

Inclusion Housing 2015/16

**Value for Money
Statement - Self Assessment**

Value for Money Self-Assessment 2015/16

1.0 Introduction

- Value for money is an Inclusion Housing (IH) strategic objective, linked to our vision, ensuring that a 'golden thread' runs through all aspects of our planning and delivery.
- We look to drive an effective, efficient and economic business delivering the best returns and value from available resources whilst working towards delivering an excellent customer service and freeing up resources to allow for further supported housing accommodation to be brought into management.
- Our Value for Money (VFM) Self-Assessment is written to demonstrate our progress in delivering business effectiveness and value for money for our residents, stakeholders, board members and staff. Value for money for us means that we use our rental income and assets in the best way possible to deliver excellent services, excellent homes and growth.
- Our ambition is to achieve top quartile performance when benchmarking against others in the Registered Supported Housing Sector and in the future to begin to benchmark ourselves with commercial housing providers and developers.
- In 2015/16 we focused on completing an organisational review which has led to performance improvements, a procurement exercise capturing the market testing of a number of long established contractual arrangements and a governance review resulting in the strengthening of the Board.
- The government agenda to reduce and control costs supports our drive for further efficiencies. IH is well placed to support the current agenda and has a financially strong five-year Business & Growth plan containing an overarching intent to reduce yearly costs per unit.

2.0 Strategy

The value for money objective is to: -

'Ensure robust business planning that delivers value for money'

The 3 classic components of 'VFM': - economy, efficiency, and effectiveness, are: -

- **Economy** relates to keeping down the **cost of inputs**,
- **Efficiency** relates to the **transformation of inputs to outputs** (*quantity & quality*) i.e.

- how much you put in, in relation to what you get out.
- **Effectiveness** relates to *achieving desired outcomes*. Outcomes are what matter to the customer and should map across to the business's high level objectives.

3.0 Aims

There are three value for money aims that make up this first Inclusion Housing Value for Money Statement. They are: -

- 3.1 **Performance Management** - To measure and benchmark VFM to enable informed decision making on service improvements, costs and priorities understanding our service costs and the factors that affects these, both internally and externally.
- 3.2 **Financial Viability** - Efficiency opportunities for procurement and partnering are fully explored ensuring that efficiency gains are reinvested into front line services, and the people and infrastructure that support these services, in line with customer wishes and community needs.
- 3.3 **Strategic Improvement** - To ensure VFM is embedded into all aspects of the Business's work through **continuous improvement** and that all staff fully understand the need for VFM, and that VFM improvement forms part of individual performance targets.

4.0 Performance Management

4.1. Analysis of Performance / Benchmarking

- In selecting a peer group for comparative purposes, we have regard to the size of organisation, location/character of housing stock and supported housing provision. In 2015/16 we joined a supported housing benchmarking group and have continued to use benchmarking to help us to identify where we are doing well and where we could do better and to learn from the performance of our peers in the sector. This report provides benchmarking information to our closest peer group supported housing associations operating nationally, takes information from published annual financial statements summarised in the HCA Global Accounts and the office of National statistics.
- With the recruitment of a business analyst the Executive team have timely in depth performance reporting including the analysis of voids & relets, arrears, and corporate indicators. This has included the introduction of a balanced scorecard for the business; derived from individual service scorecards from each of our 4 main services (Property, Finance, Business, Operations).
- Considerable work has been undertaken from the newly appointed credit controller and operations teams to reduce the current tenant arrears percentage down from the high point in 2015/16 of 8.2% to a top quartile position at the end of the year when comparing to the supported housing benchmarking data. As a consequence of the strong management of the current tenant arrears (CTA), the former tenant arrears (FTA) reflects a top quartile performance level.
- A Key priority for 2016/17 is to reduce the percentage of lost income due to voids; although down from 13.3% in 2014/15 to 11.86% (Table 1) in 2015/16. The budget for

2016/17 has been set at just over 6%, much in line with the peers. The reduction in lost income is planned to come from IH ability to self-insure the void risk.

- Completing only 85% of repairs on the first visit is not reflective of a high performing team and is a key priority for the property teams in 2016/17 to provide greater value for money when undertaking repairs to the units in management.
- The table below provides insight into our key performance management indicators compared to national benchmarking figures. This is the first year of such benchmarking and plans are already in place to improve upon our void, maintenance and overall customer satisfaction performance.
- Overall rent arrears has improved significantly while void loss is an area where we need to improve further by reducing voids and re-let times - this is a business priority. With the introduction of planned investment programme for properties recently transferred over to Inclusion we expect that overall satisfaction will improve.

