# Value for Money

# Self Assessment

# 2015-16

## Value for money Statement

### Introduction

Teign Housing continues to be fully committed to deliver Value for Money (VfM). We continue to be committed to providing good levels of customer service in a more rigorous financial environment and we continue to use our resources in an innovative and cost effective manner. We look to make the best use of our customers' money whilst balancing the cost and time with quality as well as stakeholder benefit, reasonable customer expectations, organisational benefits and business survival. Our Value for Money Strategy came to an end in 2015 and a new strategy was adopted in June 2016.

### Our Approach

The approach to this has not changed significantly from our previous self assessment, as we know that this can deliver results, however our targets are more ambitious as the financial environment in which we operate has become more challenging. We maintain the five corporate objectives shown on the right hand edge of the circle however the delivery approach has been reviewed and changed to reflect our future business aspirations and financial capacity. In addition the Corporate Plan will be reviewed every three years (previously every five years) to ensure that it is delivering our objectives whilst also responding to a more rapidly changing external environment.

The culture of Value for Money starts with the strategic aims within our Corporate Plan and flows through to our rolling 5 year operations plan and then onto the team and individual objectives set as part of our annual performance appraisals; it forms a part of our day to day operations.

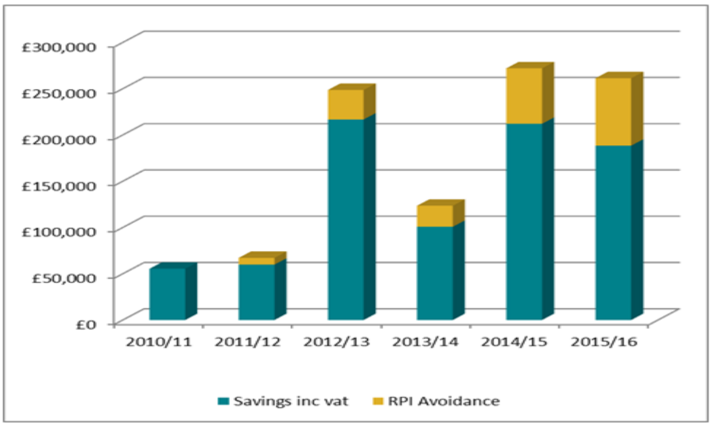

## WHAT HAVE WE DONE

In 2015-16 we set ourselves a number of objectives in order to improve our Value for Money. We have evaluated these to determine whether or not we successfully delivered what we said we would:

- Implementation of a new phone system – in August 2015 we went live with a new phone system. This has provided greater telephone functionality within the business and allows us to communicate more effectively with customers. Whilst we had an initial outlay of £79,400 for the new system it was going to cost us a similar amount to upgrade the old system. However the new phone system generates savings of £68,000 over 5 years for the system itself. In addition further efficiencies are being achieved as a result of enhanced functionality and process reviews that will save at least £18,000 per annum in staff time and printing costs.
- Strategic review of IT – the first stage of this ongoing review was to consider if we would get a better IT service by having an in house IT team or by outsourcing the service. After a thorough review that considered what the company needed, what

was available in the market and how others approached their IT service it was considered more effective to have a small dedicated in house IT team. Along with the fact that on an annual basis this would be £10,000 a year cheaper than an outsourced service, it also allows for the inclusion of an IT apprentice position which allows us to develop staff. With the exception of the apprentice the team is now in place and is providing a comprehensive IT service that has also extended to the management of telephony and instigating a Data Protection project. The apprentice post will be advertised in the coming months. The work reviewing the core IT system continues and the project group have reviewed a number of systems that will improve functionality into the future. The investment business case is currently being developed and will evidence the savings that will be generated by a new system; this will then be considered by the Board in 2016-17.

- Implementation of the review of the repairs service with a view to generating cost savings of £2.8m to £3.8m over 10 years – the Board have approved the move to a Wholly Owned Subsidiary (WOS) for the delivery of the repairs service from July 2017. The revised estimated financial savings, now the detailed review has been undertaken, are in the region of £5m over 10 years along with greater control and improvements in service delivery.
- Larger scale PV project – as a result of the change to the Feed in Tariff it was decided not to progress with this project as it no longer had the potential VfM that we had anticipated.
- Welfare Reform – we continue to work with our customers as the Welfare Reform changes continue updating our customer insight information to allow us to develop our knowledge and support customers through the changes.
- Consideration of bringing some more of the Grounds Maintenance service in house generating cost savings and certainty with service delivery – this was delayed as a result of the rent reduction however we are refreshing this proposal as the current contract with one of the grounds maintenance contractors will finish in October 2016.This will be an opportunity to review how the service is delivered and improve both cost efficiency and service delivery.
- We continue to benefit from our membership of Advantage South West and the cashable savings generated for Teign from being part of the consortium in 2015-16 amounted to £194,832, we spend £15,727 per annum on membership. The total savings over the last 5 years are presented in the graph below.




