

Sutton Housing Society - Value for Money Statement 2016

What is value for money?

Value for money isn't just about saving money.

It is about making sure we are efficient, effective and economical. This means we aim to achieve the best balance between high performance, high tenant satisfaction and relatively low cost.

What is a value for money statement?

As a registered provider, Sutton Housing Society is required by The Homes and Communities Agency (HCA) to produce a detailed value for money self-assessment report annually.

The self-assessment is required to:

Set out absolute and comparative costs of delivering specific services

Evidence the value for money gains that have been and will be made and how they have and will be realised over time

Enable stakeholders to understand the return on assets measured against the organisation's objectives.

Sutton Housing Society's approach to value for money

We are committed to providing good quality homes for rent, delivering excellent and responsive services to our tenants which enable them to live independently and to contribute towards their communities. We will aim to get the best use of all of the resources available to us. By considering Value for Money (VfM), we will be able to provide high quality services to our tenants at the lowest possible cost with the best possible outcomes. We will seek to maximise our income and minimise our costs. We will use the resulting operating surpluses to provide new dwellings, improve existing dwellings and provide services of genuine value to our tenants and to the wider community.

SHS Board of Management direct staff to consider, measure and justify where appropriate how all of SHS' activities and transactions achieve VfM. In both its' day to day and strategic operations, SHS will consider what financial, social and environmental returns are achieved, how these can be maximised and what alternative actions exist if identified returns are negligible.

Our primary focus will be on costs, followed by performance, social and environmental considerations.

SHS' key objectives in seeking VfM are:

Maximising income and value from all of SHS' physical assets.

Maximising staff and contractors' awareness of SHS' commitment to VfM and shaping services and outputs as a result.

Both working with and receiving feedback from tenants in identifying, implementing and reviewing services and VfM in these.

To help us achieve value for money the following processes are in place:

A planning process is carried out before each new financial year; a budget is drawn up taking into account corporate objectives. The budget is presented to the Board for consideration and approval before the start of the financial year. Our costs are monitored against these budgets and reported each quarter to the Board.

We have a 25 year re-investment plan for all our housing stock. This covers the replacement of building components such as roofs, kitchens, bathrooms, etc, and cyclical maintenance such as external and internal redecorations. Each year prior to the budget being set the plan is reviewed and amended as necessary, taking into account the current condition of components, improvements or replacements that have taken place. The forecast expenditure is used when developing the Society's long term financial plan.

We put out to tender larger more expensive projects and obtain quotes for smaller jobs over a certain value before orders are placed in line with our financial policies. We may enter into partnering arrangements with contractors that we have worked with previously if this is deemed to provide best value.

Where possible our responsive repairs service is provided by long standing, local contractors which provides comfort to our tenants and increases their satisfaction whilst also improving the economic, social and environmental well-being of our community.

All service contracts are re-tendered regularly to ensure we provide good value and that tenants are satisfied with the services delivered. As all service costs are recovered from our tenants in the form of service charges any reductions in these costs are not a cost benefit to the Society but do provide a cost saving to the tenant.

We are a member of benchmarking group SHAPE (Smaller Housing Associations Pursuing Excellence). Our performance data is submitted to SPBM (Skills and Projects Benchmarking Group). Being affiliated to these organisations allows us to monitor our performance against other housing associations. We also compare our own performance year on year to identify any trends. Specialist benchmarking clubs offer the opportunity to meet with colleagues from similar organisations facing similar challenges to network, share ideas and to learn from each other.

As a member of SHAPE we also benefit from membership of Procurement for Housing (PfH), a national procurement organisation dedicated to the needs of the

social housing sector. We currently procure our stationery, telecommunications and electronic payment services through PfH.

Through SHAPE we also obtain human resources consultancy at a discounted rate. Wherever possible HR support is provided off site which saves 20% of the normal daily rate. We also benefit from an additional 15% discount on all project work of more than three days.

We receive and react to feedback from tenants on our responsive repairs service via tenant satisfaction survey forms and telephone surveys.

Tenants are represented on the Housing Operations Committee and steering groups, and are able to discuss their views on what represents value for money and are also involved in contract negotiations.

VfM achievements in 2015/16

Income

We have positive working relationships with the London Borough of Sutton (LBS). This has enabled us to secure funding from LBS towards the development of Kent Court (12 new build flats). We expect to receive £456,000 in 2016/17.