Table 1

Indicator	2015/16 Inclusion Housing	2015/16 Benchmarking [Supported Housing]	T/L
Current Rent Arrears %	5.51%	6.37%	●
Former Tenant Arrears %	0.47%	2.21%	●
Rent Collection %	95.45%	96.04%	●
Voids % (Turnover)	6%	n/a	○
Relet Days	183	90	●
Net Void loss %	11.86%	6.50%	●
Customer Satisfaction - Net Promoter Score / %	72%	89%	●
Satisfaction with Home Condition -NPS / %	67%	76%	●
Gas Servicing	100%	100%	●
% Repairs Completed on First Visit	85%	92%	●

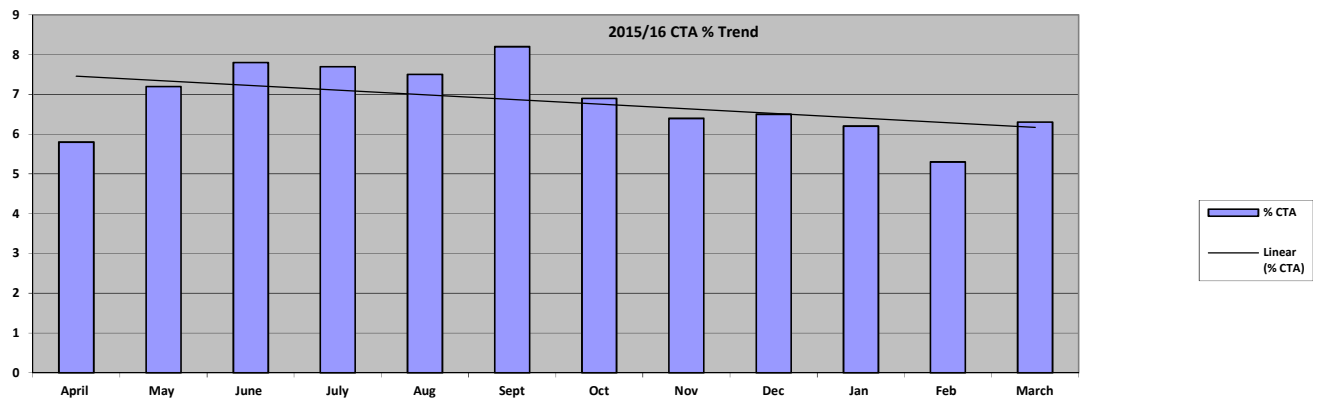
Source: Balanced Scorecards 2015/16
Housemark Benchmarking Data 2015/16

4.2 Income Management

(i) Analysis of Arrears

- Considerable focus has been applied during 2015/16 to keep the percentage of current tenant arrears within peer group range of between 4.98%- 7.2%. With the resolution of historic arrears (not reflected in the graph below) and the introduction of direct debit collection of rent and service charges continued improvements are being seen with CTA

arrears less than 5% in April 2016.



Source: Current Tenant Arrears Analysis 2015/16

- With a review and implementation of new tenancy sign up procedures, full assistance is being offered to tenants from the Managing agents to secure a successful HB claim reducing the risk of tenants getting into arrears.
- The arrears collection success has allowed the organisation to remove the need for an overdraft facility at an annual cost of £3K and we have placed reserves on a 12-month deposit term generating £5K in interest receivable.
- Table 2 shows the recent performance reflecting further improvements during the start to 2016/17. Overall this demonstrates positive trends in regard to income related indicators.

