



Value For Money Self Assessment

September 2015

INTRODUCTION TO VFM AND whg

whg exists to provide good quality homes for those who could not otherwise afford them. For us, Value For Money (VFM) is about being effective in how we plan, manage and operate our business. It means making the best use of the resources available to us to provide quality homes backed by high quality services and support. We believe that this in turn leads to improved quality of life and wellbeing for our customers.

The information contained in this self assessment has been previously reported to the Group Executive, Committees and Boards during 2014/15. The projects have been monitored throughout their lifespan and actions taken where corrective action has been needed. This self assessment has also been reviewed and approved by the Board.

VFM and whg's PURPOSE AND OBJECTIVES

Our approach to VFM has been developed from the Corporate Plan. It is based on what is required to deliver our mission "Dedicated to the success of our people and places" against the background of performance in previous years, what our peers are achieving and changes in the external environment.

The VFM Strategy is agreed by the Board who monitor performance in order to gain assurance that the strategy is being delivered. Mazars LLP, our internal auditor, has reviewed the statement content against its own interpretation of the VFM regulatory standard and highlighted where compliance was considered good and made recommendations where further disclosures could be made to further enhance it. The suggestions made by Mazars have informed the final version of the 2015 VFM Self Assessment Statement.

2014/15 was the first year of our 2014-2024 Corporate Plan and we have successfully taken the first steps to achieve the aims that we set out in the plan to support our mission for the next 10 years. These aims are:

- Take every opportunity to delight our customers
- Be an exceptional place to work that attracts, develops and retains talent
- Create great neighbourhoods where people and communities flourish
- Improve health and prosperity where we work
- Grow and expand our services, our reach and our range

- Deliver a strong business, fit for today and prepared for tomorrow

The projects that have been carried out during the year are linked directly to the aims of whg and all work towards achieving our overall mission. The contents of this self assessment give details of the progress and achievements of these projects.

STRATEGIC APPROACH TO DELIVERY OF VFM

Our business planning uses the aims and success measures in the Corporate Plan to drive the business forward. Plans are developed by each Directorate which ensures that the use of assets and resources required to meet service, quality and other non-financial objectives are recognised in the financial plans and budgets.

In line with our VFM Strategy each Directorate continues to produce annual self assessments which have been used to inform this report.

All the projects that are detailed in this report have been reviewed by the Boards and Committees of whg to ensure they are focussed on working towards the overall mission. This process allows for projects to be scrutinised and corrective actions to be taken where necessary.

At whg the Executive and Board work to embed VFM as a fundamental element of our culture. We have a VFM Strategy, which is available on request, and this is supplemented by other strategies related to asset management, development, people and ICT.

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 Board ensures the delivery of VFM in a number of ways:

- It gains assurance from the external auditor’s audit findings letter on the VFM section within the financial statements.
- Internal audit reports to the Audit and Assurance Committee include evidence of how VFM is achieved.
- All reports include a section on VFM and the Board will only approve a proposal if the business case evidences VFM.
- Performance and benchmarking reports are considered evidencing how VFM is delivered across the business.

We are currently undertaking a governance review to ensure that the Board can respond to the challenges our business will face over the coming years. This review will ensure that the Board continues to have all the skills and knowledge to adequately scrutinise whg’s VFM arrangements.

The 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 our services to be in the upper quartile and we aim to be the best in terms of 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 VFM is central to our Corporate Plan. The Board and Executive regularly monitor progress on customer satisfaction levels. We are committed to customers receiving VFM from their rent and service charges and involve them in our decision making.

Planning Process – Our annual business planning process across all directorates aims to deliver the best service to customers at the most efficient cost and to generate headroom to allow us to invest in our properties, improve services and continue to grow.

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

Customers

whg is committed to achieving VFM on behalf of our customers. This not only requires whg to manage the financial aspects of VFM but also the social value outcomes from our operations. The added social value that whg brings to its customers and local people is fully covered later in the report and includes:

- Providing energy efficient homes with affordable fuel bills to reduce fuel poverty.
- Retrofitting schedule to ensure improvements and enhancements are made to customers' homes.
- Preparing residents for employment, through training programmes, volunteering work and apprenticeships.
- Opportunities through volunteering for customers to increase their skill sets.
- Helping customers to stay independent and through our money advice services assisting customers to make ends meet.
- Keeping people safe by providing an award winning community safety service to tackle anti-social behaviour across our neighbourhoods.

Regulator

The HCA regulatory standard outlines its expectations for providers to demonstrate that VFM services are being delivered. whg's achievements have been benchmarked against the requirements of the standard:

1. A registered provider shall: *"Have a robust approach to making decisions on the use of resources to deliver the provider's objectives including an understanding of the trade-offs and opportunity costs of its decisions"*

We deliver against this requirement in the following ways:

- Business planning and objective setting by the Board to ensure that the commitment of financial resource aligns to the Business Plan objectives.
- Annual Board approved budget which identifies the resources to be committed.

- Capital Development Appraisal Panel which reviews capital investment decisions.
 - Business cases and business development opportunities are considered by the Board or Group Executive as appropriate.
2. A registered provider shall: *“Understand the return on its assets, and have a strategy for optimising the future returns on assets”*

We deliver against this requirement in the following ways:

- whg has an Asset Management Strategy in place to ensure investment is prioritised effectively. This includes an active asset management approach which determines whether to invest in or divest of social housing assets. Considerations include high value, high investment, low yield, high tenancy turnover and location.
 - External benchmarking agencies are used to assess performance against peers. Outputs are used to drive positive performance to continuously improve.
 - whg invests approximately 35% of operating costs in wages and salaries. The return on this investment is measured in a number of ways including team performance indicators, sickness absence, colleague turnover and the annual colleague appraisal.
 - Satisfied customers are considered to be a good measure of resources being invested appropriately. whg undertakes customer surveys to understand customer satisfaction levels and develop and enhance products and services.
 - The Capital Development Appraisal Panel makes informed decisions on proposed developments, disposals and retentions. This includes a non-financial element which ensures whg maintains a strong commitment to existing operational areas and the communities it serves.
3. A registered provider shall: *“Have performance and scrutiny functions which are effective at driving and delivering improved VFM performance”*

We deliver against this requirement in the following ways:

- The Board, Committees and the Group Executive receive regular reports to understand performance against KPIs in the context of agreed targets and the Business Plan.
- The Insight and Performance Team undertakes performance interventions to drive improvement where operational performance is less than expected.

