



**North Devon Homes**  
**Value for Money Statement**

**31 March 2016**

## Value for Money Statement

### 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.

During the year, through engagement events with staff, Board and customer groups we reviewed our 2012-15 Corporate Plan achievements and set our new Corporate Plan for 2015-18. Delivering Value for Money continues to be one of the four main strategic objectives in the new plan. To enable us to deliver this objective we have set milestones within the plan which continue our focus on providing our customers with high quality services that meet customer need whilst operating within the constraints of our financial plan.

Prior to the Government's July 2015 budget in which the 1% rent reduction policy was introduced, the Board's strategy was to deliver first class service standards and accepted that in order to achieve this it would not always be possible to achieve the lowest costs. Following the July budget and subsequent business plan revisions, the Board agreed that there was a business need to reduce costs and as a consequence it may not be possible to deliver services into the future at the previous levels of quality. The Board agreed a number of areas of cost reduction whilst bearing in mind the impact on services to customers.

Despite financial constraints, the Company 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.

North Devon Homes converted to charitable status from 1 April 2015 and in June 2015 established its wholly owned subsidiary company, Anchorwood Limited, to undertake commercial activity on behalf of the parent company. Over the coming year we will be exploring further opportunities that arise as a result of our charitable status and will continue to develop the Anchorwood Bank scheme through Anchorwood Limited.

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 focussed 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 2016/17. In May 2016 we launched our Bright Ideas staff suggestion scheme to ensure that VfM ideas are captured throughout the company.

This annual review looks at how we performed during the year, explains our key VfM measures and sets out our future plans. It discusses asset management, delivery costs and benchmarked data, procurement, and then continues to consider the social value delivered by North Devon Homes, and the impacts of Customer Scrutiny activities. The statement concludes with our progress against the key objectives we set ourselves last year and objectives we are taking forward into the new 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 to 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 over the past 6 year period. 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 2015/16 we have been working on the remaining phases of the PRC investment strategy with the handover completions of 35 rented and 17 shared ownership units during the year, with a remaining 2 units to be completed in 2016/17.

Key achievements during the year have seen the completion of significant changes to the Forches Estate having invested in estate layout changes with the introduction of new park areas: completion of our first joint venture partnership at Pill Gardens, Braunton: and the completion of existing investment plans for Woodville, Sticklepath.

In addition to the property additions arising from the completion of the PRC schemes, 10 Section 106 purchases completed in the year, delivering a total of 62 new homes 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 new homes 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 which has seen the introduction of photovoltaic panels and rain water harvesting installations where appropriate.

The completion of the PRC investment strategy provides a good basis for future investment and private finance to be secured on the uncharged stock. This will provide a steady modest stream of development funding to provide badly needed affordable homes in the community. The annual income generated from the development of new units as part of this strategy is £282k per annum. In addition to the development of new housing we will also be reviewing 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 (the trading subsidiary) is undertaking is the development of the Anchorwood Bank site, a key brownfield site in central Barnstaple which is a mix of commercial and residential development. The site is being developed in partnership with Anchorwood Developments Limited with an initial investment by Anchorwood Limited of £4.1m. 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 2020. The profits arising from the market sale activity will be used to fund other future development schemes.

### **Understanding our assets**

As a community landlord and the holder of many different residential and 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 2015/16 to 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 3 properties have been identified for disposal and this has been agreed by the Board, with many others being identified and reviewed prior to any significant investment decisions. More properties are likely to be identified for disposal in 2016/17.

During 2015/16 we refined the model, updating it with the further information, and focussing on the lowest performing 10% of 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 completed 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 recently presented an update to Board in April 2016 setting out the actions that have been completed, progress with those underway and outlining our plans for those that have not yet started.

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.

Over the past year we have retendered a number of contracts and secured arrangements that represent good value for money. This has been achieved through a variety of strategies such as joining frameworks already set up, working with our procurement partner Advantage South West to establish our own frameworks and / or progressing through our NDH tendering processes.

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 previous Value for Money statements, we have calculated an operating cost per unit figure to show current performance, and changes to previous years. However, in June 2016, the Homes and Communities Agency (HCA) used 2014/15 Global Accounts data from statutory returns to calculate a Headline Social Housing Cost per Unit for every Registered Provider – this provided us with our own cost per unit compared to the rest of the sector. The HCA consider this the most useful general purpose definition of costs with which to compare cost performance across the sector. Therefore, we have used this metric to show cost per unit, and in order to give an indication of trend, we have applied the methodology used by the HCA to 13/14 and 12/13 data in order to show costs for previous years. In addition, we have included information on debt and interest costs per unit, as well as providing social housing unit numbers for reference – as this will impact on the cost per unit. The table is included below<sup>1</sup>.

