

Value for Money

Statement
2013 / 14



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This self assessment summarises how well SARH is delivering VFM. More detailed information on VFM achievements and goals is available on the SARH website www.sarh.co.uk

Self assessment of VFM

SARH confirms it complies with the VFM standard and continues to focus on achieving VFM. Initially the focus was on landlord services but increasingly now involves initiatives such as development, job creation and commercial trading which provide wider social benefits. Since 2006 significant progress has been made in reducing costs, delivering services more efficiently and making effective use of assets. Benchmarking is used extensively to identify comparative costs and performance, trends over time and comparisons with other organisations. Results and future targets are shared with customers and other

stakeholders through a range of ways including stakeholder events and information on the company website. Further improvements are planned including work to have in place by the end of 2014/15 a model for assessing the return on assets.

SARH is reviewing the current Corporate Plan 'The Bigger Picture'. The new Corporate Plan will set the future direction for this high performing local landlord ensuring it remains focused on achieving efficiencies.

SARH invests savings made in delivery of front line services, the development of new homes and additional support services for vulnerable customers.



Corporate Plan

SARH has a clear Corporate Plan (The Bigger Picture 2010-2015). The Corporate Plan commits to investing in people, place, future growth and high quality service delivery. Enshrined within these corporate objectives is a commitment to high quality cost effective and efficient service delivery.

The detail of how SARH approaches Value For Money (VFM) is contained within the VFM Strategy approved by the Board in 2013. The VFM Strategy provides a map of assurance that the company continually reviews service delivery to ensure not just financial returns but social, economic and non cashable returns as well. The SMART action plan linked to the Strategy provides a record of progress and the delivery is audited externally and a self assessment completed annually as required by the Homes and Communities Agency (HCA), the Regulator.

SARH VFM statement links to the company objectives and sets out SARH approach to:

- Making effective and efficient use of resources;
- Maximising the return on assets;
- Performance management and scrutiny functions; and
- Understanding costs and outcomes of services.

The SARH Board and Leadership Team drive VFM and ensure that the objectives set out in the Corporate Plan are delivered in an efficient and effective way through a company-wide culture that commits to VFM and a focus on investment in key performance areas.

Throughout the Company, VFM is called 'More for Your Money'. Logos are used to indicate financial, environmental, social,

communication and service quality returns, identifying targets and savings.

All Board and Committee reports include details of VFM implications to provide assurance to Board and Committee members that all VFM issues, including the cost of services have been considered and the returns on the investment are measured.

Effective use of resources

Restructures and service reviews of front line and back office services are undertaken to reflect changing business needs, on centration on controlling costs and changing economic conditions. This ensures effective use of resources throughout the Company. Reviews have contributed to a reduction in the cost of overheads per employee from £17,075 in 2012/13 to £16,625 in 2013/14 (2nd quartile when benchmarked using HouseMark data), whilst also improving or maintaining service delivery. Basic pay costs have reduced from £3.8m in 2010/11 to £3.5m in 2013/14. The biggest reduction was in neighbourhood services basic pay costs which reduced by £169k (17%). Turnover per employee has increased each year, from £106k in 2008 to £148k in 2013/14. Management costs during the period reduced by £700k in real terms.

Robust management arrangements have contributed to maintaining low levels of absence. The average number of working days lost through sickness per employee in 2013/14 was 8.78 days, almost matching the previous year's performance of 8.2 days, which was 2nd quartile position when benchmarked using HouseMark.

SARH is committed to investing in people (customers, staff and Board members).

Providing a range of training and development opportunities helps to maintain high professional standards and a commitment to delivering quality services. SARH Learning Academy is an environment through which learning and training is delivered internally and externally and provides the environment in which SARH apprentice and construction operatives programmes is run.

The programme provides training and work experience for young people living locally. In 2013/14 nine apprenticeship places in trades occupations or office based positions were filled, with four of the apprentices securing employment with SARH. A further 24 young people have undertaken a Youth Contract / work programme with SARH, helping to increase their skills and provide experience in the workplace. These schemes benefit young local people and in the longer term benefit the local economy. Social value figures produced by the Housing Associations' Charitable Trust (HACT), a leading organisation in the measurement of social impact of community investment, calculate the social value equivalent of each apprenticeship at £2,795.

High performance in rent collection and void turn around times, the accessing of grants and the creation of a successful trading subsidiary that is VAT efficient and gift aids surpluses back to SARH are examples of the significant ways that SARH maximises its income. How this money is spent is informed by an understanding of the Company assets that identifies where improvements will be targeted to achieve maximum results and benefits for SARH and its customers.

