



# VALUE FOR MONEY SELF-ASSESSMENT 2015-16

# CONTENTS

<b>Section</b>		<b>Page</b>
<b>1</b>	<b>Introduction</b>	<b>3</b>
<b>2</b>	<b>Objectives and strategy</b>	<b>3</b>
<b>3</b>	<b>A robust approach to making decisions on the use of resources</b>	<b>5</b>
<b>4</b>	<b>Understanding the return on assets and having a strategy for optimising the return on future assets</b>	<b>6</b>
<b>5</b>	<b>Performance management and scrutiny which are effective at driving and delivering value for money</b>	<b>13</b>
<b>6</b>	<b>Understanding the costs and outcomes of delivering specific services</b>	<b>15</b>
<b>7</b>	<b>Next steps – future plans and improvements</b>	<b>24</b>
<b>8</b>	<b>RBH’s statement of whether we consider we meet the VfM Standard in 2015-16</b>	<b>25</b>
	<b>Appendix 1 – VfM Standard</b>	<b>26</b>
	<b>Appendix 2 – key performance indicators 2015-16</b>	<b>27</b>
	<b>Appendix 3 – VfM gains in 2015-16</b>	<b>28</b>
	<b>Appendix 4a – VfM gains planned 2016-17 to 2018-19 – Facing the Future programme</b>	<b>29</b>
	<b>Appendix 4b – Other VfM gains planned</b>	<b>30</b>
	<b>Appendix 5 – Overall Self-Assessment</b>	<b>31</b>

Rochdale Boroughwide Housing Limited is a charitable community benefit society.

FCA register number 31452R.

Registered Office: Sandbrook House, Sandbrook Way, Rochdale OL11 1RY.

# 1 - Introduction

## Summary VfM Statement

Ensuring we maximise the value and quality of all our services is central to everything that we do at RBH. At present we know that our unit costs are relatively high but we understand why this is the case and we have plans in place to reduce them. The Board reviews VfM savings as part of its financial responsibilities and makes informed judgements about how these savings are reinvested by the business in line with our strategic objectives. Last year all savings were directed to recovering the business plan following the unexpected reduction in income as a result of the July budget and this unfortunately has been at the expense of some new supply investment opportunities. We are however committed to ensuring that we continue to deliver further value for money improvements to make the very best use of the income that we receive from tenants' rents and provide a high standard of service that meets their needs and priorities.

Our regulator expects us to show that we are delivering value for money and **Appendix 1** summarises their requirements as set out in the VfM standard published by the HCA.

## RBH's definition of VfM

Our members helped develop 4 key factors that define what value for money means to RBH. Each factor is weighted to inform decisions to invest in assets or services depending on the nature of a particular project or procurement. The 4 factors are ranked as follows:

- financial considerations
- high quality homes, goods and services
- local social and economic benefits
- environmental issues

# 2 - Objectives and strategy

2015-16 was the first year of our new **Corporate Strategy 'Our Mutual Future'** which is split into 3 objectives, to focus on for the 3 years from 2015 to 2018. These are set out below including the key projects to ensure their delivery.

2015-2018 Corporate Strategy – 'Our Mutual Future'	
Objectives	Projects
1 Getting our cores services right	<p>We will continue to deliver our improvement programme to meet our offer document promises as well as our modest new build programme, which is designed to ensure that we achieve the right mix of homes in the right locations. We will also improve the quality of the homes we let and their energy efficiency.</p> <p>We will co-develop a new specification for the grounds maintenance service and also bring our pioneering co-development approach more strongly into Our Place neighbourhood action planning. We will assess the shops, green spaces and play areas which RBH took on at transfer to support decisions about their best long term use. We will also continue to invest in our key regeneration areas, with investment planned for Kirkholt and Lower Falinge.</p> <p>We have commenced a project to improve customer access to services including more digital services. We will also procure business intelligence software to strengthen our ability to measure performance; and a new customer relationship management system to help us improve the way we interact with current and future customers, focussing our services better.</p>

2015-2018 Corporate Strategy – ‘Our Mutual Future’		
Objectives	Projects	
2	Supporting people and places	Welfare Reform is presenting a major challenge to our communities. RBH has developed a strategy to support both our people and our places. To support our tenants through the planned introduction of Universal Credit we will focus on helping our tenants to get bank accounts and get on line. Co-developing our approach to customer services and customer access has been a major project for us from 2013 which will help make sure we have successful new arrangements that work in the years to come.
3	Membership and Business Resilience	<p>Our challenge is for tenant and employee members to work together to improve services. We will do this by pioneering our co-development approach in a way that demonstrates our mutual values. We will work to improve our internal communications and ensure that all team meetings and interactions between employees and their managers are consistent and meaningful. We will produce an appraisal framework for income generation to put us in a strong position to assess and respond to new business opportunities for the future.</p> <p>This objective is more important than ever as welfare reform and government changes to rent policy have had a negative impact on our income. For RBH this does not mean compromising on the quality of services but getting more social value from activities is important to us in improving value. We will focus on our resilience through our financial strategy.</p>

Details on our achievements and future plans in relation to each of these 3 key objectives are set out in this document.

The social housing sector is facing significant challenges from the national economic position; government policy; and in particular rent reductions announced in the July 2015 Budget and the continued roll out of welfare reform and devolution. Despite the significant financial challenges, our 30-year Business Plan continues to underpin the delivery of **Our Mutual Future**.

Our **Financial Strategy** informs the annual business planning process by identifying a series of golden rules that underpin the way that we do business and seeks to increase our financial capacity in a sustainable way. It identifies the following 3 objectives to:

1. Clarify our approach to funding our activities
2. Develop a stronger financial profile within our social purpose
3. Resource our Corporate Strategy and generate additional financial capacity

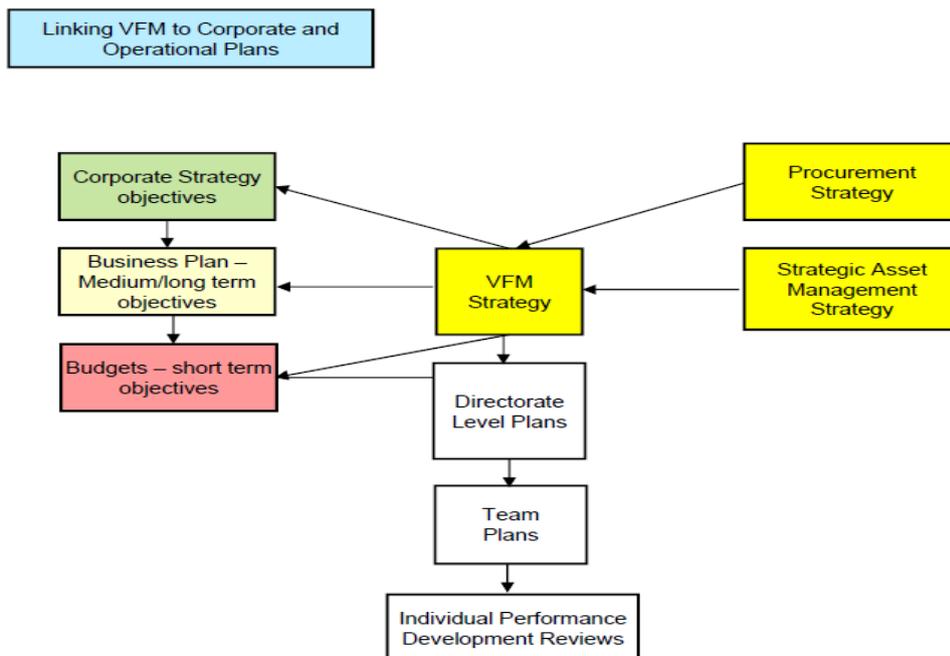
The third of these objectives requires the delivery of year on year efficiency savings and RBH’s new 3 year **VfM Strategy**, approved by the Board in March 2016, sets out how a programme of £6M savings will be delivered in order to mitigate the impact of the 1% rent reduction and maintain a viable Business Plan.

The 3 key objectives identified in on our strategy for achieving value for money are:

1. Cost reduction whilst maintaining quality
2. Further embedding a VfM culture
3. Maximising our return on assets

The **VfM Strategy** is not a stand-alone document. Our strategies for Procurement and Asset Management are equally important in setting out our plans for the delivery of VfM. The diagram below shows how our corporate strategies and resources fit together and cascade down to colleagues.

## RBH Strategies and plans



Since transfer in 2012, we have made significant progress in the delivery of VFM and in meeting the HCA's expectations in relation to compliance with the VFM Standard. This is evidenced on the following pages:

### 3 - A robust approach to making decisions on the use of resources

This is evidenced by:

The development of both the **Financial Strategy** and the **VFM Strategy** provide direction for the society in terms of the use of resources. Corporate planning, business planning, budget setting, and quarterly forecasting, are in place to improve our management of budgets. Budgets are constructed through the use of collaborative planning software.

A section on financial and VFM considerations is included in all reports for decision making submitted to our Executive Management Team and Boards and Committees. All decisions on how RBH uses its resources are made using either business cases or, for new build schemes, options appraisals. These use a set of assumptions approved by the Board, and the financial impact of any new build scheme on the business plan is considered by the Board before it commences.

VfM is a consideration in employee role profiles and is an element of the employee induction process; It is discussed at individual annual Performance and Development Reviews (PDRs) in relation to evidencing how employees meet the working efficiently and effectively competency.

Our internal VfM self-assessments are carried out routinely by teams across the society which feed into the annual VfM self assessment, a more accessible summary version of which is also published. Service area VfM action plans are in place to improve VfM performance.

We have adopted a robust project management methodology which includes investment appraisal and Project Boards that oversee project delivery. Each project is progressed with a Project Initiation Document which includes an analysis of anticipated costs and benefits. These benefits are tracked to ensure the desired benefits are fully realised and captured within budgets.

Progress in achieving VfM savings is communicated across the Society and we will continue to run other VfM awareness sessions.

