



**Value for money**  
**Self-assessment statement 2016/17**

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## 1.0 Strategic overview

### 1.1 Role of the Board

1.1.1 The Board has a strong commitment to delivering Value for Money (VFM), seeking an appropriate balance between cost, performance and quality and ultimately customer satisfaction. The Board considers VFM to be critical to achieving its corporate themes, which are detailed in the updated 2017-20 corporate plan.

1.1.2 The Board has a 'hands on' role in developing the VFM strategy, reviewing the published self-assessment and ensuring it gains an understanding of its operating costs and returns on assets. It appraises VFM performance throughout the year and quarterly performance reports are scrutinised by the by the Board.

### 1.2 VFM Strategy and Framework

1.2.1 The VFM Strategy incorporates planning and financial management (including zero based budgeting, delegated budget responsibility, monthly budget monitoring reports), satisfaction surveys, tenant involvement and return on assets.

### 1.3 Review of VFM approach

1.3.1 At TRH the VFM approach is embedded in our day to day activities and we have adopted a dynamic approach to managing resources and generating cost efficiencies in order to provide investment in much needed affordable homes.

1.3.2 In recognition of the new operating environment, especially the introduction of the -1% rent reduction for four years from April 2016, it has been necessary to adjust our VFM approach. In addition to the established VFM practices, targets and approach the following additional changes have been made;

- A real reduction in management costs a part of the budget process
- A planned reduction of £100k per annum in responsive repairs expenditure
- An additional reduction of £100k per annum in relation to management costs.
- Each of the above two measures to be implemented for the next four years and they are additional to other VFM targets.

### 1.4 Key delivery areas in 2016/17

- The achievement of the £121k budget saving as agreed in the annual budget and ensuring the achievement of a strong operating performance with a margin of 32%.
- Aggregate savings in expenditure in relation to the set budget of £1,078k.
- Targeted VFM savings forming part of the above totalling £320,186.
- Real terms operating cost efficiency reductions in costs per unit and good performance compared to the social housing cost per unit for 2015/16.

- Good treasury management savings with all Board targets met.
- Comprehensive review of stock condition expenditure profile, resulting in savings in annual spend without compromising quality.
- We have continued with the welfare mitigation strategy by employing dedicated debt and welfare advisors who have been able to greatly assist tenants in claiming benefits they are entitled to.

## 1.5 Approval process

1.5.1 The 2016/17 VFM self-assessment was approved by the Audit Committee on 13 July 2017 and the Board on 10 August 2017. It will be presented to the HCA as part of the regulatory requirement. It is publically available at the TRH website as follows: <https://www.tworivershousing.org.uk/custom-content/uploads/2017/07/Value For Money Self Assessment 2016 17.pdf>

## 2.0 **Assessment of performance in 2016/17**

### 2.1 Introduction

2.1.1 Our self-assessment demonstrates how the embedding of VFM into our strategic day to day work supports TRH's corporate themes, the need of its stakeholders and the HCA VFM standard. It illustrates our understanding of our resources and assets and how we manage them in pursuit of our objectives. Effective cost control has maintained strong financial performance in the form of operating margins and surpluses, and adding value to the communities within which TRH operates. However it also highlights areas for improvement and how we are planning to improve. The assessment consists of the following elements:

- VFM performance targets.
- Cost reduction programme targets.
- Operating cost efficiencies 2014/15 – 2016/17.
- Benchmarking - HCA variation analysis.
- Benchmarking – HouseMark.
- Performance and satisfaction.
- Making the most of our assets.
- Effective treasury management.
- Adding social value.

2.1.2 Many of these elements have formed the basis of reports to the Board, and its delegated committees as part of the ongoing assessment of performance throughout the year.

### 2.2 VFM performance targets for 2016/17

2.2.1 These simple and high level set of targets are monitored over a period of time. Any significant variation prompts further investigation and improvement actions where appropriate. The position for 2016/17 together with the results for 2012/13 to

2015/16, to show the direction of travel, is summarised in table 1 below. 2011/12 and prior years have been previously reported.

**VFM performance position for 2016/17 (Table 1)**

			2012/13	2013/14	2014/15	2015/16	2016/17	2016/17
				Actual	Actual	Actual	Budget	Actual *
			£000s	£000s	£000s	£000s	£000s	£000s
<b>Operating Margin</b>								
	<b>Operating Surplus</b>		5,455	5,126	5,297	5,944	4,549	6787
	<b>Operating Margin</b>		30.67%	26.44%	25.63%	28.46%	21.71%	32.40%
	<b>Operating Costs Per Property per week</b>		62	70	75	76	82	72
	Operating Costs as a % of turnover		69%	70%	71%	72%	78%	68%
	<b>Employee targets</b>							
	Properties per employee		29.8	31.1	31.4	31.3	29.9	30.4
	Turnover per employee		142,272	161,575	172,200	172,579	163,664	167,576
	<b>Responsive Repairs</b>							
	Number of repairs per property		3.5	3.7	3.7	3.8	3.8	3.9
	Average cost per repair		118	112	131	127	126	125
	Average cost per property		418.98	418.03	480.28	485.54	478.50	484.26
	<b>Void Repairs</b>							
	Average Cost per void		1,981	2,007	2,665	2,321	2,426	1,579
	Voids during year as a percentage of stock		9.76%	10.78%	8.19%	7.54%	7.83%	7.11%

*\*2016/17 figures are provisional and are subject to year end adjustments and external audit.*

The explanations underlying the figures in table 1 above are set out below.

