



North Devon Homes
Value for Money Statement

31 March 2015

Operating and Financial Review (continued)

1. Value for Money culture

As a community landlord Value for Money (VfM) is a key driver of our culture and is integral in everything that we do, from setting strategies at Board level through to delivering good value services to our customers across the community.

A key strategic objective in our Corporate Plan for 2012-15 is **Objective 4: My Landlord: Deliver good Value for Money**. To deliver this objective we engage extensively with our customers to enable us to measure quality and ensure the services meet customer need. Our new Corporate Plan for 2015-18 clearly sets out our continuation of the key strategic objective to 'Deliver VfM' and contains a number of actions that will ensure customer input into our continuous improvement processes are further strengthened. We also measure the cost of these services with our peers using industry benchmarking data from HouseMark.

We aim to be a trusted landlord who delivers excellent services to its customers through well motivated and professional staff. We want to ensure that our services demonstrate both continuous improvement and offer good VfM. This can only be delivered through a positive culture which reflects a good and thorough understanding of VfM. The most recent internal audit of VfM, which took place during the year, provided evidence that such a culture was being developed and supported, as North Devon Homes has:

- A strategic approach to achieving VfM, with the primary objective to offer services that seek to maintain upper quartile performance within our peer group and a commitment to embedding VfM at all levels of the organisation.
- Plans and strategies that are designed to support the organisation in meeting its overall objectives whilst demonstrating VfM.
- A zero-based budgeting system, which requires budget holders to plan their operations for the financial year ahead and justify any expenditure that is to be undertaken.
- Involved the Customer Scrutiny Panel in conducting specific service reviews during which they consider VfM.
- Made available information on VfM performance to customers, staff and other stakeholders by a variety of means (e.g. resident annual report; quarterly resident newsletters; quarterly staff Breakfast Meetings; online copy of the VfM statement).

This annual review looks at how we performed during the year, explains our key VfM measures and sets out our future plans. It discusses asset management, delivery costs and benchmarked data, procurement, and then continues to consider the social value delivered by North Devon Homes, and the impacts of Customer Scrutiny activities. The statement concludes with the key objectives we are taking forward.

2. Return on assets

We have a comprehensive approach to asset management, driven by the Board. Our Corporate Plan objective 2 is **My Home: Maintain and build quality, affordable homes**. The ongoing investment, maintenance and improvement of our homes has been a key focus for us in the 2012-15 plan, and continues to be in our 2015-18 plan.

Our Asset Management Strategy is subject to regular review, and has been reviewed and updated during 2014-15 to support the preparation of our new 2015-18 Corporate Plan. Comprehensive asset data is held within our asset management software which enables us to have a good understanding of our housing stock. Our information is regularly refreshed by routine data capture and an ongoing cycle

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of stock condition surveys. During 2014/15, 521 surveys were completed and this cycle will continue into next year.

We have a formal valuation of our stock based on the Existing Use Valuation – Social Housing (EUV-SH) at least once every three years. The valuation methodology measures the net income per property over its lifetime and provides a net present value. The last three average valuation results are shown below:

Year	Average EUV-SH
2015	£40,616
2014	£36,363
2011	£32,423

The increase in EUV-SH average values indicates that we continue to maintain a strong asset base. As at 31 March 2015 we have £13.3m of uncharged property assets available to use as security against future funding requirements. During 2015/16 we will be reviewing our Treasury Strategy to ensure we maximise the use of our assets in relation to security.

Development and regeneration returns

The original transfer of properties to North Devon Homes from the Local Authority in 2000 included 350 PRC (pre reinforced concrete) homes that required significant additional investment to turn them into Decent Homes. The Board has followed its PRC Investment Strategy agreed in 2009 that has seen a sustained £40m programme of repair, redevelopment or large scale regeneration of these homes and surrounding estates over a 5 year period. This investment has been funded through the business plan, supplemented with HCA grant where additional units have been able to be provided, and also through income from market sales.

During the year 2014/15 we have been working on the final remaining phases of the PRC investment strategy with completions of 97 rented and 4 shared ownership units during the year, with a further 35 rented and 20 shared ownership units scheduled for completion on these sites in 2015/16.

The completion of the regeneration of the Forches phase 1 project was a significant milestone in the redevelopment of one of the most deprived areas in Barnstaple. The success of the project was such that in May 2014 HRH The Princess Royal visited the scheme, taking time to talk to the key stakeholders involved as well as visiting the youth club and talking to young persons. As a supporter of rural development schemes, HRH officially opened the new play area which was named 'Eden Park' by one of the local children.

In addition to the property additions arising from the completion of the PRC schemes, 5 Section 106 purchases completed in the year, delivering a total of 106 new homes.

All new homes are built to at least level 3 of the Code for Sustainable Homes which is above the minimum standard. Customers who have moved from living in PRC properties have benefitted from a significant reduction in the costs of running their homes - thus reducing fuel poverty for those households. Where possible, new build properties have also had photovoltaic panels and rain water harvesting systems installed.

The completion of the PRC investment strategy provides a good basis for future investment and private finance to be secured on the uncharged stock. This will provide a steady but modest stream of development funding to provide badly needed affordable homes in the community. The annual income generated from the development of new units as part of this strategy is £614k per annum.

Operating and Financial Review (continued)

Understanding our assets

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

Work has continued during 2014/15 to develop our NDH sustainability modelling framework which supports active stock appraisal and informs asset management investment decisions. This has enabled us to assess assets against income and expenditure as well as for example, SAP rating, future planned improvement costs and demand information. Front-line staff have been involved to introduce the value from our ongoing engagement with communities and customers into this process. Neighbourhood officers and surveyors have provided assessments that both support and inform this structured review.

The framework is embedded in our Asset Management Strategy. This has supported a strategic decision making process on current and future investment decisions using much more detailed data based on each asset we own. As a result of this one property has been identified for disposal and this has been agreed by the Board, with many others being reviewed prior to any significant investment decisions. More properties are likely to be identified for disposal in 2015/16.

During 2015/16 we will refine the model, updating it with the latest information, and focussing on the lowest performing 10% of assets. This will enable us to gain a much more comprehensive understanding of the financial and social return of the homes we own, their future reinvestment needs and their forecast return.

