



Value for money
Self assessment statement 2014/15

A decorative graphic at the bottom of the page consisting of several overlapping, wavy lines in various shades of blue and teal, creating a sense of movement and flow.

for you – for your community – not for profit

Value for money (VFM) self-assessment 2014/15

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Value for money (VFM) self-assessment 2014/15

1. VFM and TRH

- 1.1 TRH actively adopts a comprehensive approach to understanding and managing resources in order to provide quality, cost effective services to tenants and generate the financial capacity to invest in new affordable homes and services for the benefit of its tenants and the wider local community. The consistent achievement of efficiencies and high levels of financial viability are crucial to the delivery of these outcomes. The last regulatory judgement issued in January 2015 was maintained at V1/G1 (the top rating for viability and governance rating by the HCA).
- 1.2 Integral to this approach is the Board's continued commitment to delivery of value for money in all aspects of the service provided for tenants. VFM is a key corporate theme and therefore performance in this area is scrutinised by the Audit Committee throughout the year.
- 1.3 Whilst TRH has performed well since its inception in terms of VFM, as a self-aware organisation, we recognise the need for improvement. In order to strengthen our performance, some of the improvement areas for VFM delivery in 2014/15 included:
 - A full refresh of the VFM strategy.
 - A thorough evaluation of assets including development of a strategy for future-proofing.
 - Setting up new companies to bring services in-house that had previously been contracted out.
 - Providing services externally to generate additional income for investment in social housing.
 - Piloting social return projects.
 - Investigating the provision of energy-efficiency savings.
 - Re-structuring parts of our services to improve performance.
 - Investing additional resources to provide extra support for tenants in relation to debt and welfare advice.
 - Completing the implementation of a new and comprehensive fully-integrated computer system to improve efficiency and services to tenants.

- 1.4 A full VFM self-assessment for 2014/15 was presented to the Board for approval at its meeting on 29 July 2015. The approved full self-assessment will be presented to the HCA as part of the regulatory requirement and is publically available from the TRH website as follows;

<https://www.tworivershousing.org.uk/custom-content/uploads/2015/09/VFM-Statement-TRH-2014-15.pdf>

2. How are we doing? VFM performance 2014/15

2.1 VFM framework

2.1.1 Our VFM self-assessment illustrates how well TRH has embedded VFM into its strategic and day-to-day work to support its corporate themes, the needs of its stakeholders and the HCA VFM Standard. It also highlights areas for improvement and how we are planning to get even better.

2.1.2 TRH's framework and the delivery and assessment of VFM incorporates governance and scrutiny by the Board, planning and financial management (including zero-based budgeting, delegated budget responsibility, monthly budget monitoring reports, quarterly reports to the Board on both corporate and financial performance), performance management (including benchmarking), satisfaction surveys, tenants' involvement in assessing performance in key business areas and an assessment of returns on assets.

2.1.3 Assessment of TRH's 2014/15 VFM performance consists of the following elements:

- VFM performance targets
- Efficiency targets
- Operating cost efficiencies 2010/11 – 2014/15
- Benchmarking
- The value of people
- Performance reporting
- Asset Strategy and disposals
- Social value
- IT investment
- Treasury Management

2.2 VFM performance targets 2014/15

2.2.1 These targets are monitored and any significant variation prompts further investigation and improvement measures where appropriate. The position for 2014/15, together with the results for 2010/11 to 2014/15 to show the direction of travel, is illustrated overleaf.

2.2.2 Table 1: VFM performance targets position for 2014

| | 2010/1 1 | 2011/1 2 | 2012/1 3 | 2013/1 4 | 2014/1 5 Budget | 2014/1 5 Actual | 2014/15 Variance |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------------|---------------------|
| | Actual £000s | Actual £000s | Actual £000s | Actual £000s | t £000s | Actual £000s | £000s |
| 1 <u>Operating margin</u> | | | | | | | |
| Operating surplus | 5,774 | 4,759 | 5,455 | 5,126 | 2,697 | 5,297 | -2,600 |
| Operating margin | 38% | 29% | 31% | 26% | 13% | 26% | |
| 2 <u>Operating costs</u> | | | | | | | |
| Per property per week | 50 | 62 | 62 | 70 | 86 | 75 | -11 |
| As a percentage of turnover | 62% | 71% | 68% | 70% | 83% | 71% | |
| 3 <u>Per employee targets</u> | | | | | | | |
| Properties per employee | 29 | 30 | 30 | 31 | 30 | 31 | -1 |
| Turnover per employee | 119,102 | 136,303 | 142,272 | 161,575 | 161,357 | 172,033 | -10,676 |
| 4 <u>Responsive repairs</u> | | | | | | | |
| No of repairs per property | 4.4 | 3.6 | 3.5 | 3.7 | 3.6 | 3.7 | 0.1 |
| Average cost per repair | 101 | 120 | 118 | 112 | 129 | 131 | 2 |
| Average repair cost per property | 450 | 428 | 419 | 418 | 470 | 480 | 10 |