## 4 - Understanding the return on our current assets and having a strategy for optimising the return on future assets

This is evidenced by:

The regulatory framework sets out a requirement to demonstrate or provide evidence of continuous improvement in the use of our assets. This section shows how RBH is performing in terms of the overall value we get from investment in our homes and our services. This is expressed in financial terms, but also in terms of the other value for money factors that are important to us – environmental and local social and economic benefits.

### Financial returns

Return on assets can be measured in a number of ways. The key measures that we use to monitor our financial strength are set out in our **Financial Strategy**. For example, we seek to ensure that our operating income is enough to pay interest costs and all non-discretionary expenditure, including major repairs (whether accounted for as capital or revenue) and set a target for adjusted operating surplus per unit.

In addition, in order to manage our financial profile and risk position, we set targets and monitor performance for the other ratios set out in **Table 1** below, and compare our performance with the rest of the sector.

**Table 1: Financial strength ratios**

	Actual 2013/14	Actual 2014/15	Sector Av 2014/15	Actual 2015/16	Target 2016/17	Target 2017/18	Target 2018/19
Adjusted operating surplus	-£9.949M	-£10.261M	n/a	-£2.230M	-£5.291M	£4.343M	£7.866M
Operating margin (incl. major repairs charged to revenue only)	24%	23%	28.3%	28%	23%	26%	24%
EBITDA MRI Interest cover (Note 1)	(205%)	(121%)	155.6%	(96%)	(27%)	>100%	>100%
Gearing (Note 2)	160%	242%	98.1%	258%	118%	99%	84%
Average debt per unit	£2,728	£3,736	£23,931	£4,259	£5,748	£5,624	£5,053
Average weighted interest	8.8%	7.8%	4.6%	7.3%	7.3%	7.8%	8.1%

Note 1: EBITDA MRI is calculated as Earnings before interest, tax depreciation and amortisation after adding back capitalised major repairs and interest.

Note 2: Gearing – loans as a proportion of grants and reserves

The adjusted operating surplus and EBITDA MRI are negative in the years up to 2017 due to the high level of major repairs through the Improvement Programme in the first 5 years post transfer.

### Asset Management and Neighbourhood action plans

#### Asset Management

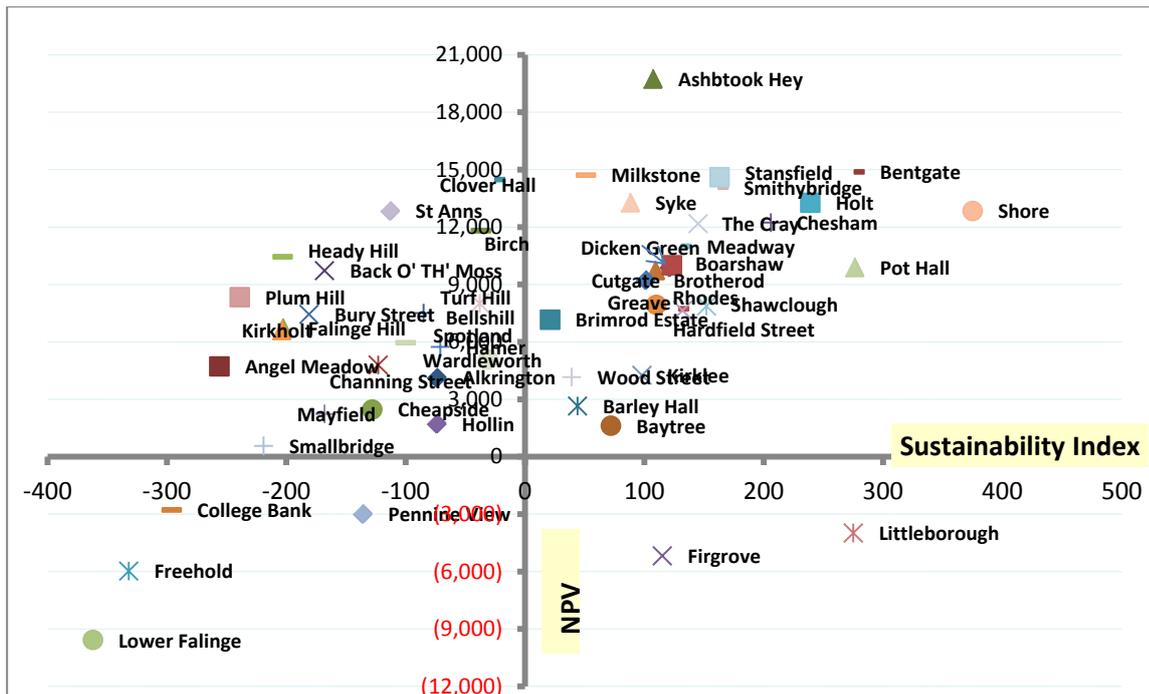
In 2014-15 we produced a new Asset Management Strategy – ‘Our 2050 Vision’ setting out our actions to 2018 to support our long term proactive asset management and including a template for reviewing options in neighbourhoods affected by the risk of poor performance. An annual review was completed in 2015 and there are no major changes identified.

We have developed our own model to assess the 'return' or financial value we get from our homes which informs our Asset Management Strategy and decision making at all levels in the society and at the local neighbourhood level. The model calculates 'Net Present Values' (NPVs) for each of our 52 neighbourhoods. These NPV's (discount rate 6.5%) show at neighbourhood level, underpinned by data at individual property level, over 30 years the positive or negative impact of each neighbourhood on our Business Plan. We combine these NPVs with a further set of 28 'sustainability' indicators, arranged under each of our three Corporate Objectives, to build up a comprehensive profile of the performance of each neighbourhood annually. These measures allow us to review our assets at a scheme level and consider whether RBH will demolish; will repair and invest; will convert; or will sell our assets.

In 2015-16, the overall positive NPV of our assets is £77m whilst there are, as expected, a small number of neighbourhoods with a negative NPV. **Chart 1** below plots each neighbourhood and shows 4 neighbourhoods, in the bottom left hand corner of the chart, which are performing poorly on both the NPV and the sustainability score. These 4 neighbourhoods are College Bank; Pennine View; Lower Falinge; and Freehold. Kirkholt, Smallbridge and Angel Meadow are also neighbourhoods with negative NPVs and due to the extent of the challenge in all these neighbourhoods, it is recognised that a bespoke response is required in each, in order to start to see an improvement in their viability - resulting action plans are developed into business cases for Board consideration.

In 2015-16, we built an amount of £1.2M into our business plan to support regeneration or redevelopment activity to address the risk of poor performance in particular neighbourhoods. Together with our resource to tackle the impact of empty homes following welfare reform changes this has been used to continue regeneration in central Kirkholt and to support redevelopment in Smallbridge and Angel Meadow. Initial redevelopment proposals have also been considered in relation to Lower Falinge and a report produced in June 2015 which set out options and recommendations in relation to College Bank. Following these, the business plan challenges post the summer budget and future welfare reform measures announced in autumn 2015 which may affect the future market for these homes, further work is ongoing to develop plans and associated resources to support regeneration options for both College Bank and Lower Falinge. Given this work is underway for Town Centre flats in College Bank and Lower Falinge non-essential works are being held until recommendations are approved. Pennine View and Freehold estates are also neighbourhoods with flats driving a negative NPV score where bespoke options are being considered.

**Chart 1: Net Present Value (NPV per unit)/sustainability index**



### Neighbourhoods Together - Neighbourhood action planning

Our Neighbourhoods Together approach, formally Our Place Action Planning, informs our discussion with tenant and employee members on neighbourhood level services, engaging our membership in local tailored actions to address locally based issues (for example high rent arrears, high turnover, and high levels of repairs). This process offers our members the opportunity to work with us to develop a rolling action plan for the neighbourhood to deliver local improvements and monitor their impact. This approach was reviewed and refreshed in 2015-16 and will be rolled out across all neighbourhoods in 2016-17.

Neighbourhoods Together Plans are developed through a combination of data from our neighbourhood profiling tested against local specialist knowledge across the Society and in conjunction with our stakeholder partners.

Linked to the Neighbourhoods Together Plans, we allocate a small budget through the 'Decide Together', formally 'Our Choice,' participatory budgeting programme. Tenant and employee members are invited to submit neighbourhood based projects which address issues within the Neighbourhood Together plans. Through the "Decide Together" process, all our members are invited to bring forward projects they would like to see delivered to a voting session where local tenant members choose the projects they want to see. This has proved to be very popular and has not only produced projects designed to achieve the objectives of local plans, but has created a strong sense of ownership in our member communities.

Finally in 2016-17 "Volunteering Together" will refresh our community volunteering approach, where every employee in RBH can spend two days working to help our local communities, making a direct contribution to our neighbourhoods and promoting social responsibility and the culture of a membership organisation where tenant and employees work together.

### Sheltered Accommodation

As part of the review of older person's provision, an NPV calculation has been created for each scheme and linked to a sustainability review, focussing on the viability of the 3 schemes with lowest demand. Decisions on future funding for these assets will be based on this audit and NPV assessment. Sheltered Housing continues to be part of the investment programme with a greater emphasis on tenant involvement in the design of works. Future NPV and the impact on some of the RBH sheltered housing schemes continues to be considered and monitored, opportunities for the future use of schemes and properties within schemes continues to be explored with the Council and the NHS.

### Investment in our homes

Our overall strong performance against business plan has allowed us to continue to deliver on our offer document promises agreed with tenants when we transferred. In particular we are continuing to improve the quality of homes through the Improvement Programme and 99.92% of homes met the Decent Homes Standard at 31<sup>st</sup> March 2016. During the year we spent £25.6M on our homes and delivered over 4,000 improvements to our homes and neighbourhoods. **Table 2** below shows the work that has been completed so far against that forecast in the Offer Document.

