

# **Derwentside Homes Limited Value for Money Statement 2016**



**Left:** *Big Lunch 2015 at The Learning Hive, CATCHGATE*  
**Top:** *Derwentdale Court wins a Silver Award at the EAC National Housing for Older People Awards 2015*  
**Bottom:** *Housing Minister Brandon Lewis unveils the North's first 'Build to Rent' scheme.*



## **Value for Money (VfM) Strategy 2016/17-20/21**

### **1. Our Commitment to Value for Money**

**The regulatory framework for the sector includes a specific standard for Value for Money. Our regulator, the Homes and Communities Agency (HCA), expects us to ‘articulate and deliver a comprehensive and strategic approach to achieving value for money in meeting their organisation’s objectives’.**

**The HCA requires Boards to publish, on an annual basis, a robust self-assessment that is transparent and accessible to all stakeholders and which enables them to make an informed judgement as to how they are achieving value for money.**

**There is also a specific expectation that registered providers will have a robust approach to making decisions on the use of resources to deliver the provider’s objectives, including an understanding of the trade-offs and opportunity costs of its decisions.**

Value for money has come strongly into focus for housing associations over the last five years following increased regulatory attention. At Derwentside Homes the Board and staff recognise that VfM is fundamental to sound business practice. Making money go further enables the Association to devote more resources to achieving and exceeding its business objectives: providing more and better homes, improving service quality.

Derwentside Homes has a Corporate Plan for the period April 2016 through to March 2021. This plan sets out the strategic direction of the Association for the next five-year period and provides an overarching framework to ensure that we harness and focus our efforts and resources on those activities that will impact most positively in our communities and on the lives of our customers. We roll forward our plan on an annual basis to ensure that a five-year planning horizon is set as the basis of the Association’s framework.

The Board is clear about its VfM strategy, how the business is structured and how its resources are applied to deliver its plans. It also sets out our plans and priorities for the future. VfM is important to Derwentside Homes and all its stakeholders for many reasons:

- There is a sustained demand for social housing during an economic downturn.
- Community risk-the impact of long-term demographic trends on services provided by the social housing sector and support agencies.
- Reduced household incomes and increased poverty.
- The impact of direct and indirect job losses caused by the contraction of the public sector as well as the Government’s radical welfare reforms which are impacting upon disadvantaged communities throughout our area of operation.
- Higher customer expectations of product and service quality

Our VfM strategy has been refreshed as part of our overarching performance management framework and will be embedded across the organisation to:

- support our vision, values and objectives;
- ensure that all our resources are effectively managed;

- ensure that governance and staffing structures are fit for the future and the right skills are in place for effective oversight and delivery of VfM services;
- reflect our tenants' priorities; and
- obtain the best possible value for money across the organisation.

Our strategy supports the Association's determination to deliver enhanced services and improved outcomes for residents as well as cost savings in all of its activities. We will continue to achieve savings through service reviews and by promoting the efficiency agenda within the culture and framework of the Association.

Derwentside Homes' strategy is supported by robust procurement and treasury management strategies; financial forecasts are based upon appropriate and reasonable assumptions; planning sufficiently considers the financial implications of risks to the delivery of plans and is supported by robust stress testing. The Board receives business assurance via quarterly monitoring and reporting on compliance with funders' financial covenants.

The Board's overriding objective is therefore to make VfM regulation work for the Association not simply as an add on but as a business tool that is fully integrated with the way it plans, delivers and evaluates the long-term success of the business.

## **2. How Derwentside Homes manages and monitors Value for Money**

**Under the standard registered providers are expected to have performance management and scrutiny functions which are effective at driving and delivering improved value for money. This section describes the Association's approach to managing and monitoring value for money and highlights some of our successes in this area.**

Derwentside Homes supports the view taken by the NHF that 'a static approach to service improvement' is unacceptable and embraces the philosophy that recognises 'the need for continual change and a delivery of services that becomes progressively better over time'. Accordingly Derwentside Homes recognises that 'a level of performance that is excellent by present standards may be merely adequate in five years' time and unacceptably poor in ten'.

Derwentside Homes' performance management and scrutiny functions are integral to the delivery of improved VfM performance. Its VfM strategy puts value for money at the heart of the organisation and forms part of an integrated service and financial planning process which is underpinned by:

- a robust financial strategy into which efficiency targets are explicitly written;
- efficiency targets reflect the prioritisation of business objectives in the combined business plan and budget document;
- quarterly reporting on KPIs and efficiency savings against annual targets to both the Performance and Quality Assurance Committee and the Scrutiny Panel;
- a clear understanding of costs and comparisons with similar organisations in a similar operating environment through major benchmarking organisations such as HouseMark;
- an up-to-date procurement strategy linked to the priorities for service delivery and improvement;
- improved financial and performance management frameworks complemented by lean systems reviews;

- ensuring that all reports to the Board include a VfM dimension and description as to how the decision being taken will improve VfM;
- reviews of individual services by the Scrutiny Panel.

The Board supports a co-regulatory system, with a clearer role for tenants in scrutinising performance and the standards of local services that are delivered. A Scrutiny Group has operated since May 2011 and has completed a number of reviews which have resulted in many improvements to frontline services such as customer profiling, baby changing facilities in reception toilets at Greengates House, improved signage, telephone surveys of customer satisfaction, through to the launch of the 'Learning Hive' at Catchgate, in partnership with the Northern Learning Trust to provide community-led initiatives and accessible learning to boost employability.

The Board sets annual efficiency targets (cashable and non-cashable) when approving the rolling business plan and annual budget. Between 2010/11 and 2015/16 Derwentside Homes has delivered efficiency savings of £12.485m against a target of £8.788m

Cashable savings account for 97.4% of the total. The Association has generated savings in the following areas:

- Development and procurement (£5.658m)
- Reduced pension fund contributions (£2.860m)
- Building Services (£1.476m)
- Operational savings (Housing and Building Services) (£1.652m)
- Other savings (£0.839m)

For 2016/17 the Board has set a target of £11.447m savings over the five year period of the business plan.