Per Unit Cost Analysis	2014/2015			2013/2014		2012/2013
	Cost per Unit	Quartile	Change from previous year	Cost per Unit	Change from previous year	Cost per Unit
<b>Headline social housing cost per unit</b>	<b>£3,282</b>	<b>Middle Upper</b>	3.39%	<b>£3,174</b>	9.19%	<b>£2,907</b>
<i>Management</i>	£526	Upper	6.04%	£496	7.78%	£460
<i>Service charges</i>	£156	Middle Lower	-1.73%	£158	-8.09%	£172
<i>Maintenance</i>	£1,082	Lower	-16.86%	£1,301	-1.18%	£1,317
<i>Major repairs</i>	£1,135	Middle Lower	18.18%	£960	22.89%	£781
<i>Other social housing costs</i>	£384	Middle Upper	48.46%	£259	46.44%	£177
<b>Debt measures per unit</b>						
Debt	£29,244		22.65%	£23,843	2.95%	£23,159
Interest costs	£834		3.99%	£802	-1.47%	£814
<b>No of Social Housing Units</b>	<b>3,200</b>		87	<b>3,113</b>	8	<b>3,105</b>

Overall the data shows that NDH provide good VfM overall; our cost per unit is £268 lower than the median of £3,550 and places us in the middle upper quartile of the sector for unit costs. These low costs have been achieved whilst delivering quality services – see 'Performance against cost' summary below (p23). The headline figure is derived from five cost areas:

- **Management costs**, which despite small increases over the last two years compare well to the rest of the sector, and are upper quartile.
- **Service Charge costs**, which are higher than the median costs for the sector, but have steadily fallen over the last two years
- **Maintenance costs**, the poorest performing area for NDH, which fall just in the lower quartile – with the same cost per property as the lower quartile boundary.

<sup>1</sup> Please note that the HCA quartiles are described in the opposite way in their reports; lower quartile describes the best performance, and upper quartile the worst. Descriptions here are reversed to fit with the Housemark analysis below.

- However, the cost fell 17% (£219 per unit) from the previous year as we put in place measures to operate more efficiently
- **Major repair costs**, which is lower middle quartile compared to the sector, and has increased over the past two years as we have invested significantly in improving our stock. Whilst this cost is higher than the median for the sector, the improvements have delivered significant benefits for tenants, and have reduced the maintenance liability going forward. We would expect costs to reduce as the programme of significant investment has been completed.
  - **Other Social Housing Costs**, where NDH has lower than median costs compared to the sector, demonstrates good performance, but has risen over the past two years. The reasons for the increase have been abortive costs in 2014 and 2015 (£234k and £147K), and a significant one-off pension payment in 14/15 (£470k).

Overall, the analysis by the HCA shows that unit costs for social housing are good; the areas to focus on in future to drive further improvement are maintenance costs and major repair costs.

## **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 comprises 41 Associations. No stock size filters are applied, and the group has a median stock size of 3,300 properties, with the largest member having 21,809. North Devon Homes' stock size at the time of benchmarking was 3,165 properties.

During 2016/17 the Peer Group is being reviewed to ensure that it provides the most appropriate comparator for the Board and customers to use to judge our performance.

Previously our aim, when compared to the peer group, is 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 following the July budget announcements and subsequent revisions to the financial business plan, 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 2015, covering 2014/15 performance. This is compared to 2013/14 performance as stated

in the previous year's VfM statement to demonstrate how performance has changed. The section outlines the Company's performance in 2014/15, covering:

- total cost per property
- overheads
- performance against cost for key business areas.

## Total cost per property

HouseMark validate total operating costs with reference to the Company's audited accounts. Total operating costs can be broken down into employee costs, non-pay costs and reconciling items, which include impairment and depreciation.

Employee costs and non-pay costs can be further split into direct costs and overheads. These total costs can then be converted to cost per property, enabling cost comparison between landlords of different sizes.

The table below summarises the cost per property breakdown for North Devon Homes.