## 2.3 Operating margin

2.3.1 This represents a useful headline indicator of financial performance. Operating surplus and margin significantly surpassed the target for 2016/17 which is mainly attributed to operating costs for many budget headings being lower than budget. The margin also includes a small surplus attributable to first tranche shared ownership sales of £432k.

2.3.2 Healthy operating surpluses and margins have been a consistent source of financial capacity that has facilitated reinvestment in support of TRH's objectives. For example through reinvesting in IT systems to enhance customer service and enable staff to operate more efficiently. Furthermore while additional loan funding has been secured over a number of years, these surpluses have ensured TRH is not solely dependant on debt funding to fund its development and achieve its stated objectives of providing affordable housing solutions. The surplus and margin for 2016/17 is indicative of the balanced approach that the Board approved in its mitigation strategy which was a response to the 1% rent reductions and further welfare reforms. Whilst cost reductions are an integral part of this strategy, the Board's strategy is not solely dependent on cost reduction. By continuing to undertake development TRH has continued to enhance its income stream.

## 2.4 Operating costs

2.4.1 Operating costs per property are slightly lower than the previous year whilst the actual performance for 2016/17 was significantly better than target. Operating costs as a percentage of turnover illustrates a performance better than both targets and previous years as a consequence of continued cost control across the business. It should be noted that the operating cost per property, and operating costs as a percentage of turnover measure, exclude shared ownership first tranche sales.

## 2.5 Per employee targets

2.5.1 Properties per employee have improved slightly this year due to the increase number of properties held during the year. The number of staff employed has also increased by four compared to the previous year, which is why the turnover per employee has fallen slightly compared with the previous year.

2.5.2 Both per employee performances are ahead of targets.

## 2.6 Responsive repairs

2.6.1 The average number of repairs per property has increased slightly, while the average cost per repair and average cost per property has remained similar to previous years.

2.6.2 A working group has been investigating the cost of the responsive repairs service, having recognised that the HouseMark comparisons as well as the HCA cost comparisons indicate that TRH responsive repair costs are high relative to peers. Consequently a target has been set of reducing the absolute of the responsive repairs service by £100k per annum for each of the next four years.

2.6.3 In the current year the electrical service has been brought in-house with the intention of both increasing customer satisfaction, as well as reducing costs.

2.6.4 In the last year the STAR satisfaction service has indicated that satisfaction with the repairs service has increased from 75% to 85%. This is a reflection of the changes made in relation to how the scheduling system works to ensure appointments made are kept, and all repairs are completed in a timely manner.

## 2.7 Void repairs

2.7.1 The average cost of void repairs of £1,579 is significantly less than the target of £2,426, and represents a significant saving for the association. The reduction in voids as a percentage of turnover is combination of decreasing void numbers (there were 270 during the year compared to 285 and 340 in the two years previously) and also the increasing stock numbers.

## 2.8 Cost efficiencies and VFM

2.8.1 In order to keep a downward pressure on costs and ensure that a VFM culture is fully embedded within TRH, there are three main thrusts to ensuring TRH continues to strive to improve its VFM:

- Real budget reduction in management costs as part of the budget setting process.
- VFM specific cost targets.
- £100k cost general cost reduction responsive repairs and £100k general cost reduction all other management costs for years 2017/18 onwards.

## 3.0 VFM savings against target for 2016/17

3.1 Table 2 below demonstrates the total VFM savings against target that have been achieved:

**VFM savings against target (Table 2)**

	<b>Target</b> £	<b>Actual</b> £
Operations Directorate	107,316	121,492
Resources Directorate	192,019	198,694
<b>Total VFM savings</b>	<b>299,335</b>	<b>320,186</b>

3.2 Some examples of the savings achieved in the Resources Directorate include:

- Reducing preliminary costs in relation to the kitchen and bathroom contract by reducing the period from 12 to 9 months £34k.
- Insourcing principle designer role across four contracts £21k.
- Reducing preliminary costs in relation to external works contract £52k.

3.3 Some examples from the Operations Directorate include:

- Improved materials procurement £31k.
- In sourcing drain jetting £14k.
- Putting rents statements on line £5k.
- Carrying out fire risk assessments in-house £9k.

3.4 Operating cost efficiencies for 2012/13 to 2016/17

3.4.1 The above cost reductions indicate generally impressive performance. However TRH also annually assess cost efficiencies by reviewing the operating cost efficiency savings and increase per unit of stock in real terms. For the purposes of this assessment the period under review is 2012/13 to 2016/17.

3.5 Basis of comparison

3.5.1 A number of costs including capital costs, interest costs, bad debts, depreciation and first tranche shared ownership cost of sales were excluded from the analysis because they are different in nature from the majority of TRH's ongoing operating costs.



## Operating cost efficiencies 2012/13 to 2016/17 (Table 3)

### Efficiency in Operating Costs

(source statutory accounts)