Since 2013 capital investment work, e.g. installing new kitchens and bathrooms, has been carried out by SARH's trading subsidiary Housing Worx. Cost and quality performance indicators are set and results monitored and SARH ensures that the rates paid are competitive by benchmarking against the open market. VAT arrangements for the SARH Group have resulted in savings of 20% (£96k in 2012/13 and £221k in 2013/14) on the work carried out by Housing Worx. The financial contribution from Housing Worx to SARH increased from £179k or 14% of its income in 2012/13, to £470k or 16% of its

income in 2013/14. Gift aid which forms part of the total contribution figure increased from £147k in 2012/13 to £227k in 2013/14. The efficiencies generated in contributions to overheads as well as gift aiding the surplus generated by Housing Worx are used to subsidise new development. The subsidiary continues to streamline its operations and will further benefit from economies of scale with the introduction of new technology and four new work streams in 2014/15. These new work streams will generate additional VAT savings of £76.5k in 2014/15. The longer term goal is to generate further income and efficiencies through external trading.

Housing Worx successfully competes for contracts to deliver Telecare and First Responder Services. Prior to trading the Telecare Service was provided just for SARH customers and the service was subsidised.

Economies of scale now result in an overall surplus being made, amounting to £97k in 2013/14, which is reinvested to ensure the service remains viable, providing valuable social and economic returns on investment.

SARH's VFM Strategy is under-pinned by a robust approach to procurement that takes account of both cost and service quality. In 2013 SARH undertook a full review of procurement practices to ensure that all contracts regardless of value are reviewed in accordance with an agreed timetable and the most appropriate procurement arrangements are used when contracts are awarded.

Throughout the whole business, effective use is made of procurement frameworks, such as Procurement for Housing.

Examples of successful outcomes in 2013/14 include:

Legal services procured through a local consortium (Generate). This resulted in rates considerably lower than Government Procurement Services rates.

A new mobile telephone contract will save £18,000 over two years and provide better network coverage and more mobile devices. Savings from the telephone procurement have

been used to fund 'tablets' for repairs operatives as part of the continuous improvement programme of real time communication with customers in delivering repairs services.

During the downturn capital investment programme contracts were procured annually taking advantage of reducing rates. Input and feedback from customers helps to ensure an appropriate balance of quality and cost considerations. Best value is achieved through use of a range of delivery vehicles including in-house contractors, external contractors and specialist sub-contractors. A stock condition validation by Savills in early 2014 concluded that SARH demonstrates a sound understanding of investment principles and asset needs and investment requirements including programming and planning work.

A key resource for SARH is Information Technology (IT) and in 2013/14 significant investment to improve service delivery was made to achieve longer term savings and efficiencies. These benefits include reduced

IT energy costs of 5-10% and an increased life span from five to ten years for IT equipment. Investment was made in the Housing Management System to improve debt management through automated management of payment arrangements and enable direct debit payments to be collected on any day of the month in preparation for the potential risk to income from changes in the way benefits will be paid.

The investment of £42.5k will be recouped in 2014/15 as the expected return is £81.5k, £75k of which is forecast to come from a reduction in arrears and £6.5k from increased use of direct debits rather than other more costly collection methods.

Savings in overheads are ring fenced to maintain much needed support services faced with underfunding such as care and support.

Further technology investment will support job costing, with electronic processes replacing existing paper based systems. The investment of £210k during 2013/14 and 2014/15 is

expected to generate annual efficiencies of £60k p.a. Other non-cashable benefits include increasing right first time performance by 3%, a reduction in minor works repairs from more than 50 days to less than 28 days and minimising the risk of errors. Savings from technology are being diverted to SARH 'I'm On-Line' project designed to increase digital inclusion amongst users of SARH services. This will benefit customers and SARH through increased use of cost effective on-line services such as reporting repairs and making payments.

Maximising the return on assets

In 2013/14, the return on investment was 10% based on SARH Group surplus for the year of £8.2m, and property asset value of £82.0m. In 2012/13 the return was 12.1% compared to the housing sector average of 2.65% (HCA Publication on 2013 Global Accounts of Housing Providers).

The Asset Management Strategy commits to high quality investment in the stock and an ambitious programme of development. This programme commits to delivering a further 350 new homes through build or acquisition by 2017.

