Value for Money

Statement 2017

we build / we train / we support : we are aspire

Introduction

It is a regulatory requirement of the Homes and Communities Agency (HCA) that the boards of Registered Providers should demonstrate to stakeholders how they are meeting the HCA's value for money (VFM) standard by publishing a robust self-assessment which sets out in a way that is both transparent and accessible to stakeholders how they are achieving value for money in delivering their purpose and objectives.

In this statement we set out our strategic approach to the delivery of value for money, our key achievements and future plans, and how this underpins our Corporate Plan.

£4.5m
ANNUAL COSTS REDUCED

Value for Money Self-Assessment

Having considered our approach to delivering value for money, the actions that we have taken, and the plans that we have in place for the future, we believe that Aspire Housing meets the requirements of the HCA's value for money standard. We have based this assessment amongst other things, on the following:

- We have reduced our annual costs by c£4.5m per annum and our housing cost per unit has reduced from £3,333 in 2014-15 to £2,404 in 2016-17.
- Over the same period we have increased our operating margin from 24.6% to 36.9%, and our net margin from 4.4% to 25.2%.
- We have increased our development programme from 500 to 1,700 units over the five year 2016-21 corporate plan period.
- We have achieved positive trajectories on our key performance indicators which benchmark favourably with our peers, and we have targets and plans in place to achieve further improvements.
- We understand the return on our assets and have increased our Return on Capital Employed from 6.1% in 2014-15 to 9.1% in 2016-17.

%

4.4% to 25.2%

Net Margin Increase

Targets for further developments

Our strategic approach to value for money

Aspire Housing is committed to the achievement of value for money in the delivery of all of its services. VFM is embedded within our culture and within all of our key strategies, as articulated in our ambition to be "smarter, slicker, simpler" in everything we do. We define value for money as the achievement of optimal value from the use of our resources as measured through the delivery of successful outcomes.

Our 2016-21 corporate plan sets out our vision of generating additional capacity to achieve responsible growth through improving our efficiency and increasing our operating margins, whilst at the same time improving the quality of our services and our customers' experiences. The achievement of improved VFM will help to ensure that:

- We maintain a financially viable and robust business plan.
- We provide services that are affordable and valued by our customers.
- We generate capacity to provide new affordable homes.

1,700
New affordable homes

We set clear targets for financial efficiency and service quality, and progress against these targets is reported regularly to the Board.

Through a combination of the additional capacity created in the plan from the achievement of efficiencies, and by securing additional funding, we aim to have provided at least 1,700 new affordable homes by 2021, more than tripling our previous development target.

Understanding and optimising the returns on our assets

Aspire Housing seeks to understand and optimise the return on our assets in order to maximise the generation of resources.

Return on assets	2012-13	2013-14	2014-15	2015-16	2016-17
	£'000s	£'000s	£'000s	£'000s	£'000s
Asset value (net book value)	155,609	167,180	175,555	179,546	190,784
Social Housing Lettings surplus	8,403	9,292	11,383	14,045	15,033
Surplus/(deficit) on disposal	(80)	371	569	1,956	2,733
Total operating surplus	8,323	9,663	11,952	16,001	17,766
Return on assets	5.3%	5.8%	6.8%	8.9%	9.3%

The achievement of significant operating efficiencies and cost reductions has led to the return on assets rising from 5.3% in 2012-13 to 9.3% in 2016-17, although we expect the combined impact of further rent cuts and higher asset values of new developments to have an adverse impact on the return over the next two years.

Asset management strategy

Our Asset Management Strategy provides the framework within which decisions on investment, remodelling, disinvestment and disposal are made.

Net present value (NPV) and quality indicator analysis is a key element of our Strategic Asset Management Strategy and guides our decisions about whether to invest in, re-model or dispose of individual properties. In 2016-17 we completed an in-depth review of all of our housing stock in order to attribute a refreshed npv and quality rating to each property through a 360° Asset Performance Model.

£4.5m
ANNUAL COSTS REDUCED

Asset performance

In 2016-17 our residential rent stock had an average 30 year NPV per unit of £29,995. There were no asset groups with an overall negative NPV, although there were 516 individual properties with a negative NPV (67 of these were non-traditional properties requiring future major works).

The key factors influencing high financial returns include higher rents and market value, and the properties that we own in these areas are relatively new so maintenance costs are much lower in the early years after completion which in turn has positive impact on the NPV. In contrast average rents and market values are much lower in the areas of low return, and there is a high concentration of specific asset groups that over time will require major investment.

