Southway Housing Trust

Southway Housing Trust Value for Money Statement

2016/17

Contents

1. Approach to VFM

One of the key themes of Southway's Futures Strategy 2015-2020 is that we are 'Well Managed and Financially Viable'. Supporting this objective is the following approach:

"We will make best use of our resources by being efficient and effective in the way that we do things, by maintaining the Southway standard and making efficient use of the homes we provide and by delivering commercial services that complement our core business. This approach will mean that we can generate a surplus that can be used to help fund our social investment priorities.

We will set and achieve efficiency targets each year to improve our cost, performance and satisfaction levels when compared to the rest of the housing sector and we will comply with the standards set by our Regulator for value for money."

Southway considers the VFM of its services in the context of operational performance, tenant satisfaction and cost. Each of these factors is judged against trends and sector benchmarks. A detailed assessment of the core landlord functions is regularly undertaken. In summary:

- Property Maintenance continues to deliver top quartile outcomes at substantially lower cost than other Registered Providers.

- Rent Collection results have been maintained during a comprehensive restructuring of the core landlord function. Performance continues to be significantly better than the median of the sector.

- The efficiency of Housing Management functions has improved with costs reduced below the median of the sector, while satisfaction rates remain steady.

Corporate functions and overheads have also been assessed for VFM. Costs are lower than the median for stock transfer landlords.

How we manage our assets, derive improved value from the development programme and assess the social return on investment are key factors which aid Southway's decision making processes when determining how to deploy the Trust's resources.

2. Efficiency Targets

Efficiency Targets to 2018 were set by the Board in December 2015 as part of adopting the new Value for Money Strategy and Cost Reduction Plan, which defined the Trust's response to the Government's -1% rent reduction regime for the four years to 2020. The impact of this change during the four years was assessed as reducing Southway's income by 14%.

The Trust's Cost Reduction Plan will reduce operating budgets by a similar percentage by the end of 2017/18, a reduction of £1.8m, summarised below:

Cost Reduction Plan	**£m**
Community Investment	0.7
Housing Management staff	0.2
Housing Management non staff	0.3
Maintenance	0.3
Overheads	0.2
Other	0.1
TOTAL	**1.8**

After the planned cost reductions have taken place, the level of spending on Community Investment in y/e 2018 returns to the level it was in y/e 2013, c£1m, equivalent to 9% of operating spending.

When preparing this plan, the impact on tenants and an assessment of the degree of mitigation was central. Effective budgetary control arrangements were also judged essential to ensure delivery of the anticipated savings. Budget holders and the Finance Team have worked closely in this regard and the Board receives quarterly reports noting progress. The internal audit review of budgetary control resulted in 'substantial assurance'.

The Trust has responded successfully to the rent reduction regime. Progress in delivering the 2015-2018 Efficiency Targets is setout in Appendix 1. The cost reductions achieved to March 2017 combined with the budget adopted for 2017/18 demonstrates that the planned budgetary reductions totaling £1.8m will be fully delivered.

The commentary below provides evidence to stakeholders as to Southway's achievements and future plans to deliver value for money.

3. Operational Performance

A summary of operational performance outcomes in 2016/17 is set out below, further details are included later in the self assessment statement. The table reports Southway's quartile performance compared to other stock transfer landlords across the country who submit information to the Housemark benchmarking club.

	2015/16 Outcome	2016/17 Target	2016/17 Outcome	2016/17 Quartile	2016/17 Median	2016/17 Ranking
Percentage of repairs completed at first visit	93.3%	95%	95.6%	**Q2**	93.4%	18/61
End-to-end time for all reactive repairs (in days)	4.3	n/a	4.3	**Q1**	8.8	5/85
Relet time for Minor Voids (in days)	15	15	17	**Q1**	22.3	19/81
Void losses as a % of rent	0.50%	0.46%	0.32%	**Q1**	0.79%	4/78
% calls answered	94.5%	98.0%	65.3%	**Q4**	94.5%	67/67
Rent Collected from current and former tenants (excl. arrears b/f)	100.10%	99.91%	100.14%	**Q1**	99.66%	20/80
Year-end rent arrears (current tenants) as a % of year's rent	4.8%	4.8%	4.4%	**Q4**	2.8%	65/78

(2016/17 data extract 25.9.17, rent collection indicator per sector scorecard)

Four of the six indicators achieved their target. The two that did not were:

- Average relet time for minor voids – Quartile 1 performance was maintained.
- Percentage of calls answered – the reduction in performance related to the introduction of a new service model and staffing structure, see the commentary on Housing Management in section 8(iii). Performance by the end of Quartile 1 2017/18 had returned to levels of 83% as the new model beds in.

