



# Value For Money

## Self Assessment 2015/16



## Value for Money

Under the regulatory framework for social housing in England from April 2013, there is a renewed focus on value for money with a requirement for Registered Providers to articulate and deliver a comprehensive and strategic approach to achieving value for money in meeting their organisation's objectives, specifically to:

- Have a robust approach to making decision on the use of resources to deliver the provider's objectives
- Understand the return on its assets and having a strategy for optimising the future return on its assets
- Performance management and scrutiny functions to drive and deliver improved VFM
- Understand costs and outcomes of delivering specific services

In order to demonstrate to stakeholders that this is achieved a robust self-assessment is published on an annual basis. This has been considered by the Board and is summarised below. The full self-assessment is available on our website.

### What Value for Money means to us.

We have developed a value for money strategy in consultation with residents, colleagues, board members and other stakeholders that is aligned to the objectives in our corporate plan. The key stakeholders and value perspectives are detailed in the table below

Stakeholder	Value perspective
Existing and future residents of HHL homes	To create and maintain homes that people enjoy and want to live in.
Other Customers	To provide a high quality service at a reasonable cost.
Wider Community, Herefordshire County Council	To create communities that people feel safe in, feel inspired by and want to contribute to.  Helping people take a full part in the world and enjoy a rich and fulfilling life both in their homes and in the wider community.
Other local service providers	To work in partnership for the greater benefit of our communities.

Stakeholder	Value perspective
Government, regulator, taxpayer	To provide the greatest social environmental and economic return on public resources available.

Our strategic approach to VFM is to:

- Listen to what our tenants and service users say and communicating promises made and delivery of outcomes;
- Deliver the promises we have made;
- Get it right first time to the satisfaction of our tenants and service users;
- Deliver great service;
- Challenge ourselves to go the extra mile;
- Compare ourselves with other organisations in the sector and more widely;
- Always looking to improve;
- Secure the best outcome for the resource invested;
- Reinvest the efficiencies gained as agreed with our tenants and service users.

Our Group Strategic Plan is currently being refreshed to ensure that resources are used efficiently and for the core aims of the Group. On an annual basis budgets are prepared alongside service improvement plans by budget holders and scrutinised by the Senior Management Team and Board. Robust business cases are prepared based on forecast costs and benefits to demonstrate a positive return on the investment and allow prioritisation of expenditure.

Business Plans have been developed for the three business units of the Group - Property and Assets, Housing and Community and Independence Trust. These develop the core themes from the Group Strategic Plan and set out the strategic direction of each service over the lifetime of the plans. Each team produces a service improvement plan that details the actions carried out each financial year to improve the service. These directly link into the business plans.

We have a clear and robust approach to value for money

*Our mission statement is "To create quality choices for our communities"*

We believe everyone should have a choice and should be able to access high quality homes, services and support which meets their needs, and which help and encourage them to achieve their goals and ambitions. We support and are bound by the principles of the Public Services (Social Value) Act 2012 when buying or selling goods and/or services.

In practice this means we consider the social value that may be derived from procurement not simply the financial cost. We are a values-led social business and as such we measure our social value by evidencing our:

- Service quality
- Social and economic benefits
- Environmental benefits
- Financial return

Since the last self-assessment in July 2015, significant progress has been made on achieving our VFM actions.

Examples of this include:

- Independence Trust joined the Herefordshire Housing Group at the end of March 2014. The second year of integration has seen a reduction in overheads to provide a cost effective total wellbeing service to our residents and others in Herefordshire, Gloucestershire, Worcestershire and Shropshire.
- The transformation of the Oval area of Hereford – the biggest regeneration in the West Midlands continues with Phase 1 completed in 2016.
- Procurement of a number of back office services including Internal Audit, External Audit and Legal services to ensure that the cost of external services are benchmarked and procured at the best possible terms for the Group.
- The creation of a “Design and Build” development company, Rise Partnership Developments Limited, to manage the Group’s development programme

### VFM Efficiencies Delivered

#### *Financial*

£0.71m of cash efficiencies were delivered against a target of £0.50m for VFM savings in 2015-16. The target was based on 2% of budgeted operating cost while the efficiencies were delivered by colleagues across the business and recorded centrally on a “VFM log”.

#### *Social Impact*

We monitor social impact using the tool provided by HACT (Housing Associations’ Charitable Trust). In 2015-16 we delivered £10.1m of social value from a variety of our services including wellbeing, financial inclusion, support for families and job clubs.

#### *Environmental*

Environmental savings of 45,000kg of CO<sub>2</sub> were achieved for the year, 19,000 kw of energy saved through recycling, 10,000 litres of fuel saved through more efficient usage, while just under 10 cubic metres of landfill was saved through recycling. In addition 198 tons of grass cuttings were reused for compost and 147,000 litres of water was saved through recycling.

Efficiencies are scrutinised by our Quality and Performance Group which has membership from the board, tenants and colleagues.

VFM is about providing a return for our stakeholders. Our stakeholders include those who are not our residents but want to rent in Herefordshire, so development of new housing in Herefordshire is a key aim for us. As a charitable company, all our surpluses are reinvested for the benefit of our communities. Our March 2016 financial plan set aside £23m over the next 2 years for building new properties funded from surpluses from HHL, efficiencies, sales income and grants.