There are direct savings as a result of the bulk purchasing that is generated by being part of the consortium, in addition the RPI avoidance results from cost increases being lower than inflation.

**RETURN ON ASSETS**

We have a strong commitment to investing in our housing stock for the future and we maintain a 5 year rolling stock condition survey to ensure that the investment in our stock is focused in the right areas and maintains the longevity and desirability of our homes, this has been reflected in the recent Business Plan approved by the Board in May 2016. The Financial Future section of this report provides financial information on the value of this review. We continue to look for opportunities to invest in renewable energy solutions for both our new build and existing homes.

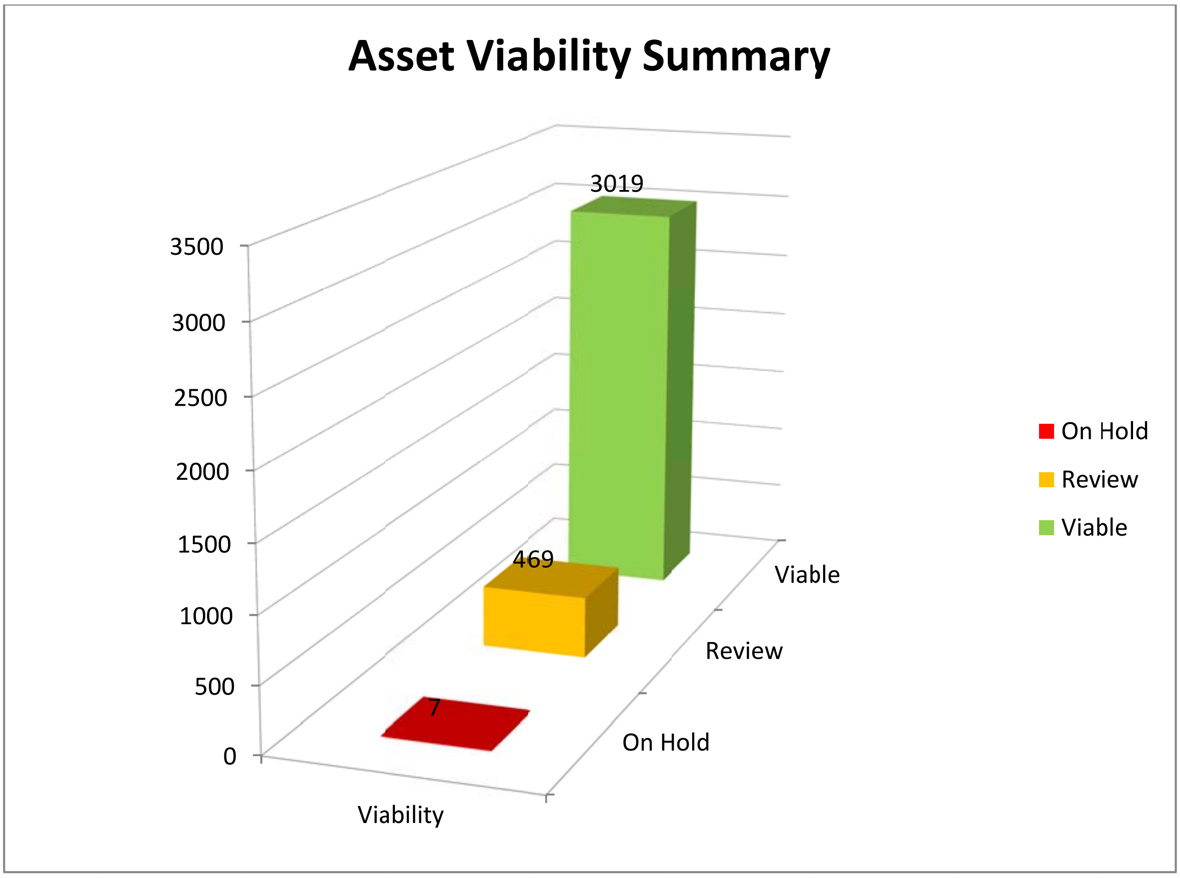
In 2015-16 we have already delivered 3 shared ownership properties and we have 79 affordable rent and 29 shared ownership properties on site that will be delivered over the next 3-4 years. 18 homes are being delivered under the Affordable Homes Guarantee Programme whilst the remaining 93 homes are being delivered without grant. The ongoing focus on efficiency has enabled us to provide an average of £6,500 per property from Teign's resources to deliver these homes without the support of any grant funding. For the future we will be continuing with our development aspirations and we aim to deliver 257 homes over the next 5 years.

Previously we were receiving approx. £20,000 per home in grant from the Homes & Communities Agency (HCA) for the delivery of affordable rented homes. The HCA grants are no longer available and therefore it can be seen that for every £20,000 we save on operational running costs we can use this to subsidise the delivery of an affordable rented home.

Therefore the efficiency savings, along with our asset disposal programme (detailed above) and the use of mixed tenure development schemes, where the profit from open market sale homes will be used to subsidise the building of affordable rented homes, will allow us to continue to deliver new affordable rented and ownership homes into the future.