The high level of arrears originates from rental debtors inherited from MCC. The position is steadily improving, from over 8% rent arrears at time of transfer in 2007.

Additional performance achievements in the year to March 2017 were:

- 98.8% of all response repairs delivered on time
- 100% of homes remain as Decent Homes
- 100% of homes had an up to date gas safety certificate

4. Customer Service Standards and Satisfaction

Southway aspires to the highest standards of customer service. The Trust has devised an 'Everyone Matters' framework for continuous staff and service development. Management focuses on both the speed and quality of responses to customers and has a range of measures to assess both these and the degree of customer satisfaction achieved.

A satisfaction survey of tenants and residents (STAR) is carried out every two years. The reported results from 2016 provided by KWEST the consultancy firm which administered the last two surveys, are shown below including performance compared to other Registered Providers.

Tenant satisfaction with…	2016 Result	2016 Quartile
services provided by landlord	86%	Q2
overall quality of home	84%	Q2
area as a place to live	81%	Q3
value for money of rent	81%	Q2
repairs and maintenance	85%	Q1
listens to residents' views and acts upon them	67%	Q3

Four of the six measures have consistent percentages and quartiles. The other two are:

- Value for money of rent – which shows improvement from Quartile 4 in 2014;
- Listens to residents' views and acts upon them – a reduction from Quartile 2 in 2014, a revised Customer Involvement Strategy has since been adopted.

Area as a place to live has been consistently below the median. Feedback from tenants suggests this is at least in part due to high aspirations of our tenants rather than a genuine concern about the quality of areas, as evidenced by low tenancy turnover rates and high levels of satisfaction with the use and maintenance of green spaces.

5. Social Housing Costs

Southway's level of spending on each aspect of its social housing costs are compared to other landlords on a per unit basis. Analysis has been undertaken using the most recently published HCA Global Accounts for 2016.

£ per unit	**Southway 2016**	**All RPs 2016 median**	**Note**
Management	1,026	1,020	*A*
Services	35	360	*B*
Maintenance	704	970	*A*
Major Repairs	363	810	*C*
Other Cost	412	210	*D*
Total	2,540	3,570	

Note A - Management and Maintenance costs are assessed in more detail below.
Note B - Southway has fewer properties which are subject to service charges.
Note C - Lower major repairs spending relates to the recently completed home improvement programme.
Note D - Southway undertakes relatively higher levels of community investment.

The cost of Southway's repairs service is substantially lower than other Registered Providers. Comparison to the HCA's global accounts for 2016 shows the per unit cost of routine and planned maintenance is 27% below the sector median, an annual saving of £1.6m, equivalent to 14% of the Trust's operating cost budget in 2016/17.

Combining Management and Maintenance costs together, Southway spent £1,730 per unit during 2015/16. This places the Trust exactly at the top quartile mark of all RPs and also at the top quartile mark of stock transfer landlords.

The trend in the key management and maintenance cost ratios are shown below. Both indicators show a high degree of cost control in operation, as well as the cost reductions being delivered in 2016/17, as referred to earlier. The improvement in Southway's management cost per unit compared to the sector is also illustrated.

Management

£ per unit	y/e 2013	y/e 2014	y/e 2015	y/e 2016	y/e 2017
Southway	991	1,013	1,000	1,026	945
All RP median				1,020	
Stock Transfer mean	876	939	972		n/a
Southway above average by	115	74	28	6	n/a

Maintenance

£ per unit	y/e 2013	y/e 2014	y/e 2015	y/e 2016	y/e 2017
Southway	670	636	686	704	677
All RP median				970	
Stock Transfer mean	1,041	1,039	1,018		n/a
Southway below average by	-371	-403	-332	-266	n/a

6. Housemark Cost Benchmarking Results

The improving trend in Housemark cost benchmarking results for the last four years are shown below (with colours reflecting the quartile.) They indicate continued top quartile position of property maintenance, the reduced cost of housing management functions, and overheads which are below the median for the stock transfer sector.