Work on the assets and liabilities register continues to progress during 2015/16 with a deadline for completion of 30 September 2015. In the interim, before the stock appraisal tool and register is fully developed, we are carrying out a full analysis to identify where a property is evaluated as unsuitable, expensive to maintain or requires major repair (including any property where anticipated expenditure is in excess of £10k). Properties are reviewed in detail against a variety of factors, including a net present value calculation and predicted demand and expenditure before a final decision is taken by the Executive Team. The purpose of this is to ensure that we are aligning our expenditure with our corporate objectives and make a clear and transparent VfM assessment.

Asset Management Strategy

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

The **Value for money priority** focuses on the comparative benchmarking position for relevant services, alongside our aims for the future and a summary of activities that will be undertaken to deliver these. The detailed activities have been developed through our North Devon Homes service excellence planning framework.

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

Operating and Financial Review (continued)

The priority focusing upon the **relationship between planned and responsive maintenance** and the value of these services defines our intention to deliver Value for money through a well managed set of Asset Management services. Whilst this is in many ways obvious, this priority aims to strengthen and exploit the relationship between planned and responsive repairs through taking opportunities to strengthen improvement activity - specifically by reviewing responsive repairs and previous component failure in our operating environment. Strong and effective data management, a robust stock condition regime and effective technology are all key components of this focus. The strategy has also been prepared to clarify how we will use lifecycles to inform the design of future stock inspections and planned maintenance programmes.

In the previous VfM statement, we noted that cost and efficiency of responsive maintenance would be investigated further. During 2014/15, a review by the M3 consultancy identified that whilst our customer satisfaction with responsive repairs is improving, the average costs of repairs are increasing and the Asset Management Strategy set out to address this.

We are currently developing plans to remodel or regenerate all of the 35 bedsits that are currently in our housing stock as these are generally hard to let and are no longer deemed a suitable type of accommodation for our future service provision. As a result of some these properties being purposely held vacant during the year to allow for future development of the schemes, void rent loss from these properties was £22k in the year. To support this aim we made preparations to submit a bid for funding to the HCA, and have developed a close partnership with another landlord adjoining one of our schemes - for whom we manage services on their behalf - to explore the potential for the increased value of a joint solution.

A further key strand of the Asset Management Strategy is to deliver homes that are comfortable and affordable to run. During the year we have been exploring a number of opportunities to develop photo-voltaic programmes with the primary purpose of reducing customers' fuel costs. The initiative will be developed further during 2015-16 and it is planned that the first installations will be completed by December 2015.

Asset Management: Older Person's sites

A review of Older Persons Services took place in September 2014, and as part of this traditional older persons sites are also being reviewed with community and stakeholder input to assess against fitness for purpose and alignment to the Supported People strategy. This work was supported by a customer consultation exercise (with service users and residents at the scheme) and through an independent customer scrutiny review. Customer feedback reinforced the value of the services in place and the hidden costs that would be associated with the absence of this service. Consequently the Board reviewed the older persons strategy in September. They approved a plan to manage the delivery of this service through a transition period to address the impact of withdrawal of the County Council funding from 1 April 2015. The project has delivered in line with intentions and is regularly reviewed by the Board.

Following this commitment, an investment of £85k was made into the communal areas of the five key older person's sites to support the expectations of customers in light of the introduction of a new older person housing service charge.

3. Costs of delivering services

At a high level the key financial performance indicators can be expressed as shown below:

Operating and Financial Review (continued)

Per Unit cost analysis	2015	Change		Change			2013
		from 2014	% Change from 2014	2014	from 2013	% Change from 2013	
No of units	3176	85	3%	3091	-5	-0.2%	3096
Operating cost	£3,603	£186	5%	£3,417	£347	11%	£3,070
Debt	£29,244	£5,400	23%	£23,843	£685	3%	£23,159
Interest costs	£834	£32	4%	£802	-£11	-1%	£814
Management cost	£530	£30	6%	£499	£38	8%	£461
Routine maintenance	£821	-£42	-5%	£863	£9	1%	£854
Cyclical repairs	£269	-£179	-40%	£448	-£19	-4%	£467
Void losses	£44	£16	56%	£28	£5	21%	£24

The net increase in number of units in the year was 85 but the increase in major repairs expenditure expensed during the year as we delivered some key projects and the payment of £528k of pension contributions, is the main driver behind the increase in operating costs per unit. Excluding the pension payment the 2015 operating cost result would be £3,437; an increase of 0.6% from the previous year.

The social housing operating cost per unit in 2014 was £3,417, which when compared to the average in the HCA's latest published Global Accounts 2014 of £3,613, demonstrates that our cost base is competitive compared to others and our 2015 operating cost of £3,603 is still below the 2014 average.

The operating cost per unit is a key tool for controlling costs and during 2015/16 we will be embedding this as a 'critical number' further on a departmental basis, to enable managers to understand their costs and cost drivers and ensure they bring VfM principles into their day to day operations.

Interest costs per unit continue to decrease as we effectively manage our treasury operations within the current low interest rate environment. The average interest rate across our drawn loans for 2014/2015 was 3.38% (reduced from 3.64% in 2013/2014). Debt per unit increased as a result of drawing down our full £85m loan facility with Lloyds and successfully obtaining an additional £8m of loan funding from Affordable Housing Finance. This bond issue resulted in lower than forecast cost of borrowing and so generated additional funds (loan premium) of £708k which will be reinvested back into our development programme.

Benchmarking

The Company is clear that VfM is about maximising the value of the services we provide for customers within the available resources; delivering a high quality service as efficiently and effectively as we can. The focus is on both the cost of services and the quality / effectiveness of services. Therefore, we use cost metrics, but also performance metrics (e.g. customer satisfaction; time taken to carry out tasks etc.) to measure VfM.

A key way to ensure that VfM is being delivered is to compare the Company's performance – in terms of costs and quality – to the performance of similar organisations. This enables us to understand where we are doing well, and challenges us where other similar organisations are doing better than us. To enable this, the Company is member of HouseMark, the social housing sector benchmarking service. HouseMark provide us a detailed breakdown of costs and quality measures against a peer group of similar organisations.

Operating and Financial Review (continued)

The peer group we compare ourselves against is Southern Traditional Housing Associations. No stock size filters are applied, and the group has a median stock size of 3,523 properties, with the largest member having 21,603. North Devon Homes’ stock size at the time of benchmarking was 3,060 properties.

Our aim, when compared to the peer group, is to be upper quartile in terms of customer satisfaction and cost. However, we are aware that a sufficiently high quality service may not always be achievable with lower costs. The Company’s Board and Customer Forum have agreed that where there is a tension, service quality would normally prevail to ensure that customer satisfaction remains high – although we will always seek to deliver the necessary quality at the lowest cost possible.