	2012/13	2013/14	2014/15	2015/16	2016/17
	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s
Total Operating Costs excluding shared ownership cost of sales	12,083	13,623	14,471	14,526	13,728
add back Capitalised repairs	3,033	4,015	3,777	3,674	2,625
<b>Operating costs including Capitalised repairs</b>	<b>15,116</b>	<b>17,638</b>	<b>18,248</b>	<b>18,200</b>	<b>16,353</b>
Included in above					
Planned Maintenance	2,133	3,114	3,090	2,549	2,521
Capitalised Repairs	3,033	4,015	3,777	3,674	2,625
Routine Maintenance including Voids	2,276	2,342	2,625	2,505	2,284
Depreciation					
Housing	2,874	3,088	3,644	4,086	4,134
Other	114	307	240	479	179
Bad debts	185	209	204	310	331
<b>Operating Costs excluding the above</b>	<b>4,501</b>	<b>4,563</b>	<b>4,668</b>	<b>4,597</b>	<b>4,279</b>
Annual RPI		2.60%	3.20%	0.90%	2.20%
	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s
Figures discounted by inflation to 2012/13 price basis	4,501	4,447	4,409	4,303	3,919
Number of Units	3,791	3,799	3,856	3,858	3,894
Operating Cost per unit 2012/13 price basis	£ 1,187	£ 1,171	£ 1,143	£ 1,115	£ 1,006
Percentage saving Cumulative		1.40%	3.70%	6.06%	15.23%
Percentage saving year on year		1.40%	2.34%	2.45%	9.76%
Routine Maintenance discounted to 2012/13 price basis	£ 2,276	£ 2,283	£ 2,479	£ 2,345	£ 2,092
Cost per unit	£ 600	£ 601	£ 643	£ 608	£ 537
Percentage saving Cumulative		-0.08%	-7.09%	-1.23%	10.52%
Percentage saving year on year		-0.08%	-7.00%	5.47%	11.61%
Combined Savings (including operating costs, responsive & void maintenance)					
Combined Percentage		0.90%	0.08%	3.61%	13.65%
Percentage saving year on year		0.90%	-0.83%	3.54%	10.41%

3.5.2 It can be seen from Table 3 that the operating costs per unit have decreased in real terms, with the largest overall reduction occurring in the current year. This has been achieved by reduction in total responsive repair costs (mainly through a reduction in void costs which is a combination of unit void reduction and reduced volumes) as well as a more significant reduction in other operating costs. The latter is as a result of the effect of efficiency savings outlined above as well as overall budget reductions through the annual budget process.

### 3.6 Delivery of cost efficiencies and savings

3.6.1 The application of rigorous cost control processes, reviewing and improving procurement processes has been integral to our cost efficiencies delivery.

3.6.2 Measures adopted have included negotiating less than inflation cost increases and in many cases zero cost increases, market testing and competitive tendering of contracts, zero based budgeting and empowering staff to identify inefficiencies and submit initiatives to streamline processes and reduce costs. All vacancies are reviewed carefully before they are refilled and will only be refilled if considered essential.

## 4.0 HCA Cost variation regression analysis

4.1 Our regulator, the HCA, originally published its analysis and comparison of sector wide social housing costs per unit in June 2016 based on 2014/15 audited accounts. Recognising the need for greater transparency and consistency in the presentation of provider operating costs, its stated aim was to assist providers, boards and stakeholders to enhance their understanding of operating costs both at a sector and provider level and the factors driving variations across the sector. The HCA considers headline social housing costs per unit as the best general measure to begin a consideration of costs. In accordance with ongoing regulatory focus on efficiency, the HCA has published updated costs per unit figures based on information extracted from the 2015/16 financial statements. The main difference between this analysis and TRH's own operating cost efficiency analysis is that TRH's analysis adjusts for inflation, FRS102 pension adjustments, non-housing depreciation and one off adjustments. The position for TRH, compared to both sector level (in this case PlaceShapers – group of similar community focused associations) data and specifically against local registered providers, is set out in Table 4.

## Global accounts unit cost comparisons (Table 4)

**2015/16**

				lower quartile	median	upper quartile		TRH 2015/16		TRH 2014/15
Management costs				740	1020	1320		1178		1170
Maintenance costs				790	970	1180		1310		1480
major repairs costs				540	810	1080		952		980
other social housing costs				80	210	450		260		0
				3120	3570	4350		3597		3830

	RP1	RP2	RP3	RP4	RP5	RP6	RP7
	2870	3630	3390	3580	3390	3770	3330

- 4.2 Table 4 above illustrates that TRH's headline costs per unit of £3,597 is slightly above the PlaceShapers average, and broadly compares well against other local providers. Please note TRH's 2016/17 figures should show a reduction in total costs as inroads have been made in this year to reduce management costs by £600k (as defined in the Statutory Accounts) total terms, although other comparisons to other associations are not available for comparison purposes at this time.
- 4.3 The HCA concluded that 50% of unit cost variations can be statistically explained by seven critical factors included in its regression analysis such as supported housing and housing for older people which are associated with unit costs of £10,800 and £1,800 respectively in excess of general needs units costs. Other key factors identified are regional wages, stock transfers (although the impact disappears after 12 years) neighbourhood deprivation and the Decent Homes Standard (DHS).
- 4.4 The report confirms the methods used for apportioning costs that differ amongst providers. For example, management costs per unit can vary considerably between providers depending on the method employed to allocate overheads, particularly between group subsidiaries and between management and maintenance activities. These variations can inevitably distort the comparisons.
- 4.5 It is pleasing to see that the headline figure for TRH has reduced from 2014/15 to 2015/16, but the main reason for TRH costs being slightly higher than other associations is the level of expenditure on major repairs and maintenance. This is primarily due to the higher standard of maintenance being carried out in relation to properties. However due to cost efficiencies, better stock condition data and the use of more sophisticated stock expenditure profiling software, TRH has been able to

reduce projected maintenance spends over the life of the financial plan, which will be reflected in the total unit costs in years to come.

