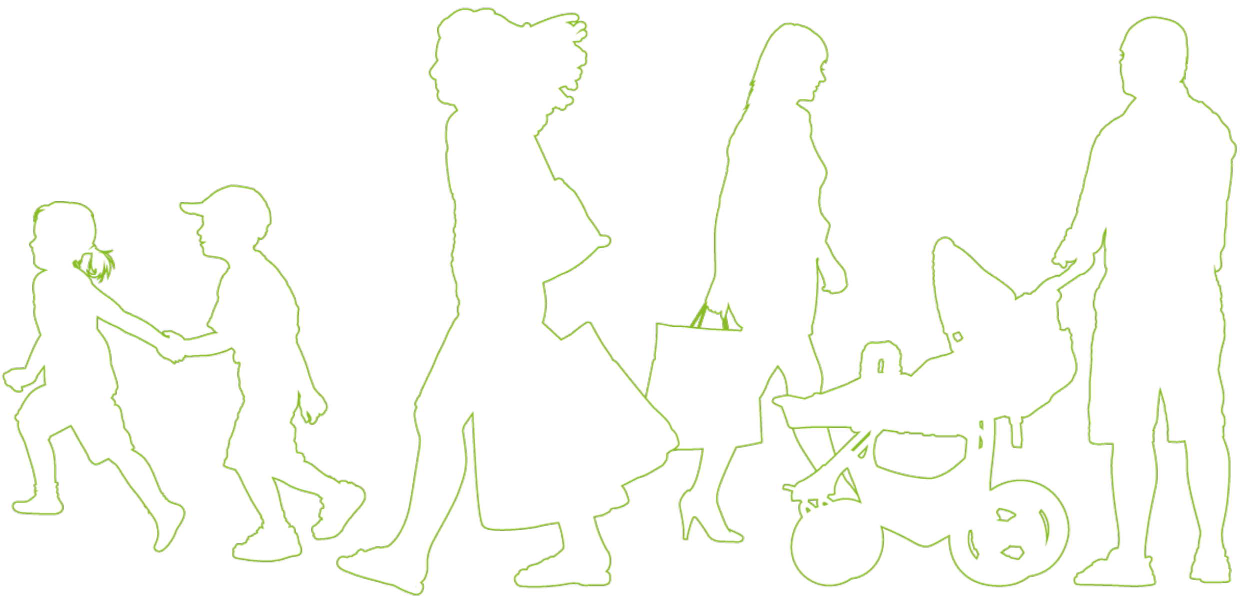
Herefordshire Housing Limited

Value for Money Self-assessment

For the year ended
31 March 2017



Statement from Board member and VFM Champion, Michael Parkes:

I am passionate about the key contribution Social Housing and related support and development services make to the wider health and wellbeing of the communities in which we operate.

In delivering our services, the Board of HHG is committed to obtaining the maximum beneficial return, in terms of achieving our strategic objectives, from the resources we deploy. This principle underpins our commitment to continuously improving our "Value for Money" (VFM).

In determining VFM we require a detailed understanding of our strategic objectives, the scale of available inputs such as money and colleague time and the scale of achievable outputs and outcomes both in terms of tangible assets like homes delivered and in terms of the wider impacts of these homes and our services upon social, environmental and economic issues. This is a challenging notion that causes us to stop and reflect upon what we choose to do amongst our competing priorities, how we do it and when.

It has an impact upon strategic decision making at Board and through our service delivery right down to sourcing the best nuts and bolts for the job at the best price.

The Value for Money Statement that follows is descriptive of our thinking and evidences our progress to date and our plans and aspirations for the future.

Michael Parkes, Board Member

Under the regulatory framework for social housing in England from April 2015, there is a continued 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 customers, 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 customers 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.
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 customers say and communicate promises made and delivery of outcomes;
- Deliver the promises we have made;
- Get it right first time to the satisfaction of our customers;
- 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 customers and in accordance with our corporate priorities.

Our Statement of Strategy 2016-20 has been created 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.

VFM Self-assessment 2017

The Statement of Strategy sets 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.