Cost Per Property	NDH 2014/15			Change in quartile against peer group 13/14 to 14/15	NDH 2013/14	
	Actual	Quartile	Achieving target?		Actual	Quartile
<b>Total Operating Cost</b>	£4,711.76	Middle upper	No	↓	£4,241.08	Upper
<b>Employee Costs</b>	£1,124.15	Upper	Yes	↔	£1,136.38	Upper
<i>Direct Staff</i>	£814.27	Upper	Yes	↑	£826.61	Middle Upper
<i>Overhead Staff</i>	£309.87	Upper	Yes	↔	£309.77	Upper
<b>Non-Pay Costs</b>	£1,552.24	Upper	Yes	↔	£1,738.04	Upper
<i>Direct Non-Pay</i>	£1,168.22	Upper	Yes	↔	£1,376.96	Upper
<i>Overhead Non-Pay</i>	£384.02	Upper	Yes	↔	£361.08	Upper
<b>Reconciling items</b>	£6,441,953.00				£4,181,876.00	

Source: HouseMark benchmarking reports 2014/15 and 2013/14

North Devon Homes' total operating costs have increased by £471 per property, from £4,241 in 2013/14 to £4,712 in 2014/15. By contrast, the median operating cost for the peer group has decreased by £128. Consequently, we have seen North Devon Homes' performance shift from upper quartile to middle upper quartile in this area; or in terms of rankings, from 7<sup>th</sup> to 12<sup>th</sup> position in the peer group (out of 41).

Total operating costs comprise employee costs, non-pay costs, and reconciling items. The increase in total operating cost per property corresponds with an increase in reconciling items, which include one-off exceptional items that occurred during the year.

North Devon Homes' employee costs and non-pay costs are both 'comparatively' low; achieving upper quartile performance, and 10<sup>th</sup> and 3<sup>rd</sup> position in the rankings respectively. It should be noted, that cost per property is impacted by fluctuating stock levels; as more new build properties are added



to the portfolio, per property costs are expected to decrease. In 2014/15, North Devon Homes had 105 more properties than in the previous year, and per property costs fell for both employee and non-pay costs, by £12 and £186 respectively.

The £12 per unit decrease in employee costs noted above is attributable wholly to direct staff costs (not overhead staff costs, which are unchanged). By contrast, the peer group median has seen a net increase of £74 in this area. Consequently, we have seen North Devon Homes' performance shift from middle upper quartile in 2013/14 to firmly within the upper quartile threshold in 2014/15.

## Overheads

In the previous VfM statement, we highlighted overhead costs as an area where improvement was needed, explaining that as one of the smallest associations in the peer group, it was more difficult for us to obtain economy of scale within overhead functions. The table below demonstrates how performance has changed since the previous year:

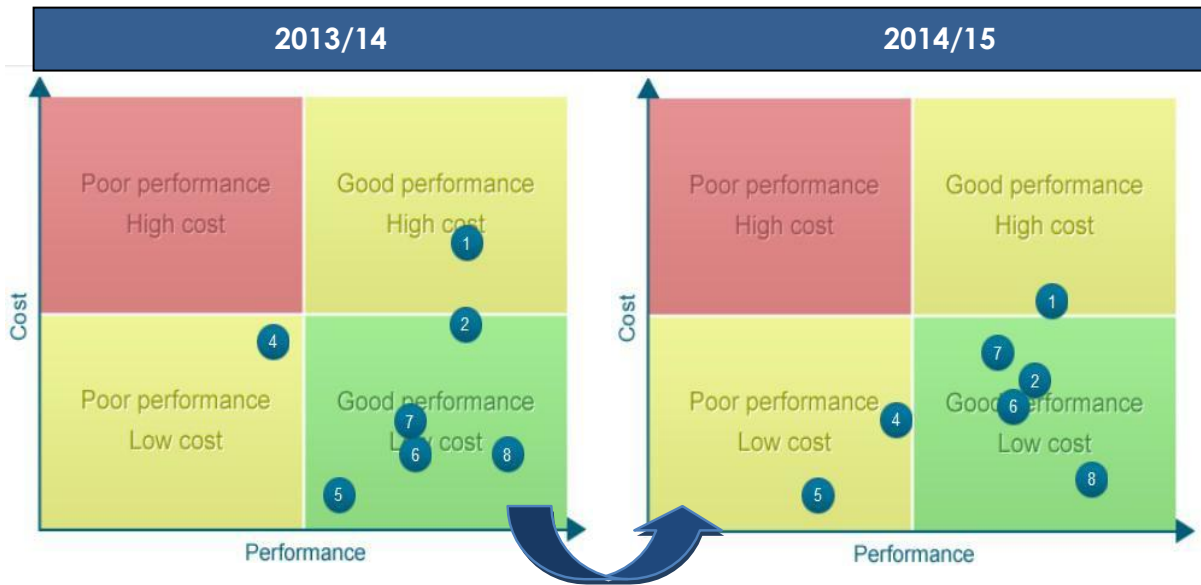
Overhead costs as a % of adjusted turnover KPI	North Devon Homes (2014/2015)			Change in quartile against peer group 13/14 to 14/15	North Devon Homes (2013/2014)	
	Result (%)	Quartile	Achieving target?		Result (%)	Quartile
IT and communications as % adjusted turnover	2.80	middle lower	No	↔	2.91	Middle Lower
Office premises as % adjusted turnover	1.84	middle lower	No	↓	1.94	Median
Finance as % adjusted turnover	1.95	middle upper	No	↓	1.74	Upper
Central and other as % adjusted turnover	7.08	lower	No	↔	6.57	lower
Total Overhead as % adjusted turnover	13.67	middle lower	No	↔	13.16	middle lower

