

Railway Housing
Association

Value for Money
Self Assessment
2015/16

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Value for Money (VFM) Self Assessment 2015/16

1. Executive Summary

1.1 In accordance with the requirements of the VFM standard we have prepared a self assessment against the standard. The self assessment considers the following key areas:

- An understanding of the return on our assets
- Comparative costs of service delivery
- Our approach to securing VFM and VFM gains actually achieved.

1.2 Key strategic aims

1.2.1 The association's mission is 'to provide homes for today and tomorrow', and our VFM strategic goal is 'we will improve value for money throughout the organisation'. Through VFM we seek to ensure that resources are directed towards our key priorities and objectives, that there is a balance between costs and performance, i.e. successful outcomes are achieved for the right price, and that we maintain high levels of customer satisfaction. There may be circumstances where a higher cost may be acceptable or appropriate or a lower cost may result in a poorer service and therefore may not be desirable.

1.2.2 We first developed a formal VFM strategy in 2011 which has been updated annually and sets out to achieve the business strategy by:

- Improving our understanding of our current VFM position
- Achieving efficiency gains
- Increasing customer satisfaction
- Targeting resources towards frontline services
- Promoting and embedding a VFM culture
- Setting VFM performance targets
- Reporting performance to customers and ensuring they are consulted over where gains are directed to shape our services.

1.2.3 The strategy outlines our VFM objectives as follows:

- Deliver the business strategy, and achieve year on year efficiency gains of 5% of operating costs (a target of £185,615 For 2015/16)
- Achieve top quartile performance in comparison to similar housing associations in recognised sector indices
- Target resources to frontline services, to meet the needs of our customers
- Embed a VFM culture throughout the organisation, and
- Increase customer satisfaction levels.

1.3 Key achievements

1.3.1 During 2015/16 we made further progress in delivering the VFM strategy, with the following key achievements:

- The recommendations from the lettings and voids review that were implemented in the previous year led to significant improvements in performance, with the average relet time improving from 41.80 days to 35.01 days, and void losses reducing by more than £25,000
- The association's social return on investment was calculated demonstrating a social return of £2.26 for every £1 invested

- The new more challenging target for VFM savings of 5% of operating costs net of depreciation was achieved, with £192,700 (5.05%) saved during 2015/16
- Questions about VFM were included in the staff satisfaction survey for the first time, with more than 96% of staff agreeing that they understand what is meant by VFM and that they have received training, and 100% believing that they embrace VFM in day to day decision making and that they are encouraged to come up with ideas to improve VFM and achieve savings.
- 219 properties benefited from new boilers or other works which helped improve their energy efficiency and resulted in cost savings for residents

1.3.2 We also completed actions that we said we would in the VFM self assessment for 2014/15:

- All staff had at least one VFM related objective agreed at the time of their appraisal
- Options are reviewed for each high cost void before repairing and reletting to ensure that funds are spent appropriately on properties that maintain their viability
- Actions from service reviews in previous years were progressed and many were completed
- Options appraisals were carried out on schemes with the lowest net present values to identify any actions which could be taken to improve their performance.

1.4 Assets

1.4.1 We recognise that the value of our housing assets is significantly more than our current borrowing and we have plans in place to use these assets more efficiently and effectively to meet housing need.

1.4.2 The association's development policy aims to develop 15 units per annum. Early in 2015/16 10 new units were completed that had been developed during 2014/15, and a site was purchased for a development of 73 units over the financial years 2016/17 and 2017/18.

1.4.3 The net present value calculation that was updated for all properties in 2014/15 confirmed that all properties generate a positive return but there is a wide range of results. The average value is £27,885 with the lowest value being £8,035 and the highest £59,684. Two schemes with the lowest performance in the combined net present value and stock viability assessment were subject to an options appraisal process during the year to consider how we can improve their performance. Further investigations are underway in respect of one of these schemes, including costing the development of additional units on the site and obtaining a valuation for disposal. The process so far has not resulted in further investment, a change to the way the service is delivered, or disposal, however all are possible outcomes. In considering our options we will always be mindful of our core objective which is the provision of housing to those in need. Further schemes will be subject to options appraisals during the coming year.

1.5 Gains

1.5.1 During the year cashable gains were achieved as a result of a range of procurement activity and process reviews. The most significant savings are outlined below:

- Tendering of gas and electricity supplies for sheltered schemes and offices saved £42,627

- A contract for energy consultancy was renegotiated to a fixed fee saving £15,300
- A loan was completed from Affordable Housing Finance saving £20,450 per annum compared to the market rate for a similar term facility
- Improvements to the voids process saved £25,371 in void losses and £7,535 in council tax
- Renegotiation of a window cleaning contract saved £7,723
- Combining various non-urgent repairs into one contract saved £5,789.

1.5.2 The combined projects above and projects completed in previous years that achieved savings in 2015/16 of £100,947 resulted in total cashable savings of £189,548 for 2015/16. In addition to this, the association achieved non-cashable efficiency savings during the year of £3,152 bringing the total to £192,700 (5.05% of operating costs).

