



Stafford
and Rural Homes

Celebrating **10** years of affordable housing

Value for Money Statement

2015/16



Creating Great Places to Live, Work and Grow

Value for Money Statement

Introduction

The SARH [Value for Money \(VFM\) Strategy](#), 'More for your Money', helps SARH to set strategic objectives and make clear decisions about how resources are used. Delivering against the VFM Strategy enables SARH to provide quality homes, continually improve services, invest in new homes and provide quality services to customers and the neighbourhoods in which they live.

SARH has responded to the new operating environment as set out in the Strategic Report through the development of a new SARH [Corporate Plan](#), 'Delivering in a Changing World'. This plan sets out how SARH intends to focus on:

- **Build**
Build new homes to meet a growing local demand and a changing demographic.
- **Homes**
Invest in and maintain existing homes, delivering high quality services in the ways customers wish to access them.
- **Growth**
Trade services and improvements that generate profit and add value.

The Board and Leadership Team ensure that the Corporate Plan objectives are delivered effectively with a focus on driving value and focusing on investment in key performance areas. SARH is also required by the Regulator, the HCA, to complete an annual self assessment summarising how well SARH is delivering value. This document sets out the progress SARH has made during 2015/16 in delivering 'More for your Money' and is reported against the following objectives:

- Effective use of resources;
- Maximising the return on assets;
- Performance management and scrutiny
- Understanding service costs and outcome

The key focus for SARH is to provide high quality services for customers and continue

More detailed information is available on the SARH website:

www.sarh.co.uk/moreforyourmoney

to engage with customers to find the right balance between quality and cost. Looking forward, SARH is planning enhancements to how it engages with customers through different channels to further improve services and customer satisfaction.

Effective use of resources

For SARH to be an effective organisation which delivers value, it needs to ensure resources are managed in the most effective manner to provide the greatest return for customers.

To achieve this, the Board and Leadership Team consider the strategic opportunity cost of resource allocation.

SARH seeks to deliver the effective use of resources through the following:

- Controlling management spend and benchmarking against other Registered Providers (RPs).
- Staff training and development and absence management.
- New ways of working to improve efficiencies, productivity and outcomes.
- Delivering high quality services.

Controlling management spend and benchmarking

SARH adopts a zero based budgeting approach that has sought to balance; continued financial viability and affordability; delivering core services; robust asset management; a continued focus on VFM and safeguarding SARH development programme.

SARH seeks to identify where efficiencies can be delivered for example;

- Management and service costs for 2016/17 are £0.6m lower than 2015/16.
- The number of [full time staff equivalents](#) has been reduced by 17.5.

Staff training and development and absence management

SARH is committed to investing in people (customers, staff and Board Directors) to maintain high professional standards and a commitment to delivering quality services.

In 2015/16 SARH supported:

- Two cohorts of [construction Operatives](#), one of whom was awarded an apprenticeship in joinery within the SARH Repairs First Trades Team.
- Seven young [apprentices](#) in trade occupations, business administration and customer service.
- A programme providing work experience for local Stafford school pupils, college and university students within the Company. Eight people were given work experience opportunities within various areas of the business in 2015.

Robust management arrangements have contributed to the continued low level of absence during the year. The average number of working days lost through sickness during 2015/16 per employee was 7.9 days placing SARH in the upper middle quartile when benchmarked using HouseMark.

New ways of working to improve efficiencies, productivity and outcomes

During 2015/16, SARH implemented a number of efficiencies. Some examples are outlined below:

- Streamlined the Out of Hours service to divert additional resources to void repairs. The reduction of non-productive time has increased output by the equivalent of two trades-people.
- SARH have demonstrated a commitment to achieving value whilst maintaining the quality of new build properties. In

partnership with our contractor and developer partners, SARH has value engineered four of the current new build design and build projects, achieving savings of £218k in the year.

- To ensure Section 106 acquisitions remained financially viable following the effects of the Government rent reductions, SARH negotiated reductions in offer levels on six development opportunities, achieving a saving of £487k.
- Spend on fuel has reduced from £78k to £61k, a reduction of 22.7%. Whilst it is acknowledged this is partly due to lower fuel costs, the number of vehicles used and the mileage covered has reduced through better planning of works.
- Successfully bidding for external funding to deliver a range of new projects including an innovative befriending project to reduce social isolation.

Delivering high quality services

SARH works closely with its Customer Board and Customer Inspectors and also conducts a Customer Satisfaction Survey. The results of the [2016 survey](#), carried out by BMG Research, showed that 87% of customers are satisfied with value for money for the rent charged by SARH. This has increased from 83% in 2014. SARH is continuing to identify how customer satisfaction can be improved.

SARH delivers high performance in a number of key areas as evidenced by the examples outlined below.

