

## Value for Money (VFM)

### Executive Summary

*Strategy* - We have prioritised VFM as one of our key strategies for 2015-19 within our Corporate Plan which sets out clear objectives and key priority areas to ensure we deliver improvements to services, attain a stronger financial position and gain competitive advantage through partnership working. The VFM strategy for 2015-19 was approved by the Board in May 2015 and it includes six strategy-specific goals.

*Actions 2015/16* - Progress has been made against each of these goals during 2015/16 including the following:

- Understanding costs better – Zero-based budget approach delivering a £1.3m operating cost saving in 2016/17;
- Delivering improved services to customers and cost savings – Cashable savings register completed identifying £261k of savings in 2015/16;
- Effective use of assets – All relets assessed to determine whether they are relet at social or affordable rent, considered for alternative use or sold;
- Improving procurement – Review of the procurement process is underway and will be progressed further in 2016/17;
- Involving customers, staff, board and stakeholders – HACT (Housing Association Charitable Trust) methodology utilised for all new projects and a new Customer and Community Investment Strategy introduced;
- Demonstrating improvements – Overall satisfaction at 91% against a target of 89%.

*Maximising Return On Assets* - We regularly review options available for making best use of existing stock. Decisions are based on impacts on financial performance, levels of demand, impact on service and implications for strategic goals. Improved housing stock data is driving decision making to maximise return on assets. From April 2015 we have introduced an in-house 20% annual rolling programme of stock condition surveys to provide up to date and reliable data. We use an asset modelling tool to help us understand how each individual asset and asset group perform in terms of financial and social return on investment.

*Performance Monitoring* - Monthly and quarterly monitoring is undertaken by EMT and Board respectively. Operating costs, improved procurement, benchmarking and performance KPI's are key areas of monitoring to ensure objectives can be achieved.

- Operating costs were reduced by 3.6% in 2015/16 including efficiency gains savings of £261k. We will continue to focus cost optimisation in 2016/17 – further savings have already been identified.
- We will be reviewing our approach to procurement of planned works and new development in 2016/17 with a view to delivering works to the required standards as cost effectively as possible. The contract for responsive repairs will be reviewed in 2016/17 to ascertain a preferred option which optimises VFM for 2018 onwards when the current contract comes to the end of its 5 year term. Efficiency enhancements will be made through better understanding responsive repairs demand and improving the planning of programmes.
- Benchmarking - The HCA Global Account's defined 'headline social housing cost per unit' aims to provide a consistent measure for cost performance benchmarking. Our 2015/16 cost is lower quartile when compared to 2014/15 sector level data and our Business Plan is set to deliver a 2.4% reduction in 2016/17. Also cost and performance comparisons against a peer group of Registered Providers of social housing are made annually by Housemark. Performance measures are based on a range of operational metrics e.g. number of repairs, average time to complete, tenant satisfaction for responsive repairs performance etc. Cost per property is used for the cost measure. Aggregated cost per property for WH of £2,703 in 2015/16 compared favourably to the peer group median of £2,887. Performance scores in 5 out of 7 categories were better than our peer group median.
- 18 KPI's were reported to Board quarterly in 2015/16 with KPI is linked to a Strategic Corporate Goal and at year end there were 12 greens, 5 ambers and 1 red reported. These are being revised in line with evolving business priorities for 2016/17.

*Social Value* - VFM is enhanced through investing in our customers and community where targeted outcomes align to overall strategies. During 2015/16, we recruited an in-house Debt & Benefit Advisor to support the development of in-house knowledge and skills to best manage communication and activity around Welfare Reform. We have also developed partnerships with Citizens' Advice Bureau (CAB) and Northamptonshire Credit Union. We invest to support our customers and increase their household income thereby enabling our tenants to better sustain their tenancies which in turn enhances our VFM.

Our statement (and past publications) on how we deliver Value for Money is available on our website at [“www.wellingboroughhomes.org/about-us/publications/”](http://www.wellingboroughhomes.org/about-us/publications/)

**Strategy**

We are committed to delivering better Value for Money for our customers. Our Corporate Plan 2015-19 sets clear objectives and key priority areas to ensure we deliver improvements to services, attain a stronger financial position and gain competitive advantage through partnership working. By making VFM one of the six strategies which support delivery of the Corporate Plan, the Board has signalled the importance of VFM to the Association. The VFM strategy for 2015-19 was approved by the Board in May 2015 and it includes six strategy-specific goals which 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.