Making savings in the work Derwentside Homes carries out is a priority for the Association and its tenants as all money saved is reinvested back into tenants' homes and services. Tenants' rents pay for the services the Association provides. With increasingly fewer opportunities to access funding from other sources, it is vital that Derwentside Homes makes the most of every penny it receives. The Association's approach goes way beyond 'bricks and mortar' to ensure that its business helps individuals and communities adversely affected by the economic recession. The Association's holistic approach to efficiency has enabled it to deliver genuine service improvements and efficiencies and to invest in communities to protect its investment in homes and neighbourhoods through a range of measures to maximise tenants' incomes and employment opportunities.

### **3. Maximising Return on Assets**

**Under the standard a registered provider is expected to understand the return on its assets, and have a strategy for optimising the future returns on assets- including rigorous appraisal of all potential options for improving value for money including the potential benefits in alternative delivery models- measured against the organisation's purpose and objectives.**

### 3.1 Asset Value

Derwentside Homes is now in its tenth year of operation. The Association has delivered the £70million, 5-year investment programme and the 63 promises made to tenants at the time of transfer, met the Decent Homes Standard (November 2010) and built its first new homes. Following the delivery of the initial programme the value of the Group's stock increased from £2.4m at the date of transfer to £108m at 31<sup>st</sup> March 2012. At 31<sup>st</sup> March 2016 the Group's stock achieved a valuation of £172.5m – a more than seventy-fold increase over 10 years.

Derwentside Homes has a comprehensive asset management strategy. The aim of the strategy can be summarised as:

‘Maintaining and investing and managing existing homes, and providing new homes ...  
... as effectively as possible ...  
... creating places where people want to live ...  
... at a cost which both they and the business can afford’

There are several key strategies which support the delivery of the priorities in the asset management strategies. These include the Association’s Community Investment Strategy, its Corporate Social Responsibility Policy and its Environmental Sustainability Strategy and Action Plan.

Derwentside Homes has a clear understanding of the value of assets in the context of delivering the organisation’s objectives and has used the INSIGHT strategic asset management tool to understand and make the most of the linkages between investment, demand and viability of each of its 62 estates. The model enables the Association to shine a light on the financial and non-financial performance of estates. It combines long-term financial assessment with a broader insight into popularity and prospects to help to shape judgments on where to focus investment in both the housing stock in different localities as well as investment in the wider community.

INSIGHT produces a sustainability matrix which allows DH to develop and apply sound strategic and financial plans based on a clear understanding of stock performance and trends. Sustainability is reviewed annually by the Asset Management Group to highlight stock that requires a closer focus/further study prior to investment, to dictate investment decisions and identify trends in stock performance. Our sustainability model ensures that our attention is focused; delivering the maximum benefit from the resources we have available.

The Association’s understanding of costs and asset values enables staff to make informed decisions on maintenance and capital investment at an estate and granular level, and whilst there are no properties which are under currently review the tool enables the Association to make any future decisions on retention, conversion or disposal of stock based upon a clear understanding of the differing financial and non-financial values of properties by location and stock type.