1.6 Efficiency






1.6.1 Operating margin is used as a measure of the efficiency of the organisation. This is our surplus of turnover after deducting operating costs, expressed as a percentage of our turnover. An operating margin of 17.6% was achieved during 2015/16 which is a decline on the previous year (19.7%), due to the recognition of the pension scheme deficit in operating costs following the introduction of FRS102. For comparison purposes, had the previous accounting regime continued the operating margin would have been 21.7%, and would have more than achieved our medium term aim of 20%. We acknowledge however that this should be better and we have set a budget for 2016/17 that will achieve 20.1%, to be followed by further improvement over the term of the financial forecast to 27.1%.

1.7 Benchmarking

1.7.1 Performance has been compared against our peers through Housemark core benchmarking and the Homes and Communities Agency's global accounts. We compared key financial, maintenance, housing management and satisfaction indicators with similar organisations and with the results for the previous year. The results were mixed, with top quartile results in relation to arrears, key resident satisfaction indicators, overheads and debt, and poorer performance in relation to repairs and maintenance costs and operating margin. We have set targets for improvement, including for our operating margin and repairs costs.

1.7.2 Some of our key benchmarking results, and the relevant quartile when compared with our selection of similar providers for 2015/16, are set out below:

Indicator	2013/14	2014/15	2015/16	2015/16 Quartile
Overall satisfaction with service	88.7%	90.9%	90.9%	★
Satisfaction with quality of home	92.4%	89.9%	89.9%	👉
Satisfaction that rent provides value for money	91.4%	93.1%	93.1%	★
Satisfaction with repairs & maintenance service	84.6%	87.8%	87.8%	★
Housing management cost per property	£600.03	£635.06	£567.21	👉
Current tenant arrears as % rent due	1.96%	1.76%	2.06%	★
Cost per property of major & cyclical works	£837	£1479	£1309	👉

Indicator	2013/14	2014/15	2015/16	2015/16 Quartile
Cost per property of void & responsive repairs	£816	£812	£852	
Percentage of properties that are non-decent	0.0%	0.0%	0.0%	
Debt per unit	£4648.8	£7983.6	£7704.9	
Overheads as a percentage of turnover	15.2%	14.2%	13.7%	
Operating margin	17.6%	19.7%	17.6%	

Quartile key:

Upper quartile  Middle upper  Median  Middle lower  Lower quartile 

1.7.3 Actions have already been completed to improve the performance of those indicators above that are currently lower quartile, and these will have an impact in future years:

- Cost per property of void works and responsive repairs is currently in the lower quartile. Action has been taken to address this, predominantly through the adoption of a schedule of rates.
- Operating margin is currently in the lower quartile. However the budget for 2016/17 indicates a margin of 20.1% and over the term of the ten year financial forecast further improvement is anticipated to achieve a margin of 27.1%.

1.7.4 All satisfaction indicators are currently upper or middle upper quartile which we believe is acceptable. Whilst satisfaction levels are important we do not believe that further investment in service improvement to achieve even higher levels of satisfaction would be prudent at this time.

1.7.5 The HCA has used the 2015 Global Accounts data to produce unit cost data for each registered provider, compared to sector level quartiles. The results for RHA show average total costs, low management and other costs, and high service charge and repair costs. The high service charge costs is due to the high proportion of housing for older people. We are aware of the association's high repair costs and have been working to improve performance in this area by introducing a schedule of rates to reduce costs and improve the information that we have on these repairs.

1.8 Future aspirations

1.8.1 Our business strategy for 2016-21 again includes a specific objective relating to VFM and a number of key actions to achieve it:

- Continue to improve our understanding of our current value for money position
- Promote and embed a value for money culture
- Achieve year on year efficiency savings
- Continue to agree with customers how value for money gains are used
- Optimise the future returns on assets
- Target resources towards front line services
- Maintain a high level of customer satisfaction with value for money
- Achieve top quartile performance in recognised value for money indices.

1.8.2 Targets have been set in relation to efficiency gains and operating margin that have been embedded in the budget setting, budget management and performance management processes. It is intended that these targets will continue to be achieved despite rents reducing by 1% per annum for 4 years.

1.9 Standard Compliance

1.9.1 The board continues to be committed to embedding VFM in the culture and decision-making processes of the association and thereby meeting the expectations of the standard.

1.9.2 We believe that the activities outlined above indicate compliance with the requirements of the VFM standard, while acknowledging that there is further work to be done.

1.9.3 The full VFM self assessment for Railway Housing Association is available at <http://www.railwayha.co.uk/downloads/value-for-money-13.pdf>.

2. Introduction

2.1 Background to the self assessment

2.1.1 This VFM self assessment is intended to provide a statement for our residents, board members, staff and all other stakeholders to demonstrate the progress we have made towards achieving value for money within Railway Housing Association (RHA).

2.1.2 Value for money is the relationship between economy, efficiency and effectiveness. Economy is the price paid for what goes in to providing a service, efficiency is how much you get out in relation to how much you put in, and effectiveness is the impact achieved. In the case of a service the impact relates to the customer experience and the outcomes for customers which can be measured in part by satisfaction levels.

2.1.3 VFM is high when there is a balance between all three and that is what RHA strives to achieve. In order to maximise VFM the needs of customers must be met by doing the right thing, in the right place, at the right time and at the right price.

