

WALSALL HOUSING GROUP

VALUE FOR MONEY SELF-ASSESSMENT

September 2013

INTRODUCTION TO VFM AND WHG

REGULATORY

CONTEXT

The regulator's Value for Money (VFM) standard emphasises the role of boards in ensuring a comprehensive, strategic approach to VFM, understanding return on assets, cost drivers and service outcomes, and monitoring the performance of VFM initiatives. This report to our stakeholders demonstrates our compliance with the standard.

Much of the information included in this self-assessment has been previously presented to Board, Committees and Group Executive throughout 2012/13. It will have been reviewed and monitored, further questions raised and corrective actions implemented where appropriate. Further, this self-assessment itself has been reviewed by the Group Executive and presented to the WHG Board at its meeting on 24 September 2013 for approval prior to submission to the HCA by 30th September 2013.

VFM AND WHG'S PURPOSE AND OBJECTIVES

Our mission is to become "a truly outstanding housing organisation dedicated to the success of our neighbourhoods and people", working with our strategic partners and our diverse communities to achieve this.

Supporting our mission are five key strategic aims and these are to:

- deliver services that delight our customers
- create great homes and neighbourhoods
- strengthen local communities through working in partnerships
- become a stronger, more efficient and productive business that is a great place to work
- achieve growth through ambition, innovation and collaboration

We actively seek an appropriate balance between cost, performance and quality, with a strong focus on improving services to customers, improving our homes and neighbourhoods and building new homes. Therefore, our VFM approach is not solely concerned with achieving the lowest cost, but we aim to deliver excellent services in an efficient way, releasing funds for investment in growth.

STRATEGIC APPROACH TO VFM

At whg the Group Executive and Board work to embed VFM as a fundamental element of our culture. The revised VFM strategy, which is available on request, was

reviewed last year and approved by the Resources Committee and WHG Board in July 2012.

In order for VFM to be fully embedded within whg's culture and operational activity it is recognised that responsibility for VFM is not restricted to those with performance or financial responsibilities. Each directorate has prepared a VFM plan and more detailed self-assessment which not only informs this report, but is used to inspire and monitor VFM achievements.

We have integrated VFM in the following ways:

Governance – Board members' duties include reviewing the cost, efficiency and effectiveness of our operations and ensuring compliance with the regulator's VFM standard. The Group Executive and colleagues are encouraged to question how we operate to find ways of providing a better and more efficient service.

Financial – Our financial and corporate planning has a clear requirement for budget and business plan targets that will produce efficiency gains and improvements to services each year. Each team works to improve how it procures goods and services and looks for new ways to work with partners so that we provide VFM.

Managing performance – We continually review our performance and benchmark ourselves against relevant peer groups. Our objective is for all our services to be in the upper quartile by 2014: we aim to be the best in quality of service and financial strength. The Business Improvement Team carries out reviews to help us understand the costs of our various activities and identify service improvements.

Customer Focus – Improved customer satisfaction with services that are both reliable and value for money is central to our Corporate Plan. The Board and Group Executive regularly monitor progress on customer satisfaction levels. We are committed to customers receiving value for money from their rent and service charges and involve them in our decision making.

Planning Process – Our annual business planning process across all divisions aims to achieve the best service to customers at the most efficient cost and to generate headroom to allow us to invest in our properties, improved services and responsible growth.

People – We are committed to investing in our colleagues and rewarding outstanding performance to improve customer satisfaction and financial strength.

VFM SELF-ASSESSMENT 2012/13

HIGH LEVEL VFM PERFORMANCE

whg's strategic framework for the delivery and assessment of VFM has helped us consistently to meet our internal budgetary and business plan targets, the requirements of funders and regulators. The HCA regularly give us the highest financial viability rating and we compare well with our peers in Housemark.

M6 COMPARISONS

In addition to more formal benchmarking, for a number of years we have been comparing both our financial and operating performance with the M6 group who comprise some of the largest Registered Providers (RPs) in the Midlands.

The actual position for 2012/13 for the Group is set out below together with the two previous years to show the performance trend.