In addition to reinvesting cost savings directly back into our services, we invested the first £100,000 savings made into projects that would benefit our communities that do not normally fit into our budgeting priorities.

In 2015-16 our residents wanted us to invest saving in facilities to provide activities for our younger residents so a skate park was chosen in Hereford

The remaining £0.6m was reinvested in the business and contributed to –

- The completion of 29 new-build homes in Hereford providing much needed accommodation and at affordable housing rental levels that allow us to reinvest in further developments.
- £15,000 of grant funding to local community groups through the Grant Application Panel – a group made up of our residents who invite applications for grants up to £5,000 for projects that provide social return to our communities.
- A further £5,000 managed by the Grant Application Panel for emergency grants.

### Governance

We have a clear governance framework across the Group to ensure that VFM is embedded across the organisation. This is detailed in our full VFM self-assessment available on our website.

Who	VFM Role
Group Board	Responsible for the strategy and direction of the organisation. VFM is scrutinised by the Board across all aspects of our work ensuring that the maximum return is achieved from all of our assets.
Risk and Resources Committee	Delegated authority from the Board to oversee effective scrutiny of the Group. Fundamental to this is the VFM of every activity that we undertake. Scrutiny of VFM is undertaken here as well as risk management, internal audit and all aspects of governance compliance review.

Who	VFM Role
Remuneration Committee	Introduced for 2016-17 this committee is responsible for reviewing Board and Senior Management Team pay and terms and conditions.
Finance and Investment Committee	This committee scrutinises all finance and investment decisions including quarterly review of management accounts, development finance appraisals that fall outside of approved parameters, options appraisals of business opportunities and all aspects of treasury management.
Herefordshire Housing Committee	A Committee with delegated authority from the Group Board to drive forward two business units - Property and Assets and Housing and Development so that they operate in the most efficient way and maintain a high quality, service driven business. Performance is measured on a quarterly basis through balanced scorecard and financial reports.
Independence Trust Board	A Board that is responsible for the strategy and direction of this subsidiary and for managing support services of Herefordshire Housing Performance is measured on a quarterly basis through balanced scorecard and financial reports.
Quality and Performance Group	A group that operates across the business. Its membership includes residents, colleagues from HHL and a Board "champion" (the Chair of the Risk & Resources Committee) to scrutinise VFM at an operational level. Including in the remit of the QPG is the setting of targets for VFM efficiencies each year and monitoring of progress against achieving them and scrutiny of outcomes following implementation of the strategy.

Who	VFM Role
Customer Challenge Group	A Customer challenge group has been set up, entirely of residents to scrutinise any aspect of HHL business that they choose. The Challenge Group works in partnership with Herefordshire Housing to scrutinise and challenge services to ensure continuous improvement. They ensure value for money is embedded across Herefordshire Housing ensuring excellent value in service delivery. They have direct access to the HHL Group Board.
Senior Management Team	SMT meet on a fortnightly basis to scrutinise performance and ensure value for money. Business cases are brought to this forum for new opportunities for SMT to review and approve.
Strategic Project Group	A group created in 2015-16 chaired by the Group Chief Executive to ensure that resources are prioritised effectively across the Group and are in accordance with our Corporate plan.
New business group	A group of managers meet as and when required to review new business opportunities to ensure that they meet our criteria from our corporate plan and that a positive return (social, environmental or financial) is made on the proposed investment of resources.
ICT Steering Group	Relevant colleagues meet with managers from the Information Technology team to agree prioritisation of ICT developments, assessment of business cases for significant ICT expenditure and the review of outcomes following implementation.

Who	VFM Role
All Colleagues	<p>We have an embedded VFM culture throughout HHL that encourages colleagues across all levels to embrace VFM. We have an open culture and are recognised by Investors in People at silver level.</p> <p>One of our key competencies for all colleagues is to deliver results by “providing value for money services to our customers”. This is evidenced at monthly one to one meetings with managers and more formally at annual performance appraisals.</p>



## Embedding VFM with colleagues

### VFM Promises from 2014-15 delivered in 2015-16

In our VFM self-assessment for 2014-15 the following aims were targeted:

1. We targeted a 2% efficiency saving across the Group including £100,000 cash savings to spend on a community initiative

*Cash savings were identified by colleagues at all levels totalling £707,000 compared to a target of £496,000. This equates to a 2.85% efficiency saving in year.*

2. We said that we would use the efficiency savings as a contribution towards delivery of 65 new homes.

*29 new homes were delivered in 2015-16 with the remainder of the 65 completed in the first quarter of 2016-17. A further 33 homes were on site at the end of March 2016. Further increases to our development programme are planned.*

3. We said we would support our residents through the impacts of Welfare Reform and improve services by initiating a "Customer First programme"

*Investing in our Financial Inclusion team has enabled us to source £765,000 for residents in grants and benefits in the year (detailed further below). The Customer First Programme team has identified improvements to service delivery through mobile working saving the cost of unnecessary office space from 2016/17 onwards.*

4. We said that we would continue to integrate Independence Trust into the Herefordshire Housing Group to deliver high quality, value for money services that improve total wellbeing.