The core information in the benchmarking section is derived from the HouseMark benchmarking report and associated data files, published in December 2014, covering 2013/14 performance. 13/14 performance is compared to 12/13 performance as stated in the previous year’s VfM statement to demonstrate how performance has changed.

The section outlines the Company’s performance in 2013/14, covering the key cost and quality measures, and then explaining in more detail the cost vs performance of the key areas of operations.

A. Total cost per property

HouseMark validate total operating costs with reference to the Company’s audited accounts. Total operating costs can be broken down into employee costs, non-pay costs and reconciling items, which include impairment and depreciation. Employee costs and non-pay costs can be further split into direct costs and overheads. These total costs can then be converted to cost per property, enabling cost comparison between landlords of different sizes.

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

Cost Per Property	NDH 2013/14			Change in quartile against peer group 12/13 to 13/14	NDH 2012/13	
	Actual	Quartile	Achieving target?		Actual	Quartile
Total Operating Cost	£4,241.08	Upper	✓	↑	£3,417.89	Middle Upper
Employee Costs	£1,136.38	Upper	✓	↑	£1,043.41	Middle Upper
Direct Staff	£826.61	Middle Upper	✗	↔	£727.19	Middle Upper
Overhead Staff	£309.77	Upper	✓	↑	£316.22	Middle Lower
Non-Pay Costs	£1,738.04	Upper	✓	↑	£1,586.35	Upper
Direct Non-Pay	£1,376.96	Upper	✓	↑	£1,254.91	Middle Upper
Overhead Non-Pay	£361.08	Upper	✓	↔	£331.44	Upper

Source: HouseMark benchmarking analysis for NDH 2013/14 and 2012/13

The performance of NDH relative to peers has improved since the last results in 2012/13; performance has been sustained or improved in every area. Whilst NDH costs have increased, the benchmarking shows that in all areas this is to a significantly lesser extent than the median for the peer group. For each of the three key cost per property headings – total operating cost, employee costs, non-pay costs – the Company has achieved its target and is upper quartile. Direct staff costs is the only area where in 13/14 we are below the upper quartile, and therefore below target. Performance in this area fell beyond

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the upper quartile limit by just £58 per property. More detailed consideration of operating costs, employee costs and non-pay costs is provided below.

Operating Costs

In 2013/14, the Company's total operating cost per property ranked 7th in the peer group at £4,241 per property, and exceeded upper quartile by £487.

Operating costs have increased from 2012/13 to 2013/14 by £823 per property. This equates to a 24% increase in costs; compared to a 60% increase in the peer median cost. Costs are upper quartile and improved from the previous year where results were middle to upper quartile.

North Devon Homes' total operating cost per property compares favourably to the average as reported by the HCA in its Global Accounts 2014: £4,447 per property compared to £4,241 for North Devon Homes.

It should be noted that cost per property is impacted by fluctuating stock levels. In 2013/14, North Devon Homes had 18 less properties than in the previous year due to demolitions and Right-to-buy sales outweighing new builds and purchases. As more new build properties are added to the portfolio, per property costs are expected to decrease.

Employee costs

The Company's employee costs per property ranked 11th in the peer group at £1,136 per property, and exceeded upper quartile by £115.

Employee costs per property can be further broken down into direct staff and overhead staff costs; although we are well within the upper quartile limits for overhead staff costs in this area, we are currently middle upper quartile for direct staff costs.

The gap to upper quartile performance per property is £58, as noted above, leaving North Devon Homes costs 8% higher than upper quartile costs. Some progress has been made in this area since the previous year – in 12/13 the absolute gap to upper quartile performance was £86 per property, and North Devon Homes costs were 13% higher than upper quartile costs.

Non-pay costs

The Company's non-pay costs per property rank 3rd in the peer group at £1,738 per property, and exceed upper quartile by £462. Both direct and overhead non-pay demonstrate upper quartile performance.

B. Cost per property by area of operation

This section considers the cost per property attributable to the Company's key service areas, providing an insight into those areas of the business that are higher cost compared to peers. Cost per property by area of operation is outlined in the table below.



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Total Cost Per Property (CPP) Service Area	North Devon Homes (2013/2014)			Change in quartile against peer group 12/13 to 13/14	North Devon Homes (2012/2013)	
	Result (£)	Quartile	Achieving target?		Result (£)	Quartile
Total CPP of Responsive Repairs & Void Works	909.42	Middle Lower	✗	↔	879.54	Middle Lower
Total CPP of Rent Arrears & Collection	149.74	Middle Upper	✗	↔	133.36	Middle Upper
Total CPP of Anti-Social Behaviour	45.95	Upper	✓	↔	44.55	Upper
Total CPP of Major Works & Cyclical Maintenance	1,160.35	Middle Upper	✗	↔	1,052.48	Middle Upper
Total CPP of Lettings	28.35	Upper	✓	↔	27.84	Upper
Total CPP of Tenancy Management	95.84	Upper	✓	↔	96.86	Upper
Total CPP of Resident Involvement	53.31	Upper	✓	↑	54.37	Middle Upper
Total CPP of Estate Services	128.21	Upper	✓	↔	134.16	Upper

Source: HouseMark benchmarking reports 2013/14 and 2012/13

Overall, North Devon Homes achieves its target of upper quartile performance in five of the eight measures; this is improved from 2012/13 as Resident Involvement costs have moved from Middle Upper to Upper Quartile performance. As noted above, whilst costs have increased, they have broadly done so to a lesser extent than the peer median, demonstrating that performance relative to peers has improved.

There were three measures that did not achieve Upper Quartile target:

- **Responsive repairs and void works:** Whilst costs increased to a lesser extent than the peer median, performance remains Middle Lower Quartile. Looking at the driver for this performance, direct non-pay costs are upper quartile, whilst direct employee and overhead costs are lower quartile; however, it should be noted that organisations with a Direct Labour Organisation are usually subject to higher relative employee costs, and lower relative non-pay costs.
- **Rent arrears and collection:** Costs increased by broadly the same amount as the peer median, and the performance remains Middle Upper Quartile. However, income collection performance continues to be extremely strong, with total arrears 0.54% of rent due in 13/14 – significantly better than the upper quartile of 3.91%.
- **Major works and cyclical maintenance:** Costs increased to a lesser extent than the peer median, although performance remains Middle Upper Quartile.

C. Performance against quality measures

Whilst cost is an important element of VfM; it is not the only component. North Devon Homes are committed to providing high quality services to customers, and therefore performance against quality measures is key to understanding VfM provided.