A revised Asset Management Strategy was approved by the Board in January 2016 and not only does it continue to give us a clear direction about the future use of our assets such as continued use, redevelopment or disposal; it has redefined the Teign Standard which continues to be above the Decent Homes standard but allows us to proactively manage our planned maintenance programme to drive out maximum cost efficiency.

Towards the end of 2014-15 we invested in a comprehensive asset management evaluation software (Active Asset Management) which allows us not only to consider the financial implications of our asset base i.e. how much income does it generate and what does it cost us thereby providing us with a Net Present Value (NPV) for all of our stock; it also overlays ‘demand scores’ which include social and environmental factors such as re-let times, anti social behaviour patterns and general desirability. Whilst none of our assets generated a negative NPV there were some that provided a very low return in the longer term and this has allowed us to target specific assets for disposal, the summary chart below shows the overall stock profile and is followed by a more detailed table:




## Viability Model Summary Sheet (30 Yrs)

RIDGE

**Cost banding parameters (£) - click button to amend**

| | | | |
|---|---|---|---|
| Lower Range: | £60,000 | Expenditure Permitted | Click to Edit |
| Between: | | Expenditure Under Review | |
| Higher Range: | £75,000 | Expenditure on Hold | |

**Base Date for costs:** 03/08/2015

| Demand Score | | Total Cost Years (1 to 30) | | Count | Average | Combined RAG Status | RAG Count | RAG Cost | RAG Cost Per Unit |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 934 | 1-3 | £119,683,952 | 2182 | £54,851 | 1-3 | 1889 | £103,548,461 | £54,817 |
| 2 | 1361 | | | | | | | | |
| 3 | 724 | | | | | | | | |
| 4 | 469 | 4 | £75,686,084 | 1192 | £63,495 | 4 | 1454 | £89,905,790 | £61,833 |
| 5 | 37 | 5 | £13,336,523 | 151 | £88,321 | 5 | 182 | £15,252,308 | £83,804 |
| All | 3525 | All | £208,706,559 | 3525 | £59,208 | All | 3525 | £208,706,559 | £59,207 |

**Strategic Action Summary**

| | | | |
|---|---|---|---|
| Retain | 2182 | Remodel | 0 |
| Under Review | 1343 | Redevelop | 0 |
| Change of Use | 0 | Dispose | 0 |
| All | | | |

**Income vs. cost**

| | |
|---|---|
| Viable | 3518 |
| Concern | 7 |
| All | |

**Base Date Indicies of Deprivation:** 2010

| | |
|---|---|
| IMD Score Provided | 0 |
| IMD Score Missing | 3525 |
| All | 3525 |

The stock which is under review will have a lower NPV and poorer demand scores for issues such as no lifts in low rise blocks of flats, stairs to the first floor of sheltered housing, difficult to access i.e. a large number of steps or general location, a long way from services such as schools, shops and transport.

During the year we disposed of one property generating a receipt of £150,000 and a surplus of £130,000 which will be reinvested into delivering new affordable homes. The property was an ad hoc street property, from the original transfer, that did not fit well within the geography of our core stock and did not offer good facilities.

We are currently relocating residents from flats in a high value listed building for future disposal on the open market again to provide subsidy for the development of new homes. The ongoing maintenance costs of a listed building in a national park are significantly higher than for our standard stock and the property was costly in terms of energy costs for residents.

We have also purchased a leasehold property, in a large house conversion, with the intention of disposing of the whole property which we are currently vacating.

We continue to:

- review our own land, housing stock and garage sites for development opportunities – where suitable these are now included within the future development programme. We now have 4 garage sites included in our pipeline development programme and another 3 are being considered.
- review key assets for potential disposal – we have identified a further converted listed building that will be considered for disposal in the future.