General

We have reviewed our sheltered service. Support is now delivered according to identified need, recognising that 'one size does not fit all'. The property maintenance and tenancy engagement work was removed from the support role which provides for a more efficient service delivery. We will continue to review this service in line with funding plans from the Government and local Council.

Overhead and management costs

Relocating all support staff from individual sheltered schemes to the head office, has provided cost savings in overheads.

Our website has been re-designed to bring it up to date and make it more interactive to encourage tenants to use it. We negotiated an 8% discount on the original quotation saving £465. Staff were identified and trained to maintain and update the site, eliminating future costs from outside agencies.

Savings in staff time and more efficient ways of working are an important factor within VfM. This year we held in-house training days at our head office for all staff on Time Management and Customer Care. The Time Management training empowered staff to discover ways in which they could work more efficiently and prioritise their daily workloads. The Customer Care training session looked at ways to improve the services we provide to our tenants and external customers. These in-house training sessions are an excellent way for all staff to work together as a team and to get a better insight into each other's roles within the Society. They also offer considerable

cost savings when compared to external training. We estimate the saving on two in-house training days to be in excess of £1500.

We reviewed our Head Office IT support; our contractor was based in Lancashire and provided the majority of support remotely. Switching to a local company, provided employment within the community and improved service delivery. The cost of the annual contract stayed the same but as the new contractors are local they are able to fix problems not able to be fixed remotely on site, in a timely manner and often at no extra cost.

Our housing management software provider give incentives to users if they provide reference visits to their prospective customers. These visits usually take approximately 2-3 hours of our time and equate to one day consultancy free of charge, a saving of approximately £1020. We have completed one reference visit so far this year.

SHAPE – We have procured legal opinions, risk and technical advice as a group reducing individual costs by 90%.

We also benefitted from cost saving when we re-tendered the following contracts:

Telecommunications contract for office/ mobile phones and internet connections: The contract was re-issued to the existing contractor through PfH, the cost saving in 2015/16 was £600. We also negotiated an increase in our hardware allowance which we can use to replace mobile phones and lap tops of £1380, over the 2 year contract. The contractor is also a social enterprise; any surpluses they make are invested back into the communities they work in.

Rent payment card system: The contract was re-issued to the existing supplier through PfH. We estimate the new two year contract will provide an annual cost saving of £700.

Service Costs

We reviewed the service level of the annual *maintenance* contract for the monitoring service equipment at our sheltered schemes to fit with the current requirements, this resulted in a saving of £5,500

Repairs & Maintenance

Whilst on site, the new Property Services Officer post replaces light bulbs and batteries within door guards at our schemes. This job used to be completed by an external contractor. We estimate that the saving on replacing light bulbs alone is in excess of £2600 per year.

Tenant Engagement

Tenants at our sheltered housing schemes who expressed an interest in being more active have been taking part in chair based exercise sessions. These are open to all sheltered tenants and offer not only physical health benefits but also the chance to enjoy the social interaction with the instructor and their neighbours. This contributes

to general wellbeing and has been shown to reduce demands on the NHS.

Tenants have also benefited from individual IT support from Age UK volunteers who gave up their time to provide six week computer courses at two of our sheltered schemes. Had we engaged professionals to support our tenants, the costs for this course would be in excess of £1000.

Loan financing

The Society reviewed its borrowing costs, raising a loan of £4M from the Charity Bank to finance the development of new schemes (Kent Court and Bond Gardens) and refurbish existing ones. The loan also enabled repayment of more expensive loans from the RBS and The Housing Finance Corporation. This will lead to a saving of approximately £34K in interest per annum.

Asset management

The Society actively manages its assets and this guides our investment decisions. There are two significant examples of this:

Planning permission was obtained in autumn 2015 for the redevelopment of Harding House to replace 12 hard to let bedsits with nine one bed flats and three fully modernised studios. This will have a positive impact on our void losses. The work will be undertaken in 2016/17.

Bond Gardens a scheme acquired in 2015 was deemed unfit for purpose. It will be demolished and redeveloped providing twice as many new homes for older people than exist on the site at present.