To be effective, VFM is made integral to our business planning, with close links to our Performance Management Framework. It is a continual review of information, processes, customer scrutiny, customer feedback, benchmarking and our performance trend. How VFM is embedded in our governance structure is illustrated in figure 7 below.

Figure 1: VFM Roles and Governance

**THE BOARD**

Approves the VFM Strategy, agrees targets, monitors performance against target and receives an annual Internal Statement

**AUDIT & RISK COMMITTEE**

Reviews VFM assessment, monitors corporate risks and assurance, and ensures delivery against internal and external audit

**REMUNERATION & SELECTION COMMITTEE**

Reviews the effectiveness of the Board and Chief Executive. Reviews pay strategy for Board and Chief Executive.

**CUSTOMER ASSEMBLY and CUSTOMER SCRUTINY PANEL**

Represents the interests of our tenants and ensures compliance with consumer standards. Scrutiny of services

**LEADERSHIP TEAM**

Deliver VFM initiatives, increase provision for added value services, deliver cashable and non-cashable gains and ensures VFM is embedded in their service areas.

The VFM Strategy supports our mission and links closely to our overall Corporate Strategic Objectives as shown below:

Table 3: Corporate Strategic Objectives and VFM Goals

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

## VFM Actions in 2015/16

The table below summarises the progress we have made against the objectives in respect of each VFM strategy goal that we set out in last year's self assessment.

Table 4: VFM Actions

VFM strategy goal	What We Said We Would Do	What We Did
Understanding costs better	Carry out budget setting for 2016/17 using zero base budgeting methodology.	All budget lines were justified from first principle. Operating costs are budgeted to be £1.3m lower in 2016/17 than the budget for 2015/16.
	All budget lines to be graded as mandatory or discretionary spend to establish organisational spend between the two areas.	This exercise was completed following the budget setting for 2016/17 and will be used to inform budget decisions for 2017/18.
Delivering improved service to customers and costs savings	Present budget to the Board which includes overhead cost savings of 3%.	Overall operating costs are budgeted to be 10% lower in 2016/17 than budgeted for 2015/16.
	Produce register of cashable savings.	The cashable savings register has been completed and has been used to inform the VFM self assessment.
Effective use of assets	100% of new investments achieve the agreed corporate hurdle rates.	The practical implementation of this objective has demonstrated that this is not the required measure. New development parameters have been approved by the Board and relevant KPI's introduced for 2016/17.
	All relets will be assessed to determine whether they are re-let at social or affordable rent, considered for alternative use or sold.	This is now in place and has been applied to 80+ relets since October 2015.
Improving procurement	Review procurement process.	This is underway and will be progressed further in 2016/17.
	Review procurement of key contracts.	
Involving customers, staff, board and stakeholders	100% of new initiatives measured against Housing Association Charitable Trust (HACT) methodology.	The HACT methodology has been actively promoted and will be used on all new projects and initiatives in 2016/17.
	Ensure there is an effective method for customer involvement in monitoring service standards.	Our new Customer and Community Investment Strategy details how we will engage with our customers to improve our service and performance, incorporating use of the Resident Scrutiny Panel's feedback.
Demonstrating improvements	STAR survey feedback on customer satisfaction on our services.	Overall satisfaction was 91% against a target of 89%.
	100% of existing work streams to be measured against HACT methodology.	Introduced during 2015/16, all community investment projects are now being measured against the HACT methodology.

## Maximising Return on Assets

We regularly review options available for making best use of existing stock, including evaluation of the following options:

- maintaining existing stock to at least the Homes Standard;
- improvements to homes and estates, including regeneration opportunities;
- conversion to other tenures;
- disposing of stock.

A number of factors are taken into consideration in reaching decisions about our assets, including:

- costs of ensuring stock continues to meet the Homes Standard;
- level and type of demand;
- on-going repairs and maintenance costs, including voids;
- the implications of any sales, for example on levels of security, and whether proceeds could help fund replacement of same or higher number of homes;
- whether redevelopment would be the optimum solution to better meet local needs.

From April 2015 we have introduced an in-house 20% annual rolling programme of stock condition surveys to provide up to date and reliable data to inform investment decisions and planning.

During 2015/16 we have supplemented the physical stock condition surveys with desktop reviews to accelerate the coverage of our stock condition information with a target to complete 100% by March 2017. This will ensure that stock condition data is based on local intelligence and current knowledge of individual properties, including details of investment made in our homes since they were transferred from the Borough Council of Wellingborough in December 2007.