**Table 2: Improvement Programme: Offer Document years 1-5**

Component	OFFER DOCUMENT: YRS 1-5			Yr. 1 Actual 2012-13	Yr. 2 Actual 2013-14	Yr. 3 Actual 2014-15	Yr. 4 Actual 2015-16	Total IP	Yr1-5 % Comp	
	Offer Doc	Forecast (Note 1)	Var'ce							
Double Glazing	6,900	3,850	(3,050)	601	1,642	2,241	795	5,279	137%	On target for all homes to be double glazed by yr. 5
External Doors	6,000	4,800	(1,200)	570	1,959	3,020	1,323	6,872	143%	On target for all homes to have secure doors by yr. 5
Kitchens	2,200	2,175	(25)	310	265	549	252	1,376	63%	Trend of reducing numbers post scheme survey
Bathrooms	2,400	2,325	(75)	361	149	1,313	515	2,338	101%	Trend of reducing numbers post scheme survey
CH Systems	2,200	3,540	1,340	788	607	671	839	2,905	82%	Includes replacement boilers.
External Refurb	500	690	190	295	549	94	483	1,421	206%	Will exceed Offer Document forecast, excludes canopies
Environmental	6,500	5,100	(1,400)	950	945	112	226	2,233	44%	Incl Green Team activity

Note 1: Forecast – In accordance with the offer document, the number of improvements has changed as detailed property surveys have been completed post transfer.

The team of in house surveyors carry out surveys on a 5 year rolling programme, to ensure that the Asset Management database holds the most up to date information for planning and programming work to help determine the investment needs in neighbourhoods. Our building surveyor team update existing stock condition data via a web portal from hand-held devices when surveys are completed which are then validated by Asset Managers. Due to the large investment in our homes it is essential that we deliver VFM through effective procurement whilst ensuring compliance. It was a priority of the tenants post transfer that the work is carried out by local contractors. We continue to consider best practice when procuring work, whether that is via a consortium or an E-procurement portal. We continually look to maximise savings and this is regularly checked and reported to our Executive Management Team.

### **Procurement savings in major investment**

Improvement Programme procurement savings from 2012-13 to 2014-15 combined were £1.592M, and savings achieved in 2015-16 of £918k are analysed in **Table 3** below.

**Table 3: Improvement programme: procurement savings**

Component Replaced	Average Cost per Install	Business Plan Unit Rate	No. of Installs	Procurement Savings / Additional Costs	% Variance v BP Unit Rate
		(forecast 13.48% BCIS uplift)			
Double Glazing	£2,000	£2,270	795	-£214,650	88.11%

Component Replaced	Average Cost per Install	Business Plan Unit Rate	No. of Installs	Procurement Savings / Additional Costs	% Variance v BP Unit Rate
External Doors	£640	£567	1,323	£96,050	112.87%
Kitchens	£2,950	£4,199	252	-£314,748	70.25%
Bathrooms	£2,700	£3,064	515	-£187,460	88.12%
CH Systems	£2,905	£3,177	503	-£136,925	91.44%
Boiler Replacements	£2,095	£2,270	336	-£58,730	92.29%
Electrical Rewires	£2,250	£2,497	410	-£101,270	90.11%
<b>GRAND TOTALS</b>			<b>4,124</b>	<b>-£917,722</b>	

NOTE: Business Plan unit rates provided by Savills

RBH selects the most appropriate procurement routes for all Improvement Programme expenditure, informed by regular benchmarking of prices through traditional tenders and through Procure Plus. The cost of external doors is greater than the Business Plan due to a higher quality security specification being chosen.

### **Development of new homes**

Our **Financial Strategy** seeks to drive best value for money and use of resources by investing available savings in new build activity.

In 2015-16 RBH started on site with 37 new homes in line with our agreement with the Homes and Communities Agency to deliver 79 new homes from April 2015 to March 2018. The new homes started include 11 two bedroom family houses at Queens Drive and 11 two bedroom apartments for older people on Daventry Road, both in Kirkholt. A scheme for 26 two and three bedroom family houses and two bedroom bungalows at Longridge Drive in Heywood had already commenced. A further scheme in Lower Falinge is expected to start on site in 2016-17 to complete the delivery of more new affordable homes by March 2018. A summary of the programme is shown in **Table 4** below:

**Table 4: Affordable Housing Programme 2015-2018**

Number of homes	48	31
	<u>£'000</u>	<u>£'000</u>
Total scheme costs	5,837	3,932
Grant	1,025	646
Net costs	4,812	3,286
Funded by loans	4,429	3,038
Funded by surpluses	383	248

We also secured grant funding of £5.4m from the council to support redevelopment at The Strand in Kirkholt and this will support demolition of existing poor quality retail units and the construction of high quality new provision at the heart of the neighbourhood including a new community hub, retail units and associated infrastructure works.

In addition to the £1.67m HCA grant funding to deliver 79 new affordable rented homes across five schemes to 2018 we had hoped that additional funding could be secured from the HCA under its Continuous Market Engagement (CME) process. However, following the revision to the Business Plan as part of our response to the July 2015 budget announcement, together with the shift of available grant funding via CME we were unable to access this additional grant resource. The Development Strategy will be reviewed in 2016. Procurement efficiencies for new build development are maximised through membership of the ICNW procurement framework.

## **Grounds Maintenance**

In October 2014, the Board took the decision to develop an in-house grounds maintenance service starting from 1st April 2015, where the service was previously provided by Rochdale BC. Delivering the service through our own in house team minimises exposure to external risk (of external contractor failure) and gives a high level of assurance in relation to provision of a high quality, customer focussed and efficient service.

In the first year of operation, the summer and winter schedules were completed on time and a review of the summer work identified additional equipment and weed spraying needs that have been introduced in order to provide a higher performance and quicker service for the 2016 summer schedule. A review of the winter schedule is due to take place in May 2016.

In terms of performance, the service is being delivered to the published service standards monitored by the Communities Panel. A survey carried out during National Customer Service Week showed that 69% of customers questioned thought the Grounds Maintenance service had improved since being brought in house, and members were updated on the progress of the service at the Annual Members Meeting in September 2015. Additional customer satisfaction surveys will be conducted during 2016-17. The permanent team of 13 is now in place, and an additional eight are required to carry out the summer work. These seasonal team members were recruited during March by advertising in our neighbourhoods, to ensure support for local residents into employment.

From 2016/17, new more efficient summer weed killing equipment will lead to savings on tipping costs and environmental clean ups and further integration of the Grounds Maintenance and Caretaking teams and the introduction of the new fleet vehicles, will deliver additional savings. Other priorities for the coming year will include continued discussions with Hopwood Hall College regarding developing a Grounds Maintenance apprenticeship, and the establishment of a database of seasonal workers will expedite the recruitment process in 2016, and further support employment opportunities for local people.

## **Environmental returns**

### **Homes**

As part of the improvement programme in 2015/16, we installed double glazed windows in 752 homes and a further 746 received boiler upgrades. Both measures contribute to the thermal and energy efficiency of homes. Our average SAP (Standard Assessment Procedure) relating to thermal efficiency levels across the housing stock remains above the national average at 71.4. The Asset Management Strategy and supporting Sustainability Policy have linked targets to improve the thermal efficiency of RBH homes and this work will continue until 2018. Boiler replacement savings averaged over a range of property types are £87 per annum based on replacing a 'D' rated boiler with an 'A' rated boiler. For 746 properties, this would equate to a £65k reduction in tenants bills. It is estimated that window replacements save an average of £46 per annum or £35k for tenants in the 752 properties impacted in 2015-16.

Our recycling figures across the organisation continue to rise from 89.4% in 2014 to 92% in 2015. The appointment of a new waste contractor in July 2015 now allows the society to have a more detailed reporting mechanism and will help target areas of the business that have room for improvement. Recycling remains a much more cost effective waste disposal route and also increases our environmental performance ensuring continuous improvement. Our Transformation Team are reviewing this activity in 2016.

### **People**

The Energy Smart Clubs have continued providing tailored advice and support to tenants who are finding it difficult to afford their energy bills or support to those who have an associated debt. Most tenants are advised to switch their energy provider and on average save approximately £150 per year.

Checks are also made to ensure they are in receipt of any government initiatives such as the Warm Homes Discount – a payment of £140 off their electricity bills.

Case 1 – A tenant in sheltered accommodation had run up a debt of £1,800 over several years after becoming seriously ill and being unable to work. The tenant was referred to the Energy Smart Club and an application to the EON Crisis fund was made and the debt was written off.

Case 2 – A tenant with an Economy 7 meter raised concerns over her increasingly high bills and an RBH electrician visited and suspected the meter readings were transposed. A referral was made to the Energy Smart Club who investigated and submitted a formal complaint to the Energy Provider. The tenant received a £1,400 rebate.

As a tenant/employee member society the Energy Smart Club ran energy switching sessions for employee members over 3 lunch hour sessions. 10 members attended with an estimated cumulative saving of £4,320 off their annual energy bills.

In September 2015, 20 employees participated in the first carbon literacy training as part of a Manchester wide project to tackle the challenges and risks that climate change poses to businesses. The training was well received and employees left with an understanding of how they can play a part in reducing their carbon footprint at work and at home and the financial advantages of doing so.

### **Local social and economic benefits**

Social value is at the core of what we do. It is about looking at what we do, how and where we spend our money and assessing what benefits we bring to the community in which we work. In 2015 we published our first Social Impact report which focussed on the impact of our employability work and more generally the impact which RBH has on the local economy of Rochdale. Under the guidance of external consultants, Baxendale, we used the measurement tools LM3 (Local Multiplier 3) and SROI (Social Return on Investment) to clearly and concisely demonstrate how RBH generated social value over the year.

The LM3 calculation shows RBH's impact on the local economy of Rochdale by tracking how much of the money we pay employees and suppliers is put back into the local economy. Our score of 1.92 for 2015-16 for example means that for every £1 spent by RBH another £0.92 was generated for the local Rochdale economy. We applied the SROI calculation to our employability work to calculate the social value generated through things like traineeships, apprenticeships and volunteering opportunities. In 2015-16, the SROI calculation showed that for every £1 invested by RBH in employability initiatives, £4.17 in social value was generated through improvements in people's well being, wealth and savings to the state.

<b>Social Value Measurement</b>	<b>2014/15</b>	<b>2015/16</b>
LM3	2.03	1.92
SROI	£3.79	£4.17

Whilst the LM3 figure is very similar to last year, the SROI has increased primarily because a larger number of the 2014-15 cohort went into full time employment following their time with RBH compared to the 2013/14 cohort. This year we also reduced expenditure through not investing in work clubs which last year cost £11,790 where we could not quantify the benefits.