In 2017 we also developed a framework of quality indicators including data sets on demand, SAP, turnover, arrears, housing benefit dependency, indices of multiple deprivation, staff perception and customer satisfaction. These indicators have allowed us to develop a more rounded and comprehensive picture of asset quality performance by housing management area, and, when combined with the financial performance indicators, we are able to construct a 360° asset performance model.

We have increased our development programme from 500 to 1,700 units over the five year 2016-21 corporate plan period;

The 360° asset performance model presents a combined view of financial and quality indicators. The model enables us to focus on the low performing estates and test the effect of different types of intervention to then build a forward strategy to uplift performance.

Development programme to 1,700 homes

Targets for further developments

The 360° asset performance model allows us to plot the distribution of our neighbourhoods from the poorest performing neighbourhoods where both financial performance and quality are low, to the highest performing neighbourhoods found in the upper right quartile of the above chart. The model enables us to focus on the low performing estates and to test the effect of different types of intervention so that we can develop a forward strategy to uplift performance. To this end we use the outcomes of the 360° performance model for the following purposes:

- To scenario test investment, disposal and regeneration of underperforming properties or asset group.
- To review our approach to disposals and to focus on specific poor performing properties and neighbourhoods.
- To target investment programme resources to support sustainability of assets, such as work to communal areas in town centre flat blocks.
- To test and confirm plans in relation to specific non-traditional archetypes in line with the recommendations of survey data.

Sheltered housing asset group strategy

Our Asset Management Strategy acknowledges the importance of recognising distinctions between different asset groups, and of establishing differential approaches in order to maximise our return on assets. We therefore maintain sub-strategies for specific asset groups and thematic areas of activity.

The Board approved an Older Persons Strategy in 2017 which defines our future service and accommodation aspiration for this customer group. Existing schemes have been categorised according to their future trajectory and associated work-streams.

The Business Plan contains £7.5m allocated specifically to facilitate the delivery of the Older Persons Strategy and we will commence a programme of activity in 2017-18 to address issues of accommodation that does not currently meet the current or future needs of customers. This strategy will include a range of actions including demolition, disposal and re-modelling. At the same time, our development programme includes the provision of our new older persons' archetypes of 1 and 2-bed apartments and 2-bed bungalows, to address rising demand and replace ageing existing bungalow stock.

Land management and strategic disposals

We have continued our strategy of assessing properties for disposal on becoming void in line with criteria approved by Board, with up to 50 disposals per annum. In 2016-17 we sold 47 properties either at auction or by private treaty, generating gross sales proceeds of £3.7m (15-16: £2.5m).
The resources generated from these sales will be re-invested in the delivery of new affordable homes.

The majority of the properties sold in 2016-17 have been 3-bed houses and the key factors that have informed decisions to dispose have been the risk of reduced demand and the high cost of works required to re-let the property. The average void or improvement works cost saved on disposals is in the region of £10k per unit, resulting in a total saving of £470k in the last financial year.

Through active asset management we continue to maximise the return on our land assets either for disposal or for the development of new affordable homes. This is primarily delivered through the re-development of garage sites and in 2016-17 we demolished 39 garages to prepare selected sites for alternative uses offering better value.

£470k savings

In addition we achieved the following:

- Disposal of 4 land sites generating a surplus on disposal of £115,000.
- Planning permission secured on a further 6 land sites for future development or disposal.
- Land subsidy with an estimated value of £270k following receipt of planning permission for the development of 18 affordable housing units under the 2015-18 AHP.

The disposal of land at Lower Milehouse, cleared through Housing Market Renewal activity, has progressed well with a preferred developer in place and planning permission secured. It is expected that a start on site for the delivery of 276 homes will take place before March 2018, and that significant land sales receipts will be generated for Aspire Housing.

Stock investment

Survey aligned with the business plan, with regular reviews of priorities and re-alignment of funding to meet the needs of the asset base and of our customers. We periodically commission an independent validation of the accuracy of our stock condition data (most recently in 2016) which provides assurance that our investment plans have a firm evidential base and that our resources can be targeted effectively.

Growth strategy and new homes provision

We intend to deliver 1,700 new homes over the period to March 2022, using additional capacity from operational efficiencies, property and land disposals, and cross-subsidy generated by homes for shared ownership and outright sale. This represents more than a threefold increase in development activity compared to our previous plans to build 500 homes in the period from 2014-19.