5 **Void repairs**

Average
cost per
void

| | | | | | | |
|-------|-------|-------|-------|-------|-------|-----|
| 1,933 | 1,779 | 1,981 | 2,007 | 2,179 | 2,665 | 487 |
|-------|-------|-------|-------|-------|-------|-----|

Voids as
% of
stock

| | | | | | | |
|------|-------|------|-------|------|------|-------|
| 8.1% | 10.0% | 9.8% | 10.8% | 9.5% | 8.2% | -1.4% |
|------|-------|------|-------|------|------|-------|

2.2.3 Operating margin. The operating margin performance has remained steady in recent years and shows a position of median to lower quartile. This is where TRH would expect to be, compared with the more mature LSVTs it is measured against. This is mainly due to the relatively high level of non-capitalised major repairs spends on the stock. TRH has continued to spend at levels well above the Decent Homes standard to maintain stock to a high standard.

2.2.4 Operating costs. The operating costs as a percentage of turnover have remained constant in the current year, although the absolute costs have increased. This can be attributed to the one-off revenue costs in relation to Project Unity of £313k, Linkline removal costs of £163k, higher depreciation of £291k and responsive repair costs of £284k.

2.2.5 Responsive repairs – internal team. The responsive repair costs are closely aligned to the budget position, but there is a drive in 2015/16 to reduce costs. This is identified as an action through the benchmark analysis.

2.2.6 Void repairs. Voids as a percentage of stock have fallen slightly this year (from 10.78% to 8.19%) and the void loss figure has improved significantly (see later benchmarking). However, the void cost per property has increased and exceeded the budget per property, although the total spend was contained with the annual allowance due to the lower numbers. The standard and spend are being reviewed during 2015/16 and this will have an impact on our outturn position.

3 **Position for 2014/15 efficiency targets**

3.1 Summary. A 3.7% reduction in budgeted operating costs was set for 2014/15 as an operating efficiency target (of operating costs excluding depreciation and bad debts and repairs and maintenance). This equates to a cash target of £75k which was exceeded during the year. An analysis of the overall outturn performance compared with the budget, after allowing for carry-forwards, is set out below.

3.2 Table 2: Budget variance analysis before and after carry-forwards

| | Before carry-forward | After carry-forward |
|---------------------------|-----------------------------------|---------------------|
| | <u>£000s</u> (favourable)/adverse | <u>£000s</u> |
| Income | (1,290) | (1,290) |
| Property management | (169) | (149) |
| Maintenance | (1,353) | (853) |
| Staffing | (152) | (152) |
| Other | (73) | (10) |
| Funding | (295) | (295) |
| Total favourable variance | (3,332) | (2,749) |

(NB: All variations are comparisons with the budget.)

3.3 The above analysis shows the favourable variances achieved in relation to budget position after allowing for items to be carried forward to 2016/17. In summary, £0.583m has been carried forward to 2014/15, leaving a net saving to the financial plan of £2.749m when compared with the original assumptions/plans. The income variances relate principally to property sales, both through the Right to Buy (£298k) and voluntary sales (£754k). The maintenance costs at this stage are not carried forward but may be considered as desirable spends depending on the financial covenant position in 2015/16. Interest costs relate to interest savings compared with assumptions (see section 10). Staff savings have been achieved through carrying vacant positions during the year or delaying re-appointment where possible, without affecting customer service standards.

3.4 Other specific targeted VFM savings are as follows:

- Value for money initiatives: Resources directorate £45k.
- Value for money initiatives: Customer Service directorate £24k
- Value for money savings substantially from Development £411k.

3.5 **Reinvestment of efficiency savings.** A key component of the efficiency agenda is the re-investment of cashable gains into frontline services. During the year, savings were partially re-invested in the appointment of three additional staff to manage the void process. This has also resulted in a net saving after taking account of the improvement in the void loss position of £90k.

3.6 **Operating cost efficiencies for 2010/11 to 2014/15.** TRH has assessed cost performance by reviewing the operating cost efficiency savings and increases per unit that have accrued in real terms in the period from 2010/11 to 2014/15.

3.7 **Basis of comparison.** A number of costs, including capital, interest, voids, bad debts and depreciation, were excluded from the analysis because they are different in nature from the majority of TRH on-going costs of operations.