	2014	2015	2016	2017
Average direct cost of Maintenance per property	£541	£561	£544	£588
Equivalent rank out of 100 stock transfer landlords	17	14	13	17

	2014	2015	2016	2017
Average direct cost of Housing Management pp	£324	£313	£285	£234
Equivalent rank out of 100 stock transfer landlords	89	88	71	22

	2014	2015	2016	2017
Total Overhead costs as a % of turnover	10.7%	10.5%	10.9%	10.3%
Equivalent rank out of 100 stock transfer landlords	32	38	47	33

The functional split of the four overhead elements is shown below (expressed as equivalent rank out of 100 stock transfer landlords):

	2014	2015	2016	2017
Office premises cost per direct office employee	66	50	55	72
IT cost per IT user	36	20	28	22
Finance cost per direct employee	21	28	37	44
Central cost per direct employee	31	35	43	61

(2017 data extract 19.9.17, results from 20% of landlords available)

7. Global Efficiency Statement

A review of total operating costs is carried out each year. This is structured as a Global Efficiency Statement which analyses relative to inflation how total operational spending, including rent losses, varies year on year. (The statement excludes major repairs, depreciation, grant amortisation and impairment). It shows the cost pressures on expenditure, and the scale of savings and efficiencies which have been made. The table below tracks spending in 2016/17 relative to the cost base in the previous year.

		£k
Operating Cost Base 2015/16		**12,169**
Add inflation (RPI 2.0% September 2016)		**243**
Cost Pressures		
Higher development costs not capitalised	188	
Increased legal disrepair and compensation costs	60	
Finance staff including set up of new subsidiaries	75	
Consultants assisting review of asset management	43	
Increased insurance premiums	48	
Other cost increases	50	
		464
Savings		
Lower spending on responsive repairs and voids	(215)	
Reduced spending on Southway Rewards	(33)	
Concessionary decorating service	(39)	
Community Investment & Support - staff	(134)	
Community Investment & Support - projects	(193)	
Corporate Overheads - staff	(39)	
Corporate Overheads - non pay costs	(143)	
		(796)
Efficiencies		
No pay award in response to rent reductions	(110)	
Extending planned maintenance cycles	(118)	
Housing Management - staff	(100)	
Housing Management - non pay costs	(174)	
Concessionary gardening service	(94)	
Reduction in rent losses from voids and bad debts	(15)	
		(611)
Operating Cost Base 2016/17		**11,469**

Total spending on operating costs in 2016/17 was £700k lower than the previous year despite inflation increases. The savings and efficiencies noted above, net of the other cost pressures, fully delivered the anticipated year 1 cost reductions referred to earlier.

The higher level of development costs not capitalised related to commencing the new development programme.

8. Commentary on Key Business Areas

(i) Repairs and Relets

Southway's in-house repairs team continues to perform at a very high level. Over 25,000 repairs were completed in 2016/17, with 95.6% of repairs completed at first visit. The team delivers top-quartile KPI performance including the average end-to-end time for all reactive repairs, and the average relet time for minor voids. Customer satisfaction rates from the most recent STAR Survey are in the top quartile of all registered providers. It is also in the top quartile of stock transfer landlords in terms of lowest cost. Improvement works however, while noted to be a small programme, was benchmarked as being at a higher component cost than other stock transfer landlords.

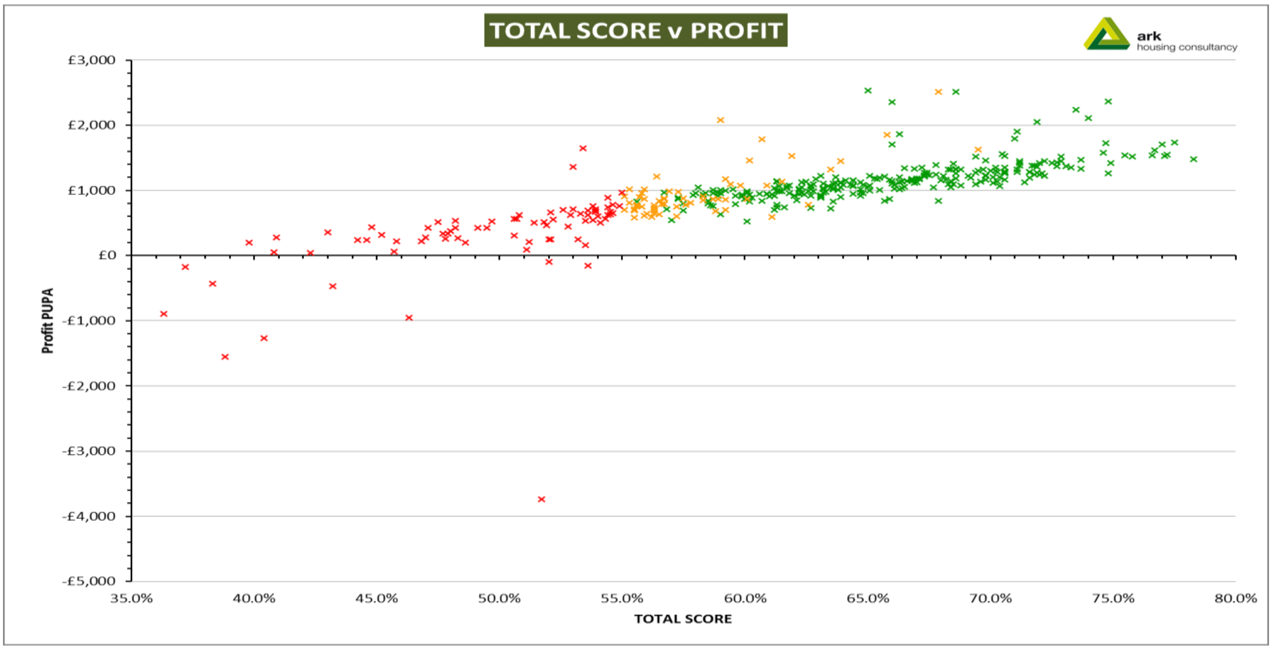
The focus of the repairs service for 2017/18 will be:

- Extensive cost assessment and further benchmarking;
- Succession planning - including delivering additional apprenticeships as part of social value contribution from development projects;
- Efficient work planning and the increased use of mobile technology.

(ii) Strategic Asset Management

Spending on major repairs is significantly below the sector average. This reflects the recent completion of the Trust's post transfer home improvement programme. Future investment is planned on a cyclical basis in line with the 2015 stock condition survey.

During 2016/17, Southway adopted a comprehensive stock assessment tool which links individual property data including financial information and environmental factors to produce a qualitative assessment of stock performance. The results identified that Southway has a much higher proportion of properties which generate a surplus than many other RPs, with the majority Southway's lowest scoring properties still generating a positive contribution (being above the breakeven axis in the chart below). Some clusters of poor performing stock were identified for further options appraisal work.



A new Active Asset Management Strategy is due to be delivered in 2017/18, which will identify Southway's approach to its property standards, evaluation criteria and benchmarks and also the use of the new asset freedoms and flexibilities.

(iii) Housing Management and Rent Collection

In April 2016 the landlord service was fundamentally reshaped with a new service model and staffing structure. The project, called Shaping Southway, aimed to reduce the cost of administering transactional services (in the fourth quartile of stock transfer landlords in 2014/15) so that specialist and flexible services can be effectively targeted where they would have most benefit.

A Task Force focused on reviewing the way we deliver our landlord services and to find ways to develop more efficient ways of working by removing blockages and streamlining processes. The team developed an online Knowledge Base to support call answering, reviewed the way new tenants are signed up and moved services on line. This supports Southway's aspiration to direct more of our tenants towards accessing services digitally.

Due to the implementation of the new structure and ways of working there were some problems with call answering in our Connect Customer Hub with tenants sometimes waiting for significant periods of time. The KPI for call answering reduced from 94.5% in 2015/16 to 65.3% in 2017/18. However, satisfaction with the service remained high and first call resolution was 90%. Performance is now on an upward trend.

Rent collection performance has been strong throughout the year with collection above target at 99.81% for current tenants. This is slightly higher than the rate achieved in

2015/16 and is a top quartile result compared with other stock transfer landlords. Void turnaround times continue to be in the top quartile of providers, while the percentage of lost rent from voids is one of the lowest in the whole country.

Southway continues to develop strategies in response to the introduction of Universal Credit and other welfare reforms, supporting those affected through money management and budgeting advice, increasing work related skills, supporting people into employment and assisting those who want to move home and downsize.

Tenant satisfaction with our landlord services reported in the bi-annual STAR Survey in 2016 shows that satisfaction has remained consistent since 2012 and that value for money of rent has increased since 2014.

(iv) Community Investment

The Trust is committed to working in partnership to empower Southway tenants to achieve their full potential. In line with the objectives in the Futures Strategy, the Trust focuses its community investment priorities around Employment and Training, Community Buildings and Partnerships, Health and Well Being and Volunteering.

During 2016/17 we achieved a £5.3m return assessed via HACT, a Value Insight reporting tool. The return is £1.5m more than that achieved in 2015/16 and £200k above target. This approach provides a well-being valuation methodology to measure the social return on investment (SROI) achieved on community investment projects, with the results expressed as a monetary amount.

Our dedicated Advice Services team supported 561 tenants to secure £2.65m of additional benefits and provided a further 126 with debt advice. We also expanded our innovative 'Quids In' Food Club moving from one club to five clubs providing a sustainable alternative to Food Banks.

