



North Devon Homes

Value for Money Statement

2017

Value for Money Statement 2017

Summary

As a community landlord, Value for Money (VfM) is a key driver of our culture and is integral in everything that we do, from setting strategies at Board level through to delivering good value services to our customers. Delivering VfM is one of the four main strategic objectives in our Corporate Plan; maximising the value of the services we provide within available resources. We aim to deliver a high quality service as efficiently and effectively as we can.

This VfM self assessment statement outlines our key areas of achievement during the year as well as highlighting those areas where we could have performed better.

Detailed benchmarking and commentary is contained in the report to show how well we are performing compared to our peers. Across a wide range of services our VfM performance is very good and we are outstanding in some areas such as rent arrears collection. However, we are aware that there are some areas where we still need to improve, for example to reduce central overhead costs and these areas have also been highlighted.

The key objectives summary in the final section, outlines how well we performed against our 2016/17 objectives and our ambitions for 2017/18.

a) **Value for Money culture**

As a community landlord Value for Money (VfM) is a key driver of our culture and is integral in everything that we do, from setting strategies at Board level through to delivering good value services which are accountable to our customers across the community. The Board is committed to being an independent registered provider and believes that North Devon Homes is in the best position to offer the best services to its customers and communities in North Devon.

Delivering Value for Money is one of the four main strategic objectives in our Corporate Plan. From Board level through to staff and customers we continue to monitor the milestones within the plan which focus on providing our customers with high quality services that meet customer need whilst operating within the constraints of our financial plan.

Despite the reduction in income resulting from the 1% rent reduction that was announced in July 2015, the Company is striving to maintain its current high customer satisfaction levels of 92% as well as ensuring ongoing value for money. However, the Board has recognised that due to financial constraints as a result of the rent reduction that it may not be possible to maintain such a high level of customer satisfaction into the future.

North Devon Homes has a wholly owned subsidiary company, Anchorwood Limited, which undertakes commercial activity on behalf of the parent company. Over the coming year we will be continuing to progress with our strategy to develop the Anchorwood Bank site, which will deliver 37 affordable units and 135

market sale units, as well as exploring other opportunities to pursue once the Anchorwood scheme is nearing completion.

We aim to be a trusted landlord who delivers excellent services to its customers through well motivated and professional staff. We want to ensure that our services demonstrate both continuous improvement and offer good VfM. This can only be delivered through a positive culture which reflects a good and thorough understanding of VfM. During the year we have continued to focus on staff engagement particularly with Line Managers to identify key areas of opportunity for VfM gains and to agree specific projects that will be progressed during 2017/18 (and review achievements in 2016/17). To ensure engagement at all levels across the Company, a Bright Ideas staff suggestion scheme is in place and many of these initiatives have been progressed during the year.

b) Return on assets

We have a comprehensive approach to asset management, driven by the Board. One of our four key Corporate Plan objectives is **My Home: Maintain and build quality, affordable homes**. The ongoing investment, maintenance and improvement of our homes has remained a key focus for us in our 2015-18 Corporate Plan.

Our Asset Management Strategy is a key document for us and was reviewed and updated during 2014-15 to support the preparation of our 2015-18 Corporate Plan. The strategy is driving our Asset Management work and was the subject of a structured review at the end of its first year of implementation in March 2016. Comprehensive asset data is held within our asset management software which enables us to have a good understanding of our housing stock. Our information is regularly refreshed by routine data capture through an ongoing cycle. We have systematically updated our knowledge and expertise in our stock condition database system to support us in using this data to good effect.

Development and regeneration returns

The original transfer of properties to North Devon Homes from the Local Authority in 2000 included 350 PRC (pre reinforced concrete) homes that required significant additional investment to turn them into Decent Homes. The Board has followed its PRC Investment Strategy agreed in 2009 that has seen a sustained £40m programme of repair, redevelopment and large scale regeneration of these homes and surrounding estates. This investment has been funded through the business plan being supplemented with HCA grant where additional units have been able to be provided, and also through income from market sales.

During the year 2016/17 we have concluded on the large scale developments relating to ex PRC's and finalised a new Development Strategy taking us up to 2020/21. To build on the financial requirements of the new Development Strategy we have also secured the necessary finance to progress with a number of developments resulting in 204 additional units over the next 4 years. The Development Strategy shows growth through a 50/50 split between S106 acquisitions and design and build contracts. Key achievements during the year

have seen the completion of the PRC programme, start of infrastructure works at Anchorwood Bank site, start on site of four new schemes providing 23 affordable rented new homes, and securing of grant funding for a Care and Support housing scheme (28 affordable rented with units and 5 shared ownership units).

2016/17 has mainly been a year of preparation for future developments including the completion of our refinancing strategy to support development funding, the securing of necessary planning approvals and negotiations with developers over s106 acquisitions. However, we were able to completed four s106's purchases and two contracted units during the year.

All new homes have been constructed to at least level 3 of the Code for Sustainable Homes (CSH) which is above the minimum standard previously set by the HCA and the planning process. Customers who move into these properties benefit significantly from the enhanced insulation value of our new homes providing them with a significant annual benefit from the reduction in cost of running their home. In addition to CSH we have constructed homes to meet the renewable target of the local authority where appropriate.