1,700
new homes

Value for money achievements

Our corporate plan sets targets for reducing our costs of service delivery, and improving our operating margins and surplus in order to generate additional resources for investment primarily in new homes.

In 2016-17 we generated a cash surplus of £21m from our operating activities, and achieved a net surplus of £10.7m. We increased our operating margin by 6.2% to 36.9% compared to the previous year, and our net margin from 9.9% to 25.2%.

We invested £14m (66% of cash generated) in the building of new homes.

Our customer satisfaction levels have continued to improve and in 2016-17 94.7% of our customers were satisfied with the overall service we provided, compared to 93.5% in 2015-16. The level of satisfaction with the value for money of our services increased from 92.2% to 93.1%. Both of these satisfaction levels placed us in the top quartile compared to our peer group.

We have benchmarked our financial performance and costs against a regional peer group of 24 traditional and LSVT RPs, and against the whole sector (source: HCA 2016 Global Accounts).

£14m

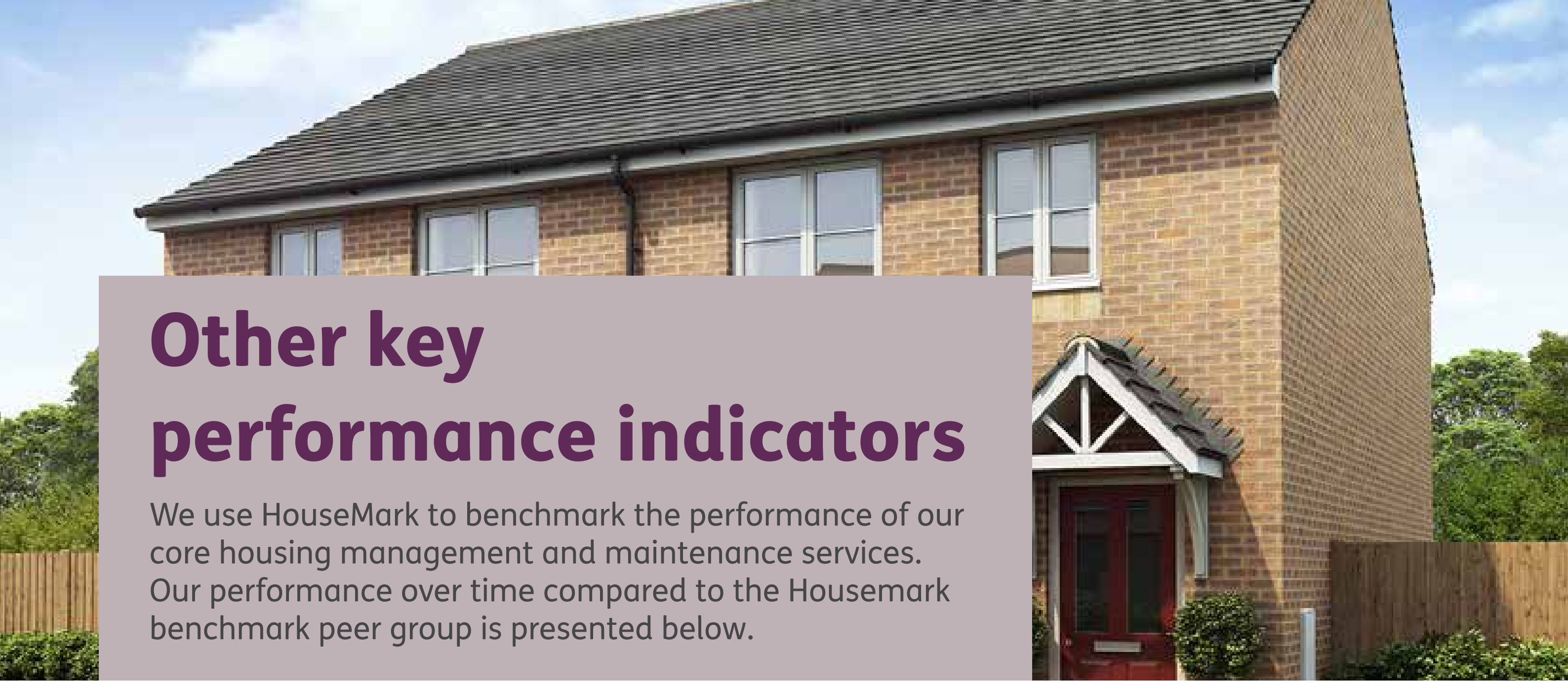
invested in building new homes

Financial performance

	Aspire Housing			Global accounts 2015 - 16	
	2014-15	2015-16	2016-17	Sector Median	Peer Group
Operating margin (%)	24.6%	30.7%	36.9%	35.7%	33.6%
Net margin (%)	4.4%	15.3%	25.2%	22.8%	23.8%
Turnover from lettings (£'000s)	£37,428	£38,550	£38,390	£38,518	£39,448
Operating surplus from lettings (£'000s)	£11,383	£14,045	£15,033	£14,126	£14,620
Operating margin on lettings (£'000s)	30.4%	36.4%	39.2%	36.7%	37.1%
Net surplus (£'000s)	£1,812	£6,307	£10,582	£9,588	£10,999
Rent and service charge per week	£82.41	£84.37	£83.39	£94.94	£93.82
Management costs per unit	£750	£724	£577	£1,022	£850
Service costs per unit	£281	£283	£290	£358	£336
Maintenance costs (revenue) per unit	£1,177	£1,102	£1,002	£964	£1,072
Planned/Major Repairs (capital) per unit	£831	£603	£404	£800	£731
Other social housing costs per unit	£291	£307	£131	£230	£165
Headline social housing cost unit	£3,328	£3,019	£2,404	£3,585	£3,424

- Our operating margin of 36.9% in 2016-17 has improved our benchmarked performance compared to the global accounts from below median to top quartile.
- Aspire Housing's average rent and service charge remains significantly lower than the sector and benchmark median and is in the lowest decile for the sector as a whole.
- Our headline social housing cost per unit of £2,404 was 28% lower than the 2014-15 cost and represented 70% of the sector median cost and 67% of the regional peer group cost. Our cost per unit was amongst the lowest 10% of the sector in comparison to the 2016 Global Accounts.
