Value for Money Self Assessment 2015-16

Contents

Page

1. Context

Futures Housing Group ('the Group') undertakes an annual Value for Money ('VFM') Self Assessment to evaluate its financial, social and environmental performance. The Group uses performance measures to drive VFM and along with this self assessment, enables stakeholders to determine how the Group delivers VFM.

The Group is committed to delivering VFM and this self assessment demonstrates compliance with the VFM Standard, as set out in the Regulatory Standards for registered providers of social housing. The self assessment also details progress against areas identified for improvement in last year's self assessment and additional areas where the Board wishes to further enhance VFM. The Group's website includes a summary of compliance against the VFM Standard www.futureshg.co.uk/about-us.

The Board recognises that there are some areas where the business is operating outside of target. In addition, it will take time for the Government to develop plans in response to the EU Referendum outcome ('Brexit'). This may have an impact on some of the Group's future value for money initiatives. The Group expects there to be a period of uncertainty around this issue and is monitoring risks associated with Brexit. Stress testing possible scenarios arising from Brexit will continue and the objectives in the Group's Corporate Plan may be updated, if appropriate.

To enable transparency and accessibility, further publications on VFM have been provided to the Group's stakeholders including a separate VFM document for the Group's tenants. These publications can be found on the Group's website www.futureshg.co.uk/about-us.

Contact with and scrutiny by tenants has been strengthened through the year following implementation of a revised Governance structure. This structure introduces Insight Committees for each of the Group's operating areas. The terms of reference for these committees are designed to ensure that customers receive the services they want from the Group. In addition, the work of Tenant Scrutiny Panels has continued. This structure provides feedback on services and desired improvements which inform Board decisions and help shape the Group's strategic direction.

2. Corporate Plan 2016-19

The Group has introduced a new three year Corporate Plan 2016-19 ("the Plan"). This Plan includes the following key corporate objectives:

- Effortless Customer Experiences
- Strong Organisation
- Great Places
- Ambitious Futures

The VFM Strategy has been updated to reflect the Plan and the VFM Action Plan 2015/16 and VFM Self Assessment have been aligned to the new objectives within the Plan.

3. Approach to VFM

General approach

VFM is an ongoing process within the Group's systems and culture. There is a clear track record of driving cost reduction and improved performance whilst generating savings for re-investment.

What VFM means for the Group

Strategically, the Group's VFM target continues to be linked directly to its vision of being a strong, forward thinking regional housing group with its heart in the community. To deliver this, the Group's VFM Strategy has the aim of achieving economy, efficiency and effectiveness across all Group operations.

VFM Strategy

The Group Audit and Risk Committee approved the VFM Strategy 2015/16 in January 2015.

The VFM Strategy addresses how the Group intends to continue meeting the requirements of the VFM Standard. The overarching aim of the VFM Strategy is to have upper quartile performance with costs at no more than the median level. Where this aim is not being met, the VFM Strategy requires an action plan to move an area into upper quartile or to articulate, through the VFM Self Assessment, why the Board has taken a strategic decision to either invest in an area or not seek upper quartile performance.

The Plan defines various measures to support VFM delivery against the corporate objectives. These are set out as future targets against each corporate objective (see section 6).

The Board recognises that VFM needs to be assessed continually and the Group's operations adapted to enable continued VFM delivery. To monitor this, various measures exist to enable the Board to assess VFM during the year and track the overall direction of travel. These include:

- monitoring delivery of the Plan and its associated corporate objectives;
- inclusion of VFM in every report considered by the Board;
- the Group Audit and Risk Committee having the role of VFM Champion in overseeing delivery against the VFM Standard and reporting back to the Board;
- the assessment and monitoring of a suite of performance measures which are linked to each of the four corporate objectives and track service delivery and VFM; and
- VFM progress updates shared via the Group's website.

The Board has also set up a new working group and committee to oversee some key delivery areas of the Plan. These are a working group to oversee inorganic business growth and a committee to oversee organic business growth as well as evaluating asset performance.

As a mature LSVT, with a consistent track record of delivering efficiencies, the ability to gain further savings through cost reduction without fundamental changes to how the Group operates is limited. During FY2016/17, a review commenced to assess the organisational staff structure, working environment and the expanded use of technology. All these areas are being reviewed with the aim of reducing operating costs. Prior to setting efficiency targets, the Board will assess the implications for the Group and its customers.

During 2015/16, the Group started an initiative called 'Our Futures Way'. This initiative is using innovative methodologies to target efficiencies in different ways by eliminating process waste to support effortless customer experiences.

On 8 June 2016, the Homes and Communities Agency ("HCA") issued letters to all Registered Providers with over 1,000 units setting out the findings of their cost analysis for the year ending 31 March 2015. The analysis concludes that there are numerous factors that have an influence on sector costs, for example the proportion of supported housing and the level of Decent Homes activity.

The HCA's letter expressed concern over the wide variation of costs across the sector. It also made it clear that the HCA will be challenging providers on their approach to optimising efficiency. In particular they will be seeking to understand how Boards assure themselves that resources and assets are being used in the most cost effective way. This is assessed further at section 6.2.

4. VFM in decision making

VFM is embedded in decisions across the Group. At high level, the Board undertakes an annual review of the Group's strategic direction and the performance against delivering the three year Plan after taking account of the requirements and expectations of customers and other key stakeholders.

The Board's review includes the allocation of available funds to deliver the Plan. The Plan is communicated to stakeholders and team members and is also available on the Group's website (www.futureshg.co.uk/about-us).

Tactical and operational decisions also consider VFM, through a robust internal control framework. For example, this requires staff to assess and document VFM when procuring goods and services.

Managing Performance

Central to the Group's VFM Strategy, is the desire to manage resources economically, efficiently and effectively. To enable this, the Group operates a robust performance management and scrutiny framework that provides accurate, relevant and timely performance information. This information is used to drive efficiencies and help deliver VFM.