Source: HouseMark benchmarking reports 2014/15 and 2013/14

We have seen *absolute* improvements in relation to IT and office costs as a percentage of adjusted turnover. However, overall, performance has worsened slightly – and most notably in relation to central overheads. We remain middle lower quartile overall. These higher proportionate central costs are in part attributable to one-off governance costs relating to charity conversion, however, central overheads will remain an area of focus going forward, to ensure that costs are reduced where possible.

## Key Business Areas: Performance against Cost

The cost vs. performance matrix summarises cost and quality information for 2014/15, showing 2013/14 performance where comparable data is available to indicate direction of travel.



1. Responsive repairs and void works
2. Rent arrears and collection
3. Anti-social behaviour
4. Major works and cyclical maintenance

5. Lettings
6. Tenancy Management
7. Resident involvement
8. Estate services

Source: HouseMark benchmarking reports 2014/15 and 2013/14

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

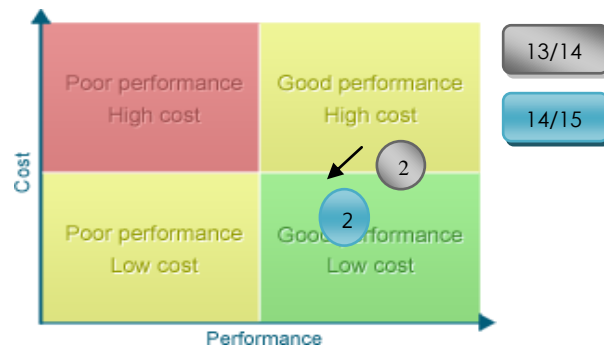
- As in 2013/14, performance outputs in this area are strong.
- Cost was identified as an area of relative weakness in 2013/14. In 2014/15, the cost fell by £62 (6.8%) per property, due to reduced direct non-pay costs.
- Direct employee and overhead costs remain lower quartile; however, it should be noted that organisations with a DLO usually have higher relative employee costs, and lower relative non-pay costs.



**Whilst the downward trend is positive, costs remain middle lower quartile, and there are further reductions needed to achieve the desired level of cost.**

## 2. Rent arrears and collection

- Arrears collection rates (both current and former) continued to significantly surpass the upper quartile threshold
- Arrears written off (0.17%) showed improvement on 2013/14 results (0.20%)
- Cost per property of rent arrears and collection was identified as an area of relative weakness in 2013/14.
- Costs per property fell from £150 in 2013/14 to £134 in 2014/15. This improvement has been achieved through a reduction in direct employee and overhead costs.



**Performance in this area is strong, and reduction in cost compared to peers leaves rent arrears and collection firmly 'good performance, low cost'.**

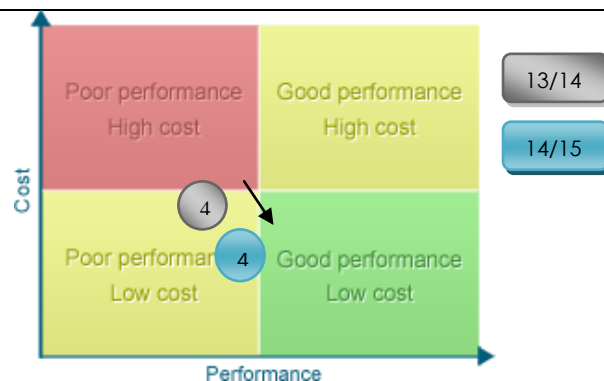
## 3. Anti-social behaviour

- Anti-social behaviour does not feature on the matrix due to incomplete customer satisfaction data, which is rarely forthcoming following case closure.
- The cost of delivering the anti-social behaviour service in 2014/15 sat comfortably within the upper quartile threshold at £51 per property against £58.