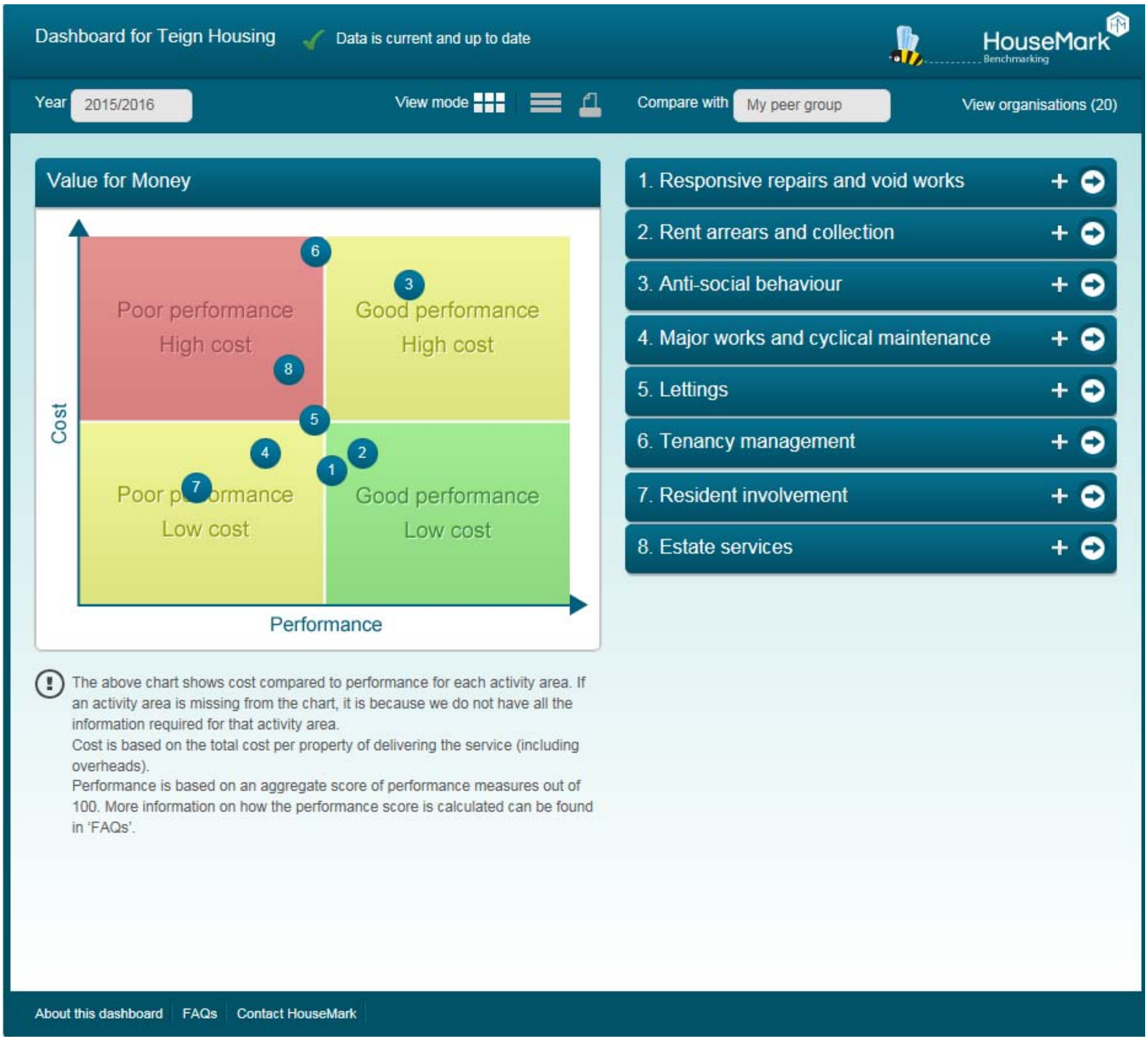
The summary of VfM achieved in 2015-16:

| **Action** | **One off savings** | **On going savings** |
|---|---|---|
| New telephone system – saving lasts 5 years | £68,000 | £13,600 |
| In house IT team – saving in perpetuity | | £10,000 |
| Advantage South West (net of subscription) – evaluated each year dependent on activity levels | | £179,105 |
| Disposal of property | £130,000 | |
| **TOTAL** | **£198,000** | **£202,705** |

Note: the new phone system excludes the £79,400 capital cost to purchase.

## HOW WE COMPARE

We use Housemark to compare our costs. This compares our costs and performance for the 2015-16 year with our peer group. Our peer group is Large Scale Voluntary Transfer Southern (2500-7500 units)




The Dashboard identifies clearly where our overall benchmarking is impacted by either cost or performance and there are clearly areas on which we need to focus. The Value for Money report (detailed below) provides some further information on service delivery concerns.

Estate Services and Tenancy Management have seen an increase in the direct employee costs which in turn leads to an increase in the overhead allocation however the decline in service performance moves these into an area of overall concern.

Whilst Anti Social Behaviour may perform well at a high cost we will be focusing on reducing the costs whilst maintaining strong service delivery.

The latest Value for Money scorecard is detailed below. It can be seen that whilst our performance continues to be above median in the majority of areas there are again some areas on which we need to focus. In addition whilst we have maintained above median performance there has been an adverse trend in a number of indicators.

Some of the indicators are cyclical in nature and so we do not consider them to need specific focus, for example the development of new homes can vary considerably year on year and 2015-16 was not a year of high delivery however we do have 111 homes under construction with completion starting in 2016-17 and ongoing into future years.

Satisfaction with services is the main areas that have slipped and we will be reviewing what has changed and caused the deterioration. The most significant of these is with service charges and we recognise that this is largely the result of the change to the Independent Living Service which has received a mixed response from residents. The service changed from a Supporting People funded service providing a support service to residents in Sheltered accommodation, including agreeing and implementing support plans with individual tenants; the Independent Living service provides a housing management service dedicated to the needs of older people but no longer provides support. We will continue to work on improving the residents understanding of the service.