The performance management system provides specific information sets which are designed to match user requirements. For example, the Board receives data to monitor delivery of the Plan while team members receive information to enable them to monitor and improve their particular area of work.

Costs, quality and performance are benchmarked against other organisations using statistics from external organisations such as Housemark and RSM.

Examples of actual performance for 2015/16 are included under each corporate objective section below. This demonstrates the extent to which the Group has achieved sustained VFM. The examples used relate to the Group's two trading registered providers and main subsidiaries, FHL and FHW. The information is monitored quarterly by the Board to assess delivery against the Plan.

5. Progress since last year

The Group had identified several areas where VFM could be further enhanced. Some of these have been actioned during 2015/16 whilst others are expected to continue into future years. Details of performance against targets set in the VFM Self Assessment 2014/15 are included under each of the corporate objectives (see section 6 below). Details of monetary efficiency gains are set out separately under the Strong Organisation objective.

6. VFM objectives within the Corporate Plan

This section provides a VFM self assessment in relation to each of the four corporate objectives that deliver the Plan. Each self assessment is based on a combination of performance, financial and benchmark data and the following ratings:

- Performance significantly out of target
- Performance not meeting target
- Performance at or above target

Each corporate objective below details future plans to further enhance VFM. These are embedded into a VFM Action Plan that includes timescales for delivery. This action plan can be found on the Group's website.

6.1 Effortless Customer Experiences

VFM self assessment

At FHW, customer satisfaction with the most recent repair is out of target, although the direction of travel is improving and close to upper quartile performance.

The Group's development of a mobile app, to enable customers to manage their accounts via mobile and tablet devices, has been delayed. Consequently, the social and environmental aspects of the VFM assessment are graded as amber.

No significant income or expenditure anomalies have arisen during the year and therefore the financial assessment is green.

Performance against 2014/15 targets

Key VFM actions identified in 2014/15	Progress to date	Status
The Group has started a transformation review of its repairs service. This focusses on the end to end customer process and is using lean techniques to identify and remove waste, deliver process efficiency and improve customer satisfaction.	The Group has put on hold its repairs transformation work but this will be picked up through the Our Futures Way initiative. This initiative will identify areas of inefficiency in the service with a view to eliminating them. It is linked to the new Plan and delivering effortless customer service. The withdrawal of supported people funding has led the Group to prioritise its review of supported housing services and independent living ahead of repairs.	Deferred
The Group will review tenancy management services as part of its wider transformation programme to increase customer satisfaction and reduce cost.	During the year, the Group's transformation programme has been refined with the initial focus area being supported housing. As tenancy management remains a high cost area at FHW, this action is planned to be reviewed through the organisation restructure and the Our Futures Way initiative.	Deferred

Key VFM actions identified in 2014/15	Progress to date	Status
Ensure our services are competitive and meet customers' future needs.	Work ongoing. Delivering effortless customer service underpins the Our Futures Way initiative which is being rolled out on a service by service basis. Support Services is currently going through transformation. This has involved looking at customer demand placed on the service and work flow and considering customer needs. The work will drive a redesign of the current service to ensure that services are accessible, affordable and fit for the future.	On target ●
Commence a business transformation programme which is customer-focussed and improves efficiency.	The Group introduced the 'Our Futures Way' initiative during 2015/16 to drive transformation of its services. This work is designed to review and transform all of the Group's services by looking at customer demand placed on the service and work flow, whilst considering customer needs. It also considers project running costs. The work will drive redesign of the current service to ensure that services are accessible, affordable and fit for the future. Transformation work in relation to Support Services has been prioritised and is in progress.	On target ●
Roll out of a unified communications platform to deliver business efficiencies for the benefit of tenants, employees and other stakeholders and to offer improved choice and satisfaction for customers.	Work ongoing. To support delivery, the Group is developing a 12 month project plan. In addition, a unified communications contract for hardware and software was put in place in September 2015. The proof of concept for this work has been completed with approval received for full implementation. The project is in progress and expected to go live by December 2016.	On target ●
Development of a mobile app to enable further roll out of Your Account to customers via mobile and tablet devices.	Work ongoing. The Group plans to use an IT solutions company, to support app development. Project delivery has been delayed due to the acquisition/merger of the software vendor involved and the unplanned departure of the Project Lead from the Group. Project management has been reallocated to the Group's ICT team which is now working towards going live in December 2016.	Delayed ●

Performance 2015/16

The tables below set out some examples of how the Group has achieved sustained VFM in relation to FHL and FHW. This information is monitored by the Board and has a direct correlation on the Group's corporate objective of providing effortless customer experiences.

FHL

Measure	Upper quartile / future target *	*Direction of Travel*	*2015/16 Target*	2015/16 Actual	Target met	*2014/15 Target*	2014/15 Actual	*2013/14 Target*	2013/14 Actual
% of tenants satisfied with overall service	*92*	→	≥ *85*	95.3	●	≥ *85*	95.3	≥ *85*	90.1
% of jobs completed right first time	*91*	↓	≥ *91*	91.1	●	≥ *91*	91.7	≥ *87*	91.1
% of tenants satisfied with the most recent repair	*90*	↓	≥ *90*	92.2	●	≥ *90*	92.6	*Not reported in this year*	
Number of complaints escalated to the Ombudsman and our decision overturned	*0*	N/A	*0*	0	●	*Not reported in these years*			

FHW

Measure	*Upper quartile / future target **	*Direction of Travel*	*2015/16 Target*	2015/16 Actual	Target met	*2014/15 Target*	2014/15 Actual	*2013/14 Target*	2013/14 Actual
% of tenants satisfied with overall service	*92*	→	*≥ 85*	94.6	●	*≥ 85*	94.6	*≥ 85*	84.6
% of jobs completed right first time	*91*	↑	*≥ 91*	93.3	●	*≥ 91*	91.8	*≥ 87*	92.3
% of tenants satisfied with the most recent repair	*90*	↑	*≥ 90*	87.9	●	*≥ 90*	86.9	*Not reported in this year*	
Number of complaints escalated to the Ombudsman and our decision overturned	*0*	N/A	*0*	0	●	*Not reported in these years*			

* *Based on 31 March 2015 benchmarking thresholds where measured consistently with Housemark definitions*

Future plans

- To show measureable improvement in how easy it is for customers to interact with us.
- To increase our customer net promoter score (ie how many of our customers would recommend our services to others).
- To demonstrate improved services through use of customer research and insight.
- To increase our right first time service delivery.
- To increase the number of volunteers within our communities and the services that they offer.

