

**Introduction**

The previous VFM Update provided an overview of the VFM Self Assessment 2014/15, a progress update against key VFM actions and expected procurement savings for 2015/16.

This VFM Update covers the VFM Strategy, the Group’s Our Futures Way initiative, an update on development of the VFM Self-Assessment 2015/16 and some other key highlights.

**VFM Strategy**

The Group Audit and Risk Committee in its role as VFM Champion reviewed and approved the updated VFM Strategy 2016/17 in February. The VFM Strategy addresses how the Group intends to continue meeting the requirements of the HCA’s VFM Standard. In addition, the Strategy was updated to align with the new 3 year Corporate Plan 2016/19 (“the Plan”). The Plan defines various measures to support VFM delivery against four new corporate objectives:

<b>Corporate objective</b>	<b>Success measures</b>
Effortless Customer Experiences	<ul style="list-style-type: none"> <li>▪ To show improvement in how easy it is for customers to interact with us.</li> <li>▪ To increase our customer net promoter score (ie how many of our customers would recommend our services to others).</li> <li>▪ To demonstrate improved services through use of customer research and insight.</li> <li>▪ To increase our right first time service delivery.</li> <li>▪ To increase the number of volunteers within our communities and the services that they offer.</li> </ul>
Strong Organisation	<ul style="list-style-type: none"> <li>▪ To maintain our healthy operating margin.</li> <li>▪ To maintain high employee engagement scores.</li> <li>▪ To have a suite of measures that maintains high performance and financial strength.</li> <li>▪ To demonstrate year on year improvement in the efficiency and effectiveness of our customer processes.</li> </ul>
Great Places	<ul style="list-style-type: none"> <li>▪ To serve a broader range of customers through increasing our provision of alternative tenures.</li> <li>▪ To demonstrate active asset management through our property development.</li> <li>▪ To increase the range of partners we work with to provide appropriate services to our customers.</li> <li>▪ To provide training and employability opportunities through our apprenticeships and volunteering programmes and the continued development of our training company.</li> </ul>
Ambitious Futures	<ul style="list-style-type: none"> <li>▪ To have an increased number of homes available for our customers.</li> <li>▪ To have actively identified and pursued a significant growth opportunity.</li> </ul>

Delivery against the VFM Strategy has commenced. A key mechanism to enable delivery of the VFM Strategy and the Plan is Our Futures Way (“OFW” - see page 2).

### ***Our Futures Way***

The Group has set up the OFW initiative to help support delivery of the Plan. OFW is designed to help the Group assess how it operates from a customer perspective so that it can deliver effortless customer experiences. It will transform the way the Group operates and its systems. OFW will also change the Group's culture and improve its ability to adapt to change.

During 2016/17 OFW began its roll out across the Group. Throughout 2017/18 and beyond, OFW will embrace every aspect of how the Group operates and engages with its customers.

### ***VFM Self Assessment 2015/16***

The Group undertakes an annual VFM Self Assessment to evaluate its financial, social and environmental performance. The VFM Self Assessment 2015/16 is currently being drafted and will assess effectiveness, efficiency and economy.

The VFM Self Assessment 2015/16 is being updated from the prior year to reflect the new Plan and the 4 corporate objectives which replace the previous 8 strategies.

The Group is currently in the process of incorporating key outcomes into the VFM Self Assessment 2015/16. A draft VFM Self Assessment will be reported to the Group Audit and Risk Committee and Board for review during the first half of 2016/17 with publication by the end of September 2016.

### ***Progress against VFM actions - key highlights***

*Action: Continue to embed the APE system to identify opportunities for asset investment or disposal and to use surpluses to subsidise business growth.*

The Group has used Savills to update the data in its Asset Performance Evaluation ("APE") Model for recent changes. These include the 1% reduction in rents, identified efficiency savings and a revised long term asset management expenditure requirement.

The Group has taken actions to address rents reduction which has meant that, as before, none of the Group's homes have a negative net present value ("NPV") over the 30 year APE period. The average NPV is c. £22k over 30 years. This highlights that the Group's stock remains financially viable. The review of APE data is ongoing, with some properties being identified for disposal and others for re-designation. A review of the Group's sheltered schemes is also continuing. On completion, holistic decision making can be made.

*Action: Improve our payment and collection process to maximise income by effectively preparing for and communicating the potential impact of Universal Credit.*

The Group achieved its best ever arrears management performance at the end of 2015/16: (arrears measured as a percentage of rent due: DDH 0.96% / FHL 0.71%). This performance contributed to the Group's Income Team being awarded the 'Outstanding approach to income management' award at the UK Housing Awards in April 2016. The team also helped to identify c. £700k of savings for customers.

### ***Voids management***

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The Group has identified delays in the time it takes to relet void (empty) properties. This has increased the risk of rent loss to the Group. To address this, the Group is undertaking a detailed review to assess its void and relet processes, the quality of homes being relet and demand for relet properties across the Group. It will also incorporate data contained within the APE Model.