The new private finance that we have secured will provide a steady modest stream of development funding to provide badly needed affordable homes in the community. In addition to the development of new housing we will also continue to review the opportunity of acquiring existing stock from other RP's who are considering the future of their housing stock in the local area. If we are able to acquire additional units that align to our existing sites, then this will provide us with the opportunity of making greater cost effective use of existing resources.

The major project that Anchorwood Ltd (our trading subsidiary) is undertaking is the development of the Anchorwood Bank site which is a key brownfield site in central Barnstaple that will have a mix of commercial and residential development (172 new homes plus a retail park) . The site is being developed in partnership with Lasting Properties Limited with an initial investment by Anchorwood Limited of £4.5m. It is the intention to develop the residential part of the site under a joint venture agreement with a local contractor to deliver 135 market sale homes and 37 affordable homes by 2021. The profits arising from the market sale activity will be used to fund other future development schemes – either additional affordable housing or new market sale projects. We are also reviewing other suitable land holdings that could be developed by Anchorwood Limited to generate additional resources from market sales.

Understanding our assets

As a community landlord and the holder of many different residential and a small number of commercial property interests, the Company is reviewing all of its assets to ensure that they are maximised effectively into the longer term.

Work has continued during 2016/17 to further develop our sustainability modelling framework which supports active stock appraisal and informs asset management investment decisions. This has enabled us to continue to assess assets against

income and expenditure as well as for example, SAP rating, future planned improvement costs and demand information. Front-line staff have been involved to introduce the value from our ongoing engagement with communities and customers into this process. Neighbourhood officers and surveyors have provided assessments that both support and inform this structured review.

The framework is embedded in our Asset Management Strategy. This has supported a strategic decision making process on current and future investment decisions using much more detailed data based on each asset we own. As a result of this a small number of properties have been identified for disposal and these have been reviewed and approved by the Board, with many others being identified and reviewed prior to any significant investment decisions. A gross sales receipt of £665k was gained from the sale of these 7 Units (2 houses and 5 flats in one block). The proceeds will be reinvested back into S106 opportunities, providing our customers with more modern, energy efficient affordable homes. A further 5 units are earmarked for disposal in 2017/18 at a sales value of £615k.

During 2016/17 we further refined our model, updating it with the further information, and focussing on the lowest performing assets. This has enabled us to gain a better understanding of the financial and social return of the homes we own and we have identified and reviewed the properties that are performing most poorly on asset management and neighbourhood criteria. This work will continue to inform investment and disposal decisions and be used to structure strategic debate around these issues.

The assets and liabilities register was maintained during the year and will continue to be regularly updated. The detailed information contained in the register helps to inform our decisions regarding assets that are reviewed as part of the sustainability modelling work.

Asset Management Strategy

The Asset Management strategy was reviewed with extensive consultation with customers, staff and the Board and finalised in March 2015 with formal approval by the Board in April 2015. The strategy sets out five clear priorities including: our ambitions for delivering value for money through effective and active asset management, balancing the needs of current and future customers, and maintaining well managed responsive repairs and planned maintenance services.

We have undertaken a review of the strategy to be clear on actions that have been completed, the progress with those underway and to outline our plans for those that have not yet started. This will be reported to Board in July 2017.

We are in the process of reviewing and rewriting our asset management strategy and will consult with a range of stakeholders to ensure that this meets the needs of our customers and the organisation whilst maintaining value for money.

The **value for money priority** focuses on the comparative benchmarking position for relevant services, alongside our aims for the future and a summary of activities that will be undertaken to deliver these.

The detailed activities have been developed through our North Devon Homes service excellence planning framework.

We have established a programme of contract renewals to ensure that they are reviewed in a timely manner and have seen a number retendered over the past year. This has ensured that our contracts represent good value for money. This has been achieved through a variety of strategies such as joining frameworks already set up and / or progressing through our tendering processes. We are currently working with our procurement partner Advantage South West to establish our own framework for domestic gas servicing.

The priority to **balance the needs of current and future customers** outlines the need for North Devon Homes to focus on our stock appraisal framework. This will ensure that we invest resources strategically in properties that are performing in line with the expectations within the business plan, or are of strategic importance.

c) Costs of delivering services

In June 2016, the HCA released a new efficiency metric based on Global Accounts data – the Headline Social Housing Cost per Unit – which allowed comparison of cost per unit across providers, and also looked at the constituent elements that make up the total cost. Whilst the methodology will give a good comparison, there are different approaches between providers to allocating overhead costs, and this could explain some variances between providers.

Based on 2014/15 data NDH had a cost per unit (CPU) of £3,280 compared to a sector median of £3,550, placing NDH 110th out of 330 Registered Providers (RP's) with more than 1,000 units. In 2015/16, whilst the sector median remained unchanged, NDH CPU fell to £3,110, moving it up to 78th out of 334 RPs, better than median performance in both years.

Cost per unit is good, based primarily on low management and other social housing costs compared to the rest of the sector. The reduction between 2014/15 and 2015/16 was impacted significantly by one off costs at the end of 2014/15. In addition, the areas where we are above the median, are maintenance and particularly major repairs costs and CPU increased in both areas between 2014/15 and 2015/16. This aligns with the analysis of our benchmarking data, where major works and cyclical maintenance costs were identified as higher than average. The poorer than average performance in major repairs reflects the profile of our stock condition programme, where many of the components that were installed as part of the post stock transfer commitment to customers are now requiring replacement.

