



# VFM SELF-ASSESSMENT 2017



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- Restructuring the sheltered housing service to reduce costs and reconfiguring services in line with the 'Extra Care' Strategy.
- Providing a better digital and 'self-service' online offer for tenants.
- Developing a Pensions Strategy to manage pension liabilities and to mitigate risks of future increases in employer's contributions.

### C. Achievements

SLH is making good progress in delivering improvements in VfM and this self-assessment shows the following successes;

- **Reducing headline unit costs** – SLH's unit costs have been historically high as a consequence of the stock transfer improvement programme, maintaining properties in keeping with the external vernacular and having a large proportion of sheltered accommodation. SLH's overall headline CPU has reduced by 7.5% from £4.79k per unit (the SLH adjusted CPU for last year which was lower than that published in 2014/15) to £4.43k per unit in 2015/16. **This represents a favourable movement of 8.5% which is forecast to reduce over the next three years, predicting a 16% reduction compared to 12% for the sector as a whole.** Data published in this self-assessment also shows that SLH costs are in line with other local Housing Associations.
- **Achieving the decent homes standard** – SLH completed its stock transfer improvement programme in March 2017, resulting in **100% of properties meeting the decent homes standard at the end of the year.** The Financial Plan ensures that the investment will be maintained and a further £4.3M worth of structural work has been identified which will ensure ongoing compliance with health and safety responsibilities.
- **Refinancing the business** - a 10 year £20m facility with RBS and a 20 year £20m private placement with M&G Investments was put in place at the end of May 2017. This has released over £40m of equity from security and has significantly reduced the cost of finance with the **average cost of borrowing reduced to around 3% from 4.99% previously.**
- **Establishing a Cost Sharing Vehicle (CSV)** - called Cumbria Housing & Property Services (CH&PS) using the in-house maintenance team (a partnership between SLH and Castles & Coasts Housing Association) which began trading in January 2017.

Operationally, SLH can point to the following measures of achievement over the last twelve months;

- **83% of Key Performance Indicators now match the cost and performance of the median level** of Housemark providers (all England associations).
- Development of digital services including a new website, live chat and Customer Relationship Management (CRM) – **1 in 6 transactions now completed online.**
- **Rent collection (including arrears brought forward) has improved from 99.7% to 100.2%** – our best ever performance levels, achieved with less evictions and a reduction in legal notices issued.
- **Staff sickness levels now match the UK average of 5.7 days** (down from 7.2 days last year).
- In 2016/17, SLH made **efficiency savings of £916k against a £1.1m target** (there was an underspend on roofing works which resulted in less savings than anticipated).

Customer satisfaction levels fell from 91% in 2013 to 86% in 2016 following restructuring of sheltered services and revisions to service standards. This was a disappointing result but is partially the result of reconfiguration of services and recalibration of service standards.

## D. Future plans



The Board is actively monitoring the performance of the Association and its comparator unit cost position. A review of **service standards** is underway as there are opportunities available to redesign the service offer following the completion of the 'offer document' promises.

SLH has realistic ambitions to work with organisations such as South Lakeland District Council (SLDC) **where additional funding could generate plans of around 100 additional new homes per annum**. Additional development resources have been added to the SLH team to deliver the Board's ambition. This includes expanding the home ownership offer to include a range of shared ownership products and potentially market sales. The Board approved a new development control framework in recognition of heightened risk appetite.

SLH is actively pursuing further partnership opportunities with SLDC to increase the supply of new homes through the use of prudential borrowing and exceptional planning for 100% affordable housing. **SLH have also signed up to the NHF 5 Star Rural Housing Plan to support the increase the supply of new homes in rural areas.**



Further work is taking place in accordance with our **asset management strategy** including; regeneration schemes, asset disposals, garage sites, energy efficiency and investment in compliance (for example. 5 year periodic electrical inspections and prioritising Fire Risk Assessment recommendations).

The additional **tenant portal** services (access to rent accounts, updating personal info, requests and monitoring repairs) is scheduled to go live in 2017/18 which will help to increase cost effectiveness.

Management costs are expected to reduce over the next few years with continued savings in IT support costs. **The Board is consulting staff on a new pension deal which proposes closure of the Local Government Pension Scheme (LGPS)** to help reduce future risk and uncertainty around employer pension costs.

**SLH is working closely with other local landlords and exploring the benefits of alternative delivery models**, starting with the Cost Sharing Vehicle which will report on its first-year trading results in 2018. Whilst it has not formally adopted the merger code the Board is open to considering amalgamation with another provider should this be in the best interest of our tenants and furtherance of SLH's business objectives.

**SLH are also developing a business plan for expanding the Independent Living Service** which will be targeted at private residents and older people living in general needs accommodation.

The Board have also requested further work to develop an **integrated social value strategy**.

## 2. VFM IS CENTRAL TO THE BUSINESS STRATEGY

### 2.1. SLH's commitment to delivering VFM

Our mission is **'To be a well-respected housing provider, increasing the supply of new homes and contributing to economic and social well-being'**.

VFM underpins the ability to retain our status as a well-respected provider of social housing and related services and at the same time maximise capacity to deliver new homes. Applying VFM principles to all our business decisions is going to be critical to achievement of this mission.

SLH has, since transfer in 2012, had an ambitious and demanding strategy in place to ensure delivery of the promises made to tenants prior to transfer. This strategy focused in the short term on the delivery of core services and property improvements whilst building further capacity to develop through maximising the use of resources and building partnerships to help deliver new affordable homes. The programme was completed in March 2017 and a [corporate video](#) captures the achievements and outcomes for tenants.

The operating environment has changed significantly since transfer and in June 2016 the Board approved a new Business Strategy which incorporates a re-developed vision and focuses on four business objectives to address the implications of national policy and funding changes.



**Our vision is** 'By 2020 SLH will be providing quality homes and services across a range of tenures and will have contributed significantly to providing homes that are needed in the South Lakes area and beyond. It will be efficiently run and have the people, processes and culture that ensures sustainable good customer relationships. SLH will be recognised as a valuable social business, operating for social good. It will be valued as a key

partner within South Cumbria and will have effective links with Local Government, Health, and the business community. How we deliver and procure our activities will contribute to local economic sustainability'.