In addition our tenants and the local community benefitted in the following ways:

- 579 tenants accessed services at community centres,
- 416 people received advice and training to help them into work,
- 50 tenants were supported into employment,
- 22 tenants assisted via the Complex Dependencies programme helping to focus resources on supporting vulnerable individuals and families as part of the public service reform agenda,
- 340 individuals and 56 organisations provide over 8,000 hours of volunteering through our Time Bank volunteering model.

(v) Overheads - Finance and Central Services

Southway's Finance overhead costs continue to be in the second quartile of stock transfer landlords. Central Service costs have dropped to quartile three.

An increase in expenditure was incurred in 2016/17 in order to assess the larger development programme and help facilitate the set up of two new subsidiaries.

(vi) Overheads - Office Premises and IT

Southway's office premises costs are in quartile three compared to other stock transfer landlords, influenced directly by the South Manchester property market. IT expenditure in contrast has been significantly below the median for each of the last four years.

Southway's current office lease expires in June 2018. Significant options appraisal work was carried out in 2016/17 to identify suitable future accommodation. This exercise balanced value for money of new office accommodation, with strategic considerations that furthered the long-term objectives of the Trust.

A suitable new build site was originally secured, but following further assessment it was concluded that this would be land banked for a future residential scheme. Instead an existing office building was selected, which with refurbishment provides a much lower cost solution. The building will provide staff with an attractive and comfortable place to work in the midst of its core community with good transport links and facilities for staff and tenants.

Southway's IT infrastructure and telephony requirements will be re-procured in 2017/18 as part of the new office project and the long-term strategy for delivering high quality services. The structure of existing IT arrangements has been extended over the last two years with modest additional investment, enabling the Trust to deliver value for money in IT ahead of the move to the new office.

(vii) Development Programme

Following the adoption of Southway's 5-year Development Strategy and Investment Framework, the focus during 2016/17 was on three main areas:

- Development of a pipeline of development projects
- Bidding for SOAHP 2016-21 funding
- Recruitment and selection of a new team with enhanced skills and capacity

Value for Money outcomes for the year are difficult to assess, as only a low number of projects were completed, with the focus being primarily on building a larger programme and pipeline to be delivered over the next three to four years. The successful SOAHP bid secured £7.35m of grant funding to support the delivery of 291 new shared ownership homes. This placed Southway, as a relatively new entrant to the development marketplace, 7th in the list of allocations for the North West region.

It is expected that Southway will commence the construction of 135 new-build homes and acquire a further 19 properties during 2017/18. Focus will remain on the delivery of the following aspects to assist in the delivery of better value for money in development:

- Adopting an approved development suppliers list.
- Delivery of a standard Employers Requirement document and tenure specifications.
- Developing and integrating an e-procurement system.
- Procurement of development schemes to deliver construction cost savings (including off-site manufacture)
- Purchasing Section 106 units, with a favourable cost to open market value ratio.

(viii) Insurance

Since the last insurance tender exercise in November 2014, Southway has delivered an improved insurance management service with reduced numbers of claims and better prevention and defense arrangements in operation. Driver training programmes have also helped reduce motor incidents. Southway's insurance contract is being re-procured in November 2017. It is anticipated the improved arrangements referred to above will help to mitigate the risk of increasing insurance premiums.

(ix) Interest

Southway's loan agreement with Barclays was restructured in April 2016. This delivers a value for money solution, maintaining interest rate margins which are significantly below sector norms.

Slower development spend than originally planned (mostly related to the Government's consultation on new supported housing funding arrangements which have impacted two proposed extra care schemes) has delayed draw down from the new loan facility. This increases the level of non utilisation charges. The Board monitors the position quarterly. The additional non utilisation cost (estimated at £189k) reduces the VFM efficiency gains reported above. As a result additional resources have been allocated to development to increase the scale and pace of activity including putting in place a strong future pipeline.

(x) Commercial Activities

Commercial Repairs were targeted to deliver a profit, recouping start-up costs by y/e 2017. A pilot scheme is in operation offering repairs to staff, leaseholders and RTB properties. The service has not delivered at scale, during 2016/17 it broke even.

The in house Repairs Team introduced a new work stream in 2016/17, delivering disabled adaptations to tenants' properties. Funding is provided by MCC and the relevant landlord. Turnover totalled £332k with 14% of work delivered for other Registered Providers.

Market Rent properties delivered a net income of £40k. Interest costs associated with this investment would be deducted to derive a bottom line result. Based on an analysis of the average level of investment during 2016/17, a relevant interest charge of £47k has been estimated for the year. This is higher than the net income total; the difference relates to establishing the new operation which is not yet achieving economies of scale and the return, which is expected from capital appreciation when the properties are ultimately sold.