The estimated performance for 2016/17 is also included in the table, and shows that CPU has decreased again, due in the main to falling CPU in the areas identified as problems – major repairs and maintenance.

Further detail is included in the table below.

NDH Cost Per Unit (CPU) - 000's	2016/17 estimated	NDH Change	2015/16		NDH Change	2014/15	
			NDH	Sector median		NDH	Sector median
Management CPU	0.48	↓	0.49	1.02	↓	0.53	0.95
Service Charge CPU	0.21	↑	0.13	0.37	↓	0.16	0.36
Maintenance CPU	1.04	↓	1.18	0.98	↑	1.08	0.98
Major Repairs CPU	1.24	↓	1.26	0.81	↑	1.13	0.80
Other social housing costs CPU	0.11	↑	0.05	0.26	↓	0.38	0.20
Headline Social Housing CPU	3.08	↓	3.11	3.55	↓	3.28	3.55
					KEY:	NDH better than Sector Median	
						NDH not achieving Sector Median	

Benchmarking

The Company is clear that VfM is about maximising the value of the services we provide for customers within the available resources; delivering a high quality service as efficiently and effectively as we can. The focus is on both the cost of services and the quality / effectiveness of services. A key way to ensure that VfM is being delivered is to compare the Company's performance to the performance of similar organisations. To enable this, the Company is member of HouseMark, who provide us a detailed breakdown of costs and quality measures against a peer group of similar organisations.

The peer group we compare ourselves against is Southern Traditional Housing Associations, which at the time of benchmarking comprised NDH and 33 other Associations. No stock size filters are applied, and the group has a median stock size of 3,288 properties, with the largest member having 21,990. North Devon Homes' stock size at the time of benchmarking was 3,211 properties.

The Board has agreed new criteria for the Peer Group to ensure that it provides the most appropriate comparator to use to judge our performance. We are working with Housemark to develop this new group.

Previously our aim, when compared to the peer group, has been to be upper quartile in terms of customer satisfaction and cost. However, we are aware that a sufficiently high quality service may not always be achievable with lower costs. The Company's Board and Customer Forum have agreed that in the current climate, it may not be possible maintain upper quartile services in terms of satisfaction into the future due to the tension between cost reduction and service standards.

The core information in the benchmarking section is derived from the HouseMark benchmarking report and associated data files, published in December 2016, covering 2015/16 performance. This is compared to 2014/15 performance as stated in the previous year's VfM statement to demonstrate how performance has changed. The section outlines the Company's performance in 2015/16, covering:

- overheads
- performance against cost for key business areas.

Overheads

Overhead costs as % of Adjusted Turnover	NDH 2015/16		Change in quartile	NDH 2014/15	
	Result (%)	Quartile		Result (%)	Quartile
IT and Communications	3.43	Lower	↓	2.8	Middle Lower
Office Premises	1.66	Middle Lower	↔	1.84	Middle Lower
Finance	2.44	Middle Lower	↓	1.95	Middle Upper
Central and Other	7.52	Lower	↔	7.08	Lower
Total Overhead	15.05	Lower	↓	13.67	Middle Lower

Overhead costs comprise 'back-office' functions including premises, IT, finance and central overhead costs. As one of the smaller associations in the peer group, it is more difficult for us to obtain economy of scale within overhead functions than for larger peers. In the previous VfM statement we highlighted these costs as a relative weakness, as performance has placed us in the middle lower quartile for that year and the previous year. For the most recent data, we are lower quartile as our performance overall has worsened, with costs as a % of adjusted turnover increasing from 13.7% to 15.1%.

Analysis of overhead costs shows that NDH costs are above the peer median and have increased in all but one area, office premises – which has marginally decreased. The other three areas are:

- **IT costs**, with costs as a percentage of adjusted turnover increasing from 2.8% to 3.4%, as a result of software costs increasing and impact of depreciation
- **Finance costs**, with costs as a % of adjusted turnover increasing slightly from 1.95% to 2.4%, due to increased treasury / corporate finance costs incurred as a result of professional advice sought regarding re-financing.
- **Central overhead costs**, which have seen costs as a percentage of adjusted turnover increasing from 7.1% to 7.5%. This area is the only one significantly above the median (5.2% for the Peer Group). This is a result of increased recruitment costs (£44k increase for the year) due to staff turnover, and the addition of a PR and Marketing Coordinator role.

Reducing overhead costs will remain a focus going forward. However, it should be noted that this is not a perfect comparative measure, as it will vary with the activities an association undertakes. In addition, NDH average rents per property are the lowest bar one (where data is available) for the peer group, meaning that turnover per property is lower than competitors, whilst the overheads needed to manage those properties will not be lower.

Housing and Asset Management: Performance against Cost

Housing and asset management is best considered in terms of both the cost of the service and the performance, which gives an indication of value for money in these areas compared to peers. The matrix below shows cost compared to performance for

each service area for 2015/16 and 2014/15. Cost is based on the total cost per property of delivering the service (including overheads) and performance is based on an aggregate score of various performance measures.