New accessible bathrooms have been installed at Cloverdale Court and Nairn Court and new kitchens at Lancelot House. Cloverdale Court also benefitted from replacement windows and new external cladding. Respectively, these works will enable the increased independence of tenants and reduce heating and maintenance costs for the Society.

A new roof was installed at Thomas House. The project included significantly increasing levels of insulation in the roof. Once again this will reduce heating costs and benefit the environment through lowered CO₂ production.

New developments

The development of Kent Court (formerly known as Suffolk House), providing 12 flats for older people was completed in April 2016. All flats have level access showers and access to Wi-Fi. This development provides badly needed housing let at social rents and significantly improves the local environment.

Performance indicators for 2015/16

The tables below detail Sutton Housing Society's performance across the past 3 years and also against SHAPE, and Housing for Older People benchmarking clubs.

The cost per property indicators are new indicators this year, provided through SPBM. Unlike the financial indicators within the management accounts, they are calculated using clear definitions provided by HouseMark. Cost allocation varies significantly between housing providers, meaning cost per property measures within financial statements do not always offer good comparatives. For year 15/16 we have benchmarked with SHAPE but in the future, as more providers collect this data we will be able to benchmark against a wider sector.

Performance Indicator	SHS 13/14	SHS 14/15	SHS 15/16	SHAPE 15/16 Median	HfOP 15/16 Median
Rent and Arrears					
Rent arrears* of all current tenants as % of rent due	1.5%	0.7%	0.7%	GN 1.87%**	HfOP 0.51%**
Rent loss between lettings	0.6%	1.2%	0.7%	0.53%	HfOP 1.3%
Average re-let days for empty homes	26.6	28.7	23.89	GN/HfOP 21	HfOP 39
CPP housing management	£306	£341	£334	£334	
Satisfaction - % satisfied rent provides VfM	GN 88% HfOP 93%	GN 88% HfOP 93%	GN 88% HfOP 93%	GN 87%	HfOP 93%

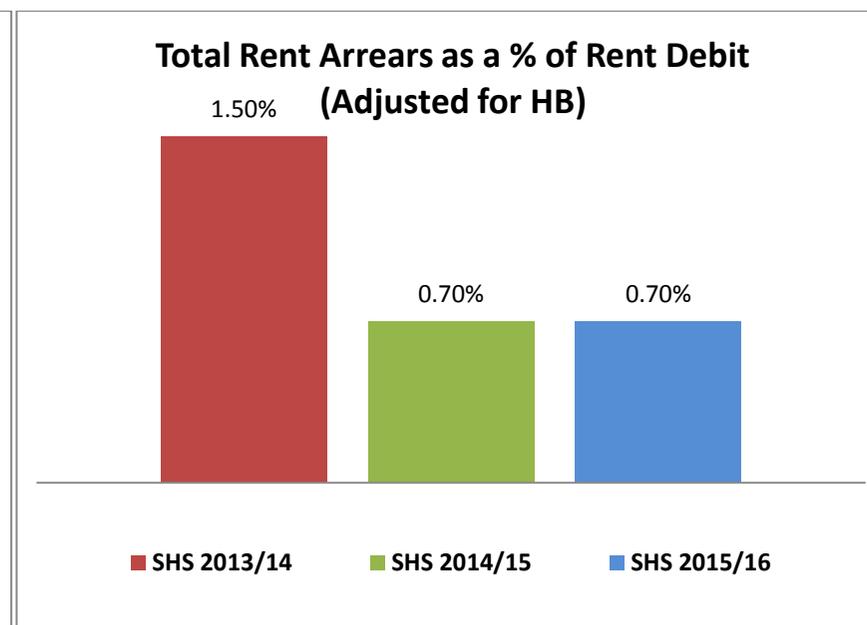
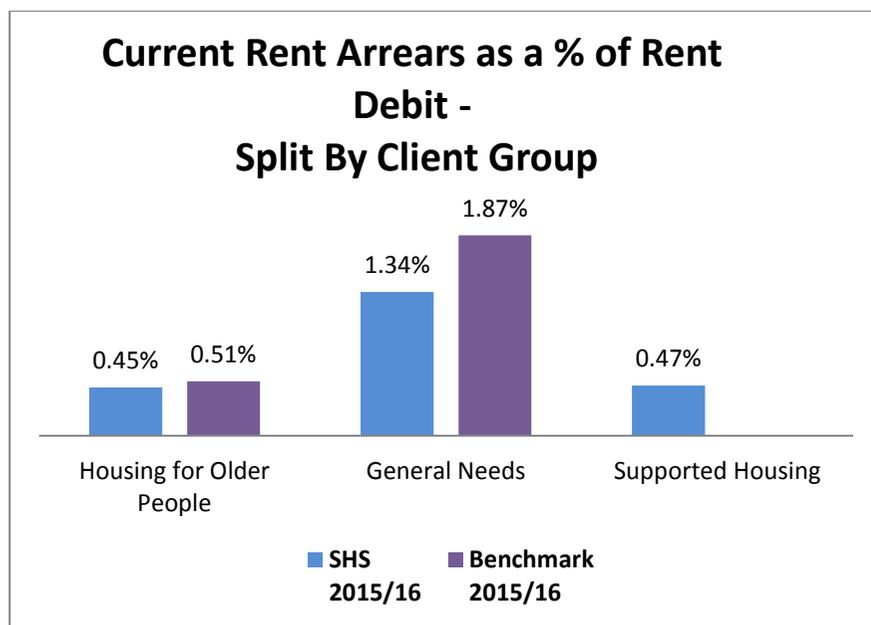
*Adjusted for HB due