RBH also generates social value through a range of health and well-being related services delivering accommodation and support to vulnerable older people and people with health needs, including the extra care scheme at Hare Hill Court; adaptations; and the RBH response and assistaive technology service.

### Hare Hill Extra Care (a scheme of 43 homes)

Research by the Extra Care Charitable Trust has found that Extra Care delivers a reduction in NHS costs of 38%, and significant cost savings on social care (estimated £1,222 less per person per year or £4,556 for higher level social care). For our scheme, this represents annual social care and NHS savings of £77k and £37k respectively. When Hare Hill opened, a number of residents moved in directly from residential care and specialist hospital beds and analysis of these demonstrates weekly savings of £2k and £800 for social care and the NHS.

### Adaptations

In 2015-16 RBH provided aids and adaptations to 596 homes with a value of £643k from its own budget, ensuring our residents had prompt assistance, increasing their wellbeing and reducing the risks of accidents, falls and further deterioration. A number of our homes have benefited from previous adaptations and in 2015-16 we successfully rehoused 63 households into previously adapted properties saving approximately £295k.

### RBH Response

RBH Response provides a 24 hour emergency response service to residents of our Independent Living and general needs homes and it is also available to local home owners. The service responded to around 5,000 calls in 2015-16, resulting in 2,964 support visits for reasons ranging from falls to feeling unwell or instances where residents needed help to get in/out of bed, to rise from chair, or get dressed for example. It is highly likely that further medical intervention would have been required had the service not been in place and using New Economy's Unit Cost Database for health, it is estimated that this has resulted in savings of £987k.

For more insights on our social value work, including case studies which demonstrate the impact our work has on the individuals we work with, see our Social Impact 2015-16 report which will be published summer 2016.

## **5 - Performance management and scrutiny functions which are effective at driving and delivering improved value for money**

This is evidenced by:

### **The Representative Body**

Within RBH's governance structures the Representative Body (elected by the tenant and employee members) approves the **VfM Strategy** (following joint development with the Board).

### **The Board**

The Board's responsibility is to oversee implementation of the **VfM strategy**. It is also responsible to the HCA for the VfM self-assessment. The Board commissioned a Governance Effectiveness Review facilitated by Capsticks Solicitors LLP which included an assessment of RBH's compliance with the HCA standards, including the VfM Standard. The review concluded we were mainly compliant with the standard with good evidence of this provided.

All VfM activity is monitored by Heads of Service and is reported to the Board twice a year. The Board approves the Business Plan and budget annually and receives financial updates at each meeting. Key performance and satisfaction information is also reported to the Board. Poorly performing areas are highlighted, for example through the use of HouseMark, and action taken to improve performance.

### **Tenants and service users – engagement and scrutiny around VfM**

Our current formal tenant engagement structures are open to all tenants (many of whom are members, but that is not mandatory). There are four Continuous Improvement Groups (CIGs) linked to the HCA's consumer standards and each has a remit to consider VfM in their work. A fundamental review commenced in 2015-16 of how tenants can effectively scrutinise specific elements of the business and

provide a greater VfM challenge and a new scrutiny process, was piloted initially in June 2016. The outcomes of this work will be seen for next years VfM Self-assessment. The use of business intelligence technologies to provide data and give us greater transparency and visibility of information on VfM will support this.

Whilst our mutual model brings the benefits from co-production by tenants and employee members with a clear focus on VfM, we continue to engage with non-member tenants (which ensures compliance with the consumer standard) and non-member employees. An example in 2015-16 relates to work on developing our grounds maintenance service standard in consultation with tenants and the introduction and embedding of these standards across our grounds maintenance team.

### **The Regulator**

We have regular dialogue with the HCA through regulatory contact meetings and in their preparation of judgements on financial viability and governance. We are currently rated G2 for Governance and V2 for viability.

### **The Local Authority and other local public bodies**

RBH has strong partnerships in place with other bodies such as the Council and the Police in making communities sustainable. We have quarterly meetings with the Council to capture any issues around performance and policy together with potential areas of joint working and collaboration. For example, we are working with Stronger Families and deliver the Homeless service on the Council's behalf. The Council is also the Supporting People Commissioner for our supported housing services.

### **The funders**

We have regular dialogue with our funders (RBS and Santander) who monitor performance quarterly and approve our Business Plan annually – current peak debt is £76.2M in 2016/17. In addition all new build schemes over £3M are approved by funders.

### **Internal Audit**

Our internal audit provider not only considers and reviews control issues when conducting audits but also incorporates value for money improvements and recommendations to ensure that the scrutiny process identifies possible ways to add value to current service provision.

### **Employee engagement with VFM**

VfM service area self-assessments are completed internally by employees annually across each service area to provide a rounded view of VfM performance through an assessment of cost, performance and quality indicators; HR capacity; options considered for alternative service delivery; performance management framework; efficiency; use of resources; the impact of any internal or external reviews; co-production; and the optimisation of the use of assets. These self-assessments are scored and peer reviewed and the outcomes feed into our overall VfM self-assessment as well as directly driving our VfM action plans.

We have robust financial management procedures in place to ensure money is allocated to where it is needed (including quarterly re-forecasting involving a Director's challenge), and monthly budget holder meetings are held including an element of challenge and education. We also have a project management methodology in place which is used across the business to ensure all projects align with VfM considerations.

## 6 - Understanding the costs and outcomes of delivering specific services

This is evidenced by:

This section shows current and past costs and performance in comparison with our peers, using HouseMark and the HCA global accounts, together with data on customer satisfaction with our services. Savings achieved in 2015/16 are detailed, linked to our corporate objectives, and plans are set out for future VFM gains. The section also highlights how savings are re-invested. Properties owned by RBH are set out in **Table 5** below:

**Table 5: Properties owned by RBH**

	At 31 <sup>st</sup> March 2015	At 31 <sup>st</sup> March 2016
General Needs	12,262	12,044
Affordable Rent	393	457
Housing for older people	902	954
<b>Sub-total</b>	<b>13,557</b>	<b>13,455</b>
Shared ownership	10	9
Market rent	-	1
<b>Total</b>	<b>13,657</b>	<b>13,465</b>

It is projected that it will own 13,277 at March 2017, 13,300 homes at March 2018 and 13,292 homes at March 2019. We focus upon protecting these assets by controlling operating expenditure and our **Financial Strategy** highlights a number of ratios related to cost structure and efficiency where we set targets, monitor performance, and compare our performance with the rest of the sector.

### **The absolute costs of delivering specific services**

The actual absolute costs for the last 2 years and projected budgets for the next 3 years, broken down by service area, are shown in **Table 6** below.

**Table 6: RBH expenditure 2014/15 to 2018/19**

	2014/15 Actual £'000	2015/16 Actual £'000	2016/17 Budget £'000	2017/18 Budget £'000	2018/19 Budget £'000
<b>Customers Team</b>					
Customer Experience	536	950	870	837	824
Homelessness	990	1,111	1,456	1,469	1,493
Housing Access & Support	1,328	1,246	1,321	1,144	1,181
Income & Customer Support	1,333	1,695	1,811	1,740	1,754
<b>Communities Team</b>					
Assets & Investment	897	923	778	723	753
Community Investment	3,349	2,045	2,224	2,230	2,290
Safeguard Security Solutions	815	815	829	853	875
<b>Resources Team</b>					
Finance & Procurement	848	863	815	823	833
Risk & Compliance	1,281	1,178	904	947	971
HR & Learning	864	709	743	713	729
Legal, Governance & Mutual Services	1,177	1,155	1,224	1,207	1,232
Business Improvement	1,387	1,341	1,898	1,916	1,907
Directorate	876	623	363	345	330
<b>Total Management Costs (including Homelessness)</b>	<b>15,681</b>	<b>14,654</b>	<b>15,236</b>	<b>14,947</b>	<b>15,172</b>
<b>Service charges</b>	<b>3,815</b>	<b>4,336</b>	<b>4,145</b>	<b>4,185</b>	<b>4,226</b>
<b>Responsive &amp; Empty Property Repairs Teams</b>	<b>12,368</b>	<b>11,394</b>	<b>12,857</b>	<b>12,483</b>	<b>12,347</b>

Note: Management cost actuals have been adjusted to exclude restructuring costs and pensions accounting adjustments.

The table above shows that since 2014-15, RBH have invested more in our customer access arrangements with the establishment of the Contact Centre and St. Albans House, and it also shows the additional expenditure in relation to the Homeless Contract which commenced in July 2014. The table further highlights increased investment in IT under the Business Improvement Service. Target savings as part of the Facing the Future programme and reflected in the 3 years from 2015-16.

## **Cost and performance comparison**

### Unit costs

It is important that we compare both the cost and quality of our services with the performance of other similar organisations as this can help us to demonstrate that we are providing value for money and can identify areas where improvements need to be made. We monitor performance against the following measures as part of our **Financial Strategy**, measures which are consolidated for all housing associations in the global accounts to provide nationwide comparators.

**Table 7** below shows RBH's actual and forecast operating costs per social housing unit, and for 2014-15 (the year for which the most up-to-date comparative data is available), it compares our costs with the average for the whole sector.

**Table 7: cost structure and efficiency ratios 2013-14 to 2018-19**

	Actual 2013/14 £'000	Actual 2014/15 £'000	Sector Av 2014/15 £'000	Actual 2015/16 £'000	Forecast 2016/17 £'000	Forecast 2017/18 £'000	Forecast 2018/19 £'000
Headline social Housing cost per unit (£)	4.23	4.53	3.96	3.99	4.16	3.37	3.13
Management cost per unit (£)	1.08	1.16	1.03	1.09	1.11	1.00	1.02
Service charge cost per unit (£)	0.26	0.28	0.51	0.32	0.31	0.31	0.32
Routine/planned mtce per unit (£)	0.92	0.91	1.02	0.85	0.96	0.93	0.92
Major repairs cost per unit (£)	1.89	2.09	0.93	1.59	1.66	1.01	0.76
Other social housing cost per unit (£)	0.08	0.09	0.47	0.14	0.12	0.12	0.11
Empty homes	4.1%	3.2%	1.8%	2.5%	3.3%	3.3%	3.3%
Bad debts	3.4%	2.2%	0.8%	1.4%	4.5%	4.5%	4.5%

Note: Management cost actuals have been adjusted to exclude restructuring costs and pensions accounting adjustments.