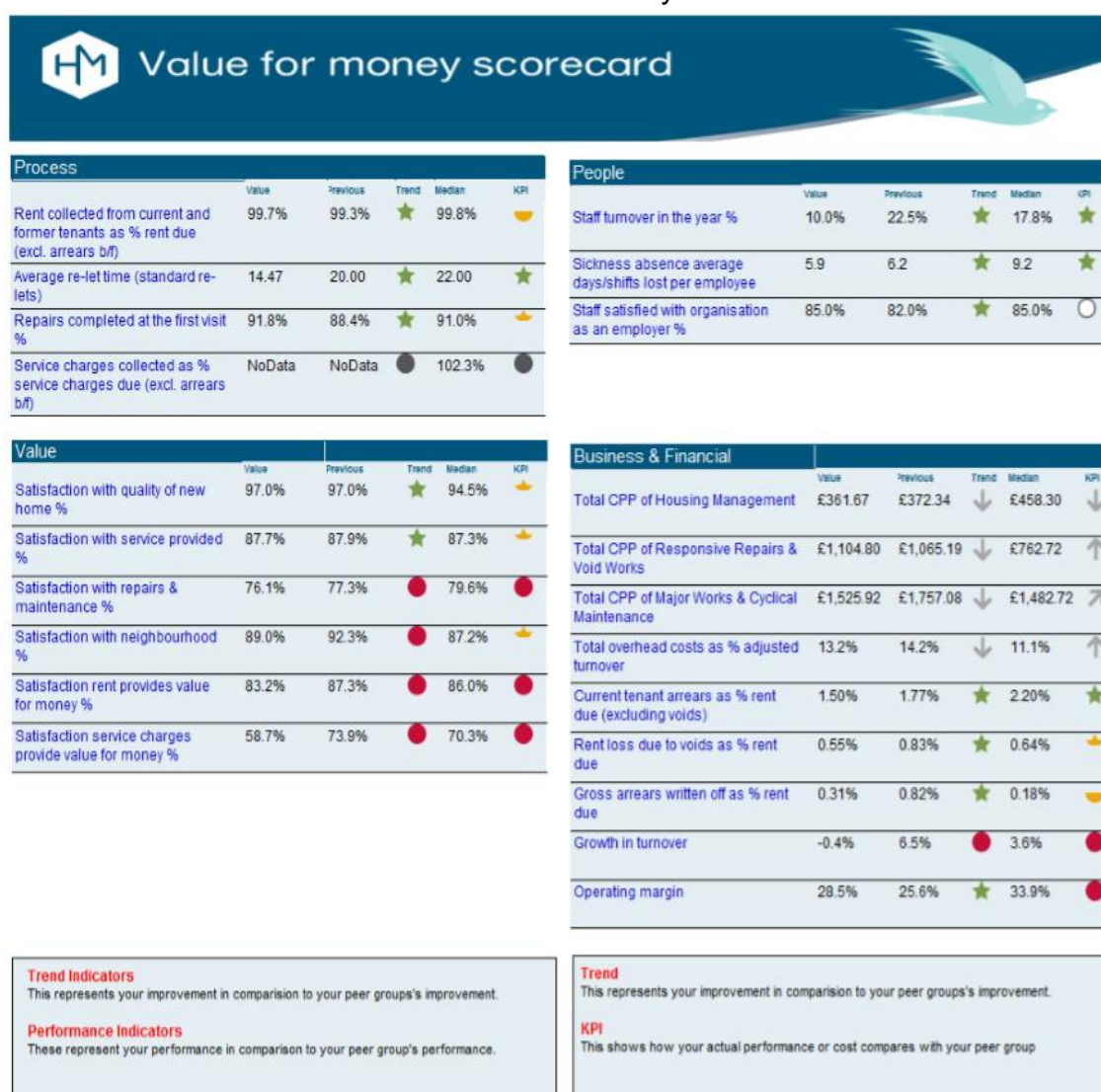
## 5.0 HouseMark benchmarks

5.1 Whilst the HCA regression analysis provides a useful and consistent methodology for comparing our overall unit cost performance to the sector as a whole, it is still important for us to conduct more detailed comparisons of our cost components and performance against a peer group with similar characteristics. It is in this context that we have consistently participated in and used the HouseMark service to benchmark the cost and quality of our services with participating providers. The basis of calculation is different to the HCA's analysis and the unit cost comparison is illustrated in the VFM scorecard.

5.2 The peer group used for this benchmarking process is the LSVT's Southern benchmark group (ranging from 2,500 units to 7,500 units), and a sample of 27 associations.

## 6.0 HouseMark VFM Scorecard

6.1 Benchmarking results are not yet available for 2016/17. The Housemark 2015/16 scorecard below illustrates the result for a variety of indicators.



## **7.0 Analysis of HouseMark results**

7.1 Whilst TRH's VFM performance remains generally favourable, it is necessary to analyse the performance in more detail as an overall positive performance can potentially obscure less positive performance in specific areas. The main highlights can be summarised as follows:

- The growth in turnover is below average and has resulted through a low level of development compared to our peers, and the halting of rent harmonisation combined with the impact of a negative rent increase. It is anticipated that this level will rise again as the development programme picks up in years to come.
- The operating margin which has seen a step up in this year is still slightly behind the average of the peer group. It is anticipated that a combination of reduced operating costs, sales proceeds from outright sales as well as first tranche sales will see this ratio increase in the coming years. For example, operating margins projected by the draft statutory accounts is 32% in 2016/17.
- Total overheads have shown a decrease from 2014/15 to 2015/16. The main reason for the reduction has been due to the planned removal of some posts in the corporate structure, as well as savings in areas such as HR management, training and office supplies.
- Overall Housing Management total cost per property has reduced further and continues to be top quartile.
- The total cost per property of Planned Maintenance continues to decrease year on year and is now close to median levels. Recent changes approved by the Board will see these levels continue to decrease in years to come as a result of better procurement, better quality data in relation to stock resulting in more intelligent profiling of repairs in years to come. These actions should result in the same or higher levels of satisfaction at a lower cost which will increase the overall VFM from planned maintenance.
- Total costs in relation to responsive repairs are high in relation to our peer groups. Further work has been carried out in conjunction with HouseMark to more clearly identify the key areas where TRH is expensive. TRH has subsequently set a target of £100k reductions per annum in relation to the delivery of responsive repairs for 2017/18, and it is anticipated that this will be repeated for each of the following three years, giving a total reduction of £400k in relation to this service area. The cost reductions are being planned so as not to result in a reduction in the quality of the service. Satisfaction with responsive repairs during 2015/16 was also in the mid 70's but a lot of work was done during 2016/17 to try and increase the level of satisfaction and this has increased to 80% plus during subsequent STAR surveys during the year. This level of satisfaction will improve TRH's position to above median results.

- Satisfaction with the neighbourhood had fallen slightly during the year although still maintained above median status.
- Rent arrears management continues to be both cost effective and high performing. The cost of the service is considered to be top quartile, despite direct costs increasing in this year following the addition of a temporary Welfare Reform Project Coordinator post. The outstanding arrears levels remain at 1.5% which is excellent performance, particularly in the current climate. Arrears have continued to perform at this high level in 2016/17 although it is anticipated that this will be difficult to maintain as the further effects of welfare reform come into effect.
- People performance indicators continue to be good with sickness down, staff turnover down, and satisfaction increasing. It is anticipated that with further work done in relation to improving staff satisfaction and the increasing performance in the Times Top 100 Companies, will result in further increases in satisfaction in years to come.

## **8.0 The value of a great team**

8.1 Our relationship with staff and customers, and the manner in which staff engage with customers is integral to continuous and service improvement, VFM and ultimately achieving the objective of customer satisfaction of 87% in 2015/16, followed by steady increases each year past 2015/16.

## **9.0 Customers**

9.1 Tenants have consistently provided excellent input into service and efficiency improvements in areas such as acting as inspectors in grass cutting and ground maintenance, membership of the Tenant's Scrutiny Group, completing surveys, and providing customer perspective in service feedback meetings. During the last few years the Residents Scrutiny Group (RSG) has reviewed a number of areas and contributed to improved performance including:

9.2 The main areas they focussed on in 15/16 and 16/17 have been;

- Health and Safety – particularly planned maintenance contractors.
- Estate maintenance (grass-cutting).
- PropertyPlus performance (this has been going on for some months).

9.3 They have also assisted with the development of/been consulted on:

- Tenant Health and Safety Handbook.
- Void management Policy.
- Communications Strategy.
- Community Engagement Policy.

## 10.0 **Staff**

10.1 We believe staff and customer satisfaction are intrinsically linked. Motivated and engaged staff are essentially TRH's most valuable resource, and pivotal to excellent service delivery.

10.2 Therefore TRH has consistently invested in both employee specific training and companywide training for managers and staff. As a consequence of participation in the Times Top 100 Best Companies benchmarking process, TRH has refined its understanding of the factors that impact on staff satisfaction and the role that it has in driving service improvements and ultimately customer satisfaction. Achieving 23<sup>rd</sup> position in the Times Top 100 survey, together with impressive staff satisfaction, sickness and staff turnover results, is testament to the success of this approach.

## 11.0 **Making the most of our assets**

### 11.1 **Strategic Context**

An active approach to asset management has been acknowledged by the Board as a key contributor to the financial capacity of the business in delivering the Board's priority of increasing the supply of affordable homes. This was set out in a key document relating to return on assets which was approved by the Board in October 2016, and more recently at the May 2017 Board meeting.

### 11.2 **Our assets**

As at 31 March 2017 TRH owned homes in the Forest of Dean and surrounding areas analysed as follows;

<b>Owned and managed</b>	
General needs housing accommodation	2,913
Housing accommodation at affordable rent	289
Housing accommodation at intermediate rent	15
Housing for older people accommodation	594
Shared ownership accommodation	83
<b>Total</b>	<b>3,894</b>

## 12.0 **Understanding the value of our assets**

12.1 The Association's assets are valued on a regular basis by Savills (external consultants), and the results as at December 2015 showed the total value of assets at £162.8m (valued on an existing use value for social housing or EUV – SH).

## 13.0 **Return on assets**

13.1 TRH's approach to asset management is in line with regulatory expectations for developing registered providers, and ensures we make the most of our assets in support of increasing the supply of new affordable homes. This means healthy returns are important to the Board, and this is measured using NPVs and return on asset ratios.

### Return on assets (Table 5)

Entity	TRH 2016	RP1	RP2	RP3	RP4	RP5	RP6
Headline ratio	7.37%	2.52%	2.26%	1.32%	2.07%	3.96%	1.62%
PlaceShapers average	2.62%						

- 13.2 The above analysis (Table 5) shows TRH compares favourably with the PlaceShapers group, and also to a local peer group comparison in terms of return on assets.
- 13.3 The Association uses SDS Stock Profiler to quantify the return on assets by property, type and geographical area. It calculates a Net Present Value (NPV) figure which is a way of representing the value of all the cash flows attributed to the property in present day terms. In this way it is possible to compare all properties on a like for like basis. This approach enables TRH to identify the best properties to retain and dispose of as they become void. Stock profiler records such information as current open market value, annual values for capital investment, void costs, maintenance costs, as SAP performance and rental income.
- 13.4 The methodology provides TRH with an indication of the optimal properties to dispose of or retain. It also demonstrates TRH's understanding of property stock returns, and that it has a strategy to optimise future returns on assets. As properties become void the following actions are taken:
- The financial appraisal information held within SDS is reviewed.
  - If it is decided a potential property is suitable for disposal, these properties are considered by the housing, lettings and development teams as well as planned maintenance to ensure it is appropriate for disposal.