Financial VFM Analysis	Walsall Housing Group Limited M6 Group Average				
	2013	2012	2011	2013	2012
Management costs per property £	597	626	986	691	698
Services Cost per home £	255	238	194	277	263
Maintenance expenditure per home £	353	322	625	722	712
Cyclical and major works spend per property £	1,398	1,116	1,041	589	561
Bad debt loss per home £	28	37	28	37	33
Void loss per home £	96	62	56	34	39
Social Housing lettings operating margin %	24.8%	26.7%	16.1%	33.1%	31.5%
Operating Cost per Home £	3,099	2,836	3,015	2,951	2,830
Debt per Home (general needs) £	10,995	10,592	9,797	24,522	23,108
Interest per Home (general needs) £	510	518	591	1,092	1,026

Comments on the figures in the Table above are set out below:

Financial VFM Analysis	
Management costs per property £	Management cost per home is calculated based on the details in Note 2b to the accounts. We continue to demonstrate top quartile management cost performance when compared to the M6 group and our peers.
Services Cost per home £	Our services costs are lower than the M6 group.
Maintenance expenditure per home £	We are a top performer on responsive costs per home at £353 which is significantly below the M6 average
Cyclical and major works spend per property £	Our property cost at £1398 reflects the continued investment on planned works and the shift from responsive to cyclical and represents 80% of total spend on repairs.
Bad debt loss per home £	Our bad debt costs have reduced and are lower than the M6 group.
Void loss per home £	The void loss cost per home has increased significantly and is the highest amongst the M6 Group. We have put in place improvement plans to our void and letting service and expect to deliver costs in line with the M6 average next year.
Social Housing lettings operating margin %	At 25% this reflects our continuous focus on efficiency and surplus generation to provide resources for the investment in our properties and new build programme. We are upper quartile when compared to our Housemark peer group.
Operating Cost per Home	Operating costs are slightly up on last year and reflect the increased planned works expenditure.

Debt per Home (general needs) £	At almost £11k per home we have the lowest debt per home and are upper quartile when compared to our peers in Housemark.
Interest per Home (general needs) £	We have the lowest interest cost per home within the M6 group.

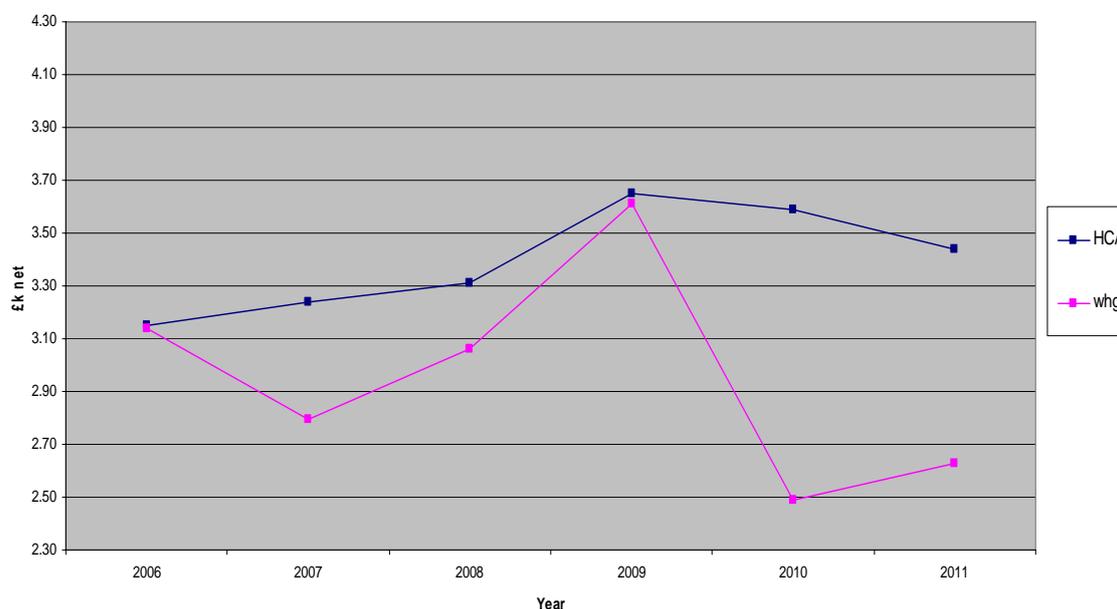
Housing VFM analysis	Walsall Housing Group Limited			Housemark 2012	
	2013	2012	2011	RSL's > 10,000	M6 Group
Current rent arrears % -social housing properties	5.5	5.15	4.25	4.96	3.37
				bottom quartile	
Current arrears net of unpaid Housing benefit -%	1.6	2.26	2.17	2.26	no data
				top quartile	
Re-let times in days -social housing properties	33	27	24	29	26
Residents satisfaction overall %	86.1	86.6	86.2	85.3	84.7
Resident satisfaction with repairs %	80.1	82.8	81.0	80.8	80.0