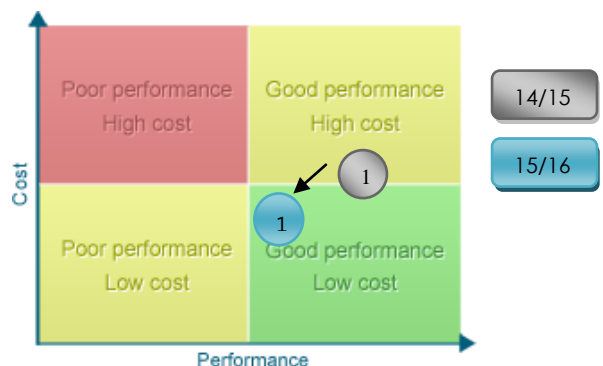
- | | |
|--|--------------------------------|
| 1. Responsive repairs and void works | 5. Lettings |
| 2. Rent arrears and collection | 6. Tenancy management |
| 3. Anti-social behaviour | 7. Resident involvement |
| 4. Major works and cyclical maintenance | 8. Estate services |

Source: HouseMark benchmarking reports 2015/16 and 2014/15

Overall, it can be seen that performance for most areas is offering – or close to offering - good VfM as it is good performance at low cost. Each service area is considered in more detail below.

1. Responsive repairs and void works

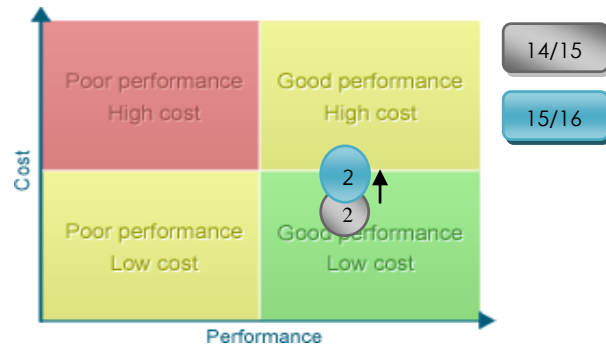
- As in 2013/14, performance outputs in terms of satisfaction are strong. Average time taken to complete repairs has increased; but internal on-time targets based on priority drive the team, not this summary metric.
- In 2015/16, cost fell by £36 to £811 per property, due to reduced employee and overhead costs.
- Direct employee and overhead costs remain lower quartile. However, it should be noted that organisations with a DLO usually have higher relative employee costs, and lower relative non-pay costs.



The continued downward trend in cost is positive and satisfaction remains good. Whilst performance looks like it has dipped due to the increase in average repair completion time, performance against internal on-time targets remained strong.

2. Rent arrears and collection

- Arrears levels (both current and former) of 0.89% continued to significantly surpass the upper quartile threshold for Total Tenant Arrears at 3.6%
- Total cost per property of rent arrears activities increased by approx. 7% from £134 to £143. Increased costs can be attributed to increased transaction costs as we have promoted more ways for customers to pay ahead of welfare reform.



Performance in this area is strong, and the increased cost is an investment to aid us in sustaining our extremely low arrears rates as Universal Credit rolls out.

3. Anti-social behaviour

- Anti-social behaviour (ASB) does not feature on the matrix due to incomplete customer satisfaction data, which is rarely forthcoming following case closure. This is not reinforced strongly, as in practice, the value of any satisfaction feedback that is received but not volunteered in this area is limited.
- In 2015/16, the total cost per property increased by £15 per property to £66. This is mostly a result of Customer Care Team staff time being apportioned to ASB, as they risk assess all cases and resolve where possible; leaving Neighbourhoods to focus on complex cases.

Costs for this area of activity remain below the peer group median, despite the increase in cost.

4. Major works and cyclical maintenance

- Total cost per property of major works and cyclical maintenance increased from £953 to £1346.
- Analysis suggests that this is not because our costs are too high, but that we have had additional expenditure in the year in terms of payments to contractors. For example, external decoration works, carried over from previous year (c £300k); and off-contract asbestos spend on checking void properties and improving our records (c £200k)
- As in 2014/15, a small number of



non-decent properties (all void) and lower than the median SAP ratings, result in comparatively poor performance. However, this is balanced to some extent by high levels of customer satisfaction with their home (87% satisfied).

In terms of improving performance, a contractual arrangement is now in place to manage asbestos expenditure. Major works and cyclical maintenance, as one of the most significant areas of cost, remains a key focus.

5. Lettings

- In 2015/16, the total cost per property of lettings activity fell from £30 to £24 as a result of reduced choice-based lettings costs, making it significantly cheaper than the Upper Quartile threshold of £61.
- The volume of vacant available to let properties is upper quartile – suggesting an efficient lettings process. By contrast, the volume of vacant, but unavailable to let properties is lower quartile – suggesting room for improvement in preparation-to-let processes.
- Average re-let time in days increased from 31.65 to 39.63. Correspondingly, we see void rent loss increase.



Lettings performance has been an area of relative weakness, and remains so based on 2015/16 data. This is an area where significant activity has been underway throughout 2016/17 to improve performance. Going forward, continued work is being carried out to improve the process, and the outcomes of the Home 2 Home Review (Direct Labour Organisation) should also contribute to significantly improved performance.