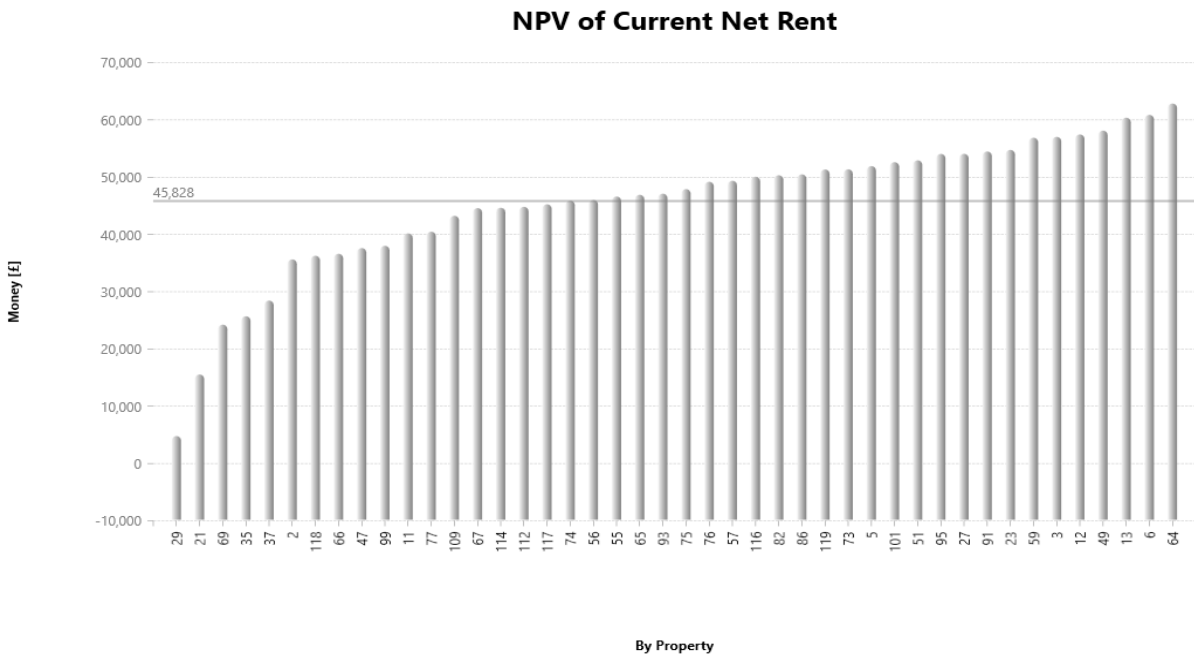
#### **14.0 Asset disposal and reinvestment**

- 14.1 As part of the disposal strategy the Board agreed a further disposal strategy of 12 properties over the coming year. Using Stock Profiler we sell on the open market any vacant properties which do not represent economic value to retain, and have low rental yields. A £1.4m capital receipt target has been set and this will be applied in support of the Association's development pipeline. In the current year two properties have been sold, and it is anticipated that the receipts will enable the development of properties on a two for one basis. For example, a further four properties will be built which otherwise would not have happened. Thus TRH is able to produce more quality homes as well as increasing the rental income and reducing future outlays on major repairs expenditure.
- 14.2 Using this approach TRH has a clear methodology for replacing its poorest performing stock with new high performing stock which also increases customer satisfaction. In the previous two year period (as part of the HCA development programme) TRH had a programme of selling 30 properties using a similar



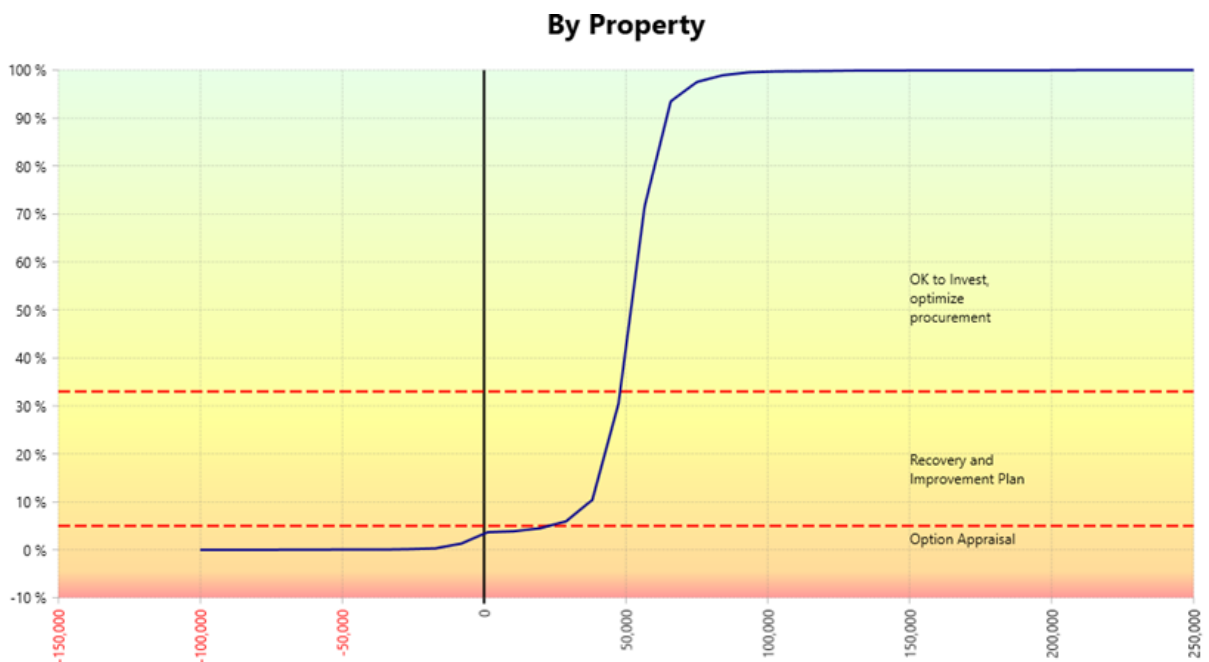
approach which has further contributed to improving the overall return on assets, and helped finance the development of future properties.