Customer satisfaction is an indicator of the quality of service being provided. The NDH approach, discussed and agreed at Board level, is to look to increase customer satisfaction beyond the current high satisfaction levels of 94%, even where this implies higher costs. However our aim is always to deliver the required quality at the lowest cost.

The quality measures are outlined in the table below.



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Quality Measures	North Devon Homes (2013/2014)			Change in quartile against peer group 12/13 to 13/14	North Devon Homes	
	Result (%)	Quartile	Achieved Target?		Result (%)	Quartile
% of respondents very or fairly satisfied with repairs and maintenance (GN & HfOP)	90.38	Upper	✓	↔	90.38	Upper
Average re-let time in days (standard re-lets)	24.30	Middle Upper	✗	↑	23.48	Middle Lower
Percentage of anti-social behaviour cases successfully resolved	98.67	Upper	✓	↔	98.41	Upper
% of respondents very or fairly satisfied with the overall quality of their home (GN & HfOP)	88.20	Upper	✓	↔	88.20	Upper
% of respondents very or fairly satisfied with the service provided (GN & HfOP)	93.90	Upper	✓	↔	93.90	Upper
% of respondents very or fairly satisfied that their views are being listened to and acted upon (GN & HfOP)	80.66	Upper	✓	↔	80.66	Upper
% of respondents very or fairly satisfied with their neighbourhood as a place to live	92.85	Upper	✓	↔	92.85	Upper
Overhead costs as % of adjusted turnover	13.16	Middle Upper	✗	↑	13.23	Middle Lower

Source: HouseMark benchmarking reports 2013/14 and 2012/13

Overall, it can be seen that the Company achieves the target of Upper Quartile performance in six of the eight measures; for the two measures where performance is not as strong – Average re-let time and overhead costs as % of adjusted turnover – performance in relation to peers has improved from Middle Lower to Middle Upper Quartile.

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

Overhead costs as a % of adjusted turnover	North Devon Homes (2013/2014)			Change in quartile against peer group 12/13 to 13/14	North Devon Homes (2012/2013)	
	KPI	Result (%)	Quartile		Achieving target?	Result (%)
IT and communications as % adjusted turnover	2.91	Middle Lower	✗	↔	2.88	Middle Lower
Office premises as % adjusted turnover	1.94	Median	✗	↑	1.78	Lower
Finance as % adjusted turnover	1.74	Upper	✓	↑	1.89	Middle Lower
Central and other as % adjusted turnover	6.57	lower	✗	↔	6.68	Lower
Total Overhead as % adjusted turnover	13.16	middle lower	✗	↑	13.23	Lower

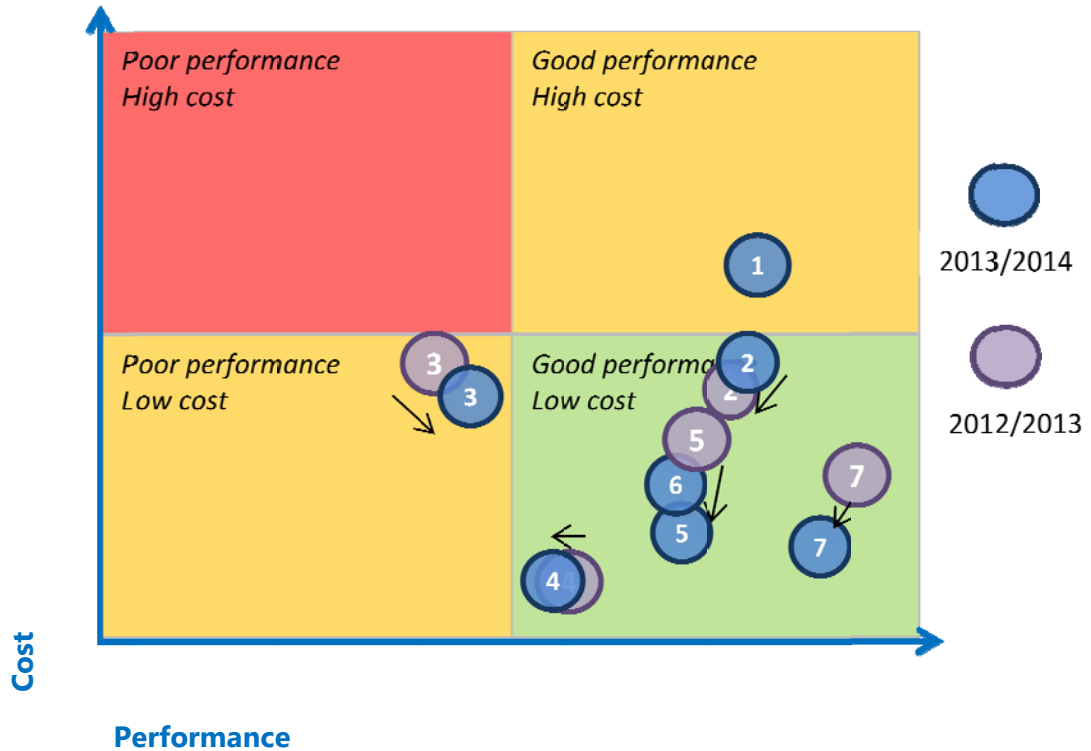
Source: HouseMark benchmarking reports 2013/14 and 2012/13

As a result of efforts to reduce overhead costs, the Total Overhead has improved relative to peers, and two of the four component measures have improved, most notably the finance overhead. However, we still do not meet our aim of upper quartile performance in this area, and will continue to look to reduce the proportion of adjusted turnover we spend on overhead costs, most notably in relation to central / other costs, and IT and Communications.

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Summary: Performance against Cost

This section draws together the cost and quality information outlined above to summarise the VfM offered by the key service areas of the Company. The cost vs. performance matrix summarises this below showing 2012/13 performance where comparable data is available to indicate direction of travel.



- KEY**
- 1 – Responsive Repairs and void works (no prior year comparison available)
 - 2 – Rent arrears and collection
 - 3 – Major works and cyclical maintenance
 - 4 - Lettings
 - 5 – Tenancy Management
 - 6 – Resident Involvement (no prior year comparison available)
 - 7 – Estate Services

Source: HouseMark benchmarking reports 2013/14 and 2012/13

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

1) Responsive Repairs & Void Works - [good performance; high cost]

Performance in this area compares well to peers, with customer satisfaction and average time taken to complete repairs both upper quartile, and average re-let times and rent loss due to empty properties middle upper quartile. However, as noted above, the cost of delivering the responsive repairs and voids works service is higher than the average (£909 against the £869 median), attributable to having a Direct Labour Organisation (DLO), as explained above.