- Performance data including trend analysis is presented to the Board and Group Executive regularly.
 - Monthly management accounts are prepared and reviewed by Group Executive and Board.
 - People management processes include an appraisal framework which measures performance against agreed objectives.
 - The Board receives assurance on VFM from the external auditors, who in their audit findings report provide assurance on the VFM section in the financial statements.
 - The Board receives assurance from the internal auditors, including a section on VFM in every internal audit report.
 - Performance is reviewed and challenged through the Local Committees which deliver our Customer Scrutiny activity.
4. A registered provider shall *“Understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so”*
- Service level and corporate performance is benchmarked and this information is reported to the Group Executive and the Board.
 - Monthly budgetary and financial reporting allows budget-holders and senior management to ensure financial information is in line with agreed expectations.
 - We promote Direct Debit as our default payment in our tenancy contract and have promoted direct debit for rent as the most cost effective and reliable payment method. We now have nearly 6,000 customers paying their rents by direct debit.
 - The Group carries out close and continuous monitoring of the impact on rent arrears in relation to the roll out of Welfare Reforms and Universal Credit. We have developed a range of services (money advice, jobs and skills support) to address the increasing financial difficulty experienced by our customers, to ensure rent is paid.
 - The Board and Group Executive have established effective and strong relationships with local authorities and regulatory bodies. This helps us to better understand the requirements of the market and shape services to meet emerging needs.

HIGH LEVEL VFM PERFORMANCE

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

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 2014/15 for the Group is set out below together with the two previous years to show the performance trend.

FINANCIAL VFM ANALYSIS

Financial VFM Analysis	Walsall Housing Group Ltd			M6 Group Average		
	2014/15	2013/14	2012/13	2014/15	2013/14	2012/13
Management costs per home (£)	671	647	597	892	835	900
Services cost per home (£)	252	252	255	537	375	411
Maintenance expenditure per home (£)	470	397	353	711	699	729
Cyclical and major works spend per home (£)	1,500	1,453	1,398	620	579	582
Bad debt loss per home (£)	64	64	28	76	36	47
Void loss per home (£)	52	64	96	88	65	66
Social housing lettings operating margin (%)	24.8%	24.6%	24.8%	30.6%	30.7%	30.9%
Operating cost per home (£)	3,473	3,299	3,099	3,494	3,195	3,373
Debt per home general needs (£)	18,492	11,649	10,995	27,070	24,268	24,367
Interest per home general needs (£)	802	596	591	1,185	896	911

Comments on these figures are set out overleaf:

Management costs per home	Management cost per home is calculated based on the details in Note 2b of the accounts. We continue to demonstrate top quartile management cost performance, when compared to the M6 group and our HouseMark peers.
Service costs per home	Our service costs are lower than the M6 group average.
Maintenance expenditure per home	We are a top performer on responsive costs per home at £470 which is significantly below the M6 average and continue to perform within the top quartile under HouseMark. The increase in routine maintenance costs reflect the changes in operational activity to complete minor voids and achieve re-let targets.
Cyclical and major works spend per home	Our property cost at £1500 reflects the continued investment on planned works and the movement from responsive to cyclical. Additional investment continued on eco warm homes projects so that by 2017 we will have the best housing offer in the local market. The comparison to other providers shows significant difference, however this is reflective of differing capitalisation policies.
Bad debt loss per home	Our bad debt costs have not changed during the year in spite of the affect of welfare reform and providing for customer recharges and remain below the M6 group average bucking the trend of rising bad debts amongst the M6 group.
Void loss per home	The void loss cost per home has decreased and is below the M6 group average. This is due to process improvements made to reduce void loss including reallocating resources and disposing of high cost voids.
Social Housing lettings operating margin	At 24.8% 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 median quartile when compared to our HouseMark peer group.
Operating cost per home	Operating costs are slightly up on last year and reflect the increased responsive void works. Operating costs are now in line with the M6 group average.
Debt per home (general needs)	At almost £18.5k per home we have the lowest debt per home and are upper quartile when compared to our peers in HouseMark benchmarking. The increase in debt per home is due to the successful issue of our £250m public Bond with £75m retained.
Interest per home (general needs)	Following the refinancing exercise, we continue to have the lowest interest cost per home within the M6 group.

HOUSING VFM ANALYSIS

Housing VFM Analysis	Walsall Housing Group Ltd				RSL's >10,000 median quartile 2014/15	M6 Group 2013/14
	Housemark Quartile	2014/15	2013/14	2012/13		
Current rent arrears % -social housing properties	Lower	5.1	5.3	5.3	3.86	3.40
Current arrears net of unpaid housing benefit -%	Middle Upper	2.0	2.1	2.1	2.57	No data
Re-let times in days -social housing properties	Middle upper	31	31	33	33	26
Resident satisfaction overall %	Middle Upper	88.0	87.8	86.1	84.8	84.7
Resident satisfaction with repairs %	Middle Upper	81.0	80.3	80.1	77.7	80.5

Comments on these are set out below:

Current rent arrears - social housing properties	Our focus is on current rent arrears net of housing benefit and we were middle upper quartile when compared with Housemark. However our gross arrears performance of 5.1% has remained stable and with the challenges of Welfare Reforms our focus in this area will continue. Our gross rent arrears are higher than our peers and we are ranked lower quartile. This is due to the large percentage of our customers receiving housing benefit (70% compared with our peers 50%).
Current arrears net of unpaid housing benefit	
Re-let times in days - social housing properties	We have maintained our performance during 2014/15; we continue to be middle upper quartile in this area. We will continue to focus improvements on this area during 2015/16.
Residents satisfaction overall	This year's satisfaction rating of 88% is based on an independent survey by Voluntas and is middle upper quartile. This is the same performance as last year. One of our Corporate Plan key targets is to achieve 90%.
Resident satisfaction with repairs	whg's resident satisfaction with repairs at 81% is upper middle quartile and is in line with the M6 group average of 80.5%. The Asset Management Team will aim to continue to improve to achieve top quartile during 2015/16.