- Aspire's 2015-16 management cost per unit has fallen from £724 in 2015-16 to £577 in 2016-17 and was 56% of the sector median cost and 68% of the peer group median.
- Aspire's revenue maintenance cost per unit has fallen by 15% since 2014-15 and is now below the peer group median but remains higher than the sector median.
- Aspire's total repairs and maintenance cost has fallen by 30% since 2014-15 and was in the lowest quartile compared to both the peer group and the sector as a whole.

36.9% operating margin



Other key performance indicators

We use HouseMark to benchmark the performance of our core housing management and maintenance services. Our performance over time compared to the Housemark benchmark peer group is presented below.

	2014 - 15	2015 - 16	2016 - 17	Quartile (2015 - 16 data)
Void rent loss (% of rent & service charges)	0.88%	0.72%	0.67%	2nd
Current arrears (% rent & service charges)	1.03%	0.95%	0.82%	1st
Rent collection (% rent & service charges)	102.6%	100.9%	100.4%	1st
Gas Safety (% with gas safety certificate)	99.9%	100.0%	100.0%	1st
Number of days to let a property (all voids)	32	23	16	2nd
Annual number of repairs per property	4.1	3.5	3.3	2nd
Satifaction with responsive repairs service	84.0%	84.2%	83.3%	3rd
Overall satifaction with service provided	93.0%	93.5%	94.7%	1st
Satifaction with vfm of service provided	91.0%	92.2%	93.1%	1st

Our objective is to achieve top quartile performance for all of these indicators and we have action plans in place to drive further improvement.

In 2017 we have participated in the VFM Sector Scorecard pilot and we support the development of a sector wide set of measures of efficiency and effectiveness.

Other key performance indicators

A simplified governance structure was established in July 2016 which collapsed the group structure and reduced the number of Group entities from 7 to 3. The cost of completing the governance restructure was c£100k, and on-going savings of c£200k per annum have been achieved.

Procurement

The main focus of procurement activity during the year was on the re-procurement of the contract for maintenance materials, and this secured estimated cost savings of more than £200k per annum as well as other efficiencies described below. Other areas of procurement activity have produced more modest savings of c£40k in total.

Aspire Response

In re-procuring the maintenance materials contract, we have moved from a managed stores model to a branch network approach which has achieved additional efficiencies in terms of operative non-productive time, and we have reduced our accommodation requirements for depot facilities which will give us the future option of moving to smaller and less costly premises.

During 2016-17 we have reduced the number of Team Leaders within Aspire Response by 15% with an on-going annual saving of £80k per annum.