- 3.8 **Results.** The summary of results based on the above assumptions is shown below:

Table 3: Operating cost efficiencies 2010/11 to 2014/15

| TRH costs per unit 2010/11 to 2014/15 | | | | | |
|---------------------------------------|---------|---------|---------|---------|---------|
| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
| | £ | £ | £ | £ | £ |
| Cost per unit | 1,173 | 1,100 | 1,075 | 1,060 | 1,128 |

- 3.9 The above figures have been adjusted for inflation to make them comparable and have been re-stated at 2010/11 price basis. It shows there has been a small increase in operating costs per property in 2014/15. Further analysis shows the reasons for this increase include the following:

- Linkline removal costs of £163k.
- Increased void staff costs of £60k (please see Section 4 for an illustration of how this worked overall).
- A one-off development capitalisation write-off adjustment of £170k.

- 3.10 If the above costs had not been included, the 2014/15 costs would have been £1,040 per unit which does therefore demonstrate an underlying downward trend.

4. Overview of how cost efficiencies are delivered

- 4.1 Controlling costs, reducing waste and improving procurement processes have been fundamental to our delivery of cost efficiencies. This allows investment in service improvements (even if this results in cost increases in some service areas).
- 4.2 Some of the measures we have implemented in order to deliver efficiencies include the empowerment of staff to challenge inefficiency, service reviews to identify process improvements, restructure of services without adversely impacting on quality, negotiating less than inflation and zero uplift cost increases with suppliers, and zero-based budgeting. An example of process improvement has been the redesigning of the void process, introducing a new IT system covering this area as well as increasing the staff resource costing £60k per annum. Over the last year this has reduced the void loss by £150k, which is significantly greater than the costs, as well as effectively increasing the supply of a needed resource.
- 4.3 While the above reflects successful delivery of efficiencies in operating costs and the emphasis on controlling operating costs on an ongoing basis, this review reiterates the need to rigorously control operating costs.

5. Linking supplier price increases to CPI

- 5.1 From 2015/16 financial year, the rent setting framework determines that RPs can increase rents by the Consumer Price Index (CPI), prevailing at the September preceding the financial year, plus 1% for up to 10 years, rather than being linked to the traditionally higher RPI increase. Please note that following the Budget this has decreased to -1% for four years, before reverting to CPI plus 1% after four years.
- 5.2 TRH's supplier contracts have traditionally incorporated cost increases which have been linked to RPI. As TRH is part of the CHIC purchasing consortium (which has enabled the achievement of lower purchasing costs in a number of procurement areas) we are effectively part of a joint price increase negotiation. However, we have been able to agree that cost increases have been linked to a maximum of RPI which, traditionally, has always been lower than CPI plus 1%. In addition, our membership of CHIC offers an open book approach, which has helped TRH to negotiate lower increases where the market reflects this, seeing RPI very much as a maximum cap. For prudence, our financial planning assumptions continue to allow for an RPI plus 0.5% increase. This cautious management assumption ensures our costs do not increase more quickly than our income.
- 5.3 Benchmarking. TRH has consistently participated in and utilised Housemark services to benchmark the cost and quality of its services with other participating registered providers. It is essential that we compare performance with peer organisations operating in a similar environment. The peer group used for this process is those LSVTs within the southern group between 2,500 and 7,500 units.
- 5.4 Housemark VFM scorecard benchmarking results are not available for 2014/15. For 2013/14 Housemark has produced a VFM Scorecard. The Housemark scorecard presents the results for a variety of indicators in the form of a balanced scorecard.



Value for money scorecard



Two Rivers Housing 2013-14

Process

| | Value | Previous | Trend | Median | Diff |
|---|--------|----------|-------|--------|------|
| Rent collected as % of rent due | 99.2% | 99.3% | 👉 | 99.8% | 👇 |
| Service charges collected as a % of service charges due | NoData | NoData | | 95.6% | |
| Average re-let time | 29.95 | 35.62 | 👈 | 23.58 | 👉 |
| Repairs completed at the first visit % | 93.0% | 91.3% | 👈 | 93.0% | 👉 |

Value

| | Value | Previous | Trend | Median | Diff |
|---|-------|----------|-------|--------|------|
| Satisfaction with the quality of new home % | 98.0% | NoData | | 96.0% | 👈 |
| Satisfaction with the service provided % | 84.1% | 85.3% | 👉 | 87.0% | 👉 |
| Satisfaction with repairs and maintenance % | 74.1% | 81.9% | 👇 | 83.2% | 👇 |
| Satisfaction with neighbourhood % | 94.4% | 90.2% | 👈 | 86.1% | 👈 |
| Satisfaction that rent provides value for money % | 83.1% | 83.9% | 👉 | 83.2% | 👉 |
| Satisfaction that service charges provide value for money % | 71.9% | 63.1% | 👈 | 71.9% | 👉 |