*All core back office services are now delivered via our Group Head office in Hereford.*

*The successful integration has allowed other colleagues to focus on delivering new business and widening our delivery of total wellbeing to Herefordshire, Gloucestershire, Worcestershire and Shropshire.*

*The successful integration has also allowed the Group to bid for, and win new contracts to promote, build and sustain Total Wellbeing, for example the Living Well Service in Worcestershire which went live in April 2015 and a "Families First" contract.*

5. Identify £100,000 savings to spend on a community initiative

*£100,000 cashable savings were used for a skate park in our community in Hereford city, with the remainder ploughed back into the business for new development.*

Delivering VFM in 2015-16 from the key objectives within our Group Strategic plan.

**Corporate Objective 1 - HHL intends to grow. Our objective is to grow our business but not to the detriment of our core services nor dilute our culture.**

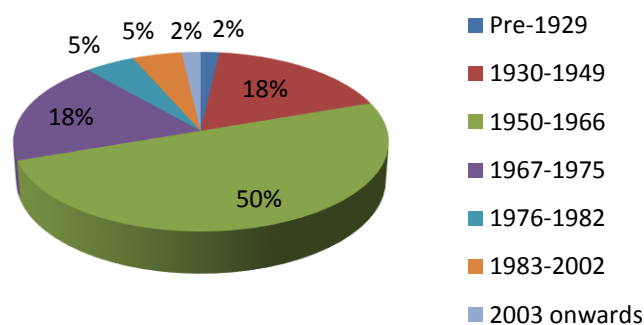
*Our objective is to use our assets as efficiently as possible. We continue to explore opportunities for disposal or redevelopment based on the assessment of cost to run the homes for our tenants, the costs to rectify the worst performing homes and those homes which perform the least well for us financially.*

Our biggest financial asset is our 5,250 social housing homes with our largest area of expenditure being repairs and maintenance of those homes – £10.6 million was spent in 2015-16 compared to £11.7million in 2014-15.

The majority of our homes are traditionally built with brick and block under a pitched roof. However, there are approximately 1,400 properties that are of non-traditional construction. The majority of the non-traditional properties are of two construction types – Cornish and Wimpey No Fines. The Cornish properties are constructed of reinforced concrete columns with concrete panels fixed between them. They are of a good standard of accommodation. The Wimpey No Fines are constructed of concrete poured between shuttering to form the walls and have been targeted for improvements to sustain the properties.

In 2015, following an investment appraisal, energy efficiency measures work was approved to improve the average SAP rating (the method Government uses to assess the energy environmental performance of dwellings) from 60 to 69, whilst saving energy costs for residents on one area of this construction type. The other area with non-traditional properties is the regeneration of the Oval in Hereford, phase 2 and part of phase 3 are underway and the completion dates for these phases are currently forecast to be brought forward in addition to those in phase 4. The final affordable homes in this project are currently forecasted to be handed over in September 2017, 4 months ahead of schedule and £1.6m ahead of budget. These savings will be reinvested in other new homes.

The ages of properties run from early 1900s through to recently built properties with the average age of our properties being 57 years old:



## Understanding the return on our assets.

Our strategy for managing our assets spans development, improvement and repair, disposal and rationalisation. We understand the condition of our homes and that the non-traditional homes are costly to maintain, but are still popular with our tenants. We have therefore remodelled schemes such as the Oval and Ross Road to improve their sustainability ensuring that the investment made was an efficient use of resources and seek to keep these records accurate and up to date through data capture via inspections and through stock condition surveys.

In 2015-16 we created an Area Asset Review Project Group (AARPG) with a wide remit to ensure that the return on our assets is optimised, both from a financial and customer service focus.

In addition, we use a sustainability assessment model from the Keystone software to enable us to identify the high risk and medium risk schemes in our property portfolio. This is initially provided at property level and then analysed by area, type of property and construction type. We maintain a dialogue between our Housing Management and Property Management teams to ensure that residents' consultation is taken into account as well as financial, social and environmental returns in prioritising major repairs. Through the AARPG and using this model we are developing a plan of future areas of activity and selective disposal of properties that are no longer considered financially viable or suitable for our residents. Six priority geographic areas have been identified by the Group for refurbishment and/or redevelopment option appraisals/feasibility studies. Feasibility studies will be completed by September 2016.

The sustainability model uses quantitative data including repairs, improvements and void costs to produce a NPV (net present value of income), satisfaction and feedback data from residents and management teams, and neighbourhood information regarding crime statistics, health and education to compare with rent charged to produce a score per property. The results are then assessed using a Red, Amber, Green criteria. The Red properties are investigated further prior to being considered for disposal or alternative use.

With the exception of the former sheltered sites which are being considered separately, 93 properties are classified as "Red". Analysis of these properties identifies that flats, particularly one bedded and those in the south of Hereford city seem to perform poorly compared to houses due to lower rent, value and hence lower NPV. 59 of the "Red" properties are earmarked for sale, dependent on coming to an agreement with the local authority on the ending of the clawback agreement.

The sustainability model has also highlighted individual estates where properties are between 60 and 70 years old with a remaining life of between 20 and 30 years which could be redeveloped in the near future.

Where properties are low performing, change of use is being considered, while there are 3 homes on the edge of our geographical area that we may consider disposing of, if management and maintenance costs are prohibitive. Options appraisals are carried out to inform these decisions.