Asset Management

We understand the value derived from our assets and we manage them proactively to ensure we drive VFM and social value. For example, when a property becomes void our treatment of that property will depend on a number of variables including condition, location, value, tenure and the return on the asset.

We use Active Asset Management methodology to ensure ongoing appraisal of all our homes using a sustainability indicator and a net present value calculation. These indicators are determined at an individual property level and are amalgamated into groupings (e.g. area/street/neighbourhood /archetype).

The two indicators are determined separately but viewed side by side at individual property level and grouped levels. The individual property level information can identify particular properties with unusual issues; however the powerful use of the indicators is at a grouped level to identify trends (e.g. particular areas becoming unsustainable, particular property archetypes showing low net present values due to high repair levels).

The sustainability indicator takes into account:

- Repairs history
- Void occurrences (tenancy changes)
- Socio economic indicators for the neighbourhood derived from national statistics office
- A measure based on our neighbourhood standard will be factored in

The net present value calculation takes into account:

- Repair costs estimates – based on last three years' history
- Void cost estimate – based on occurrence rate and cost history
- Predicted planned works spend over 30 years
- Predicted rental income

Our stock is mainly general needs and the analysis focuses on this tenure across location and neighbourhoods. Properties or groups of properties that show low net present value and low sustainability rating are targeted for investigation of the issues behind the results, together with market value and retention costs. Solutions are sought through management or other proposals. In circumstances where disposal is proposed, an appraisal of housing management impact on the area is weighed against the short and long term financial benefits before a final decision is taken.

To ensure we maintain the highest return on our assets we identified 10 properties for disposal in 2014/15 where the cost of repairing the property to our letting standard did not provide VFM. These properties together with the sale of land generated surpluses of approximately £2.3m which is being reinvested in new housing provision.

In addition to the modelling above we also carry out a simple Return on Assets calculation year on year to demonstrate a summary indication of asset performance as follows:

Return on Assets		2014/15	2013/14	2012/13
Property Net Book Value	£'000	259,967	236,267	219,035
Operating Surplus (including surplus on disposals)	£'000	26,095	21,518	17,436
Return on Assets	%	10.04%	9.11%	7.96%

Stock Condition

We have an up to date Asset Management Strategy and 30 year Business Plan that identifies the resources required to maintain our homes at “decent homes standard plus”. These resources are fully included in the Business Plan. We survey 20% of our stock each year and aim to have all properties surveyed by 2018. We also undertake an independent stock condition survey every five years to ensure that investment requirements are up to date.

Valuation

Each year we carry out a revaluation on our properties at existing use value – social housing (EUV-SH) in order to ensure our properties have sufficient value for security against our loans. The results below show that our average value per property has grown over the last few years, suggesting that the investment in new and existing properties is increasing our return on assets by approximately 7-12% per annum.

2011/12 - £19,135 per home

2012/13 - £20,563 per home

2013/14 - £21,689 per home

2014/15 - £24,861 per home

The total value of our housing stock is approximately £470m.

Development Programme

Growth is important to us as it satisfies housing need, adds social value and enables economies of scale which reduce costs per home.

During 2014/15 we have accelerated our development programme using our own land bank. The delivery approach was based on maximising HCA grant either direct or via our developer partners, together with a drive to reduce build costs.

Our aim is to deliver 900 new homes by 2017 and to have more than 30,000 homes in management by 2024. We are on target to deliver 1,889 homes by March 2019 at a cost of £204m, leveraging in £22m of grant funding.

Land sales from the Goscote and Silver Court developments have secured receipts of £2.1m this year to be invested in the capital development programme, thereby reducing internal subsidy.

Following analysis of asset value to the business, we disposed of 10 high cost void properties generating a net surplus of £181k to be reinvested in our new build programme.

Purchasing seven properties under the Mortgage Rescue scheme during the year has increased the number of homes we own as well as allowing families to remain in their own home reducing the costs to public services, reducing risk of homelessness and helping families to stay together.

Our financial statements show a strong performance for the year with a surplus of some £13.8m (2013:14 £11.9m) enabling us not only to reinvest in services to customers but also to build more affordable homes. Our VFM achievements in development include:

- “Value engineering” our designs, reducing the average cost of building a home by up to 12%.
- Achieved an internal rate of return of 6.0% on new build schemes.
- Building out a significant proportion of our land bank to regenerate local communities.
- Accessing external procurement frameworks such as the Homes Communities Agency Development Partner panel to increase the range, scope and quality of contractors whilst saving internal costs of procurement.
- Developing partnership programmes with private developers that deliver outright sale homes at their own risk which generated approximately £2m cross subsidy provision for affordable rent homes via residual land value arrangement.
- We have attracted affordable housing grant amounting to £8.1m (2013/14: £4.2m) helping us to develop 745 homes. 226 homes were completed during the year with a further 519 on site for completion in 2015/16.
- Enhanced social value by incorporating training and apprenticeship schemes within build contracts.
- whg Developments Limited is used to deliver our development programme more efficiently and effectively. The Company generated

surpluses for the Group of £161k in 2014/15 (2013/14: £200k) and is expected to generate savings of £468k in 2015/16.

SOCIAL VALUE AND SOCIAL RETURN ON INVESTMENT (SROI)

The social value work that we undertake is linked to our strategic objectives of:

- Take every opportunity to delight our customers
- Create great neighbourhoods where people and communities flourish
- Improve health and prosperity where we work

This autumn whg will publish its first social value report which will be available on our website. The following is a brief summary of the report.