The table shows that RBH's overall costs per unit are £0.57k higher than the sector average in 2014-15 with the key drivers for this being management costs per unit and major repairs cost per unit. The HCA has published an in depth analysis of unit costs across the sector using data drawn from the global accounts which identified significant disparities across providers and 7 key explanatory variables for these. 2 are particularly relevant to RBH.

### Key variable: < 7 years LSVT

The HCA analysis concludes that providers that transferred less than 7 years ago have costs per unit on average £1,500 per unit higher. As RBH are a recent LSVT (since 2012) higher major repairs costs reflect the significant expenditure in the early years of our major improvement programme. The 5 year programme will be completed in 2016-17 after which unit costs shown in the table fall significantly.

### Key variable: Index of Multiple Deprivation

One of the key drivers for higher than average management costs identified by the HCA is neighbourhood deprivation where providers like RBH operate in neighbourhoods that are ranked in the 1% most deprived according to the Index of Multiple Deprivation. 19% of our homes are in the 1% most deprived Lower Super Output Areas (LSOAs); 34% in the 3% most deprived; and 87% in the 31% most

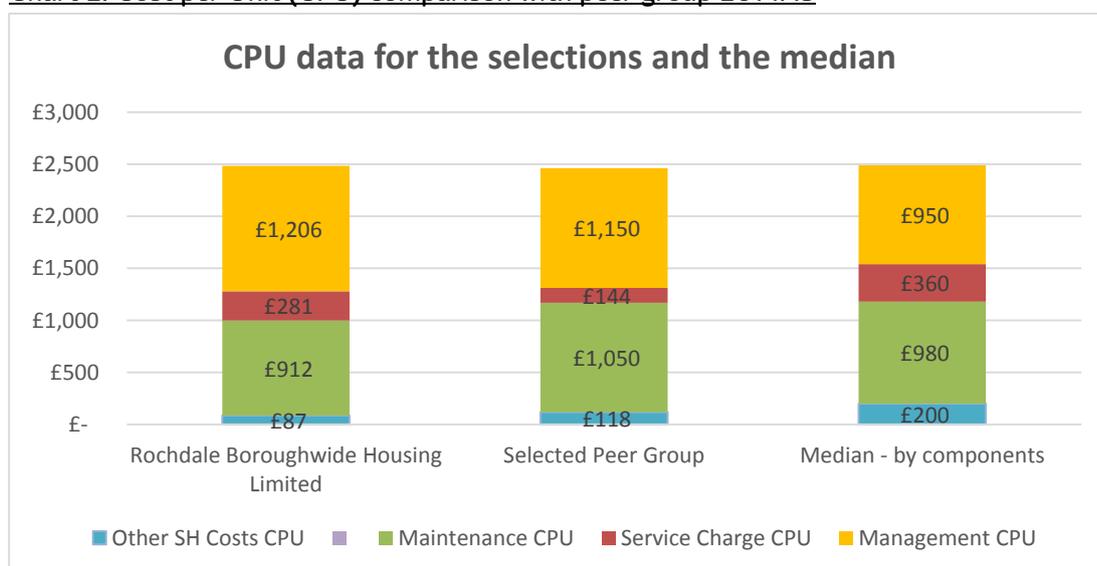
deprived LSOAs. The HCA has identified that such providers have costs on average £500 per unit higher than the average. Notwithstanding this, the section below on our future plans for VfM gains highlights the work we are doing to drive down our costs across the Society and this is reflected in the reduced unit costs forecast from 2016-17 onwards in **Table 7**.

Routine and planned maintenance costs fell significantly post transfer following a fundamental review of the service and are below the sector average.

The level of empty homes and bad debts are important measures of efficiency and the former is an area where RBH did not perform well in 2013/14 but has delivered continuous improvement since. The amount provided for bad debts has been contained well within targets for the last 4 years but the business plan still assumes higher level of 4.5% from 2016/17 as the full impact of welfare reform changes has not yet been felt.

**Chart 2** below shows RBH’s actual unit costs in 2014/15 (excluding major repairs) compared to those of similar organisations to RBH. The peer group of 8 selected are all LSVT Registered Providers with stock >5,000 operating in the North West. They are: Bolton at Home; First Choice Homes Oldham; Eastlands Homes Partnership; Knowsley Housing Trust; City West Housing Trust; Liverpool Mutual Homes; One Vision Housing; and Twin Valley Homes.

**Chart 2: Cost per Unit (CPU) comparison with peer group 2014/15**



The chart shows RBH’s unadjusted costs per unit figures compared to a peer group of organisations and the median unit costs for the whole sector. The peer group comparison is consistent with that for the whole sector with RBH’s management costs higher, whilst maintenance costs per unit are lower. RBH is taking action to reduce our unit costs as part of the Facing the Future Programme over the 3 years to 2019 and this is set out further in ‘Future Plans for VfM gains’ below.

[Key performance indicators](#)

The Executive Management Team and Board have developed a series of key performance indicators (KPIs) to monitor performance against our corporate objectives and these targets are reviewed annually by the Board in order to support our commitment to continuous service improvement. Our KPI dashboard for 2015-16 is shown in **Appendix 1** which highlights performance against target for the year and the direction of travel for each indicator.

[Benchmarked costs and performance](#)

As well as comparing our costs with our peers using the global accounts, we use HouseMark’s benchmarking service to compare costs and performance with other similar Registered Providers in

order to improve our understanding and the transparency of how we are doing in terms of delivering continuous improvement in value for money. This information also supports future business planning and helps us identify service areas where improvement is required. **Table 8** below analyses RBH's operational efficiency across 5 key headings and places our performance in the context of that for 8 other north-west LSVT HouseMark members with more than 5,000 homes.

**Table 8: RBH efficiency comparisons 2015/16**

	RBH 14/15	RBH 15/16	Median (Note 1) Peer Group 14/15	Commentary
<b>Housing Management (Note 2)</b>				
Housing Management total cost per property	£411.79	£422.92	£448.58	The increase in housing management costs is reflects additional resources brought into the Rents and Payments team to manage the impact of Welfare Reform changes. Although performance on arrears has dipped, the impact of Welfare Reform on rent collection has been minimised due to the increase in resources. Performance on average re-let times has improved significantly due to the focussed attention and effort in this part of the business.
Average time in days to re-let empty properties	63.77	43.58	31.62	
Current tenant rent arrears as a % of rent due	4.91	5.20	4.36	
<b>Repairs and Maintenance</b>				
Responsive Repairs and Empty Homes repairs total cost per property	£903.36	£844.23	£836.37	Efficiencies have been achieved in this area with costs having reduced and performance improved whilst satisfaction has remained stable
Average number of calendar days taken to complete repairs	11.77	10.26	8.10	
Percentage of tenants satisfied with the repairs and maintenance service	74.8	74.9	86.0	
<b>Overhead Costs</b>				
Overhead costs as a % adjusted turnover	9.0	8.8	11.8	A slight reduction in overhead costs has been seen in the last 2 years
<b>Customer Satisfaction</b>				
Percentage of tenants satisfied with overall quality of home	78.1	81.4	90.5	Whilst satisfaction has increased significantly in some areas (which is against the sector trend identified by HouseMark of satisfaction having remained fairly static in the last 4 years) it should be noted that there was a change in methodology in 15/16 from a self selecting postal survey to a targeted telephone survey. The 15/16 results though are considered to be robust with the survey having been conducted by specialists The Leadership Factor.
Percentage of tenants satisfied with overall service provided	78.6	84.8	91.0	
Satisfaction with neighbourhood	77.9	78.0	89.0	

Note 1: Median is the term used to describe the middle number from highest to lowest

Note 2: Housing Management includes rent collection, arrears management, lettings, tenancy management and anti-social behaviour services only.

RBH is one of a number of Greater Manchester (GM) Providers who have started to look at changing our approach to benchmarking during 2016. We believe peer comparisons on cost and performance are a very important part of improving our services and improving VfM, however we are aware of weaknesses within the current benchmarking data which make it less valuable to us as an improvement tool.

We have carried out some analysis amongst ourselves of how different organisations attribute costs of certain functions and have found different ways of doing this, different uses of ‘other’ categories and amongst us as providers, different ways of using the data in our VfM self-assessments. This obviously leads to a loss of confidence in the benchmarking data and a decreased likelihood of it being used to drive improvement.

We are seeking to work with a group of local providers to start to do this in a different way, to have stronger focus on a smaller number of indicators and to increase the level of analysis so that we can learn more from one another about how to deliver the best VfM from services. We would all agree to work together and trust one another to be providing data that would be useful in making comparisons. We are currently taking this forward through the GM Providers Group.

### **Assurance that our services are of a high standard**

Satisfaction is a key method of measuring service quality and we regularly survey customers to get their views on how we are performing and to identify priorities for Improvement. In 2015 we commissioned The Leadership Factor (TLF) to conduct a telephone survey with 1,250 of our customers using HouseMark’s STAR (Survey of Tenants and Residents) questions to enable year on year comparisons and benchmarking against our peers.

**Table 9** below shows the results for 2015-16 compared to those for previous years. Whilst changes in the survey methodology (previous surveys were conducted by post) mean that the results are not strictly comparable, this should not detract from the fact that these are the most positive results we have had for a number of years.

**Table 9: RBH satisfaction survey results 2015/16**

	2012/13	2014/15	2015/16	
% satisfied with overall service	83%	78%	85%	↑
% satisfied with VfM from rent	75%	72%	85%	↑
% satisfied with quality of home	74%	77%	83%	↑
% satisfied with neighbourhood	79%	77%	79%	↑
% satisfied with repairs and maintenance	76%	74%	76%	↑
% satisfied that RBH listens to their views	65%	61%	73%	↑
% satisfied with VfM from service charges	N/A	65%	78%	↑

As part of the work completed by TLF, they calculated for us a Customer Satisfaction Index (CSI) score which takes into account both the satisfaction and importance scores given by our customers in the survey. Our CSI of 79.7% put us above the median when compared to the results of other Registered Providers who TLF work with and only slightly below the median when compared against all the other organisations TLF work with.

