

Value For Money

This statement sets out how we ensure we deliver high performing cost effective services that deliver Value For Money (VFM). It combines many elements of our value for money work which are carried out on a day to day basis throughout the organisation. It is the basis of what our stakeholders should expect from us.

Value for Money is fundamental to our unique approach, it was one of the drivers behind the formation of the TMOs that now make up Watmos. Like all Housing Associations, WATMOS is required to assess its 'use of resources' and demonstrate how it achieves value for money and continuous improvement.

Our operations are located across two geographical regions, Walsall and Lambeth, and local services are delivered under tenant management arrangements. WATMOS is committed to ensuring the provision of a high performance and cost effective service throughout the Group. It is equally committed to ensuring that front line services are delivered through the respective TMOs under the tenant management model. In turn the TMOs are also driven by a desire to provide the best possible service to their tenants.

We constantly monitor, review and challenge how we provide value in everything we do by:-

- Incorporating VFM in to the strategic Decision Making Process
- Embedding governance and reporting
- Meeting Regulator Requirements
- Regular Reporting on Performance
- Encouraging Efficiency Savings
- Implementing Value within Procurement
- Adding Social Value Through Our TMOs

VFM in Strategic Decisions

Our Vision communicates a clear understanding of what is important to Watmos to all our stakeholders and how we deliver value is part of that vision. The strategic framework for business planning allows our TMOs to pursue their own priorities determined by their individual circumstances with shared priorities, core values and Watmos-wide issues developed and adopted in each of the individual plans.

Our Annual Report and Financial Statements show how we are managing performance and our finances and we regularly seek the opinions of our customers to ensure the quality of our services. Our corporate plan turns our objectives into actions so operational staff and TMOs are clear on what they need to achieve.

Governance and Reporting

This approach to Value for Money is firmly embedded at all levels throughout the Watmos.

Group Board

Strategic decisions are led by the Group Board and Value for Money is key within this. Regular reports on value for money achievements are received and report formats include a section for value for money impacts.

Audit Committee and Area Boards

Reporting and control is reviewed by the Audit Committee whilst Local Area Boards review performance and viability

TMO Committees

Local decision making through our TMOs enables local factors to influence the decision making process. This level of local autonomy ensures that local needs are met in a way that offers the best value.

Executive Team and Senior Managers

Our Executive Team is responsible for ensuring the cascade of objectives throughout the organisation and ensuring that value for money is at the foundation of all we do.

Customer and Stakeholder Involvement

Research indicates that Tenant Management can deliver real value as tenants are in control of how their rent is spent. Customer involvement is a cornerstone of the tenant management principle. All of our tenants have the opportunity to be involved in the running of their estate. A full customer STAR survey is carried out every three years with the next survey due in 2015/16 and satisfaction surveys are carried out following interaction with customers.

Organisational Approach

All of our services are reviewed by an ongoing cyclical internal auditing process that is reported through the Audit Committee. Recommendations and areas of good practice are shared.

Our growth strategy is unusual in that we do not generally develop in an organic manner through new build due to a lack of opportunities within the confines of the geographic areas of our TMOs. Our approach is to encourage other TMOs to join the Watmos group and any potential acquisition must go through independent scrutiny and due diligence ensuring VFM and be agreed by the Board before being progressed.

Embedding Value For Money

The Board and Executive are responsible for giving clear leadership on driving and embedding value for money.

During the annual Business Plan process the Board reviews and confirms the social outcomes that form the core of our business objectives. Part of our commitment is to deliver an "efficient business" and the Board and the Executive set clear, measurable targets for cost savings, efficiency gains and the social returns these will be re-invested to deliver.

We recognise that we need to demonstrate continuous improvement across all our operations, and having reviewed our corporate governance structure and made personnel changes at a strategic

level, we have now re-focussed on a drive to deliver value for money across each and every part of the group's activities and operations. In doing so, we have:

- Identified a lead director to drive and enforce value for money
- Engaged with specialist consultants to independently advise the Executive and Board (e.g. Housemark and HACT)
- Undertaken a desktop assessment around value for money across key comparable activities
- Consulted with staff, area boards, group board and tenant groups through a process that demonstrated to TMOs and other resident and staffing groups, the improved services which can be brought about for residents when inefficiencies are tackled and how this will improve the lives of our residents.

Meeting Regulation Requirements

The current regulatory standard from the HCA outlines their expectations for social housing providers to demonstrate that they are delivering value for money services and how a culture of value for money is embedded in the organisation. Watmos is committed to offering a value for money service particularly with persisting economic pressures impacting on the sector.