2.1.4 Through VFM we seek to ensure that resources are directed towards our key priorities and objectives, that there is a balance between costs and performance and that we maintain high levels of customer satisfaction.

2.2 VFM aims and objectives

2.2.1 Our VFM goal is set down in our business strategy as 'we will improve value for money throughout the organisation'. RHA recognises that VFM is a fundamental consideration for all housing associations and is committed to maximising VFM to ensure the highest level of service is delivered to our customers.

2.2.2 The following strategic actions related to VFM were identified in the business strategy for 2015-2020:

- Use the evaluation of the costs and value of each scheme to determine how to improve the value and/or reduce costs at the lowest performing schemes
- Work to develop a shared understanding of VFM throughout the organisation
- Implement the action plans resulting from the value for money reviews of day to day repairs, procurement, housing management and asset management
- Develop an appropriate & proportionate approach to calculating the social return on assets and resources
- Introduce direct debits as a method for customers to make rent payments.

2.2.3 RHA first established a formal VFM strategy in April 2011 and it has since been reviewed on an annual basis. The strategy includes a VFM action plan that sets out the key tasks that are required to achieve the objectives of the strategy.

2.2.4 The strategy sets out to achieve the business strategy by:

- Improving our understanding of our current VFM position
- Achieving efficiency gains
- Increasing customer satisfaction
- Targeting resources towards frontline services
- Promoting and embedding a VFM culture
- Setting VFM performance targets
- Reporting performance to customers and ensuring they are consulted over where gains are directed to shape our services.

2.2.5 The VFM strategy outlines the drivers for VFM, the association's current position and VFM objectives as follows:

- Deliver the business strategy and achieve year on year efficiency gains of 5% of operating costs (£185,615 in 2015/16)
- Achieve top quartile performance in comparison to similar housing associations in recognised sector indices
- Target resources to frontline services, to meet the needs of our customers
- Embed a VFM culture throughout the organisation, and
- Increase customer satisfaction levels.

3. How we manage and monitor VFM

3.1 Business strategy

3.1.1 VFM is a specific organisational goal and a central theme to the business strategy. RHA's mission is 'providing homes for today and tomorrow'.

3.1.2 The business strategy for 2015-20 also included a number of specific actions in relation to VFM and these are referred to in paragraph 2.2.2 above.

3.1.3 Our business strategy covers a five year period and is reviewed by the Board on an annual basis, with a major review every five years. A major review was carried out during 2015/16 and further reinforced the importance of VFM to the association.

3.1.4 Our strategic goals have been developed as a means of achieving our vision of 'providing homes for today and tomorrow'. The strategic goals are focused on

continuing to improve the service to our residents, ensuring that there are increasing opportunities for involvement and maintaining high levels of customer satisfaction. The goals also focus on ensuring that our major assets i.e. our properties are well maintained and fit for purpose to meet future requirements of residents, which should ensure that demand remains high and those assets perform well into the future. Value for money is central to the achievement of our strategy.

3.2 Budgets and financial management

- 3.2.1 The Board considers and approves the budget on an annual basis. The budget is constructed following bids from budget holders who are required to produce substantial evidence to support their bid. The evidence must demonstrate how the bid will contribute towards the association's strategic goals, service improvement and VFM. This process ensures that resources are appropriately directed to meet strategic aims. Benchmarking data is also considered by the Board in relation to each budget bid so that the current VFM performance and the potential impact on that performance are understood.
- 3.2.2 The Board also approves the ten year financial forecast on a rolling annual basis, and when any changes in the external environment may impact on the forecast, to ensure that sufficient resources are available to meet spending requirements and covenants will continue to be met in the medium term. For the longer term a 30 year financial plan is in place to ensure the long term viability of the association particularly in terms of future planned maintenance requirements.
- 3.2.3 The Board reviews management accounts on a quarterly basis following monthly reviews by the senior management team. The Board receives a quarterly balanced scorecard which includes VFM indicators, performance against the savings target and financial data, in addition to other key performance indicators to enable the Board to review progress towards achieving the business strategy, including the VFM strategic goal.

3.3 Scrutiny and review

- 3.3.1 A VFM steering group has been established whose responsibilities include:
- The annual review and update of the VFM strategy for recommendation to the senior management team (SMT) and the Board
 - Agreement of a programme of service reviews for recommendation to SMT
 - Agreement of the VFM action plan for recommendation to SMT and the Board and monitoring of progress against the action plan
 - Monitoring of VFM reviews and outcomes
 - The annual review of the VFM self assessment for recommendation to SMT and the Board
 - Agreement of the VFM efficiency savings target annually for recommendation to SMT and the Board and monitoring of the achievement of the efficiency savings target
 - Monitoring of the VFM project register
 - Review of the annual Housemark benchmarking report and identification of areas for improvement and further analysis
 - The agreement of VFM performance indicator targets annually for recommendation to SMT and the Board and monitoring of performance against approved targets
 - The annual review and update of the procurement strategy for recommendation to SMT and the Board and review of business cases for changes to procurement arrangements.