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Whilst the DLO will always have an impact on cost, a review of activity has taken place in early 2014/15 which it is anticipated will reduce costs / efficiencies, and drive further performance improvements from Q3 onwards 2015/16.

2) Rent Arrears & Collection - *[good performance; low cost]*

Rent collection performance continues to be outstanding; in 2013/14 current tenant rent arrears are 0.2%, with performance well above the upper quartile figure of 3.1% and leading the peer group and the sector. This excellent performance continued into 2014/15 with current tenant arrears at 0.37% at the year end.

Costs per property of rent arrears activities have increased by 12%, although this cost increase is in line with the increase of the peer median cost and still represents middle upper quartile performance. The increased resource has produced results, with rent arrears reducing from 0.7% to 0.5% of rent due (this is driven by reductions in both former and current tenant arrears).

Performance across all indicators compare well to peers, although there is slight opportunity for improvement in the amount of arrears written off where performance is middle/upper quartile. We recognise this opportunity and have plans to strengthen performance in this area during 2015/16.

3) Major Works & Cyclical Maintenance - *[poor performance; low cost]*

Costs compare reasonably well in this area, with total cost per property middle upper quartile, and in terms of quality indicators, customer satisfaction surpasses the upper quartile limit. However, performance outputs in terms of decent homes, energy efficiency of dwellings and gas safety (one property was without a valid gas safety certificate as at 31 March 2014), sees us just within the 'poor performance' area of the Value for Money matrix.

As at 31 March 2015, North Devon Homes is pleased to report that all properties – bar two PRC properties - now meet the decent homes standard, and that following exceptional sustained performance in gas safety, 100% of properties with a gas supply had a valid gas safety certificate in place.

That said, it is recognised that there is room for improvement within the energy efficiency of our properties. Consequently, a significant element of the 2015-18 Corporate Plan relates to improving energy efficiency of our properties, and 2015/16 internal performance targets have been increased to support this improvement. The target average SAP rating for our stock has been increased from 69.6 to 70 for 2015/16.

4) Lettings - *[good performance; low cost]*

Cost per property of lettings activity is very low compared to peers (£28 against the £55 upper quartile level), while tenancy turnover has dropped since 2012/13 but remains higher than the average (7.48% against the 6.2% median). Average re-let times have increased slightly from 23.5 days to 24.3 days and rent loss due to voids has increased correspondingly, although both areas of performance remain within middle upper quartile levels.

The team is focused in 2015/16 on reviewing / improving processes to ensure that average re-let times and consequent rent loss are reduced.

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5) Tenancy Management - *[good performance; low cost]*

Tenancy management covers the management of individual tenancies and the general management and monitoring of estates. It includes monitoring estate services contracts, tenancy management and support, tenancy sign-ups and enforcement of tenancy conditions (other than ASB, unauthorised occupation and rent arrears).

In 2013/14, the total cost per property of delivering the tenancy management service decreased. Costs within this area fall comfortably within upper quartile performance levels, as does customer satisfaction with service provided. However, understanding and managing the number of tenancy terminations presents further opportunity for improvement.

6) Resident Involvement - *[good performance; low cost]*

Since 2011/12, the total cost per property of resident involvement activities has fallen by 38% from £73 to £53 per property, and in 2013/14 we see resident involvement move from middle/upper to upper quartile performance in this area; this is the only service area where there is a change in total cost per property quartile performance.

Performance in this area is strong compared to peers, with 81% of customers satisfied that their views are taken into account (exceeding upper quartile performance by almost 8% and placing North Devon Homes 3rd in the peer group). Nevertheless, the percentage of tenants on whom the organisation has diversity information presents further opportunity for improvement, with current performance lower quartile.

7) Estate Services - *[good performance; low cost]*

Estate services contains the following functions: caretaking, cleaning, concierges and security and grounds maintenance (including grass cutting, hedge trimming and other gardening).

Since 2011/12, the total cost per property of estate services has fallen by 9% from £140 to £128 and is currently upper quartile, although direct non-pay and overhead costs per property fall between middle and upper quartile performance levels. Performance in this area is strong compared to peers, with 93% of customers satisfied with their neighbourhood as a place to live.

8) Anti-Social Behaviour - *[not on matrix]*

ASB does not feature on the Value for Money matrix due to incomplete performance data relating to customer satisfaction with case handling and outcome, which has always proved difficult to collect. In 2015/16, we plan to make a focussed effort to collect this information in relation to cases closed throughout 2014/15.

ASB is a relatively low cost, high performance area. A consistent and upper quartile cost per property (approx. £45 in both 2012/13 and 2013/14) is servicing an increased caseload and with excellent rates of successful resolution.

4. Procurement

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

Operating and Financial Review (continued)

ASW has 12 members responsible for housing stock of around 70,000. Whilst delivering savings through a range of frameworks is at the heart of our relationship with ASW, membership has brought benefits in terms of access to a formal network providing valuable advice and guidance, as well as the specific procurement expertise that ASW itself has.

Through ASW, we set up a joint arrangement with Teign Housing for the appointment of a Procurement Manager. This is a post that is split between both companies on a 50/50 cost sharing arrangement. Not only is there benefit of the sharing of cost, but also benefit arises from sharing of good practice and knowledge across both organisations. Appointment of the Procurement Manger enabled us to improve our procedures and approach to procurement.

NDH also utilises the Procurement for Housing (PfH) consortium which has over 850 members nationally. NDH currently use Office Depot, AKW Medicare and also Greenhams via their framework agreement to get best value.