# Derwentside Homes' Sustainability Matrix

## Sustainability Matrix March 2016– Overall Summary

| Social Housing Value  |                         | Derwentside 2016 |               |                     |               |           |      |  |
|-----------------------|-------------------------|------------------|---------------|---------------------|---------------|-----------|------|--|
|                       | All Stock Average £kMWh | £30,257          | 100           | 11.7                | 8.1           | 29.8      | 72.4 |  |
| Neighbourhood         | Stock                   | NPV              | NPV Weighting | Service Performance | Wider Picture | SHV Total | SAP  |  |
| Acton Dene Estate     | 114                     | £20,968          | 10            | 16                  | 9             | 35        | 71   |  |
| Alder Crescent Area   | 73                      | £26,154          | 10            | 11                  | 7             | 28        | 70   |  |
| Alderdene             | 23                      | £27,657          | 10            | 16                  | 8             | 34        | 64   |  |
| Annfield Place        | 28                      | £25,077          | 10            | 11                  | 8             | 29        | 73   |  |
| Avon Road             | 370                     | £29,205          | 10            | 10                  | 11            | 31        | 73   |  |
| Bentleystead          | 176                     | £39,301          | 10            | 12                  | 8             | 30        | 71   |  |
| Billie Pit            | 142                     | £29,026          | 10            | 11                  | 8             | 29        | 73   |  |
| Blackfynne            | 38                      | £33,258          | 10            | 12                  | 7             | 29        | 75   |  |
| Briarclere            | 51                      | £32,946          | 10            | 15                  | 8             | 33        | 74   |  |
| Bridgehill            | 41                      | £39,295          | 10            | 10                  | 7             | 27        | 71   |  |
| Burnhope              | 126                     | £33,207          | 10            | 10                  | 8             | 28        | 72   |  |
| Castleside            | 35                      | £29,683          | 10            | 14                  | 7             | 31        | 66   |  |
| Central and New Kyo   | 82                      | £42,357          | 10            | 13                  | 8             | 31        | 76   |  |
| Chester Road Estate   | 181                     | £30,717          | 10            | 10                  | 7             | 27        | 73   |  |
| Church Estate         | 251                     | £34,725          | 10            | 11                  | 8             | 29        | 74   |  |
| Consett               | 235                     | £32,998          | 10            | 11                  | 7             | 28        | 71   |  |
| Constable Close Area  | 116                     | £30,108          | 10            | 11                  | 8             | 29        | 72   |  |
| Craghead              | 210                     | £25,680          | 10            | 11                  | 8             | 29        | 72   |  |
| Crookgate             | 16                      | £33,385          | 10            | 11                  | 7             | 28        | 71   |  |
| Delves Lane           | 332                     | £31,678          | 10            | 11                  | 8             | 29        | 73   |  |
| Delves Lane - IMR     | 5                       | £44,715          | 10            | 14                  | 7             | 31        | 86   |  |
| Dipton                | 222                     | £24,732          | 10            | 11                  | 8             | 29        | 74   |  |
| Durham Road           | 174                     | £37,652          | 10            | 10                  | 8             | 28        | 73   |  |
| Durham Road Estate    | 141                     | £30,615          | 10            | 12                  | 8             | 30        | 74   |  |
| East Stanley          | 291                     | £30,768          | 10            | 10                  | 8             | 28        | 74   |  |
| Eastfields/Westfields | 80                      | £21,474          | 10            | 10                  | 8             | 28        | 77   |  |
| Ebchester             | 58                      | £31,548          | 10            | 10                  | 8             | 28        | 71   |  |
| Ewhurst               | 5                       | £20,391          | 10            | 14                  | 7             | 31        | 69   |  |
| Famous Ladies         | 89                      | £30,039          | 10            | 10                  | 10            | 30        | 72   |  |
| Firings Avenue Estate | 55                      | £29,337          | 10            | 11                  | 7             | 28        | 70   |  |
| Front Street          | 117                     | £22,935          | 10            | 14                  | 7             | 31        | 72   |  |
| Good Street           | 71                      | £28,406          | 10            | 15                  | 7             | 32        | 74   |  |
| Greenwood Avenue      | 39                      | £34,007          | 10            | 11                  | 7             | 28        | 71   |  |
| Hamsterley            | 107                     | £38,144          | 10            | 14                  | 8             | 32        | 76   |  |
| Harelaw               | 19                      | £32,404          | 10            | 13                  | 8             | 31        | 70   |  |
| Harperley and Royals  | 158                     | £24,298          | 10            | 15                  | 8             | 33        | 73   |  |
| Hills and Composers   | 190                     | £28,475          | 10            | 16                  | 9             | 35        | 73   |  |
| Hollyhill Gardens     | 97                      | £26,657          | 10            | 13                  | 10            | 33        | 71   |  |
| Jet Estate            | 130                     | £32,308          | 10            | 11                  | 9             | 30        | 72   |  |
| Langley Park Estate   | 134                     | £28,226          | 10            | 11                  | 8             | 29        | 72   |  |
| Lilac Crescent Park   | 21                      | £37,177          | 10            | 14                  | 7             | 31        | 71   |  |
| Lily Gardens          | 14                      | £36,051          | 10            | 11                  | 7             | 28        | 73   |  |
| Umb/Leazes            | 225                     | £30,968          | 10            | 11                  | 7             | 28        | 72   |  |
| Louisa Estate         | 45                      | £31,687          | 10            | 10                  | 7             | 27        | 72   |  |
| Mandela               | 11                      | £42,938          | 10            | 9                   | 8             | 27        | 74   |  |
| Meadowfield           | 5                       | £50,831          | 10            | 14                  | 7             | 31        | 78   |  |
| Medomsley             | 46                      | £34,570          | 10            | 11                  | 7             | 28        | 78   |  |
| Moorside Estate       | 273                     | £32,782          | 10            | 12                  | 8             | 30        | 72   |  |
| Old Annfield Plain    | 100                     | £32,655          | 10            | 13                  | 8             | 31        | 71   |  |
| Pont Head             | 42                      | £34,512          | 10            | 13                  | 9             | 32        | 71   |  |
| Redbrick Estate       | 84                      | £25,966          | 10            | 13                  | 8             | 31        | 71   |  |
| Rivers Estate         | 168                     | £25,124          | 10            | 10                  | 9             | 29        | 71   |  |
| Satley                | 5                       | £34,331          | 10            | 15                  | 7             | 32        | 65   |  |
| Shield Row            | 110                     | £31,280          | 10            | 11                  | 8             | 29        | 72   |  |
| Shotley Bridge        | 25                      | £30,546          | 10            | 13                  | 7             | 30        | 70   |  |
| Sleepy Valley         | 66                      | £26,765          | 10            | 15                  | 7             | 32        | 71   |  |
| South Moor            | 56                      | £34,536          | 10            | 12                  | 7             | 29        | 72   |  |
| Tanfield              | 156                     | £24,944          | 10            | 10                  | 7             | 27        | 72   |  |
| The Dene              | 79                      | £25,540          | 10            | 14                  | 6             | 30        | 71   |  |
| The Grove             | 177                     | £31,348          | 10            | 14                  | 8             | 32        | 72   |  |
| The Kop               | 47                      | £32,052          | 10            | 10                  | 9             | 29        | 75   |  |
| Trees Estate          | 123                     | £25,889          | 10            | 15                  | 9             | 34        | 70   |  |

## Purpose of briefing note

This briefing note provides a summary of the current Sustainability Matrix (HFAT) of Derwentside Homes.

### Background

HFAT is a strategic asset management tool which allows Derwentside Homes to analyse the sustainability of its housing stock (excluding shops, garages, Prince Bishop Homes) on 62 estates by focusing attention and providing a clear understanding of the financial and historic “social” performance of that stock (including the different groups and types of stock).