Table 2

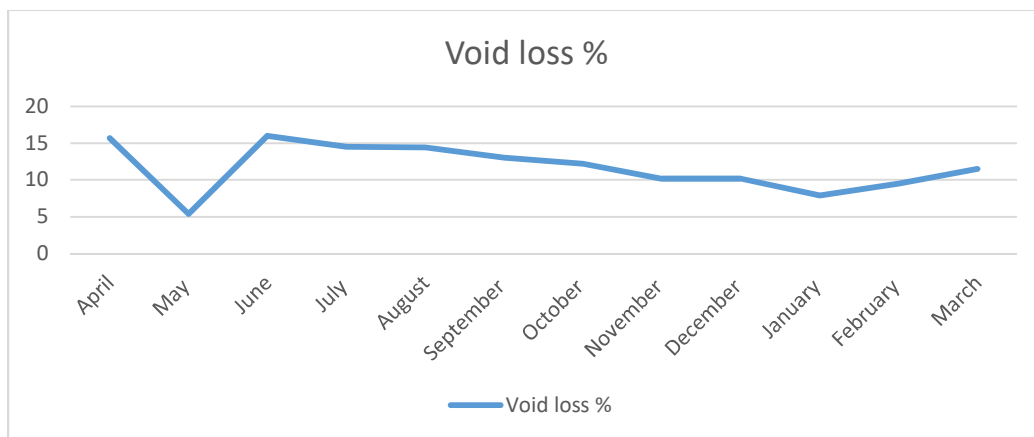
	2015/16 [End of Period]	2016/17 [YTD] [As at 30-05-2016]	Trend
Rent Collection %	95.45%	97.83%	●
Current Arrears %	5.51%	4.74%	●
Former Arrears %	0.47%	0.38%	●
Arrears Total %	5.98%	5.12%	●

Source: Balanced Scorecard 2015/16

- In consultation with the operations team alongside the supported housing benchmarking group - the intention for 2016/17 is to revise the methodology to exclude housing benefit receipts / the HB lag in order to attain a net current tenant arrears figure at risk of re-classification as bad debt.

(ii) Analysis of Voids Lost Income

- IH works in partnership with developers and care commissioners in securing nomination rights and void obligation agreements. The betterment of lease terms to a shorter lease, longer voids cover and a shorter turnover void non-payment period have all been secured providing better contractual terms. This will assist the business with reducing overall void loss.
- In conjunction with the enhanced lease agreement terms, landlords have been approached to secure agreement to allow IH to self-insure the void loss in line with industry standards. This support has provided IH an opportunity in 2016/17 to generate an initial fund totalling £487K to fund lost income as a result of void properties, reflected below in table 3.
- The 2015/16 void loss trend is detailed below and demonstrates an improvement over the year in reducing void loss. Inclusion mitigates its risk to void loss through void and nominations agreements and insurance. Void loss is now below the 10% budget target and we continue to give priority to reduce voids and void loss further.




Source: Inclusion Management Accounts 2015/16

- Table 3 shows the recent performance reflecting further improvements during the start to 2016/17. With a focus on improving performance across the business, improvement is being sought and achieved in regard to voids and lettings.

Table 3

	2015/16	2016/17 [YTD] [As at 30-05-2016]	Trend
Turnover Voids %	7.09%	5.67%	●
Void Loss %	11.86%	5.6%	●

Re-let days	183	147	
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Source: Balance Scorecards 2015/16
Void and Letting Analysis 2015/16 and 2016/17

4.3 Financial Viability

4.3.1 Procurement

- Three Key procurement exercises were undertaken in 2015/16, market testing of the property insurance, voids assurance arrangements and setting up bulk contracts for the supply of gas & electricity. The overriding principles applied was to work in a more efficient manor by simplifying the administration burden, negotiate as a large purchaser and take advantage of a competitive market.
- The Property insurance procurement exercise resulted in savings of £67K in premium costs, the voids assurance terms renegotiation resulted in premium savings of £144K and the utility contracts provide tariff savings of 30% which can be passed onto our tenants providing more value for money.
- Some of the above savings have been realised in 2015/16 but the majority will be reflected in 2016/17 along with the redesign of facility contracts to an enhanced specification. All service contracts in the future are to be procured through a framework agreement, this will ensure we receive the best quality at the most competitive rates.
- In 2015/16 we made savings in the following areas: -