14.3 A graphical representation of the NPV of the stock and overall performance is contained in the two graphs below:

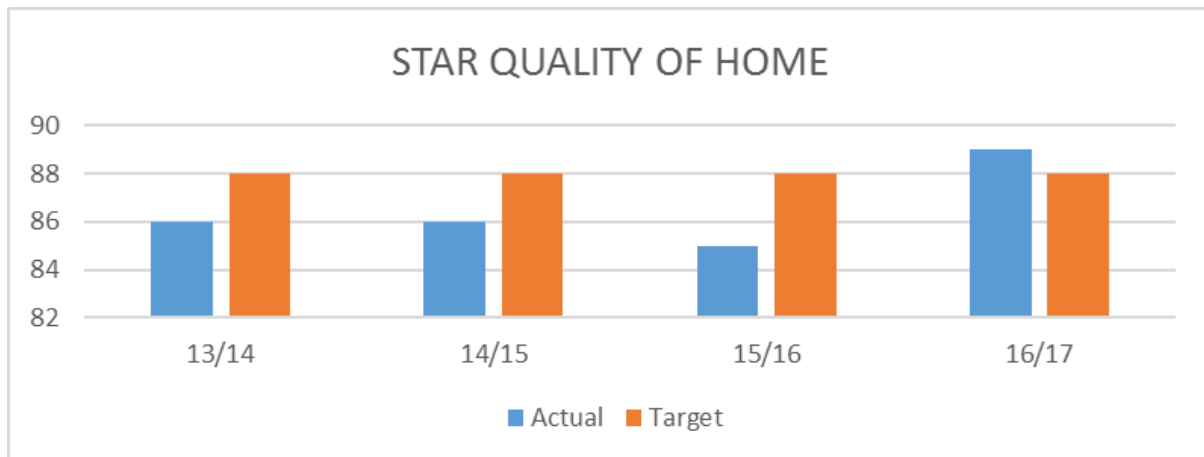


14.4 The above graph illustrates the spread of NPV values across all TRH properties. It can be seen that the average value is approaching £46k per unit, but there are some sharp reductions in values at the lower end which is where the teams concentrate their efforts on improving.

### Stock Financial performance



- 14.5 The above graph illustrates more clearly the small number of properties that have low NPV values, but there are also a significant number of properties that are also on the radar for recovery and improvement work. The vast majority of stock is sound, and has good NPV results, and does not require specific improvement other than standard planned maintenance.
- 14.6 An important indicator in terms of satisfaction is our tenant's perception in relation to the quality of their homes. This is one of the questions asked in the STAR survey, and the results as shown in the graph below:



- 14.7 It can be seen from the above that TRH has consistently set stretching targets and is pleased to say in 2016/17 there was a step change in performance as determined via the STAR satisfaction survey.

## 15.0 **Development**

- 15.1 The development of new affordable homes remains challenging for TRH due to the competition to win new sites, and a difficult planning environment. Nevertheless the development of new affordable homes remains a key priority for the Board, and performance this year can be summarised as follows;
- 15.2 TRH has a Corporate Plan target to achieve 300 new homes by 2020. A summary of recent performance is outlined below;

### **HCA 2011-15 programme**

- 210 new homes completed against target of 193.

### **HCA 2015-18 programme**

- 2015/16 - 29 new homes.
- 2016/17 - 64 new homes (includes 28 tenanted homes from Cottsway HA) .
- 2017/18 - current forecast 93 homes (includes our first 12 homes for open market sale in Bream and Newent).

### **HCA 2016-21 programme**

- £1,117,400 grant allocated to TRH for 25 shared ownership and 10 rent to home buy homes.
- 2018/19 73 homes forecast.
- 2019/20 52 homes forecast.

- In addition to the above there is further speculative pipeline of 394 homes to 2020/21. This takes our financial plan spend from £98 million to £106 million.