Whilst stock condition data is important, as it enables efficient planning for and meeting investment needs of our properties, components will generally only be renewed when they have reached the end of their working life. This approach does often lead to uneven investment needs year on year but in the longer term this is considered to deliver better VFM

In line with the new regulatory requirement introduced in April 2015 we have developed an Asset and Liabilities Register to help us better understand our housing assets and security position and ensure we have swift access to this information in decision making and risk management. This also ensures we understand how we could use these assets to ensure stability should an unexpected crisis arise. We continue to maintain and enhance our Asset and Liabilities Register to ensure it is thorough and up to date and can inform effective decision-making and risk management.

We use an asset modelling tool to help us understand how each individual asset and asset group performs in terms of financial and social return on investment as and when they become void and/or when carrying out an options appraisal in respect of a particular group of assets.

We know from the work we did in carrying out an asset modelling exercise as part of a review of our assets in 2014 that there were no asset groups which had a negative NPV at that time. We are in the process of reviewing model assumptions for the recent economic and political changes that have taken place.

### **Performance Monitoring**

Monthly and quarterly monitoring is undertaken by EMT and Board respectively. Operating costs, improved procurement, benchmarking and performance KPI's are key areas of monitoring to ensure objectives can be achieved.

### Operating Costs

Operating costs were reduced by 3.6% in 2015/16 through reduced major repair costs and efficiency gains (see below). We will continue to focus cost optimisation in 2016/17 and further savings have already been identified. As part of our continuous evaluation of operational costs, the VFM Working Group capture across the business the key savings/efficiencies achieved in the year. We were pleased to report a total cashable gain of £261k included within the 3.6% reduction which are ongoing savings. We have continued to work hard this year to ensure we deliver more gains. All cashable gains identified contribute to the surpluses realised in the financial year which are used to further our corporate objectives.

Table 5: VFM Efficiency Gains

Description	Annual recurring savings from 2015/16( £)	New annual recurring savings & additional income in 2016/17 (£)	Details
Void decorating works	70,000		No longer decorating a room in each void for the incoming tenant.
Service charges on relets	50,456		Additional service charge income on relets.
Tree surgery	50,000		Service brought in-house.
Reduced printing and re-tender PR, design & marketing contract	43,350		Annual report available online rather than printed. Well Informed reduced from 4 to 2 editions per year, design work performed in-house and consolidating external PR, design and marketing activities to one supplier.
Community involvement activities	18,153		More focused events, training for residents provided by in-house resource, more communication with residents using email.
Resident call system	17,387		Consortium procurement framework.
Various	11,198		Includes electronic payments, recruitment and uniform cost savings.
Additional income		108,253	Changes in garage rent policy enable additional rent to be realised from 2016/17.
Restructure across all of housing & support services		63,103	Savings based on comparison between old and new structure based on 2015/16 salaries.
Maintenance works		30,000	Currently some maintenance works are outsourced and these services will be brought in house in 2016/17.
Legal Services		20,000	Housing Association Legal Alliance (HALA) savings.
<b>Total</b>	<b>260,544</b>	<b>221,356</b>	

Operating cost performance will continue to be a key focus in 2016/17 under the 'Understanding costs better' strategic goal with the ambition to achieve best in class cost efficiency across all areas of the Association.

#### Procurement

We will be reviewing our approach to procurement of planned works and new development in 2016/17 with a view to delivering works to the required quality standards as cost effectively as possible. This will include exploring how we can make better use of existing frameworks which are available to us and also procurement of a bespoke framework(s) where this would be a better option in terms of meeting our corporate objectives.

The contract for responsive repairs was awarded following an EU compliant procurement process to an external service provider in 2013 for an initial term of 5 years. In 2016/17 we will be completing an options appraisal to identify the preferred option for delivering the service from 2018 and beyond. A key consideration will be the ability to deliver better VFM alongside sustainment of current levels of performance in terms of service quality and customer satisfaction.

Benchmarking

Housemark provide benchmarking measures across a wide range of categories covering both costs and performance comparisons in the Registered Provider of social housing sector.

Performance measures are based on a range of operational metrics e.g. number of repairs, average time to complete, tenant satisfaction for responsive repairs performance etc. Cost per property is used for the cost measure.

In two categories (Responsive Repairs and Major Works) WH has better than median cost and performance metrics (green quadrant). There was 1 category (Estate Services) with both below median cost and performance (red quadrant). The remaining 4 categories were in the amber quadrant (good performance/high cost). Estate Services performance score is related to the number of tenants satisfied with their neighbourhood. The WH score of 82% is comfortably above the lower quartile of 75% but slightly below the median of 88%.