6.2 Strong Organisation

VFM self assessment

The Group made financial gains of £4.8m against a target of £3.7m, including procurement cost savings of £1.65m. £14.6m has been invested into the asset base. The Group delivered strong year end income performance and used its in-house Money Advice service to help benefits capped customers access appropriate benefits. This resulted in a UK Housing Award 2016.

FHW asset management costs remained out of benchmark but have reduced since 2014/15. However, FHW's stock improvement programme ceased from 2015/16 which moved the Group out of the most expensive category (social housing cost data). A key area for improvement is reducing the Group's high management costs. A restructure in 2016/17 is aimed at reducing these costs to align with benchmark averages.

The Group invested in training and development and recruited graduates via the Charity Works Programme. Silver IIP status was retained.

Investment into the Our Futures Way initiative will further reduce costs, waste and carbon footprint.

The Group retained its G1 / V1 status following an IDA.

Performance against 2014/15 targets

Key VFM actions identified in prior year	**Progress to date**	**Status**
Deliver £1.2 m cost and efficiency saving.	The Group has made financial gains of £4.8m against a target of £3.7m. This includes procurement cost savings of £1.65m and gains through property sales, income from diversified tenures such as market rents and effective management of rent arrears.	Complete ●

Key VFM actions identified in prior year	Progress to date	Status
Invest a further £39m over the next 3 years in maintaining and improving homes.	During 2015/16, £14.6m was invested in homes for maintenance and improvement. A further £40m will be invested over the next three years. A new Framework Agreement 2016-2020 has been procured for planned maintenance and targeted at smaller local businesses to drive efficiencies. The Group is at contract award stage with 24 businesses secured from around 90 applications.	On target
Improve our payment and collection process to maximise income by effectively preparing for and communicating the potential impact of Universal Credit.	The Group demonstrated its strongest arrears management performance at the end of 2015/16. It subsequently won the 'Outstanding approach to income management' award at the UK Housing Awards 2016 having helped to identify c. £700k of savings for customers. The timing of this performance is particularly important for the Group as it coincides with the mandatory introduction of a 1% reduction in rents.	On target
Continue to respond proactively to the Welfare Reform changes.	FHW brought their money advice team in-house to align this function with FHL. The service was previously provided by the Citizens Advice Bureau and the Group TUPED over 2 staff. This saved the Group c. £25k per annum and allows it to offer improved customer service. The Welfare Reform Group continues to review the ongoing impact of welfare reform. Publicity initiatives about benefit changes will include targeting of tenants potentially affected by the benefits cap.	On target
The Group is piloting the '6th generation' of the Investors In People (IIP) framework and assessment process. The aim is to work towards Gold.	Work ongoing. The aim of this work is to achieve IIP Gold status. The Group has retained Silver status. An assessment for Gold status will take place in June 2018.	On target
The Group is looking to recruit 4 graduates during 2015/16.	The Group recruited 3 graduates via the Charity Works Programme and one via the Group's own recruitment process. These graduates work within the following teams: ▪ Communications; ▪ Development; ▪ Finance; and ▪ Housing Markets. The Charity Works Programme is a 12 month rolling recruitment model. This means that 3 new graduates are expected to join the Group from 1 September 2016 and replace those recruited through the 2015/16 programme. The Charity Works graduates are required to complete research projects which have included review of shared ownership processes to identify improvements and alternative construction techniques to assess the fit with existing infrastructure. The Group has used its graduate resource to support various business initiatives / challenges including: ▪ Development: setting up new Limehouse property deals, including contributing to the delivery of a £7m investment in homes to be let at open market rents; ▪ Supporting workload pressures resulting from career and maternity breaks to avoid backfill recruitment costs; ▪ Deliver full financial appraisal of new business opportunities; and ▪ Taking on projects / workload to allow other employees to focus on new areas and growing the business.	Complete
Continue to invest in the training and development of team members.	During 2015/16 the Group invested in and delivered 100% compliance training across various areas such as, Gas Safe registration, asbestos, fire wardens and first aid. The Group also made innovative use of e-learning solutions to help achieve its target of delivering 80% of training requests received.	Complete

Key VFM actions identified in prior year	Progress to date	Status
Complete implementation of a new Governance structure which moves the business from multiple Boards to one co-terminous Board and reduces meeting costs and time in servicing Boards.	Complete. The new governance structure moved the core housing business from four Boards to a single co-terminous Group Board, supported by two new Insight Committees to oversee local performance. Due to its different operations, Futures Greenscape Limited has retained its own separate Board. An Asset Investment Committee has been created to scrutinise business growth and asset maximisation more closely. The Limehouse Board is also an addition to the structure to govern the new outright sales development company. The outcome of this new structure is an enhancement in governance quality through, more agile decision making, removal of duplication, time efficiencies at Executive level by attending fewer Board meetings and at managerial level by a reduction in report production. This enhanced quality has been generated by a zero net investment as the costs of the old and new structure are equal.	Complete ●

Performance 2015/16

The tables below set out some examples of how the Group has achieved sustained VFM in relation to FHL and FHW. This information is monitored by the Board and has a direct correlation on the Group's corporate objective of operating as a strong organisation.