The information needs to be used cautiously, but it is a huge step forward in understanding the return on our primary financial assets.

## **Procurement**

Our Group Standing Orders and Financial Regulations contains a section on procurement to ensure that we get the best value from buying our goods and services whilst ensuring that quality and social value are included in the decision making process. Our procedures ensure that we are compliant with the EU procurement requirements. Our procurement strategy was updated in 2015-16 and central to that is to improve our relationships with key suppliers including looking at alternative delivery models, improve use of technology in procurement and ensuring that our both quality and cost are included in procurement decisions. Amongst the financial savings this year are £228,000 through our purchasing consortium, CHIC (Central Housing Investment Consortium) of which HHL is a founder member and £63,000 identified and recorded through various procurement savings in the year.

## Understanding our costs

Our high level 5 year performance is illustrated in the table below. \*FRS102 from 2015:

	2016	2015 Restated	2014	2013	2012
	£'000	£'000	£'000	£'000	£'000
Turnover	30,875	29,563	25,807	24,782	22,980
Operating Costs	(20,763)	(20,661)	(16,842)	(17,662)	(17,871)
<b>Operating Surplus</b>	<b>10,112</b>	<b>8,822</b>	<b>8,965</b>	<b>7,120</b>	<b>5,109</b>
Exceptional items	-	(1,056)	(152)	(131)	-
Operating surplus after exceptional items	<b>10,112</b>	<b>7,846</b>	<b>8,813</b>	<b>6,989</b>	<b>5,109</b>
Surplus/(deficit) on disposal of fixed assets	1,005	312	209	(8)	120
Interest receivable and other income	62	18	4	1	1
Interest payable and similar charges	(3,651)	(3,219)	(3,385)	(2,927)	(2,726)
Financing costs - loan breakage costs	-	(14,076)	-	-	-
Financing income/(expenditure) on pension scheme	-	102	120	4	109
Tax	(66)	-	-	144	-
<b>Surplus/(deficit) for the year</b>	<b>7,462</b>	<b>(8,915)</b>	<b>5,761</b>	<b>4,203</b>	<b>2,553</b>
Actuarial (loss)/gain in respect of pension schemes	689	(2,910)	-	-	-
<b>Total Comprehensive Income for the year</b>	<b>8,151</b>	<b>(11,825)</b>	<b>5,761</b>	<b>4,203</b>	<b>2,553</b>
Operating costs as a % of turnover	67.2%	69.9%	65.3%	71.30%	77.80%
Interest payable as a % of turnover	11.8%	10.9%	13.1%	11.80%	12.10%
Gross margin (operating surplus as a % of turnover)	32.8%	30.1%	34.7%	28.70%	22.20%
Net margin (surplus/deficit) for the year excluding loan breakage costs and pension gain/(loss) as a % of turnover	24.2%	17.5%	22.3%	17.0%	11.10%
Interest cover (operating surplus plus depreciation/net interest payable)	404.0%	435.4%	379.1%	357.8%	304.90%

Operating expenditure as a percentage of turnover is has reduced from 2015 while gross margin and net margin have increased since 2015. This is due to a relatively stable operating costs whilst turnover has grown by 4.4%. This performance exceeds that approved by the Board in the Long Term Financial in 2015.

Interest payable as a percentage of turnover has increased and interest cover has reduced due to the increased level of borrowings in 2016.

Our costs this year are illustrated in more detail in the table below (with 2 prior year comparisons)

### Social housing lettings- costs per average home

In 2016, our regulator, the HCA, has provided Registered Providers with calculations of costs per home for the 2014-15 year compared to the RP sector as a whole, so the table provided in last year's VFM self-assessment has been replaced with a table showing our costs per home compared to 10 similar sized Registered Providers based in the surrounding counties of Worcestershire and Shropshire. In addition a table is shown below that with HHL compared to the sector as a whole. The costs per unit calculated by the HCA have been checked and corrected where appropriate, whilst the costs for our peers are as published by the HCA with names omitted and number of homes rounded to protect their confidentiality.

Year to 31 <sup>st</sup> March 2015 Provider	Homes 0000	Total £000's	Mgt £000's	Service £000's	Mtce £000's	Major Repairs £000's	Other £000's
Registered Provider 1	6,000	2.48	0.49	0.38	0.93	0.53	0.15
Registered Provider 2	9,000	2.78	0.70	0.39	0.66	0.90	0.14
Registered Provider 3	2,000	2.94	0.91	0.17	1.25	0.56	0.05
Registered Provider 4	5,000	3.17	0.97	0.29	0.526	1.07	0.28
Registered Provider 5	4,000	3.25	1.39	0.23	0.83	0.81	0.00
<b>HHL</b>	<b>5,377</b>	<b>3.36</b>	<b>1.00</b>	<b>0.17</b>	<b>1.06</b>	<b>1.11</b>	<b>0.02</b>
Registered Provider 6	3,000	3.38	1.50	0.26	1.21	0.40	0.02
Registered Provider 7	5,000	3.42	1.37	0.00	1.36	0.54	0.16
Registered Provider 8	4,000	3.83	1.17	0.20	1.48	0.98	0.00
Registered Provider 9	2,000	4.24	0.97	0.29	1.36	1.08	0.54
Registered Provider 10	6,000	4.26	0.65	0.29	1.53	1.13	0.66

	HHL position	Lower Middle	Upper middle	Lower	Upper Middle	Upper Middle	Lower
<b>Sector</b>	Upper	4.30	1.27	0.61	1.18	1.13	0.41
	Median	3.55	0.95	0.36	0.98	0.80	0.20
	Lower	3.19	0.70	0.23	0.81	0.53	0.08

HHL's management cost for 2014-15 at £1,000 per home was £50 above the median for the sector and virtually average for our local peer group in 2014-15. Management costs include all management for social housing except that which can be allocated directly to the other headings shown here.