Housing VFM analysis		
Current rent arrears - social housing properties		Our focus is on current rent arrears net of housing benefit and we were top quartile when compared with Housemark. True performance of current rent arrears stood at 2.2% at March 2013. Gross arrears as reported include cycles of housing benefit payment and direct debit cycles.
Current arrears net of unpaid Housing benefit		
Re-let times in days - social housing properties		Our turnover rates are third quartile and this is an area that we will focus on and aim to improve performance in 2013/14.

Residents satisfaction overall		This years satisfaction rating of 86.1% is based on an independent survey by Voluntas and is second quartile. Our objective is to achieve 90% by 2014.
Resident satisfaction with repairs		whg's resident satisfaction with repairs at 80.1% is second quartile and is in line with the M6 group average of 80%.

HCA "UNDERSTANDING UNIT COSTS OF HOUSING PROVIDERS"

In July 2012, the HCA published a report that explored the operating cost per unit of all registered housing providers with more than 1000 homes. The graph below shows that for all years covered by the report whg operating costs were below the average.



Average operating costs per home 2005-2011

For 2010/11, the average net operating cost per unit at sector level stood at £3,440. In the same period, whg's operating cost per unit was £2,629, which compares favourably with the HCA report. It should be noted that the HCA report identifies factors that produce variations in operating costs between different housing

providers. For example, large scale stock transfer organisations like whg usually have higher costs than traditional RPs in their early years, associated with major improvement programmes, and typically these average £600 per home. In Walsall there are many areas of deprivation and the report estimates a cost impact of around £750 per unit.

PERFORMANCE DASHBOARD

We use a dashboard to give a one-page view of performance, summarising over 75 indicators and around 175 Big Ticket milestones across the year and the five corporate themes. The performance dashboard is considered by the Group Executive on a monthly basis and is reported quarterly to the Board.

A report of performance for 2012/13 was presented to Board 21 May 2013 showing that significant progress has been made towards delivering the Corporate Plan strategic aims.

Whilst there have been some notable successes during the year including a reinvigorated development programme, improved overall satisfaction and a reduction in rent arrears, indicators relating to voids and lettings and a number of satisfaction measures were below target at year end despite considerable efforts to improve service delivery.

As we enter the final year of our corporate plan there is a renewed focus on these areas, and ambitious targets and plans are set out to ensure delivery of the corporate objectives and success measures.

VALUE FOR MONEY ACHIEVEMENTS IN 2012/13

During 2012 we agreed a revised Value for Money Strategy, designed to fully embed the concept of continuous improvement within the organisation. This we are achieving by:

- Ensuring a sustainable financial future for the Group, whilst improving our priority services to our customers;
- Understanding our costs, how they relate to our performance and how they compare with other organisations;
- Promoting and embedding a VFM culture across the Group.

Central to whg's annual planning process is a robust value for money target. Throughout the years we have continually delivered. The table below demonstrates that the group exceeded the VFM target set at the beginning of the year and made Value for Money gains of over £6m.

Target VFM Gains -Year ended 31 March 2013

	Target	Actual	Variance
Value for Money gains	6,386,978	6,413,696	26,718
Analysed as:			
Cash Savings	5,886,353	6,156,026	269,673
Non cash savings	500,625	257,670	-242,955
	6,386,978	6,413,696	26,718

The main contributors to the value for money gains are set out below.

HOUSING MANAGEMENT

The housing service has made several improvements in the year.