As one of the largest providers in the West Midlands we play a pivotal role in regenerating and supporting local communities. In order to secure optimum VFM and maximise the impact of our work it is vital that we make sure every penny spent makes as much impact as possible. Many of the activities the Group undertakes generate a significant amount of social value, for example:

- The Group's house building programmes support jobs in the construction sector and increases labour mobility, boosting economic growth. Research shows that for every £1 invested in developing new homes the local economy gains £3.50¹. This means the net return on investment for the new homes we have built this year alone is £67.5m.
- Our aims as a social landlord differ from those of a commercial enterprise in that focus on increasing shareholder value. Unlike commercial organisations we distribute some of our surpluses to customers in the form of rent subsidies, higher standards of maintenance, community regeneration and more investment in new homes. Based on the differentials between Local Housing Allowance rates and our rents and the size and claimant status of whg homes we project that we have saved the taxpayer almost £14.5m in housing benefit this year.
- Our Independent Living Team has helped 320 customers with issues such as budgeting, setting up a new home or accessing local health and support services. The value of the outcomes achieved by our Independent Living service over the last twelve months is over £120k. This service has supported customers to increase their income in via a number of methods such as assisting with benefit claims and seeking

¹ Shelter (2010)

assistance. Next year we will undertake a full social impact assessment as we believe the true social impact of this service is far broader.

- Our money advice service in the past year has helped over 260 customers manage their debts, almost 600 customers to make successful benefits applications, and trained over 400 customers to get ready for the financial challenges of taking on a tenancy. In total the service helped customers reduce existing debts by £17k and gain £588k in welfare benefits. In order to ensure that customers have the best financial start in their new home, pre tenancy training and financial assessments are carried out, involving support in the completion of means tested benefit applications prior to tenancy commencement. whg carry out verification of documents and submit the claim directly to the local authority. This means that benefits will be paid from day one of a new tenancy preventing arrears and difficulties for customers. Housing benefit secured for customers this year totals £2.4m. Next year we aim to help even more people to manage their finances effectively and have set a target of assisting 500 customers with managing their debts. We also plan to undertake a full social impact assessment of this service.
- On employment we have provided a wide range of programmes to build capacity, skills and confidence to enable disengaged young people and the long term unemployed to access the job market. For example:
 - The Preparing Residents for Employment (PREP) programme offers a mixture of confidence building activities to boost key skills local employers are looking for. To date 32 customers have completed the programme and of those, 29 have undertaken further vocational training. Seven have then successfully gained employment and one has become self employed. This is a very positive result considering the participants are some of the hardest to reach customers who have previously failed to engage with other support agencies. The cost of this year's programme was £16,000 and a conservative assessment using the Wellbeing Valuation model valued the outcomes at well over £50k. This year the PREP Programme has delivered a return on investment of at least £3.30 for every £1 invested.
 - Over the last 12 months 28 customers have been recruited onto the Volunteering Works Programme. The aim of the programme is to enable customers not currently able to access the job market the opportunity to increase their employability. This is done through gaining knowledge and experience of working in a professional environment and developing transferable skills. All participants are closely monitored and receive coaching from a mentor. A total of 13 customers have already progressed into employment following their experience on the programme and all the other participants have undertaken further training. The

cost of this year's programme was £18.5k and a conservative assessment using the Wellbeing Valuation model valued the outcomes at well over £110k. The Volunteering Works programme has delivered a return on investment of £6 for every £1 invested.

- whg's Wellbeing Service is designed to help older customers maintain independence in their own home. Our support workers help customers connect with other members of the community, get advice and make the most of their surroundings. Support typically involves friendly visits, help to get out and about, help with aids and adaptations, support with hospital discharges amongst other things. Around 50 customers are currently receiving support on a regular basis. We have ambitious plans to grow the service to provide regular support to over 100 customers a year. Our conservative projections using the Wellbeing Valuation model value the outcomes achieved so far at over £1.6m. The true return is likely to be much higher. The cost of running the service over ten years is projected at £407k. The Wellbeing Service is currently delivering a return of £4.10 for every £1 invested.
- whg has invested in home improvements to reduce fuel poverty. We began retrofitting properties back in 2009 under the government's CESP Programme and since then we have improved over 2,000 homes. In 2014, whg began a major new external insulation programme in partnership with British Gas to retrofit a further 3,000 homes. These improvements will make homes warmer and more energy efficient, reducing energy bills for thousands of low income families. Improved energy efficiency will also help reduce carbon emissions and reliance on imported gas supplies. We anticipate a carbon saving of approximately 163,000 tonnes over the programme. In the 12 months since the programme started a total of 655 properties have already been improved.
- Over the last two years whg has undertaken detailed research into the quality of our neighbourhoods as perceived by customers. The findings are very encouraging with the vast majority of neighbourhoods being rated 'good' or 'very good'. One of the more interesting aspects of the feedback, however, was that customers felt more investment was needed to improve the kerbside appeal of neighbourhoods. whg is now using this research to plan future improvement works to paths, car parks, green spaces, landscapes and other aspects of neighbourhoods. Last year we invested over £1m in neighbourhood improvements and a further £520k is planned for this year. In addition to this, whg has developed a new project known as 'Street Scene' aimed at improving the kerbside appeal of communities at a micro level. Through this project we will improve over 800 properties over the next two years which represents an investment of over £600k. To maximise the social impact of the project, whg opted to train up 11 of our unemployed customers to undertake the works. The long term aim is that these customers will be able to use the qualifications and skills

they have gained to move into full time employment at the end of the programme. We aim to measure the social impact of this programme over the next 12 months.

In conclusion our analysis indicates that we have created social value of at least £80m in 2014/15.

VALUE FOR MONEY ACHIEVEMENTS IN 2014/15

We maintain a continued focus on our VFM strategy designed to fully embed the concept of VFM within the organisation. By doing this we aim to:

- Ensure a sustainable financial future for the Group, whilst improving our priority services to our customers.
- Understand our costs, how they relate to our performance and how they compare with other organisations.
- Promote and embed a VFM culture across the Group.

Central to whg's annual planning process is a robust VFM target. In recent years we have consistently met that target. The table below demonstrates that the Group exceeded the VFM target set at the beginning of 2014/15 financial year and made VFM gains of over £4.0m. Over the past three years we have achieved over £14m of VFM gains.