People

| | Value | Previous | Trend | Median | Diff |
|--|-------|----------|-------|--------|------|
| Staff satisfied with organisation as an employer % | 81.0% | NoData | | 82.5% | 👉 |
| Sickness absence average days lost per employee | 5.3 | 9.6 | 👈 | 8.7 | 👈 |
| Staff turnover in the year % | 10.8% | 13.9% | 👉 | 14.1% | 👉 |

Business Health

| | Value | Previous | Trend | Median | Diff |
|---|-----------|-----------|-------|-----------|------|
| Growth in turnover | 9.1% | 6.9% | 👈 | 6.3% | 👉 |
| Operating margin | 26.5% | 30.7% | 👉 | 31.1% | 👉 |
| Adjusted Turnover Overheads Costs % | 13.3% | 13.0% | 👉 | 10.6% | 👇 |
| Total CPP of Housing Management | £346.79 | £362.88 | 👉 | £432.17 | 👉 |
| Total CPP of Major Works & Cyclical Maintenance | £1,902.29 | £1,422.60 | 👉 | £1,494.69 | 👉 |
| Total CPP of Responsive Repairs & Void Works | £984.51 | £976.85 | 👉 | £805.16 | 👉 |
| Total CPP of Overheads | £151.16 | £144.41 | 👉 | £173.09 | 👉 |
| Current tenant arrears as % of rent due | 2.07% | 2.07% | 👉 | 2.88% | 👉 |
| Rent loss due to voids as % of rent due | 1.71% | 1.66% | 👉 | 0.84% | 👇 |
| Gross arrears written off as % of rent due | 0.51% | 0.21% | 👇 | 0.26% | 👇 |

Trend Indicators

These represent your improvement in comparison to your peer group's improvement.

Performance Indicators

These represent your performance in comparison to your peer group's performance.

5.5 Analysis of Housemark results. It is necessary to review the KPIs underlying the overall scores as overall positive performance can obscure less positive performance in specific areas. The main highlights are detailed below. The following is an analysis of the KPIs:

- Growth in turnover illustrates a performance that is significantly better than both the median (i.e. it is upper quartile) and peer group improvement rate. Operating margin showed a slightly lower than median figure. Please see commentary following Table 1 above for more details.

- Overall Housing management total cost per property (TCPP) is significantly better than the median (i.e. it is top quartile) and is showing an improvement rate greater than the peer group.
- Rent arrears TCPP of £109 in 2013/14 compared with £97.50 in 2012/13. This increase was due to our investment in additional debt and welfare advice staff. This had the effect of improving the rent collection performance even though additional arrears have been incurred as a result of Welfare Reform changes. The full benefits of this staff investment was not felt until 2014/15, as illustrated below:

Table 4: Rent arrears

| | 2012/13 | 2013/14 | 2014/15 | median | Quartile |
|--|---------|---------|---------|--------|----------|
| Rent collected as a percentage of rent due | 99.3 | 99.2 | 100.13 | 99.8 | upper |
| current tenant arrears | 2.07 | 2.07 | 1.76 | 2.66 | upper |
| Former tenant arrears | 0.88 | 1.07 | 0.77 | 1.08 | upper |
| Write-offs | 0.21 | 0.51 | 0.77 | 0.26 | lower |

5.6 It is important to note there was a high level of write-off in 2014/15 compared with previous years due to a thorough review of collection changes. It is anticipated the level will drop to a lower level in 2015/16.

- Tenancy management TCPP of £43.44 (£45.1 in 2012/13) maintained top quartile performance, whilst overall tenant satisfaction was at 84% (compared with 85% in 2012/13). Please note this percentage has increased to 90% in 2014/15, which represents an excellent result.
- Resident involvement TCPP of £68.91 represents upper to middle performance (compared with £92.27 for 2012/13) and represents middle to lower quartile performance, with 'satisfaction with views taken into account' at 70.9%. This area has now been reviewed and restructured which should see performance improving during 2015/16.
- Major works costs are median to lower quartile in terms of cost, with cyclical works costs being median. Non-Decent Homes performance was lower quartile due to 18 properties being Non-Decent in 2013/14. This has improved in 2014/15 to zero percent Non-Decent. The average SAP rating is lower quartile. The percentage of tenants satisfied with the quality of their home was median to lower quartile. TRH has investigated the cost of improving SAP ratings which is being considered. An energy-saving project was also piloted with a group of

tenants as an alternative way of reducing tenant energy costs. This will be further rolled out during 2015/16.