From the satisfaction drivers analysis completed by TLF, areas identified as priorities for improvement were quality of home, repairs and improvements and service charges. Key themes running through the comments made by customers were that we need to be more proactive in our communications with them and set realistic expectations around the services we provide. Our new repairs policy, and the development of a Customer Charter and Service Standards, should go some way to addressing the issues raised by customers and a repeat of the survey in 2017 will measure the impact which these, and other actions taken in response to the survey findings, have made on customer satisfaction.

Our focus going forward is to increase customer satisfaction by doing best what matters most to customers. This focus has been informed by an analysis HouseMark benchmarking information and data from STAR and we have a clear action plan in place to ensure that we concentrate on the priorities for improvement which have been identified. This in turn will improve customer retention and reduce the costs involved in dealing with empty homes and repeat contact from less satisfied customers.

### **VFM gains prior to 2015-16 and re-investment choices**

In the first two years since transfer in 2012, the significant management re-structure and the fundamental review of the repairs service (Project Re-fit) were the focus resulting in a combined total of **£4.2M** savings, and our previous three value for money self-assessments have also highlighted a total of **£1.6M** procurement savings in relation to improvement programme. This has enabled the Board to ensure we continue to deliver on our key offer document promise to maintain our homes at a decent standard and to establish our modest new build programme, designed to ensure we achieve the right mix of homes in the right locations as part of our strategic asset management approach.

The significant savings achieved have in addition allowed us to re-allocate £500k to support our response to welfare reform proposals on an ongoing basis and to establish a budget of £250k per annum to deliver an improvement in IT, as the Board recognises IT is fundamental to the successful delivery of our corporate objectives.

Our value for money plans last year focussed on the 'Its our RBH review' which involved the re-aligning of resources, without any additional money, with the priorities of the **Corporate Strategy – Our Mutual Future** - in terms of customer service excellence, improving the quality of our homes and modernising our internal systems and processes to better support service delivery.

Going forward, our **Financial Strategy**, states that for any savings generated over and above those required to ensure a viable business plan, the Board, in conjunction with the Representative Body, will make investment decisions (taking into consideration the operating context at that time and being mindful of the aspirations set out in the Transfer Agreement) to supplement our strategic asset management, new build and regeneration activity.

### **VFM gains in 2015/16**

During 2015-16 we have carried out a range of value for money activity as part of the implementation of our **VFM Strategy** which in turn supports our **Corporate Strategy**. Key examples of these for each of our corporate objectives are described below whilst the quantified details of VFM gains delivered during the year are shown in **Appendix 3**, compared to estimated savings for the year in the 2014-15 VFM Self-Assessment. We had estimated £34k non-cashable efficiency gains would be generated in 2015-16 from the collaborative planning and supported housing IT implementations, but have not been able to demonstrate these. **Appendix 3** shows that whilst we estimated that we would deliver savings of £932k in 2015-16 we actually achieved cashable savings of £1,866K.

## Corporate Strategy Objective 1 – Getting our core services right

### Customer Access

Our new customer service centre at St Alban's House opened to customers in 2015 following work using a co-design approach in the previous year to develop customer access mechanisms in partnership with members. As part of the It's Our RBH realignment of available resources a new customer access team was established to offer front line services and to resolve customer enquiries at the first point of contact. The Development and implementation of a programme for 'one call one number'- to move all external customer calls through the Contact Centre without any additional resources within the team has also been delivered in 2015-16, creating capacity for other teams.

### Customer Relationship Management (CRM) system

A project to procure a CRM system for RBH commenced in 2015/16. The anticipated business benefits are:

- An enhanced customer experience as all customer contacts are recorded and tracked.
- Increased efficiency due to streamlined case management – tracking contacts will result in fewer customer call backs and more efficient processes as customer interactions are clearly tracked leading to reduced service costs.
- A reduction in 'back office' admin processes – particularly the use of email to track contacts.
- A contribution to 'channel shift' to digital services as CRM processes link to online transactions.

As well as harder benefits there are also 'soft' benefits which will flow from having a system to manage customer relationships. These are:

- Improved customer satisfaction as access to services is made easier and more efficient.
- Consistency of communication with customers.
- Access to customer insight and intelligence to inform future service delivery (e.g. insight into why customers contact, what are the most frequent queries, and how can we change our processes so that these queries are resolved at the first point of contact).

Specific targets have been set as part of the business case for CRM, and as this is a three year project it is anticipated that most of the benefits will accrue in Year 3.

- Increase in STAR customer satisfaction rating to benchmark upper quartile by Year 3.
- 30% reduction in incoming calls volume by Year 3.
- 20% increase in online transactions by Year 3 (tied into website improvement).
- 30% reduction in follow up requests for service by Year 3.

Achieving these targets will also contribute £298k towards RBH's future savings targets highlighted in **Appendix 3** by April 2018.

### Lean reviews

Our change agent programme (to help embed the use of lean for service improvement) commenced in 2014 and as part of Its Our RBH realignment of services in early 2015 a new Transformation Team was created in order to redesign processes and capture cashable and non-cashable efficiencies.

Upon appointment of the Transformation Manager in October 2015 the team carried out benchmarking with similar organisations within our HouseMark peer group. The team found the use of Lean DMAIC workshops and sometimes the use of the quick targeted Kaizen events (5 day workshops) to be the most sensible approach for RBH. DMAIC, is a tool for improving an existing process, the DMAIC approach is really very simple and practical: **D**efine your problem, **M**easure where you are and where you want to go, **A**nalyse data to understand the problem, **I**mprove or eliminate the underlying causes, and **C**ontrol the process for the long run.

A transformation programme was agreed with Heads of Service, to support the drive to find efficiency savings. The transformation team worked in partnership with colleagues across service areas to complete DMAIC workshops. The first phase of the programme commenced in February 2016 and consisted of HomeChoice and New Tenants Team, Neighbourhoods and Empty Homes Reviews. Following the completion of these reviews in late April 2016 action plans including associate targets

have been drawn up and the team's role is to now provide project management support to ensure implementation through the Project Approval and Management Methodology.

Once new processes are fully implemented service areas will be supported by the team to develop appropriate policies, procedures and service standards in order to realise the full benefits of the review. The Transformation Team will also progress reviews relating to Asbestos, Purchase to Pay and Mobile Devices during 2016/17.

### **Corporate Strategy Objective 2 – Supporting people and places**

#### **Rent collection and Welfare reform indicators**

Performance has continued to be strong in terms of rent collection in 2015-16, particularly given the impact of welfare reform, and empty homes is an area where we have improved performance significantly during the year just gone. **Appendix 2** shows performance in these areas and in terms of the amount provide for bad debts.

#### **Our response to the impact of welfare reform**

We have continued with the commitment of £500k pa on measures to tackle the impact of welfare reform and ensure that RBH can collect all the income due from rents and service charges in line with our welfare reform strategy which focuses activity on supporting our people and supporting our places. Additional employees deployed in our income teams as part of this are now mainstreamed into permanent posts in the new teams. The welfare reform budget has supported studies into options for those neighbourhoods suffering the biggest negative impacts of the changes and pilot projects to market and promote homes more effectively in these areas. These projects have included College Bank, Angel Meadow, Lower Falinge and Freehold – primarily areas where there are concentrations of two or three bedroom flats. We continue to work with other housing providers in Greater Manchester to consider and plan for the impacts of welfare reform changes at a neighbourhood level.

In addition, RBH have been working very closely with Wakefield District Housing, who have been a pilot area for Universal Credit, and have carried out a comparative review of the arrears systems and process management mechanisms used by the two organisations. The review was designed to ensure RBH focus our energy and resources on the things that matter to customers and remove wasteful activities and in so doing achieve tangible benefits in terms of service enhancement, cost reduction and performance improvement. The recommendations of the review will be implemented in 2016/17.

### **Corporate Strategy Objective 3 – Membership and business resilience**

#### **Investment in new technology**

Project plans relating to IT investments implemented or started in 2015/16 are:

- Collaborative planning – In 2015 we implemented software to aid our budgeting and forecasting processes which has achieved a cashable saving in the Finance Team of £5k.
- A supported housing IT module, integrated to the Housing management system, has been procured in order to improve the processing and management of cases, reduce paperwork, and opening up opportunities to deliver more services from within the existing budget. It is intended to be fully utilising the system by the end of 2016/17.
- Business Intelligence – A system was procured in 2015 which when fully implemented will mean that information production will be largely automated generating time savings and quality improvements whilst increasing the accessibility of data to inform decision making.

#### **Future plans for VfM gains**

Our plans for delivery of VfM gains for the next 3 years are focussed on mitigating the impact of the July 2015 budget statement and in particular the change in rent policy to reduce rents by 1% per annum for the next 4 years, to ensure that we continue to operate within our existing financing arrangements and covenants.

A stress testing exercise carried out by the Board in 2015 had already looked at a number of scenarios that would break our business plan and identified prioritised mitigating actions and therefore we were well placed to respond positively to the need to find savings. In order to accommodate the loss of income following the introduction of the 1% rent reduction for 4 years, as an immediate action, the Board decided to save a one-off £7M by removing funding from the business plan for our 'aspirational' new build and continuous market engagement activity. In addition, a one-off £420k was released from the reserves of RBH Professional, our trading subsidiary, and a further £600k of ongoing savings were identified from 1<sup>st</sup> April 2016, the latter by reducing our Loan Facility Agreement from £120M to £100M, saving £300k in interest charges, and by re-aligning £300k of the surplus from the United Utilities water charge collection contract to support core services. This left an ongoing cashable savings target of £6M to be delivered in full from 1<sup>st</sup> April 2018, with budget reductions allocated in line with corporate and financial planning as part of our 'Facing the Future' programme involving 6 delivery work-streams. The original work-stream targets are set out in **Table 10** below.