FHL

Measure	*Upper quartile / future target **	*Direction of Travel*	*2015/16 Target*	*2015/16 Actual*	*Target met*	*2014/15 Target*	2014/15 Actual	*2013/14 Target*	2013/14 Actual
Cost per property of Asset Management (£)	*2,444*	↑	*≤ 2,444*	1,607	●	*≤ 2,674*	1,585	*≤ 2,539*	1,641
Current rent arrears as % of rent due	*1.52*	↓	*≤ 2*	0.71	●	*≤ 2*	0.78	*≤ 2*	1
% satisfaction with FHG as Employer of Choice	*85*	↑	*≥ 85*	91.1	●	*≥ 85*	90.3	*≥ 85*	87
Number of service areas achieving high cost / low performance, based on annual Housemark benchmarking.	*0*	→	*0*	0	●	*0*	0	*Not reported in this year*	

FHW

Measure	Upper quartile / future target *	*Direction of Travel*	*2015/16 Target*	2015/16 Actual	Target met	*2014/15 Target*	2014/15 Actual	*2013/14 Target*	2013/14 Actual
Cost per property of Asset Management (£)	*2,444*	↓	*≤ 2,444*	2,697	●	*≤ 2,674*	2,723	*≤ 2,539*	*3,223*
Current rent arrears as % of rent due	*1.52*	↓	*≤ 2*	0.96	●	*≤ 2*	1.64	*≤ 2*	1.4
% satisfaction with FHG as Employer of Choice	*85*	↑	*≥ 85*	88.4	●	*≥ 85*	85.4	*≥ 85*	86
Number of service areas achieving high cost and low performance, based on annual Housemark benchmarking.	*0*	→	*0*	0	●	*0*	0	*Not reported in this year*	

* *Based on 31 March 2015 benchmarking thresholds where measured consistently with Housemark definitions*

HCA social housing cost analysis

The table below highlights the social housing cost per unit data from 2014/15 to 2018/19 for FHL and FHW. The data has been graded as red, amber or green depending on whether the costs fall into the upper quartile most expensive, median quartile average or lower quartile least expensive ranges respectively. The quartile benchmarks are taken from the HCA letter detailing 2014/15 FVA data. Whilst the forward forecast years have been graded according to the 2014/15 benchmark data, the Group is aware that benchmark data will move in future years. The ongoing organisational restructure, working environment review and expanded use of technology is aimed at ensuring the Group meets its VFM objective of having costs at no more than median levels.

		HCA Letter 2014/15 data		2015/16 Stat Accounts		2016/17 budget		2017/18 budget		2018/19 budget	
Cost per unit		**FHL**	**FHW**	**FHL**	**FHW**	**FHL**	**FHW**	**FHL**	**FHW**	**FHL**	**FHW**
Social housing	*£000*	3.30	4.41	3.09	3.03	2.88	3.32	2.74	3.24	2.59	3.21
Management cost	*£000*	1.31	1.55	1.43	1.44	1.28	1.14	1.18	1.11	0.97	1.10
Service charge	*£000*	0.09	0.15	0.09	0.19	0.08	0.16	0.08	0.16	0.08	0.16
Maintenance	*£000*	1.13	0.82	0.85	0.77	0.98	1.46	0.96	1.42	0.99	1.41
Major repairs	*£000*	0.37	1.76	0.45	0.52	0.25	0.46	0.25	0.45	0.28	0.45
Other social housing	*£000*	0.40	0.14	0.28	0.10	0.28	0.09	0.27	0.09	0.27	0.10

The table above shows that from 2014/15 to 2015/16, both FHL and FHW total social housing lettings cost has moved to the 25% least expensive range. For FHW, these costs move into the median range by 2016/17, whereas FHL continues to be in the least expensive range. FHW moves to median cost mostly due to maintenance cost movements.

FHL and FHW management costs are currently in the most expensive range. These costs will move into the median range by 2016/17 for FHW and 2017/18 for FHL as a result of lower project expenditure. Historically, the Group has invested heavily in strategic projects which contribute to higher management costs. The total strategic project investment over the period 2014/15 to 2015/16 was £5.3m. The investment forecast for the period 2016/17 to 2018/19 has reduced to £1.3m. This shows a positive impact when compared to the 2014/15 sector benchmark data.

Figures not reflected in the management cost per unit above are the savings that will arise from the Group restructure which started in July 2016. It is anticipated that up to £1.5m of recurring management costs may be saved through this process which will impact positively on future years.

Maintenance and major repairs costs per unit in the table above initially indicate that FHW are in the most expensive quartile from 2016/17 onwards when compared to the 2014/15 benchmark data. To identify whether this position is impacted by the classification of repairs into revenue or capital, a further analysis in the table below amalgamates the two repairs categories and then grades them according to the amalgamated benchmarks for 2014/15.

		HCA Letter 2014/15 data		2015/16 Stat Accounts		2016/17 budget		2017/18 budget		2018/19 budget	
Cost per unit		**FHL**	**FHW**	**FHL**	**FHW**	**FHL**	**FHW**	**FHL**	**FHW**	**FHL**	**FHW**
Maintenance	*£000*	1.13	0.82	0.85	0.77	0.98	1.46	0.96	1.42	0.99	1.41
Major repairs	*£000*	0.37	1.76	0.45	0.52	0.25	0.46	0.25	0.45	0.28	0.45
Total repairs	***£000***	**1.50**	**2.58**	**1.30**	**1.29**	**1.23**	**1.92**	**1.21**	**1.87**	**1.27**	**1.86**

Key:	Top 25% least expensive	Median range	Top 25% most expensive

Overall, as shown in the table above, FHW's repair costs are within the median range by 2016/17 and FHL are within the least expensive range. There is a direct correlation between FHW being a younger LSVT and its level of major repairs. From 2015/16 the stock improvement programme ceased, resulting in a move out of the top 25% most expensive category.