We rolled out the **CCTV service** across all our high rise blocks in 2012/13. We are already starting to see:

- reduction in crime and anti-social behaviour
- reduced turnover in properties
- increased levels of satisfaction, assisting in us reaching our corporate plan target of 90% satisfaction with landlord services by 2013
- spinoff benefits such as use of wifi links to allow digital inclusion for customers through community based internet surgeries and assisting claimants to make timely benefit claims
- links with the local housing offices, saving some of the existing IT connection charges

- connection to our communal heating meters, CCTV of our business premises and door entry systems
- potential to sell services to others
- the ability to take on the out of hours contact calls, a potential saving of a further £50k
- reduced number and costs of communal repairs.

In 2013/14 we plan to fully assess the financial and social return on our investment in CCTV across all our high rise blocks.

In 2012/13 after listening to our customers we began to **modernise our cleaning service** at no additional cost. We recognise that the standard of cleaning services is vital to our customers; we now provide: seven day service including emergency call out; mobile cleaning teams; lone working removed with cleaners working in pairs including the introduction of cleaning cover.

Among the measures to help customers with Welfare Reforms we have introduced **paperless Direct Debit**, with flexible dates. The project went live in March 2013 and in that month alone the take-up increased by 5%. The savings to the business for 2012/13 were relatively minor but in future years will exceed £45k per annum. Our target is to increase direct debit take up to 60% of all current rent accounts, 11,400 accounts in total.

We have beefed up the scripting of calls to increase the proportion of our 250,000 **customer calls dealt with fully first time**. This will reduce costs while improving customers' experience of the service.

ASSET MANAGEMENT

In the past, our asset management strategy has focussed on ensuring our stock is well maintained to our Great Homes & Neighbourhoods standard. For 2013/14 we will finalise a new revised asset management strategy to make the most of our housing stock, tackle hard to let properties, exploit our land holdings and respond to customers' changing needs.

During 2012/13 our asset management team have:

- Invested £5.6m net in eco works which have attracted £4.4m grants from British Gas under the Community Energy Saving Programme (CESP);
- Improved our Standard Assessment Procedure (SAP) rating across the group from 67.3 to 78.8;
- Saved over 1300 tonnes of carbon emissions and reduced some of our customers' fuel bills by 40% saving them approximately £418k;

- Completed 595 loft and 626 cavity wall insulations at nil cost using CERT (Carbon Emissions Reduction Target) funding. The value of completed works is £418k;
- Invested £12m to maintain the condition of our homes to our Great Homes and Neighbourhoods Standard, which far exceeds the Decent Homes Standard;
- Upgraded scheduling and appointing processes that have seen productivity increase by 5% over the last 12 months while now offering appointments for all work types. The efficiency gains equate to a non cash saving of at least £42k;
- Provided private commercial work without additional resources whilst maintaining the core service

Our joint voids and lettings improvement project with housing management reduced the amount of rent loss by reducing the number of outstanding void properties. From January to July 2013 we halved the number of voids by increasing productivity of the void repairs team by 9 properties per week, use of subcontractors and better coordination with the lettings team, who reformed and resourced to let the properties released. Overall the project turned around 1316 void properties and has reduced void rent loss by £540k per annum.

SOCIAL VALUE

In addition to financial VFM, we seek to add social value in every area. We have begun to capture this using the Social Return on Investment (SROI) model of the New Economics Foundation. This will supplement our existing records of outcomes and benefits. The current VFM statement does not include SROI estimates but we are implementing the model to capture social returns from CCTV and other initiatives going forward.

The Regeneration Team has a specific role to develop and deliver a range of Capacity Building, Health and Employment and Skills projects to address issues including child poverty, fuel poverty, health and wellbeing and employment and training. Over the years the Team has built an impressive portfolio of programmes, touched many lives and won national awards. Value added in the year includes:

- Community Champions, who are local residents, formerly long-term jobless, now trained to provide support services in their community
- Innovative consultation and targeted programmes
- Delivery has benefited 4,900 people and 130 local groups directly, and many more in turn
- 1,400 have taken Healthy Lifestyle advice
- 174 grants made to community groups totalling £440,000
- Promotion of employment through:
 - Work with individuals to become work-ready
 - Ensuring our contractors commit to local employment and training
 - Funding ten trainees through contractors to develop work skills, often leading to a permanent job
 - Volunteering opportunities for the long-term unemployed as a way into the workplace
- Our award-winning Skills Centre this year provided courses and support for 135 apprentices and over 180 pre-apprenticeship trainees.