6. Tenancy management

- Cost per property fell from £123 to £107
- Tenancy turnover rates slowed from 8.5% to 6.6% in 2015/16, but remain comparatively high (Lower Middle Quartile).
- In line with the NDH approach to only use eviction as a last resort, just 2 evictions for rent arrears were carried out during 2015/16.



Tenancy management remains firmly within the 'good performance, low cost' section. Regarding evictions, whilst we continue to promote a preventative focus, the toughening of welfare reform and business pressures are beginning to generate an increase in formal action which may lead to higher levels of court activity in the future and so an increase in costs.

7. Resident involvement

- In 2015/16, the total cost of resident involvement activity increased by 5%, from £74 in 2014/15 to £78. This was due to a rise in direct cost, most notably, employee costs, which increased by 14%, from £35 in 2014/15 to £40.
- Results from the latest STAR survey remain unchanged, placing NDH in the Upper Quartile with 75% of customers satisfied that their views are taken into account.



Whilst this area shows good performance and cost close to the 'low cost' border, it will remain a focus to ensure we return to the low cost section of the matrix.

8. Estate Services

- In 2015/16, the total cost per property of estate service activity was £116, reduced from £136 and achieving an Upper Quartile position for the third consecutive year.
- Results from the latest STAR survey remain unchanged at 90%, placing NDH in the Upper Quartile with customers satisfied with their neighbourhood as a place to live. Consequently, we see no change in position on the matrix.



Estate Services remains firmly 'good performance, low cost' compared to peers.

d) Procurement

Procurement is a key area where organisations can ensure they are delivering value for money. For strategic procurement (high-risk, high value) we have developed strategic partnerships and continue to investigate partnering arrangements. The Company is a member of Advantage South West (ASW) through which it is able to gain advantage of collective purchasing power. ASW is a limited liability partnership owned by DCH, North Devon Homes, Ocean Housing Group and Yarlinton Housing Group. Advantage SW exists to improve homes and lives through collaboration and innovation.

ASW has 13 members responsible for housing stock of over 90,000 properties. Whilst delivering savings through a range of frameworks is at the heart of our relationship with ASW, membership has brought benefits in terms of access to a formal network

providing valuable advice and guidance, as well as the specific procurement expertise that ASW itself has.

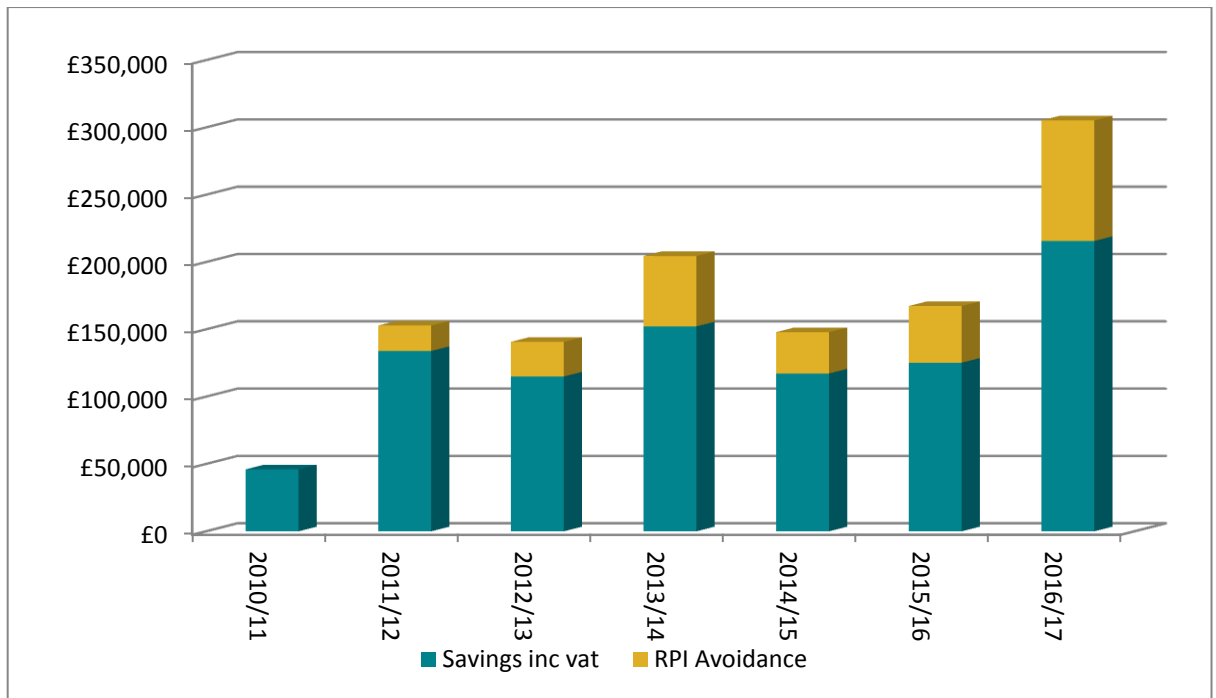
NDH also utilises the Procurement for Housing (PfH) consortium which has over 850 members nationally. NDH currently uses a number of the PfH framework agreements to get best value and plans to transfer the majority of response repair materials to the frameworks. This will deliver a cost saving based on nationally negotiated terms, but also considerable transactional savings for low value, high volume purchases.