Target VFM Gains – Year ended 31 March 2015

	Actual £'000	Target £'000	Variance £'000
VFM Gains	4,092	3,500	105
Analysed :			
Cash savings	3,512	2,200	476
Non-cash savings	580	1,300	-371

The main contributors to the VFM gains are set out in the following paragraphs:

OPERATIONS VFM ACHIEVEMENTS

The housing service has made several improvements in the year and these include:

Our Business Improvement Team continually reviews and benchmarks our performance to strive towards upper quartile services across all of our activities. We also undertake best practice research to understand how others are developing new and innovative ways of working.

We regularly monitor customer satisfaction each year. Customers attend Local Committee meetings where they scrutinise our performance against agreed objectives. They are encouraged to question how our services and contracts could deliver better VFM.

Considerable work has been undertaken to improve the void process and ensure we deliver maximum value from our assets. whg has for some time recognised the impact that void numbers and void performance was having on the availability of homes for our customers. Since 2013/14 both the housing management and asset management teams have worked together to drive performance improvements in this area. From a peak of 400 voids in February 2013 this was reduced to 243 in March 2014 and 173 (excluding 50 new build homes that were in the process of being let) in March 2015. This resulted in us successfully reducing void rent loss from a peak 2.3% to 1.2% this year. The reduction in void loss from this year alone represents increased income of £234k.

Through careful management of transferees and increased productivity within the voids and lettings team we aim to further reduce void rent loss to 0.9% and maintain performance at this level. This means that properties are more readily available for new customers and rent loss is minimised. The higher rental income will enable more investment in services that our customers require.

In an era of significant change due to Welfare Reform it is vitally important for the sustainability of our business that we move to more reliable methods of collecting payments. Direct Debit is recognised as one of the most reliable and efficient methods of collecting payments. During the year we started to use insight gained from software called "Who's Home" to target our approach. Who's Home has helped to identify those customers currently on housing benefit who also have a live bank account with live direct debits. In preparation for the roll out of Universal Credit we have specifically targeted these customers. There are approximately 5,500 dormant Direct Debit mandates which can be activated once the customer moves onto universal credit. These direct debits together with the 6,000 already paying by Direct Debit mean we have around 11,500 sign ups surpassing the target set for 2014/15 of 9,000. We are ahead of the game and our long term target is to achieve 100% payment by direct debit.

This year also saw our Income Collection Team regain HQN Rent Income Excellence Network (RIEN) accreditation in recognition of the high standards of income management achieved and high confidence amongst investors, partners and customers.

A project to assess avoidable contact has determined that 60% of avoidable calls were to check appointment times, information that could have been made available online or via text messaging. Furthermore, it was revealed that over 100 enquiries a month are made to us simply to clarify information that has already been given, which costs us around £5k annually.

We are addressing avoidable contact through the re-launch of our website giving customers access to information relating to their account online. Our aim is to develop the customer portal further so that tenants can use it to interact with the business in a wide range of ways. We sourced a new customer portal facility which had more functionality which allowed us to reduce the number of customer portals to one saving an estimated £45k per annum. We have also procured a text messaging system which will become operational during 2015/16 and has already been piloted with customers around gas servicing appointments.

We constantly look to innovate in order to grow our business and deliver services more efficiently. One example of this is the recent purchase of a UAV (Unmanned Aerial Vehicle or 'drone'). The UAV offers the potential of developing new services using aerial surveillance and is expected to deliver substantial VFM savings in the region of £20k per year.

Another area of innovation is a partnership with Walsall Council to re-house customers who present themselves as homeless. The scheme involves providing 30 mostly two bedroom homes for young customers to share. The scheme has leveraged in an additional £47k in housing benefit income for whg. It has also delivered VFM savings for Walsall Council which has been able to reduce expenditure on hostels.

ASSET MANAGEMENT VFM ACHIEVEMENTS

During 2014/15, the Asset Management Team achieved £249k of VFM savings from its new fleet of vans by negotiating a new longer-term lease. Further efficiency gains include fuel efficiency and maintenance cost savings of £83k across our fleet of 215 vehicles.

Through our partnership with British Gas we secured a contribution of £2.7m in 2014/15 to deliver an increased ECO programme delivering tangible energy savings to our customers. Treatment of multi-storey and hard to treat homes is one of our current priorities benefitting both whg in terms of asset condition and value and the customer in lower heating costs and a better home environment. Our Standard Assessment Procedure (SAP) rating across the Group is 80.

We estimate that the total works undertaken through our partnership with British Gas and the Community Energy Saving Programme (CESP) / Energy Company Obligation (ECO) programme have saved over 150,000 tonnes of carbon emissions and 163,000 tonnes by the end of the programme end. It has reduced our customers' fuel bills by over £600k per annum.

whg has been a leading force in energy saving within the sector securing better than market place deals for this work to our stock. In the early years this was through a flexible approach and in the later years through strategic positioning and planning. We have secured since 2010/11 CESP and Eco

grants totalling £17.3m and expect to receive a further £9.7m over the next two years.

Further work in the field of energy savings has been facilitated through securing £100k from the National Grid Energy Efficiency Innovation Awards. The money is to fund an innovative energy monitoring project at four high rise blocks in our ECO programme. It will provide information to individual tenants that will help them further reduce their fuel bills.

In May 2015, whg appointed a new stores provider. The contract provides waste management services, plant hire and tool sales alongside the primary provision of building materials. The successful bidder was Grafton Merchanting GB Limited and we anticipate future savings through improved productivity as the new contract integrates with the new mobile working system. Given that the contract will not have full delivery implementation from day one, we have anticipated savings in the region of £125k during 2016/17 being demonstrated via reduced contractor spending.

Dovetail is a major project focusing on improving IT solutions for remote working across the Group. The ability to access information whilst out on site will enable us to work more efficiently and become a more modern service. Asset Management forecasts that these efficiencies will give a pay back period of approximately four years. The new technology will be implemented over the course of 2015/16. We anticipate evidential and beneficial savings from this project during 2016/17, in the region of £250k through improved productivity and less reliance on third party certification costs; one example being the gas and electrical certification services, enabling us to save £70k per year.