<u>We have a clear and robust approach to value for money</u>

We provide "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 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 2016, significant progress has been made on achieving objectives in our VFM strategy as follows:

1. Ensure that the £25.6 million development programme from April 2016 to March 2019 (net of grant) is delivered
   - 75 new homes were completed in 2016-17. A further 290 were on site at the 31st March 2017.
2. Review services to ensure that they are delivered in the most efficient way possible in the way that customers require
   - A 10% cut in operating costs was budgeted for and delivered in 2016-17 minimising the effect of rent cuts on direct services to our customers.
3. Ensure that customers are supported throughout changes to the welfare system
   - £789,932 was obtained for 1,025 customers in the year through money advice, benefit and other gains.
4. Prioritise stock investment decisions to maximise the return on assets.
   - Agreement reached with local authority to sell unsuitable individual properties to allow reinvestment in social housing
5. Ensure the strategy for care and support reflects the high standards set by CQC, is financially viable and provides excellent customer satisfaction
   - Overall CQC inspection rating of good on inspection carried out in the year for the Reablement service and Henffordd Gardens.

VFM Efficiencies Delivered

Financial

£5.68million (2015-16: £0.71 million) of cash efficiencies were delivered against a target of £0.55 million for VFM savings in 2016-17 (2015-16: £0.50m). This included £4.9 million arising from sale of the retained bond at a lower interest rate than anticipated. The VFM target was based on 2% of budgeted operating cost. 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 2016-17 we delivered £8.1 million (2015-16: £10.1m) of social value from a variety of our services. In 2016-17 this included social impact of £5.6 million social impact from the reablement service provided in partnership with the local authority, £1.9 million from the delivery of the "Job Club" and £1.1 million through facilitating homes contents insurance for customers.

Environmental

Environmental savings were delivered in the year:

Mini-distribution centre:

- 256kg of CO2
- 630 miles of van travel
- 49 hours
- 96 litres of fuel
- £899.64 of colleague costs

Total financial saving £1,004.

How was this achieved?

Colleagues in our distribution centre in Hereford realised that there was a lot of time and energy wasted by trades colleagues coming to Head Office every day to pick up supplies from the distribution centre, so mini-distribution centres have been set up in Hereford (nearer to our larger neighbourhoods) so that supplies can be taken by distribution centre colleagues to the mini-distribution centres saving time, money and the environment by reducing the distance that the trades colleagues have to drive to collect parts for their jobs.

Tracker system

In addition, the tracker system introduced for our repairs and maintenance teams has saved 4,009 litres of fuel and 10,943 kg of CO2 by allowing better prioritisation of work.

Savings directly for customers

External wall insulation was carried out on and new PVC windows (with A rated glass) were fitted to, 82 properties in the year saving 77,120kg of CO2. In addition, advice from "Energy Extra" helped to obtain potential financial savings for our customers plus 27,404 kg of CO2.

What were the savings used for?

We never forget that VFM is about providing a return for our stakeholders. Our stakeholders include those who are not our customers but want to rent in Herefordshire, so development of new housing in Herefordshire continues to be 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 £23 million over the next 2 years for building new properties funded from surpluses from HHL, efficiencies, sales income and grants.

All the efficiencies resulted in a surplus for the Group of £8.642 million in 2016-17. This all goes into reserves and allows us to invest in new homes for customers. In addition, we have invested to maintain services to customers (for example in mobile working technology) and to provide resilience in an ever more difficult financial landscape.

Governance

We have a clear governance framework across the Group to ensure that VFM is embedded across the organisation and has a clearly defined structure to make decisions that are aligned with our stated objectives. 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.
Finance and Risk 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. In addition it 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.
Remuneration Committee	This committee is responsible for reviewing Board and Senior Management Team pay and terms and conditions.
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.

Who	VFM Role
Quality and Performance Group	A group that operates across the business. Its membership includes customers, colleagues from HHL and a Board "champion" (the Chair of the Finance & Risk 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.
Customer Challenge Group	A Customer challenge group entirely of customers operates 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. 2 members of the Customer Challenge Group are on the QPG to ensure that customers' priorities are reflected in the Group's VFM strategy.
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.
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.
All Colleagues	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. 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.