**Table 10: Value for Money gains planned 2016-17 to 2018-19**

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
<b>Facing the Future Programme - Savings Targets</b>	<b>Target</b>	<b>Target</b>	<b>Target</b>
<b>Delivery work-stream</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Business Process Review	(525)	(900)	(900)
Review of assets	(875)	(1,930)	(1,930)
Terms and Conditions	(292)	(500)	(500)
Improving Core performance		(235)	(420)
Managing Assets		(685)	(905)
Maximising Opportunities and shaping up for the future		(500)	(1,345)
<b>Target Total</b>	<b>(1,692)</b>	<b>(4,750)</b>	<b>(6,000)</b>

All employees have been engaged in generating a range of business improvement and savings ideas as part of the Facing the Future Programme. Details of how these and other VfM savings will be delivered, without risking the delivery of our corporate objectives are shown in **Appendix 4a**.

They include a target of £150k relating to savings from the exploration of shared services. In line with ideas put forward by the Government and the Greater Manchester Combined Authority (GMCA) for improving public services and providing better value for money, we are working with colleagues from across GM Housing Providers (in particular First Choice Homes Oldham and Bolton at Home) to consider how we can work better, more efficiently and innovatively to protect and improve our services, reduce costs and improve outcomes.

In April 2016, the 3 organisations' Boards considered the opportunities and risks of some potential partnership working arrangements and agreed a programme of work to explore the options in more detail. This involves jointly appointing a fixed term project manager to lead. Work has already commenced considering procurement, IT and some HR and learning and development services, however the project will be considering a much wider range of services and potential collaboration.

Outside of the Facing the Future programme we have further plans to deliver VfM gains which are detailed in **Appendix 4b**. In line with our **Treasury Strategy** for example, we have begun exploring less restrictive loan structures for up to 10 year bank/building society funding with our key requirements being a reduction in margin and non-utilisation fees and an extension in the term of the facility. It is anticipated that this will generate additional savings from April 2017 which have not yet been quantified.

One of our golden rules in our **Financial Strategy** and a key tool we use to deliver VfM is to maintain unit costs at benchmark levels to take account of combined Voluntary RTBs and demolitions net of new build properties, as part of the budget setting process. On top of any cost control efficiencies, we will continue to set 3 year targets for efficiencies to be agreed annually by the Board starting as part of future budget setting processes at a level determined through the budget review of fixed, semi-fixed, and discretionary costs, conducted as part of identifying mitigation for business planning stress testing scenarios. Projected costs per unit in our current Business Plan are as follows:

Management Cost per unit	Range in first 5 years £1,000 - £1,080
Routine/Planned Repairs cost per unit	Range in first 5 years £930 - £960
Major repairs cost per unit	Range in first 5 years £1,010 - £1,210

### Transparency

- We have continued to provide some transparency of our costs by continuing to publish all £500+ invoices
- The salaries and expenses of higher paid employees are published in the annual accounts
- Our key policies and strategies are available on the website.
- RBH's VfM self-assessment is available on the RBH website at [www.rbh.org.uk/value-for-money](http://www.rbh.org.uk/value-for-money)

## 7 - Next Steps – future plans and improvements

### What we need to improve upon in 2016/17 and beyond

RBH always believes it can improve its performance in relation to the delivery of VfM. Our **VfM Strategy 2016-2019** was approved by the Board in March 2016 which reflects VfM activity since transfer fully supporting our new Corporate Strategy (Our Mutual Future) objectives.

The section above on future plans for VfM gains above explains how we will set 3 year targets for efficiencies as part of the annual budget setting process and shows the areas where we have identified estimated savings for 2016/17 and the following 2 years. In addition to this, **Table 11** below shows what further actions are required to implement the new **VfM Strategy** and ensure that VfM continues underpin everything that we do.

Table 11: VfM Strategy Action Plan

<b>Ref</b>	<b>Action</b>	<b>When</b>
<b>VfM Objective 1: Cost reduction whilst maintaining quality</b>		
<b>1</b>	Delivery of 3 year £6M savings target (see appendix 4a)	By April 2018
<b>2</b>	Development of revised target operating model	By Sep 2016
<b>VfM Objective 2: Further embedding a VfM Culture</b>		
<b>3</b>	Embed a framework within our governance structure, developed by the Tenants Scrutiny Commission in 2016, to allow tenants to ratify the 'value' and VfM that has been achieved.	By December 2016
<b>4</b>	Full implementation of business Intelligence software to improve information on costs and performance.	By March 2017
<b>5</b>	Undertake VfM awareness training with employees to ensure VfM is part of everything we do.	By March 2017
<b>VfM Objective 3: Maximising the return on assets</b>		
<b>6</b>	Review our net present value indicators, used to assess the return on our assets, to take into account the potential impact of new welfare reform policies to inform the effect on neighbourhoods.	By March 2017

## **8 - RBH's statement of whether we consider we meet the Vfm Standard in 2015-16**

We believe that the evidence provided throughout this self-assessment show that we comply with the HCA Vfm Standard. There are still areas for improvement that we have identified however which are shown below, and the Board is committed to delivering them in 2016/17 and beyond. The self-assessment will be published on the Society website by 30<sup>th</sup> September 2016 together with a separate summary document. See **Appendix 5** for our assessment against the Vfm standard requirements.

## **Appendix 1: VfM Standard**

### **1. Required Outcomes**

1.1 Registered Providers shall articulate and deliver a comprehensive and strategic approach to achieving VfM in meeting their organisation's objectives. Their Boards must maintain a robust assessment of the performance of all their assets and resources (including for example financial, social and environmental returns). This will take into account the interests of and commitments to stakeholders, and be available to them in a way that is transparent and accessible. This means managing their resources economically, efficiently and effectively to provide quality services and homes, and planning for and delivering on-going improvements in VfM.

### **2. Specific Expectations**

2.1 Registered providers shall:

- Have a robust approach to making decisions on the use of resources to deliver the Provider's objectives, including an understanding of the trade-offs and opportunity costs of its decisions.
- Understand the return on its assets, and have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving VfM including the potential benefits in alternative delivery models – measured against the organisation's purpose and objectives.
- Have performance management and scrutiny functions which are effective at driving and delivering improved VfM performance.
- Understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so.

2.2 Registered Providers' Boards shall demonstrate to stakeholders how they are meeting this standard. As part of that process, on an annual basis, they will publish a robust self-assessment which sets out in a way that is transparent and accessible to stakeholders how they are achieving VfM in delivering their purpose and objectives.

The assessment shall:

- Enable stakeholders to understand the return on assets measured against the organisation's objectives.
- set out the absolute and comparative costs of delivering specific services
- Evidence the VfM gains that have been and will be made and how these have and will be realised over time.

## Appendix 2: RBH Board Performance Dashboard 2015-16

RBH		ALL TOGETHER BETTER LIVING		RBH BOARD PERFORMANCE DASHBOARD					Q4 2015/16		
				Corporate Strategy Delivery					APPENDIX 1		
RBH BOARD SUMMARY KPI DASHBOARD Q4 2015-2016											
Objective	Project	KPI	Reported	2015/16 Target	Latest Actual	Date:	Previous Actual	Date:	Status	Direction	Ref page
Getting our Core Services Right	1	% of tenants satisfied with their newly let home (Condition)	Annually	95%	77.9%	Q4 15/16	77.4%	Q3 15/16	R	↕	2
	1	Repairs Satisfaction (Postal & Telephone survey's combined)	Monthly	95%	94.4%	Q4 15/16	95.0%	Q3 15/16	A	↕	2
	1	% Complaints dealt with in 10 day target (ave days)	Quarterly	100.0%	84.7% (7.85 days)	Q4 15/16	81.8% (8.3days)	Q3 15/16	R	↑	10/11
	2	% of Gas Safety certificates completed at period-end	Monthly	100%	100.00%	Q4 15/16	99.97%	Q3 15/16	G	↕	3
	2	Average Relet Times (excluding Major Works)	Quarterly	30 days	43.6 days	Q4 15/16	39.5 days	Q3 15/16	R	↕	8
Supporting People and Places	3	Tenant satisfaction with outcome of Investment Programme	Monthly	95%	95.5%	Q4 15/16	95.3%	Q3 15/16	G	↕	2
	3	Tenant satisfaction with process of Investment Programme	Monthly	96%	96.4%	Q4 15/16	96.5%	Q3 15/16	G	↔	2
	3	Empty Homes Rent Loss	Monthly	3.0%	2.5%	Q4 15/16	2.6%	Q3 15/16	G	↑	7
	3	Number of Empty Homes	Weekly	275	260	Q4 15/16	302	Q3 15/16	G	↑	8
	3	Rent Collected (of occupied homes)	Monthly	100.0%	100.6%	Q4 15/16	100.8%	Q3 15/16	G	↔	7
	4	Tenancy Turnover	Quarterly	12.0%	11.4%	Q4 15/16	11.5%	Q3 15/16	G	↑	3
	4	Neighbourhood Rankings (NFV & Sustainability scheme indices)	Annually	9 - 17 - 26	8 - 17 - 27	2015	10 - 15 - 27	2014		↕	4
Membership and Business Resilience	5	Membership - Employees	Quarterly	80%	83.1%	Q4 15/16	83.0%	Q3 15/16	G	↑	3
	5	Membership - Tenants	Quarterly	25%	27.4%	Q4 15/16	26.6%	Q3 15/16	G	↑	3
	5	Local Community Benefit (average per quarter cum. ytd)	Quarterly	400/qtr	241	Q4 15/16	361	Q3 15/16	R	↕	3
	5	No. of members participating membership events (as above)	Quarterly	150/qtr	228	Q4 15/16	396	Q3 15/16	G	↕	6
	6	Average number of days sickness absence per employee (projected year-end)	Monthly	9 days	9.3 days	Q4 15/16	7.0 days (9.3days)	Q3 15/16	A	↔	6
	6	Operating Surplus Income - variance to target	Quarterly	+ / - 1%	+ 2.7%	Q4 15/16	+ 1.44%	Q3 15/16	G	↑	9
	6	Operating Surplus Costs - variance to target	Quarterly	+ / - 2.5%	+ 5.9%	Q4 15/16	+ 2.35%	Q3 15/16	G	↑	9
	6	Covenant - Asset Cover Ratio - valuation basis 1	Annually	> 100%	258%	Q4F	258%	Q3F	G	↔	9
	6	Covenant - Asset Cover Ratio - valuation basis 2	Annually	> 100%	208%	Q4F	208%	Q3F	G	↔	9
	6	Covenant - Net Debt Per Unit	Monthly	£4,959	£4,259	Q4F	£4,198	Q3F	G	↕	9
6	Covenant - Annual Cash Flow deficit (Year-end Forecast)	Quarterly	£8,912,400	£7,119,521	Q4F	£8,178,728	Q3F	G	↕	9	