Table 4

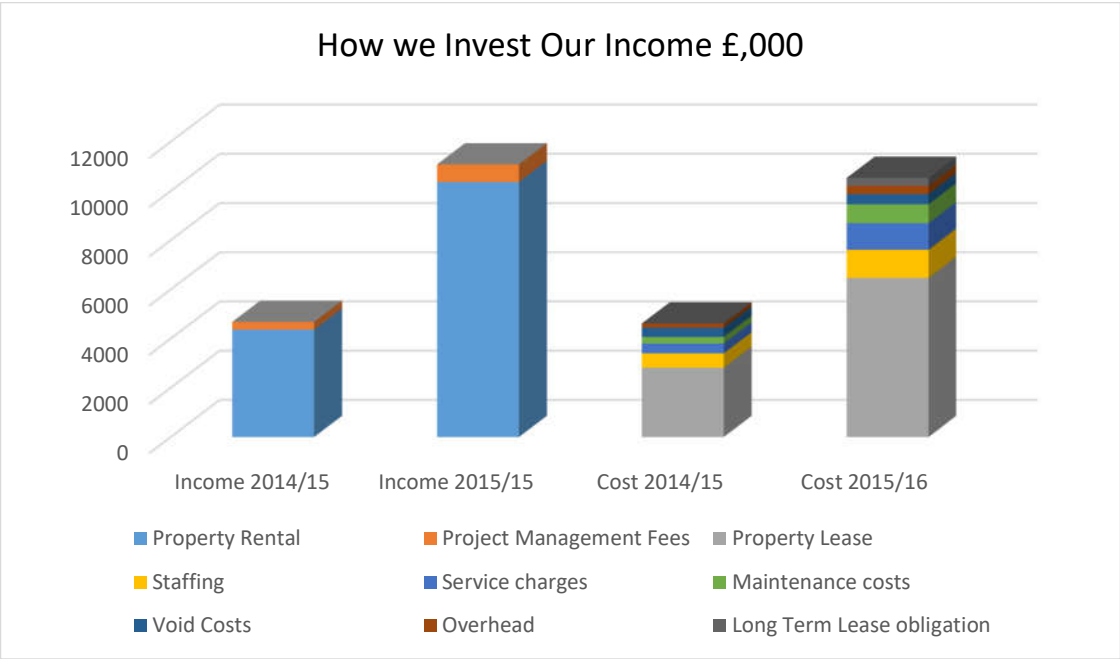
Title	Description	Saving
Utility Costs	Bulk contracts established on competitive market rates	Estimated 30% savings £130K
Voids Assurance Policy	New insurer sourced policy on more favourable terms	£144K
Property Insurance Costs	Market Tested - procured on more favourable terms	£67K
Bad Debt	Focused debt collection reduced year on year bad debt provision, 2014/15 £149K 2015/16 £83K	£66K
Banking Facilities	Strong cash flows removed the requirement for an overdraft facility	£3K
Recruitment	Electronic methods utilised resulting on savings against budget in 2015/16	£8K
Stock Condition Survey	Undertaken in house - no external fees incurred	£12K
Bank Charges	Number of units in management increased from 433 to 917 111%. with the introduction of electronic methods of payment and collection the	Estimated saving £6K

	bank charges costs contained at 2014/15 total cost.	
	TOTAL SAVINGS	£436K

As a percentage of the overall operating costs (£10.214M) the £436k saving represents an approximate 4.3% efficiency on an annual basis.

4.3.2 Financial Viability

- As a housing provider it is essential that we make a healthy surplus so we can fulfil our core strategic priorities. All our surpluses are reinvested into either bringing new units into management or into improving services for our tenants.



- The above graph shows the breakdown of income into IH. In 2015/16 a significant period of growth in new units taken into management resulted in an increase in income from £4 million to just over £10 million; 150% increase.
- Whilst project management income doubled for the same period, it contributes only about 7% of total income.
- IH Leases the majority of the properties in the portfolio and as a consequence the largest expense is the property Lease cost, £2.8 million in 2014/15 (60% of income) rising to £6.5 million in 2015/16 (62% of income). The change in the demand for self-contained units has influenced the increased costs, recognising this situation has resulted in all

partners involved in the delivery of new schemes to look at reducing future costs of construction, fees and cost of funds.

- Surplus before tax increased from £88K in 2014/15 to £543K in 2015/16 due to the significant period of growth and a number of procurement and efficiency savings.
- Overall the business continues to be more profitable as it grows, as we achieve greater economies of scale that reduce overall management costs.

4.3.3 Key Financial Indicators

- Inclusion Housing will make effective use of our growing financial strength and capacity to support its business objectives and spending priorities. The financial analysis below demonstrates how we will achieve this.