Further work will be carried out during 2016/17 to benchmark both FHL and FHW with other organisations which have similar key contextual factors highlighted by the HCA and which have a significant impact on social housing lettings costs. These contextual factors include:

- % of supported housing;
- % of housing for older people;
- Date of largest stock transfer;
- LSVT age;
- Region with 50% + of social stock owned; and
- Annual Survey of Hours and Earnings.

The Group undertakes annual benchmarking with the sector global accounts. A key highlight from the most recent global accounts for the financial year ending 31 March 2015 is that the income levels of FHL and FHW were consistent with the sector whereas repairs expenditure and management costs were higher than the sector average. As shown in the cost per unit analysis on page 10, it is anticipated that the savings identified in the new three year budgets for repairs costs and the reduction in project spend, along with the additional restructure savings not yet included, will re-align the management costs and repairs costs with the sector averages.

The Group has made financial gains of £4.8m against a target of £3.7m. This includes procurement cost savings, budget reductions, gains through property sales, income from diversified tenures such as market rents and effective management of rent arrears.

Past and future gains

Key business plan gains achieved over the past two years and future targets are shown below:

	Previous gains achieved				*New target gains/losses*		
FHG - gains/losses	***2014/15 target £000***	**2014/15 actual £000**	***2015/16 target £000***	**2015/16 actual £000**	***2016/17 target £000***	***2017/18 target £000***	***2018/19 target £000***
Income & sales increases	*1,211*	3,170	*2,414*	3,018	*208*	*1,645*	*(907)*
Cost savings & efficiencies	*115*	1,306	*1,155*	1,654	*1,381*	*51*	*(567)*
Gains/(losses) from leasing activity	*4*	16	*152*	136	*205*	*321*	*899*
Net gains/(losses)	*1,330*	4,492	*3,721*	4,808	*1,794*	*2,017*	*(575)*

Gains are expected over the next two years, primarily through property sales and income from diversified tenures such as market rents and private sector leasing. These expected gains are after absorbing the second year of 1% rent reductions. The impact of the rent reduction does however result in an expected drop in income in 2018/19 of £907k.

Costs in 2018/19 are expected to rise as a result of inflation. Cost savings in 2017/18 and 2018/19 are currently being refined as part of the organisational restructure.

Before setting saving targets, the Board will assess the impact on the business. Once this assessment has been made efficiency targets will be built into next year's VFM assessment.

Future plans for gains made

FHG	*2014/15 target £000*	2014/15 actual £000	*2015/16 target £000*	2015/16 actual £000	*2016/17 target £000*	*2017/18 target £000*	*2018/19 target £000*
	Previous investments				*New investments*		
Investments made							
Strategic projects	*4,468*	2,909	*2,487*	2,462	*938*	*280*	*155*
New homes	*13,415*	6,785	*14,518*	15,451	*25,084*	*12,591*	*24,823*
Total	*17,883*	9,694	*17,005*	17,913	*26,022*	*12,871*	*24,978*
Funded by							
Gains made	*1,330*	4,492	*3,721*	4,808	*1,794*	*2,017*	*0*
Net operating cash flow and loan drawdowns	*16,553*	5,202	*13,284*	13,105	*24,228*	*10,854*	*24,978*
Total	*17,883*	9,694	*17,005*	17,913	*26,022*	*12,871*	*24,978*

The Group aims to deliver over 1,000 new homes during the next three years and has therefore set aside the new refinance monies to achieve this.

Strategic project expenditure continues although this is at a lower level than previous years in order to accommodate the impact of the 1% rent reduction and bring the Group's management costs more in line with sector averages in the future. The table below highlights some key projects where the Group is re-investing gains made.

Investment	Financial	Environmental	Social
Our Futures Way			
£264k	✓ Transform the operating environment ✓ Reduce operating costs	✓ Reduce waste ✓ Reduced carbon footprint	✓ Enhancement of customer experience through more contact with frontline staff.
ICT asset replacement programme			
£161k	✓ Lower maintenance costs	✓ Carbon reduction	✓ Enhance mobile working ✓ Increase time available for frontline staff to be customer facing

Front line services (absolute costs)

When assessing VFM, performance is reviewed with cost. The tables below summarise 'Housemark' current and previous year's benchmarked costs for frontline services, compared against a peer group of 33 other Midlands based LSVTs, chosen for their comparability in terms of size, geographical location and age. To ensure an unbiased comparison is made, the peer group selected by Housemark as comparable organisations has continued to be utilised.

The tables below show direct costs per unit across frontline services, where 'Q' relates to quartile performance. The target is to have costs at no more than median levels.

FHL - front line service absolute costs

Frontline services		Direction of Travel	£ Direct cost per unit 2015	Target met		£ Direct cost per unit 2014	Target met		£ Direct cost per unit 2013	Target met
Responsive repairs and void works	Q1	↓	374	🟢	Q1	503	🟢	Q1	481	🟢
Major repairs and cyclical maintenance	Q2	↑	1,233	🟢	Q1	1,082	🟢	Q1	872	🟢
Rent arrears & collection	Q2	↓	66	🟢	Q3	73	🟢	Q1	56	🟢
Anti-social behaviour	Q1	↓	28	🟢	Q2	31	🟢	Q3	31	🔴
Lettings	Q1	→	22	🟢	Q1	22	🟢	Q1	16	🟢
Tenancy Management *	Q3	→	54	🔴	Q3	54	🔴	Q3	58	🔴
Resident involvement	Q1	↑	32	🟢	Q1	29	🟢	Q1	29	🟢
Estates services	Q1	↑	72	🟢	Q1	70	🟢	Q1	64	🟢

** Whilst these costs are above median, these areas are being reviewed through the Our Futures Way initiative and organisational restructure.*