HFAT produces a sustainability matrix which allows Derwentside Homes to develop and apply sound strategic and financial plans based on a clear understanding of stock performance and trends. The matrix utilises a traffic light system to facilitate ease of use, with the classifications of green, amber and red defined by Derwentside Homes, e.g. any estate with an average Net Present Value (NPV - The NPV of an investment is calculated by using a discount rate and a series of future payments [negative values] and income [positive values] over a given period) of less than £10,000 will be classified as red, between £10,000 and £20,000 amber, and greater than £20,000 as green. Stock is viewed from two different aspects utilising the basic management information we already possess or that is readily available:

Key financial information utilising Net Present Value of expenditure and net rental streams (over a 30 year period), including:

- Rent charges
- Rent loss through void properties
- The capital investment required to maintain each individual property at the Derwentside Homes standard
- Repair costs
- Housing management costs

Key “non-financial indicators” closely related to the current performance, future performance and prospects of our stock, including:

- Stock turnover
- Tenancy duration
- Housing management assessment of estates;
- Tenants satisfaction with their neighbourhood (STATUS/ STAR);
- Tenant satisfaction with their home (STATUS/ STAR);
- Social deprivation

Sustainability is then reviewed annually to highlight stock that requires a closer focus/further study prior to investment, dictate investment decisions and identify trends in stock performance. Our sustainability model ensures that our attention is focused; delivering the maximum benefit from the resource we have available.

### Sustainability Matrix Outputs

- All estates are currently sustainable over a 30 year period.

- No estates have red or amber traffic lights in relation to NPV
- Acton Dene continues to have the lowest NPV of all estates but this has increased from £8,500 in 2012 to £20,968 in 2016. This can be largely attributed to significant investment in the estate both in terms of planned maintenance programmes and housing management time which has resulted in reduced numbers and lengths of voids and reduce responsive repair costs.

The bands which determine the colour coding of each performance indicator focus our attention and it is therefore critical that these bands are appropriate and reviewed on an annual basis.

### **3.2 Stock Condition**

Derwentside Homes operates a “live” stock condition database (Keystone) which is populated with data from actual stock condition survey information, live data input from capital programmes/completions and historic information gathered from servicing regimes.

Staff have supplemented these data sets by way of specialist sustainability surveys of sheltered accommodation and dwellings of non-traditional construction. These data sets are combined with data on the sustainability of all properties and tenant aspirations, to develop plans for the repair and maintenance and capital investment in our properties.

The stock condition database, which includes the surveys carried out as part of the externally verified major revaluation exercise with our funders in 2012, produced a 30-year investment requirement of £396.3m (inclusive of inflation and fees) for modernising and improving the stock. The resources to undertake this programme are included in the 30 year business plan.

### **3.3 New Homes Development**

Derwentside Homes’ development programme over the next four years includes 17 new general needs homes.

At 31<sup>st</sup> March 2016 PBH owned/managed 377 homes and has plans to expand to have 782 homes by Q2 2018/19. The Strategic Business Plan estimates that there will be 72 open market sales over the next 3 years (2016/17-2018/19)

The Boards of Derwentside Homes and Prince Bishops Homes have set robust evaluation criteria for projects as well as a standard methodologies and templates for risk assessments.

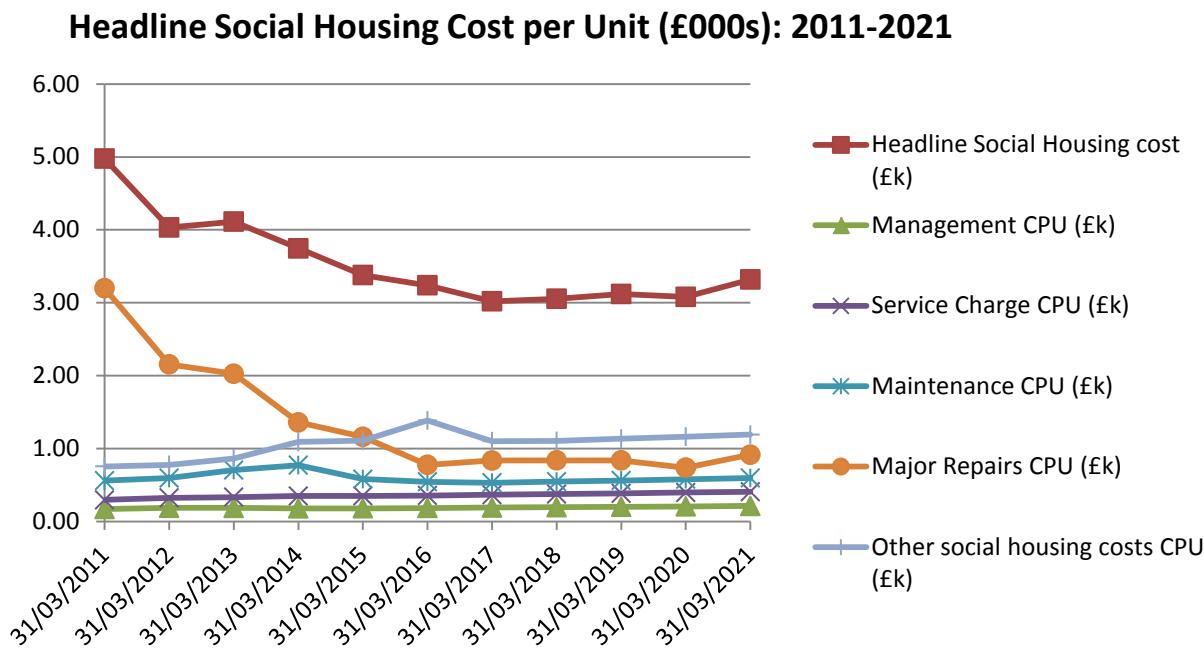
### **3.4 Valuation of Stock and Return on Assets**

|                           | Property<br>Valuation<br>£'000 | Turnover<br>£'000 | Operating<br>Surplus<br>£'000 | Operating<br>Margin<br>% | Yield<br>% |
|---------------------------|--------------------------------|-------------------|-------------------------------|--------------------------|------------|
| <b>Social Housing</b>     |                                |                   |                               |                          |            |
| <b>Lettings</b>           | 128,386                        | 30,049            | 9,128                         | 30.37%                   | 7.11%      |
| <b>Non Social Housing</b> | 38,270                         | 3,912             | 1,872                         | 47.85%                   | 4.89%      |
| <b>Total</b>              | 166,656                        | 33,961            | 11,000                        | 32.40%                   | 6.60%      |

### 3.5 Rents

Rent levels for 2016/17 are based on 2015/16 actuals. From 2016/17 to 2019/20 rent levels for general needs housing (excluding sheltered housing) are reduced by 1% over the next four years, returning to CPI plus 1% from 2020/21. Rents for sheltered housing are increased by CPI+1% for 2016/17 and then at only CPI beyond this date, given the uncertainty over the future of the application of the Local Housing Allowance to this group of properties.