Embedding VFM with colleagues

VFM Promises from 2015-16 delivered in 2016-17

In our VFM self-assessment for 2015-16 the following aims were targeted for 2016-17:

1. We said that we would take advantage of low long-term gilt rates to sell £35 million of retained bond in September 2016.

   The sale of the retained bonds was delivered in an innovative way with 5 sale dates over a 2-year period matching the profile of our development programme saving £4.9 million over the lifetime of the bond.

2. We said that we would invest efficiencies in the development of 268 properties over 2 years through the establishment of a subsidiary, Rise Partnership Developments.

   Rise Partnership Developments was established in the year and 75 new homes were delivered.

3. 2016-17 was the second year of the implementation of the "customer first" initiative to improve services

   Technology was introduced in the year to allow Customer Account managers to provide a more mobile service to customers rather than being office based.

4. We said that we would adopt the Vanguard approach to repairs and maintenance to improve the ability to deliver services "right first time" to drive out unnecessary waste and hence improve value for money.

   This method was utilised in the management of some empty properties and other maintenance services are currently being rolled in.

5. Building Blocks – a support to work programme. We were successful in the first stage of a Big Lottery Fund bid and planned to use the £1.7 million fund to work with vulnerable clients to reduce barriers into employment.

   We were unsuccessful in the second stage of this bid, despite this we continue to provide services to customers through our job club and learning and development courses in partnership with the local authority at "the Learning Box".

6. Integration of Independence Trust. We said that we would continue to integrate services into HHL and improve total wellbeing.

   We managed resources prudently in Independence Trust to ensure the viability of the company and maintain wellbeing services for our customers

7. To maintain services following the rent cuts over 4 years, we said that we would reduce operating costs by 10% in 2016-17.

   Budgets set to deliver the 10% were delivered in 2016-17

8. We said that we would challenge our back-office functions to deliver efficiencies.

   A review was undertaken benchmarking our back-office services in 2016-17 with results analysed by our Finance and Fisk committee.

Understanding our assets

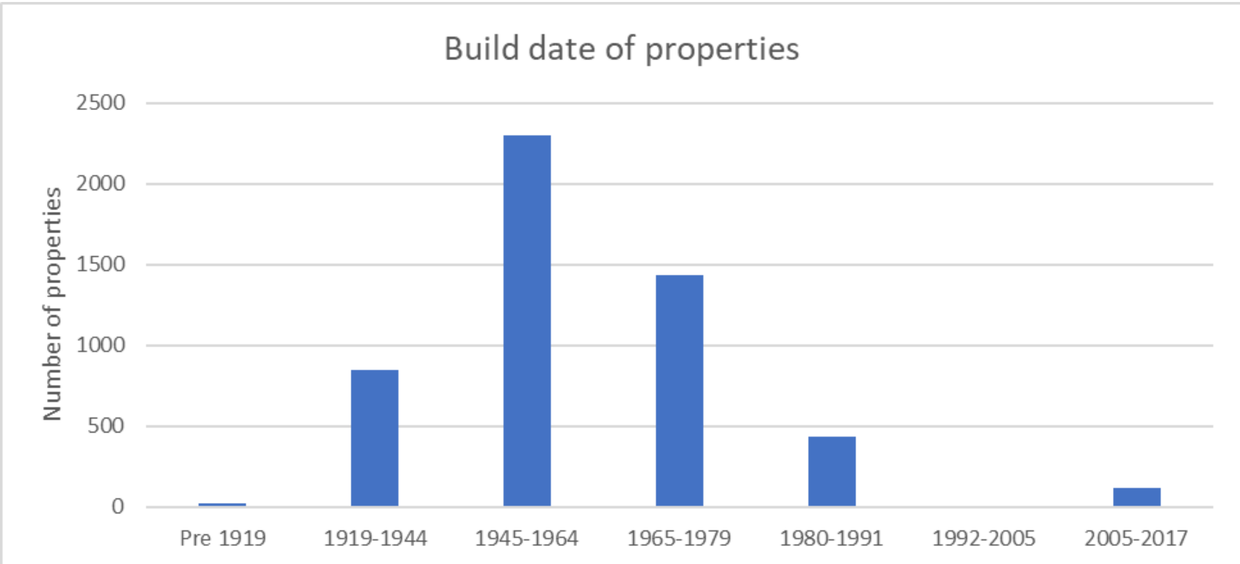
Our objective is to use our assets as efficiently as possible. We continue to explore opportunities for disposal, replacement or redevelopment based on the assessment of cost to run the homes for our customers, the costs to rectify the worst performing homes, those homes which perform the least well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