**Not adjusted for HB due

GN = General Needs

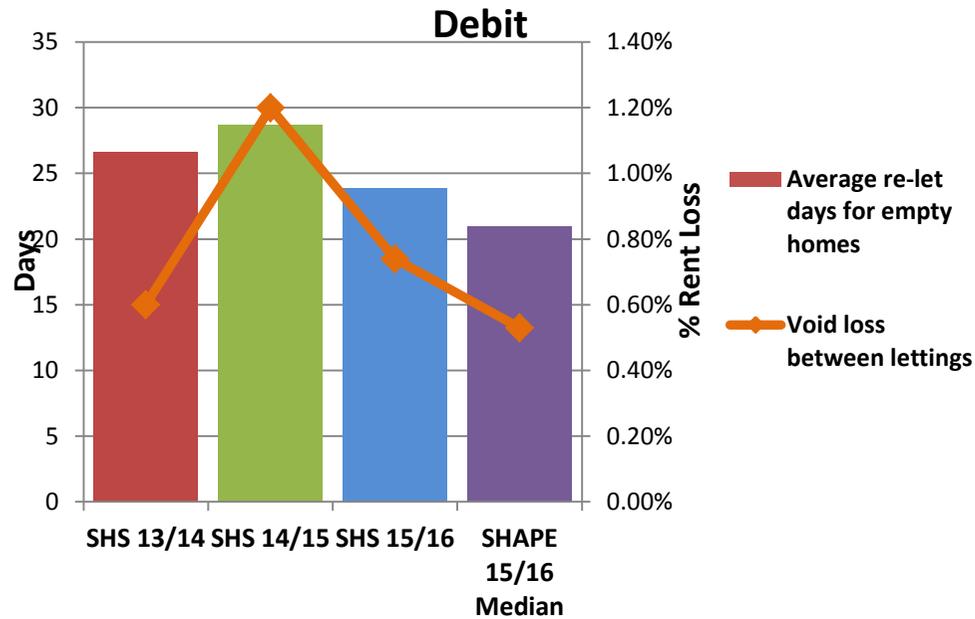
HfOP = Housing for Older People

CPP = Cost per property



Our performance on rent arrears has stayed the same this year and compares favourably to SHAPE and HfOP. This year we will be investing in technology and training to improve the rent arrears collection process to maximise our income.