- 3.3.2 The group is made up of staff at all levels of the organisation and has representation from residents and a Board member. This wide representation helps to ensure that VFM is embedded throughout the organisation. The steering group is key to the delivery of the VFM strategy.
- 3.3.3 A resident scrutiny panel was established in 2011. The scrutiny panel has since its establishment selected a number of service areas for review and has in particular been involved in a VFM review of the repairs and maintenance service. The panel considers matters from the perspective of the residents and has been helpful in providing VFM guidance and making suggestions on service changes leading to improved service or reduced costs. A member of the scrutiny panel sits as the resident representative on the VFM steering group.
- 3.3.4 Resident focus groups are well established and are the principal means of consultation with residents on service changes and improvements, and also on the budgeting process. Following consideration of the annual budget by the Board, the resident focus groups are consulted on the budget proposals and their views fed back to the Board prior to the budget being finalised. VFM is a standard agenda item for focus groups as we are keen to obtain residents ideas, suggestions and feedback with regard to VFM.

3.4 Benchmarking

- 3.4.1 The association engages in regular benchmarking activities with its peers. The principal benchmarking mechanism is Housemark and paragraph 4.4.7 of this document provides comparisons drawn from the most recent Housemark core benchmarking report.
- 3.4.2 A further means of benchmarking is through the HCA Global Accounts and the results of this comparison are provided in paragraph 4.4.9 below. In addition, the HCA has recently provided the association with unit cost data derived from the 2015 Global Accounts compared to the sector as a whole, and the results of this are also considered in paragraph 4.4.10.

3.5 Procurement strategy

- 3.5.1 The purpose of the procurement strategy is to communicate a clear framework for the procurement of all goods, works and services that will support the delivery of the association's business strategy. The procurement strategy encompasses the value for money requirements set out in the association's VFM strategy and has full regard for the approved financial regulations and standing orders.
- 3.5.2 The objectives of this procurement strategy are as follows:
- Achieve value for money in the provision of goods, works and services
 - Ensure resident involvement in the procurement process for the works and services that most affect them
 - Increase efficiency and lower transaction costs through the use of modern procurement methods and new technology
 - Ensure staff have sufficient skills and training to be able to undertake procurement effectively.
- 3.5.3 The strategy is intended to influence the direction that employees take in the procurement and purchasing of all goods and services, to ensure that VFM is maintained and enhanced, and the VFM strategic goal is achieved.

3.6 Service reviews and action plans

- 3.6.1 Further progress has been made in implementing the recommendations from the VFM reviews carried out in previous years on the day to day repairs service and procurement. Progress continues to be tracked and monitored through the corporate action plan for the remaining actions.
- 3.6.2 Recommendations from the wider review of the housing and asset management functions carried out in 2013/14 have been incorporated into the corporate action plan with most now completed or underway.

4. How we are performing in relation to VFM

4.1 Assets

- 4.1.1 In last years self assessment we reported the results of the net present value (NPV) review of assets which assessed the performance of each scheme and property. The model is updated biennially with current plans and recent performance, and the latest update in 2014/15 resulted in an increased average value of £27,885 with the lowest value being £8,984 and the highest £61,218.
- 4.1.2 We continue to use a combination of the NPV results with our stock viability assessment to monitor overall performance of our stock and to establish which schemes should be subject to an options appraisal to consider how performance can be improved.
- 4.1.3 The association's properties are spread over a relatively wide geographical area, with only a small number of units in some remote locations. This combined assessment enables the performance of the association's assets and resources to be better understood and options for improving performance to be considered.
- 4.1.4 The results of the review confirm that all schemes generate a positive return although there is a wide range of results. Options appraisals continue to be undertaken for those schemes with the poorest performance.
- 4.1.5 Options appraisals for the two most poorly performing schemes were completed in 2014/15 and for the next two most poorly performing schemes in 2015/16. The latest options appraisal was presented to the board in December 2015, which considered the reasons for the scheme attracting a low score within the combined assessment and how these might be addressed. The options appraisal also considered the demand for the property in terms of meeting local housing need, and then a range of options which may be available to deal with the situation including a management arrangement with another provider, investing in refurbishment or remodelling, demolition, redevelopment and disposal. The board decided that further investigations should be carried out to establish if further development of the site would be feasible to increase the number of units, and requested a valuation in relation to disposal to another provider.
- 4.1.6 We invested significantly in our assets during the year including works to improve the energy efficiency of our homes. Inefficient electric storage heaters were replaced with energy efficient electric heating systems at 78 properties. Energy efficient gas boilers were installed in 21 individual properties replacing older outdated boilers, and new central boilers were installed in 2 sheltered schemes providing improved heating to a total of 66 homes. Evidence suggests that these will achieve savings in energy bills for residents in the region of £350.