Our biggest financial asset is our 5,300 social housing homes with our largest area of expenditure being repairs and maintenance of those homes – £10.0 million was spent in 2016-17 compared to £10.6 million in 2015-16.

The majority of our homes are traditionally built with brick and block under a pitched roof. However, at the end of March 2017 there were approximately 1,200 properties that are of non-traditional construction (reduced from 2016 following the demolition and regeneration of the Oval scheme).

Most 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. Following the successful regeneration of the Oval, consultation is being undertaken with customers about a similar regeneration (and replacement of non-traditional homes) in the Beattie Avenue area of Hereford.

The ages of properties run from early 1900s through to new builds:



Understanding the return on our assets.

HHL has an asset management strategy in place which outlines our approach to ensure that we optimise the future 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 customers. We have therefore remodelled schemes 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 Group (AARG) with a wide remit to ensure that the return on our assets is optimised, both from a financial and customer service focus.

A sustainability assessment model derived from Keystone software was used to enable us to identify the high risk and medium risk schemes in our property portfolio. This was initially provided at property level and then analysed by area, type of property and construction type.

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 customers and management teams, and neighbourhood information regarding crime statistics, health and education to compare with rent charged to produce a score per property.

The Group identified 31 neighbourhoods across Herefordshire as a priority for review and has an undertaken a sustainability review on each. This includes the age of properties, construction type, future improvement works required and potential solutions for each. The Beattie Avenue neighbourhood, for example, is an area of 39 homes close to the city centre of Hereford. These homes are of non-traditional construction, being built in 1954. They are estimated to have a remaining life of up to 5 years. They have been over clad with an insulated system in the past but are of poor construction and in need of demolition and replacement. Following a financial appraisal consultation is underway on the construction of up to 70 new homes on the site.

We ensure that a dialogue is maintained between our Housing Management and Property Management teams to ensure that customers' consultation is considered as well as financial, social and environmental returns in prioritising major repairs and option appraisals.

HHL is currently subject to a "clawback" arrangement whereby a proportion of sales proceeds from disposals of properties are repaid to the local authority should option appraisals identify that selling is the most viable option for individual properties. However, in 2017, the Director of Housing and Development worked in partnership with the local authority to have the clawback waived on disposals on specific individual properties on the understanding that the proceeds are reinvested into the development of new homes. This has enhanced our ability to dispose of non-performing 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 those through our purchasing consortium, CHIC (Central Housing Investment Consortium) of which HHL is a founder member and £665,000 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):

	2017	2016	2015	2014	2013
	£'000	£'000	£'000	£'000	£'000
Turnover	30,284	30,875	29,563	25,807	24,782
Operating Costs	(19,170)	(20,763)	(20,661)	(16,842)	(17,662)
Surplus/(deficit) on disposal of fixed assets	1,338	1,005	312	209	(8)
Operating Surplus	12,452	11,117	9,214	9,174	7,112
Exceptional items	-	-	(1,056)	(152)	(131)
Operating surplus after exceptional items	12,452	11,117	8,158	9,022	6,981