## Management

The following are a number of drivers of management cost. Whilst not exhaustive they demonstrate our commitment to management of the service to residents and other stakeholders and to invest to produce long-term efficiencies:

- a) In 2014-15 £188k was spent on providing our Customer Service centre - Connect (2015-16: £192k) to improve accessibility for residents, £313k for Business Insight and communications (2016: £276k)
- b) An example of our commitment to employment for our local communities was demonstrated when we spent £57k on apprenticeships in 2014-15 (£51k: 2015-16).
- c) Non-pay ICT expenditure in 2014-15 was £601k rising to £661k in 2015-16. We have since restructured the ICT team in 2015-16 to provide a more customer focused service. Expenditure is, however, going to increase in 2016-17 with the purchase of "Customer First" technology which will allow more mobile working for greater accessibility of colleagues by residents and saving of costs by allowing the closure of area offices at Widemarsh St and Jubilee Court in Hereford.
- d) The cost of the Finance function for the Group was £415k in 2014-15. This was the year that HHL issued a bond which although saved significant future amounts on interest costs and allowed greater flexibility in utilizing funds for development saw costs rise in the following year to £604k (excluding internal audit). These costs include the cost of treasury advice, Moody's rating and cost associated with maintaining the security.

## Services

Service charge cost at £170 per home was £190 less than the median for the sector in 2014-15 and the lowest for our peer group with the exception of one organisation which did not appear to have any services for residents. Services are provided to residents at HHL, such as grounds maintenance, but because of the nature of our properties (i.e. no high rise and relatively low number of flats) costs per home are low. With the blocks being demolished at the Oval, this is likely to reduce further over time.

## Maintenance

Maintenance cost at £1,060 per home was higher than the median for the sector of £980 but is around the average for our peer group. Our void repairs were high in 2014-15 at £1,109k. This was caused by both the cost and number of voids. This was reviewed by our Customer Challenge panel in 2015-16. For 2015-16 void costs are down to £850k. We are in the process of implementing the "Vanguard" customer service approach which should reduce maintenance costs per unit further in 2017-18.

## Major Repairs

Major repairs at £1,110 was high against our peers and in the upper middle quartile compared to the sector as whole. The average age of our properties is 57 years and the nature of the construction of a significant proportion of these (pre-cast reinforced concrete construction – "PRC") means that we have taken the decision to invest in these significantly since transfer.

All organisations will be doing component replacement (kitchens, bathrooms, doors, heating etc.) so apart from the age of our properties what will make our costs higher than the average will

be extra or “discretionary” work that we choose to do to invest in our properties and neighbourhoods to provide a better living environment for our residents and maintain asset values.. For 2014/15 this equated to £4.878m and was made up of:

- a) Estate Improvements - £793,000  
In Ross Road and Mayberry Road area of Hereford - remodeling of rear communal areas, drying paths and footpaths, providing storage sheds, installing a communal playground, and installing a secure key-fobbed gated access to the communal grounds. Similar remodeling was carried out in Pennylock in Madley which also included resurfacing to parking areas access roads and footpaths
- b) Structural refurbishments - £409,000. Major refurbishments to three bungalows in Smallbrook Gardens replacing the damp proof membranes and reconstructing the internal partitions, rewiring and replacement of kitchens. Major refurbishment to another property involving external wall insulation including air source heating and re-roofing.
- c) Energy measures - £3,000,000 - Approximately £1.5m spent on external wall insulation, rendering and “enabling works” i.e. moving and re-fixing fences, aerials/satellite dishes, alteration to gas pipes etc. A further £1.5m was spent on roof and window replacements.
- d) Refurbishment to “Pods” - £676,000. Structural repairs and installation of external wall insulation and window work was carried out to first floor bathroom extensions known as “pods” in the College area of Hereford.

### Other social housing

Now that these costs have been reanalyzed, they are relatively insignificant.