## **16.0 Investment in existing housing stock**

- 16.1 To underpin the approach of maintaining the quality of our homes to above Decent Homes Standard (DHS) we have a 30 year funded investment programme informed by the stock condition programme produced by our Management Information System (MIS). This is a sophisticated scheduling system which takes account of factors such as component life, linked items, and overall standards of maintenance required in order to ensure that sufficient funds are allocated to ensure future replacements. In total terms over the next five years TRH anticipates spending £38m on repairing and maintaining the stock, of this approximately £19m will relate to improvements to the stock.
- 16.2 During 2016/17, £2.2m was spent on planned repairs of stock, and £1.6m spent on responsive and void repairs.
- 16.3 Looking to the future the following areas are important:
- Delivery of further cost reductions on both major and cyclical cost per property due to local labour markets.
  - Energy and ensuring homes stay affordable for residents especially with Universal Credit impact.
  - Land management and impact of freeholder recharge process
  - Change in Gas Regulations due in late 2017.
  - Addressing poor performing assets.

## **17.0 Garage sites**

- 17.1 The Association owns 363 garages across 70 sites of which 48% remain void. The majority of these garages are not linked to properties and, of those let, more than 64% are let to people who are not TRH tenants.
- 17.2 With this background all garage sites have been reviewed to ascertain demand, potential return on investment if sites were improved, and development opportunity for new homes. This work has allowed us to identify a “retain or dispose” approach for each garage site.
- 17.3 During 2016/17 sites were identified for development as follows; six sites, two of which have been regenerated, and four further sites currently with architects. A total of 66 sites were identified with potential although in reality due to constraints we anticipate about one in five are likely to proceed to development.

## **18.0 Creating value through treasury management**

- 18.1 The Association’s Treasury Management Policy contains a commitment to the management of interest rate exposure, while ensuring the achievement of the best possible cost of capital. Table 6 below shows the financial plan targets and actual performance for 2016/17:

## Financial plan target and actual performance for 2016/17 (Table 6)

Activities	2016/17 target	2016/17 actual	Target achieved
Maximum Debt level	£80.6m	£76.6m	Yes
Net debt per unit	£20,507	£19,636	Yes
Loan interest	£3,590k	£3,565k	Yes
Weighted average interest rate	4.6%	4.6%	Yes

18.2 As can be seen from the above table TRH has delivered within its targets originally set in the Board approved financial plan. The reason the peak debt and debt per unit being under the maximum/expected target was due to delays in completing the development programme. The treasury management function has provided value in the support for the associations stated objectives during 2016/17 in respect of:

- Provision of new housing – 64 new homes were completed during the year.
- Home improvements carried out 1,559 improvements to homes during the year in support of maintaining the decent homes plus standard.
- A further £38m is available for building additional homes.

### 19.0 Creating social value

19.1 Adding social value remains integral to TRH's wider community role. In addition, while recognising the need and importance of making cost savings, the revised financial plan continues to support TRH's role in the community. Specific areas where TRH contributes social value are:

19.2 Welfare reform - in order to protect its future income streams, and to assist tenants during what are becoming increasingly difficult times financially, TRH employs the services of two Debt and Welfare Advisors. During the year the advisors have dealt with 800 cases resulting in the claiming of additional benefit totalling £1,035k that would not otherwise have been claimed. Clearly this will have significantly increased the quality of lives of the people affected.

19.3 Procurement - employment and training. The setting up of our new businesses CentigenTRH and CentigenFM, including the estate agency TwoCan, has resulted in the employment of 24 new members of staff, all of whom live locally within the community. We also have contractual obligations with key maintenance contractors to offer trainee and apprentice roles (three new positions), as well as a number of work placement opportunities. TRH also has a policy of employing people into apprentice roles; currently there are seven apprentices employed.

### 20.0 Energy saving initiatives

20.1 TRH has run a number of initiatives aimed at saving money for tenants in relation to energy bills. These vary from running detailed case studies with selected tenants over an extended period increasing energy cost awareness and management, to running local training courses, as well as providing energy saving materials. TRH has also trained a number of staff as energy champions to assist tenants with energy management issues.

20.2 Community engagement work. TRH has organised a number of engagement activities during the year which have involved all TRH staff contributing to engagement work. This work has included projects such as children's play area reclamations, refurbishing of community school facilities, and assisting with the setting-up of a dementia café.

## **21.0 Assessment of 2016/17 VFM performance**

21.1 The assessment of VFM during 2016/17 is based on a number of reports and documents that have previously been presented to and reviewed by the Board and the Audit Committee. Emphasis has been given to how VFM supports the corporate themes and objectives. The main areas evidenced and incorporated in the report are as follows:

- VFM performance targets.
- Cost saving programme.
- Operating cost efficiencies 2014/15 – 2016/17.
- Benchmarking – HCA cost variation analysis.
- Benchmarking HouseMark.
- The value of a great team.
- Making the most of our assets.
- Effective treasury management.
- Creating social value.

21.2 The HCA has not provided detrimental feedback in relation to the current format of the published self-assessments. Therefore the basic framework developed up until 2015/16 has been retained but amended to accommodate sector changes such as rent reductions, and the potential impact of welfare reforms.

21.3 The Association has also recognised the HCA's observation that the full self-assessment should be sign posted in the summary VFM statement in the statutory accounts. Accordingly the website link, to the VFM assessment has been included in the statutory accounts.

## **22.0 Further work**

22.1 The Association has agreed to take part in the pilot scheme to develop a new sector scorecard, and it is anticipated that this will be included in future year assessments with comparative data. A draft of the TRH submission in pilot format is attached to this document for reference as Appendix A; however without benchmark comparators it is difficult to draw any conclusions.

## **23.0 Conclusions**

23.1 The body of evidence illustrates a high level of VFM performance throughout TRH with cost efficiencies being achieved in the context of generally favourable benchmarking in satisfaction results. However given the current challenges it is recognised that it is imperative to reshape and reduce cost structures in the future without impacting on front line services.