Income & Expenditure Account

Indicator	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Turnover	£4,819,338	£11,079,532	£15,329,000	£23,749,000	£28,961,000	£35,236,000	£39,079,000
Operating costs and cost of sale	(£4,730,855)	(£10,213,970)	(£13,927,000)	(£21,637,000)	(£26,356,000)	(£32,140,000)	(£35,698,000)
Operating Surplus	£88,483	£865,563	£1,402,000	£2,112,000	£2,605,000	£3,096,000	£3,381,000
Sinking Fund - Liabilities		(£322,740)	(£426,000)	(£663,000)	(£816,000)	(£998,000)	(£1,108,000)
Net Surplus before taxation		£542,823	£976,000	£1,449,000	£1,789,000	£2,098,000	£2,273,000

Balance Sheet

Indicator	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Fixed Assets	£1,132,608	£1,144,423	£1,086,000	£1,041,000	£998,000	£969,000	£942,000
Current Assets	£592,117	£1,121,381	£1,217,000	£1,639,000	£1,997,000	£2,313,000	£2,666,000
Cash at Bank	£1,101,356	£1,980,368	£2,620,000	£4,235,000	£6,305,000	£8,827,000	£11,598,000
Creditors<1 year	(£957,001)	(£1,712,914)	(£1,278,000)	(£1,563,000)	(£1,816,000)	(£2,065,000)	(£2,329,000)
Creditors>1 year	(£1,873,985)	(£2,114,569)	(£2,464,000)	(£2,997,000)	(£3,680,000)	(£4,541,000)	(£5,511,000)
Reserves	(£19,135)	£418,688	£1,199,688	£2,373,688	£3,822,688	£5,521,688	£7,385,688
Total Assets Less Current Liabilities	£1,869,080	£2,533,257	£3,645,000	£5,352,000	£7,484,000	£10,044,000	£12,877,000

Financial Ratios

Indicator	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Operating Margin	1.4%	8%	9.1%	8.9%	9.0%	8.8%	8.7%
Net Margin	1.4%	5%	6.4%	6.1%	6.2%	6.0%	5.8%
EBITDA	1.8%	7.83%	6.4%	6.1%	6.2%	6.0%	5.8%
Liquidity Ratio	1.15	1.25	2.05	2.71	3.47	4.27	4.98

Gearing Ratio	1.09	0.95	1.07	1.12	1.23	1.38	1.53
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- The financial ratios support the improved financial position of the organisation from very small margins in 2014/15 through to sustainable operating margins at 8% to ensure delivery of service for the long term.
- The Liquidity ratio highlights the future cash reserves that will be generated in part to be utilised to mitigate the risk associated with long term lease commitments, excellent service delivery and investment in additional units in management.
- Leasing the properties in management means IH has no debt requirement to fund the development of schemes. Over the next five years we will continue to repay the mortgages on four properties owned and we have no immediate plans to take out any further loans. As a result of these features the gearing ratio strengthens.

4.3.4 Costs

- The Homes & Communities Agency published its value for money research document *Delivering-better-value-for-money-understanding-differences-in-unit-costs* in June 2016. This has been utilised to compare Inclusion benchmarked costs compared to national averages.
- Average (mean) headline social housing costs were £3,950 per unit in 2015. The vast majority of this cost is made up of management and service charge costs, maintenance and major repairs costs. This mean cost per unit is skewed by a small number of providers with large amounts of supported housing, reflected in some providers' unit costs at over £10,000 per unit per annum. The median average cost, which is less affected by these high cost outliers, was lower at £3,550 per unit.

Table 5 Average Unit Costs

Costs per Property per annum	Inclusion 2014/15	Inclusion 2015/16	Sector Mean (weighted)	Sector Mean (unweighted)	T/L
Management Costs	£1,646	£1,457	£1,540	£1,360	●
Service Charge Costs	£935	£1,176			
Maintenance Costs per unit	£635	£881	£1,010	£980	●

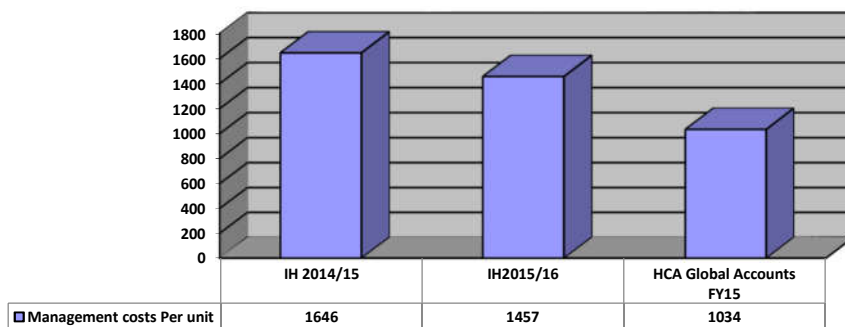
Major Repair Costs	£0	£353	£930	£800	●
Other Social Housing Costs	£939	£571	£470	£200	●
Headline Social Housing Costs	£4,155	£4,438	£3,950	£3,550	●