The four **business objectives**, key actions and **performance indicators** in our new Business Strategy are summarised as follows:

Objectives	Top 3 Actions	Top 3 KPIs
<b>1. Providing good &amp; cost effective property management</b>	A plan for all assets Older persons offer Digitalised self-service	Cost per property Decent homes % customer digital transactions
<b>2. Increasing our portfolio</b>	Build at least 30 new homes pa Develop sales/shared ownership Develop our garage sites	No. new homes built/acquired Time taken to let/sell new homes RTB monies reinvested
<b>3. Developing commercial and partnership opportunities</b>	Establish a Cost Sharing Vehicle (CSV) across Cumbria Consider a Joint Venture with South Lakeland District Council (SLDC) to develop new homes Evaluation process to determine future partnership and merger opportunities	Amount saved by in-house provision Cost of borrowing through SLDC compared to own funding cost Income received from other activities
<b>4. Improving the running of our business</b>	Implement Governance Review recommendations by 2018/19 Revise Terms and Conditions Options appraisal of financing arrangements (completed)	Annual top rating from the Regulator for Governance Housemark VfM Scorecard Cost of borrowing/ additional capacity released

The Business Strategy is supported by an action plan and KPIs, known as the Annual Operating Plan and Balanced Scorecard. These are updated on a quarterly basis and reported to EMT, Tenants' Committee, Audit & Risk Committee and the Board.

SLH also carries out a comprehensive risk appraisal as part of the corporate planning process which identifies the risk to the delivery of our corporate objectives. Risk maps are developed for each of the four objectives and each has a lead officer who feeds back to the Audit & Risk Committee. The Committee monitors the detailed maps at least once per annum and a risk summary is reported to the Board quarterly.

Tenant scrutiny arrangements were revised by the Board in December 2016 and the first tenant scrutiny reviews will report in 2017/18.

### 3. STRATEGIC APPROACH TO ASSET MANAGEMENT

#### Asset Management Strategy



SLH actively manages its assets to ensure the use of all its resources are maximised. In 2014 a comprehensive evaluation of the return on all its housing assets was undertaken. This exercise applied 'Real Asset Management System' methodology to evaluate current and potential future performance, enabling a better understanding of how assets are contributing to the business objectives and allowing an ongoing measure of return. This exercise was completed in advance of the requirements of the updated 2015 Governance and Financial Viability Standard, which outlined how organisations can better understand and optimise the return on assets.

SLH have continued to review assets through the data held within the appraisal model which has been updated with improved stock condition information. This has helped to determine more accurate (and reduced) improvement programme costs in future years which in turn increases the potential return on these assets. This figure will continue to show improvement with the delivery of the investment programme.

This methodology is also applied to single properties as they become vacant and this has enabled the prioritisation of resources available for investment dependent upon demand and rental yield. This has led to the retention rather than disposal of properties in high demand areas and additional investment in properties with low return to reduce void costs (for example investment in wet rooms where there is an identified need).

**The Asset Management Strategy has been updated to reflect the approach to asset evaluation and an increased focus on maximising the return on all assets.** This outlines potential options for improving asset performance, provides a framework for the procurement and delivery of investment and will drive the continuous review and improvement in asset performance to ensure asset use continues to be maximised in the delivery of the business objectives. The strategy also outlines how SLH will ensure a strategic view is taken on the selection of assets for retention and investment and which should be disposed of to generate resources for investment in additional new homes.

This strategic approach to asset management will help ensure that properties will be of the right type, quality, size and location to enable SLH to meet future housing need and deliver against the business objectives. The active asset management methodology, strategic approach to asset management, increased self-delivery and collaborative working across Cumbria together provide a robust platform which will inform future investment decisions, minimise costs and maximise return on assets and the funding available for investment in new homes. SLH is also actively pursuing acquisition opportunities with other Housing Associations that have stock in the local area which will not only add growth in numbers but also operational efficiencies and reduced unit costs.



In 2016/17 a new Asset Management System (Civica's 'Keystone' system) has been introduced and the integration is progressing well. All condition data has been transferred and allows far greater visibility along with planning and forecasting functionality for programmes of work. The Asset Management System integrates with the new Housing Management System (Civica 'Cx') which was implemented in July 2016, improving access to asset data for all staff.

**An independent survey has been completed by Savills to validate the stock condition data held and support confidence in the improvement programme planning.** An

independent survey of structural elements has also been carried out to substantiate condition data held and assist in financial planning.

This improved survey information together with return on asset evaluation has also enabled priority to be given to lowest category properties in the improvement planning process, with much of the improvement work carried out on these properties during void periods to improve lettable. Over the next few years particular localities will be targeted for regeneration works to enable the letting of larger contracts which will drive a reduction in costs through economies of scale and further efficiencies in contract management.

**The new housing management and maintenance system ('Cx') now provides more detailed repair cost information based on the National Housing Federation's standard 'Schedule of Rate' costs including both labour and materials costs per job.** This will also contribute to more accurate return on asset evaluation and help inform future retention versus disposal decisions.

## Return on assets



Investment programmes have continued in 2016 and have been driven by the active asset management model combined with condition data to **achieve the stock transfer promise of all homes meeting the Decent Homes Standard by April 2017**. £5.4M was spent on improvement works in 2016/17.

Planned improvement works have also been brought forward for low return assets and completed during void periods to improve lettable, reduce void rent losses and will result in lower responsive repair costs in future years. It is anticipated that this approach will result in a decrease in the annual turnover of void properties with tenants maintaining longer tenancies. The number of voids per annum has reduced from 249 in 2015/16 to 234 in 2016/17. The 2017/18 first quarter result of 49 indicates a potential further reduction for 2017/18.

**The appraisal model is also being used to drive the works programme for communal areas and blocks of flats to improve the aesthetics, and therefore lettable, of estates.** SLH have also begun to review existing estates for regeneration with one scheme currently undergoing works and two others undergoing in-depth analysis.

Garage sites and land parcels are being evaluated as part of our asset management strategy to assess their suitability for development, through systematic "health check" reviews carried out on a periodic basis to evaluate all options including remodelling, redeveloping or decommissioning sites of low demand, poor design or poor condition where capital investment would not provide a long-term solution. Disposal of these sites would be considered for areas with no development potential so that proceeds can be reinvested in new developments elsewhere. The garage strategy also aims to reduce void costs and lead to cleaner and safer neighbourhoods.

**The in-depth evaluation of our assets at property level has already helped inform asset management decisions including the review of five Sheltered Housing Schemes** which resulted in one scheme being identified for alternative use appraisal, including disposal. We have also adopted a de-sheltering policy to target issues relating to demand by removing letting restrictions.

The asset appraisal model initially showed that 49 schemes from a total of 321 schemes were failing to meet our minimum performance requirements (a minimum return of £100 per unit per annum or a pass score against both quality and cost tests). In 2016 the evaluation was updated with a 2.8% reduction in assets failing to meet our minimum performance requirements (from 16.6% in 2015 to 13.8% in 2016). The model will be refreshed again in November 2017 and eventually integrated into the Keystone sustainability model to enable

reporting on live data. The 2017 update is anticipated to improve asset scoring further as it will include; RTB sales of 'class C' schemes such as Dragon Croft in outlying Dent, a number of 'class A' new build acquisitions and will reflect the recent Savills' stock condition validation surveys and improved repairs and management costs.