The new Second Tier Framework for procurement of major works services will be rolled out in 2015/16. It is estimated that over the four year contract term, savings of £800k per annum will be made using a range of contractors. The use of local contractors will provide an estimated 10% saving against the previous cost per element. These savings will be used to maximise the outputs of the planned works programme.

SUPPORT SERVICES VFM ACHIEVEMENTS

Our Procurement Policy ensures all contracts achieve VFM for us and our customers. A number of contracts have been renegotiated this year and now deliver even better VFM. Our landscape and tree maintenance contractor has agreed to hold their contract price until December 2017 instead of passing on annual CPI increases. This means we have successfully maintained a consistent level of service for the life of the contract with a 'real terms' cut in operating costs year on year.

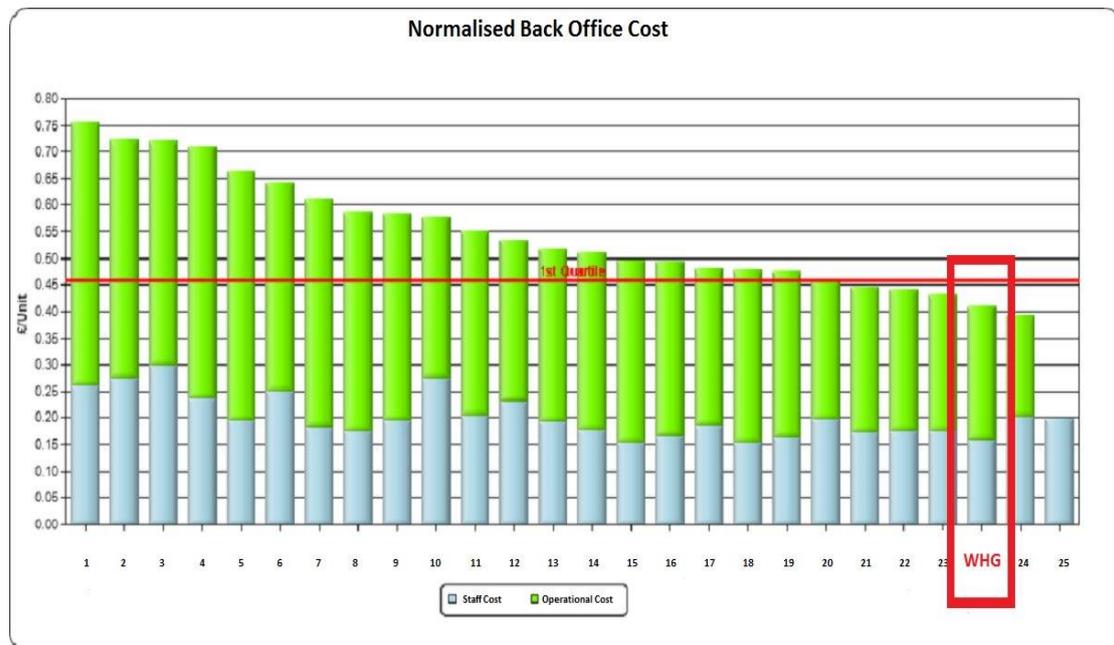
The insurance contract has been retendered and will provide extended level of cover as well as cash savings in 2015/16 of £10k compared to 2014/15. A

risk management advice service has been included free of charge providing a £35k saving over the life of the contract.

Further procurement related savings have come from the tendering and automation of payroll services of £20k per annum.

Thanks to colleague wellbeing initiatives introduced in 2014/15, days lost to colleague sickness reduced from 8.4 days at the beginning of the financial year to 7.88 days representing a non cash saving of £51k. The aim for 2015/16 is to reduce this closer to our long term target of seven days, providing non-cash savings of £100k.

We participate in the Baker Tilly Back Office Benchmarking club and this has allowed us to analyse Group support services which include Finance, Human Resources and Information Technology. The graph below shows that whg operate in upper quartile with respect to our support costs when compared with our peers.



CUSTOMER SATISFACTION

A key indicator of general and VFM performance is customer satisfaction. This is always an important area for us and our aim has been to raise overall customer satisfaction to 90%.

Voluntas Housing carries out customer satisfaction surveys for whg using the STAR survey format as part of its regular assessment of resident satisfaction. Their surveys also enable colleagues to track movements in satisfaction levels since April 2012.

Satisfaction with whg's services overall is 88% and is on average higher than our counterparts in the M6 group. We are just below HouseMark upper quartile (89%) for overall satisfaction and our target of 90% for 2015/16 should place us in top quartile.

89% of customers were also highly satisfied with the overall quality of their home and with their neighbourhoods. We are in the top quartile in this area and have set ourselves a target of 90% next year.

Satisfaction with the VFM of rent has increased from 84% to 86% which is upper quartile. Our target for next year is to maintain this at 86% aiming towards our stretch target of 90%.

Satisfaction with the repairs service is 81% which has improved from last year's 80%. For 2015/16 we plan to achieve 84% by making technology improvements which will support us to provide an improved service. We will also focus on reducing the average days to complete repairs and use information about follow on repairs to reduce where possible.

ACHIEVEMENT AGAINST PLANS SET IN 2014/15

The table below provides a summary of our achievements against the plans set in last years self assessment.