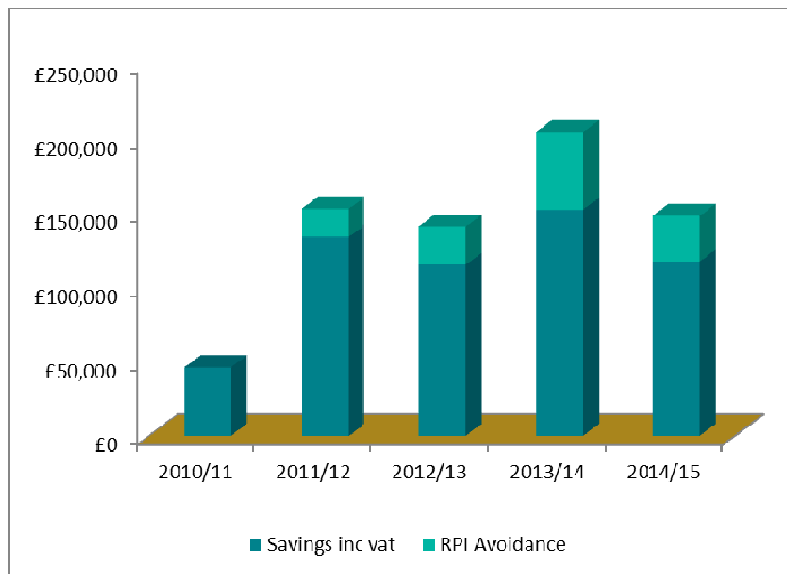
Outcomes in 2014/15

The table below details the ASW cashable savings (including unrecoverable VAT) that have been generated for NDH and additional costs avoided due to framework price changes being lower than RPI during the year 2014/2015:

Item	Expenditure	Total Savings	RPI Avoidance
Bathrooms	£4,735	£4,739	£353
Boilers	£47,770	£15,085	£4,126
Consumer Units	£14,086	£2,486	£1,245
Controls	£59	£17	£4
Doors	£60,767	£15,153	£4,846
Electric Heating	£1,426	£141	£124
Fans	£3,407	£852	£503
Flooring	£8,884	£2,805	£688
Kitchens	£90,725	£58,616	£16,253
Radiators	£3,886	£4,837	£1,030
Taps	£1,706	£3,203	£137
Windows	£11,513	£2,032	£1,416
Legal services	£21,769	£7,256	£0
Grand Total	£270,733	£117,222	£30,725

The graph below shows the significant savings that have been achieved over the last 5 years through our membership of ASW.

Operating and Financial Review (continued)



Total savings through ASW amount to just under £120k - some examples of specific savings delivered in 2014/15 are:

- NDH has been instrumental in ensuring that ASW address the provision of asbestos surveys and associated services in their upcoming work plan. In the interim, we secured a more competitive price on our Asbestos Surveys through a review of costs and renegotiation of charges. Savings identified with the asbestos contractor resulted in a 50% reduction in visit costs; an estimated savings of £5k per month.
- Reviewed paint supplier to achieve potential average savings of 28% (£8) per unit. Identified through purchase of paints via Procurement for Housing (PfH) consortium.

Through ASW, North Devon Homes are also helping customers reduce their energy costs directly. ASW have a member of staff, housed at NDH, whose role is to assist ASW Members to help residents reduce their costs of running their homes - looking particularly at utility pricing, knowledge and digital inclusion. The main project that ASW have worked on in 2014/15 is to bring to residents a gas and electricity supply option that would provide an ongoing cost effective offer. This will be launched during 2015. Additionally ASW are:

- working with South West Water to target reducing water bills;
- identifying opportunities for Members to apply for external funding and supporting them in those applications
- talking with agencies who can help residents improve their credit ratings by taking account of on-time rent payments with a view to piloting this
- providing Members with advance notice of Energy Saving Trust funding opportunities and supporting them in applications
- working with Members to develop solutions to the digital inclusion agenda.

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

Operating and Financial Review (continued)

- **E-tendering:** NDH are beginning to utilise e-tendering which makes better use of administrative time to ensure documentation is disseminated and received in a more cost effective fashion. Benefits include faster tender turnaround, greater audit capabilities, less administrative time, and the ability to embed best practise in E-tender templates. During 2014/15, templates have been created, users trained, an e-tendering system implemented, and used for tendering (e.g. for External Decorations contract). However, not all tenders have been issued via this route, and further embedding of the system is needed.
- **Ensuring quality service from contractors:** To ensure that we are delivering the service that customers require, feedback was sought and a series of generic questions devised that are now included in tenders. These address the following areas :
 - Quality of product and service
 - Communication of best practise
 - Complaints handling
 - Appointment scheduling
 - Customer service.
- **Social value:** consideration of social value has been incorporated into all tenders. There is a specific section added to each tender asking prospective contractors to detail the Social value contribution they would make if successful. It is a part of the tender scoring matrix. Examples from successful contractors include guaranteeing job interviews to suitably qualified tenants, providing annual work placements, and providing materials and supervision for a community labour project.
- **Key Performance Indicators:** KPIs have been developed to drive performance, focused for example on ensuring that a number of quotes are obtained to ensure best VfM, and contracts are re-tendered on time.

In 2014/15 a number of contracts were renewed (Commercial Gas Boiler Servicing, Domestic gas servicing, External decorations, Responsive electrical work, and Plumbing) - each contract has been considered with Value for Money and social value principles in mind, and reviewed with the Procurement Manager. There were a number of notable outcomes that impacted on VfM:

- Domestic gas servicing – Changes to the charging framework (NDH will only pay for a system to be serviced once annually, even if it is serviced twice within a calendar year) will lead to an expected annual saving of £5k in 2015/16.
- Responsive electrical work – The negotiated rates are 30% lower than NHF Schedule of Rates.
- Plumbing - The negotiated rates are 20% lower than NHF Schedule of Rates.

Actions for 2015/16

NDH will continue to look to deliver further savings through its procurement activities. We will continue to specifically utilise the ASW framework agreements during the coming year due to the significant cost savings that can be obtained. As well as this, in 2015/16 we will:

- look to obtain further value for money through cost sharing arrangements amongst ASW partners, as ASW has a long term objective to develop cost sharing arrangements amongst its partners
- continue to develop a greater number of mutually beneficial procurement partnerships
- look at reducing the number of suppliers used and to aggregate contract values for routine procurement (low value, low risk)
- Further embed e-tendering so that all NDH tenders are issued via this process.

Operating and Financial Review (continued)

Our significant planned procurement activity for 2015/16 includes insurance and cleaning services. We are also setting up frameworks with ASW for Asbestos (ASW are now working with Westworks to put in place frameworks for asbestos surveying and removal - expected to be operational in the first half year of 2015-16), and for all the main installation and servicing contracts. It is expected that these will deliver improved VfM in future.

5. Social return

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

In 2014/15 we have developed a social value register to enable NDH with customer representatives to determine the initiatives that will deliver the most social value for the community. As noted above, social value is also a consideration in all tendering for NDH contracts.

Staff are also supported to engage with community schools through a volunteer reading programme and/or as active members of the school governing body and community groups such as the Forches Community Association or the DCLG localism pilot project, One Ilfracombe. With the latter, NDH have signed up as a partner organisation, have full representation on the Board and lead or support a number of project groups. Housing Officers are engaged with the 'town team', our older people's services are linked into the 'health and well being team' and our Community Development Manager and Youth Workers are supporting the Ilfracombe works project team.