Further examples of asset management decisions taken during 2016/17, include;

- A review of joint procurement activity with Cumbria Housing Partners (CHP).
- A new dashboard KPI reporting compliance with Health & Safety responsibilities.
- Increased funding for Fire Risk Assessments.
- Periodic electrical inspections will be carried out every 5 years rather than every 10 years.
- Restructuring the planned operational teams.
- De-sheltering of 9 sheltered housing units into general needs accommodation (mostly in Sedbergh).
- Remodelling a former bedsit into a bungalow (72 Waterside).



## Cumbria Housing & Property Services (CH&PS)

**The Board agreed to establish a Cost Sharing Vehicle as a subsidiary of SLH for the provision of maintenance services to SLH and other Housing Associations, starting in January 2017 with Two Castles Housing Association (TCHA) (renamed Castles & Coasts).**

CH&PS has been established as a subsidiary of SLH, with SLH owning 85% of the shares and Castles & Coasts owning 10%. The remaining shares are held for potential future members. This vehicle has been established to generate efficiencies from economies of scale and savings in VAT currently paid to subcontractors. SLH will benefit predominantly from efficiency gains in the early years, with additional VAT savings in later years from the roll out of other planned works through this vehicle. The CSV is anticipated to generate savings for SLH of around £650k over the first 6 years.



SLH continues to provide repairs and maintenance services to Progress Housing stock in South Lakeland.

## Investment in new supply



**In 2016 a Development Strategy was approved by SLH Board. The Strategy outlines the approach for building 250+ new homes by 2025, utilising £28M funding capacity.** In 2016/17 8 new homes were acquired through S106 deals with private developers.

SLH's Board supports home ownership, expressing a keenness to deliver shared ownership and rent to buy properties in line with government's home ownership targets and in 2016 SLH achieved HCA Development Partner status. This enabled SLH to successfully bid for £245k funding in the first round of bids under the Shared Ownership Affordable Housing Programme 2016-2021 for the development of

seven shared ownership units. SLH also bid and successfully entered into a framework agreement with Cumbria County Council for the delivery of an Extra Care and Supported Living development.

To support the delivery of SLH's Development Strategy, SLH appointed a consultant Development Director and Development Project Manager within the Assets and Investment Directorate. The Board also approved a "Development Control Framework" in April 2017 which sets out the fundamental processes and procedures which the organisation will adopt to ensure clear discipline and tight managerial control of this activity.

SLH is keen to build longer term relationships with existing and new development partners to allow developers to generate greater efficiencies through longer term planning and savings for SLH and can also provide an opportunity for SLH to influence design and planning considerations. SLH continue to acquire affordable housing units through Section 106 planning requirements and have strong relationships with several well-established developers.

The Board is also looking to working in partnership with SLDC to tackle the predicted shortfall in numbers of affordable housing and negotiations are currently underway to enable a highly targeted approach which will accelerate the supply of affordable housing in the District.

**SLH continue to offer home ownership to tenants, acquiring 3 new shared equity properties in 2016/17 and selling a further 22 properties under the Protected Right to Buy scheme.** SLH signed up to the 'Voluntary Right to Buy' in 2015 as the proposals provided for reimbursement to SLH of the full market value of sales and allowed flexibility to provide exemptions for rural areas. The policy has been delayed nationally pending the outcome of further viability assessments including a regional pilot within the West Midlands.

The Board continues to support home ownership and the development pipeline includes a significant investment into this form of affordable housing provision, subject to a robust development appraisal, market intelligence and risk assessment. The work to develop a potential joint venture with SLDC will also have a focus on shared ownership.

## **4. UNDERSTANDING OUR INCOME AND COSTS**

### **Where does our income come from?**

In the financial year ended 31<sup>st</sup> March 2017, we received income of £16.38m. Most of this (£15.3m) was from rents, service charges and other income received from the management of our social housing properties, including income from third parties.

We sold 22 properties during the year under the RTB, which was a reduction from the 25 sold in the previous year. Most of this money is repaid to the Council under the agreement made at transfer, with only £561k of these sales proceeds being retained by SLH. These funds have been earmarked for the re-investment in new properties to replace those sold.

### **How are rent levels determined?**

As a Registered Provider of social housing, SLH adheres to the requirements of the regulator's Rent Standard and as required by the Welfare Reform and Work Act 2016, has accordingly implemented the required rent reduction from April 2016. Whilst the level and quality of service provision is influenced by levels of VfM achieved, it is also very much dependent upon rent levels.

### **How do our rents compare to others?**

SLH rents are already considerably lower than other housing association rents in the area due to historically low rents, some of which fall below 'target rents', previous limitations on annual increases and following the 1% per annum rent reductions from 2016.

Our rents for 2015/16 compared to those of other providers in the area as follows: (source: Statistical Data Return published by Homes and Communities Agency October 2016):

### Average weekly rent levels for general needs tenants as at 31<sup>st</sup> March 2016

(52 week figures):

Housing Association Name	General Needs (£)				
	One bed	Two bed	Three bed	Four bed	Average
<b>South Lakes Housing</b>	<b>£78.64</b>	<b>£89.48</b>	<b>£97.63</b>	<b>£101.32</b>	<b>£91.43</b>
The Guinness Partnership	£83.25	£96.06	£113.21	n/a	<b>£92.18</b>
Two Castles HA	£82.26	£98.22	£107.40	n/a	<b>£99.10</b>
Home Group Limited	£83.51	£97.72	£107.06	£116.59	<b>£99.71</b>
Impact Housing Association	£88.92	£104.09	£117.67	£130.47	<b>£104.10</b>
Eden Housing Association	n/a	£111.77	£129.43	£142.44	<b>£124.73</b>

*Source: Statistical Data Return, Homes & Communities Agency, 2016*

*The table shows average general needs rents charged for property size, illustrating SLH provides the most affordable rents within the District.*

### Overall expenditure levels

Our spend levels are kept under control with VfM playing an increasingly important role in all our decisions. In 2016/17 almost half of our income (43p of every £1 received) was reinvested in improvement works or in the provision of new homes for rent. Our overall spend over the last two years is broken down as follows:

	2015/16	2016/17
<b>How we spent each £1 of our income during the year:</b>		
Improving homes and communities	44p	43p
Management	21p	21p
Repairs and maintenance	18p	18p
Interest on loans	11p	10p
Service costs	4p	3p
Other costs	2p	5p
<b>Total £1 spend</b>	<b><u>100p</u></b>	<b><u>100p</u></b>



*Source: Financial Statement Analysis, SLH, 2017*

*The table shows how each pound of income has been spent during the last two financial years, illustrating similar expenditure on improving homes, repairs and management. There has also been an increase in 'other costs'.*

The increase in 'other' costs is in predominantly due to the increase in depreciation charges which are accelerating in line with the cumulative spend on new homes and improvement works.