Interest receivable and other income	31	62	120	4	1
Interest and financing costs	(3,721)	(3,651)	(3,219)	(3,385)	(2,927)
Financing costs - loan breakage costs	-	-	(14,076)	-	-
Financing income/(expenditure) on pension scheme	-	-	102	120	4
Tax	(120)	(66)	-	-	144
Surplus/(deficit) for the year	8,642	7,462	(8,915)	5,761	4,203
Actuarial (loss)/gain in respect of pension schemes	(1,041)	689	(2,910)	-	-
Total comprehensive income for the year	7,601	8,151	(11,825)	5,761	4,203
Operating costs as a % of turnover	63.3%	67.2%	69.9%	65.3%	71.3%
Interest payable as a % of turnover	12.3%	11.8%	10.9%	13.1%	11.8%
Gross margin (operating surplus as a % of turnover)	41.1%	36.0%	31.2%	35.5%	28.7%
Net margin (surplus/deficit) for the year excluding loan breakage costs and pension gain/(loss) as a % of turnover	28.5%	24.2%	17.5%	22.3%	17.0%
Net margin (surplus/deficit for the year as a % of turnover)	28.5%	24.2%	(30.2%)	22.3%	17.0%
Interest cover (operating surplus plus depreciation/net interest payable)	464.5%	432.4%	445.8%	385.5%	357.6%

Operating expenditure as a percentage of turnover has reduced from 2016 while gross margin and net margin have increased each year since 2015. Operating costs have reduced in 2017, while turnover has also reduced but to a lesser extent.

Turnover is down in 2017 due to rents reducing by 1% and the expiry of contracts in the Independence Trust subsidiary.

Operating costs are down partly because of the ending of Independence Trust contracts but also because of increased efficiency by delivery of a 10% cut in operating cost budgets. Interest cover has increased to 464.5% in 2017 despite the sale of £5 million retained bonds in the year.

This performance exceeds that approved by the Board in the Long Term Financial Plan in 2016.

Our costs this year are illustrated in more detail in the table below (with 2 prior year comparisons and a forecast based on the approved budget for 2018)

Social housing lettings- costs per average home

In 2016, our regulator, the HCA, provided Registered Providers with calculations of costs per home for the 2014-15 year compared to the RP sector as a whole. We have followed this up by creating a table (below) showing our actual costs per unit for the last 3 years and a forecast for the current year based on the board approved budget.

Year	2018 Budget	2017 Actual	2016 Actual	2015 Actual
Closing units	5,357	5,300	5,250	5,377
	£000	£000	£000	£000
Total Social Housing cost per unit	3.24	3.12	3.31	3.54
Management cost per unit	1.11	1.01	1.05	1.00
Service charge cost per unit	0.16	0.15	0.17	0.17
Maintenance cost per unit	0.80	0.74	0.84	1.06
Major repairs cost per unit	1.07	1.14	1.17	1.11
Other social housing cost per unit	0.11	0.08	0.08	0.20

HHL's total management cost per unit for 2017 demonstrates a year on year reduction since 2015. Management costs include all management for social housing except that which can be allocated directly to the other headings shown here.

Management

Management costs are often thought of as just overheads. However, they also include the direct cost of providing housing management services to customers (including the cost of our customer service centre) and expenditure on (for example) ICT equipment to improve efficiency across all our services. The 2017 reduction reflected strong management of vacancies. A full complement of colleagues is budgeted for in 2018.

Services

Service charge costs per home have reduced from £170 to £150 per home between 2016 and 2017. Services are provided to customers 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 continue to reduce further over time.

Maintenance

Maintenance costs per home have reduced from £884 per home in 2016 to £740 in 2017. We are in the process of implementing the "Vanguard" customer service approach. The maintenance budget has reduced by 3% in 2018 but is higher than the actual costs in 2017.

Major Repairs

Major repairs per home have reduced from £1,170 per home in 2016 to £1,140 per home in 2017. 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 the construction type of our properties will make our costs higher than the average but we also choose to invest in our properties and neighbourhoods to provide a better living environment for our customers and maintain asset values. For 2016-17 for example, the following was undertaken:

a) Energy measures - £2.1 million was 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 £1.1 million was spent on roof and window replacements.

b) Refurbishment to "Pods" – A further £646,000 of structural repairs and installation of external wall insulation and window work was carried out to first floor bathroom extensions known as "pods" in Hereford homes.