	VFM PLANS	COMMENT	STATUS
1	WHG Board plans to undertake a review of the governance model so as to make sure that it provides VFM.	We have embarked on a review of our Board structure to ensure the shape and skills of the Board will meet the future demands of the Business. Final delivery is expected for 15/16.	In progress
2	Group Executive will review the organisation structure to ensure it is fit for the purpose to support the evolution of the Group.	The last year has been about change and laying down firm foundations to meet the challenges ahead. Our business restructure has already seen the appointment of a number of new directors to support our strategic aims. Some teams were restructured in 2014/15 and the remaining teams will be restructured In 2015/16 to support the evolution of the Group.	In progress
3	Eco-funding of £2m.	Through our partnership with British Gas we secured funding of £2.7m in 2014/15 to deliver tangible energy savings to our customers.	Exceeded
4	Reduce void relet times and voids rent loss to 1% and increase income by £200k.	Void rent loss was reduced to 1.2% in 2014/15 leading to increased income of £234k in the year. Although the target was not	On target to exceed in 2015/16

		achieved in 2014/15 we expect to achieve 0.9% in 2015/16.	
5	VFM gains of £500k from 2014/15 procurement programme.	VFM gain of £850k made in 2014/15. However most of these gains will be realised from 2015/16 onwards. £800k will be reinvested in our major works programme.	Achieved
6	Improve colleague sickness £131k	Productivity increased through reduced sickness absence by £50k and we are on track to achieve our long term aim of an average seven days lost through sickness.	On target to exceed in 2015/16
7	Asset management will create, implement and deliver an action plan to ensure whg is the best in-house delivery vehicle in the country by 2016.	Asset Management is currently undergoing changes to its structure that has led to creation of new in house delivery vehicle. Original action plan remit still active and review of service currently being undertaken to deliver action plan, timescale may require extension dependant upon review.	In progress
	VFM PLANS	COMMENT	STATUS
8	Asset management will create a financial metric for in-house delivery colleagues to drive efficiency and effectiveness.	Notional account and overarching methodology in place, Dovetail project will project ability to report against individual colleagues.	In progress
9	Implement new contractor and mobile delivery systems.	Dovetail project is in progress and will be delivered in 2015/16 delivering VFM savings of £250k per annum from 2016/17 onwards.	In progress
10	Complete the roll out of the new document management system.	The roll out of the new document management system was completed in 2014/15.	Achieved
11	Complete the refinancing exercise to increase our borrowing capacity to £375m.	A Moody's credit rating of A2 Stable was achieved in Sept 14, and £175m bond financing was secured at 4.25% with a £75m retained element.	Achieved
12	Increase the number of customers signed to direct debit to 9,000, saving on collection costs of £45k pa.	Direct debit customers increased to 11,500 (including around 5,500 dormant ready to activate once customer moves to universal credit).	Exceeded
13	Develop and deliver two major strategic regeneration schemes working in partnership with project groups to achieve positive social impact within the local neighbourhood.	The Goscote Community Action Group is being developed and is linked in with the development regeneration of the community. During 2014/15 we secured a commitment of £8.8m from the Black Country Local Enterprise Partnership for the regeneration of	In progress

		the last phase of the Goscote Lane Corridor project	
14	Submit a HCA bid to fund the development of 590 new homes for 2015-2018.	Bid was submitted in April 2014 and was successful in achieving funding of £12m for 590 homes.	Achieved
15	Establish a direct payment demonstration project for 500 households.	A demonstration project was delivered in 2014/15.	Achieved
16	Achieve HQN RIEN accreditation for the Income Collection Service.	HQN RIEN accreditation was achieved in 2014/15.	Achieved

BENCHMARKING

We believe that is important to benchmark across our services and have benchmarked for a number of years in the following groups:

- HouseMark Core
- HouseMark Specialist Repairs
- Checkmate (repairs)
- Baker Tilly Back Office
- M6

The information provided to these benchmarking groups relate to a range of cost, performance and customer satisfaction data in respect of activities carried out by registered providers. This information is collected on a regular basis and is reported on to enable informed decision making on how to improve performance.

We compare ourselves to a peer group with HouseMark of traditional and LSVT RP's who own 10,000 or more properties, which allows to make comparisons with similar organisations.

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 Quartile	Middle Upper	Median	Middle Lower	Lower Quartile	N/A	No Data
						
Best performing 25% of organisations in the benchmark	Organisations in the 25% of benchmark below top quartile	Organisations in the middle of the benchmark group	Organisations in the 25% of the benchmark below second quartile	Worst performing 25% of organisations in the benchmark	Not Applicable	No Data given

The 2014/15 results show that in general whg's performance is in line with the previous year's results. The HouseMark benchmarking information has provided a snapshot of our comparative performance on both quality and cost with a number of peer organisations. It is important to note that at this time a number of other providers had not submitted their data. We will review our position further and ensure that we action opportunities for improvement.

The overall cost and quality results are summarised in the table below and are subject to validation.

Efficiency Summary for Walsall Housing Group								
Business activity	Cost KPI	Cost KPI Quartile			Quality KPI	Quality KPI Quartile		
		Walsall Housing Group (2014/2015)	Walsall Housing Group (2013/2014)	Walsall Housing Group (2012/2013)		Walsall Housing Group (2014/2015)	Walsall Housing Group (2013/2014)	Walsall Housing Group (2012/2013)
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 the overall quality of their home (GN & HfOP)			
					Percentage of dwellings that are non-decent			
Responsive repairs & void works	Total CPP of Responsive Repairs & Void Works				Percentage of tenants satisfied with repairs and maintenance (GN & HfOP)			
					Average number of calendar days taken to complete repairs			
					Average re-let time in days (standard re-lets)			
Housing management	Total CPP of Housing Management				Percentage of tenants satisfied with the service provided (GN & HfOP)			
					Percentage of anti-social behaviour cases resolved successfully			
					Current tenant rent arrears 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)			

*CPP – cost per property

The benchmarking shows that our position is improving relative to our peers. We are by no means in the top quartile for every area yet, which is our on-going target. There are fifteen overall indicators, the main findings from which are:

Six out of 15 indicators are top quartile (best performing 25% of organisations):

- Overhead costs
- Responsive repairs & void works
- Cost of housing management
- Percentage of tenants satisfied with the overall quality of their home
- Percentage of dwellings that are non-decent
- Percentage of tenants satisfied with their neighbourhood

Of the remaining nine indicators, seven are in the middle upper quartile and three are below average with two indicators in the bottom quartile.

The Key Performance Indicator (KPI) for current gross rent arrears as a percentage of rent due is lower quartile in 2014/15 but shows a slight improvement from 5.3% to 5.1%. Our gross arrears are lower quartile due to the high level of our customers on housing benefit (about 70% compared with our peers 50%). Our analysis shows that the trend for net rental arrears is improving slightly from 2.1% in 2013/14 to 2.0% in 2014/15. This is encouraging as it means our customers are in less debt and we are recovering more rental funds into the business than last year.