The cost cutting exercise undertaken in 2015 identified significant savings over the life of the financial plan. These included recurring management cost savings of around £500k per annum, and permanent reductions in responsive repair and improvement works costs of 6% per annum. These are being achieved through improvements in efficiency and economies of scale brought about by sharing services delivered through the CSV and from bringing further works in-house.

## Regulator's review of operating costs

The Homes & Communities Agency's (HCA) review of operating costs in 2015, which aimed to gain a better understanding of the wide variations in costs across the sector, revealed that although much of the differences between providers were explained by transfer promises of levels of supported and older people's housing, a significant proportion was down to differences in efficiency. It also concluded that there were no significant evidence of a relationship between size of provider and lower cost. Following this review Associations were asked by the regulator to make a 'step-change' in operating efficiency and whilst accepting that no single metric can perfectly capture diversity in business models, it aims to use this data as a reference point in 'In depth Assessments' (IDA's) and stability checks.

The 2016 review showed that globally, at an entity level, average headline costs per unit (CPU) have increased by 1% to £3,970 per annum. These still showed a significant variation in costs with some providers with large amounts of supported housing having costs of over £10k per unit. Upper and lower quartiles are £3,120 and £4,350 respectively. For SLH the overall headline CPU has reduced by 7.5% from £4.79k per unit (the SLH adjusted CPU for last year which was lower than that published, i.e. £5.29k) to £4.43k per unit, representing a favourable movement of 8.5% better than the average for the sector.

The table also provides a comparison of SLH's costs with other housing providers of a similar size operating in Cumbria. CPUs excluding major repair costs have also been calculated to provide a more meaningful comparison of operating costs given the significant differences in the improvement programmes across these organisations.

### SLH Costs per Unit 2015/16 compared to other Cumbrian Housing Providers:

Association	Published Cost Per Unit (CPU)						Headline CPU excl Major repairs (£K)
	Headline social housing cost CPU (£K)	Management CPU (£K)	Service charge CPU (£K)	Maintenance CPU (£K)	Major repairs CPU (£K)	Other social housing costs CPU (£K)	
SLH	<b>4.43</b>	1.14	0.22	0.94	2.03	0.10	2.40
Eden	<b>2.85</b>	1.16	0.08	1.09	0.00	0.53	2.85
Impact	<b>3.74</b>	1.85	0.29	1.20	0.39	0.93	3.35
Two Castles	<b>2.88</b>	0.89	0.53	0.74	0.70	0.02	2.18
<b>Sector average</b>	<b>3.97</b>	<b>1.08</b>	<b>0.53</b>	<b>1.01</b>	<b>0.89</b>	<b>0.47</b>	<b>3.08</b>

*Source: CPU Analysis, Homes & Communities Agency, 2015*

*The table shows the average CPU for Cumbria based Housing Associations. This illustrates SLH's high costs which are associated with the stock improvement programme (SLH is the only recent stock transfer Association). When this is excluded then costs per unit compares favourably to others.*

An analysis of operating costs excluding major works shows that SLH's day to day running costs per unit (management, services and maintenance costs) at £2.4k per unit are significantly lower than the sector nationally which averages £3.08k per unit. Our day to day running costs also compare favourably to other Associations operating in Cumbria with average costs across the other three Cumbrian Associations being £2.79k per unit. At £1.14k per unit SLH's management costs were in 2015/16 higher than the sector average of £1.08k per unit and plans are in place to substantially reduce these (see projected CPUs below).

There has in recent years been a significant investment in ICT with the implementation of new housing management, asset management and HR systems which have reduced the number of 'feeder' systems supported, resulting in efficiencies in system management and a reduction in third party support costs.

The reduction in service costs has been a result of the early stages of a restructure of sheltered services which saw a reduction in the number of Sheltered Scheme Managers

employed. Further savings will follow in future years following the consolidation of sheltered scheme offices into two ‘hubs’ which aims to both reduce costs and improve service provision. This cost reduction is passed onto tenants by way of reduced service charges and will help to narrow the gap between total rents and service charges and the Local Housing Allowance being imposed under Welfare Reform.

SLH’s Maintenance costs have reduced from the previous year which at £1.01k per unit were slightly higher than the sector average of £0.98k. However, at £0.94k per unit for 2016 costs were 7% lower than the sector average of £1.01k per unit. This has been achieved following a review and more rigorous adherence to our repairs standard which was undertaken as part of our drive to improve Value for Money and reduce costs.

SLH’s major repair costs of £2.03k per unit demonstrates the significant continued investment in our housing stock which is typical of a recent stock transfer organisation.

A comparison of SLH’s costs to the average costs for a group of 9 recent stock transfer associations (less than 7 years old) shows that most of SLH’s cost categories are lower than the averages for this group.

**SLH Costs per Unit 2015/16 compared to other recent LSVTs:**

	Headline social housing cost CPU (£k)	Management CPU (£K)	Service charge CPU (£K)	Maintenance CPU (£K)	Major repairs CPU (£K)	Other social housing costs CPU (£K)
Cost per unit 2015/16						
SLH	<b>4.43</b>	<b>1.14</b>	<b>0.22</b>	<b>0.94</b>	<b>2.03</b>	<b>0.10</b>
<b>LSVT (&lt;7 years) average</b>	<b>4.30</b>	<b>1.21</b>	<b>0.24</b>	<b>1.03</b>	<b>1.63</b>	<b>0.18</b>

*Source: CPU Analysis, Homes & Communities Agency, 2015*

*The table shows the average CPU compared to the average cost per unit for other stock transfer Associations. The table illustrates that SLH’s costs are broadly comparable but there are other unique contextual factors which drive higher costs including; maintaining properties in the national parks and conservation areas (37% of the stock where external vernacular has to be maintained such as stone built properties, external render, natural slate roofs, timber windows and doors etc.).*

As expected for recent LSVTs major repairs spend is higher than sector averages, and at £1.63k per unit is almost double the average for the sector of £0.89k per unit. SLH’s major works spend at £2.03k per unit in 2015/16, representing a spend of £6.3m on improvement works, is around 25% higher than the average for other recent transfer associations in 2015/16. This is due to the relatively high average spend per home required to bring and maintain stock to Decent Homes Standard, exacerbated by the geography and planning requirements in the area. This has impacted adversely on the headline cost indicator for SLH which is higher than the average for recent stock transfer organisations. However SLH’s management, service and maintenance costs are all lower than the average for the organisations in this group.