- 4.1.7 In addition to improvements to heating systems a door replacement programme commenced in the previous year was completed to improve both thermal insulation and security. External wall insulation was completed on 11 properties early in 2016/17, the programme being limited due to the unavailability of grant funding. We believe that the works programmes outlined above demonstrate that the association has allocated resources in an efficient way and focused resources where they will have the most sustainable impact.
- 4.1.8 During the year there were 10 new homes completed early in April 2015. However plans were refined for a total of 73 units that will be developed over the financial years 2016/17 and 2017/18. These will be financed by a combination of loan funding from Affordable Housing Finance that has been taken at a historically low effective rate of 2.919%, and grant.
- 4.1.9 The way in which we procure maintenance works was changed in 2015/16 and with effect from January 2016 a schedule of rates system was put in place. This will enable us to have a much clearer picture of the detail of maintenance expenditure and to negotiate beneficial rates with contractors. It has also meant that the number of contractors has been reduced resulting in savings on staff time involved in the administration of contracts and the payment of invoices.
- 4.1.10 A process to review the future of each property which has been assessed as being a high cost void was introduced in 2015/16. This involves carrying out what is effectively a mini options appraisal to establish whether any action other than repairing and re-letting would produce a better return. We will continue to be mindful of the association's core objective – the provision of housing to those in need – with demand being the principal driver in these decisions.

4.2 VFM improvements and gains

- 4.2.1 VFM improvements or gains occur when reduced costs achieve the same level of service or outputs, or additional outputs are achieved for the same cost, or a proportionately greater increase in outputs is achieved for a lower increase in cost.
- 4.2.2 During the year cashable gains were achieved through a range of procurement activity and process reviews. The more significant savings are outlined below:
- Tendering of gas and electricity supplies for sheltered schemes and offices saved £42,627
 - A contract for energy consultancy was renegotiated to a fixed fee saving £15,300
 - A loan was completed from Affordable Housing Finance saving £20,450 per annum compared to the market rate for a similar term facility
 - Improvements to the voids process saved £25,371 in void losses and £7,535 in council tax
 - Renegotiation of a window cleaning contract saved £7,723
 - Combining various non-urgent repairs into one contract saved £5,789.
- 4.2.3 The combined projects above and projects completed in the previous year resulted in total cashable savings of £189,548 for 2015/16. In addition to this, the association achieved non-cashable efficiency gains during the year of £3,152 bringing the total to £192,700 (5.05% of operating costs).
- 4.2.4 During the year actions were also taken which had a positive impact on service delivery and the resident experience, in accordance with actions planned within the business strategy, for example steps were taken to improve the energy

efficiency of properties which resulted in cost savings to residents (see 4.1.6 and 4.1.7 above).

4.2.5 The VFM self assessment for 2014/15 made reference to actions within the VFM action plan which were proposed for the year 2015/16. The table below summarises the progress in completing those actions and their anticipated or actual outcomes:

Action	Target date	Outcome	Progress
Complete a VFM self assessment annually	Jun 2015	Compliance with HCA standard and demonstrates progress made on VFM journey	Completed and approved by the board in June 2016
Identify at least one VFM related objective for all members of staff	Jun 2015	Supports the process of embedding VFM throughout the association and should result in additional VFM savings	Completed, all staff now have at least one VFM objective
Review the options for each void property before repairing and re-letting	Mar 2016	Ensures that void properties are routinely considered and funds are spent appropriately on properties that maintain their viability	Completed in respect of higher cost voids
Complete options appraisals for the schemes with the lowest net present values	Mar 2016	Ensures that schemes with lower values are subject to scrutiny and that action can be taken to improve their values	Another options appraisal was carried out on a lower value scheme during the year leading to two options being considered further

The business strategy for 2015/20 included the following actions relating to VFM and progress made during the year in respect of each is indicated in the table below:

Action	Target date	Progress during 2015/16
Use the evaluation of the costs and value of each scheme to determine how to improve the value and/or reduce costs at the lowest performing schemes	2015-16	Work is ongoing to carry out options appraisals on the poorest performing schemes
Implement the action plans resulting from the value for money reviews of day to day repairs, procurement and the housing and asset management services	2015-20	As noted in paragraph 3.6.1 above further actions have been completed

Action	Target date	Progress during 2015/16
Use the evaluation of the costs and value of each scheme to determine how to improve the value and/or reduce costs at the lowest performing schemes	2015-16	Work is ongoing to carry out options appraisals on the poorest performing schemes
Continue to implement our VFM strategy	2015-20	All of the actions in the VFM strategy plan scheduled for completion in 2015/16 have been completed
Continue to benchmark the cost and performance of our services and address issues to improve our performance	2015-20	Benchmarking is carried out through HouseMark annually as detailed in paragraph 4.4.5
Develop a plan annually to address any issues arising from benchmarking of services costs	2015-20	A plan is developed in January each year to identify any actions that are required to improve RHA's performance
Work to develop a shared understanding of Value for Money throughout the organisation	2015-16	The importance of VFM is stressed with staff through training, the suggestion scheme and the VFM steering group; the results of a recent staff survey indicate that staff routinely consider VFM throughout the organisation (paragraph 4.6.2)
Develop an appropriate and proportionate approach to calculating the social return on assets and resources	2015-16	An approach was developed and an assessment made during 2015/16 with the assistance of an external consultant (paragraph 4.5)
Introduce direct debits as a method for customers to make rent payments	2015-16	Complete

4.3 Service level analysis

- 4.3.1 We continue to develop service level assessments to provide a much more detailed analysis of how individual service areas are performing, to enable us to identify more readily those areas where we perform well and accurately target the areas where improvement is required.
- 4.3.2 Through the net present value review and stock viability assessment we can already identify individual unit and scheme performance as stated elsewhere in this report, and this data has been used to identify the schemes and properties that are performing less well than others and carry out options appraisals to consider what the most appropriate course of action is.
- 4.3.3 Performance data is collected at a local level based on housing management localities and this has enabled us to identify areas of concern on a geographical basis, for example if there are inconsistent trends in rent arrears levels, property turnover or void periods. This enables us to ensure that resources are appropriately targeted in the future.