FHW - front line service absolute costs

Frontline services		Direction of Travel	£ Direct cost per unit 2015	Target met		£ Direct cost per unit 2014	Target met		£ Direct cost per unit 2013	Target met
Responsive & void repairs	Q1	↑	564	🟢	Q2	552	🟢	Q1	487	🟢
Major & cyclical repairs **	Q4	↓	2,133	🟢	Q4	2,171	🟢	Q4	2,462	🟢
Rent arrears & collection **	Q4	↑	104	🟢	Q4	97	🟢	Q4	79	🟢
Anti-social behaviour	Q1	↓	11	🟢	Q1	14	🟢	Q1	15	🟢
Lettings	Q2	↓	28	🟢	Q3	33	🟢	Q3	30	🟢
Tenancy Management *	Q4	↑	89	🔴	Q3	64	🔴	Q4	86	🔴
Resident involvement *	Q3	↑	41	🔴	Q2	38	🟢	Q1	33	🟢
Estates services *	Q3	↑	115	🔴	Q2	98	🟢	Q1	78	🟢

* *Whilst these costs are above median, these areas are being reviewed through the organisational restructure and Our Futures Way initiative*

** *Whilst costs are above median, the Board has taken the strategic decision to to invest in this area and consequently the target has been met*

Future plans

- To maintain our healthy operating margin.
- To maintain high employee engagement scores.
- To have process measures which give accurate information.
- To demonstrate year on year improvement in the efficiency and effectiveness of our customer processes.

6.3 Great Places

VFM self assessment

The Group has invested c. £14.6m into its homes during the year and the APE system continues to support the Group's Active Asset Management strategy. This considers asset sustainability and NPV to inform decision making around future asset investment. Whilst NPV values have fallen from 2014/15 due to the 1% rent reduction, overall these remain positive. The financial amber assessment reflects void relet times out of target which increases the Group's rent loss. Plans are in place to address this.

The Group is working in partnership with other sectors to promote the health and well-being of customers and it obtained ISO14001 registration in the year to help drive environmental efficiencies.

Performance against 2014/15 targets

Key VFM actions identified in prior year	Progress to date	Status
Progress environmental improvements to achieve the ISO 14001 standard. This will help the Group to demonstrate its commitment to reducing its carbon footprint.	The Group obtained a Certificate of Registration in December 2015. ISO14001 targets efficiencies via the five most significant sources, namely use of vehicles, electricity, paints, waste and control of invasive species (e.g. Ragwort). The Group continues to monitor its carbon footprint, where measurable, for example vehicle emissions and use of recycled paint.	Complete
Support the health and well-being of customers by working in partnership with other sectors including health and government.	FHL and FHW are represented on the Health and Wellbeing Working Group locally and although still in the initial partnership stage, are seeking ways in which to enhance working relationships with local GPs and the Clinical Commissioning Group ('CCG'), with a primary focus on external funding opportunities to support visiting services and promote Telecare service provision (outside of current SP funding). In February 2016, a Group representative was appointed for 12 months to sit on the Amber Valley Health Partnership funding panel which reviews funding for local initiatives to improve health and wellbeing of residents living in Amber Valley. FHW have met with First for Wellbeing, a new Community Interest Company ('CIC') set up in Northamptonshire which has a shared vision for improving and supporting the overall wellbeing of the Group's customers, colleagues and communities across the county. The CIC consists of Northamptonshire County Council, Northamptonshire Healthcare Trust and the University of Northamptonshire. Opportunities for working together will be explored further at a meeting scheduled for September 2016. FHW are active partners on the Daventry Health and Wellbeing Board and have attended all four of the meetings held per year. Several meetings have been held with CCG, Public Health, CVS (voluntary services) and Amber Valley Borough Council Health and Housing service and the NHS. The purpose of these meetings is to develop closer working relationships to enable collaboration, reduce work duplication and develop a single point of contact. These meetings are now ongoing.	Complete

Key VFM actions identified in prior year	Progress to date	Status
Support our communities with opportunities for training and development through our training partner Access Training.	The Group's procurement channel promotes the use of Access Training for back office training, in line with the employment pathway.	Complete ●
The Group will continue to utilise HACT where appropriate and other relevant measures for assessing social value and supporting delivery of employability, health and well being.	The Group set employability targets in February 2016 with delivery against these assessed at the year end. *Employability* During the year, FHW used Access Training, its preferred provider of training to customers, to deliver 5 employability courses. Access Training are also providing qualification support to 8 apprentices within the Group, with two more under recruitment. They have supported apprenticeship recruitment via the National Apprenticeship website. They have also delivered a Level 2 Health and Wellbeing qualification to 5 employees on a free of charge basis. This will allow the service to be marketed on a wider level and help deliver a professional service. Access Training have also delivered a construction qualification to 10 Repairs Team members at FHL and one FGL member. They have supported employability with attendance at various careers fairs, some jointly with FHG. The Group continues to support the requirement of apprenticeship / employability within our contractors / supply chain by building relationships with all our contractors and suppliers and by attending the Supply Chain conference organised by FHG.	On target ●
Attract more people and re-let homes quicker by improving public perception of our offer through better marketing and communications.	Work ongoing. Marketing initiatives include the use of estate agents, Rightmove and social media. Futures Greenscape is also being used to improve the offer through decorating. The Group started advertising properties through social media (Facebook and Twitter) and received c. 22.7k website views in relation to its properties, between 1 January to 1 June 2016.	On target ●

Performance 2015/16

The tables below set out some examples of how the Group has achieved sustained VFM in relation to FHL and FHW. This information is monitored by the Board and has a direct correlation on the Group's corporate objective of providing great places to live.