**Future operating costs**

SLH continues to make transformational changes in the way it operates in order to achieve significant recurrent cost reductions. Most significantly, the creation of a subsidiary to form a ‘Cost Sharing Vehicle’ for the delivery of shared repair services to other housing organisation’s properties across Cumbria aims to achieve significant savings through economies of scale and savings in VAT as it brings additional work in house. Plans to roll this service out across Cumbria will drive further operational efficiency and economies of scale, and the further expansion of planned and improvement works will reduce reliance on subcontractors and generate additional VAT savings.

The investment in new housing management and maintenance systems and the continued investment in IT over the coming years will also enhance the efficiency of back office services to support the expansion of SLH’s service offerings to other organisations. These strategies

will collectively reduce SLH's operating costs in future years and have the potential to facilitate cost reductions in other organisations operating in Cumbria.

SLH has participated in the 'Sector Scorecard' pilot project, which is to be used by the regulator to assess performance, the results of which will also be published as soon as they can be made available.

Although the HCA urges caution in comparing actual and forecast data across years due to changes in accounting treatment, it has projected that globally costs are expected to fall by 4.3% between 2016 and 2020 to £3,800 per annum. Compared to forecast CPI this represents a real terms reduction of 12% for the four years from 2015/16. SLH's overall costs are expected to reduce by 16% over the same period (23.7% in real terms compared to the 12% for the sector as a whole).

This overall cost reduction is inclusive of major repair costs which will reduce marginally in future years following delivery of the first five year improvement works promises, although SLH's investment in its homes continues at a relatively high level over the next few years. With a spend of around £4.1m per annum over the next three years and around £4.5m per annum for 2023 to 2027, costs will remain higher than the average major repairs spend for of LSVTs of less than 7 years old due to the continued spend to bring and maintain homes up to the South Lakes Standard, a level higher than the Decent Homes Standard. At £1.38k per unit at 2018/19 SLH's costs will still be significantly higher than the current £0.89k per unit average for the sector as a whole. This will continue to have an adverse impact on SLH's headline operating cost. The projected spend on major repairs has however reduced from levels estimated at transfer in 2012, with significant savings of around £6.4m expected to be achieved on future works over the remaining 25 year programme as a result of collaborative procurement and bringing additional works in house.

Management costs are expected to reduce over the next few years with continued savings in IT support costs and potentially staff cost savings from 2022/23 onwards, subject to agreement to changes in pension provision which are currently the subject of formal consultation. Should changes to pensions and terms and conditions be agreed, costs will increase by £0.09k per unit in 2017/18 and £.03k per unit in 18/19 but will reduce by £0.03k per unit from 19/20 onwards generating savings in management costs in the longer term. These figures have not been assumed in the projections below as SLH is still in a period of consultation on these proposals. There will also be an ongoing investment in ICT over the next few years as SLH strives to maximise customer access through the further digitalisation of its services.

Whilst SLH's maintenance costs are expected to reduce with the expansion of the CSV, potential further savings have not yet been assumed in forward projections pending confirmation of future membership and levels of economies of scale achievable.

Recent years actual and projected CPUs for SLH are summarised as follows:

## Actual and projected CPUs

	Headline social housing cost CPU (£k)	Management CPU (£K)	Service charge CPU (£K)	Maintenance CPU (£K)	Major repairs CPU (£K)	Other social housing costs CPU (£K)
2014/15 restated	4.79	1.02	0.21	1.01	2.46	0.10
<b>2015/16 as published</b>	<b>4.43</b>	<b>1.14</b>	<b>0.22</b>	<b>0.94</b>	<b>2.03</b>	<b>0.10</b>
Change on previous year	-8%	13%	4%	-7%	-17%	-3%
<b>2016/17 per final accounts</b>	<b>4.20</b>	<b>1.15</b>	<b>0.17</b>	<b>0.96</b>	<b>1.81</b>	<b>0.11</b>
Change on previous year	-5%	0%	-24%	3%	-11%	19%
2017/18 Projection per FFR	4.13	1.13	0.11	0.94	1.86	0.09
Change on previous year	-2%	-1%	-34%	-3%	3%	-19%
2018/19 Projection per FFR	3.64	1.13	0.11	0.94	1.38	0.08
Change on previous year	-12%	0%	2%	0%	-26%	-13%
<b>Total change 15/16 to 18/19</b>	<b>-18%</b>	<b>-1%</b>	<b>-49%</b>	<b>0%</b>	<b>-32%</b>	<b>-16%</b>

*Source: Financial Plan, SLH, 2017*

The table shows the average cost per unit over the past 3 years and projections for the next two years, based upon the projections and assumptions within the Financial Plan. The table illustrates that SLH's cost per unit is reducing and forecast to reduce furthermore (an overall 16% reduction in costs over the three years since the introduction of the regulators' headline social housing cost metric, compared to 12% for the sector as a whole).

## Counting the cost of the floods

The damage to SLH property caused by the floods in December 2015, together with loss of rent and decant costs, amounted to around £2.3m.

Since the floods, SLH have been working with other agencies to look at ways to prevent damage from flooding. This is taking time to get the necessary agreements and funding in place from our partners. **SLH has invested around £350k into flood resilience measures including; flood doors and gates, major drainage projects completed at Helm Close, a detention basin erected at Birthwaite, raised ground floor balconies at Edge combe Court and river stabilisation works in Grasmere.**



However, as a direct result of the floods there has been an increase in insurance premiums of £135k per annum and an increase in policy excess payable to £1m per incident for flood related damage. SLH is therefore setting aside an additional £100k per annum from 2016/17 onwards in addition to the increase in premiums to build up a reserve to cover the excess payable should there be further flood causing damage of this magnitude. This represents an increase in our management cost of around £76 per property per annum.

Since the revised insurance deal was approved in 2016 staff have been dealing with a number of dissatisfied leaseholders unhappy with the sharp rise in bills for 2016-17, despite securing an excess of £5k per property compared to tenanted stock excess of £10k. Under the terms of the lease SLH is responsible for insuring the structure of the block and for recharging the premium relating to each flat to property owners. Some flats do not have a flooding risk but as they are collectively part of the SLH policy then they are adversely affected. In 2016 our insurance brokers negotiated hard on our behalf to secure the best deal possible and this was ratified by the Board in April 2016 and reaffirmed in June 2017.

## Ensuring VFM in funding arrangements

The Board agreed in October 2016 to instigate the re-financing process which was completed at the end of May 2017. Restrictions imposed by the previous funding arrangement together with an inability to access the agreed facility in full and the need to seek lender approval for any third party indebtedness, were hindering the ability to develop new homes and to work in partnership with other organisations either through Joint Ventures or on-lending arrangements.