### 3.6 Headline Social Housing Costs per Unit



Derwentside Homes will deliver the savings identified in the 2016/17 Strategic Business Plan to enable the association to trade successfully throughout the period 2016/17-2019/20 when rents paid in the social housing sector are reduced by 1% a year.

During 2015/16 Derwentside Homes achieved £3.498m of savings towards the target of £11.447m over the period to 31<sup>st</sup> March 2020. The association has undertaken a detailed analysis of its social housing cost per unit (CPU). Our analysis shows that over the period 2011/12 – 2020/21 the headline CPU will have reduced from £4,980 to a projected £3,320 by 31<sup>st</sup> March 2021. The Board is, therefore, confident that it will respond effectively to the challenges of the rent regime over the period to 2020, by sustaining high levels of performance across all services and by demonstrating that it has a robust approach to delivering significant future efficiencies while continuing to meet its mission and strategic objectives.

In conclusion, the Board will continue to ensure that its governance and approach to VfM:

- explicitly take into consideration the absolute and relative costs of service provision (including the unit costs calculated by the HCA);
- can explain and evidence a clear thread running from the organisation's mission and strategic objectives to its use of resources, return on assets and plans for future efficiency gains;

- are robust and persuasive in arguing that the organisation will be able to deliver significant future efficiencies while continuing to meet its mission and strategic objectives.
- demonstrate that Board Directors are alive to the need to maintain vigilance on VfM and will continue to deliver cost reductions.

### **3.7 Social returns using the Housing Associations' Charitable Trust (HACT) model**

Our tenants' social and economic needs are not met by bricks and mortar alone: our homes cannot be seen in isolation to the communities in which they are located. The wellbeing and prosperity of our tenants is essential to our success. We will therefore support and invest in the communities in which we work to ensure they are strong and sustainable.

We work in a diverse area with a number of different communities, each with their own needs and unique characteristics. We have some of the most deprived neighbourhoods in the country and people living in many parts of Derwentside suffer from significant issues of low income, worklessness, poor health and low educational attainment.

We have developed several engagement projects to address some of these needs. Measuring the impact of investment in these projects is critical to assessing the extent to which need is being met, and ensuring value for money. Research has shown that the value of a good or service is subjective and as such measuring the value of our engagement work is often difficult to quantify. To address this we have applied a combination of the Wellbeing Valuation (WV) method developed by HACT as well as the financial outputs of the projects to attempt to quantify our work.

We have implemented the HACT model and stringently evidence the outcomes of our investment.

We have successfully attracted grant funding to support our community work which has supplemented the investment we have made in several projects.

Our contributions to these projects has been through the contribution of staff resources without direct financial assistance and are not included in our rate of return calculations but are further evidence of our engagement and investment activities.

### **4.0 Understanding costs and outcomes**

**Under the standard registered providers are expected to demonstrate that they understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so.**

We understand our costs and the key drivers for those costs. We subscribe to Housemark's core cost and performance benchmarking service which helps housing organisations to assess the effectiveness of housing management and maintenance activities.

The association will continue to use the HouseMark data to:

- support annual planning processes, informing priorities for investment, improvement and efficiency savings;
- inform priorities for service review;
- enable Board Directors and the Scrutiny Panel to better understand the Association's relative performance and costs.

## 4.1 Benchmarking

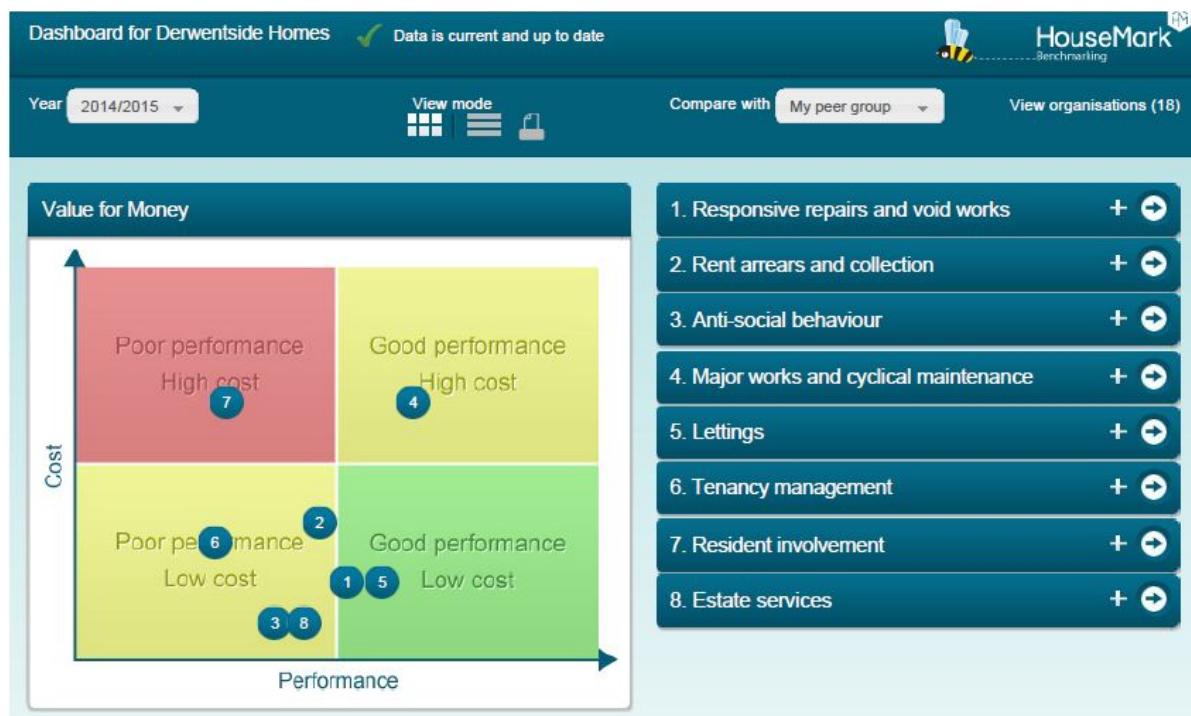
The following table summarises our key VfM measures against our Peer Group (Appendix 1). The Cost Per Property (CPP) of specific services:

| KPI   | Sample Size | Upper  | Median | Lower  | Derwentside Homes (2015/2016) |      |          | Derwentside Homes (2014/2015) |      |          |
|---|-------------|--------|--------|--------|-------------------------------|------|----------|-------------------------------|------|----------|
|   |             |        |        |        | Result                        | Rank | Quartile | Result                        | Rank | Quartile |
|   |             |        |        |        |                               |      |          |                               |      |          |
| Total CPP of Housing Management                 | 31          | 352.27 | 420.07 | 473.50 | 271.48                        | 2    | ★        | 326.45                        | 6    | ★        |
| Direct CPP of Housing Management                | 31          | 223.83 | 247.45 | 279.85 | 162.46                        | 2    | ★        | 208.40                        | 7    | ★        |
| Direct CPP of Rent Arrears & Collection         | 31          | 69.35  | 76.08  | 95.68  | 69.37                         | 9    | 🟡        | 73.75                         | 12   | 🟡        |
| Direct CPP of Resident Involvement              | 31          | 22.73  | 31.99  | 43.56  | 8.51                          | 3    | ★        | 45.81                         | 26   | 🔴        |
| Direct CPP of Anti-Social Behaviour             | 31          | 25.68  | 32.65  | 42.14  | 11.73                         | 1    | ★        | 15.30                         | 4    | ★        |
| Direct CPP of Lettings                          | 31          | 35.12  | 37.81  | 49.80  | 35.03                         | 8    | ★        | 36.93                         | 13   | 🟡        |
| Direct CPP of Tenancy Management                | 31          | 45.93  | 56.25  | 76.03  | 37.82                         | 4    | ★        | 36.19                         | 3    | ★        |
| Total CPP of Major Works & Cyclical Maintenance | 31          | 1,206  | 1,345  | 1,733  | 1,203                         | 8    | ★        | 1,673                         | 24   | 🟡        |
| Total CPP of Responsive Repairs & Void Works    | 31          | 710    | 802    | 945    | 624                           | 3    | ★        | 748                           | 13   | 🟡        |

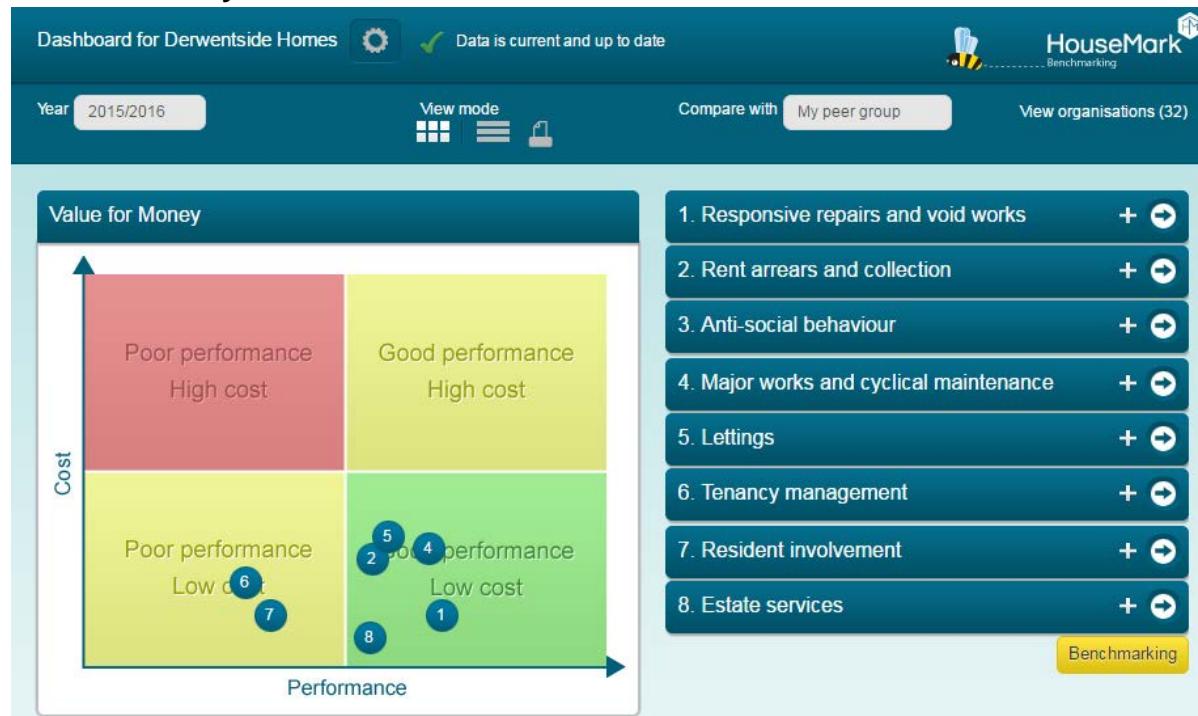
| Quartile key  |                |              |        |              |                |     |         |
|---------------|----------------|--------------|--------|--------------|----------------|-----|---------|
|               | Upper Quartile | Middle Upper | Median | Middle Lower | Lower Quartile | N/A | No Data |
| Valid dataset | ★              | 🟡            | ⚪      | 🟡            | 🔴              | ⚫   | 🟡       |
| Small dataset | ★              | 🟡            | !      | 🟡            | !              | !   | 🟡       |

From 2015/16, Derwentside Homes adopted a revised peer group to incorporate other organisation types rather than just LSTVs as in previous years and organisations with a wider range of properties in order to evaluate ourselves against the larger registered providers in the region. The peer group continues to focus on organisations which serve similar geographic and demographic profiles of communities within the northern areas of the country.