The Asset Management Strategy was reviewed in 2014 and sets out plans and options for investment for the period to 2017. Components, such as kitchens and bathrooms are replaced on a 'just in time' basis. The Strategy sets out options, or levels of investment, that will be delivered,

depending on the level of spend that can be accommodated in the Business Plan, taking account of the impact of changes to interest rates; loss of stock through Right to Buy; or the loss of income through welfare reform. The levels of investment range from essential work to maintain 100% compliance with the Decent Homes Standard to a much higher standard based on a 'Total Place' approach.

Total Place investment started in 2013. SARH began a programme which involves a holistic approach across a neighbourhood to improve not just homes, but also the local environment. This will bring a range of benefits, including reduced crime rates, less anti-social behaviour, increased demand for properties, lower turnover of tenancies, support for local jobs and improved energy efficiency of homes, resulting in a reduction of 58% in Co2 emissions. The social, economic and

community value of this investment will be measured to understand the impact of Total Place in future investment decision making.

Up to date stock condition data, which was validated by Savills in 2013, is used to plan the capital investment programme which links to the 30 year Business Plan. The validation report confirms that SARH has the means to prioritise capital investment works in order to ensure that homes are maintained to habitable standards and that statutory obligations are met. It also confirms that none of the component life cycles are excessive or inappropriate. Benchmarking carried out as part of the validation showed that SARH unit rates are reasonable and many, including soffits, fascias and guttering, lifts and level access showers are lower than the benchmarked sector averages.

The Strategy also sets out the affordable warmth programme, which involves replacing boilers with high efficiency 'A rated' boilers, installing energy efficient heating controls and topping up levels of insulation, as well as fuel switching from electricity to gas in some rural areas. This will improve the average Standard Assessment Procedure rating of homes (an assessment of energy efficiency) to 71 (currently 69.52).

All voids are assessed to establish whether they are economical to repair, and any property requiring work in excess of £24,000 is referred to SARH Leadership Team for a decision on options, taking account of demand and the size, type and location of the property. Options include disposal, refurbishment and repair.

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A major redevelopment of 54 flats is under way. The flats are of non traditional construction and have substantial structural failings. They are difficult to let and have high void rates. Following a feasibility study that considered the return on assets, the long term sustainability of the area and demand for property types, the decision was made to demolish the flats and invest £7.3m in building 62 new homes to be let at affordable rent. The demand for town centre accommodation is increasing due to major investment in the town. The new high quality development will provide an economic return and provide affordable accommodation for customers including those coming to Stafford to take up employment opportunities.

A key objective for SARH is to deliver more new homes, funded by an additional loan facility secured in 2011. The funding was competitively priced and retained low margins on the initial borrowings so ensuring SARH received a real opportunity to benefit from fixing funding at low interest rates.

Competitively priced funding and efficiency savings from across the business will ensure SARH continues to develop new homes despite reduced grant rates. SARH has built 50 new homes in the last two years and has plans to build 350 more in the next three years. This is achieved by making better use of underperforming assets such as garage sites, to minimise land costs; working with partners to transfer land assets at a reduced or nil rate; and using innovative construction and contract management methods to minimise costs and reduce risks. For each proposed scheme SARH Board considers an investment appraisal which models cash flows and evidences a pay back period within 50 years. Assessments include consideration of tenure mix, including low cost home ownership and affordable rent. Other options linked to market rent opportunities are being explored.

44 new homes were completed in 2013/14 at a cost to value ratio of 65%. For each development the Employer's Agent provides a VFM assessment using comparative indicative building costs for the area, housing association standards, the current market for a scheme, size, nature and location to provide assurance before the scheme commences. On average the cost per square metre of schemes completed in 2013/14 was £1,088. Key Performance Indicator targets are set including a SAP rating of at least 68 for each new home.

Whilst SARH is not currently in a position to quantify by property the return on assets, a plan is in place to achieve this by 2015/16.



Performance management and scrutiny function

SARH's Performance Management Framework focuses on continuous improvement, using performance reports, targets, cost and benchmarking and customer feedback to monitor how well SARH is performing.

Regular performance reporting by each service area provides details of performance against targets, VFM achievements and customer satisfaction levels. Leadership Team and Boards receive regular reports to monitor performance against agreed targets and trends and assess the corrective action and any associated risks. Performance is reported to the Leadership Team monthly in person by service heads. Performance is reported to customers in an Annual Report and through information on the SARH website.

An internal audit of VFM carried out by KPMG in 2014 found that 'the arrangements for managing VFM include well designed controls and processes, clear ownership and a strategy and action plan that reflect regulatory requirements and support delivery of the VFM agenda across the business.' The review made three recommendations two of which have been addressed and work on the third, relating to including more detail on social value in the Strategy and action plan, will be addressed by September 2014.