### Future trends

Although it is important to understand actual costs and cost drivers it is also useful to show direction of travel. For this reason the last two years for HHL are shown in the table below, based on HCA calculation methodology:

HHL Years	Homes	Total £000	Mgt £000	Service £000	Mtce £000	Maj. Rep £000	Other £000
2014-15	5,377	3.36	1.00	0.17	1.06	1.11	0.02
2015-16	5250	3.31	1.05	0.17	0.84	1.17	0.08
Trend	↓	↓	↑	↔	↓	↑	↑

### 2015-16

The number of properties has reduced in 2015-16 due to RTBs and demolitions at the Oval so whilst our operating costs on social housing have fallen by £715,000 (a 3.95% reduction) a management cost increase of £133,000 (2.5% increase) has seen our cost per home increase by 5%. Without RTB sales and demolitions. Management cost would therefore have risen by 2.5% in the year. We expect this to increase in 2016-17 due to the investment in technology detailed in the Management section above and then reduce in future years due to our commitment to development (see below under Corporate Objective 2, developing the business, Development of



new housing and below in Developing value for money now and in the future, Development). With the development of 288 properties and costs remaining the same overall unit cost per unit would fall by £230 per unit to £3.08 (£000's)

## Understanding our performance

### Operational indicators

Our operational indicators are measured on balanced scorecards and scrutinised by our Boards and Committees.

The year-end performance of the significant performance indicators are shown in the table below:

	Description of performance indicator	2016	2015
Rents	Current tenant rent arrears as a % of rent charged	0.98%	1.33%
	Former tenant rent arrears as a percentage of rent charged	0.35%	0.45%
Lettings & Voids	Average number of days to re-let a property	16.4	13.9
	Satisfaction with lettings process	91%	98%
	Average void repair cost per property	£1,459	£2,359
	Rent loss due to void properties as a % of rent due	0.99%	1.35%
ASB	ASB cases resolved by early intervention	83%	88%
Repairs & Improvements	% of responsive repairs completed at first visit	87.8%	87.2%
	Customer satisfaction with responsive repairs	85.5%	91.7%
	% of homes meeting the Decent Homes Standard	100%	100%

Note – green indicates better than target, red indicates worse than target, while yellow indicates that we are within 10% of our target.

Current tenant rent arrears continues to be below the 2% target and have again shown a year on year improvement to 0.98% despite the impact of welfare benefit reform.

Changes to the allocations system that we use and a significant drop in the number of people on the waiting list due to these changes has lengthened the time it is taking to let a property. For some hard to let properties we have used other methods, including social media. Hard to let properties are currently being reviewed within an asset review project.

Satisfaction with the letting process has also been impacted on by the changes to the allocations system. Reviews and consultations are underway to assess the viability of different ways of streamlining the process, for example conducting property viewings earlier when the property is still tenanted.

The Customer Challenge panel conducted a comprehensive review of void costs during the year and made a number of recommendations to management.

ASB cases are more easily resolved by early intervention – in 2015-16 for the second successive year over 80% of cases were resolved this way. However in 2015-16 there have been increases in both the number and severity of cases including a higher number of drug related cases being raised in the year which cannot be dealt with by early intervention and require enforcement immediately.

More repairs have been completed at first visit in 2015-16 than the previous year, but customer satisfaction remains less than target. Satisfaction was at its lowest point at the start of the year and has steadily improved during the year. Clearance of a backlog of programmed repairs caused longer time targets and hence lower satisfaction. Now this has been achieved, satisfaction rates are increasing. We have introduced quarterly satisfaction reports to ensure that we can respond quickly to actions required for improvements to the service. In 2016-17 we are embarking on a Vanguard approach to customer service for repairs and maintenance to understand what is important to the customer and focussing our resources on that.

KPIs reported in previous years have been removed as follows:

- Lettings – average time for permanent rehousing – not a measure we can control. We consider the lettings KPIs presented as more relevant of our performance.
- Properties let at affordable rent – this was required as a part of our development funding. We have reached the target, so no longer measured.
- ASB- percentage of customers satisfied with handling of ASB – data not collected.
- Repairs and improvements % of jobs completed on time. Previously we reported by emergency, urgent and routine jobs. Now changed to “Repairs completed within agreed target time” which for 15/16 was 98.37%.

## External Benchmarking

Herefordshire Housing is an active member of the Housemark benchmarking club. Housemark is the market leader for benchmarking in the housing sector with over 390 organisations taking part in contributing their data on an annual basis to compare with others. We benchmark our costs and performance and review the outcomes of the analysis at our Quality and Performance Group and implement changes as required. Data is input into the Housemark system once the financial statements have been audited so for this report, only information up to the financial year 2014-15 is available.

We have a clear understanding of our costs and for the vast majority of our costs, performance and satisfaction compare favourably with our peers and nationally. Our peers are organisations where the homes were previously owned by the local council and have been transferred on a large scale to a not-for profit company. There are 26 organisations in the peer group with between 3,000 and 10,100 homes and turnover of between £14m and £51. Nineteen organisations (including Herefordshire Housing) have their own direct labour team to do repairs and maintenance. The last three year’s comparisons with other LSVTs are shown below where data is available:

## Performance Table - Housemark Comparison with our peers

	2012 -13	2013 -14	2014 -15
Responsive Repairs & voids - total cost per property	UQ	UQ	MUQ
Overhead costs as a % of turnover	MUQ	LQ	MUQ
% of homes that are non-decent	UQ	UQ	UQ
Average number of calendar days taken to complete repairs	MUQ	UQ	MUQ
Average relet times in days	UQ	UQ	UQ
% of anti-social behaviour cases resolved successfully	MUQ	MUQ	UQ
total cost per property of housing management	MLQ	LQ	MID
current tenant arrears as a % of rent due	MUQ	UQ	UQ
% of tenants satisfied with the neighbourhood as a place to live.	MUQ	MLQ	LQ