## Value for Money Dashboard 2014/15



## Value for Money Dashboard 2015/16



As highlighted by the Value for Money Dashboards above, Derwentside Homes has improved those services that were identified as high cost in previous years. The profile of service performance has improved overall over the two years as shown in the table below, with 1 indicator being unavailable for 2015/16 due to a revision of service user satisfaction surveys in ASB.

| Performance Quartiles | 2014/15 | 2015/16 |
|-----------------------|---------|---------|
| Upper quartile        | 17      | 22      |
| Upper middle quartile | 8       | 8       |
| Lower middle quartile | 9       | 8       |
| Bottom quartile       | 7       | 2       |
| Total                 | 41      | 40      |

## Value for Money Scorecard for 2015/16

| Scorecard Year 2015-2016   |  |  |  |  |  |  |
|--|--|--|--|--|--|--|
| Process  | People   |  |  |  |  |  |
| Rent collected from current and former tenants as % rent due (excl. arrears b/f) | Value Previous Trend Median KPI  |  |  |  |  |  |
| 99.4% 99.3%  99.6%   | Staff turnover in the year %   |  |  |  |  |  |
| Average re-let time (standard re-lets)   | 22.7% 5.3%  16.7%  |  |  |  |  |  |
| Repairs completed at the first visit %   | Sickness absence average days/shifts lost per employee                         |  |  |  |  |  |
| Average no. of calendar days taken to complete repairs                           | 9.3 9.9  8.8   |  |  |  |  |  |
| <br>   | <br>   |  |  |  |  |  |
| <b>Value</b>   | <b>Business &amp; Financial</b>  |  |  |  |  |  |
| Satisfaction with quality of new home %  | Value Previous Trend Median KPI  |  |  |  |  |  |
| 96.0% 100.0%  95.5%  | Total CPP of Housing Management £271.48 £323.94  £422.97                       |  |  |  |  |  |
| Satisfaction with service provided %   | Total CPP of Responsive Repairs & Void Works £624.41 £742.35  £797.85          |  |  |  |  |  |
| Satisfaction with repairs & maintenance %  | Total CPP of Major Works & Cyclical Maintenance £1,203.18 £1,659.86  £1,343.07 |  |  |  |  |  |
| Satisfaction with neighbourhood %  | Total overhead costs as % adjusted turnover 10.2% 9.5%  11.1%                  |  |  |  |  |  |
| Satisfaction rent provides value for money %                                     | Current tenant arrears as % rent due (excluding voids) 2.31% 2.45%  3.01%      |  |  |  |  |  |
| Satisfaction service charges provide value for money %                           | Rent loss due to voids as % rent due 1.26% 1.18%  1.10%                        |  |  |  |  |  |
|  | Gross arrears written off as % rent due 1.13% 0.79%  0.57%                     |  |  |  |  |  |
|  | Growth in turnover 3.6% 2.8%  6.1%   |  |  |  |  |  |
|  | Operating margin 30.7% 34.2%  27.5%  |  |  |  |  |  |

Regarding the organisational Scorecard, we understand some of the reasons for lower performance during 2015/16:

- Staff turnover and reduced operating margin as a result of one-off voluntary redundancy costs due to the restructure of property services teams;
- High number of tenancy terminations and loss of rent due to empty properties as a result of changes to welfare benefits and restrictions on rehousing single people under the age of 25;
- Loss of rent written off as unrecoverable due to rigorous action to write-off FTAs; and
- Sickness absence, while improving, is being addressed by additional training for managers.

| Key to KPI symbols   |   |
|--|---|
| Performance  | Cost  |
| ★ = Your performance result is in the upper quartile of the peer group (top 25%)   | ⬇ = Your costs are lower than three-quarters of your peer group (lowest 25%)  |
| 🟡 = Your performance result is in the middle upper quartile of the peer group (between 25% & 50%)  | 🟡 = Your costs are less than the average for your peer group  |
| ○ = Your performance result is equal to the median of the peer group   | ➡ = Your costs are equal to the median of your peer group   |
| 🟠 = Your performance result is in the middle lower quartile of the peer group (between 50% & 75%)  | 🟠 = Your costs are higher than the average for your peer group  |
| 🔴 = Your performance result is in the lower quartile of the peer group (between 75% & 100%)  | ⬆ = Your costs are higher than three-quarters of your peer group (highest 25%)  |
| Key to trend symbols   |   |
| Performance  | Cost  |
| ★ = Your performance trend (the actual change in your year-on-year performance) is upper quartile when compared to the trend for your peer group               | ⬇ = The actual change in your year on year costs shows that your costs are decreasing more quickly (or increasing more slowly) than three quarters of your peer group |
| 🟡 = Your performance trend (the actual change in your year-on-year performance) is in the middle upper quartile when compared to the trend for your peer group | 🟡 = The actual change in your year on year costs shows that your costs are decreasing more quickly (or increasing more slowly) than half of your peer group           |
| ○ = Your performance trend (the actual change in your year-on-year performance) is equal to the median when compared to the trend for your peer group          | ➡ = The actual change in your year on year costs shows that your costs are increasing (or decreasing) at the median rate for your peer group                          |
| 🟠 = Your performance trend (the actual change in your year-on-year performance) is in the middle lower quartile when compared to the trend for your peer group | 🟠 = The actual change in your year on year costs shows that your costs are increasing more quickly (or decreasing more slowly) than half of your peer group           |
| 🔴 = Your performance trend (the actual change in your year-on-year performance) is lower quartile when compared to the trend for your peer group.              | ⬆ = The actual change in your year on year costs shows that your costs are increasing more quickly (or decreasing more slowly) than three quarters of your peer group |

## **5. Conclusions and Action Plan**

**Under the standard registered providers are expected to publish a statement of compliance with the HCA's VfM standard or to explain areas of non-compliance.**

Derwentside Homes' VfM strategy supports its determination to deliver enhanced services and improved outcomes for residents as well as cost savings in all of its activities. We will continue to achieve savings through service reviews and by promoting the efficiency agenda within the culture and framework of the Association.