Outcomes in 2016/17

The information below outlines the savings NDH has gained as a result of membership of Advantage South West (ASW). The table below details the cashable savings (including unrecoverable VAT) that have been generated for North Devon Homes and additional costs avoided due to framework price increases being lower than the Retail Price Index change (known as RPI avoidance).

Item	Expenditure	Total Savings	RPI Avoidance
Aids & Adaptations	£10,487	£6,890	£2,456
Air Source	£0	£0	£0
Bathrooms	£6,237	£6,242	£922
Boilers	£164,576	£51,971	£22,357
Consumer Units	£17,115	£3,020	£1,414
Controls	£10,000	£2,820	£1,223
Electric Heating	£0	£0	£0
Fans	£33,742	£8,435	£6,646
Flooring	£32,656	£10,312	£4,133
Kitchens	£11,082	£7,160	£2,399
Radiators	£7,699	£9,583	£2,723
Taps	£3,682	£6,911	£589
Windows	£0	£0	£0
Doors	£77,861	£13,740	£19,311
Paint	£21,203	£0	£2,039
Alarms	£10,078	£0	£969
Legal Services	£174,263	£58,088	£22,348
Asbestos	£122,018	£30,504	£0
Grand Total	£702,699	£215,676	£89,529

The graph below shows North Devon Homes' savings for the last 7 years from its membership of A SW. In total we have saved **£905,379** with a further **£259,231** RPI avoidance.



In summary, Membership of Advantage SW continues to be beneficial for North Devon Homes. Advantage SW delivers:

- sharing of information and good practice
- access to procurement knowledge and technology
- value for money
- good products
- an increasing range of multi-supplier frameworks
- opportunities for resident involvement
- methods to reduce fuel poverty.

Some examples of specific savings delivered in 2016/17 through procurement are:

- Asbestos removal (through the ASW framework) – a saving of £93k made in 2016/17 through new contract arrangements. Estimated to be ongoing savings of 50% when compared to previous arrangements.
- Negotiation with kitchen installation contract to ensure a potential uplift of 48% on kitchen material costs was capped at 15%.
- Reviewed lift maintenance contract resulting in annual savings of around 18%.
- Legionella services and risk assessment contract re-tendered resulting in overall saving of 4% against current prices.
- Renegotiated gas servicing and maintenance contract resulting in a one year 4% decrease.
- Waste management resulting in a 22% saving on current costs.
- Other contracts tendered or renegotiated during the year were: external decorations, roofing, renewable heating, fire periodic inspections.

North Devon Homes has also made changes relating to procurement to increase value for money from its activities. These include:

- **E-tendering:** NDH are utilising e-tendering which makes better use of

administrative time to ensure documentation is disseminated and received in a more cost effective fashion. Benefits include faster tender turnaround, greater audit capabilities, less administrative time, and the ability to embed best practise in E-tender templates. E-tendering is now used for all tenders with a value over £25,000. The system also has a quick quote option which will be rolled out for lower value contracts to support compliance with the tendering standing orders.

- **Ensuring quality service from contractors:** To ensure that we are delivering the service that customers require, feedback was sought and a series of generic questions devised that are now included in tenders. These address the following areas:
 - Quality of product and service
 - Communication of best practice
 - Complaints handling
 - Appointment scheduling
 - Customer service.

- **Social value:** consideration of social value has been incorporated into all tenders. There is a specific section added to each tender asking prospective contractors to detail the Social value contribution they would make if successful and is a part of the tender scoring matrix. Examples from successful social value initiatives this year was the external decoration of a community music studio for a local charity in Ilfracombe, commitment to the appointment of apprentices by suppliers and the provision of 'free hours' for community based initiatives.

During the coming year we will continue to look to deliver further savings through procurement activities and continue to utilise framework agreements and work with our partners to achieve best value for money through procurement.

e) Social return

The value that North Devon Homes provides to its customers is not limited to cost and quality measures – our activities also deliver a social return to the communities we operate in. We have an established record of supporting the communities we work with through a range of activities. We know that good housing drives good communities and it gives people the opportunity to live healthier and more fulfilling lives.

Staff are supported to engage with schools as active members of the school governing body and community groups such as the DCLG localism pilot project, One Ilfracombe. NDH has signed up as a partner organisation for this project, has full representation on the Board and lead or support a number of groups. Housing Officers are engaged with the "town team", and our Community Development Manager and Youth Workers are supporting the Ilfracombe works project team.

Older Persons' Service

Following the cessation of Supporting People grant funding from April 2015, the Board approved a strategy to retain the Older Persons' service. As older persons make up a significant proportion of our customers (533 properties are designated as housing for older people, and we also have older people living in General Needs properties), withdrawal from the service was considered to have a number of risks associated with it as well as not supporting our vision of being a community landlord. The Board agreed that this service should be part of our key service offer into the future and agreed the required business plan contribution of £154k.

These strategic objectives were successfully delivered and the service retained.

In March 2016 a new strategy and business plan was submitted to the Board looking at the three year period 2016/19. The strategy shows a reducing contribution in each year from NDH Business Plan. In 2016/17 this has reduced to £90k (planned £97k) and the strategy details a further 12% reduction in 2017/18 and 2018/19.

The Board is updated twice a year on the progress of how the service is developing, its cost and value.