Older Persons Service

In April 2014 the Board approved the Older Persons Strategy which outlined a set of priorities and objectives in light of the cessation of funding for the support service from April 2015. Following this a programme of consultation was held with customers on the future of the service. The Scrutiny Panel also completed a review of the service. The overall feedback from the consultation was that customers really value the service and were willing to pay towards the cost of the service.

As older persons make up a significant proportion of our customers (just under 600 properties are designated as housing for older people, and we also have older people living in General Needs properties), withdrawal from the service was considered to have a number of risks associated with it as well as not supporting our vision of being a community landlord. The Board agreed that this service should be part of our key service offer into the future and agreed the required additional business plan contribution of £154k.

A further review of the service is planned in 2015/16.

Young Peoples' Service

2014/15 was our final year of a three year Lottery Funded Young People's (YP) initiative (Starfish NDH). This project was driven by 4 key outcomes across three recognised top quartile pockets of deprivation in our area:

Outcome one: Young people (aged 9 to 18) more involved from within the community resulting in increased confidence in their abilities and future prospects through participating in activities to develop belief in themselves and their futures.

- During 2014/15, 243 opportunities were created with an overall total of 758 opportunities over the three years 2012-15.

Operating and Financial Review (continued)

Outcome two: Young people benefiting from youth training courses and learning opportunities to increase employability skills through undertaking activities to increase school attendance and raise educational aspirations.

- 25 school leavers within the project have secured paid employment and/or college placements that without this project would have become NEET (Not In Employment, Education or Training).
- During 2014/15, 145 opportunities were created with an overall total of 472 opportunities over the three years 2012-15.

Young people recognise the difference our work at NDH has made in their lives; one young person said: *"Something I'd like you to know about my youth project is if it wasn't for the youth club I wouldn't be the person I am today. I wouldn't have a job or hardly any qualifications..."*

Outcome three: Young people undertaking projects tackling healthier lifestyles to improve their health and wellbeing through engaging in health awareness and general wellbeing.

- During 2014/15, 110 opportunities were created for young people to undertake healthier lifestyles, with an overall total of 355 opportunities over the three years 2012/15.

Outcome four: Lower levels of anti social behaviour amongst young people living in these communities with a target of 58% reduction in reported anti-social behaviour.

- ASB levels involving young people remains dramatically reduced which has been sustained through the project's lasting impact.

This also translates into the wider community, parents tell us, for example; *"It's support, not just for the children but for the parents as well, there is good communication between parents and staff."*

Young people recognised that their behaviour had changed as a consequence of their involvement with Starfish NDH.

During December 2014 an independent evaluation through the university of St Mark & St John, Plymouth, was undertaken to demonstrate the value for money and social capital of the work. Dr Cooper's report positively endorsed the project and clearly demonstrates our ambition and commitment to being a community landlord (see table below for comments from the report).

At the January meeting the Board clearly supported its commitment to supporting the service into the future by agreeing to fund the service into 2015/16 as part of the approved budget, pending the outcome of any future lottery funding bids.

Based on the learning and success of this project 2012-15 a bid for a further three years funding was submitted to the Big Lottery and in March 2015 was confirmed as successful in gaining £349k continuation funding 2015-2018.

Operating and Financial Review (continued)

Evaluation of Starfish NDH – Dr Susan Cooper

*"NDH have developed an **exemplary approach** to youth work shaped by community development practices."*

"The extrinsic worth of the project outcomes to NDH and its partners and collaborators is considerable. The trusting and respectful relationships achieved between the staff and young people have enabled other professionals to access young people perceived as difficult to reach."

"The innovative youth work practice model 'Developing Young Communities' should be disseminated far and wide as an example of excellent practice in both practice and academic forums."

"Collaboration is at the heart of the Starfish project and the strength of the relationships between NDH and its partners (professional, parents & customers) is remarkable. Further partners and collaborators should be sought to develop future opportunities as appropriate."

A full copy of the report is available on our website www.ndh-ltd.co.uk

2015-2018 Youth Project

The 2015-18 project has been designed to meet the needs of the community and YP driven by four key outcomes relating to the life and employability skills / capabilities of young people (see box below for detail).

2015-18 Youth Project Outcomes

Outcome 1 : Young people benefiting from youth training courses and learning opportunities to increase employability skills

Outcome 2: 9-12 yrs YP learning life skills leading to improved behaviours within school/family settings and increased emotional coping mechanisms

Outcome 3: 13-19 yrs YP benefiting from projects to improve health awareness and emotional/physical resilience to strengthen coping mechanisms

Outcome 4: YP benefiting from opportunities to build community networks/ wider community awareness leading to increased self confidence/self esteem.

To achieve maximum value for money we are working with key collaborative partners who are;

- 1) The University of St Mark and St John who will be training and monitoring a Participatory Evaluation Framework to measure the longitudinal change and impact of the project.
- 2) The NHS who are delivering training in for practitioners, parents and YP to develop health champions, identify where services can be delivered around health and wellbeing, in particular around YP self harming and increasing resilience and coping mechanisms.
- 3) DCLG localism pilot project, One Ilfracombe to further develop work with young people to bridge the gap in services available.

We will be measuring and reporting on the outcomes of these projects over the next three years.



Operating and Financial Review (continued)

Community Development

In the last year community led projects have been enhanced with NDH providing resource and assisting to attract external funding, for example;

- 1) Community Sew & Hoe project that attracted £8k of European Social Fund funding to deliver training and develop community groups.
- 2) Supporting a family led Saturday morning arts and crafts group
- 3) Attract high profile visitors to celebrate communities successes e.g. HRH The Princess Royal visited the Young Persons' project on Forches Estate in May 2014 where customers, partners and NDH were able to showcase the regeneration undertaken.
- 4) The further development of a community garden which has elements for intergenerational work that attributes to breaking down barriers and perceptions between generations adding to community safety.