### Key:

Upper Quartile (UQ)	UQ
Middle Upper Quartile (MUQ)	MUQ
Median of the peer group (MID)	MID
Middle Lower Quartile (MLQ)	MLQ
Lower Quartile (LQ)	LQ

- Responsive Repairs and Voids works – total cost per property is £789.48 in 2014-15 (middle upper quartile). The median is £797.38. Following on from this our Customer Challenge panel undertook a review of void costs, actions from which have already started to have a positive effect as noted in our performance measures for 2015-16.
- At 11%, overhead costs as a % of turnover are middle upper quartile compared to lower quartile in 2013-14
- Percentage of dwellings that are non-decent (upper quartile). Herefordshire Housing is ranked 1<sup>st</sup> within the peer group and demonstrates that all homes are maintained to at least the standard defined by the Government as a ‘Decent Home’.
- Average number of days to complete repairs has increased by 1.09 between 2013/14 at 6.69 days,
- Average re-let times in days remains upper quartile in our peer group within Housemark at 13.71 days. The median for our peer group is 27.30 days.

- Anti-social behaviour cases resolution was higher than our peers at 97.87% resolved successfully in 2015 (median 95.58%) an improvement on 2014 rate of 94.3%, but in line with peers (median in 2013 94.7%). However we are aware that cases have been more complex in 2015-16 with an increasing number of drug-related cases.
- Total cost per property for housing management at £428.83 per property is at the median for our peer group despite our investment in the service to support residents through the welfare benefit reform changes.
- Current tenant rent arrears as a % of rent due at 1.65% for 2015 (upper quartile) continues to perform consistently as it has done over the last three years and reflect our decision to invest in housing management to deal with impact of welfare reform changes. HHL's performance has improved from 1.88% to 1.65% demonstrating that we have been more successful than our peers in managing rent arrears.
- Percentage of tenants satisfied with their neighbourhood as a place to live at 79% is in the lower quartile (median 88%). Rate your place surveys have since been done to identify reasons for lower satisfaction, results of which have been included in our neighbourhood action plans. Litter and dog mess appear to be the main issues identified.

We take benchmark information very seriously within Herefordshire Housing and understand our cost base in relation to others. Whilst benchmarked information against our peers is generally high, performance is below some of our internal targets in 2015-16. We have therefore decided to embark on a programme to transform current service delivery and truly embed a "Customer First" Approach across the Group. This is detailed further in our future plans below.

## Corporate Objective 2 - HHL will develop the business

*Our objective is to build or acquire 50 homes per year. The home provides strong foundations and stability. We create services that improve support total wellbeing by offering support services and by creating homes.*

### Development of new housing

Herefordshire Housing is one of the largest property owners in Herefordshire and uses its asset base to develop further new housing across an increasing number of tenures. 29 new properties were delivered in 2015-16. 67 are due to be completed in 2016-17. A development strategy was approved by the Board during the year to strengthen our commitment to building new housing.

### Extension to the Responder Service

HHL works in partnership with and with funding from Herefordshire Clinical Commissioning Group (CCG) and Herefordshire Council (through "Better Care Fund") to provide a quality service for non-injured fallers, improving quality of life and assist individuals to maintain independence by preventing hospital admission and avoid unnecessary demand on emergency services by attending NHS 111/999 calls in non-injury situations.

This was initially a 12 month pilot commencing in November 2014, and has been so successful that the contract has been extended twice (currently to March 2017). 865 calls were made in the year. As a consequence £339, 684 was saved for public services – ambulance service, accident and emergency departments, hospital admissions, GP services and police service.

### Living Well

All of our activities aim to build and sustain Total Wellbeing. Across the group we have the experience, skills and reputation to help communities strengthen their independence, mental and physical health needs and provide expert support along the way. Building upon this reputation we secured the "Living Well" contract in Worcester which began on the 1st April 2015.

The teams work with individuals, families and communities who are deemed in the highest area of health need across Worcestershire. We support them to make behaviour changes with the aim to improve their health and wellbeing and reducing health inequalities.

We do this through:

- Strength based working – working with clients on recognising their strengths and supporting them to building on these to make changes
- Exploring client's personal barriers to making changes and working together to devise action plans to overcome them
- Working with clients to measuring self-efficacy – helping to identify intervention and support types that are most appropriate to meeting their goals.

- Working in partnership with local communities to build upon skills, strengths and knowledge - whilst building a network of support for clients.
- Delivering 1-2-1 assessments and action planning
- Group work
- Connecting individuals and families to what is already available in their community
- Giving advice, information around health eating, exercise and diet - including budget cooking
- Following up on all clients upon exiting the service at 3, 6 and 12 months to see if the changes made have been maintained
- Communicating with refers about engagement and final outcome
- Ensuring everyone who is referred is eligible, if they are not they are signposted to services who can help them appropriately

### **Corporate Objective 3 - HHL will support our customers**

*Our objective is to reduce levels of dependency, challenging people to be independent, overcoming barriers to getting people into work. We aim to make our homes accessible to people in low paid work.*

#### **Financial Inclusion**

Herefordshire Housing has once again increased social value by the provision of a financial inclusion. In the year, the Financial Inclusion team have had 1,025 referrals in the year and have assisted residents by obtaining financial gains for them totalling £764,860. This is made up of assistance in claiming:

Housing benefit	£355,400
Discretionary Housing Payments	£70,700
Other benefits	£328,000
Grants	£6,000
Warm Homes Discount	£4,760

Discretionary housing payments are to cover shortfalls following introduction of the spare room subsidy (bedroom tax) and other housing benefit shortfalls. This has helped to sustain 182 tenancies this year.