9. Other VFM Initiatives

(i) Review of Procurement

An organisation wide review of procurement policy and procedure was undertaken in 2016, with a new policy approved by the Board in June 2017. The revised policy and procedure means that the approach to procurement is clear, includes setting prescribed financial limits and promotes value for money in all procurement activities.

In addition to the process, 'terms of business' documents will enable suppliers and tenderers to be aware of the Southway Group requirements. Finally, an online procurement tool is being evaluated with the intention of introducing it in advance of the October 2018 requirement. This tool will also aid in staff confidence and management control of the process.

(ii) Lean Project and Voyagers

The Voyagers' programme seeks to introduce and embed a Lean Systems approach to improving service delivery, to reduce waste and increase value to customers.

This will be achieved initially with a core group of staff who receive an honorarium to add the title and functions of Voyager to their Southway role. These staff receive intensive training, will lead the reviews and assist in the further development of the programme and its roll out across the organisation.

The aim is to identify and realise efficiencies across the organisation by saving staff time and reducing operational expenditure, along with streamlining our services to deliver what the customer actually needs.

The longer term aspiration is to embed a culture of continuous improvement across the whole organisation, using the Lean approach to structure and monitor reviews, to ensure the outcomes and efficiencies are achieved. We want all our staff to be able to apply continuous improvement principles on a daily basis to refine our service delivery to become excellent and efficient.

(iii) Better use of ICT

Improvements in the use of ICT are planned for both customers and staff. The Voyagers project will also contribute significantly to this process. Measures will be identified to deliver improved operating processes which will be combined with new ways of working, alongside the move to the new office accommodation scheduled for June 2018.

The Trust's Digital Access Strategy sets priorities across four areas:

1. We will work collaboratively with partner organisations and local stakeholders to continue to bridge the 'digital divide' in our area;

2. We will implement and promote the right services in the right way, so that transacting with us online becomes the 'first choice' for Southway tenants;

3. We will continue to assist individuals within our communities in obtaining access to computer equipment, the internet and help or training services;

4. We will work towards ensuring our workforce is both digitally capable and actively promoting Southway's digital services.

The above actions will transform the working practices and customer interactions with Southway, driving efficiency in processes.

Digital access training and support is already provided to tenants as part of Southway's programme of Community Investment. New ways for tenants to access services digitally are being put in place alongside the development of a new corporate website. The website will also include a portal to aid the sale and management of shared ownership properties.

A range of new mobile working initiatives is being put in place. These are designed to assist staff by providing suitable portable devices, improved housing management and property maintenance software systems to facilitate more efficient delivery of work.

(iv) Later Years Efficiency Targets

In September 2016 Board adopted a medium term efficiency target of 2.5% pa for 2018/19 and 2019/20, equivalent to a £550k saving across the remaining two years of the -1% rent regime. The three factors noted above will contribute to the achievement of this objective.

Southway's standard budgetary arrangements, which include dialogue with staff and managers, will be used to assess the deliverability of these savings. The Trust's Board, Committees, the Resident Consultation Group and the Tenant Scrutiny Panel will be engaged in the assessment process. Consideration will be given to mitigating the impact on tenants. Southway's relative position in terms of performance, satisfaction and cost benchmarking results will also be taken into account. This will inform the scale of the efficiencies and cost reductions to be delivered and the balance to be achieved between reinvestment and savings.

10. Sector Scorecard

Southway has participated in the pilot of the Sector Scorecard which is being undertaken by a range of Registered Providers. The sector median scores reported below comprise the results from stock transfer landlords.

The results are consistent with the commentary provided in the remainder of the 2016/17 VFM Self Assessment Statement.

Sector Scorecard Indicator	**Southway result 2016**	**Southway result 2017**	**Southway 2017 quartile position and comment**	**Sector median 2017**
Operating margin	28.7%	32. 8%	Q2	32.4%
Operating margin (social housing lettings)	34.6%	36.8%	Q2	34.4%
Interest Cover - EBITDA (MRI)	301%	323%	Q1	237%
Units developed (as a percentage of units owned)	0.46%	0.69%	Q3 (pending planned growth in programme)	1.0%
Gearing	54.0%	52.5%	Q2	54%
Percentage of respondents very or fairly satisfied with the overall service provided (GN & HfOP)	n/a	86%	Q3 (different sample group to STAR survey)	88%
£/p invested for every £ generated - in new housing supply	£0.43	£0.32	Q3 (pending planned growth in programme)	£0.71