In addition we have seen a small increase in our rent arrears mainly due to the impact of Welfare Reform; whilst our benchmarked performance is strong this continues to be an activity which has a strong focus by both the Board and the Senior Management Team.

Along with the efficiency savings detailed in the What We Will Do Next section of this report we will also review our operational plan to identify specific actions that can address the decline in service performance.

# Value for money scorecard

| Process | Value | Previous | Trend | Median | KPI |
|---|---|---|---|---|---|
| Rent collected from current and former tenants as % rent due (excl. arrears b/f) | 99.7% | 99.9% | | 99.9% | |
| Average re-let time (standard re-lets) | 19.40 | 24.00 | | 20.45 | |
| Repairs completed at the first visit % | NoData | NoData | | 92.6% | |
| Average no. of calendar days taken to complete repairs | 8.78 | 9.59 | | 9.35 | |

| People | Value | Previous | Trend | Median | KPI |
|---|---|---|---|---|---|
| Staff turnover in the year % | 23.7% | 8.7% | | 17.0% | |
| Sickness absence average days/shifts lost per employee | 13.2 | 9.1 | | 9.2 | |
| Staff satisfied with organisation as an employer % | NoData | NoData | | 80.7% | |

| Value | Value | Previous | Trend | Median | KPI |
|---|---|---|---|---|---|
| Satisfaction with quality of new home % | NoData | NoData | | 94.5% | |
| Satisfaction with service provided % | 85.7% | 87.0% | | 85.7% | |
| Satisfaction with repairs & maintenance % | 79.5% | 80.1% | | 79.7% | |
| Satisfaction with neighbourhood % | 87.4% | 88.8% | | 87.4% | |
| Satisfaction rent provides value for money % | 86.1% | 85.9% | | 85.8% | |
| Satisfaction service charges provide value for money % | 66.9% | 71.9% | | 70.3% | |
| Average SAP rating of self-contained dwellings | 66 | 66 | | 70 | |
| Standard units developed as % current stock | 0.08% | 1.39% | | 1.84% | |
| Affordable units developed as % current stock | 0.00% | 1.15% | | 0.72% | |

| Business & Financial | Value | Previous | Trend | Median | KPI |
|---|---|---|---|---|---|
| Total CPP of Housing Management | £375.72 | | | £444.41 | |
| Total CPP of Responsive Repairs & Void Works | £853.65 | | | £795.02 | |
| Total CPP of Major Works & Cyclical Maintenance | £1,551.28 | | | £1,590.24 | |
| Total overhead costs as % adjusted turnover | 10.9% | | | 10.7% | |
| Total overhead costs as % direct revenue costs | 26.1% | | | 27.1% | |
| Current tenant arrears as % rent due (excluding voids) | 1.14% | 1.08% | | 2.14% | |
| Rent loss due to voids as % rent due | 0.75% | 0.75% | | 0.58% | |
| Gross arrears written off as % rent due | 0.15% | 0.15% | | 0.18% | |

**Trend Indicators**
This represents your improvement in comparision to your peer groups's improvement.

**Performance Indicators**
These represent your performance in comparison to your peer group's performance.

**Trend**
This represents your improvement in comparision to your peer groups's improvement.

**KPI**
This shows how your actual performance or cost compares with your peer group

## KEY TO HOUSEMARK VfM SYMBOLS

| **Key to KPI symbols** | |
|---|---|
| **Performance** | **Cost** |
| = Your performance result is in the upper quartile of the peer group (top 25%) | = Your costs are lower than three-quarters of your peer group (lowest 25%) |
| = Your performance result is in the middle upper quartile of the peer group (between 25% & 50%) | = Your costs are less than the average for your peer group |
| = Your performance result is equal to the median of the peer group | = Your costs are equal to the median of your peer group |
| = Your performance result is in the middle lower quartile of the peer group (between 50% & 75% | = Your costs are higher than the average for your peer group |
| = Your performance result is in the lower quartile of the peer group (between 75% & 100%) | = Your costs are higher than three-quarters of your peer group (highest 25%) |
| Key to trend symbols | |
| Performance | Cost |
| = Your performance trend (the actual change in your year-on-year performance) is upper quartile when compared to the trend for your peer group | = The actual change in your year on year costs shows that your costs are decreasing more quickly (or increasing more slowly) than three quarters of your peer group |
| = Your performance trend (the actual change in your year-on-year performance) is in the middle upper quartile when compared to the trend for your peer group | = The actual change in your year on year costs shows that your costs are decreasing more quickly (or increasing more slowly) than half of your peer group |
| = Your performance trend (the actual change in your year-on-year performance) is equal to the median when compared to the trend for your peer group | = The actual change in your year on year costs shows that your costs are increasing (or decreasing) at the median rate for your peer group |
| = Your performance trend (the actual change in your year-on-year performance) is in the middle lower quartile when compared to the trend for your peer group | = The actual change in your year on year costs shows that your costs are increasing more quickly (or decreasing more slowly) than half of your peer group |
| = Your performance trend (the actual change in your year-on-year performance) is lower quartile when compared to the trend for your peer group. | = The actual change in your year on year costs shows that your costs are increasing more quickly (or decreasing more slowly) than three quarters of your peer group |

N.B. an '!' indicates a small dataset – so treat the quartile results with caution.