Watmos is also committed to continuing to provide a high level of service to its customers through tenant management and at the same time demonstrate diligence in the management of its resources.

Below are extracts from the HCA Standard (italicised) coupled with some of the ways in which we deliver against them

“A robust approach to making decisions on the use of resources to deliver the provider's objectives, including an understanding of trade-offs and opportunity costs of its decisions”

The Business Plan Report gives insight on the investment of resources into our services. The business plan and resultant budgets also demonstrate how they follow and implement strategic objectives.

“Understand the return on assets, and have a strategy for maximising the future return on assets – including a rigorous appraisal of all potential options for improving VFM including the potential benefits in alternative delivery models – measured against the organisations purpose and objectives.”

On a purely commercial basis this is a simple question: the answer is how much financial return is made on the market value of each property. For a social housing organisation it is less obvious as the market value isn't easily determined.

We have carried out a financial assessment of the return on our assets. We commissioned Jones Lang LaSalle to assess our net return on our assets by assessing what the Net Present Value (NPV) of cash inflows is as a percentage of the Vacant Possession (VP) value of the properties. Net Present Value is a formula used to determine the present value of our properties by the discounted sum of all cash flows received from them, the analysis is set out in the following table.

TMO	Average of NPV (£)	Average of 2015 Estimated VP Values (£)	Return on Assets	
			2015	2014
Avenues (Walsall)	21,739	92,374	23.53%	23.50%
Burrowes Street (Walsall)	17,596	49,934	35.24%	35.30%
Chuckery (Walsall)	17,468	51,127	34.17%	34.20%
Delves East (Walsall)	20,689	83,069	24.91%	24.90%
Delves West (Walsall)	21,020	93,763	22.42%	22.40%
Ethelred (London)	27,899	252,400	11.05%	7.20%
Leamore (Walsall)	17,768	48,828	36.39%	36.40%
Metra (London)	28,358	201,951	14.04%	9.20%
Sandbank (Walsall)	17,525	46,324	37.83%	37.90%
Thorlands (London)	28,006	194,789	14.38%	9.40%
Twin Crescents (Walsall)	19,955	65,005	30.70%	30.50%
Total	21,983	120,875	18.19%	15.20%

The average return on assets is understandably lower for the London properties given their substantial high Vacant Possession value; however, we recognise that given the higher social rents being charged, the Average Net Present Value is below what could reasonably be expected, all other factors being equal. The Board recognise that greater resources are required during the initial years after a stock transfer in order to meet key promises to stakeholders and to deliver service improvement initiatives. Last year we stated that, over the following years, we expected the overall return on assets across the London properties to increase through a reduction in operating costs associated with the management and maintenance of these properties. This has begun to be borne out as can be seen by the year-on-year increase in return in the London area even set against the backdrop of increasing open market property values.

Our London sheltered properties offer the lowest return on assets, and as set out in our asset management plans, this area has undergone an investment review and improvements have begun to show an increase in return on assets.

Scheme	Average of NPV (£)	Average of 2015 Estimated VP Values (£)	Return on Assets	
			2015	2014
Ethelred Sheltered properties	£20,022	£185,793	10.78%	7.10%

Holding and investing in the right assets

Good practice dictates that our assets must generate more income than they cost to run. If not, the Social Housing Regulator is encouraging Registered Providers to rationalise their housing stock by selling or regenerating any units that do not generate a return and investing the proceeds in homes that will.

A core part of our values dictates that we only own homes where we have a dedicated local housing office managed by a Tenant Management Organisation partner that our residents can get to within a five minute walking distance and accordingly we must take a pragmatic approach to this.

- We have completed a review of our asset base and have assessed that income exceeds costs on all our homes.
- We do not hold any undesirable homes that need to be assessed for sale, regeneration or conversion to market rent at the point the homes becomes vacant for letting. However, some of our lower demand properties in high value areas could be considered for demolition in order to provide a greater number of better quality homes on the same foot print. These options are subject to further review in line with our Asset Management Strategy in 2017 which coincides with the end of the initial five year investment programme for our London properties.