Young People's Service

2016/17 was the second year of the Big Lottery funded project 'Bridging the Gap' which will run until 2018 and currently engages with 194 individual young people (YP). Key outcomes are:

- Innovative working the NHS developing a community based learning GCSE in Health has inspired YP to take ownership of the Health Radio Show providing mutual support and awareness to their peers in the wider community around mental health issues.
- Over the course of our current project (2yrs) we have as part of our innovative Transformative Evaluation Framework (TEF) collected 64 individual participatory case studies which illustrate YP's journey through the project, personal distances travelled and ripple effect into the wider community. Our TEF stakeholder panel say:

"The project is completely changing young people's lives, turning them away from crime, saving them from themselves and making them hope for our future communities" (Customer Forum Stakeholder Group)

"It is highly unlikely any other organisation has such a body of data and this is really significant in itself." (Dr Cooper, St Mark & St John University Plymouth)

- As part of our evaluation strategy, we have sought to engage young people actively in our research process. Supported by Dr Cooper, 3 young people are working as co-researchers in an 'auto-biographical research' pilot project to identify the wider impact of our work. Engaging young people to act as co-researchers promotes a 'working with' rather than a 'working on' approach and potentially enables improved access to the 'real life' issues that young people themselves see as problematic.

- With the retrenchment of statutory services to focus on crisis cases only, this is leaving no alternative safety net for young people in our communities. Alongside this, cuts to services aimed at tackling mild symptoms means YP can no longer receive treatment before things become acute, this means for YP things have to get worse before they get better. Early intervention projects such as this are extremely good practice and highly effective VfM initiatives which will have impact well into the future.
- This project compliments services by working with local providers, looking at what we can do differently within dwindling services struggling with increasing demand to help YP avoid slipping into “acute need” status.

“Many youth work providers focus their activities solely on young people, NDH actively engage with parents. The youth clubs are not seen as a separate space but as integrated into the community.

A final point worthy of note is the ability of NDH to reach what have become known as the ‘missing middle’. This term is used to describe young people who are often absent from the research and practice agendas that have become polarised, with an increasing concentration on young people who achieve either very successful or very unsuccessful outcomes. There is now renewed interest in the study of ‘ordinary’ or ‘unspectacular’ young people (Roberts & MacDonald), and NDH are clearly at the forefront of this as evidenced by the significant change stories. The open access high quality provision enables these young people to benefit from youth work interventions and potentially addresses the inequalities that exist, particularly in marginalised communities.”(Dr Susan Cooper)

f) Customer Scrutiny

We want to ensure that our customers can influence our services and help improve our service delivery. This is our Corporate Plan objective 1; put the customer at the heart of all we do. The Corporate Plan for 2015-18 includes a range of actions that will further strengthen the customer involvement processes, and ensure our continuous improvement activity is further informed by our customers.

The NDH Scrutiny panel has established robust procedures to scrutinise service delivery which has led to the development of an impact assessment model which is based upon the NEF model. This tracks what the panel do and allows for challenge and further scrutiny where services are required to demonstrate how they have adopted customers' views and/or recommendations. In addition, as part of our wider changes to governance, we have been consulting with customers on how to best incorporate a strong customer voice in our governance arrangements. As a result of this consultation we will be implementing a new approach to customer involvement (C90) in quarter 2 of 2017/18 which has been designed to bring customers, Board members and staff together to review performance and identify service delivery options that will deliver value for money for NDH.

In 2016/17, the Panel has examined:

(a) Devon Home Choice (DHC) - In summary, the report found NDH customers to be generally satisfied with the application process, in particular where support is provided by staff. The recommendations included requesting that DHC is more transparent in how the process works for customers; for example providing more clarity to customers so they have a better understanding that being allocated a home is not just through the bidding process but also influenced by other factors and advertising more widely. It is worthy of note that the review indicates NDH customers are more satisfied than other applicants across Devon

(b) Access review – the review looked at “Access for Servicing”. In summary, the panel felt it was important that NDH continues keeping 100% compliance with cyclical servicing across all the properties. The recommendations included considering making more customers aware of the appointments available later in the day or on Saturdays; asking contractors to make courtesy phone or text messages to notify ‘on the way’ and/or ‘running late’; ask contractors to more widely inform customers on the use of components they are servicing with practical advice; find ways of increasing the sample size of customer satisfaction consultation. The report has been considered by managers, and the Asset management Team has an action plan developed to address the issues raised.

g) Key objectives summary

In last year’s VfM statement, we included a list of key objectives to action. These are outlined below with an update on progress. A traffic light system is used to quickly indicate completion, partial progress, or limited / no progress.

- **Reduce central overhead costs** – These will be analysed in detail, with cost drivers identified. Cost reduction targets will then be set for specific areas and delivered.



➤ *Central overhead costs have increased; analysis attributes the increase to increased recruitment costs due to staff turnover. Our lower than average rents also make it difficult for us to perform well compared to peers with higher rents when comparing overheads as a percentage of turnover. This area will remain a focus.*

- **Reduce Responsive repairs and void works costs** – The total cost per property of responsive repairs and void works will be investigated, and reduced where possible.