**KEY TO DIRECTION**

Improving

Staying about the same level

Worsening

**KEY TO STATUS**

On or exceeding target G

Close to target, needs monitoring A

Missing target, needs corrective action R

### Appendix 3: VFM gains 2015-16

Cashable savings estimated (£'000)	Cashable savings achieved (£'000)	How achieved and impact	One-off (£'000)	Permanent (£'000)
<b>Corporate objective 1 – getting core services right</b>				
530	918	Table 3 on page 9 above shows that £918k improvement programme procurement savings have been achieved across 8 property components when you compare uplifted average units rates in the business plan, to those achieved in 2015-16.	918	
	16	A revised service level agreement with the Council for customer access has resulted in a saving of £16k.		16
9	5	Re-structuring with the Finance Team as a result of the implementation of collaborative planning software has saved £5k.		5
<b>Corporate objective 2 – supporting people and places</b>				
	9	Direct debit promotional activity has seen the direct debit take up increase from 4743 in 2014-15 to 5,077 in 2015-16 resulting in a saving in cash collection costs of £9k.		9
	4	Community support Service – our emergency response service continues to grow and now has 173 users, generating over £35k income in 2015-16, an increase of £4k from the previous year. The scheme has helped people to sustain tenancies that could otherwise have failed without this support and provides a property specific and health and well-being emergency response which saves money for the police and NHS.		4
<b>Corporate objective 3 – membership and business resilience</b>				
0	94	2015-16 was the first full year of RBH's contract to manage the Homeless service on behalf of the Council. A surplus of £134k was achieved on the contract in the year, £94k higher than budgeted. This is mainly due to additional units being brought into use and improved performance on rents.	94	
393	400	A tender exercise combined with a review of our cover delivered a saving of £300k per annum in relation to insurance premiums from June 2015 and the re-procurement of our vehicle fleet arrangements resulted in annual savings of £100k per annum over the 3 year contract.		400
	420	The RBH Professional Board decided to make this subsidiary dormant, allowing the release of £420k back to RBH	420	
<b>932</b>	<b>1,866</b>	<b>Total cashable VFM savings 2015-16</b>	<b>1,432</b>	<b>434</b>

Note: Our last VFM Self-Assessment estimated £34k non-cashable savings which we have not been able to demonstrate.

## Appendix 4a: VFM gains planned 2016-17 to 2018-19 – Facing the Future programme

Cashable savings Est 2016-17 (£'000)	Cashable savings Est 2017-18 (£'000)	Cashable savings Est 2018-19 (£'000)	How will they be achieved and impact
<b>Corporate Objective 1 – getting core services right</b>			
-	685	905	<u>Managing our assets workstream</u> – A full review of our Repairs Policy, agreed by members, including a greater emphasis on repair rather than replacement has allowed a reduction in team members without impacting the level of service together with savings through associated transport and materials budgets.
-	161	339	<u>Improving core services workstream</u> – The implementation of a CRM system will lead to a reduction in call volumes at the Contact Centre and associated process efficiencies, together with better integration of systems, facilitating a reduction in employees within Customer Experience, HomeChoice, New Tenants and Payment Teams.
550	1,105	1,165	<u>Maximising Opportunities and shaping up for the future workstream</u> – Employees, members and Board were engaged in a major exercise to review RBH's future purpose which has resulted in a fundamental re-alignment of teams across all 3 directorates and a review of the RBH campus.
875	1,930	1,930	<u>Review of assets workstream</u> – The review will achieve savings mainly in the following ways: Asset disposal including shops and garages with high repair costs; the re-tendering of a number of servicing contracts; more disabled tenants will be moved to suitable homes rather than installing expensive adaptations; the replacement of timber with plastic will reduce the painting budget requirement; and the reduction in scale of the programme will result in a reduced asbestos removal requirement.
160	298	302	<u>Business Process Review</u> – The new home allowance to replace decorating allowances will achieve savings; as will the termination of the customer services SLA with RBC with the service now being provided at St. Albans House. The ceasing of TV aerial maintenance contract will also deliver a saving as this is provided elsewhere.
<b>Corporate Objective 2 – supporting people and places</b>			
100	460	460	<u>Maximising Opportunities and shaping up for the future workstream</u> – Savings will be delivered so that the services provided to older people are self-financing.
128	131	131	<u>Business Process Review</u> – The management of Cloverhall has now transferred to RBH from the Tenant Co-op which will achieve a saving and the level of Tenant Participation grants will reduce following the review of community bases.
<b>Corporate Objective 3 – membership and business resilience</b>			
342	545	548	<u>Business Process Review</u> – back office savings will result through stopping activity within support services, primarily in HR & Learning and Governance teams.
290	537	537	<u>Terms and conditions workstream</u> – A range of proposals have been agreed impacting on the terms and conditions of employees which will result in savings of £537k when fully implemented.
100	330	480	<u>Maximising Opportunities and shaping up for the future workstream</u> – The exercise to review RBH's future purpose and revise our operating model, resulted in the decision to cease the alarm monitoring contract with Safeguard Solutions, saving £250k from 2017-18. It is estimated that the exploration of ways to collaborate and potentially share services with other GM providers will deliver savings of £150k by April 2018. Other back-office savings will be achieved mainly through the training and subscriptions budgets.
<b>2,545</b>	<b>6,182</b>	<b>6,797</b>	<b>Total estimated Facing the Future cashable savings</b>

#### Appendix 4b: Other VFM gains planned

Cashable savings estimated (£'000)	How achieved and impact	One-off (£'000)	Permanent (£'000)
Corporate Objective 1 – getting core services right			
627	Through our Improvement Programme procurement activity it is expected we will achieve £627k savings.	627	-
Corporate Objective 2 – supporting people and places			
-	No other VFM gains are anticipated relating to this objective.	-	-
Corporate Objective 3 – membership and business resilience			
229	Our procurement plan highlights a range of areas for procurement activity in 2016-17 which will deliver an estimated £229k in savings. The 3 largest areas are: <ul style="list-style-type: none"> <li>• Repairs materials - £152k</li> <li>• Agency employees - £47k</li> <li>• Asbestos surveys - £16k</li> </ul>		229
300	Reducing the loan facility from £120M to £100M has saved £300k in interest payable costs.		300
<b>1,156</b>	<b>Total other estimated cashable savings</b>	<b>627</b>	<b>529</b>

## Appendix 5: Overall Self-Assessment

To demonstrate delivery of value for money, we are required by our Regulator to produce this self-assessment.

The HCA's Value for Money Standard provides specific expectations that must be met in order to be considered compliant. These are shown below, together with a summary of the evidence we believe demonstrates our continued compliance; referencing the section of this document which provides more comprehensive commentary.

VfM Standard	Evidence
<p>Have a robust approach to making decisions on the use of resources to deliver the provider's objectives, including an understanding of the trade-offs and opportunity costs of its decisions.</p>	<p>Reports to the Board on performance and the use of resources enabling a thorough documented approach to decision making include:</p> <ul style="list-style-type: none"> <li>• 30 year business plan supported by 3 year budgets</li> <li>• Asset Management, Procurement and VFM strategies</li> <li>• New build and asset management options appraisal reports</li> <li>• Business cases for Grounds Maintenance and Homelessness services</li> </ul> <p>More detail is in sections 3 and 4.</p>
<p>Understand the return on its assets and have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving value for money, including the potential benefits in alternative delivery models – measured against the organisation's purpose and objectives.</p>	<p>RBH has a methodology, explained in the return on assets section, to inform Board decisions in relation to asset management. Social and environmental returns are also assessed and evaluated in business cases put forward for alternative delivery models, for example grounds maintenance.</p> <p>We have robust stock condition data and the 30 year Improvement programme is updated annually.</p> <p>More detail is in section 4.</p>
<p>Have performance management and scrutiny functions which are effective at driving and delivering improved value for money performance.</p>	<p>Key performance and satisfaction information is reported to the Board. Poorly performing areas are highlighted, for example through the use of HouseMark, and action taken to improve performance.</p> <p>The outcomes of a review of tenant engagement and scrutiny around VFM will be seen in next year's self-assessment.</p> <p>Full financial management information is provided to the Board at each meeting.</p> <p>More detail in section 5.</p>
<p>Understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so.</p>	<p>The self-assessment shows clear evidence of current and past performance on management and maintenance costs using the HCA global accounts and HouseMark.</p> <p>Savings achieved are detailed in the self-assessment linked to our corporate objectives and plans are set out for future VFM gains.</p> <p>The self-assessment also highlights how savings are re-invested.</p> <p>More detail in section 6.</p>

VfM Standard	Evidence
<p>Publish a robust self-assessment, on an annual basis, which sets out in a way that is transparent and accessible to stakeholders how they are achieving value for money in delivering their purpose and objectives. The assessment shall:</p> <ul style="list-style-type: none"> <li>• Enable stakeholders to understand the return on assets measured against the organisation's objectives.</li> <li>• Set out the absolute and comparative costs of delivering specific services.</li> <li>• Evidence the value for money gains that have been and will be made and how these have and will be realised over time.</li> </ul>	<p>RBH's self-assessment of how the Society believes it meets the HCA VfM Standard will be published on the Society website by 30<sup>th</sup> September 2016 together with a separate summary document.</p>

### **Board's overall Self-Assessment**

***"Given the evidence provided in the above table and wider content of this self-assessment, we are of the opinion that we comply with the HCA VfM Standard."***