The Association's performance management and scrutiny functions are integral to the delivery of improved VfM performance. VfM is at the heart of the organisation and forms part of an integrated service and financial planning process

Derwentside Homes has a clear understanding of the value of assets in the context of delivering the organisation's objectives and is able to make the most of the linkages between investment demand and viability of each of its 62 estates at both an estate level and in granular detail.

The Association understands its costs and both the financial and social value of its services. The Association also recognises that a focus on delivering operational efficiencies will enable staff to focus their efforts and resources on initiatives that will impact most positively in local communities and on the lives of our customers, many of whom live in the most disadvantaged areas in which the Association operates. The Association's organisational review has ensured that the Association is able to respond positively to the major challenges facing the sector and to develop the expanded role it needs to play in communities beyond that of being just another landlord.

Derwentside Homes believes that it complies with the HCA's VfM standard. The Association recognises that further action is required over the next 24 months to ensure that it continues to deliver value for money services. The Association's actions will include:

- embedding the organisational review to position the Association to face the major challenges confronting the sector. These include:
  - maintaining frontline services while streamlining management operations to reduce costs and retain viability in the face of funding cuts;
  - reconciling the needs of low-income tenants living in social rented homes with the cumulative impacts of cuts to local services, housing and welfare reform (including digital inclusion);
  - finding new ways of managing and initiatives to save resources against a background of the rising cost of energy and other commodities, such as food and building materials;
  - helping to create more viable, economically active and productive communities and responding to the Big Society and localism agendas while helping the neediest groups in society.

Our organisational review has established a new operating structure for the Association which provides:

- a focus on attracting and committing funds for development, new business and community investment;
- an organisation which is clear about the expanded role it needs to play in communities beyond that of simply being a landlord;
- a sustained focus on getting the basics right-on improving the quality and consistency of frontline services underpinned by effective financial management.
- a highly motivated and skilled workforce operating within a dynamic and innovative working environment.

The Association will also carry out the following activities over the next 5 years including:

- growing the business through PBH as the main development arm of Derwentside Homes delivering both affordable and market rent properties;
- delivering the savings identified in the 2016/17 Strategic Business Plan to enable the association to trade successfully throughout the period 2016/17-2019/20 when rents paid in the social housing sector are reduced by 1% a year;
- proactively seeking a partner to develop a new model organisation in the North East following adoption by the Board of the principles set out in the NHF report 'Mergers, Group Structures and Partnerships- A voluntary code for housing associations' (2015)
- continuing to deliver a comprehensive response to Welfare Reform which maximises rental income for the Association and promotes thriving tenancies and communities;
- developing a more systematic approach to benchmarking using HCA Global Accounts, HouseMark and other benchmarking mechanisms;
- using benchmarking data as a can opener to engage staff in moving forward the VfM agenda;
- ensuring that the Board and Executive actively champion VfM, giving it a high profile across the business and making it an integral part of the day job;
- foster and support active resident scrutiny of costs and quality;
- continue to invest in staff and cultural development to create a more flexible workforce;
- build upon existing 'invest to save' initiatives such as money advice and welfare rights, diversionary activities and supporting family intervention projects;
- establishing a long-term programme of service reviews in place to drive VfM improvements, with a well-developed approach involving the Board, staff and tenants;
- develop a more sophisticated approach to customer profiling to ensure that the association continues to maximise the beneficial impact of specific types of support for individual tenants, particularly those households affected by the roll out of Universal Credit;
- further develop its understanding of the concept of social value so that it is clear about the social value the business is achieving;
- continue to proactively manage the return on assets, with robust links between corporate-level data such as gearing ratio) and individual property-related data used to inform invest/disinvest decisions for individual properties;
- further refine its approach to compliance and keep under review its risk management approach to ensure that the Board continues to proactively monitor and mitigate compliance risks against a background of a challenging operating environment.

## **Appendix 1: Peer Group**

### **Derwentside Homes' Benchmarking Peer Group**

Berneslai Homes  
Bernicia Group  
Bolton at Home  
Broadacres Housing Association  
Cestria Community Housing  
Coast and Country Housing  
Dale and Valley Homes  
Durham City Homes  
Durham County Council  
East Durham Homes  
Endeavour Housing Association  
First Ark  
First Choice Homes Oldham  
Four Housing  
Gateshead Housing Company  
Gentoo Sunderland  
Great Places Housing Group  
Halton Housing Trust  
Helena Partnerships  
Home Group (The Association)  
Housing Pendle  
Irwell Valley Housing Association  
Isos Housing  
Johnnie Johnson Housing Trust  
Leeds Federated Housing Association  
Livin  
Magenta Living  
North Lincolnshire Homes (Now known as Ongo)  
North Tyneside Council  
Northwards Housing  
Peaks and Plains Housing Trust  
Regenda Group  
Riverside Group  
Salix Homes  
South Yorkshire Housing Association  
Teesdale Housing Association  
Thirteen Group  
Two Castles Housing Association  
Yorkshire Coast Homes  
Your Homes Newcastle  
Your Housing Group