➤ *As outlined in the Housing and Asset Management benchmarking section earlier, performance has improved in relation to responsive repair/void costs.*

- **Improve Energy efficiency performance** – The energy efficiency performance of properties will be increased to ensure that all properties are rated band D or above by end March 2018 (i.e. SAP rating of 54 or greater).



- *As at 31st March 2015, there were 199 properties with a SAP rating less than or equal to 54; by 31st March 2016 this had reduced to 162. At 31st March 2017, the total is 122. This remains a focus, but the ability to deliver the 2018 target will be influenced by the level of resources that are available in future budgets following the unanticipated -1% rent settlement.*

- **Improve Lettings performance** - Void turnaround times will be decreased during the coming year (2016/17), which will simultaneously reduce void rent loss. A project is underway to review and improve the process from termination of tenancy through to re-letting the property.



- *Average days to achieve re-let times (excluding strategic voids) improved in 2016/17.*

- **Develop and implement Critical Numbers to drive performance improvement** – Critical Numbers are financial and performance metrics, updated monthly, that allow teams to understand their performance and identify steps to improve it. Critical Numbers will be rolled out for use with Management Accounts and Key Performance Indicators (KPIs) during 2016/17 to drive performance, and will be underpinned by guidance for their use.



- *The key critical number, Headline Social Housing cost, is now part of the KPI framework. Implementation of Great Game methodology in 2017/18 will provide a stronger framework to use critical numbers to drive performance improvement.*

- **Complete Housing Hub software implementation to deliver VfM in respect of income collection** – The new software will provide additional information on our properties and tenants to allow us to target interventions to tenants most likely to have an increase in arrears, prioritise the work of Neighbourhoods / Income teams where it will have most impact, and reduce fraud. It will support us in continuing to keep arrears low during the implementation of Universal Credit and other welfare reform.



- *Housing Hub has been implemented.*

- **Complete implementation of new Service Charges software to improve recovery rates** – Implementation of software will deliver VfM by replacing the current manual and time-consuming process for calculating service charges, and will drive increased service charge collection.



- *This work has not been completed due to ongoing issues with capacity at the supplier. We are continuing to push the supplier hard to resolve the issues, and all work being done on the project to prepare for implementation is helping improve our service charges processes and data.*

-
- **Continue to deliver the clear and measurable VfM priorities agreed to sit alongside the Corporate Plan for 2015-18** – These will be reported to Board regularly as part of performance and financial reporting, as appropriate.



- *These have continued to be delivered, and progress reported to Board.*
-

Objectives to take forward

The key objectives to focus on are outlined below. Some are the areas identified from benchmarking as being of sub-optimal performance; others are initiatives which we anticipate will increase VfM delivery across the organisation:

- **Reduce central overhead costs** - These need to be analysed in detail, with cost drivers identified. Whilst the focus is on central overhead costs, other overhead costs should also be considered, as in some areas our proportional costs are above the peer group median. The 2017 IT strategy sets out a target to reduce software maintenance and communication costs by 10% over the next five years. Overall our target is to move from lower to mid to lower quartile when compared to our Housemark peer group.
- **Improve lettings performance** – Improve lettings performance and reduce void rent loss to be within 2017/18 target. A project is underway to review and improve the process.
- **Reduce Major Works and Cyclical Maintenance costs** - This is a significant area of cost, and contributes to the area of weaker performance against the Headline Social Housing Cost per Unit measured by the HCA. The total cost per property of major works and cyclical maintenance will be investigated to identify any areas where reductions can be made in future. The target is to move towards sector median performance in these areas.
- **Implement Lean Thinking** - Lean Thinking is an approach that helps review processes to enhance value and reduce wasted effort. This can have an impact at the level of individual processes to increase VfM, but if implemented correctly, will also engender a culture of continuous improvement and enhanced VfM delivery. Lean Thinking will be introduced in Q3/Q4 of 2017/18, with at least two processes worked on, and internal capacity to deliver Lean Thinking built to ensure the benefits are ongoing.
- **Implement Great Game methodology** - The Great Game is an open book management approach that should help NDH create an organisational operating system where all staff know the measures they need to hit to achieve VfM in their roles / teams, and teams are continually checking in against those measures to see how they are performing. This will be implemented in the first three quarters of 2017/18.
- **Trial innovative energy efficient approaches in our properties** - Trialling innovative energy approaches in properties gives opportunities to assess

whether properties can be run more efficiently for customers, saving them money. We are trialling: **Minus 7**, which delivers low cost zero net carbon heating and hot water using solar thermal, photovoltaic, heat pump and energy storage technologies in one hybrid heating solution; and, **Energiesprong**, which delivers a non-intrusive retrofit that can usually be completed within one week and without the residents having to move out. The finished result is a warm and affordable home that is modern and attractive with a long-term quality guarantee.

- **Deliver the clear and measurable VfM priorities agreed to sit alongside the Corporate Plan for 2015-18** – These will be delivered, and new VfM priorities agreed, as part of the Corporate Planning for the period beyond 2018.
- **Implement a new approach to customer involvement (C90)** in quarter 2 of 2017/18 which has been designed to bring customers, Board members and staff together to review performance and identify service delivery options that will deliver value for money for NDH.

The Board is committed to delivering a value for money strategy that balances the needs of current customers alongside those with housing need in North Devon. To this end, the Board will continue to work with partners including the HCA to bring investment for new housing into North Devon.