FHL

Measure	Upper quartile / future target *	*Direction of Travel*	*2015/16 Target*	2015/16 Actual	Target met	*2014/15 Target*	2014/15 Actual	*2013/14 Target*	2013/14 Actual
Average time to re-let properties (days)	*27*	↑	≤ *27*	28.7	● (red)	≤ *27*	26.7	**	
% of tenants satisfied with their neighbourhood as a place to live	*90.7*	→	≥ *85*	91.4	● (green)	≥ *85*	91.4	≥ *91.1*	90.9

FHW

Measure	Upper quartile / future target *	*Direction of Travel*	*2015/16 Target*	2015/16 Actual	Target met	*2014/15 Target*	2014/15 Actual	*2013/14 Target*	2013/14 Actual
Average time to re-let properties (days)	*27*	↓	≤ *27*	33.6	● (red)	≤ *27*	43.7	**	
% of tenants satisfied with their neighbourhood as a place to live	*90.7*	→	≥ *85*	91.8	● (green)	≥ *85*	91.8	≥ *91.1*	87.7

* *Based on 31 March 2015 benchmarking thresholds where measured consistently with Housemark definitions*

** *2013/14 reporting was based on the CORE definition (i.e. re-let taken from major works completion to re-let). Reporting from 2014/15 onwards reflects the full void period.*

Invested £14.6m in its homes, in line with the 30 year asset plan.

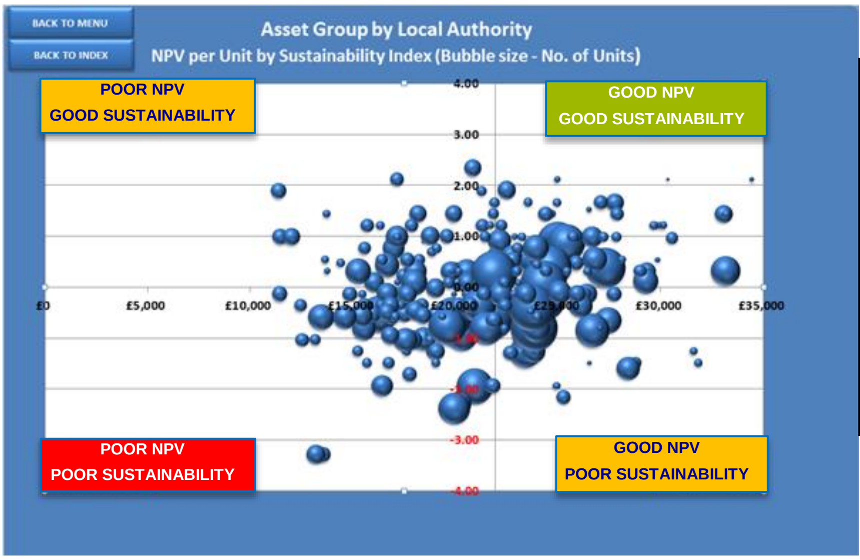
Delivered asset maximisation reviews and made strategic decisions (disposals).

Return on assets

Asset performance information on a property by property basis was quantified for the Group's stock for the first time last year in the Asset Performance Evaluation ('APE') system and has been updated this year. This system holds quantitative and qualitative data for all homes. Quantitative data is an individual Net Present Value ('NPV') calculation for each property and qualitative data is shown in the table below.

Sustainability area	Qualitative measures
Income	Rent arrears / SAP rating and Heating type (as an indicator of fuel poverty)
Housing management	Anti-social behaviour ('ASB') levels / Data from Indices of Multiple Deprivation on levels of crime / Distance from managing office
Demand	Resident satisfaction / Turnover rates / Access to local facilities & amenities / Waiting list & demand / Garage availability / open space / Development potential / Community feeling

The summary of current asset performance is shown in the bubble chart below. The strategic considerations on properties in each quadrant of the chart are also summarised below.



The chart highlights that all of the Group's properties have a positive NPV over 30 years, with most stock having an NPV of £23k or more. This is indicative of strong financial performance.

Most of the asset groups cluster towards the centre of the chart, indicating consistent performance across the whole portfolio.

	Strategic considerations
GOOD NPV GOOD SUSTAINABILITY	Asset retention to support future business growth or asset disposal if the market value is high enough to generate additional business growth.
POOR NPV GOOD SUSTAINABILITY	Possible investment in assets to improve NPV or asset disposal if investment would not improve NPV.
GOOD NPV POOR SUSTAINABILITY	Possible community investment to improve the desirability of the location and the Group's ability to deliver sustainable communities or asset disposal if investment is not economically viable.
POOR NPV POOR SUSTAINABILITY	Possible asset disposal as demand may be low or investment in the asset and community / neighbourhood if economically viable.

The table below summarises the movement in average NPV since the first APE evaluation last year.

Company	APE 2014 (£)	APE 2015 (£)	Variance (£)
Average NPV per unit FHL and 5D	29,673	21,930	(£7,743)
Average NPV per unit FHW	30,617	21,440	(£9,177)
Group average NPV per unit	27,907	22,855	(£5,052)

The decrease in average NPVs since the last APE assessment is due to the 1% rent reduction last year and for the forthcoming three years. The decreases have been partly offset by revised profiling of major repairs expenditure over the next 30 years to maximise useful economic lives of key components and reduce non essential works. In addition, whilst the Group has begun to diversify its tenure, non social housing units do not significantly impact the overall Group averages.

Active Asset Management Strategy

The latest APE analysis has highlighted the need to review all 14 sheltered housing schemes in more detail to consider investment / divestment options in order to maximise use of these assets. The Board has recommended that these strategic reviews be completed before approving any final investment / divestment decisions. The purpose of this is to allow the Group to prioritise the most strategically urgent decisions to ensure that work can be delivered on a fully funded basis. This will help to mitigate the risk of less urgent investments / divestments being made on a piecemeal basis, which may adversely impact on funding availability for more urgent work.

During the year, six strategic reviews have been undertaken which have included various NPV option appraisals such as dispose versus re-model versus tenure change versus demolish and rebuild.

In addition, the Group has been working actively with local authorities and funders to obtain necessary approvals to dispose or change the tenure of individual properties as they become void in order to generate income to reinvest in social housing new development. This new approach is triggered if the void property in question requires more than £10k of works to reinstate the condition of the property making it suitable to let. Void works of over £10k indicate a potential reduction in long term NPV to below average levels. The process is also triggered if a void occurs in a high value area, creating the opportunity for income maximisation to fund the social housing programme. All reviews consider various options, including financial and non-financial indicators. So far this year, approval has been obtained to dispose of 13 units, 7 of which have been sold, generating a positive NPV of £279k after accounting for lost future rental income and long term maintenance costs saved. One property has been converted to market rent as doing so increased its NPV. A further 46 properties have been identified for consideration once they become void so appraisals have not yet been completed for these. The additional resources generated will be used to fund the social housing development programme.