The KPI for repairs and voids cost per property is likely to improve through the validation process.

The KPI relating to cost per property of major works and cyclical maintenance is bottom quartile. This represents higher investment in our stock than those we compare with. This is because we have a substantial ECO and sustainable neighbourhood investment programme in addition to the basic maintaining decent homes investment. This investment level helps keep responsive repair costs low and contributes significantly to reducing fuel poverty.

HouseMark also analyses operational costs in a number of areas and these are set out in the table below, subject to validation. This allows us to compare performance against peer organisations on cost and quality. We can determine if we are in Upper Quartile, Median or Lower Quartile. This highlights where we are performing well and identifies opportunities for improvement:

Business Activity	Total Costs per Property		
	Walsall Housing Group 2014/15	Walsall Housing Group 2013/14	Walsall Housing Group 2012/13
Rent arrears			
Tenancy Management			
Lettings			
Responsive Repairs			
Void Works			
Finance			
ICT			
Estate Service			
Major Works			
Resident Involvement			
Anti Social Behaviour			
Cyclical Maintenance			

The bulk of housing management, and support functions, are above average for cost efficiency. Some results reflect the stock profile: areas of deprivation (Estate Services, ASB); or 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. Voids cost per property indicator is likely to improve through the validation process.

The Checkmate benchmarking was carried out after discussions at Asset Management and Development Committee where further testing against the others (especially those with direct labour teams) was considered helpful. The results demonstrate a high performing repairs service compared to our peers. 13 out of the 21 repairs KPI's are upper quartile with seven of these 13 ranking whg at number one.

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 voids.

PLANS FOR 2015/16 AND BEYOND

Our strategy for 2015/16 will be to continue to transform our services to help our customers through the challenges they face. Building on this year's achievements our plans include:

- Within our strategic aim of “Deliver a strong business, fit for today and prepared for tomorrow” the WHG Board plans to complete the review of the governance model commenced in 2014/15 so as to make sure that it demonstrates VFM and can respond to the challenges our business faces over the coming years.
- The Group Executive will complete its review of the organisational structure to ensure that it is fit for the purpose to support the evolution of the Group. One objective of the review is to strengthen our management structure to help us deliver the challenging targets we have set out in the new Corporate Plan over the next 10 years.
- In light of the announced rent reduction we plan to deliver significant cash savings and VFM gains of at least £8.0m next year made up as follows:
 - Further Eco funding of £4.8m.
 - To further reduce voids rent loss (to 0.9%) and maintain performance at this level increasing income by a further £250k.
 - Target VFM gains of £200k from our 2015/16 procurement programme which we will measure from the savings achieved from our 2015 tender programme which includes scaffolding, lift maintenance, recruitment, training, auditing and legal services and print and design.
 - Improve partial exemption recovery by recovering an additional £700k in 2015/16 and a further £100k per annum.

- Disposal of high cost void properties generating net capital receipts of at least £200k.
- The Asset Management Team looks for ways to deliver repairs in the most efficient and effective way possible, whilst minimising disruption to our customers. During 2015/16 the Team plan to complete the implementation of the new contractor and mobile delivery system to reduce manual administrative processes, reduce travel time, increase right first visit performance and to enhance customer service which will drive increased customer satisfaction with the repairs service moving satisfaction with the service from 81% towards 84%.
- To develop further our social value analysis going forward; rolling out our methodologies to cover all the services we deliver. We aim to evaluate and quantify the social value that we deliver on a continuous basis and produce our second annual social value report for our stakeholders.
- We aim to help even more people to manage their finances effectively and have set a target of assisting 500 customers with managing their debts.
- We plan to grow the older person service to provide regular support to over 100 customers a year.
- We aim to further develop our social inclusion and employment activities to tackle other important issues including digital inclusion and fuel poverty.
- Creation of an energy company to offer low prices to our customers and generate an income stream estimated at over £100k per annum by 2018 for whg.
- We will conduct a VFM review of commercial shops with the aim of disposal or bringing the management in-house.
- We will conduct a VFM review of our offices with the aim to reduce the number we currently operate and to generate office running savings from 2016/17 onwards.
- whg will be exploring in 2015/16 the impact of moving our customers to a self-serve model which may lead to savings in front line costs from 2016/17 onwards.
- whg will introduce a salary sacrifice scheme which will be applied to car parking and contributions to the Social Housing Pension Scheme with the aim of generating up to £15k savings.
- As part of our Corporate Plan aim to “establish a new relationship with customers” we are launching a project which agrees clear

commitments between whg and our customers or a customer charter. We anticipate that this will deliver considerable social value by encouraging our customers to play an active role in their local communities, and will assess the impact over the next two years. As part of our wider tenancy sustainment agenda this will contribute to VFM gains by reducing tenancy turnover. Customers will also be encouraged to return their properties in a good condition and this will further secure efficiency savings by reducing the cost of void repairs. By reducing the average void cost by £500 this could secure savings of £850,000 per annum. Whilst the impact of this project may take some years to fully realise within void costs, we anticipate seeing positive gains made during 2015/16.

- whg is in the initial stages of considering mobile working solutions for our Operations colleagues. This will support us to secure a number of efficiency savings, for example reducing down travel time and also enhancing our customer service during home visits. As part of these initial stages we will establish our baseline position of current expenditure on travel time and mileage costs, for example. These will then inform a business case for the project and target setting throughout to ensure VFM gains are achieved.
- During 2014/15 we secured a commitment of £8.8m from the Black Country Local Enterprise Partnership for the regeneration of the last phase of the Goscote Lane Corridor project. In 2015/16 we plan to enter into a Grant Agreement for this sum and access funds of £500k with the remaining £8.3m drawn over the next four years.
- Rent reductions from the July Budget will remove some £34m from our surpluses in the next four years, compared to the Business Plan approved by the Board in May. This translates roughly to £8m per annum. During 2015/16 we will prioritise our plans to restore as much as possible of the surplus removed by the rent reduction.