**During 2016/17, we will be considering our approach to customer feedback in this area.**

## 4. Major works and cyclical maintenance

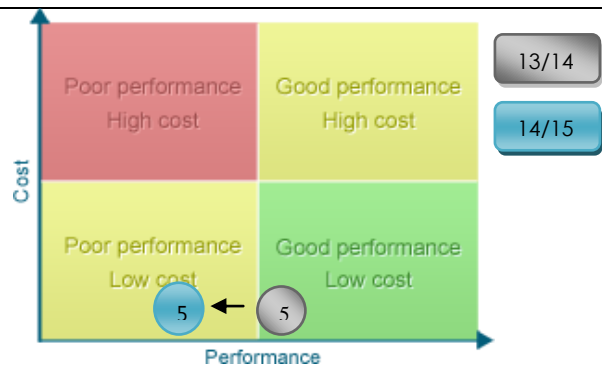
- Total cost per property fell from £1,160 to £953, and sees performance shift from middle upper to upper quartile.
- This is due to a reduction in both direct employee and direct non-pay costs
- In 2013/14, a weakness was achievement of Decent Homes Standard and energy efficiency of dwellings. Between 2013/14 and 2014/15 there was a slight increase in performance in these areas.



**Improvements have increased ndh's aggregate performance score, which is buoyed up by comparatively high levels of customer satisfaction, and sees ndh's position on the matrix improved, but with more room for improvement.**

## 5. Lettings

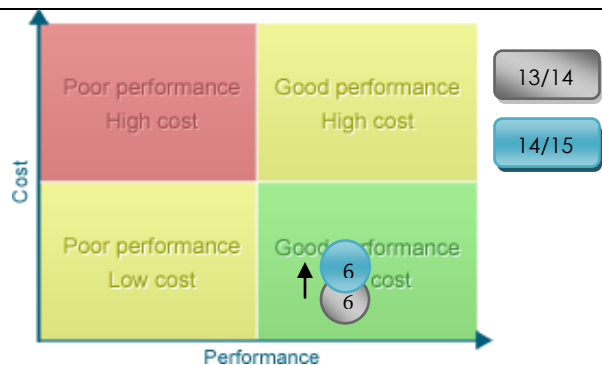
- Cost per property of lettings activity remains low compared to peer group due to direct employee and overhead cost per property, which are both less than half the upper quartile level.
- The volume of vacant available to let properties is upper quartile; by contrast, the volume of vacant, but unavailable to let properties is lower quartile.
- Between 2013/14 and 2014/15, average re-let time in days increased from 24.30 to 31.65. Correspondingly, we see void rent loss increase.



**Lettings performance was an area of relative weakness based on 2013/14 data, and remains so based on 2014/15 data. This is an area where significant activity has been underway throughout 2015/16 to improve performance, as evidenced in performance reports.**

## 6. Tenancy management

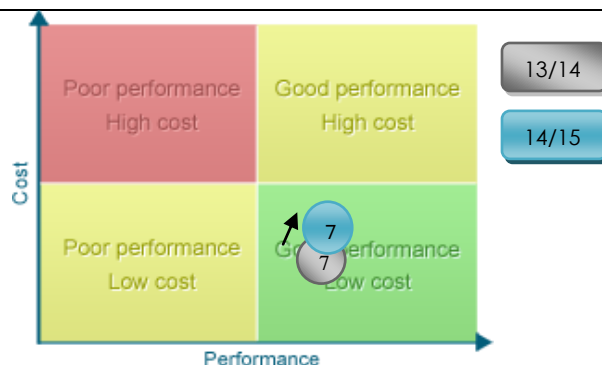
- Cost per property increased from £96 to £123; costs increased across all areas, with direct non-pay costs showing the most significant increase
- Tenancy turnover increased from 7.5% to 8.5%; this increase played a part in the declining Lettings performance, and is lower quartile.
- Since 2012/13, we have seen a year on year increase in evictions, but even with this upward trend, performance significantly exceeds upper quartile



**Tenancy management remains firmly within the 'good performance, low cost' section, despite the increase in costs.**

## 7. Resident involvement

- Costs have increased across all areas; however the biggest driver behind this shift is overheads, which increased from £18 to £26 per property
- There are two performance outputs: percentage of customers satisfied that views are being taken into account, and percentage of diversity information held about customers. The former secures ndh's position within the 'good performance' section of the matrix,



achieving upper quartile results; however, the latter sees ndh falling short of lower quartile performance

**Whilst this area shows good performance at low cost, the amount and quality of diversity information held on tenants lags that of peers, and improving this would contribute towards delivery of VfM by increasing understanding of our different tenant groups.**

## 8. Estate Services

- Total cost per property has increased from £128 to £136 in 2014/15; however, performance remains well within the upper quartile when compared to peers.
- Performance in this area is strong compared to peers, with 89.9% of customers satisfied with their neighbourhood as a place to live (exceeding upper quartile performance by 3.1 percentage points and placing ndh 5<sup>th</sup> in the peer group).