- Lettings TCPP is £54.79 (was £70.79 in 2012/13) and produced a turnaround performance of 29.95 days which was lower quartile. Changes made in the lettings processes have improved performance to under 20 days in the 2014/15 which represents upper quartile performance.
- Responsive repair costs were lower quartile with satisfaction being median to lower quartile. The whole responsive repairs section was subject to major VFM review in 2014/15 and improvements are now just beginning to work through in 2015/16. Specific cost reduction targets have been set for 2015/16 and beyond.
- Void costs in 2013/14 were in middle to lower quartile, where as the costs have increased in the current year due to an increasing void standard. There will be a further review of customer satisfaction and cost per void in 2015/16.
- Estate services remain in top quartile for cost and satisfaction with the quality of the neighbourhood also remaining a top quartile.
- Overhead costs as a percentage of turnover places TRH in the lower quartile. Generally, organisations with larger turnovers will have lower percentage of turnover absorbed by overheads. To put this into context, TRH's turnover was 18th out of 26 in the peer group. While support teams are considered lean, regular reviews of team structures are conducted, particularly when an employee leaves.
- Overall satisfaction with TRH was 84% but this has increased to 90% in 2014/15 which puts TRH as one of the highest rated in the peer group.
- Turnover and sickness are excellent compared with peers, with staff satisfaction at a median level.
- Satisfaction with quality of new home was 98%, which was better than median.
- Satisfaction that rent provides value for money was median, although this has moved to upper quartile in 2014/15.





5.7 Conclusions on benchmarking performance. The association's performance relative to the peer group is generally good, but there is scope for exploring improvement with managers and high performing peers in a few areas.


- The value of people. VFM performance is driven by TRH's relationship with staff and customers and how they interact to achieve continuous service improvements.
- Customers. Tenants continue to provide valuable input into improving VFM outcomes in a number of ways which include:

- Inspectors in various areas such as cleaning and grounds maintenance.
- Resident Scrutiny Group reviews of areas including repairs reporting, gas servicing and grass cutting.
- Seeking the views of tenants in informing the next stage of the asset management strategy.
- Staff. The delivery of excellent customer service at TRH is fundamentally dependent upon its greatest resource – its staff. Staff motivation and engagement are imperative for effective service delivery. In order to improve TRH's understanding of staff and motivation, we have taken part in the Sunday Times 100 Best Companies process. This has resulted in TRH achieving 82 and 65 (out of 100) in 2014 and 2015 respectively in the not-for-profit category. Since embarking on the process, TRH customer results have also started to improve, endorsing the correlation. TRH will therefore continue to invest in staff through training, support and generally developing a culture which is conducive for people to perform at their best.

5.8 Performance report. The following report outlines the key performance information in relation to our year-end position which is reported to the Board on a quarterly basis.

Table 5: Key performance information – year-end position 2014/15

| Title | Year-end performance | Status | Target | Year-end | Ownership | Strategic link |
|--|----------------------|---|--------|----------|---------------|----------------------|
| PICR0001 % Customers satisfied with TRH overall (from STAR survey) | 90% |  | 85% | 2014/15 | Jon Coe | Strategic Priority 2 |
| PICS0001 % of incoming telephone calls answered within 20 seconds - Customer Services only | 68.08% |  | 80% | 2014/15 | Maria Hale | Strategic Priority 2 |
| PIDV0007 Number of homes completed compared with HCA CPT | 210 |  | 193 | 2014/15 | Kirsty Powell | Strategic Priority 1 |
| PIFI0011 EBITDA MRI | 1.33 |  | 0.55 | 2014/15 | John Watkins | Strategic Priority 5 |
| PIIC0001 Current tenant rent arrears at year end (CMPI04) | 1.65% |  | 1.99% | 2014/15 | Rachel Smith | Strategic Priority 5 |
| PILT0004 Rent lost due to ALL voids (as % of rent due) | 0.87% |  | 1.75% | 2014/15 | Rachel Smith | Strategic Priority 2 |
| PIMS0001 Routine repairs completed in target (GNPI20) | 90.89% |  | 97% | 2014/15 | Luke Beard | Strategic Priority 1 |
| PIMS0003 % of properties with current gas service certificate | 100% |  | 100% | 2014/15 | Luke Beard | Strategic Priority 1 |
| PIMS0004 Failing Decent | 0% |  | 0% | 2014/15 | Luke Beard | Strategic |

| | | | | | | |
|---|--------|---|----|---------|------------|-------------------------|
| Homes standard (CMPI01) - 1/4ly | | | | | | Priority 1 |
| PIMS0024 Projected final account v annual approved budget | 85.93% |  | 99 | 2014/15 | Luke Beard | Strategic Priority 1 |