- [Income](#) - the performance achieved by the SARH Income Services Team continues to be in the upper quartile and during 2015/16 improved further. Rent arrears as a percentage of debit are now 1.34% (2014/15: 1.43%).
- [Money Advice](#) - SARH has responded to the recent welfare and social housing reforms by increasing the support provided for customers affected by these changes. During 2015/16, the SARH Money Advice Team successfully achieved a landmark target of helping

customers access over £1m of income. Of this, £355k worth of housing benefit was paid direct to SARH.

- **Repairs** - During 2015/16 Repairs First improved the “right first time” performance indicator from 92.3% to 93.64%, and maintained the 100% completion of emergency repairs within target.
- **Housing Worx** - SARH trading subsidiary company Housing Worx provides repairs and maintenance services and telecare and lifeline services to SARH customers and external clients.

During 2015/16 Housing Worx gift aided profits of £451k. The profits to be gift aided in 2016/17 will be £809k which will be invested in new developments.

Housing Worx is continuing to grow and further increases in income and profits are forecast for 2016/17 with growth for the property and telecare divisions in both internal SARH income and external clients income.

- **Procurement** - SARH re-procurements during the year cover a significant range of products and services and adopts a robust approach to procurement. Savings of £156k (7%) over the life of the contracts have been achieved. For example the grounds maintenance contract saved over 9% on the previous contract. In addition the managed stores contract is constantly reviewed achieving savings of £44k (2.72%). In consultation with customers SARH reviewed the way it delivers the contracts recovered via service charges. A more cost effective way to deliver the lift maintenance contract achieved savings of over £14k (60%) for the customer.
- **Wellbeing Service** - During 2015/16 the Wellbeing Service supported 90% of their customers to remain living independently in their own homes. 88% of customers who were referred to the service following discharge from hospital remained at home

without further readmission within 30 days. The service achieved 97% customer satisfaction for the support they provided.

Maximising the return on assets

The [Asset Management Strategy](#) sets investment priorities for SARH stock and ensures assets are maintained at a competitive cost. The stock condition data was externally validated in the year using a 10% sample. In addition SARH continues to survey 5% of stock each year. A Net Present Value ([NPV](#)) [modelling tool](#) is used to understand the viability of current stock and inform long term asset investment decisions. In the year, the model was used to review all Independent Living Schemes. This has resulted in the closure of one 16 unit scheme, where the site is going to be used for redevelopment.

During the year SARH maintained 100% of its homes at Decent Homes Standard.

In 2015/16 SARH completed works on 73 new build properties. In addition, works commenced on-site for a further 201 new build homes.

SARH continued a ‘Total Place’ investment programme focusing on a range of benefits including reduced crime and anti social behaviour (ASB), increased demand and improved energy efficiency of homes saving customers 10% on customer fuel bills.

SARH own approximately 1,900 garages and lockup sites and during the year completed an independent review. Over the next 10 years SARH anticipate investing over £1.1m on improvement works to these sites to increase return from the assets.

The SARH affordable warmth programme has contributed during the year to SARH increasing its overall Standard Assessment Procedure (SAP) rating of 71.01 (compared to 70.51 in 2014/15).

SARH return on investment was 6.4% based on SARH Group surplus for the year of £7.6m, and property asset value of

£118.5m. In 2014/15 the return was 8.9%. This compares to the housing sector average of 3.6% (HCA Publication on 2014 Global Accounts of Housing Providers).

Performance management and scrutiny

The SARH performance management framework focuses on continuous improvement, using performance reports, targets, cost and benchmarking and customer feedback to monitor how well SARH is performing against a broad range of services and cost indicators.

Regular performance reporting by each service area provides details of performance against targets, achievements and customer satisfaction levels. Leadership Team and Board receive regular reports to monitor performance against targets and trends and determine corrective action and any associated risks. Performance in each of the key service areas is reported to the Leadership Team by service managers on a quarterly basis. Performance is reported to customers in an Annual Report and through information on the SARH website.

Landlord services are monitored and scrutinised by the [Customer Board](#) and a team of Customer Inspectors.

Details of outcomes resulting from the work of the two customer groups are provided on the SARH website and through customer publications.

Understanding service costs and outcomes

Budgetary control arrangements at SARH were externally reviewed during the year and found to be providing a high level of controls and assurance.

During the year, SARH analysed profitability across a number of business streams to better understand the costs and income associated with a range of activities. This analysis enables SARH to quickly identify any loss making areas of the business.

The Regulator has defined a “headline social housing costs per unit” measure to analyse global accounts cost data. This is made up of the main cost components of management, service charge, maintenance, major repairs and other social housing costs the Regulator considers as the best general purpose cost definition to review and compare costs across the sector.