Source: Inclusion Management Accounts 2015/16
2015 Global Accounts (HCA)

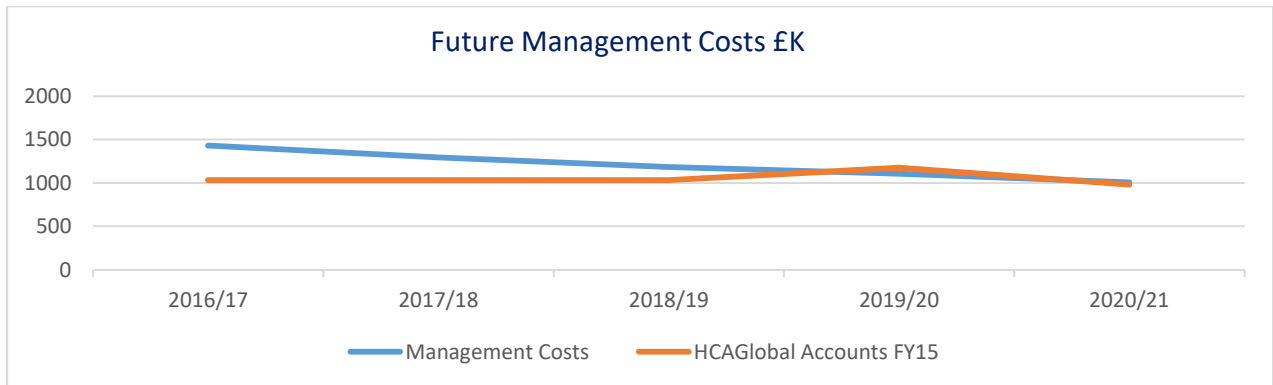
- Supported housing (not including housing for older people) - each unit is associated with costs of £10,800 above General Needs properties. This is likely to be associated with the high support costs, and a broader scope of activities undertaken by organisations with a specialised focus.
- The precise estimate of associated social housing costs is sensitive to the inclusion or removal of more specialised supported housing organisations, with model estimates varying from £8,400 to £14,000 per unit. There is likely to be considerable diversity with the cost associated with each supported housing unit in the sector, for example by the client group and the level of service supplied.
- Overall Inclusion Housing social housing costs are higher than national average for mainstream accommodation but well below supported housing estimates of £8,400 to £14,000. This demonstrates success in implementing independent living model for vulnerable adults without assuming to historic high costs that are normally associated with such a client group.

(i) Management Costs Per unit

- We recognise that our management costs per unit are reducing, but that as an organisation further economies are needed to be realised in order to a line with industry averages.

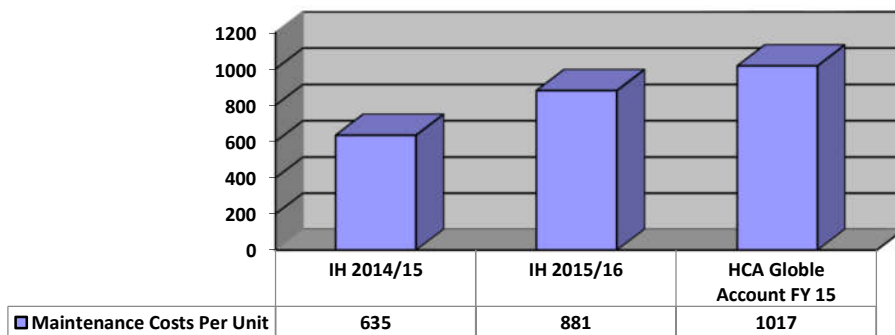


- The five-year Business and Growth plan looks to contain overhead costs with increases at a lower percentage than the growth in income reducing the overall management costs per unit, a lining with the current industry level of management costs per unit towards the end of the plan.