Providing homes fit for purpose

WATMOS provides its services on a ‘human-scale’. Each TMO, supported by a central asset team, have a detailed knowledge and understanding of the housing stock including:

- past investment and future repair requirements
- demand for property types
- long term sustainability
- energy efficiency

The profile of our properties is set out below:

General Needs Properties	London	Walsall	Grand Total	%
Bedsits	62	20	82	3.1%
1 Bedroom	338	155	493	18.5%
2 Bedroom	224	1099	1323	49.6%
3 Bedroom	228	438	666	24.9%
4/5 Bedroom	89	16	105	3.9%
Total General Needs Properties	941	1728	2669	

Whilst the demand for London stock far exceeds supply, the demand in Walsall is lower particularly for bedsits.

Owning properties in the right locations

All of our homes are within designated estates and each is run by its TMO. WATMOS is not subjected to problems encountered by others in relation to dispersed or remote stock. WATMOS, through its area boards and TMOs focuses as much on community investment as investment in properties.

The ethos of the WATMOS model is to ensure that its tenants can relate to and become involved in the running of their community. Each TMO estate has a community centre provided by WATMOS to ensure that there is a place for community engagement events to take place. All community centres will be on the estate and easily accessible by our residents. This is borne out by over 4% of our tenants being actively involved in the organisation in 2014/15.

Investing in acquisition of additional stock

Watmos grows through acquiring and refurbishing TMO estates. In 2012 we acquired 959 properties in London and embarked on a refurbishment and regeneration programme. The acquisition represented around a 60% growth in property numbers and a 100% increase in turnover. Clearly, growth at this rate carries significant risk, and therefore the Association over the last 2 years has focussed on ensuring that these risks are appropriately managed and service delivery and performance management is embedded.

Providing Affordable Homes

In total we now own and manage over 2,600 homes. The average rent we charge p.a. is as follows

WATMOS Rent and Service Charges (2014)

Walsall Area	Net rent (£)	Service charge (£)	Gross Rent (£)	Target rent (£)	No of homes
WATMOS	72.88	8.86	81.74	73.10	1,733
Walsall Borough Average	84.47	3.72	88.19	86.30	25,553

WATMOS net rents in Walsall are 13.7% less than the Walsall average resulting in savings of around £627,000 per year to the tax payer when compared to other registered providers (assuming 60% of residents are in receipt of housing benefit).

Lambeth Area	Net rent (£)	Service charge (£)	Gross Rent (£)	Target rent (£)	No of homes
WATMOS	99.40	16.30	115.70	104.04	949
Lambeth Borough Average	111.44	8.53	119.97	121.99	18,259

WATMOS net rents in Lambeth are 10.8% less than the Lambeth average resulting in savings of

around £386,000 per year to the tax payer when compared to other registered providers (assuming 65% of residents are in receipt of housing benefit).

At Watmos we see Social Value through the positive impact we have on people's lives through letting good quality homes to people at rents they can afford and through the services we provide that support them.

Our TMO based service delivery model ensures that the accommodation and related service that we provide are designed to meet the needs of the communities they operate within. In 2014/15 we began an ongoing community mapping research programme to help the TMOs understand the impact they make in their communities. Each TMO is allocated resources to provide management and maintenance services and has the autonomy within their operational arrangements to deliver arrange of social objectives such as:

- Sustaining tenancies by meeting our tenants and their families needs throughout their tenancy by
- Community cohesion brought about by the money we spend on tenant participation, tackling ASB and community activities and facilities
- Improving life chances/opportunities and digital inclusion for our residents by encouraging use of ICT, providing wifi and internet kiosks and leveraging workplace opportunities through our contractors and suppliers.
- Promoting financial inclusion through welfare advice, outreach surgeries and home visits
- Delivering environmental benefits to our residents through reducing energy bills and carbon emissions, securing property boundaries and attaining the green neighbourhood standard
- Allocation of specific budgets for resident involvement
- Appointment of a Resident Involvement Officer in the London area

In addition to the traditional management role, each of our TMO partners takes the lead in developing local community initiatives. We take this extremely seriously. To evidence this we are proud to report that WATMOS has undertaken 985 social activities and 133 charitable events across the TMOs in the last financial year.

“Performance management and scrutiny functions which are effective at driving and delivering improved VFM performance.”

Key Performance Indicators (KPIs) are reported to The Executive Team, TMO Committees, Area Boards and the Group Board. The reports show progress on performance from previous periods and year to indicate a clear direction of travel.

There is healthy competition between TMOs to achieve high performance that drives value for money. There is an annual award for the best performing and most improved TMO based on their KPI scores which drives a natural push to the top.

A clear performance framework is also set out for TMOs with the ability for formal intervention where a TMO consistently fails to perform.

“Understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so.”