Void Re-let Days & Void Loss as a % of Rent Debit

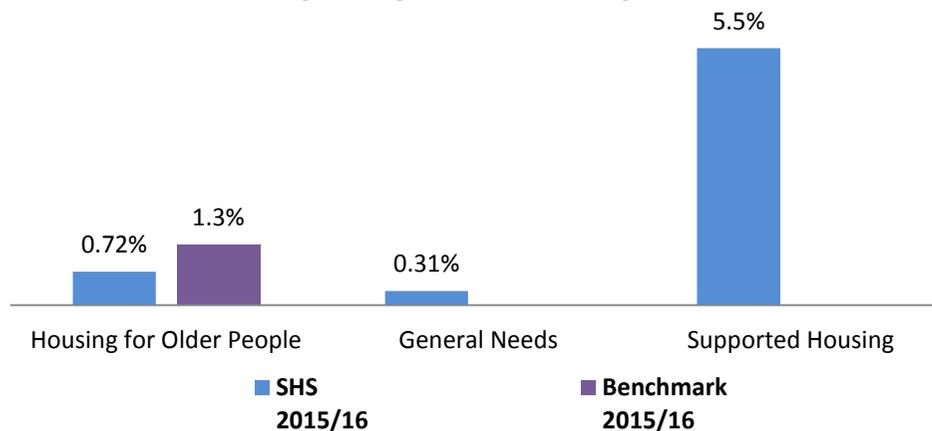


Our void loss and void re-let days performance has improved over the last year.

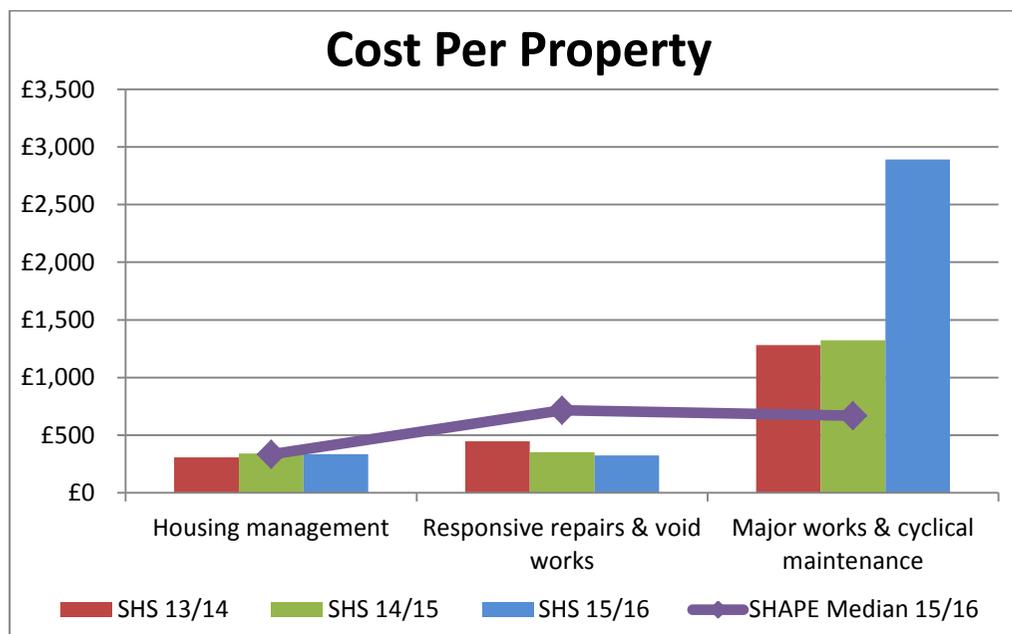
The void loss is also reported by client group. The supported housing void loss relates to a selection of supported properties, which have been very difficult to let. These properties have now been re-designated as general needs properties and are let via nominations from the London Borough of Sutton. This will improve our void performance in 2016/17.

We will also be reviewing our void and lettings processes to maximise our income.

Void Loss as a % of Rent Debit - Split By Client Group



Performance Indicator	SHS 13/14	SHS 14/15	SHS 15/16	SHAPE 15/16 Median	HfOP 15/16 Median
Repairs and Maintenance					
% Repairs completed in time	99%	96%	99%	98%	
CPP direct responsive repairs and void works	£447	£351	£324	£716.07	
Satisfaction - % satisfied with R&M	GN 89% HfOP 94%	GN 89% HfOP 94%	GN 89% HfOP 94%	GN 88%	HfOP 91.43%
Improvements and Cyclical Maintenance					
CPP direct major works ***and cyclical maintenance	£1,280	£1,322	£2,892	£788.32	
Satisfaction - % satisfied with overall quality of home	GN 97% HfOP 98%	GN 97% HfOP 98%	GN 97% HfOP 98%	GN 89%	HfOP 97%