**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 12 members responsible for housing stock of around 70,000. 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.

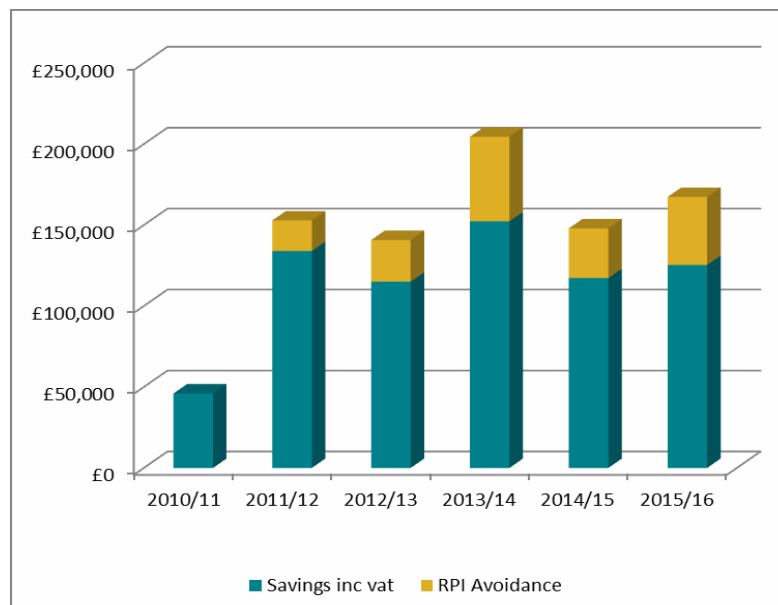
NDH also utilises the Procurement for Housing (PfH) consortium which has over 850 members nationally. NDH currently use Office Depot, AKW Medicare, Crown Paints, and also Greenhams via their framework agreement to get best value. NDH is moving to PfH Framework Agreements for electronic payment services and plumbing supplies in the near term and have 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 2015/16

The information below outlines the savings NDH has gained as a result of membership of ASW. The table details the cashable savings (inc unrecoverable VAT) that have been generated for North Devon Homes and additional costs avoided due to framework price changes being lower than RPI.

Component	Expenditure	Total saving	RPI saving
Aids & Adaptations	£594	£390	£126
Bathrooms	£7,902	£7,908	£966
Boilers	£57,078	£18,025	£6,771
Consumer Units	£14,201	£2,506	£961
Controls	£1,324	£374	£140
Electric Heating	£5,299	£524	£419
Fans	£19,134	£4,784	£3,440
Flooring	£14,421	£4,554	£1,578
Kitchens	£34,894	£22,544	£7,231
Radiators	£5,046	£6,280	£1,629
Taps	£3,702	£6,948	£459
Doors	£60,295	£10,640	£5,163
Paint	£22,196	£0	£1,616
Alarms	£6,598	£0	£480
Legal services	£144,102	£48,034	£13,985
<b>Total</b>	<b>£396,786</b>	<b>£133,511</b>	<b>£44,964</b>

The graph below shows North Devon Homes' savings for the last 5 years from its membership of Advantage SW.



Some examples of specific savings delivered in 2015/16 are:

- NDH ran a mini competition based on the ASW Framework for asbestos surveys and a contract was awarded to Gully Howard. This contract has realised annualised savings of £100,000 and also an 80% reduction in number of invoices to be processed each year.

- ASW has also launched EnergySW in 2015/16 to help customers reduce their direct energy costs. OVO has partnered with ASW to provide energy to their customers and bring the necessary operational experience to allow EnergySW to offer one of the cheapest tariffs in the market. Residents get access to one of the cheapest tariffs on the market. ASW is not making any profit on the tariff to make sure customers get the best value possible. The money saved from the tariff can be re-invested in the local community.

North Devon Homes has also made changes relating to procurement activities 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. It is a part of the tender scoring matrix. Examples from successful contractors include guaranteeing job interviews to suitably qualified tenants, providing annual work placements, and providing materials and supervision for a community labour project. We are currently working on external decoration of a community music studio for a local charity in Ilfracombe.
- **In 2015/16 a number of contracts were retendered** - planned electrical works, kitchen installations, lift maintenance, and asbestos surveys. Each contract has been tendered with Value for Money and social value principles in mind.