Landlord services are monitored and scrutinised by the Customer Board and a team of Customer Inspectors. These two groups have recently carried out an independently facilitated assessment of the extent to which they provide VFM. This concluded that for the investment by SARH to support and train the two

groups more than 1,000 hours of voluntary work is undertaken (equivalent to approximately £25,000 if the work was undertaken on a paid basis). Their work contributes significantly to improved service delivery. Details of outcomes resulting from the work of the two customer groups are provided on the SARH website. They include improvements to the out of hours repairs service and better communication relating to improvement work and issues relating to damp.

When making recommendations for service improvements the Customer Board and Customer Inspectors will request that SARH quantifies the VFM impact the proposed changes will bring about.

A social value is delivered for volunteers as the training and experience they gain develops transferrable skills which they use in a range of other activities in the community. Work done by the organisation HACT calculates that being active in tenant groups has a social value monetary equivalent to £7,757; and regular volunteering in the community has a value of £2,307 for each person involved.



Understanding the costs and outcomes of specific services

As well as maximising income SARH has reduced the cost of delivering services and improved performance. Benchmarking is carried out using various clubs including HouseMark, using a group of over 200 traditional housing associations and LSVTs across England. HouseMark benchmarking results quoted in this report are for 2012/13. Results for 2013/14 will be posted on the SARH website when details are available from HouseMark.

HouseMark benchmark results show that in many areas SARH is a high performing, low cost provider. Examples include:

- rent collection: cost per property of rent collection has reduced from £71.65 in 2011/12 to £69.24 in 2012/13 which was 2nd quartile when benchmarked. Over the same period rent arrears reduced from 2.04% to 1.97% and were top quartile.
- Lettings: cost per property of lettings reduced from £28.63 in 2011/12 to £24.37 in 2012/13. Over the same period rent loss due to voids reduced from 0.77% to 0.53%. Average re-let times reduced from 19 days to 16 days. All three indicators were top quartile when benchmarked.

The HouseMark dashboard of costs and performance shows that the only area where SARH has high costs is customer involvement. The reason for this is that SARH has chosen to invest in training and empowering customers and provide a wide range of involvement opportunities which provide a social value.

Performance on tenancy management is shown as performing below the mean. A key factor in this is the tenancy turnover rate of 9% compared to the mean of 7.71%. The turnover reflects the age profile of customers, customers choosing to downsize or move out of the area to be closer to family or work. Work to help customers to sustain their tenancies includes providing support and advice and running tenancy workshops.

SARH has responded to the recent welfare and social housing reforms by increasing the support provided for customers affected by these changes. Money advice and help with understanding and coping with issues e.g. the under-occupation subsidy, whilst maintaining a robust approach to rent collection resulted in rent collection performance of 100.12% in 2013/14, compared to 99.04% in 2012/13.

Since 2006 repairs performance has improved and the service is delivered more efficiently. In 2013 the cost of routine and planned maintenance per unit was £957. This compares favourably to the sector average of £992 reported in the HCA global accounts.

In 2013/14 90% of repairs were completed right first time; 99% of all repairs were completed on time and 99.5% of repairs appointments were kept. The cost per property of responsive repairs and voids work was £572, which was 2nd quartile when benchmarked in 2012/13 and the repairs performance across a range of indicators was 1st or 2nd quartile in the HouseMark benchmarking results.

As part of the continued drive for VFM in 2013 SARH carried out a thorough health check of the repairs service. As a result the backlog of minor repairs has been cleared and appointments introduced for such jobs. This has increased customer satisfaction and reduced the number of complaints.



Next Steps

In 2014 the focus is on further improving productivity particularly during out of hours. Better use of technology in 2014 will contribute to further improvements, including the use of text messaging to remind customers of appointments and bring forward appointments when trades operatives have the capacity to do jobs sooner. These improvements are expected to reduce the number of appointments where access is not available, reduce mileage and fuel consumption and contribute to increased productivity of repairs operatives. An assessment expects a reduction in administrative support will

generate savings on this investment. Performance against the forecasts will be monitored during 2014/15 and the results will be included in future reports.

Customers' views and suggestions on VFM are actively sought through engagement with customer groups and articles in the customer magazine and Annual Report. Customers are asked if they are satisfied that their rent provides VFM. 84% of customers in 2013 were either very satisfied or satisfied, compared to 71% in 2008. A new survey launched in 2014 will continue to monitor customer satisfaction with VFM.