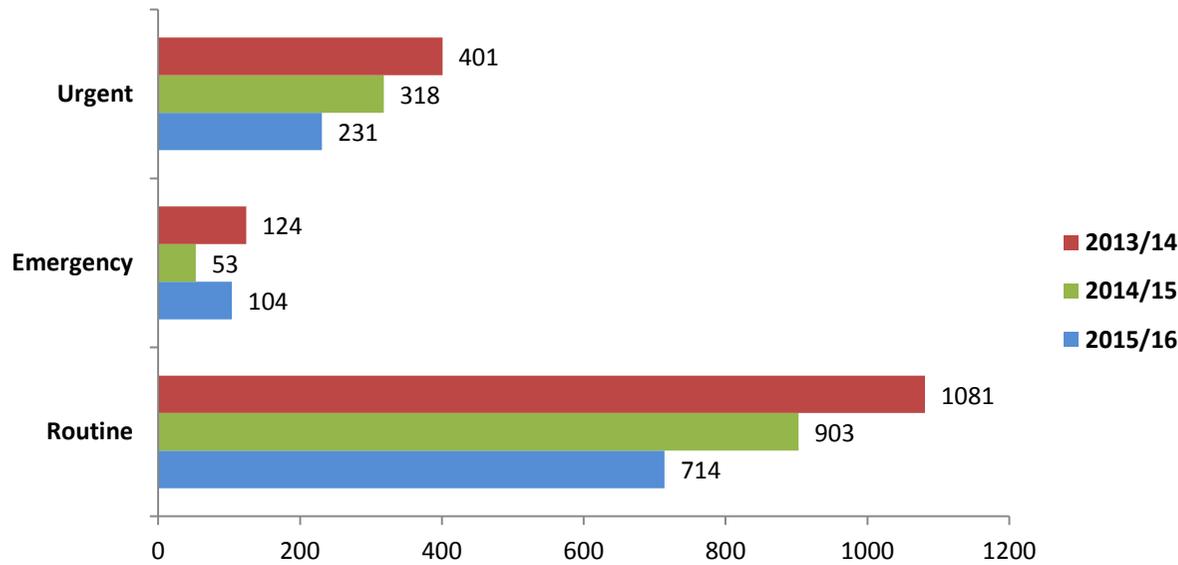
Cost per property performance indicators:

Housing management: SHS 15/16 (£334) is in line with the SHAPE median (£334).

Responsive repairs & void works: our spend has reduced over the past three years, reflecting the Society's ongoing investment in our stock. SHS 15/16 (£324) is much lower than the SHAPE median (£716.07).

Major works & cyclical maintenance: SHS 15/16 (£2,892) includes £1.1M of capital works on existing properties, compared to SHS 14/15 (£1,322) which included £450K. High spend on capital works will distort this PI. The £1.1M capital works spend included a new roof at Thomas House, new bathrooms at Cloverdale Court and Nairn Court and new kitchens at Lancelot House.

No. of repairs issued by response category



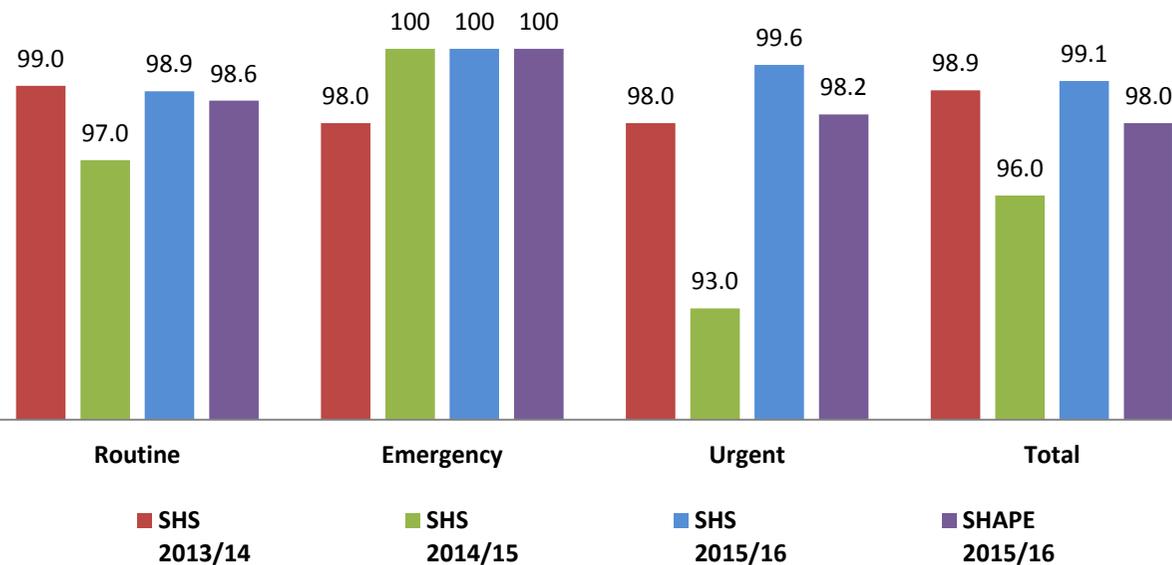
The number of responsive repairs has reduced over the past three years. This is also reflected in the reduction in the cost per property of responsive repairs and void works over the past three years.