Watmos takes part in Housemark’s benchmarking to provide a validated assessment of how we perform cost, quality and satisfaction wise across a number of areas. The assessments provide analysis of cost and performance against a peer group of registered providers determined based on their geographic locality, their similar community/mutual/co-operative basis or as a recognised high performing provider.

This year’s findings are as follows:

Efficiency Summary for WATMOS Community Homes						
Business activity	Cost KPI	Cost KPI Quartile		Quality KPI	Quality KPI Quartile	
		WATMOS Community Homes (2014/2015) Scenario In QA	WATMOS Community Homes (2013/2014)		WATMOS Community Homes (2014/2015) Scenario In QA	WATMOS Community Homes (2013/2014)
Overheads	Overhead costs as % adjusted turnover			Overhead costs as % direct revenue costs		
Major works & cyclical maintenance	Total CPP of Major Works & Cyclical Maintenance			Percentage of tenants satisfied with the overall quality of their home (GN & HfOP)		
				Percentage of dwellings that are non-decent		
Responsive repairs & void works	Total CPP of Responsive Repairs & Void Works			Percentage of tenants satisfied with repairs and maintenance (GN & HfOP)		
				Average number of calendar days taken to complete repairs		
				Average re-let time in days (standard re-lets)		
Housing management	Total CPP of Housing Management			Percentage of tenants satisfied with the service provided (GN & HfOP)		
				Percentage of anti-social behaviour cases resolved successfully		
				Current tenant rent arrears as % of rent due		
Estate services	Total CPP of Estate Services			Percentage of tenants satisfied with their neighbourhood as a place to live (GN & HfOP)		

Quartile key							
	Upper Quartile	Middle Upper	Median	Middle Lower	Lower Quartile	N/A	No Data
Valid dataset							

CPP = Cost Per Property

Our cost performance is expensive in terms of our overheads, housing management and estate services. We recognise that the nature of our management model, where we provide estate level services through a network of TMOs, is challenging to provide at a similar cost per property as traditional models. It is also because of what we spend on Resident Participation, Engagement and Decision Making which in turn drives many of the social returns already mentioned. This does not mean we accept that we should be expensive and we aim to reduce costs through efficiency savings.

Response and void repairs performance, on the face of it, has deteriorated and we have fallen 1 position in the peer group since last year although we still achieved middle upper quartile. This is because cost per property has risen by £100 per property due to a review of how repairs management costs are allocated resulting in a shift of costs from management to repairs (conversely management costs reduced by £100 per property but this did not alter our position in the grouping).

Major works are identified as lower quartile and are coloured red which indicates inefficiency and, for Watmos, is misleading. We are undergoing an investment programme and high major works costs are an intended result of this. Essentially, low costs would indicate that the programme was not being implemented.

Overheads as a % of direct costs has moved negligibly by 0.14% and we are still in the same position in our peer group although this has been enough to slip from median to middle lower quartile. Current tenant rent arrears % has increased by 0.36% and, although we are again in the same rank position, it is sufficient to move below median.

We have eliminated all non-decent dwellings in 2014/15 to achieve upper quartile performance and we have also reduced our average repair time by ½ day to move into the top quartile for this indicator. Performance on re-let times has improved by 4.5 days although this is not sufficient to change our quartile position.

All satisfaction data is taken from our 3 yearly STAR survey and as such will not have moved. Our next STAR survey is due in 2015.

We took transfer of our London estates in 2012 and, in doing so, expanded significantly over a short period of time. There are contracts and service arrangements inherited with them from the local council and that are undergoing a process of review and alignment with the Watmos standard. We expect improvements as new procedures start to take effect.

Our VFM Strategy is supported by an action plan. Our progress against the plan has been reported to board along with our proposals for delivery efficiencies over the coming years.