Where debt advice is required, we refer to the local Citizens Advice Bureau. In 2015-16 there were 88 referrals for our tenants. A total of £454,622 in financial outcomes was achieved in partnership with the CAB for our residents.

The work of the Financial Inclusion team continues to provide significant value for money savings for our residents throughout the period of welfare reform. We will continue to support residents who are financially excluded following the introduction of Universal Credit in Herefordshire in 2016.

## Horizon Project

The Horizon Programme (DVPP) provided by HHL and enabled by CSP funding, worked with male perpetrators of domestic abuse with the aim of increasing the safety of women and children by reducing repeat victimisation and the frequency and severity of abuse. In turn this reduces the demand for other agencies services, including health, the police and social services. It was the intention that the pilot established a delivery model that would be used as part of a longer term programme across the West Mercia region. The project was part funded by the Police and Crime Commission through the Herefordshire Community Safety Partnership with the remainder of the funding coming from HHL. In 2015-16. 22 referrals were made into the service.

## Domestic Violence and Abuse – Prevention and Support

In 2015-16 HHL helped provide an equitable, safe, sensitive, non- judgemental support service to victims of DVA in Herefordshire. In addition to the service, HHL worked with relevant groups and agencies in Herefordshire to ensure that those exposed to DVA get the support they need to reduce risk and address the underlying causes of DVA. The service worked to prevent DVA incidents from happening and also, by effectively supporting service users, reducing the number of repeat incidents. 32 referrals were made into the scheme in 2015-16.

## Helping with community initiatives

In 2015-16 HHL continued with its hugely popular community initiatives programme where £25,000 is set aside from VFM savings to help our communities with projects to provide social return to our residents. This is administered by residents who consider the merits of each application and the wider benefits to the community. These are “pump priming” grants that have a multiplier effect for our residents. Some examples of this are:

Madley Youth Group - £5,000

The group are improving the play facilities and this money will go towards provision of the cable runway and birds nest swing, with the associated groundworks and safety surface.

Hereford Disability United - £600

This charity had funding for their meeting, which focused on autism. 60-100 attended the meeting. The money was spent on magazines, room hire, refreshments, travel for disabled attendees & speaker.

Southgate Court Residents Group - £493.

This very sociable residents group improved the communal area outside Southgate Court. The money went towards flowers, fencing, paint, edging bricks, sand and cement

## Delivering value for money now and in the future

Performance on VFM is again strong at HHL, but we know we can do better. In 2016-17 we will continue to strive for innovative methods to improve value for money with our residents and maintain excellent performance.

### Financial

We are aiming to sell our retained bonds in September 2016 while long term gilt rates are low. We calculate that this will save us 0.7% against current interest rates - £245,000 per year over the lifetime of the bond.

### Development

We will invest efficiencies generated in the development plan approved by our Board for 288 homes over the next 2 years. These developments are across a variety of tenures in Hereford city and villages in rural Herefordshire. By utilising our subsidiary Rise Partnership Developments, we expect to save £100,000 in 2016-17.

### Customer First

To improve services to customers we are in the second year of implementing a "Customer First" programme of projects aligning the work of our Customer Service Centre with all service areas and minimising the degree of effort customers must use when dealing with us. By being more connected to the customer (via insight and technology) the impacts of Welfare Reform can be effectively managed and customer outcomes improved. In 2016-17 we are aiming to introduce technology to allow our front line colleagues to work in our communities rather than in expensive offices in Hereford city.

### Repairs and Maintenance services

Alongside Customer First we are adopting a "Vanguard" approach to the delivery of our services starting with repairs and maintenance. Services should be delivered "right first time". Not only will this improve performance for our customers but will also drive out unnecessary costs and hence increase value for money in our services.

### Building Blocks – a support to work programme

HHL has been successful in the first stage of a Big Lottery Fund bid called Building Better Opportunities. We have led a partnership bid involving several organisations across Herefordshire for a £1.7 million fund. The programme will work with vulnerable clients to reduce barriers into employment and increase social inclusion across our communities.



## Integration of Independence Trust

Independence Trust joined the Group in April 2014 and we will continue to integrate their services into those of HHL to deliver high quality, value for money services that improve total wellbeing.

## Delivering a 10% cut in operating costs

To manage the rent reductions over the next four years, a 10% cut in operating costs have been budgeted across the business in 2016-17. We will continue to monitor other efficiencies published in a VFM log (with a further 2% target) and scrutinised by the Quality and Performance Group. Details of this will be published on our website quarterly to demonstrate to all our stakeholders that savings being made.

We will continue to challenge our performance and improvement of our back-office functions to deliver efficiencies that can be utilised for the provision of services for our residents.

This VFM Self-Assessment which is available on our website at the end of September 2016 on <http://www.hhl.org.uk/corporate/all-about-us/valueformoney/>