The refinancing deal will bring considerable savings in interest in future accounting periods, with the average cost of borrowing reducing from 4.99% to 2.81% immediately after completion (with 74% fixed rate finance). Replacing an element of variable with fixed rate loans at the end of June 2017 raised the average cost of finance to 3.07% with fixed rate finance amounting to 96% of total borrowings. The evaluation carried out at the commencement of the refinancing project anticipated total savings in finance costs of around £11m over the life of the financial plan after taking into account breakage costs payable on existing loans.

**Asset cover is the least restricting factor with asset values of £83M and around £46M used as security for the two new loans.** The remaining pot of unencumbered assets are available for the future.

**Gearing levels are also low, with a maximum of 33% in 2017/18.** Even with any additional borrowings gearing is still within the 60% limit.

**Interest cover is the most restrictive covenant, this may limit further developments.** SLH will monitor the level of committed spend on new developments to ensure adequate cover by operating a 'trigger' level of 115% (limit is 110%). The key pressure point is 2027/28 when there is a dip in cover as RBS loans mature and the plan assumes replacement with variable loans.

## 5. UNDERSTANDING OUR OVERALL VFM PERFORMANCE

### How do we compare our VFM performance to others?



SLH have used *Housemark's VFM self-assessment Data Pack*. The data pack brings together the most recent validated cost data available for SLH and our peer group (Housing Associations with between 3000 and 7000 stock) sourced from 2015/16 and uplifted by inflation (based on September 2016 RPI of 2.0%).

The pack shows the following areas of above average comparator performance (where group 1 is best);

- ✓ Overheads as a percentage of adjusted turnover (group 2)
- ✓ **Cost per property: housing management (group 1)**
- ✓ Total tenant arrears as a % rent due (group 2)
- ✓ **Rent arrears of current tenants as % rent due (group 1)**

- ✓ Evictions due to rent arrears as a % of all tenancies (group 2)
- ✓ Rent loss due to voids (group 2)
- ✓ **Responsive repairs: management costs as % of service provision costs (group 1)**
- ✓ Percentage of repairs completed at the first visit (group 1)
- ✓ **Major works: management costs as % of service provision costs (group 1)**
- ✓ Total cost per property: estate services (group 1)
- ✓ Staff turnover (group 2)
- ✓ Average number of days lost to sickness (group 1)

The pack shows the following areas of below average comparator performance (where group 4 is worst);

- ✓ Rent arrears of former tenants as % rent due (group 3)
- ✓ Rent arrears of current and former tenants written-off as % rent due (group 3)
- ✓ Tenancy turnover rate (group 3)
- ✓ Total cost per property: responsive repairs and void works (group 3)
- ✓ Void works: management costs as % of service provision costs (group 3)
- ✓ **Cost per property: total major works & cyclical maintenance (group 4)**
- ✓ Cyclical maintenance: management costs as % of service provision costs (group 3)
- ✓ **Average energy efficiency rating (group 4)**

### **Key focus #1 Major works & cyclical costs**

Major works costs and cyclical costs are higher than median levels as a result of the significant spend on repair and improvement works required following stock transfer. SLH achieved the decent homes standard in March 2017.

**The impact of maintaining properties in the national parks and in conservation areas (37% of stock) are key cost drivers.** SLH will be undertaking further opportunities for joint procurement through Cumbria Housing Partners to lower costs.

### **Key focus #2 Responsive repairs and voids**

Responsive & void costs are higher than median levels are also higher due to a combination of; non-decent homes and maintaining properties within the framework of the planning control authorities. Further operational efficiencies are expected through in-house provision through CH&PS. SLH has now achieved the decency standards and has a long-term investment plan which should continue to reduce the demand for day to day repairs. **The 2016/17 void expenditure was £1,842 per void property which is £285 less than in 2015/16 (£2,127).**

The development of our cost sharing vehicle (CH&PS) is already starting to pay dividends in lowering comparator costs with a 3% reduction in costs expected in 2017/18. **Our CPU maintenance cost as published for 2015/16 is 0.94 (down from 1.01 previous year) comparing favourably to Eden at 1.09 and Impact at 1.2** and we will be continuing to work with these organisations to potentially share services and reduce costs in the future.

### Key focus #3 Rent arrears

Rent collection has improved from 99.7% in 2015/16 to 100.2% in 2016/17 achieved with less evictions and a reduction in legal notices issued, which is SLH's best ever performance levels. A restructure of the department was completed in January 2017, including a dedicated Income Team headed up by an Income Manager.



Universal Credit (UC) contributes to 14% (£37k) of overall arrears (up from 12% in 2015/16) and the team have updated the welfare reform action plan in preparation for full service roll out in 2018. The team is also focusing on ensuring that write offs are kept to a minimum and these are reported quarterly (with trend analysis and explanation) to the Audit & Risk Committee. For the first time in 3 years the amount of former tenant arrears has decreased. Better performance reporting and tracking of cases is now in place.

### Key focus #4 Tenancy sustainability

14% of the stock is sheltered housing which naturally means that there is an older persons profile in comparison to others and a higher turnover rate. **The occupancy rate in general needs accommodation is historically 99%** and there are only a few areas of concern in relation to tenancy sustainability issues. There is no concern in relation to ASB and customer satisfaction with the neighbourhood remains high (91% satisfaction in the 2016 STAR survey).

SLH assets perform well overall but there is work underway to assess the viability and potential for regeneration schemes in some of our less popular stock, including; Maryfell and Castle Garth at Sedbergh and Hall Park in Burneside.

SLH is also developing a business plan for expanding the Independent Living Service which will be targeted at private residents and older people to continue independent living in general needs accommodation.

Prospective tenants now undergo a robust affordability and sustainability check before signing up to the tenancy and where it is deemed necessary, a pre-tenancy interview is undertaken with the Senior Financial Inclusion Officer. This helps SLH to identify any potential issues at an early stage and help ensure tenancy sustainability.

### Key focus #5 Energy efficiency



**SLH has a significant proportion of stock within the National Park and conservation areas (37%) and most of these properties are traditional stone built without cavity insulation.** SLH has targeted twelve properties that perform poorly for energy efficiency improvements. Further engagement is underway with an external consultant to develop an energy efficiency strategy which will be used to target archetypes (including properties which don't currently

have an EPC) that have been identified as the lowest performing in terms of energy efficiency.

Keystone is in the process of being implemented with the condition module already being in use. Energy Performance Certificates (EPCs) are in the process of being loaded into this module so that we can report more accurately on SAP scores. The Keystone Servicing and Inspection (KSI) module is due to be implemented in October 2017 and this will hold the

dates that each EPC certificate is carried out and also the expiry date. KSI will drive the re-inspection programme and ensure that no certificate exceeds 10 years.