£/p invested for every £ generated - in communities	£0.12	£0.08	Q1	£0.02
Return on capital employed (ROCE)	8.02	9.21	Q1	5.45
Management cost pu	£1,026	£ 945	Q3	£ 917
Service charge cost pu	£ 35	£ 46	Q1	£ 262
Maintenance cost pu	£ 704	£ 677	Q1	£ 910
Major repairs cost pu	£ 363	£ 215	Q1	£ 739
Other social housing cost pu	£ 412	£ 330	Q3	£ 122
Headline social housing cost pu	£2,540	£2,213	Q1	£3,201
Overheads as a percentage of adjusted Turnover	10.9%	10.3%	Q2	10.8%
Ratio of responsive repairs to planned maintenance	0.83	1.14	Q4 (as stock transfer investment programme already completed)	0.66
Occupancy (stock available and let at year end)	99.95%	99.76%	Q1	99.5%
Rent collected from current and former tenants as a percentage of the rent due (excluding arrears b/f)	100.10%	100.14%	Q1	99.66%

(2017 data extract 1.9.17, from 89 landlords)

Annex 1

Efficiency Targets for 2015-2018

In December 2015 the Board updated the Trust's Efficiency Targets to reflect the Cost Reduction Plan, which identified reductions in budgeted expenditure totaling £1.8m pa (highlighted below) to be delivered by y/e 2018, equivalent to 14% of the 2015/16 operating budget. Progress in delivering these targets is set out below, including a Red/Amber/Green rating assessment.

Ref.		September 2017 update	Progress
	PROPERTY MAINTENANCE		
1.	To achieve a consistently top quartile position on maintenance cost, performance and customer satisfaction compared to sector benchmarks.	Property maintenance continued to be a top performing service during 2016/17.	Achieved
2	Property Maintenance cost reductions of £290k pa will be achieved by y/e 2018 and a further £100k pa will be achieved via reduced/alternative delivery of energy sustainability measures.	The 2017/18 budget delivers the anticipated maintenance cost reductions. A lower number of void properties assist in the achievement of this objective. The energy sustainability cost reductions have been actioned.	On track
3.	New Asset Management Strategy to be adopted in 2016, reflecting stock condition survey	The stock condition survey in autumn 2015 confirmed spending needs consistent with	Being assessed

	results, making the best use of, and maintaining the value of our asset base including consideration of individual property retention and disposal options.	provisions in the Trust's Business Plan. A new stock profile model has been devised, the results show Southway well placed compared to other RPs. A stock option appraisal tool is being tested and a revised Asset Management Strategy is being prepared. This will also consider the asset freedoms announced by the HCA.	
4.	Commercial Repairs to deliver a profit, recouping start-up costs by y/e 2017.	Small scale pilot carried out. Further work is required to assess offering. New disabled adaptations service introduced including work for other Registered Providers.	Partly achieved
	HOUSING MANAGEMENT		
5.	To improve customer satisfaction to Quartile 2 or above for overall landlord service and satisfaction with neighbourhoods.	2016 STAR survey results were very similar to 2014: overall landlord 86%, Qtr 2 neighbourhoods 81%, Qtr 3	Partly achieved

6a.	To achieve a cost reduction of £135k pa in the first year of the Shaping Southway project, reinvesting £80k pa of the savings in new services to increase the support and advice provided to more vulnerable tenants.	The planned housing management cost reductions were achieved. The reinvestment of savings in new services to support vulnerable tenants was implemented in 2016/17.	Achieved
6b.	To achieve £170k pa cost reductions in non-staffing expenditure in y/e 2017. These changes are intended to deliver a Quartile 3 cost base for the core landlord function (including rent collection) by y/e 2017.	The anticipated non staff cost reductions were delivered. A quartile 3 cost case was achieved in y/e 2016.	Achieved
6c.	To achieve further cost reductions of £115k pa in the second year of the Shaping Southway project during y/e 2018, and deliver £150k additional cost reductions in later years via increased use of digital communications and other efficiencies. These changes are intended to deliver a Quartile 2 cost base by y/e 2020.	Additional non staff cost reductions have been included in the 2017/18. The potential to deliver further reductions in staffing costs will be evaluated as part of the 2018/19 budget process. The ability to achieve a £150k digital dividend will be considered in later years.	On track