The HCA has recently published a document titled '*Delivering better value for money: Understanding differences in unit costs*' and we have received specific information detailing our headline cost data based on 2014-15 figures:

Cost data:

| Entity | Closing social housing units managed | Headline social housing cost CPU (£K) | Management CPU (£K) | Service charge CPU (£K) | Maintenance CPU (£K) | Major repairs CPU (£K) | Other social housing costs CPU (£K) |
|---|---|---|---|---|---|---|---|
| Teign Housing | 3,583 | 3.02 | 1.01 | 0.25 | 0.59 | 1.17 | 0 |
| Sector level data | | | | | | | |
| Upper quartile | | 4.30 | 1.27 | 0.61 | 1.18 | 1.13 | 0.41 |
| Median | | 3.55 | 0.95 | 0.36 | 0.98 | 0.80 | 0.20 |
| Lower quartile | | 3.19 | 0.70 | 0.23 | 0.81 | 0.53 | 0.08 |

Provider - Key contextual information

| Entity | % Supported housing | % Housing for older people | Provider type | Date of largest transfer | LSVT age | Region | ASHE regional wage index (England =1) | Group |
|---|---|---|---|---|---|---|---|---|
| Teign Housing | 0% | 27.9% | LSVT | 04/02/2004 | > 12 Years | South West | 0.94 | Teign Housing |
| Sector level data | | | | | | | | |
| Upper quartile | 4% | 15% | | | | | | |
| Median | 1% | 8% | | | | | | |
| Lower quartile | 0% | 4% | | | | | | |

Overall it can be seen that we compare well as our total costs are below the lower quartile at 3.02 however there are some variations when this is analysed further into the more detailed cost headings. This high level summary along with the Housemark information allows us to better understand our costs and focus on the areas that are least efficient. It is intended that the cost savings proposals that will be presented to the Board in 2016 will use this as a focus to address areas of higher cost

Our Balanced Scorecard is produced each month and monitors our performance; it is presented to the Board at each meeting. This allows us to continually monitor our performance both on a financial and service level. Overall we have performed well against our targets and indicators such as re-let times, void loss and operating cost per unit continue to support the value for money direction of the business. The Corporate section of the year end scorecard for 2015-16 is shown below.

Customer satisfaction with repairs performance has declined and our investigations indicate that this is a result of the changes which have been implemented for the collection of customer satisfaction information concentrating on e-mail / telephone in place of postal surveys. Telephone surveys in March have seen an improvement in performance.

| Corporate Dashboard | Trend | Performance 2014/15 | Qtr 1 | Qtr 2 | Qtr 3 | Jan-16 | Feb-16 | Mar-16 | Qtr 4 | Year to Date | Target 2015-16 | Benchmarking 2013-14 (Upper Quartile) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Customer care** | | | | | | | | | | | | |
| Telephone response rate (number of calls answered in 20 seconds / total number of calls) | | 97.3% | 97.4% | 97.9% | | | | | | 97.6% | 90.0% | N/A |
| | | 79,167 | 19,209 | 10,839 | - | - | - | - | - | 30,048 | - | N/A |
| Complaints response rate | → | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | - | 100.0% | 100.0% | 100.0% | 96% | N/A |
| | | 70 | 17 | 10 | 6 | 2 | 0 | 5 | 7 | 40 | - | N/A |
| Data Protection Breaches | ↓ | - | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 0 | |
| **Customer satisfaction with key services** | | | | | | | | | | | | |
| Repairs | ↓ | 94.95% | 94.18% | 95.05% | 95.67% | 89.16% | 79.45% | 88.90% | 87.00% | 92.9% | 95.00% | 96.80% |
| | | 1673 | 293 | 323 | 208 | 83 | 73 | 126 | 282 | 1,106 | - | - |
| Standard of Property at Letting | ↑ | 95.45% | 93.75% | 97.73% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 96.7% | 98.00% | N/A |
| | | 88 | 32 | 44 | 5 | 3 | 4 | 2 | 9 | 90 | - | - |
| Complaints Process | ↓ | 89.74% | 91% | 83.33% | 100.00% | 100.00% | - | - | 100.00% | 91% | 80% | 71.9% |
| | | 39 | 11 | 6 | 4 | 1 | 0 | 0 | 1 | 22 | - | - |