6. Customer Scrutiny

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











Over the period 2014/15 the NDH Scrutiny panel has established robust procedures to scrutinise service delivery which has led to the development of a NEF model of impact assessment. This tracks what the panel do and allows for challenge and further scrutiny where services are required to demonstrate how they have adopted customer's views and/or recommendations. For example:

- 1) Customer Satisfaction on Response Repairs and Maintenance was a key recommendation within the Board Action plan; specifically to increase the % of customers returning satisfaction surveys. The panel reported to the Board that they would like to see more customers returning satisfaction forms to further support the VfM this service demonstrates by changing the way in which we provide a satisfaction questionnaire to our customers. The panel have requested evidence of this for their August 2015 meeting and to review the new satisfaction survey and process that is being developed as a direct result of their suggestions.
- 2) The Older Persons' Service Review coincided with service charges being adopted to enable a continued service. The panel clearly demonstrated the need for this service through a series of consultation events directly with customers. In the report to the Board they highlighted the VfM the service gives customers - especially where support workers go above and beyond in assisting vulnerable older people, and made it clear that customers want this service to remain available in the light of government cutbacks. As part of the review process the panel have requested feedback on how older customers have managed this transition from direct funding to service charges, and evidence that the VfM within the service has not been compromised as a result, to be fed back to them in July 2015.

3. Key objectives summary

In last year's VfM statement, we included a list of key objectives to action during 2014/15. These are outlined below with an update on progress. A traffic light system is used to quickly indicate completion, partial progress, or limited / no progress.

Operating and Financial Review (continued)

- | | |
|---|---|
| <ul style="list-style-type: none"> Following consultation with all staff, the Board and stakeholders, agree Corporate Plan 2015-2018 objectives and ensure VfM drivers and approach is embedded into the new plan <ul style="list-style-type: none"> <i>The Corporate Plan is agreed, with VfM drivers / approach embedded.</i> |  |
| <ul style="list-style-type: none"> To further embed VfM and continuous improvement approach within the organisation, including the use of critical number analysis and Great Game project philosophy and approach <ul style="list-style-type: none"> <i>Project approach has been utilised, and will continue to be in 2015/16. Notable results include -£55k saving through introduction of a Neighbourhood Property Advisor role; large savings (c. 50%) on materials for repairs following negotiation with supplier; annual savings of £4,500 by re-use of old server as part of disaster recovery – rather than paying external contractor; income team seeing customers at Head Office wherever possible, leading to mileage cost savings and ability to see more customers in a day.</i> <i>Critical numbers are still being developed, and will be rolled out in 2015/16.</i> |  |
| <ul style="list-style-type: none"> Leading Empowered Organisations training for managers to empower managers to make change, embed accountability and to achieve VfM through empowerment and leadership <ul style="list-style-type: none"> <i>Training has been carried out with managers, and some staff.</i> |  |
| <ul style="list-style-type: none"> By March 2015, compile and maintain a register of assets and liabilities following completion of the stock appraisal and use this to inform our investment decisions <ul style="list-style-type: none"> <i>The stock appraisal database is complete but the assets and liabilities register was not completed by March 2015. Work is ongoing and the deadline for completion is September 2015 (see section 2).</i> |  |
| <ul style="list-style-type: none"> To move towards upper quartile performance across all of our service areas. This will be measured via HouseMark benchmarking information and tools <ul style="list-style-type: none"> <i>We have maintained or improved performance in every area; but some service areas still demonstrate performance below upper quartile – in 2015/16 we will focus on improving these areas (see sections 3B, 3C, 3D)</i> |  |
| <ul style="list-style-type: none"> To further analyse overhead costs and set targets for reduction where appropriate as part of the annual budget setting process <ul style="list-style-type: none"> <i>There are some improvements in relation to overhead costs, but more work to be done to reduce overheads as a % of adjusted turnover (see Section 3C).</i> |  |
| <ul style="list-style-type: none"> To develop the measurement of social value and incorporate social value into the tendering process <ul style="list-style-type: none"> <i>Social value is measured by NDH (see Section 5), and is a core element of the tendering process.</i> |  |
| <ul style="list-style-type: none"> To obtain greater value through the use of procurement consortia and benchmarking. Identify and report on quantifiable gains <ul style="list-style-type: none"> <i>Value has been gained through procurement consortia, and gains are reported above (see section 4).</i> |  |
| <ul style="list-style-type: none"> Completion of the asset management strategy review by March 2015, ensuring a clear link to the assets and liabilities register and VfM principles <ul style="list-style-type: none"> <i>The review is complete (see section 2).</i> |  |
| <ul style="list-style-type: none"> Review sustainable funding opportunities and ways to keep the Youth Intervention Project in place post March 2015. <ul style="list-style-type: none"> <i>The youth project has secured further funding to 2018.</i> |  |

Operating and Financial Review (continued)

Objectives for 2015/16

The key objectives for 2015/16 are outlined below:

- **To further embed VfM and continuous improvement approach** within the organisation, including the use of critical number analysis and Great Game project philosophy and approach
- To **move towards upper quartile performance across all of our service areas**. This will be measured via HouseMark benchmarking information and tools. This will particularly focus on those areas where performance is below target, or where it is only just within target performance:
 - *The cost per property of responsive repairs and void works*
 - *The performance in relation to major and cyclical works in terms of meeting the decent homes standard, and the energy efficiency of dwellings.*
 - *The cost per property of rent arrears and collection*
 - *Lettings performance, ensuring that average re-let times and corresponding rent loss due to voids does not increase and lead to poor performance.*
- To further analyse **central overhead costs** and where appropriate the Board to agree targets for cost reduction, as part of the annual 2016/2017 budget setting process.
- Agree **clear and measurable VfM priorities** for the next three years linked to the new Corporate Plan for 2015-18
- Deliver a **VfM Strategy** revised and linked to Corporate Plan delivery
- Deliver an **Assets & Liabilities register** by September 2015
- Continue to **review outputs of stock appraisal** model – focusing on the lowest performing 10% of assets
- Develop and implementing a **continuous improvement plan** to drive improvements in terms of cost and quality – focusing initially on those areas where benchmark data suggests there are opportunities to deliver greater VfM.
- Carry out **service area reviews** as part of continuous improvement plan, to identify and deliver VfM improvements.
- **Review the Supporting People and youth services** to ensure maximum VfM and social value is being delivered to the beneficiaries.
- Deliver a **pilot PV program** in 2015/16 to increase energy efficiency in our homes, with a view to roll out further after lessons from the pilot have been learnt
- Update **Procurement Strategy** to ensure all benefits are being gained from procurement activity, and review opportunities for procurement gains through contracts rather than one-off purchases.
- Get a better understanding on the **energy performance** of our properties and to determine actions needed to address those properties that fall below a SAP rating of 54 (Band E) for implementation over the following two years.

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

This value for money statement can also be accessed via our website www.ndh-ltd.co.uk