5.9 The above indicators show good overall performance at the year-end. The key area for review relates to repairs completed in target. This area has been subject to a VFM review and TRH is in the process of implementing a number of changes to improve performance. The projected final account verses approved budget relates to planned maintenance spends. The reason for the underspend was to due to asset management reviews in relation to the properties that were due to have money spent on them, resulting in the deferred the expenditure. The steady improvement in the time taken to answer the telephones follows a long delay in implementing digital lines following the move to our new office. This has allowed us to take advantage of new call handling software.

6. Setting up of new companies

6.1 During the year TRH started to implement its new business strategy. This has involved two key areas of work:

- Bringing work in-house that had previously been contracted out, starting with grass cutting and communal cleaning.
- Setting up a new area of business offering an estate agency and lettings business.

6.2 As well as supplying these services in-house, it is also intended to supply these and other facilities management services to external companies. The intention is to covenant any surpluses earned in this way back to TRH, to increase the supply of social housing and enhance activities.

6.3 To date, the operation of the in-house function has led to increased satisfaction levels in relation to grass cutting, whilst also offering a slightly enhanced service at the same cost.

6.4 In 2015/16 some small new contracts have also been won which will offer a return to TRH in due course.

6.5 The new estate agency offering selling and letting of properties will deliver an efficient in-house function, as well as service to external customers. The agency is based on the same ethical values as TRH and again, in due course, will offer a return to TRH in the form of covenanted surpluses.

7.0 Asset management

7.1 Strategic context

TRH recognises the significance of its asset base for the health and financial sustainability of the business. Proactive asset management can contribute considerably to the financial capacity and success in delivering the Board's priorities such as increasing customer satisfaction and providing more homes. The details of our approach are set out in the approved Asset Management Strategy.

7.2 Our assets

7.2.1 The projected valuation as at 31.3.2015, based on a survey carried out at 31.3.2013, is £149.8m, using a valuation basis called Existing Use Value Social Housing.

7.2.2 In 2011/12 TRH developed an NPV (net present value) tool to determine the financial value of housing assets. This had, in turn, been used to inform the disposal process which formed part of the funding necessary to enable the HCA development programme. The results had been used to inform which properties to dispose of as they became void, resulting in the disposal of 47 units over a two year period, achieving a capital receipt of just over £5m.

7.2.3 In 2013/14 further work was carried out to determine a more accurate evaluation of the quality of the asset, to enable a more balanced evaluation of assets based on both quality and financial performance. The quality criteria used was:

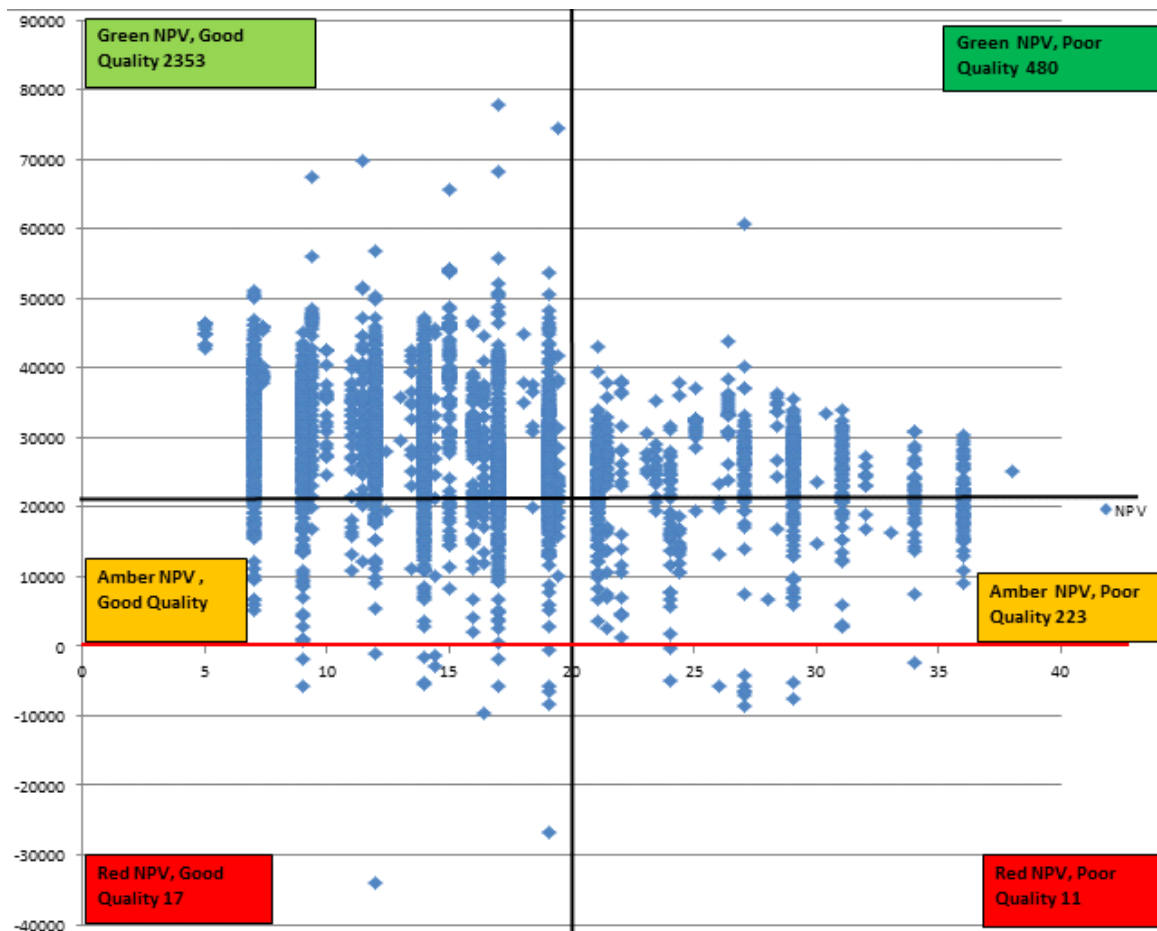
- Customer satisfaction with the quality of the home.
- Customer satisfaction with the neighbourhood.
- Void turnaround.
- Percentage of first offers accepted for voids.
- SAP.