4.4 Efficiency and effectiveness

- 4.4.1 In assessing our journey towards maximising VFM we need to consider how efficiently we deliver our services to residents. We can use a number of methods of assessing how efficient we are, by measuring our own performance year on year to establish the overall trend and by comparing ourselves with other similar organisations.
- 4.4.2 An important measure of performance in terms of overall efficiency is our operating margin. This is our surplus of turnover after deducting operating costs, expressed as a percentage of our turnover. The higher the percentage then the more efficient we are. This can be considered in a year on year comparison which gives the following result:

Table 1 operating margin

	2015/16	2014/15 restated	2013/14	2012/13
Turnover	6,977,378	6,699,723	6,115,775	5,807,345
Operating costs	5,746,537	5,373,754	5,040,974	4,806,506
Operating Surplus	1,230,841	1,325,969	1,075,801	1,000,839
Operating margin	17.6%	19.8%	17.6%	17.2%

- 4.4.3 We acknowledge that our performance declined during 2015/16, due to the recognition of the pension scheme deficit in operating costs following the introduction of FRS102. For comparison purposes, had the previous accounting regime continued the operating margin would have been 21.7%, and would have more than achieved our medium term aim of 20%. We have set a budget for 2016/17 that will achieve 20.1%, to be followed by further improvement over the term of the financial forecast to 27.1%.
- 4.4.4 We also consider how we compare with other organisations through the Housemark benchmarking service and the HCA Global Accounts. In benchmarking we have identified organisations which share characteristics with us in terms of size and location in particular and also in terms of resident profile. As social housing organisations vary widely it is difficult to find an exact match and this is taken into account when comparing performance against others.
- 4.4.5 Using HouseMark data we have benchmarked RHA against the organisations listed below for 2015/16. Changes have been made to the peer group either due to the unavailability of data, due to those organisations ceasing to exist, or due to their joining other group structures. The organisations shown in bold have been introduced to the list for 2015/16 to replace those which are unavailable.
- Arches Housing
 - Arcon Housing
 - **Connect Housing**
 - Durham Aged Mineworkers Homes Association
 - Endeavour Housing Association
 - Leeds and Yorkshire Housing Association

- Nehemiah UCHA
- Pickering and Ferens Homes
- **Staffordshire Housing Association**
- **Trident Housing Association**
- Warrington Housing Association

4.4.6 All of these organisations are North of England or Midlands based and managing between 1,000 and 2,500 units, in comparison to RHA's 1,504. Two are more specialist providers of older person's accommodation which constitutes around 70% of our customer base.

4.4.7 We have selected some key business areas to benchmark against, including overheads, key financial indicators, service delivery and resident satisfaction indicators. These key benchmarking statistics and an indication of the areas where we seek to make improvements in future years are summarised at appendix 1.

4.4.8 The VFM self assessment for 2014/15 identified improvement targets for a total of 15 benchmarked performance indicators. As can be seen at appendix 1, six indicators had achieved their target when the benchmarking results became available for 2014/15 and four of these exceeded their target. For 2015/16 seven improvement targets have been identified.

4.4.9 We have also benchmarked our performance using the Homes and Communities Agency's Global Accounts data, using a national sample of organisations with under 5,000 units. The results for the year ended 31 March 2015 as set out in table 6.

Table 6 HCA Global Accounts 2014/15

	RHA (£)	Average (£)
<i>GBV per property</i>	49,469	60,582
<i>Loan per property</i>	7,984	23,254
<i>Management cost per property</i>	712	1,151
<i>Routine repair costs per property</i>	894	689
<i>Planned repair costs per property</i>	292	249
<i>Total repair costs per property</i>	1,186	938
<i>Turnover per property</i>	4,404	5,659
<i>Surplus per property</i>	515	1,187

4.4.10 The HCA has used the 2015 Global Accounts data to produce unit cost data for each registered provider, compared to sector level quartiles. The results for RHA show average total costs, low management and other costs, and high service charge and repair costs. The high service charge costs is due to the high proportion of housing for older people. We are aware of the association's high repair costs and have been working to improve performance in this area; in 2015/16 a schedule of rates was introduced to reduce costs and improve the information that we have on these repairs. The cost data supplied by the HCA is attached at appendix 2.

4.4.11 The results of our benchmarking still demonstrate mixed performance for RHA although improvements have been made, and we will continue to work towards the improvement targets that have set ourselves. One of the objectives within the VFM strategy is to achieve top quartile performance against our peers in relation to key VFM indicators. This is achieved particularly in relation to arrears, some aspects of repairs and key resident satisfaction indicators, however we are aware

that there is further work to do in relation to repairs and maintenance costs and some of the core housing management activities.