Performance and Cost Management

2014/15 VFM Targets

<u>Measure</u>	<u>Delivered</u>	<u>2014/15 Achievements</u>
Targeted reinvestment in London Major Works	✓	An additional £400k was earmarked to be invested in London Properties. The budget was fully spent at year end and an increase is shown in the return on assets calculation for the London properties.
Funding allocation towards growth/acquisition projects	✗	Two potential acquisitions were identified, one a charitable trust in London and the other a TMO transfer in the Midlands. Although we were chosen as preferred partner for both projects, they did not proceed following a due diligence process so the allocation remains unspent.
Recruitment and development of higher apprenticeships	✓	Four apprentices were recruited to Walsall Central Team in 2014/15 of which 2 currently remain. Where possible we will aim to recruit them into substantive posts.
Appointment of Funding Officers to leverage investment into our neighbourhoods	✓	Oaks Consultancy provided a funding officer during the year to secure grant funding for the group and to train our own staff to be able to carry out this work on an ongoing basis. Final figures are yet to be known due the lead time in processing of applications and receipt of funds but at present we have secured funding of over £85k. Training has also been provided to our own staff to continue this initiative in-house.
Funding for resident engagement to improve involvement and scrutiny within the London area.	✓	Additional funding has been made available to provide a resident involvement officer to deliver a promise of the transfer agreement. The funds are being utilised and the activity is ongoing.
Roll out Wi-Fi access and install internet kiosks at all local offices.	✓	The last of the Walsall kiosks is being implemented following further assessments to find a suitable location. The London kiosks are on target for installation in 2015/16.
Funding for Community Mapping research to assist TMOs understanding their impact within their neighbourhoods	✓	The activity was undertaken in October 2014 with an update to the Executive Team and TMOs in February. From this Community Insight reports were prepared which will now be taken forward to identify linkages between our impact and costs.
Accredited learning for resident volunteers enabling them to gain qualifications and improve employment prospects	✗	Arrangements were made for delivery of the training through Walsall College. To date this has not taken place and therefore no expenditure has been incurred.
Working to achieve the gold standard for Investors in People (IIP)	●	In October 2014 we were assessed and achieved the silver standard and are now planning to undergo a further assessment with the hope of achieving the gold standard later this year.

Other achievements

A Procurement Team has been established to drive value for money on existing contracts. In the first 2 years a total contract value of around £5m will be reviewed. From inception to the end of the Financial Year 11 contracts were reviewed with a contract value of £713k and will deliver total savings of £67.4k (an overall saving of 9.5%). This excludes any savings made on new contracts where there is no previous contract for comparison. The contracts where the savings were made fell under the following headings:-

- Insurance – £45.1k
- ICT – £15.1
- Corporate – £2.4k
- Asset Management - £4.8k

We have installed back up communications lines to achieve zero downtime for our remote offices.

We have upgraded our servers, which were at capacity and were not achieving satisfactory performance to give us greater capacity and speed.

This year has seen a reduction in voids from 1.1% to 0.5% reflecting the positive impact we have on our estates.

Walsall Asset Management team leveraged £9k grant from Walsall Council to deliver a larger major adaptations programme.

Future Targets

We have set targets to achieve 4% efficiency savings each year for the next 5 years whilst not impacting on service quality. The target saving for 2015/16 is £389k. This further breaks down into £110k for Central Support and £219k for direct TMO savings. The target savings have been allocated to managers who have delegated responsibility for achieving the savings.

The newly formed Procurement Team will aim to continue make savings on contracts due for tender in 2015/16. Contracts due for tender by size in 2015/16 financial year include:

- Under £25k – 6 Contracts
- £25k to £100k – 5 Contracts
- £100k to £170k – 11 Contracts
- >£170k – (OJEU goods & service approx. limit) 7 Contracts
- >£4.3m – (OJEU works approx. limit) 1 contract

London estate based contracts will be reviewed and either retendered or brought in-house to improve efficiencies.

Further, increased, leverage of grants towards major adaptation works.

The procurement team will facilitate joint working and partnering amongst the TMOs to achieve better economies of scale.

We will seek to complete a follow up IIP Assessment to achieve the gold standard.

There will be a focus to drive performance upwards targeting weaker areas first. All parts of the organisation will be required to attain Governance standards through accredited Kitemark assessments. Walsall TMOs have previously been accredited and are in the process of preparing for and applying for reassessment. London TMOs will be applying for the Kitemark for the first time in 2015/16.

We will complete the task of formally assessing the impact our TMOs have on the well being of our residents to demonstrate any linkages between the costs of our services and wellbeing.

We will introduce templates to capture and assess our value for money achievements throughout the organisation on an ongoing basis.

We will look for ways to work with other local organisations to achieve efficiency savings through shared services and joint procurement.

We will migrate from a private telecommunications line to public fibre optic lines. We currently estimate this capital costs of £13.5k in year 1 and a £26k annual saving going forwards.

We will upgrade our disaster recovery capability to enable us to be up and running within 3 minutes of an outage in our primary system.

We will upgrade our VOIP phone systems to a cloud based system to improve efficiency.

We will continue to migrate London based offices on to our in-house systems making savings as external contracts expire.

We will pursue alternative energy initiatives to generate revenue and help to eliminate fuel poverty for our customers.