7.2.4 The revised financial evaluation was based on:

- 30 year rental income projections.
- 30 year maintenance costs based on the stock condition figures.
- Five year responsive repair trend costs projected forward 30 years.
- True void costs 10 year trends, projected forward 30 years.
- Direct management costs, apportioned on the basis of number of calls by property size category.
- Overhead costs based on Housemark apportionment methodology.

7.2.5 The above analysis resulted in the projection of the following results.

Table 6: An illustration of cost and quality by property



7.3 As can be seen from the table, very few properties have negative NPV, whether they are good or bad quality. A definition of poor financial performance was set at an NPV of less than £22k to enable comparisons to be made, resulting in the above four-quartile analysis.

7.4 During 2014/15 a thorough analysis of demand was carried out in order to determine future trends and requirements. A summary of the findings are as follows:

- One bedroom homes – there is a need to substantially increase supply (29%).
- Two bedroom homes – there is need for a measured increase in supply (8%).
- Three bedroom homes – supply and demand is carefully balanced. Small changes in void occurrences, changes in new supply, and changes in the allocations policies could have a real impact on our ability to let these homes. Additionally, this group is the most reliant on Housing Benefit and therefore allocation policies and under-occupation are critical factors.

7.5 The above factors have been taken into account in defining our development strategy and will be considered as part of the disposals strategy and overall decision criteria outlined below.

- 7.6 The market valuation factor was also taken into account when identifying properties for disposal as part of the HCA funding regime. The evaluation then factored in the net balance of the sales receipt less the NPV, which was balanced by the quality evaluation. This more balanced evaluation is used to determine which properties should be disposed of as part of the funding regime.
- 7.7 In addition, pilot appraisal approaches have been carried out during the year in relation to a limited number of properties, applying overall decision criteria based on the following factors:
- Retain and repair.
 - Retain and increase investment to increase quality.
 - Regenerate.
 - Re-model.
 - Convert to alternative tenures.
 - Dispose in current form, with planning consent for alternative uses or cleared site with planning permission.
- 7.8 In 2015/16 the above overall decision criteria approach will be applied to the top 5% performing stock and the bottom 5% performing stock, and recommendations will be reviewed by the Executive team subject to financial constraints.
- 7.9 The overall objective is to improve the balanced performance of the stock NPV and quality terms, whilst being mindful of demand and supply issues. Once the review of the top and bottom 5% has been completed, revised overall targets for NPV and quality will be set. This work is planned for completion during 2015/16.

8. Social value

- 8.1 Providing social value is very important to TRH and forms part of one of our core objectives.
- 8.2 During the year a full evaluation of the latest thinking and techniques in quantifying and evaluating social return was carried out. This resulted in the adoption of an approach developed by the Housing Association Charitable Trust (HACT). This is subsequently being piloted through three projects spread over two years, with a view to potential adoption across other areas of the association. So far, one project has been partially completed which was aimed at evaluating the social benefits of providing apprentice training facilitated through contractors. Initial results are interesting and may well result in redesigning how this area of social development is operated in the future.