Based on the latest published global accounts for the year 2014/15, SARH has a headline social housing cost per unit of £3,880. This is lower than the sector average of £3,950 but above the £3,680 average of the RPs with 5,000 to 7,000 properties.

The SARH costs per unit are favourable to both the sector average and similar size RPs for service charge costs, maintenance costs and other social housing costs. SARH management cost is favourable to the sector average and SARH has only one adverse cost variance which is the cost of major repairs. The major repairs costs for this year included £4m of regeneration costs relating to the [‘Total Place’ project](#).

If the costs of this regeneration project were excluded the major repairs cost would be similar to the other group’s average, while the total social housing costs per unit would be significantly lower.

For 2015/16 SARH has significantly lower social housing costs per unit over the year than the sector average and this is expected to continue with management and maintenance costs both forecast to reduce every year from 2016/17 to 2019/20. The management costs will reduce partly as a result of the business transformation project with a drive for technological change while maintenance unit costs will reduce for the same period as a result of the more efficient use of existing resources.

Benchmarking is carried out using various clubs including HouseMark, using a group of over 200 traditional housing associations and Large Scale Voluntary Transfers across

England. HouseMark benchmarking results quoted in this report are for 2014/15. Results for [2015/16](#) will be posted on the SARH website when details are available from HouseMark.

The SARH insight summary from the latest available HouseMark data highlighted the following:

- SARH has taken a number of steps to mitigate the impact of welfare reform with a clear focus on maximising customers' income and money advice.
- Customer arrears as a proportion of rent due decreased from 1.43% to 1.34% and rent collection rates decreased from 100.9% to 99.5%.
- [Anti Social Behaviour \(ASB\)](#) continues to be lower than the peer group average. During the financial year 2015/16 three ASB injunctions and three possession orders were secured. Two customers surrendered their tenancy when possession proceedings were issued.
- The major works cost per property decreased by 7% due to the suspension of the 'Total Place' regeneration programme following the announcement of the four year rent reduction.
- The cost per property of void works increased from £1,215 to £1,522, although SARH service provision costs in this area remain amongst the lowest in the peer group.

Based on the latest available HouseMark benchmarking data, SARH is providing a good level of performance for;

1. Responsive repairs and void works.
2. Rent arrears and collection.
4. Major works and cyclical maintenance.
5. Lettings.
8. Estate services.

The two areas where SARH were not providing a good performance were:

6. Tenancy management and;
7. Resident involvement.



Tenancy management

SARH continues to provide a value for money tenancy management service which, during 2015/16 has implemented a new ASB policy and embedded a victim centred approach to tackling ASB and supporting victims. Levels of ASB are very low across SARH neighbourhoods with 93.8% of customers being satisfied with the outcome of their cases. Internal health and safety assessments of communal blocks found 100% were clean and tidy and free from hazards. A total of 689 properties were let with only 10 void properties (a record low) at the year end.

Resident involvement

SARH has a commitment to involving its residents and provides a wide ranging service including Customer Inspectors, job clubs, learning programme and community based initiatives. Some of the achievements in 2015/16 include winning £87k funding bids to deliver community projects across Stafford. Resident involvement is a corporate activity and all parts of the business engage with customers in the effective planning of services.

VFM conclusion and self assessment

SARH confirms it complies with the VFM Standard. SARH internal auditors have rigorously tested value for money and other key strategic aims and have found the organisation has significant strength and stability. Looking forward to the next financial year, SARH has identified a number of areas

where further improvements can be made and these are set out below.

Looking forward

Going forward, a number of changes are being implemented in 2016/17 to embed 'More for your Money' across the organisation. These include:

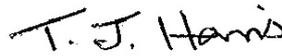
- 'More for your Money' champions in each service area, together with up-front targets for productivity and cash savings and closer monitoring of targets during the year.
- Consideration of how 'More for your Money' improvements are clearly articulated to customers through SARH new website.
- Evaluation of how demand and supply of housing in the Borough can be optimised through dialogue and partnering with key stakeholders.
- SARH has embarked on a three year [business transformation](#) project to make processes and engagement with customers as electronic as possible. Year one projects include;
 - Document Management
 - Mobile Working
 - Channel Choice
- Using the newly developed SARH website to provide more digital services, channel shift and payment options.
- Embedding the new asset management modelling tool to better understand current stock and improve value and long term asset performance.
- Exploring additional trading opportunities for Housing Worx and other SARH services.
- Engaging customer views on efficiency as part of its customer satisfaction forms.

Approval

This Strategic Report was approved by order of the Board on 28 July 2016 and signed on its behalf by:



Alison Hadden
Chair



Tim Harris
Chair of Audit Committee



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