Following disappointing performance in the number of jobs completed in time in 2014/15, processes were reviewed and performance has improved in 2015/16.

Our repair and maintenance performance compares positively with our SHAPE.

Improvement and cyclical maintenance costs have increased in 2015/16 but this is largely due to £1.1M spend on capital works to existing properties as detailed previously.

% of repairs completed in time by category

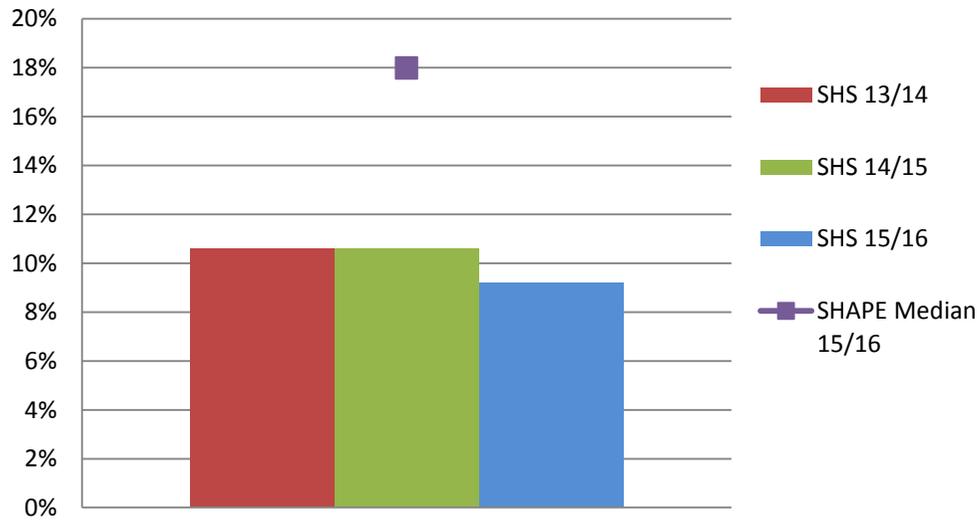


Performance Indicator	SHS 13/14	SHS 14/15	SHS 15/16	SHAPE 15/16 Median	HfOP 15/16 Median
Headline Social Housing Costs					
Includes capital works on existing properties	£4,104	£3,992	£5,532	£3,550 (HCA 2015)	
Excludes capital works on existing properties	£3,149	£2,995	£3,029		
Overhead costs as % of turnover	10.61%	10.58%	9.21%	18%	
Operating costs as a % of turnover	62.5%	59.4%	64.8%	67.67%	HfOP 78.09%
Return on Assets	3.88%	4.54%	3.47%		

The Headline Social Housing Costs include the majority of operating costs and capital works to existing properties. Sutton Housing Society capital spend per period: 2016: £1.1M, 2015: £450K, 2014: £425K. This spend is not always consistent year on year so capital spend will distort comparisons. The HCA comparative median figure is £3,550 per unit. Providers with large amounts of supported housing or housing for older people will have higher costs. Two thirds of SHS stock is sheltered housing for older people.

The Return on Assets (ROA) is directly affected by the cost of existing properties and new developments. As existing properties have not been revalued, the percentage of return on these assets will be significantly higher than the return on new schemes. The ROA has gone down this year largely due to the £2.6M spent on capital improvements and the development of a new scheme, which did not generate any income this year.