Future plans

- Invest a further £40m between 2015 and 2018 in maintaining and improving homes.
- Maintain the quality of properties in line with the 30 year asset plan.
- Assist ≥10 trainees into part time work. The social ROI has to be at least twice the cost (measured through HACT or an equivalent model).

- Continue to embed active asset management, identifying opportunities for income generation through disposals and maximise asset performance through evaluation of options.
- Continue to provide training and employability opportunities through apprenticeships and volunteering programmes and the continued development of the Group's training company.
- Assist ≥10 trainees into full time work. The social ROI has to be at least twice the cost (measured through HACT or an equivalent model).

6.4 Ambitious Futures

VFM self assessment

During the year, 70 homes were delivered against a target of 65. A Group refinance post year end has increased the business growth fund by £53.5m and during the year, the Group introduced an Asset Investment Committee to oversee investment decisions.

The Group continues to utilise the APE model to inform stock investment decisions. This considers NPV as well as some environmental factors to assess asset performance.

Performance against 2014/15 targets

Key VFM actions identified in prior year	Progress to date	Status
Continue to embed the APE system to identify opportunities for asset investment or disposal and to use surpluses to subsidise business growth.	Six strategic reviews have been completed on a total of 175 properties, including sheltered units, to determine the most viable future use of assets and land. Further work is being undertaken to assess future demand and obtain land valuations. In addition, six void properties have been identified for a strategic decision on the most viable future use of the asset. Some are in the process of being disposed whilst others are being converted to market rent tenures.	On target
The Group has joined a development benchmarking club. An annual report will be available next year which will allow a comparison of costs and an assessment of whether the Group's development costs are in line with median.	The annual report received for 2015/16 was insufficient to enable the Group to assess costs in relation to peers. The size of the data set was inadequate and the quality of data was limited therefore restricting the ability to draw valid conclusions. Consequently, the Group is no longer participating in the development benchmarking club.	N/A Action superseded
Set up an Investment Committee to consider all future investment decisions.	The Group introduced an Asset Investment Committee from October 2015 to oversee its asset investment decisions.	Complete
Utilise the Group's funds to deliver business growth plans and tenure diversification.	A Group-wide refinance has been completed, increasing the business growth fund by £53.5m.	Complete

Performance 2015/16

The tables below set out some examples of how the Group has achieved sustained VFM in relation to FHL and FHW. This information is monitored by the Board and has a direct correlation on the Group's corporate objective of building new homes (Ambitious Futures).

FHL

Measure	Upper quartile / future target *	*Direction of Travel*	*2015/16 Target*	2015/16 Actual	Target met	*2014/15 Target*	2014/15 Actual	*2013/14 Target*	2013/14 Actual
New homes developed	*55*	↓	≥ *55*	49	●	≥ *65*	52	≥ *68*	97

FHW

Measure	Upper quartile / future target *	*Direction of Travel*	*2015/16 Target*	2015/16 Actual	Target met	*2014/15 Target*	2014/15 Actual	*2013/14 Target*	2013/14 Actual
New homes developed	*10*	↑	≥ *10*	21	●	≥ *30*	17	≥ *10*	15

142 Private Sector Leased units are in management.

The Group also started 248 units on site in 2015/16.

Future plans for 2016/17

- Invest £62m (net investment after accounting for grant income and sales receipts) into building over 1,000 new homes over the next 3 years. This will be funded through operating cash flows, existing and new loan facilities, surpluses generated through active asset management, diversified tenures, sales income and budget gains.
- Up to 40% of new build programme to be social housing, 27% market rent, 11% market sales and 22% shared ownership.
- 309 new homes to start construction in 2016/17 and 221 to be completed.
- Further develop delivery of social enterprises, training and education for communities.
- Continue to manage units on behalf of private landlords.

7. Conclusion

From this self assessment the Board draws the following key conclusions:

1. **The Group complies fully with the VFM Standard**.

2. **VFM is embedded in decision making and the culture and organisation of the Group** and demonstrates a sustained improvement trend with future plans made to improve VFM further.

3. **Return on assets:** Comprehensive information on asset returns, including financial and social returns, is reviewed to support informed investment decisions.

4. **Performance management and scrutiny function:** The Group's functions remain effective at driving and delivering improved VFM and performance. Whilst some of the VFM actions that were set for 2015/16 have been completed, the Board recognise that other actions will be delivered over several years. In most cases however, actions remain on target and in the event of slippage, corrective actions put in place to address this. Overall, most performance standards set for 2015/16 have been achieved. These include:

   - £4.8m gains made during the year enabling management of 1% rent cut, better utilisation of loans, and supporting future investments, including new homes;
   - The Group continues to deliver upper quartile performance across numerous areas when benchmarked against comparative organisations;
   - The Group achieved its best ever arrears performance to 31 March 2016 and won the 'Outstanding approach to income management' award (UK Housing Awards 2016);
   - The majority of customers are satisfied with the Group's services, 95.3% at FHL and 94.6% at FHW, against the 85% target;
   - No service areas have delivered low performance at high cost; and
   - Benchmarking has also highlighted that costs are mostly either at or below median levels and where costs exceed median, they are directly linked to key aims within the Plan or have been targeted for future cost reduction.

5. **VFM remains an ongoing process across the Group.** Efficiency targets for future years exist and continue to be enhanced to meet the evolving challenges that the Group and the sector as a whole face, including Brexit. These targets will help to drive continued upper quartile performance across the business, enhance the use of the Group's asset base and deliver more homes.