7.	Environment and Green Space cost reductions of £150k pa will be achieved by y/e 2018.	The planned cost reductions are reflected in the 2017/18 budget.	On track
	RENT COLLECTION		
8.	Performance has improved to Quartile 2 in y/e 2015. Achieve top quartile performance by y/e 2017.	Top quartile performance was achieved in y/e 2016.	Achieved
9.	Rental collection activities to be reviewed as part of the Shaping Southway project, with savings from the Streamlining Income Management (SIM) project contributing to efficiency target 6 above.	Process improvements derived from SIM have contributed to the 2016/17 cost reductions noted in target 6a. Rent collection costs in 2015/16 remained in Quartile 4. The potential to deliver further cost reductions will be considered as part of target 6c.	Achieved
10.	Cost reductions of £80k pa will be achieved in the Southway Rewards incentive scheme by y/e 2018.	The 2017/18 budget reflects cost reductions in excess of this.	On track

11.	To increase income from residents by bringing all service charge accounts into balance over time. *(New target since report to Board in December 2015)*	New service charge arrangements were adopted by the Board in January 2016. The net cost of service provision has reduced significantly.	Achieved
	OVERHEADS		
12.	To continue to deliver Finance, ICT and Central activities at a cost base in Quartile 2 or better. Cost reductions of £160k pa will be achieved in these areas by y/e 2018.	Overhead costs remained in quartile 2 for y/e 2016. The planned cost reductions were reflected in the 2017/18 budget. Additional ICT resource to ensure effective delivery of new infrastructure, the new office and improvements in ways of working is being evaluated.	On track
13.	New office accommodation requirements to be confirmed by y/e 2017, including analysis to comparable City Centre RPs with 4,000 - 8,000 properties.	The planned refurbished office building will deliver the long term accommodation solution for Southway at a lower cost than a new building.	On track

	DEVELOPMENT		
14.	VFM review of the development function. This will include consideration of Design Specification and Procurement Arrangements. Efficiency targets to be set upon completion of this evaluation.	Build costs in the SOAHP bid on a per metre squared basis are lower than previous development schemes, reflecting more efficient designs, a unified specification and new procurement arrangements. Improvements in operating processes have been put in place and draft employer requirements have been prepared for adoption in September 2017. Build costs will be benchmarked against the market at tender stage. A value for money statement for each development will be provided by the employer's agent.	On track
15.	Staffing review of the Development & Acquisition team in the second half of 2015 will consider the cost of the internal staffing structure, roles and responsibilities and evaluate the use of external consultants.	A new Development team has been recruited. Staff costs are targeted to be 3.25% of land and works spending. This is identified by consultants to be 'at the top end' but reasonable when seeking to grow the	On track

	Cost reductions of £50k pa will be achieved by y/e 2017. Further efficiency targets will be set as part of the Development Strategy to be reported to Board in January 2016.	programme. It is anticipated that all development staff costs will be capitalised in future years delivering the targeted efficiency saving.	
	COMMUNITY INVESTMENT, ADVICE & SUPPORT		
16.	To review and improve the quality of outcomes of investment into (a) Age Friendly activities, (b) Employment & Training, (c) Volunteering, (d) Health and Wellbeing, (e) Partnerships and Community Buildings and (f) Digital Inclusion services.	During 2016/17 £5.3m of social value (£1.5m higher than the prior year) was returned from Community Investment and Support projects costing £1.83m. Financial inclusion and advice supported improved money management outcomes, including gains to tenants of £2.65m, from project costs totaling £0.25m.	Achieved
17.	Cost reductions of £540k pa will be achieved in these areas by y/e 2018, and a further £90k pa will be achieved via reduced/alternative measures to deliver concessionary services.	The planned cost reductions are reflected in the 2017/18 budget. The alternative arrangements for concessionary gardening have been particularly successful	On track

		generating a higher net saving which has been reinvested in additional Age Friendly staff resource.	
18.	Grant funding will be sourced to deliver community investment projects.	£52k of external funding was secured to support community investment priorities including the expansion into four new areas of the Quids In food club that provides a sustainable low cost alternative to food banks.	On track
	INSURANCE		
19.	Re-procurement of insurance in November 2017 to result in a reduced premium compared with the general inflationary movement for the sector.	Costs of insurance have risen due to an increase in rebuild valuations and higher rates of insurance premium tax. Consultants have been engaged to support the full re-procurement exercise underway for November 2017.	Being assessed
	INTEREST		
20.	To consider the most appropriate treasury management solution when increasing the levels of funding available to the Trust.	Refinancing concluded April 2016. Treasury accounts have been set up to invest surplus funds.	On track

	MARKET RENT		
21.	Investment in Private Rented Sector housing to deliver a surplus in line with appraisal parameters. (*New target since report to Board in December 2015)*	During 2016/17 net income of was lower than the relevant interest charge. The difference relates to establishing the new operation (which is not yet achieving economies of scale) and the return which is expected from capital appreciation when the properties are ultimately sold.	Being assessed

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