.

We have introduced a new Income Management Policy to improve our performance in this area.

Reviewing our purchase of stationery suppliers resulted in a 40% cost saving with £14k per annum saved in this area.

We have redesigned our voids processes to ensure that vacant properties are re-let in as short a time as possible and repaired to our relet standards at lowest cost.

Restructured the finance team to improve flexibility within the team to prepare for welfare reform challenges.

Our new Redundancy Policy ensures that the statutory terms for redundancy are applied.

We have also introduced an Attendance Policy to improve staff absence rates and improve efficiencies.

We have introduced a performance appraisal system for all staff with achieving VFM targets a key measure for managers.

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9. Future Plans

The VFM Strategy contains six key strategy goals and actions against these goals have been agreed as part of the Action Plan for year 1. A full set of actions is contained within the VFM Strategy available online. Some of the key actions are shown below:

Table 10 – VFM Strategy -Year 1 Action Plan

VFM Strategy Goal	Key Objective	Deadline	Owner
Understanding costs better	Carry out budget setting for 2016-17 using zero base budgeting methodology	December 2015	Head of Finance
	All budget lines to be graded as mandatory or discretionary spend to establish organisational spend between the two areas	September 2015	Director of Finance and Performance
Delivering improved service to customers and costs savings	Present budget to the Board which includes overhead cost savings of 3%	February 2016	Director of Finance and Performance
	Produce register of cashable savings	December 2015	Head of Finance
Effective use of assets	100% of new investments achieve the agreed corporate hurdle rates	March 2016	Director of Assets and Development
	All relets will be assessed to determine whether they are relet at social or affordable rent, considered for alternative use or sold	March 2016	Head of Housing & Customer Service and Head of Finance
Improving procurement	Review procurement process	December 2015	Director of Finance and Performance
	Review procurement of key contracts	December 2015	Head of Finance
Involving customers, staff, board and stakeholders	100% of new initiatives measured against HACT methodology	March 2016	Community Investment Manager

	Ensure there is an effective method for customer involvement in monitoring service standards	March 2016	Community Investment Manager
Demonstrating improvements	STAR survey feedback on customer satisfaction on our services	March 2016	Head of Support and Community
	100% of existing work streams to be measured against HACT methodology	March 2016	Community Investment Manager

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Planned Expenditure on our Properties

Investing in our assets remains a primary objective continuing the process started at transfer. During 2014/15 alone we invested £17.1m in new and existing properties. Information on investment undertaken and on our planned expenditure over the next 30 years is shown in the table below:

Table 11 - Planned Expenditure on our Properties

Type of Work	Years 1-5 Total £'000	Years 6-30 Total £'000	Years 1-30 Total £'000
Repairs & voids	15,660	77,500	93,160
Cyclical and gas servicing	5,500	27,500	33,000
External property works	96	127	223
Roofs	3,210	9,555	12,765
Environmental improvements	2,906	5,610	8,516
Diana & Sylvanus House	300	0	300
Aids and adaptations	2,000	10,000	12,000
Fees	720	3,750	4,470
Enveloping (Ext refurb of blocks of flats)	1,001	68	1,069
Planned internal component replacements	14,653	87,922	102,575
Total	46,046	222,032	268,078

We also intend to invest £47m in new build properties over the next four years. Our aim is to build 400 new properties predominately within Wellingborough.

Summary

Wellingborough Homes has prioritised VFM as one of its key strategies for 2015-19 within its Corporate Plan.

The objectives are to improve services and aim to lower costs whilst maintaining quality and customer satisfaction.

We will also refinance this year to allow us to continue to develop new housing and improve our existing stock. This will involve a continued emphasis on obtaining best value for money.