### **Actions for 2016/17**

NDH will continue to look to deliver further savings through its procurement activities. We will continue to utilise framework agreements offering the best value for money during the coming year due to the significant cost savings that can be obtained. As well as this, in 2016/17 we will:

- look to obtain further value for money through cost sharing arrangements amongst ASW partners, as ASW has a long term objective to develop cost sharing arrangements amongst its partners
- continue to develop a greater number of mutually beneficial procurement partnerships
- look at reducing the number of suppliers used and to aggregate contract values for routine procurement (low value, low risk)
- renegotiate payment and terms and look to consolidate terms to reduce the transactional cost of doing business with our suppliers.

**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 also supported to engage with community schools as active members of the school governing body and community groups such as the Forches Community Association or the DCLG localism pilot project, One Ilfracombe. With the latter, NDH have signed up as a partner organisation, have full representation on the Board and lead or support a number of project 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 service. As older persons make up a significant proportion of our customers (just under 600 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, reducing to £97k in 2016/17 and a further 12% reduction in 2017/18 and 2018/19.



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

## **Young People's Service**

2014/15 was the final year of our three year Lottery Funded Young People's initiative, but due to the success of the project and the significant positive impact that the project has had in North Devon, the Association was successful in obtaining a further three years of funding from April 2016 to 2018 from the Big Lottery to enable us to continue with the Young People's project. Key elements of the project include:

- The University of St Mark and St John have worked alongside our youth team delivering the Participatory Evaluation Framework which measures the longitudinal change and impact of the project. To date 44 individual studies have been collated to support this process; our Investment Manager from the Big Lottery stated that "unlike 'case studies' this evaluation process adds a real flavour and detail on what you (NDH) are doing and is perhaps something we (the Lottery) should be looking to encourage in other projects". As part of this work NDH acted to inform delegates from Finland, Estonia, Italy and France as part of a Pan-European study on Youth Work and its value in communities.
- The NHS has developed an innovative model which enables disadvantaged young people to achieve a GCSE in Health outside of a formal classroom setting and also become Health Champions within their communities. In year one of this project 9 young people have completed the course. NHS England view this project as innovative, "pushing the boundaries" in making health more accessible to these communities.
- VfM from this project extends beyond the savings to NDH in reducing ASB into external agencies for example; our direct intervention work to avoid Young People becoming heavily involved in local drug misuse and dealing, which in one instance would have resulted in a custodial sentence had this diversionary initiative not be available; "the average cost of a Young Person in custody is estimated at £100k per annum" (source: Local Government Association: Youth Offending Team reductions could increase number of children in custody published Oct 2015).

## **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 sets out 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 2015/16, the Panel has examined:

a) **Recharges** - In summary the report found arrangements at North Devon Homes to be effective and generally in tune with customer wishes but saw some value from a customer perspective in: continuing to use photographic evidence of rechargeable works as is demonstrated in the Voids Service; Starting to undertake a full review of recharges with a view to one member of staff taking ownership of the service; starting having a menu of fixed charges for rechargeable works; starting returning paid recharges back into the service budgets that incur the cost; and, stopping raising recharge invoices where repayment is highly unlikely to occur. The report has been considered by managers in the Customer Care Team, Asset management, Income, Neighbourhoods and the Housing Manager with an action plan developed.

b) **Responsive Repairs** – the review tracked the “journey of a job ticket”. In summary the report found arrangements at North Devon Homes to be effective and generally in tune with customer wishes but saw some value from a customer perspective in: Continuing to monitor and develop customer satisfaction returns from customers to help achieve “right first time” standards; start looking at ways to simplify the extraction of data from ROCC repairs system; start more regular mystery shopping of customers who have had repairs undertaken in their homes by perhaps having a “bank” of mystery shoppers who may not necessarily be Customer Forum members; and, stop sending operatives back to the reoccurring repeat repairs where the source of the problem is not being investigated or tackled. 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 during 2015/16. 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.