When aggregated total costs are lower than the median benchmark (£2,703 versus £2,887). This is set to continue in 2016/17 with budgeted costs of £2,718.

A summary of WH's position in 8 categories compared to its peer group median are set out in the graph and table below.

Table 6: Costs per Unit and Performance Scores versus Housemark Benchmark

Ref	Category	Performance Score		Cost per Property	
		WH	Median	WH	Median
1	Responsive Repairs & Voids Works	56	49	£808	£868
2	Rent Arrears & Collection	51	53	£169	£149
3	Anti-Social Behaviour	no data*	52	£27	£62
4	Major Works & Cyclical Maintenance	77	60	£1,164	£1,396
5	Lettings	62	52	£85	£79
6	Tenancy Management	74	45	£151	£99
7	Resident Involvement	53	53	£111	£71
8	Estate Services	11	49	£188	£163
Total				£2,703	£2,887

\* Data set for 'satisfaction with case handling and outcome' too small for meaningful comparison.

Figure 8: Housemark Cost and Performance



We have also benchmarked our headline social housing costs per unit against HCA produced figures which drew upon 11 years data for all providers in England with more than 1,000 homes.



WH total social housing cost per unit for 2015/16 fell within the lower quartile when compared to the sector level data for 2014/15. Our business plan budget for 2016/17 delivers total social housing costs per unit falling by 2.4%.

The Housemark and HCA benchmarking analysis use different methodologies resulting in different unit cost calculations. The HCA methodology results in a total cost of providing social housing of £3,007 per unit. This is £543 below the sector median. The executive recognise that there is scope for further efficiencies reflected in a budgeted £2,936 total cost per unit in 2016/17.

## KPI's

We report Key Performance Indicators (KPIs) to our Board on a quarterly basis with performance against target and year-on-year performance being examined and these are shown in the table below:

Table 7: 2015/16 KPI's

Strategic Corporate Objective	Key Performance Indicator	Actual 2015/16	Target 2015/16	Actual 2014/15	Trend*
To produce and use effective, high quality, accurate and timely data	% households where tenant profile information held on 4 or more characteristics	78.6	75.0	N/A	N/A
	% stock condition surveys carried out annually as a percentage of stock	42.3	20.0	N/A	N/A
	% properties where NPV value is known	98.1	100.0	N/A	N/A
	% new initiatives measured against social value methodology	100	100.0	N/A	N/A
	% customers satisfied with views being taken into account	75.0	70.0	70.0	
To ensure investments generate optimum social and financial value	% of budget lines to be graded as mandatory or discretionary	100	100.0	N/A	N/A
To reduce costs and drive efficiency	% total income collected as a % of total income due	99.8	99.5	N/A	N/A
	Average number of sick days per employee per annum	8.5	9.0	12.3	
	% working time key IT systems are available	99.4	99.5	N/A	N/A
To ensure operational performance is maintained at a high level	Former tenant arrears as a percentage of the annual rent debit	1.2	1.0	1.5	
	Current tenant arrears as % annual rent debit	3.4	3.5	3.5	
	Percentage of rent lost through dwellings being vacant	0.5	1.0	0.9	
	Average re let time of all properties (days)	30.1	28.0	38.5	
	% dwellings with a valid gas safety certificate	99.9	100.0	99.95	
	Repair appointments kept as % appointments made	98.7	95.0	95.2	
	% customers satisfied with Wellingborough Homes overall	91.0	89.0	87.0	
	Repairs completed in target as % repairs complete	94.2	96.0	92.9	
	Completed first visit as % repairs completed	95.7	85.0	90.6	

\*Green arrows are improvements on previous year - for some KPI's a downward trend is an improvement in performance.

Key messages from the KPIs

#### % properties where NPV value is known

We completed an asset modelling exercise in August 2014. Since then stock changes have resulted in less than 100% of properties having a known NPV. We plan to repeat the asset modelling exercise in 2016/17 and update this in-house on a regular cycle thereafter.

#### Former tenant arrears as a percentage of the annual rent debit

We introduced a new specialist role as part of the re-structure in Neighbourhood Services, which was in place from late 2015, at the same time a lot of our focus has been on current arrears and Welfare Reform. We also found that our tracing and write off processes were not as efficient as they could be. We have subsequently introduced Experian Citizen View to improve tracing and have amended our Financial Regulations to improve the efficiency of write offs.