Overhead costs as % of turnover

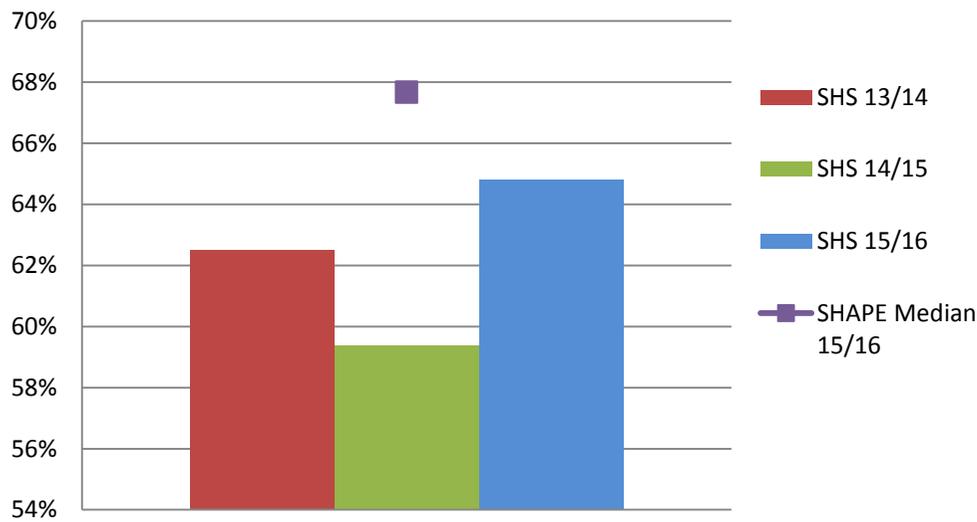


Overhead costs as a % of turnover: the overhead cost includes the total cost of staff time attributed to overhead (back-office) functions and direct costs relating to overheads such as depreciation, office premises costs, office supplies, IT, HR, recruitment. Cutting expenses and increasing turnover has a positive effect on this indicator.

Operating costs as a % of turnover has increased this year due to the reduction in operating surplus and the increase in operating costs, mainly the pension past service deficit charge.

Both our overhead and operating costs as a % of turnover compare favourably to SHAPE.

Operating costs as a % of turnover



Plans for 2016/17

We have identified the following areas to focus on in the coming year:

Income

With a view to maximising income and increasing efficiency the support team will be joining the rest of the head office team on the first floor. This will give the option to let the whole ground floor.

We will review our voids, lettings and arrears processes.

Overhead and management costs

Following a recent cost comparison exercise with other SHAPE members on the cost of External Audit, we will be re-tendering our External Audit contract during 2016.

Our Annual Report is currently distributed to all tenants and external stakeholders. The Report is also available to download from our website. In 2017 we intend to cease the distribution of hard copies and encourage tenants to view the Report on-line. This will produce an estimated saving of £400 per year.

Rent statements are sent out with all arrears letters and quarterly to all tenants. In 2016/17 we will continue to send rent statements with all arrears letters, but will consider reducing the numbers of statements sent to all tenants to half yearly. This will produce an estimated saving of £300 per year.

We will be looking at different ways to communicate with our tenants; via emails, text messages and identify possible costs savings.

We will consider switching to a paperless direct debit process which will provide improved efficiency and cash flow.

A health check on our housing management software was recently carried out to make sure we were making best use of it. This is an ongoing project. In the current year we will be investing in a contact management module which will track actions, activities and the history of all contacts in one place, and re-implementing the arrears module thus increasing customer service and business efficiency and effectiveness.

We will consider purchasing lap tops for staff to use whilst working at schemes to record information and for note taking, which will reduce paper consumption and make information sharing easier.

Service Costs

We will re-tender our electricity and gas contracts.

Tenant Engagement

We will investigate working in partnership with other bodies; HA's, schools, charities etc. to provide services within the community.

We will consider making our resources available to others in the community; sensory room at Cloverdale Court, chair based exercise classes, community lounges etc.

Asset Management

We will review communal spaces at Old Brewery House and Cloverdale Court and seek to provide storage and charging facilities for electric scooters.

New Developments

We will work with our partners at L & Q Housing Trust to seek at least one new development site in Sutton.