4.4.11 The service reviews which have been carried out have covered a number of these areas and the delivery of the action plans associated with the reviews will result in improvements in performance.

4.5 Social Value

4.5.1 During 2015-16 we developed an approach for measuring the social value of the association's activities using the Social Return on Investment (SROI) framework with the assistance of an independent consultant. Through a comprehensive programme of consultation with a relevant sample of stakeholders we identified six material outcomes for all residents from using the association's services:

- Safer home better suited to needs and lifestyle
- Feeling more included in the community
- Better more personal service
- Better informed and able to deal with issues
- Well maintained home by trusted people
- More included in decision making.

4.5.2 Residents of sheltered schemes experienced a further three material outcomes:

- Reduced isolation
- Increased independence
- Increased confidence.

4.5.3 A ratio of return was calculated by dividing the value of the impact, from extensively researched proxies, by the value of the investment. The return is £2.26:£1, i.e. for every £1 of investment in the association £2.26 of social value is created. The majority of this value (89%) is created for residents with an average of £8,864 of value created per individual sheltered scheme resident, and £4,802 each for other residents. The SROI analysis also identified that the association is creating £500k of value for the Government/public sector.

4.6 Culture

4.6.1 A VFM culture is essential to the delivery of our VFM strategic goal. Through our VFM strategy we aim to develop a culture of efficiency and VFM throughout the organisation, through training, briefings, team meetings and individual performance management.

4.6.2 In October 2015 we surveyed staff on their understanding of VFM and the association's culture in relation to VFM. 26 out of 33 members of staff completed the survey, with the results demonstrating a strong VFM awareness as summarised in the table below:

Table 7 Staff Satisfaction Survey 2015/16

	Agree	Disagree
I understand what is meant by value for money	96.2%	3.8%
I am able to define what value for money is	96.2%	3.8%
I am aware of the association's value for money strategy	100.0%	0.0%
I have received training on value for money	96.2%	3.8%
I believe that the association is a value for money driven organisation	92.3%	7.7%

	Agree	Disagree
I believe that I embrace value for money in my day to day decision making	100.0%	0.0%
I can provide examples of how value for money is used in decision making by my department	96.2%	3.8%
I am encouraged to come up with ideas that result in value for money savings and improvements	100.0%	0.0%

4.6.3 The VFM steering group continues to develop, with all members gaining in knowledge and confidence and increasingly providing challenge to current practices and performance. The steering group oversees the VFM suggestion scheme that is open to staff and residents, and which generated more suggestions in 2015/16 than in the previous year, contributing to the achievement of the savings target. The steering group has selected the suggestion of the year, a review of magazine subscriptions saving approximately £500 per annum. The member of staff responsible for this suggestion will attend the residents' conference in June to receive their reward which should encourage residents and other members of staff to make suggestions.

5. Future plans and aspirations

5.1 Business strategy

5.1.1 The business strategy for 2016-2021 again includes a specific objective relating to VFM and the theme of VFM runs through all of the objectives within the business strategy. More specifically the following actions relate to VFM:

- Continue to improve our understanding of our current value for money position
- Promote and embed a value for money culture
- Achieve year on year efficiency savings
- Continue to agree with customers how value for money gains are used
- Optimise the future returns on assets
- Target resources towards front line services
- Maintain a high level of customer satisfaction with value for money
- Achieve top quartile performance in recognised value for money indices.

5.2 VFM targets

5.2.1 As stated in paragraph 4.4.7 above we have targets for improvement against our peers in a number of areas. Additionally we have set a target of 5% of operating costs for VFM savings in the 2016/17 financial year. In terms of the budget this equates to £185,574.

5.3 VFM action plan

5.3.1 For the coming year we have agreed a number of key actions within the VFM and procurement action plans and these are summarised in table 7 below:

Table 7 VFM actions 2016/17

Action	Target date	Anticipated outcome
Complete a VFM self assessment annually	Jun 2016	Compliance with HCA standard and demonstrates progress made on VFM journey
Identify at least one VFM related objective for all members of staff annually	Jun 2016	Supports the process of embedding VFM throughout the association and should result in additional VFM savings
Continue to complete options appraisals for the schemes with the lowest net present values	Mar 2017	Ensures that schemes with lower values are subject to scrutiny and that action can be taken to improve their values
Continue to implement the action plans resulting from the VFM reviews of day to day repairs, procurement, voids/lettings, and housing management and asset management services	Mar 2017	More effective and efficient services
Procurement review	Mar 2017	Ensure that procurement arrangements are effective and comply with all relevant legislation and good practice
Develop a five-year programme of VFM service reviews covering all areas of the organisation	Mar 2017	Ensure that all services are subject to scrutiny regularly and that agreed actions have been successfully implemented
Determine VFM targets for all service areas for inclusion in the performance management process	Feb 2017	The performance of every service is understood and measured and reported regularly
Consider establishing a service review framework	Mar 2017	The preferred approach to service reviews is identified and adopted to ensure the process is effective

5.4 Service reviews

5.4.1 As stated elsewhere in this report service reviews have been carried out in the following areas:

- Day to day repairs
- Procurement
- Voids and lettings
- Housing management
- Asset management.