9. Mitigating the impact of Welfare Reform

- 9.1 We have continued to work with those adversely affected by the reforms with the aim of reducing the impact on both tenant and TRH income streams. Up to the 31.3.2015, 38 households had been helped to move to smaller properties.
- 9.2 We also continued to employ the additional resource of two debt and welfare advisors during the year. This approach has increased new claims for benefits, backdating claims and enabling Discretionary Housing Payments, leading to an increase in projected additional income of £465k over a full year period. Of this total, a good proportion will also be paid to TRH, as well as greatly increasing the quality of life of those affected.

10. ICT Investment

- 10.1 During the year we completed the implementation of a new integrated IT system known as 'Project Unity'. This has led to the delivery of a number of benefits right across the association, including:
- Automated client billing and component accounting.
 - Greater visibility of data in relation to tenants and assets providing ability to answer calls at first point of contact and improve customer service.
 - Mobile inspections, new lettings and void system, visibility of planned maintenance.
 - Data cleansing.
 - Greater consistency in relation to contractor management
 - Greater visibility of work carried out by responsive repairs team. Improved voids tracking. Key tracking, job completion.
 - Greater reporting power improving the quality of management information.

11. Treasury management

- 11.1 TRH's approved treasury management policy contains a commitment to the pursuit of best value in its treasury management activities and the use of performance methodology in support of that aim. The table below shows the financial plan targets and actual performance for the treasury activities in 2014/15.

11.2 Table 7: Treasury performance 2014/15

| Activity | 2014/15 target | 2014/15 actual | Target achieved | 2014/15 VFM gain |
|------------------------|----------------|----------------|-----------------|------------------|
| Interest paid | 3,784,600 | 3,475,880 | Yes | 308,720 |
| Weighted interest rate | 4.86% | 4.84% | Yes | n/a |
| Loan to asset cover | 110% | 193% | Yes | n/a |

11.3 The treasury management function has provided value and support during the year. The current loan facility of £115m is in place to facilitate further development. This compares with a drawn position of £73.1m at the year-end.

12. Conclusions on VFM performance in 2014/15

12.1 TRH's overall performance has been positive. This is demonstrated in its performance against measures such as efficiency targets, operating cost efficiencies, benchmarking and internal monitoring through KPIs.

- Building on previous efficiency savings, the target of £75k was achieved with these and previous savings being reinvested in improved frontline services.
- Other VFM savings totalling £480k.
- Real-term operating cost-efficiencies achieved over a number of years.
- An engaged, satisfied workforce continues to drive customer satisfaction, with overall satisfaction increased to 90% in 2014/15
- Satisfaction with repairs and maintenance increasing from 74% to 80%.
- Enhancement of services which add value to the most vulnerable customers.

12.2 Development summary:

- In response to local demand, development of more one and two bedroom homes.
- Generally positive benchmarking performance.

12.3 Areas for further review and potential improvement include:

- High-cost responsive repairs service and high overall planned maintenance costs.

13. Plans for 2015/16 and beyond

13.1 The VFM culture TRH has embedded provides a strong foundation for the future VFM improvements in support of its corporate themes. However, there are areas for improvement. The main plans are:

- Target budget cost-efficiency saving of 2.8%, which is £60k during 2015/16.
- Measures to further control costs including negotiating cost increases to CPI-linked indexes.
- Delivering at least 82 homes in 2015/16, funded through a combination of borrowings, asset sales receipts and social housing grant, showing a total projected capital cost of £10.2m.
- Responding to local demographics, local demand and the impact of under-occupancy regulations by continuing to develop one and two bedroom homes where practical.
- A further £5.4m to be invested in major repairs expenditure during 2015/16.
- A detailed evaluation of the best and worst performing 5% of the stock.
- Further measures to improve the number of repairs to be carried out internally by bringing services such as electrical works in-house.
- Continue with a comprehensive Welfare Reform mitigation strategy.
- Further develop the benefits from the new integrated IT system including improving the repairs appointments facility and mobile working integration, both aimed at improving efficiency and customer service.
- A full assessment of the impact of the breakdown of the RTB scheme.

14. The Board assurance of the VFM self-assessment

14.1 Much of the information within the self-assessment has previously been reviewed by members, either through the Audit Committee or main reports provided to the Board.

- The draft statement was reviewed by the Board on 29 July.
- The final amendments and updates will be carried out prior to publication on the TRH website on 30 September 2015.