Other social housing

These costs are relatively insignificant.

Future trends

Although it is important to understand actual costs and cost drivers it is also helpful to understand future trends. Whilst costs have per home been reducing over the last 2 years, we have budgeted for an increase in 2018 although costs per unit will remain less than 2016.

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	2017	2016	2015
Rents	Current customer rent arrears as a % of rent charged	1.01%	0.98%	1.33%
	Former customer rent arrears as a percentage of rent charged	0.43%	0.35%	0.45%
Lettings & Voids	Average number of days to re-let a property	16.1	16.4	13.9
	Satisfaction with lettings process	95%	91%	98%
	Average void repair cost per property	£1,227	£1,459	£2,359
	Rent loss due to void properties as a % of rent due	0.70%	0.99%	1.35%
ASB	ASB cases resolved by early intervention	78%	83%	88%
Repairs & Improvements	% of responsive repairs completed at first visit	94.7%	87.8%	87.2%
	Customer satisfaction with responsive repairs	90.4%	85.5%	91.7%
	% of homes meeting the Decent Homes Standard	100%	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 customer rent arrears continue to be below the 2% target only showing a slight increase year on year from 0.98% to 1.01% despite the impact of welfare benefit reform. Former customer arrears remain under 0.5%

Average number of days to re-let a property has reduced slightly, but is still higher than our current target. This has been due mainly to the number of void properties which have required additional work to bring them up to a lettable standard, and to the reluctance of customers to rent properties out of Hereford city

ASB cases are more easily resolved by early intervention – in 2016-17, 78% of cases were resolved this way. This has reduced over the last 2 years

More repairs have been completed at first visit has shown a steady increase over the last 2 years Customer satisfaction with repairs has increased in 2016-17. The rolling in of the Vanguard project to improve customer service and reduce unnecessary waste is likely to have a further positive impact on this in 2017-18.

External Benchmarking

Herefordshire Housing is a 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 2015-16 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 £14 million and £51 million. Twenty-one 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

	2013 -14	2014 -15	2015 - 16
Responsive Repairs & voids - total cost per property	UQ	MUQ	**MUQ**
Overhead costs as a % of turnover	LQ	MUQ	**MUQ**
% of homes that are non-decent	UQ	UQ	**UQ**
Average number of calendar days taken to complete repairs	UQ	MUQ	**MID**
Average re-let times in days	UQ	UQ	**MUQ**
% of anti-social behaviour cases resolved successfully	MUQ	UQ	**UQ**
total cost per property of housing management	**MLQ**	MID	**MLQ**
current customer arrears as a % of rent due	UQ	UQ	**MLQ**
% of customers satisfied with the neighbourhood as a place to live.	MLQ	LQ	**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

- At £737.14 Responsive Repairs and Voids works – total cost per property continues to be middle up quartile and has reduced from £789.48 in 2014-15. The median in 2015-16 is £797.38.
- At 11.9%, overhead costs as a % of turnover are in the lower quartile (median for peers 12.19%) and have shown a slight increase (from 10.97%). This reflects significant investment in

ICT services. However, back office benchmarking has been undertaken in 2016-17 to understand our overhead costs further to minimise waste.