DEVELOPMENT

The financial statements show a strong financial performance for the year with a surplus of some £9m enabling us not only to reinvest in services to customers but also to build more affordable homes. We now have the financial resources to deliver 1,000 new homes over the next few years of which 200 are currently onsite and a further 200 will commence shortly. Our value for money achievements in development include:

- Value engineering our designs reducing the average cost of a home by between £10k and £20k;
- We have attracted extra affordable housing grant from the HCA amounting to £3.1m and a further £3.2m in developer grant and increased the gross rental yield on schemes from approximately 4.5 % to 5.7%;
- We launched a new company, whg Developments Limited, in order to deliver our development programme more efficiently and effectively. The company generated savings for the Group of £82k in 2012/13 and is expected to generate future savings of at least £300k per annum;
- We have accessed New Homes Bonus of £190k as a contribution towards abnormal costs.

PROCUREMENT

We have used more effective procurement processes not only to reduce costs but to improve quality. We have tendered key contracts including fleet, development contractors, internal audit services and tenant contents insurance which have so far secured savings of almost £480k, whilst in many cases obtaining better services. Many of these savings will persist for several years and have been reflected in the budget for 2013/14. We involve our customers in these tender processes to ensure we achieve the right balance between cost and quality. The table below sets out the details of the procurement annual savings achieved:

	Annual savings achieved £'000
Rent statements	5
Door entry systems	48
Gas supply	3
CCTV and ASB patrols	86
Internal audit services	2
Fleet	330
Mobile phones	4
Total	£477k

For 2013/14 we will continue to look for increased value from procurement and develop our VFM approach further.

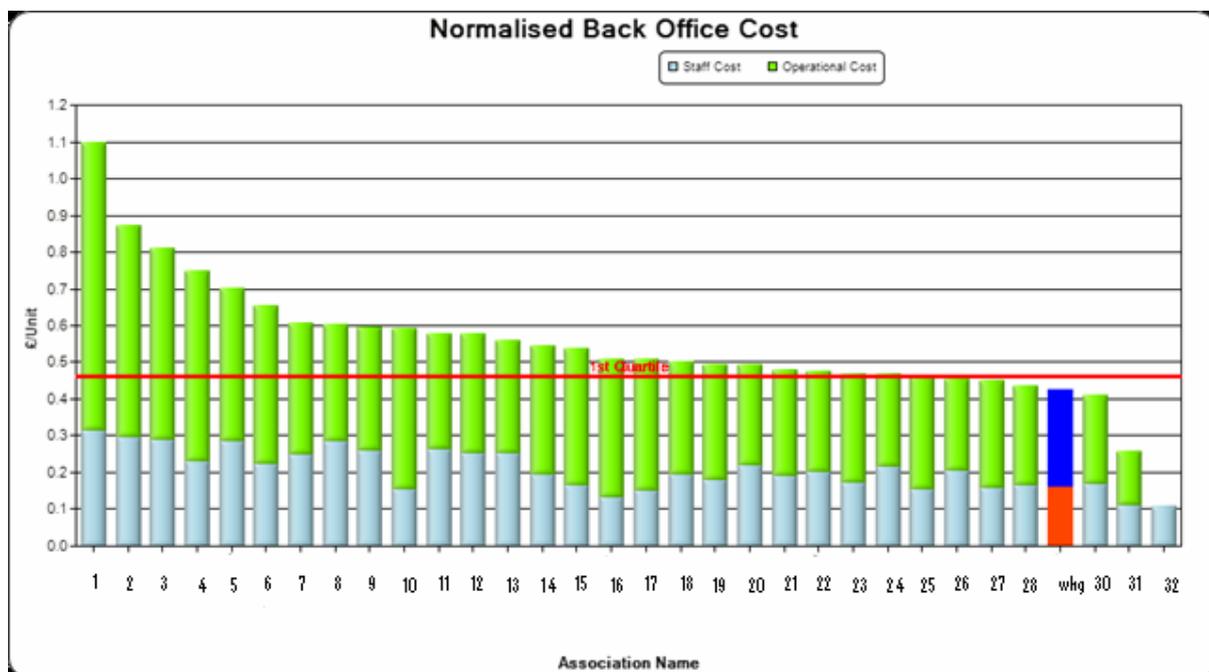
SUPPORT SERVICES

These days support services are recognised as central to effective service delivery. The contribution is often less directly visible, but can take many forms. For example:

- Our in-house IT experts specified and installed the ICT services for our new office building, occupied in the first half of 2012, saving an estimated £75,000. Further savings were made on CCTV and related wifi installations
- During 2012/13 we have restructured our Learning and Development team and as a result we expect to deliver savings of approximately £76k and an improved service to our internal customers;
- Our treasury team has managed our cashflows more effectively saving £22k in overdraft fees;
- We have renegotiated our copier and printer contracts generating significant savings overall

- We have moved to internet phones (VOIP), saving on internal calls between offices
- The move to our new office has resulted in lower running costs, paying back the cost of the new building in a shorter timeframe than planned, at the same time as being more environmentally positive.
- During 2012/13 we have restructured our Learning and Development team and as a result we expect to deliver savings of approximately £76k and an improved service to our internal customers.
- Our treasury team has managed our cashflows more effectively saving £22k in overdraft fees.

We participate in Baker Tilly Back Office Benchmarking club and this allows whg to analyse the full range of central support services including Human Resources, IT and Finance functions. We are top quartile for back office costs and this demonstrates that this area of our organisation is delivering value for money. The graph below shows that whg is comfortably upper quartile with respect to back office costs.



CUSTOMER SATISFACTION

An important indicator of VFM performance and performance generally is customer satisfaction information. Central to our Corporate Theme of Service Excellence is the objective of raising overall customer satisfaction to 90%.

We use the new STAR survey format from Voluntas, which enables colleagues to track changes in satisfaction levels continuously, identifying trends and seasonal issues. During the year 4,608 customers were surveyed.

The results demonstrate that the majority of customers believe that whg is providing a good housing service, though not all areas show improvement since the formal 2009 STATUS survey.

Satisfaction with **landlord services overall** (86 per cent across the year) is five per cent higher than in 2009 and illustrates the hard work and care put in by whg colleagues. In March the level of satisfaction peaked at 89 per cent which is very close to our corporate objective of 90% satisfaction by 2014.

87 per cent expressed satisfaction with the **overall quality of their home**, a rise of almost eight per cent since 2009. Less than 10 per cent express any dissatisfaction.

Eight out of ten customers expressed satisfaction with the **value for money of their rent**, eight per cent higher than in 2009.

Satisfaction with **the repairs service** has increased to 77%, but dissatisfaction has increased from 13% to 22% over the year. We have listened to our customers and have put in place changes to address many of the issues raised.

Whilst these results generally represent a good level of satisfaction, we remain committed to increasing customer satisfaction to 90% by 2017. We have taken several steps to increase satisfaction, including:

- Extended hours of working
- Restructure of Housing Management services
- Improved void letting process
- proactive review of complaints for learning
- Revised planned works process to give faster service
- Provided CCTV monitoring to a number of blocks and streets.

BENCHMARKING

We believe that comparing our performance with that of our peers can provide an important benchmark across a range of outputs. For a number of years we have participated in the following benchmark clubs:

- Housemark core benchmarking
- Housemark specialist repairs benchmarking
- Baker Tilly Back Office benchmarking

Housemark collects at its source a range of cost, performance and customer satisfaction data in respect of the activities carried out by RPs. We have set our peer group within Housemark to include both traditional and LSVT RPs who have more than 10,000 properties. This allows for comparisons based on similar stock portfolios, services, community and regeneration activities, development levels and potentially commercial activities.