| Corporate Dashboard (Cont..) | Trend | Performance 2014/15 | Qtr 1 | Qtr 2 | Qtr 3 | Jan-16 | Feb-16 | Mar-16 | Qtr 4 | Year to Date | Target 2015-16 | Benchmarking 2013-14 (Upper Quartile) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Key performance indicators** | | | | | | | | | | | | |
| Repairs completed on time | ↓ | 94.50% | 96.49% | 97.72% | 97.49% | 97.92% | 96.64% | 99.43% | 97.74% | 97.38% | 97.50% | 98.30% |
| Overdue Gas safety checks | → | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rent arrears as % of annual debit | ↑ | 1.80% | 1.94% | 1.93% | 1.82% | 1.88% | 1.86% | 1.82% | 1.82% | 1.82% | 2.00% | 2.40% |
| Void loss on homes as a % of gross rent | ↑ | 0.74% | 0.57% | 0.46% | 0.43% | 0.60% | 0.42% | 0.38% | 0.43% | 0.47% | 0.65% | 0.59% |
| Average re-let - All - excluding Major works voids | ↑ | 24.30 | 21.2 | 18.0 | 16.10 | 27.60 | 26.20 | 16.80 | 23.30 | 19.4 | 22.00 | 20.33 |
| Average re-let time - All - Including Major Works | ↑ | 27.70 | 22.9 | 21.7 | 18.00 | 28.00 | 30.80 | 19.80 | 25.50 | 21.8 | 28.00 | 25.29 |
| **Financial indicators** | | | | | | | | | | | | |
| Operating cost per unit | ↓ | £2,986.20 | £2,851.02 | £2,882.24 | £2,842.40 | £2,597.27 | £3,115.28 | £3,6570.54 | 3,129..02 | £2,926.98 | £3,300.00 | - |

*Key to the Corporate Dashboard:*

The figures in Corporate Dashboard for customer care and satisfaction show the percentage figures and beneath these are the actual numbers for example the January complaints response rate shows 100% satisfaction from 2 complaints responses.

| | |
|---|---|
|  | Performance compared to previous months YTD is improving. |
|  | Performance compared to previous months YTD has remained the same. |
|  | Performance compared to previous months YTD has got worse. |

The colour of the arrow relates to the Year To Date (YTD) performance of the Key Performance indicator as follows:

- Green is above target
- Amber is within 5% of the target and against the previous months YTD the result is improving.
- Red is below target or within 5% of target but against the previous months YTD the result is worsening.

**FINANCIAL FUTURE**

The rent reduction announced in July 2015 had a significant impact for the business and over the 4 years would result in an overall reduction in income of £2.1m, this equates to 12.5% over the 30 years of the business plan. Clearly the business needed to take steps to address this whilst still maintaining an appropriate level of investment in assets and strong service delivery. In addition there followed other changes such as the introduction of starter homes on development schemes and the withdrawal of HCA grant for the delivery of affordable rented homes, both of which require us to review how we will deliver new homes into the future.

In our initial response to the rent reduction we reviewed all of our inflation assumptions within the Business Plan, ensuring all of our costs were linked to CPI; we had already ensured that all contracts when they were renewed were linked to CPI rather than RPI. Depending on the differing impact of inflation on the different types of costs this allowed us to reduce our overall cost base by between 14% and 23%. We still allow for additional inflation in key cost areas such as repairs and maintenance and build cost inflation.

In order to achieve the maximum possible VfM within our business plan we have thoroughly reviewed our planned maintenance arrangements. We have looked at our component lifecycles, taken the data from our rolling stock condition surveys and reviewed the activities that we undertake and revised the Teign Standard (which is still more than Decent Homes compliant) to provide a revised business plan projection for planned maintenance. The Teign Standard provides a measure of quality for Teign Housing dwellings and informs customers of the expected standards and frequency of investment in their homes. As a result of reducing some of the ranges available to residents and resetting the component lifecycles in line with both the stock condition information and sector standards we have identified significant savings. A summary of the savings that this has achieved is detailed at Appendix 1 and shows a cost reduction of more than 12% over 10 years.

This has not only allowed us to have a stronger business plan for the future, it has enabled us to have more financial capacity when stress testing. The Business Plan does not take into account the future efficiency savings we are anticipating (see the "What we will do next" section) or the benefits from the Wholly Owned Subsidiary; both of which will realise further VfM.

**WHAT WE WILL DO NEXT**

During 2016-17 work will either continue on the major projects that have already started and there will be new initiatives aimed at driving out further cost savings:

- continuous review of the overall planned maintenance programme in light of the rolling stock condition surveys whilst maintaining a good stock investment standard
- progress the Wholly Owned Subsidiary to enable it to be fully operational by July 2017, providing greater control over service delivery and quality along with generating an estimated £5m of cost savings over 10 years through more efficient procurement and reduced labour costs.
- a revised VfM Strategy will be in place in June 2016
- an efficiency cost savings plan will be presented to the Board with key deliverables and timescales in late 2016. This will provide a plan of cost reductions along with a commitment to maintain service delivery.
- Operational plan will be reviewed to identify specific actions that will address the service delivery decline shown in the Housemark Value for Money scorecard
- the Board will review the Development Strategy to determine the most effective delivery models for mixed tenure new housing.
- a proposal will be brought forward about the future of our core IT systems, this will be supported by an options appraisal identifying both the investment in a possible new system and the savings that this will generate