## Sector scorecard

SLH have submitted performance and cost data as part of the 'sector scorecard' which is a set of 15 indicators that the Housing Association sector had developed and are proposing to use to benchmark efficiency across the sector. The aim is for these indicators to become the mainstream way that efficiency and effectiveness are measured. SLH is participating in a one-year pilot to thoroughly test the indicators proposed and the practicalities of collecting and analysing the data, ahead of a full launch planned in 2018.



## Local benchmarking

SLH are members of the 'PlaceShapers' group which is a national network of more than 100 community-focused Housing Associations. SLH has a business objective to develop commercial partnerships and PlaceShapers provides a platform for building networks and strategic alliances with like-minded organisations.

SLH has utilised PlaceShapers analysis of the 2016 Global Accounts. The analysis shows that SLH compare well against the efficiency metrics and are amongst the lowest cost when removing the capital programme. Management costs continue to be a feature and there are plans to tackle the cost of the LGPS (although this will not return an investment until year 5) and to share services via the maintenance CSV, joint procurement via Cumbria Housing Partners and through other partnerships. The Board have been clear that they are open to explore the benefits of alternative delivery models.

Measure	Housing Association			
	SLH	Eden	Impact	Two Castles
Management CPU	1.14	1.16	1.85	0.89
Service charges CPU	0.22	0.08	0.29	0.53
Routine maintenance CPU	0.55	0.88	1.16	0.47
Planned maintenance CPU	0.39	0.21	0.05	0.26
Major repairs CPU	0	0	0	0.22
Other social housing costs CPU	0.10	0.53	0.00	0.02
Capitalised major repairs CPU	2.03	0	0.39	0.48
Headline social housing costs CPU	4.43 (2.4 without capitalised)	2.85	3.74	2.88
Bad debts	0.57%	1.14%	0.92%	0.73%
Void rent loss	0.69%	1.58%	2.8%	2.46%
Current tenant arrears	2.06%	1.10%	3.95%	3.39%

*Source: Analysis of the Homes & Communities Agency's Global Accounts 2016, Placeshapers' Group, 2017*

*The table shows the average cost per unit and a range of other financial metrics compared to other Cumbria based Housing Associations. The table illustrates that SLH is spending more on major repairs which is contributing to higher than average headline social housing costs. The table also shows that SLH is performing well on operational metrics including bad debts and void rent loss.*

*N.B CPU = Cost Per Unit. Green = within top performers, Red = within worst performers*

As part of this the 'sector scorecard' pilot, SLH will work with *Housemark* and other Cumbrian landlords to develop local benchmarking which will help stakeholders judge VfM and will foster greater collaborative working.

## Customer satisfaction



Overall satisfaction ratings have dropped from 91% in 2013 to 86% in 2016 following the latest STAR survey. Whilst this is in line with our business objective 'to become a **good and cost effective** landlord' we were disappointed with the overall results. **Customer satisfaction with rent representing value for money remained high at 85% which ranks within the median of comparable providers.**

The main reasons for the drop in overall customer satisfaction is amongst the sheltered housing tenants where the restructuring of the services (moving scheme managers from each scheme into hubs) was a contributory factor. The revised repair service standard (and staff reinforcement of the messages) also increased tenant responsibilities.

The Board is monitoring the implementation of an action plan including; better usage of CRM, improved clarity about service standards, additional tenant scrutiny, improved communication with sheltered housing tenants, better information about planned repair programmes, developing the tenant online portal and staff training.

Board directors also approved a new Tenant Involvement Policy in December 2016 following an external review. The Tenant Complaints Panel is already active, undergoing training and reviewing 'old' cases. A Tenant Scrutiny Group is currently reviewing customer care (in part to understand better the STAR survey results) and will conclude their findings in August. The group will consider the regulatory standards, review SLH performance and interview staff ahead of issuing a formal report with recommendations for improvement to the SLH Chair and CEO.

1 in every 6 customer generated transactions is now made online. Online customer generated transactions have increased from 5% to 14% during 2016/17, thanks to our revamped website and new 'live chat' functionality. Our choice based lettings service is further ahead with 75% as this is a 'digital by default' designed service. The additional tenant portal services (access to rent accounts, updating personal info, requesting repairs) goes live in Autumn 2017.

## 6. SOCIAL RETURN

### 6.1. Increased focus on adding social value



SLH's mission is 'to be a well-respected housing provider, increasing the supply of new homes and contributing to economic and social well-being'. The vision also states that SLH 'will operate for social good' and will 'improve links with local government, health and others to contribute to economic sustainability'.

The Board acknowledges, as part of reviewing this year's VfM self-assessment, that further work is required to develop a social value strategy including articulating how resources, procurement, development and assets are being maximised within the context of an integrated and coherent social value strategy. As part of this, SLH will appraise a number of social value accounting tools and will also review how it measures and defines social value in the future.

The resources for community investment has been affected by the rent cuts in 2016, which led to a significant reduction in 'non-essential' spending and community investment activity was reduced by £36k (27%) from the previous year. Using the new 'sector scorecard' metric, SLH is forecast to invest just £0.01 into communities for every £1 generated from operations but this does not include all relevant social value activity. SLH will therefore maximise its return on current resources and assets to ensure that social value is embedded within the culture of the organisation. SLH continued to employ a part time Community Engagement Officer and a Financial Inclusion Officer to continue to deliver on directly identified social value projects.

At strategic level, SLH is contributing to the following strategic partnerships in line with its mission and vision (i.e. working with others on health and economic sustainability);

- *Development of extra care housing* – SLH is working with Cumbria County Council and South Lakeland District Council in line with the 'Extra Care' strategy. This includes the potential to use our current sheltered assets and diversify some provision into 'extra care'. SLH has also bid and successfully entered into a framework agreement with Cumbria County Council for the delivery of an Extra Care and Supported Living development. SLH is now exploring the potential to expand its 'Independent Living Service' and make it available to private residents (utilising assistive technology and a Health and Well Being offer), with a trial period due to begin from November 2017.
- *Investment in dementia friendly services* - SLH won an award in 2016 for dementia friendly improvements at Birthwaite and across our category 2 sheltered schemes. This is making a difference for health and social care partners by increasing options for early discharge and avoiding unnecessary admissions to hospital and nursing care.
- *Working with others* – SLH has become a member of the 'Compass system' which is an eHub project operating across the whole of Cumbria providing a referral mechanism for access to non-profit and statutory agencies. The project has been funded in part by Public Health to provide the best preventative service to the people of Cumbria.
- *Ulverston Healthy Town* – SLH is part of a partnership group which has been established to progress the Ulverston Health & Wellbeing Plan. The group is chaired by a local councillor with representatives from the voluntary sector, councils and the local Integrated Care and Community. Its aim is to improve and

enhance the lifestyle, wellbeing, physical and social environment for Ulverston residents. As part of this group, SLH has been undertaking a range of social value activities including working with MIND mental health charity and a DIY project (see next page).