Digital by Design

Our Digital by Design (DbD) project was completed in March 2016 at a total cost of £226k with the objective of streamlining our IS systems in order to achieve business improvements. As a result we have seen improvements in a number of key areas including the implementation of an electronic data management system which facilitates digital document processing, and the provision of agile systems which allow colleagues to access core systems whilst working remotely. DbD has delivered real efficiencies and cost savings across the business, including reductions in full time establishment and improved void turnaround times which are reflected in the 2016-17 financial results, with an annual on going return on this investment of £159k.

Social return on assets

The achievement of positive social impact is a core element of Aspire's corporate aims reinforced by our new Corporate Plan and associated strategies.

PM Training produced a profit before Gift Aid in 2016-17 of £534k, and £449k was donated via Gift Aid to our charitable arm, The Realise Foundation. Some of PM's headline achievements in 2016-17 are summarised below.

- 541 young people engaged in learning activities funded by the Education Funding Agency, and 61% of learners who have left the programme have progressed into employment, education or further training.
- 45% of the young learners supported by PM Training, came from areas that are amongst the 25% most deprived nationally.
- PM Training had 263 16-18 year old apprenticeship starts, the highest in its history, and there were 526 learners on the programme in the year, again the highest number recorded for PM Training.
- A total of 915 learners were funded by engagement in adult apprenticeship provision, including 519 starts during the year.
- PM Training provided c250 training and employment opportunities for young people through its Homeworks division, delivering a range of services to Aspire Housing and to Stoke on Trent City Council.

%

61% of learners

progress into employment

Other examples of the social return delivered by Aspire during 2016-17 are set out below:

- Through our Information, Advice and Guidance Service we offer employment and skills support to people living in our neighbourhoods, the majority of whom live in our properties. During 2016-17 319 customers accessed support from this service, with 42% of clients gaining employment.

- 95 customers attended training during the year with just over a quarter gaining a qualification or certificate for the training.
- Aspire is signed up to the national pledge for at least 5% of its staff to be apprentices. At the year-end there were 37 apprentices employed by the Group, representing 8.1% of the workforce.
- The Realise Foundation, Aspire Housing's charitable arm, supported 345 people through employability supported activity and a further 128 through support with lifelong learning. During the year a new strategy for the charity was established with a planned programme of activity for the forthcoming year.
- We were successful in securing c£2m though competitively tendered European Social Fund contracts to deliver a range of employment and skills related services over the next three years.
- We have been recognised by Government as one of 9 national social mobility champions (the only one in the social housing sector) for our work in supporting communities and individuals to maximise their potential.

Future value for money plans

Our corporate plan sets out our objective of continuing to improve our overall efficiency and service quality and of investing in new affordable housing. Our key VFM plans and targets include the following:

- Maintaining and improving operating margins – our corporate plan sets a target of achieving and maintaining an operating margin, adjusted for EBITDA-MRI, of 40%.

- Achieving customer satisfaction levels within the top quartile compared to our peer group.

- Working in partnership with Newcastle Borough Council, moving into newly built Council premises, and closure of our existing town centre office with on-going annual savings in excess of £100k.

- Delivery of our procurement pipeline with target savings of £100k in 2017-18. Key activities include:
    - Re-design of our Wide Area Network and tender of the WAN and internet provision with a target savings of £40k per annum.
    - Reprographics tender with target annual savings of £20k.
    - Re-procurement of the grounds maintenance contract.

- In 2016-17 we will complete the implementation of our new customer portal which will facilitate effective on-line interaction for all customers, making our service more streamlined and responsive. An increase in the volume of customers using the portal as their main point of contact will reduce the volume of calls into the contact centre, and the cost per transaction via the customer portal is less than 80% of the cost of a telephone contact. Our total investment in the customer portal will be £350k and we have projected set a target annual return on investment of £200k.

- Aspire Response maintenance service: we have set a target of £400k per annum in additional annual savings to be achieved in a number of areas.

- Improving the energy efficiency of our homes by reducing the number of properties with an energy band rating in the range D to G by 33%.

- We aim to offer access to training or a job opportunity to all young people aged between 19 and 25 and living in an Aspire home.

- We plan to secure new funding and to restructure existing funding to reduce the overall cost of borrowing, remove restrictive covenants from existing loan agreements, and to provide funding to support the delivery of our 1,700 unit development programme.

we are aspire

Aspire Housing
Kingsley, The Brampton,
Newcastle-under-Lyme,
Staffordshire,
ST5 0QW
01782 635200
www.weareaspire.org

THE QUEEN'S AWARDS FOR ENTERPRISE:
PROMOTING OPPORTUNITY
2017

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