- linked to our IT review technological enhancements will be considered at the earliest opportunity to allow customers greater and easier access to services or for more automated responses to be delivered thereby reducing staff involvement
- we are reviewing all staff vacancies and re-profiling roles or reducing overall staff numbers - any staff vacancy that arises will be reviewed to consider if the role is still required in its existing form or if it can be changed to deliver additional services, reduced as a result of process or technological changes, or removed completely
- we will undertake a review of our mobile phone arrangements to generate both cost savings and improve reception
- along will refreshing the Grounds Maintenance proposals for October 2016, we will also consider the opportunity to streamline our recycling arrangements.
- zero inflation budgets will be maintained for the next 4 years
- there will be a critical evaluation of processes in order to streamline them and reduce waste, starting with rent and service charge processing

As a result of the cost savings plan, the process reviews and technological enhancements the organisation intends to generate on going savings of £250,000 per annum. This is an additional 5% reduction in the operational costs (excluding repairs and maintenance) of the organisation.

**GOVERNANCE AND ASSURANCE**

The Board leads VfM in Teign Housing and ensures that it is a core part of the organisations culture. Below is a summary of how the Board consider that this self assessment complies with the HCA VfM standard:

| Expectations of the HCA | Summary of how these expectations have been met |
|---|---|
| **Registered providers 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 | Our approach to VFM flows from our strategic aims to our 5 year operational plan. The Business Plan is formally reviewed annually but monitored throughout the year to ensure it is able to respond to the external environment. Budgets are set based on the operational plan and then compared with the capacity within the business plan to ensure that we maintain good viability. Changes to business activities require a business case which detail all costs and benefits. |

| | |
|---|---|
| understand the return on its assets, and have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving value for money including the potential benefits in alternative delivery models - measured against the organisation's purpose and objectives | Active Asset Management has allowed for more sophisticated stock investment planning and we have reviewed our asset base and identified some opportunities for both development and disposal. We have a rolling stock condition survey which allows us to refine our future investment decisions as the stock profile is updated. |
| have performance management and scrutiny functions which are effective at driving and delivering improved value for money performance | The monthly management accounts and balanced scorecard is reviewed each month by our Executive and Senior Management team and quarterly by our Board. Any areas of poor performance are identified and regular progress reports made to the Board in respect of actions and improvements. |
| Understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so. | We benchmark our operational performance for both cost and quality against our peers using Housemark data. Budgets are set inline with our operational objectives. Business cases are required to support service changes and the strategic reviews of both Repairs & Maintenance and IT have identified changes that will bring ongoing financial benefits to the business. |
| **Registered providers' boards shall demonstrate to stakeholders how they are meeting this standard. As part of that process, on an annual basis, they will publish a robust self assessment which sets out in a way that is transparent and accessible to stakeholders how they are achieving value for money in delivering their purpose and objectives. The assessment shall:** | |
| enable stakeholders to understand the return on assets measured against the organisation's objectives | We publish our Value for Money self assessment on our website where it is available to all of our stakeholders |
| set out the absolute and comparative costs of delivering specific services | The "How we Compare" section of the VfM self assessment allows not only comparison with our peers but also shows the performance against our corporate targets set by the Board. |
| evidence the value for money gains that have been and will be made and how these have and will be realised over time | There is a summary of the financial gains that have been made during the year included in the VfM self assessment and also those delivered in the Business Plan. The future plans also indicate (where possible) the potential cost savings that will be delivered. |

**ASSURANCE**

We have a number of internal assurance methods by which to ensure that the Board are fully informed about VfM, which include the Balanced Scorecard, monthly management accounts, budget setting and approval, the Business Plan and assumptions and VfM features regularly at Board away days. However we also use external sources that can provide additional assurance or highlight areas of concern and these include:

- House mark
- External Review of the VfM self assessment
- Internal and External Audit reports
- Scrutiny Panel service reviews

Going forward we will also be utilising the additional information being provided by Housemark that further analyses the HCA's unit cost information. This will ensure that we focus our efficiency plans in the higher spending areas.

## APPENDIX 1 – SUMMARY OF REVISED PLANNED MAINTENANCE EXPENDITURE (first 10 years)

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **£m's** | **£m's** | **£m's** | **£m's** | **£m's** | **£m's** | **£m's** | **£m's** | **£m's** | **£m's** | **£m's** | **£m's** |
| BP October 2015 | 4.7 | 7.2 | 6.5 | 6.1 | 6.3 | 6.3 | 7.0 | 7.1 | 7.3 | 7.5 | 8.0 | 74.0 |
| BP May 2016 | 3.3 | 6.1 | 5.1 | 5.6 | 3.9 | 6.0 | 5.4 | 8.0 | 6.8 | 7.3 | 7.1 | 64.6 |
| **(Reduction)/Increase** | **(1.4)** | **(1.1)** | **(1.4)** | **(0.5)** | **(2.4)** | **(0.3)** | **(1.6)** | **0.8** | **(0.5)** | **(0.2)** | **(0.8)** | **(9.4)** |