- Percentage of dwellings that are non-decent (upper quartile). Herefordshire Housing continues to be ranked 1st 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 is exactly on the median of our peer group in 2015-16 at 7.61 days.
- Average re-let times increased significantly between 2014-15 and 2015-16 from an average of 13.71 days to an average of 23.29. Nevertheless, we remain above the median for our peer group which is 24.62. Voids and relets have been the first areas where we have been piloting the Vanguard approach in 2016-17. Whilst it is important that we let vacant properties as soon as we can, it is also important that they are let to a standard that the prospective customer expects. Whilst the Vanguard method will help us reduce waste, relets may therefore take slightly longer if more work is completed while the property remains vacant.
- Anti-social behaviour resolution rate (at 96.46%) was just below our peers (96.62%) and showed a slight reduction from the 97.87% achieved in 204-15. ASB cases are complex and we will not close a case until we are convinced that it is resolved.
- Total cost per property for housing management at £428.64 has been held at virtually the same level as 2013-14 (£428.83) per property but for 2014-15 is now below the median for our peer group (£423.73). Our Board have made a positive decision to maintain services to customers at current levels.
- Current customer rent arrears as a 1.01% of rent due at is a reduction on 2014-15 (1.65%) and is at upper quartile performance against our peers (median 1.73%). This validates our decision in recent years to invest in housing management to deal with impact of welfare reform changes.
- Percentage of customers satisfied with their neighbourhood as a place to live has increased from 79% in 2013-14 to 82.72% in 2015-6. Whilst it is good news that this performance measure has increased in the year, it remains in the lower quartile of performance against our peers (median 87.97%). Surveys indicated that the reason for the dissatisfaction was not as a result of the services that we provide, but for external factors. We continue to maintain close relationships with our customers to improve our neighbourhoods.
- Benchmarking information is one source of information that we use to understand our service performance but we are careful to ensure that a variety of other insight tools are used to provide a balanced approach.

Improving our Benchmarking

It is important that any benchmarking that we undertake is relevant and helps us to understand and improve our service. This is why in 2017 we took the decision to engage a supplier – I4H who were able to provide benchmarking information soon after the financial year end. For this information 15 organisations were used for our peer comparison with turnover from £3.6m to £52.3m (HHL: £30.3m) 9 of which have a direct labour organisation like HHL and 6 which do not.

The headline performance data for 2016-17 is as per below:

Performance Indicator	HHL 2016/17	PG Median 2016/17
Rent Collected current and former tenants (including arrears b/f)	99.77%	98.07%
Current Tenant Arrears (Excluding Voids)	1.03%	3.27%
Former Tenant Arrears (Excluding Voids)	0.40%	0.82%
Rent Loss Due to Voids	0.52%	0.57%
Average days to complete repairs	13.51	9.50
Average Relet time (Days)	18.29	20.00
Gas safety certificate %	100.00%	N/A
Tenancy Turnover	6.96%	6.09%
Units Non -Decent year end	0.00%	N/A
SAP Rating	67.16	70.80
ASB cases successfully resolved	99.03%	96.77%
Total Score	320	275

Rents continue to perform well with rent collected, tenant arrears, rent loss due to voids and re-let time all better than the median for the sector. Tenancy turnover is above the median while the two "red" areas are average days to complete repairs and SAP rating. There were a number of older properties which were vacated in 16/17 requiring more extensive void works that normal while the SAP rating has been steadily improving over the last 10 years following external wall insulation and the installation of new boilers that improve energy efficiency.

There are a significant number of other indicators benchmarked which we will be using in 2017/18 to further understand our business.

Sector scorecard

During 2016-17 15 Housing Associations developed a set of standard scorecard measures that they hoped all housing associations could be measured against to demonstrate VFM with a pilot being run from April 2017 to end March 2018. HHL is not part of the pilot but has asked I4H to calculate these where possible for 2016-17. These are illustrated below. Our housing regulator, the HCA have since announced that an updated VFM standard is being produced for housing associations that would incorporate a suite of metrics similar to the sector scorecard.

Business Health	FY 17	Median
Operating Margin %	38.00%	28.66%
Increase/Decrease in operating margin %	2%	-0.69%
EBITDA MRI % Interest	242%	195.60%
Gearing %	76%	44.74%

Development	FY 17	Median
Units developed (as % of units owned)- General Needs	1.32%	N/A
Units developed (as % of units owned)- Shared Ownership	0.09%	N/A
Total Units developed (as a % of units owned)	1.42%	1.17%

Outcomes	FY 17	Median
Customers satisfied rent provides VFM	91.78%	82%
SROI, social housing dividend	1:4.01	N/A

Asset Management	FY 17	Median
ROCE %	8.49%	3.72%
Occupancy %	99.34%	99.30%
Ration of responsive repairs to planned mtce %	43.04%	62.98%

*There are 3 sector scorecard measures that are not reported here as the data is not yet available.
** Calculations are for HHL only (not Group)

These indicators show HHL's quartile position against all housing associations with over 1,000 homes, with the green indicating where HHL is in the top quartile, yellow in the 2nd quartile, orange in the 3rd quartile and red in the lowest quartile.