#### Completed first visit as % repairs completed

Performance in this area is good and our challenge is to sustain this throughout the remaining period of the current repairs contract.

#### KPI's for 2016/17

The Board has agreed a revised set of KPI's for 2016/17 in line with evolving business priorities and aligned to our four Corporate Strategic Objectives as set out in the table below:

Table 8: 2016/17 KPI's

Strategic Corporate Objective	Key Performance Indicator	Actual 2015/16	Target 2016-17
To ensure investments generate optimum social and financial value	% properties where NPV value is known	98.1	100.0 (annual target)
	% customers satisfied with views being taken into account	75.0	78.0
	Percentage of development units completed against target	New for 2016/17	100.0
	Unsold shared ownership units 3 months after completion	New for 2016/17	0
To reduce costs and drive efficiency	Average number of sick days per employee per annum	8.5	10.0
	% working time key IT systems are available	99.4	99.5
	Board member attendance at meetings as % attendance maximum	New for 2016/17	80.0
	Debt per Unit Owned	New for 2016/17	£8,524
	Operating Margin % (as per FVA)	New for 2016/17	30.4%
	Interest Cover EBITDA (MRI) (as per FVA)	New for 2016/17	422.9
	Asset Cover	New for 2016/17	1.1
To ensure operational performance is maintained at a high level	Current tenant arrears as % annual rent debit	3.4	3.2
	Average re let time of all properties (days)	30.1	25
	% dwellings with a valid gas safety certificate	99.9	100.0
	% customers satisfied with Wellingborough Homes overall	91.0	90.0
	Repairs completed in target as % repairs complete	94.2	96.0
	Completed first visit as % repairs completed	95.7	85.0
	Percentage of dwellings that are non-decent	New for 2016/17	0.0
	Percentage of complaints resolved at first contact	New for 2016/17	90.0
	Emergency repairs completed in target as % repairs complete	New for 2016/17	98.0
% customer satisfied with repairs service	New for 2016/17	90.0	



## Social Value

In terms of community investment our new Customer and Community Investment Strategy identified two key principles:

We will only invest in new community social investment activity where we can be satisfied that the majority of beneficiaries are WH's customers.

We will be clear about the expected outcomes of all community investment activity and ensure it aligns with our mission.

As part of this we developed specific objectives for community investment as follows:

- building strong and resilient communities enabling customers to improve their neighbourhoods, communities and quality of life;
- investing in enabling customers to access financial inclusion services that seek to improve financial security;
- investing in employment, skills and training to enable customers to access employment opportunities;
- investing in Digital Inclusion to enable customers to become confident in the use of IT and can support themselves to create employment and other opportunities.

We invest to support our customers and increase their household income thereby enabling our tenants to better sustain their tenancies. We currently fund FISH (Free Impartial Support & Help), have an in-house Debt & Benefits advisor, and work with the Citizens' Advice Bureau and Northamptonshire Credit Union. With our partners in 2015-16 we assisted 1,432 WH customers with benefits and debt advice totalling £4.9m (plus 620 non-WH customers with £3.9m of benefits and debt advice).

During 2015/16, we recruited an in-house Debt & Benefit Advisor to support the development of in-house knowledge and skills, and ensure we maximise contact with our customers directly and best manage communication and activity around Welfare Reform.

We have also developed partnerships with Citizens' Advice Bureau (CAB) and Northamptonshire Credit Union. We are currently providing £16k funding to the credit union over two financial years (2015/16 and 2016/17) to enable them to provide a member of staff for 2 days per week working directly with our customers and staff. The aim of this service is to encourage and sign up our customers to use the Credit Union enabling them to access banking, loan, savings and other financial products.

We currently run a 'Training Academy' working with a number of partners who provide training funded via various sources. The Academy provides a wide range of training courses for customers. This includes:

- IT Skills;
- making the most of your money;
- food hygiene;
- customer Service;
- job searching skills.

We are reviewing the Academy to ensure we achieve improved VFM and target our resources and our partners funding on our customers.

In 2015/16 we piloted the Housing Association Charitable Trust (HACT) Wellbeing Valuation Model which measures social investment in financial terms. This model has now been adopted and all new social and community investment activity will be measured using this model to ensure that we are achieving the best return on that investment. The agreed parameters are for every £1 we spend there must be a minimum £3 social investment return. We are looking to increase this return on an annual basis.