Housemark uses traffic light indicators where high performance and low cost are green while low performance and high cost are red. However, it is recognised that

average or higher than average costs might be perfectly acceptable if they can be justified in terms of performance and or user satisfaction. The following quartile ratings key is used to easily denote which areas are high performance (upper) and those that require further investigation:-

Upper /Top Quartile	Second Quartile	Median	Third Quartile	Lower / Bottom Quartile
				
Best performing 25% of organisations in the benchmark	Organisations in the 25% of benchmark below top quartile	Organisations right in the middle of the benchmark group	Organisations in the 25% of benchmark below second quartile	Worst performing 25% of organisations in the benchmark

Benchmarking results are not yet available for 2012/13. However, the 2011/12 results indicate that, in general, whg's performance in terms of delivering value for money has been maintained at a relatively high level compared to the peer group. The overall cost and quality results are summarised in the Housemark Efficiency Summary below.

Efficiency Summary for Walsall Housing Group								
Business Activity	Cost KPI	Cost KPI Quartile			Quality KPI	Quality KPI Quartile		
		Walsall Housing Group 2011/12	Walsall Housing Group 2010/11	Walsall Housing Group 2009/10		Walsall Housing Group 2011/12	Walsall Housing Group 2010/11	Walsall Housing Group 2009/10
Overheads	Overhead costs as % adjusted turnover				Overhead costs as % direct revenue costs			
Major Works & Cyclical Maintenance	Total CPP of Major Works & Cyclical Maintenance				Percentage of tenants satisfied with overall quality of home (GN & HfOP)			
					Percentage of dwellings failing to meet the Decent Homes Standard			
Responsive Repairs & Void Works	Total CPP of Responsive Repairs & Void Works				Percentage of tenants satisfied with the repairs and maintenance service			

					(GN & HfOP)			
					Percentage of all repairs completed on time			
					Average time in days to re-let empty properties			
Housing Management	Total CPP of Housing Management				Percentage of tenants satisfied with overall services provided (GN & HfOP)			
					Total number of tenancies terminated during the year as a percentage of properties managed (GN & HfOP)			
					Current tenant rent arrears net of unpaid HB as % of rent due			
Estate Services	Total CPP of Estate Services				Percentage of tenants satisfied with their neighbourhood as a place to live (GN & HfOP)			

The benchmarking shows that our position is improving compared to our peers. We are by no means in the top quartile for every area yet, which is our target for 2014. There are sixteen overall indicators; however data was not available for two of these. The main findings from above are:

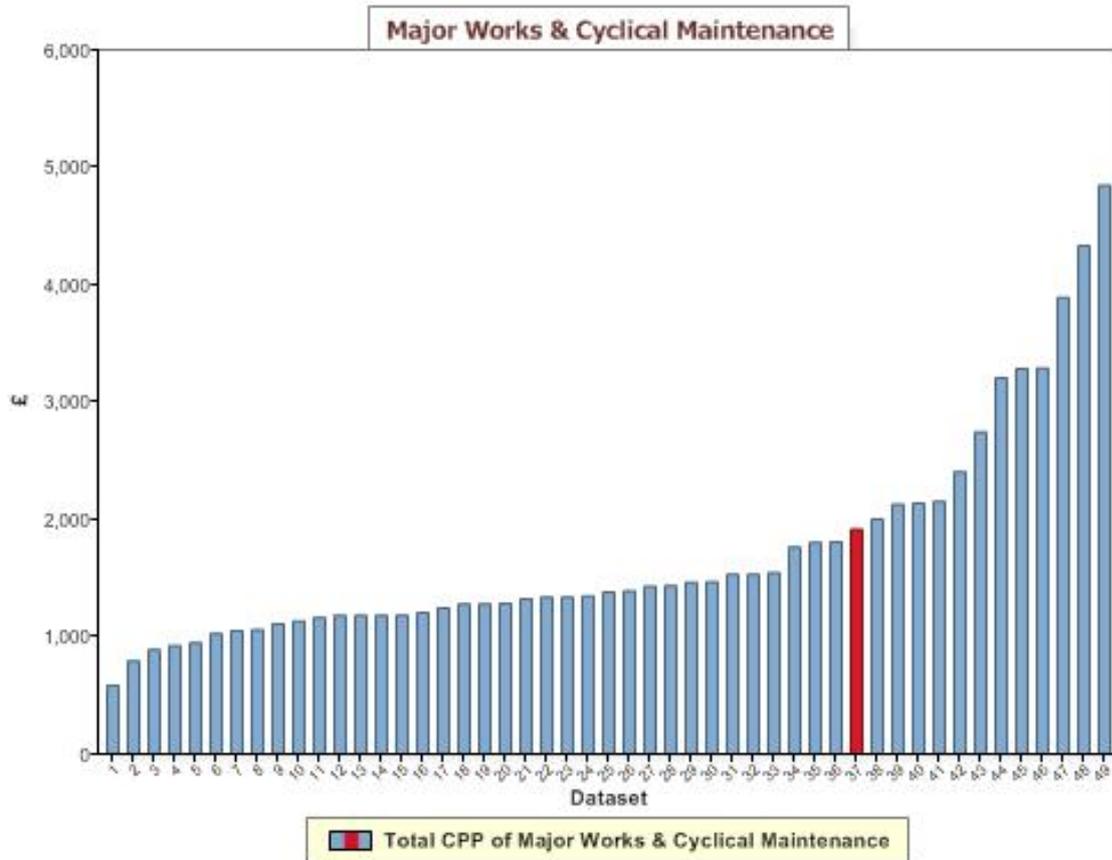
4 out of 14 indicators are top quartile:

- Cost per property for repairs
- % of repairs completed on time
- Cost of housing management
- Performance on rent arrears

9 out of 14 viable indicators are above average which shows an improvement on previous years while two indicators are bottom quartile:

- Total cost per property of major works & cyclical maintenance
- Total number of tenancies terminated

The high cost per property of major works & cyclical maintenance reflects the continued high investment in retrofitting our homes, our stock investment programme and meeting our “Great Homes and Neighbourhoods standard”. The chart below puts into context cyclical and major works spend within the benchmark group.



The high number of tenancies terminated is due to historical high deprivation levels in areas of our greatest stock density. We have worked to stabilise churn rates and for 2013/14 have a number of initiatives to reduce turnover including money mentor services.

Housemark also analyses operational costs in a number of areas and these are set out in the following table:

Business Activity	Total Costs per Property		
	Walsall Housing Group 2011/12	Walsall Housing Group 2010/11	Walsall Housing Group 2009/10
Rent arrears			
Tenancy Management			
Lettings			
Responsive			

Repairs			
Void Works			
Finance			
ITC			
Estate Services			
Major Works			
Resident Involvement			
Anti Social Behaviour			
Cyclical Maintenance			

The bulk of housing management and maintenance services, and support functions, are above average for efficiency. Almost all areas are improving. Some results reflect the stock profile: areas of deprivation (Estate Services, ASB); stages of the cycle (Cyclical).

Specialist repairs benchmarking continues to show our in-house repairs service improving both in cost (where we are consistently upper quarter) and customer satisfaction.

Benchmarking is a very useful can-opener to show where best value reviews should take place and in what order of priority. It has been one of the tools used to inform service reviews in areas such as IT and Voids.

PLANS FOR 2013/14 AND BEYOND

Building on this year's achievements our plans include:

- Targets for efficiency gains of £4m in 2013/14;

- Provide 515 new homes by 2016;
- Achieve ISO 14001 accreditation. This is the green/environmental standard;
- Implement extended working hours to increase the service offer to the customer (already in place);
- Enter into a retrofit contract with a utility company to undertake works of approximately £40m over the next three years increasing the SAP ratings on our properties and reducing fuel poverty. Around 75% of the total project cost will be covered by grants;
- Introduce new performance measures for monitoring the return on assets including social and environmental returns;
- Undertake one large Social Return on Investment assessment and two smaller assessments and develop a model that is bespoke and manageable for whg
- Deliver capacity building programmes to support customers into employment;
- Participate in the Times Best Companies Survey in 2013 and achieve “One to Watch” status;
- Develop the procurement capacity of the Group to enable more proactive value generation;
- Develop a new approach to service reviews and improvement initiatives and apply to three key areas of the business;
- Identify the drivers of dissatisfaction from STAR and specific service surveys and deliver improvement plans;
- Refresh our Welfare Reform Plan in the light of experience as the changes take place, to minimise any potential negative impacts of the reforms on whg and our customers;
- Increase by 100% the number of our customers paying by direct debits;

Our managers are all on track to complete whg's value for money training programme and each directorate is producing a detailed value for money self-assessment.

ENDS