It should be noted that these measures are currently at the pilot phase so not all quartile positions are available. However the analysis shows a positive picture for HHL. Operating margin is upper quartile performance. Gearing is lower quartile performance but this should be put into context with development, a key priority for HHL.

Progress on delivery of Corporate objectives

The HHL Statement of Strategy 2016-20 identifies 3 areas with specific goals we aim to achieve by 2020. Progress on each of the key measures (at end of March 2017 unless otherwise stated) is discussed below:

Customer Services

Net Promoter Score exceeding 60

- *Net promoter score for responsive repairs and gas maintenance 48.89*

Incoming telephone calls resolved at first point of contact -90%

- *62.04% by Customer Services team for 2016-17*

Re-let times for void properties below 10 days

- *Average of 16.1 days during 2016-17*

Rent arrears below 2%

- *Current customer arrears 1.01%*

Housing assets

The improvement programme will be maintained at a minimum of £6 million per year

- *£6.06 million 2016-17*

Property repairs right first time – 90%

- *Average of 94.74% responsive repairs completed right first time in 2016-17*

We will concentrate new housebuilding in Herefordshire

- *75 new properties were completed (all in Herefordshire) in 2016-17 (2015-16: 67).*

Property for outright sale will not exceed 60 at any one time

- *8 properties for outright sale currently under construction.*

By 2020 we will have built 1,000 properties and own over 6,000 properties

- *142 new homes completed from April 2015 to end March 2017. A further 290 under construction.*

By 2018 the Oval regeneration will be completed and the area transformed.

- *The last block demolished in May 2017. On track for completion of transformation.*

Corporate

The operating margin on social housing activities will not fall below 30%

- 42.6% for 2016-17

We will retain 18 months of liquid assets at all times.

- 18 months liquid assets in place.

Delivering value for money now and in the future

Performance on VFM continues to be strong throughout the Group at HHL. Our focus for 2017-18 is to improve our resilience in an ever more difficult financial environment while maintaining high quality services. In July 2017 HHL merged with Shropshire Housing Group (to form Connexus) so that we can be stronger together. Some of the specific VFM outcomes we are aiming from this merger are detailed below.

Financial

By combining our two organisations we are aiming for long term recurring efficiencies of over 5% per year from year 3 and 6.3% from year 5.

Development, services and growth

If successful, the efficiencies we make would enable us to either reinvest an additional £1.9 million net per annum in services or build additional new homes. The merger will thus provide the new organisation with opportunities and clear business choices. Merging will also strengthen our combined finances and borrowing power.

Resilience

HHL has had to withstand the impacts of rent reduction and welfare reform and strengthening our ability to cope with further shocks is essential. The Housing White paper confirms that the existing rent reductions will remain in place to 2020 and suggests that after that date certainty on rent setting will be conditional on the sector responding positively to the Government's growth agenda and helping to resolve the housing crisis. Bringing the two Groups together will strengthen our financial resilience and enable the combined business to expand our core rental business and support customers to weather any future financial storm

Efficiency

Sharing back office services would mean that more of our customers' money can be spent on new homes and services that directly benefit customer.

Expertise and employment

One of the limiting factors for an organisation the size of HHL can be that the capacity to attract, develop and retain the best colleagues is limited. The geographical remoteness of the Marches and our wider operating area has sometimes proven to be a barrier for colleagues seeking career development by perhaps joining the business as an apprentice and building a career path. With a combined workforce of over 500, this merger would improve our capacity to attract, train, develop and deploy our colleagues in more effective ways

Engagement and enterprise

As a larger, but still very "locally focused", organisation with greater financial resources we will have significant spending power and contributor to the local economy and we will be better placed to work with our key strategic partners to problem solve, make a difference, and get things done

This VFM Self-Assessment is available on our website at the end of September 2017:

www.connexus-group.co.uk/documents.