- *Financial inclusion* - SLH is also supporting its tenants/leaseholders by paying £5 to help them join Eden & South Lakeland Credit Union, provided they pay in a further £5 themselves. Our initial donation to the scheme is £250 (50 tenants @ £5 each) and access to this fund is limited to tenants and leaseholders of SLH.
- Continuing to work with community groups, flood action groups and other agencies in preventing damage from flooding.

SLH has used its own social value monitoring tool to capture the impact of community investment. Other 50 people have benefited from a range of projects. Below is a snapshot of some of the excellent social value work being undertaken during the last twelve months;

- **Easter Extravaganza in partnership with Barnardo's** - for families of the Hallgarth Estate and Kendal. There were a variety of things on offer for children to take part including making their own lunch, painting and planting seeds.
- **Seed, Plant and Equipment Swap in partnership with MIND** - the seed, plant and equipment swap event in Ulverston showcased the MIND allotment. Kenny Tyson from MIND commented that *"we had a fantastic event, with all ages attending, there were toddlers through to adults. It's getting people out doing an activity and socialising with other people. Gardening is therapeutic"*.
- **DIY project in partnership with Bell Group** - A DIY project took place in a void property in Ulverston involving 3 SLH tenants. The session was delivered by Bell Group and enabled participants to learn the basics of fitting a toilet seat, rehangng a kitchen cupboard door, how to change a lightbulb from a sealed light fitting, how to change a smoke alarm, how to unblock a sink and how to change a door handle.
- **Coniston Ecological Project in partnership with John Ruskin School** – SLH joined forces with John Ruskin School Year 10 pupils to build a pathway around an ecology area at the school. A joiner and builder from SLH were joined by enthusiastic pupils who dug out rough ground to create a useable walkway. Rachel Mallett, Teacher commented *"A great day was enjoyed by the environmental and land based science GCSE group working with South Lakes Housing. Pupils learnt new skills and accomplished a finished product, a new path around the pond. With new additions each year to the ecology area it will be a great resource for John Ruskin pupils to use with amazing views to inspire learning."*

## **Resources utilised in the delivery of social value**

**The 1% rent cut and revised Financial Plan limits community investment spend.** Future developments may include regeneration/estate improvement activity e.g. Waterside for 2018/19. SLH will continue to pursue procurement activity via Cumbria Housing Partners (CHP).

Budgets for community involvement, resident associations, grant applications panel alongside the Financial Inclusion Officer & Community Engagement Officer totals £111k for

2017/18 (just under 1% of spend). This is the same level compared to 2016/17 but significantly lower than in 2015/16 following a £36k reduction.

## Measuring social impact

SLH continues to use its own social value monitoring tool to track social value gains with various community projects. The focus is supporting a range of community projects alongside other organisations across the main areas of the district to ensure better VfM. It will now be rare that SLH organises and funds its own projects without match funding from others.

## 7. ENSURING CONTINUED VFM IMPROVEMENT

### 7.1 VfM Key Performance Indicators and targets



In April 2017 the Board agreed a new scorecard of performance metrics. The suite of KPIs represents a better balance of cost efficiency and effectiveness, incorporating the 'sector scorecard' enabling stakeholders to compare with others.

A **summary of the main VfM indicators and targets** are as follows;

Metric	Top quartile	16/17 actual	17/18 target	18/19 target	19/20 target	Notes
% rent collection	100.1%	100.2%	100.5%	100.5%	100.5%	Full impact of Universal Credit will lead to rent arrears in future
% rent loss through voids	0.6%	0.69%	0.6%	0.6%	0.6%	Target reflects additional workload expected via CH&PS
% of self-service transactions	New KPI	15%	25%	40%	60%	New tenant portal being launched in summer 2017
% of non-decent homes	0%	0%	0%	0%	0%	A further £5.3M investment in 2017/18 and long term programme in place.
% occupancy in general needs accommodation	New KPI	99%	99%	99%	99%	Weekly tracking of empty properties. Regeneration proposals.
Ratio of responsive repairs to planned maintenance	New KPI	New KPI	52:48	46:54	40:60	Targets based upon the 2017/18 Budget and future stretch targets to achieve best practice levels of 40:60 over next 2 years
<b>Headline social housing cost per unit</b>	£3.19k	£4.20k	£4.13k	£3.64k	£3.73k	Target reductions based upon the Financial Plan (increase

						in 19/20 due to increase in improvement works)
<b>Units developed</b> (all tenures)	New KPI	8	44	36	116	Additional development opportunities in the pipeline programme.
<b>£ invested for every £ generated from operations in new housing supply</b>	New KPI	New KPI	£0.53	£0.51	£0.76	Operating income fairly constant but development spend fluctuates. £8M in 17/18, £2.2M in 18/19, £12M in 19/20.
Savings generated from CH&PS	New KPI	New KPI	£0k	£90k	£142k	CSV revised Business Plan assumed £2.4M savings over 5 years - for all partners inc SLH, Castles & Coasts. SLH savings assumed £658k
Average days sickness per employee	7.6	5.7	5.5	5.3	5	Revision to Terms & Conditions on sickness.
<b>Operating margin (overall increase or decrease)</b>	New KPI	New KPI	1%	1%	1%	Operating margin reduces with reduction in rents next 3 years
<b>Operating margin (social housing)</b>	New KPI	New KPI	56%	55%	54%	Operating margin reduces with reduction in rents next 3 years
EBITDA MRI as a % of interest	New KPI	115%	194%	309%	291%	Interest cover is the key restricting factor for SLH.
<b>Gearing</b>	New KPI	50%	55% max	55% max	55% max	High gearing due to commitment to drawdown £5m loan (34.5% geared less £5m cash in bank).
<b>Return on capital employed (ROCE)</b>	New KPI	New KPI	8.7%	8%	7.4%	Trend reflects reduction in operating surplus due to rent reduction.
Overheads as a % of adjusted turnover	New KPI	TBC	TBC	TBC	TBC	Further work being undertaken to capture the overhead costs in accordance with the new definition. Targets will be set by the Board as part of the quarterly KPI reports.

*N.B Metrics in bold are anticipated to form part of the regulator's proposed new VfM metrics*

**EBITDA - MRI** — earnings before interest, taxes, depreciation and amortisation (major repairs included) — is a calculation of a company's financial health.

## **7.2. Monitoring VFM improvement**

VFM savings are regularly monitored through monthly management accounts to the executive team and quarterly finance and performance reports to the Board.