- **To further embed VfM and continuous improvement approach** within the organisation, including the use of critical number analysis and Great Game project philosophy and approach



- *Work has been ongoing to develop a set of critical numbers. This is not yet complete, but they will be rolled out for use with Management Accounts and KPIs during 2016/17 to drive performance.*
-

<ul style="list-style-type: none"> <li>• To <b>move towards upper quartile performance across all of our service areas</b>. This will be measured via HouseMark benchmarking information and tools. This will particularly focus on those areas where performance is below target, or where it is only just within target performance: <ul style="list-style-type: none"> <li>○ The cost per property of responsive repairs and void works</li> <li>○ The performance in relation to major and cyclical works in terms of meeting the decent homes standard, and the energy efficiency of dwellings.</li> <li>○ The cost per property of rent arrears and collection</li> <li>○ Lettings performance, ensuring that average re-let times and corresponding rent loss due to voids does not increase and lead to poor performance.</li> </ul> </li> <li>➤ <i>As explained above, performance has improved in relation to responsive repair/void costs, energy efficiency, and cost of rent arrears/collection. Further savings are needed in relation to repair/void costs, and re-let times/void performance has worsened; these two areas remain areas for focus in 16/17.</i></li> </ul>	
<ul style="list-style-type: none"> <li>• To further analyse <b>central overhead costs</b> and where appropriate the Board to agree targets for cost reduction, as part of the annual 2016/2017 budget setting process. <ul style="list-style-type: none"> <li>➤ <i>As explained above, one-off charity conversion costs have increased cost in this area. This will be an area of focus for cost reduction in the coming year. Targets have been set as part of the 2016/17 budgeting round.</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>• Agree <b>clear and measurable VfM priorities</b> for the next three years linked to the new Corporate Plan for 2015-18 <ul style="list-style-type: none"> <li>➤ <i>Clear priorities and cost reduction measures have been agreed by the Board to ensure that the company not only remains financially stable during the rent reduction period but has a clear focus on driving VfM through strategic and operational activities.</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>• Deliver a <b>VfM Strategy</b> revised and linked to Corporate Plan delivery <ul style="list-style-type: none"> <li>➤ <i>The revised VfM strategy linked to Corporate Plan was agreed by the Board in April 2016.</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>• Deliver an <b>Assets &amp; Liabilities register</b> by September 2015 <ul style="list-style-type: none"> <li>➤ <i>Completed in January 2016</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>• Continue to <b>review outputs of stock appraisal</b> model – focusing on the lowest performing 10% of assets <ul style="list-style-type: none"> <li>➤ <i>This work has continued, and decisions are ongoing regarding lowest performing 10%. Within the year, the Board has agreed to dispose of some of these properties to reduce our ongoing liability.</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>• Develop and implementing a <b>continuous improvement plan</b> to drive improvements in terms of cost and quality – focusing initially on those areas where benchmark data suggests there are opportunities to deliver greater VfM <ul style="list-style-type: none"> <li>➤ <i>Four projects were selected to drive VfM improvements, and are underway. These relate to preparation for welfare reform, the voids and lettings process, service charges, and a CRM system.</i></li> </ul> </li> </ul>	  

<ul style="list-style-type: none"> <li>Carry out <b>service area reviews</b> as part of continuous improvement plan, to identify and deliver VfM improvements.</li> </ul>	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li><i>The key area reviewed has been voids and lettings; revised processes are in place and being refined to deliver improvements.</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li><b>Review the Supporting People and youth services</b> to ensure maximum VfM and social value is being delivered to the beneficiaries.</li> </ul>	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li><i>As described above, the Supporting People service has been reviewed and a new Strategy is in place. The Young People's work is subject to ongoing evaluation from the University of St Mark and St John.</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>Deliver a <b>pilot PV program</b> in 2015/16 to increase energy efficiency in our homes, with a view to roll out further after lessons from the pilot have been learnt</li> </ul>	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li><i>As part of the revisions to the October business plan following the rent reduction announcement the Board agreed that it was no longer able to continue with the pilot scheme.</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>Update <b>Procurement Strategy</b> to ensure all benefits are being gained from procurement activity, and review opportunities for procurement gains through contracts rather than one-off purchases.</li> </ul>	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li><i>Procurement Strategy has been reviewed and incorporated into the VfM Strategy, as it is a key component of delivering VfM.</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>Get a better understanding on the <b>energy performance</b> of our properties and to determine actions needed to address those properties that fall below a SAP rating of 54 (Band E) for implementation over the following two years.</li> </ul>	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li><i>Work has been ongoing to determine actions, and a strategy is now in place to achieve 100% properties of Band D or above within 2 years (by March 2018).</i></li> </ul> </li> </ul>	

## Objectives for 2016/17

The key objectives for 2016/17 are outlined below:

- **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.
- **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.
- **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).
- **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

- **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 KPIs during 2016/17 to drive performance, and will be underpinned by guidance for their use.
- **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.
- **Complete implementation of new Service Charges software to improve recovery rates** – Implementation of Ensemble will deliver VfM by replacing the current manual and time-consuming process for calculating service charges, and will drive increased service charge collection.
- **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.

The Board are 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.