5.4.2 During the course of the coming year the action plans resulting from these reviews will continue to be implemented and where a review has indicated the

need for further investigation then this will be planned in. Additionally during the coming year a programme of service reviews will be developed that will address the areas of the business which have not been subject to earlier reviews to ensure that efficiency and effectiveness is optimised throughout the organisation.

6. Evidence for the Board

- 6.1 The Board is provided with a number of reports to ensure that VFM is central to the work of the association and to ensure that the Board leads on VFM and meets its responsibilities under the VFM standard.
- 6.2 This statement has been reviewed and approved by the Board and provides assurance that we are meeting our VFM objectives and responsibilities.
- 6.3 The annual budget is considered in detail and approved by the Board, and includes VFM targets.
- 6.4 The Audit Committee monitors the risk register at each meeting, which includes VFM as one of the association's key strategic risks. Progress in managing this risk is therefore under regular scrutiny.
- 6.5 Management accounts are received by the Board on a quarterly basis which enables the Board to monitor progress against budget.
- 6.6 The balanced scorecard includes VFM indicators which enable the Board to review and monitor progress in respect of VFM. For 2015/16 these included:
- VFM savings achieved as a percentage of total revenue spend
 - Percentage of improvement targets achieved within timescales
 - Performance against budget
 - Percentage of current rent arrears
 - Void loss
 - Quartile position for total cost of repairs and void works
 - Ratio of planned/responsive repairs
 - Average net present value (of housing properties)
 - Percentage of properties re-let within target of 25 days
 - Average energy efficiency rating
 - Percentage of properties achieving minimum SAP rating of 55
 - Percentage of residents that are satisfied that their rent represents VFM
 - Percentage of residents satisfied with the overall service
 - Number of days of absence due to sickness per employee per annum.
- 6.7 The VFM strategy is recommended to the Board by the VFM steering group and is reviewed on an annual basis including an update on achievements and progress made on the action plan.
- 6.8 A Board member sits on the VFM steering group.
- 6.9 All Board reports include as a standard consideration the VFM implications of the recommendations so that VFM is considered by the Board as part of every decision.

Background papers

The following documents have direct links to this self assessment:

The VFM strategy <http://www.railwayha.co.uk/downloads/vfm-strategy-193.pdf>

The business strategy

<http://www.railwayha.co.uk/about/publications/category/corporate-5/>

Benchmarking Results

Indicator	Sample Size	2013/14		2014/15		2015/16		Improvement Target
		Result	Quartile	Result	Quartile	Result	Quartile	
Financial and overheads								
Debt per unit	9	4648.8		7983.6		7704.9	*	
Growth in turnover	10	5.3		4.6		4.2	*	
Operating margin	10	17.6		19.7		17.6	*	
EBITDA	10	369.5		272.4		254.5	*	
Overhead as % turnover	10	15.2		14.2		13.7		
Housing management								
Cost per property	10	613.60		635.88		567.21		
Current tenant arrears as % rent due	10	1.96		1.76		2.06		
% rent collected	10	100.1		99.9		99.4		
Tenancies terminated as % properties managed	10	10.00		10.15		10.99		
Average re-let time	10	48.91		39.75		21.76		
Direct cost of resident involvement	10	76.78		81.03		59.13		
Asset management								
Cost per property of major works and cyclical maintenance	10	856		1479		1309		
Cost per property of responsive repairs and void works	10	835		813		852		
Average number of responsive repairs per property	10	2.4		2.6		2.6		
% non decent dwellings	10	0.0		0.0		0.0		
Average SAP rating	9	70.8		74.6		70.4		
Resident satisfaction								
Overall satisfied with service	10	88.7		90.9		90.9		
Satisfied with quality of home	10	92.4		89.9		89.9		
Satisfied with neighbourhood	10	93.6		92.9		92.9		
Satisfied that rent represents VFM	10	91.4		93.1		93.1		
Satisfied with repair service	10	84.6		87.8		87.8		
Satisfied that views are being listened to and acted upon	10	83.7		81.7		81.7		

Upper quartile Middle upper Median Middle lower Lower quartile No data

* Quartile relates to the Northern & Midlands HA Club (31 organisations in total) as there are insufficient results from the association's selected peer group

2014/15 Global Accounts Unit Cost Data

Cost data:

Entity	Closing social housing units managed	Headline social housing cost CPU (£k)	Management CPU (£k)	Service charge CPU (£k)	Maintenance CPU (£k)	Major repairs CPU (£k)	Other social housing costs CPU (£k)
Railway Housing Association	1,420	3.5	0.71	0.58	1.19	0.92	0.1
Sector level data:							
Upper quartile		4.30	1.27	0.61	1.18	1.13	0.41
Median		3.55	0.95	0.36	0.98	0.80	0.20
Lower quartile		3.19	0.70	0.23	0.81	0.53	0.08

Key contextual information:

Entity	% supported housing	% housing for older people	Provider type	Date of largest transfer	LSVT age	Region	AHHE regional wage index (England = 1)
Railway Housing Association	0%	62%	Traditional			North east	0.91
Sector level data:							
Upper quartile	4%	15%					
Median	1%	8%					
Lower quartile	0%	4%					