(ii) Maintenance costs per unit (excluding property sinking fund)

- A number of property surveys have been undertaken during 2015/16 which will inform planned investment programs in 2016/17 providing the opportunity to invest further in the units in management, for the benefit of our partners and tenants reducing future day to day repair needs and costs.
- 2015/16 saw a 38% increase in the investment in maintenance costs per unit. This is in part as a result of the increased proportion of units coming out of their first year warranty period.

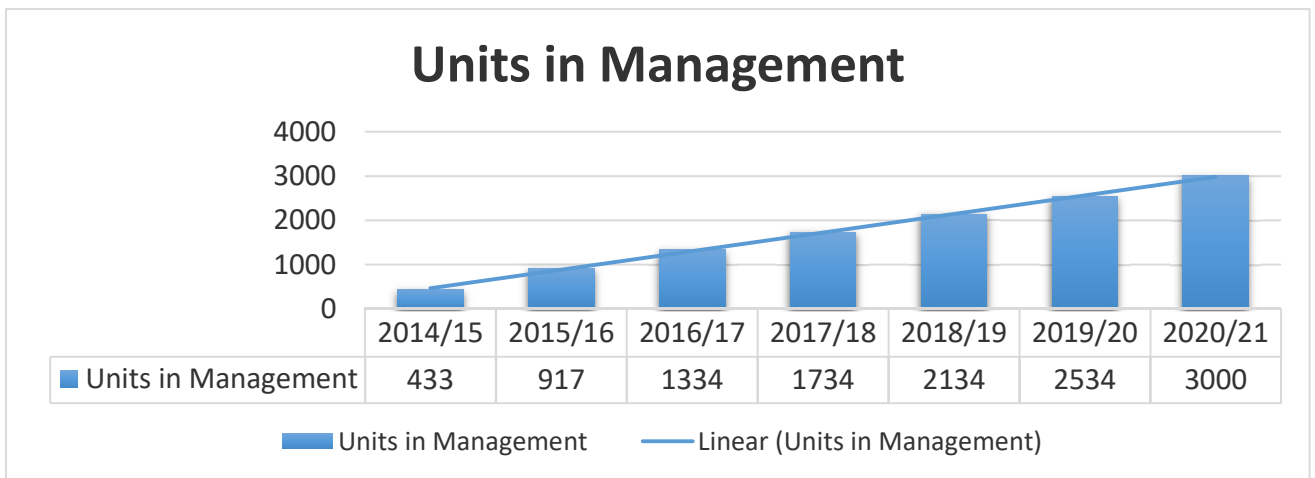


- Greater scrutiny is being applied in 2016/17 ensuring only works required are tendered and carried out. All repairs are followed up, ensuring accuracy of records on the system and that the customer is satisfied with the quality of the works.
- In 2016/17 there will be greater emphasis on repair costs analysed by property/area/contractor and type of repairs. This will enable us to better inform the procurement and specification of all future works.

4.3.5 Growth

- One of IH Key operating principles is to continue to grow and develop the number of units in management and provide services on a national basis. In 2014/15 we ended the year with 433 units in management; this has grown by 111% to 917 units in management by the end of 2015/16, providing capacity to achieve economies of scale. In line with the five-year business and growth plan the number of units in management is envisaged to reach 3000 by 2020/21.

Table 6



Source: Inclusion Business Plan 2015-2021

4.4 Strategic Improvement

4.4.1 Continuous Improvement Plan

(i) Overall Analysis

- Inclusion Housing uses a number of frameworks and data analytics to score and analyses our performance and progress across business critical areas. The table below highlights the respective scoring for each of these frameworks to measure continuous improvement across the year.
- The frameworks have been approved by Board previously and the scoring represents the manifestation of their active implementation including the balanced scorecard, delivery plan, risk, board reporting and governance frameworks.

- The table below satisfies two objectives of the framework in regard to measurement and links to business frameworks. Overall the Continuous Improvement Approach has resulted in a positive trend throughout the year with the average **Continuous Improvement Score** for the Business improving from **45% to 77% at year end**. This represents a **71% positive trend** improvement and reflects the progress made during the last financial year.

Table 7 Continuous Improvement Scoring

Framework	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Trend
Risk		52%	56%	64%	+ 19%
Performance	45%	41%	55%	46%	+ 2%
Delivery			86%	94%	+9%
Governance		73%	87%	93%	+27%
Facilities				81%	n/a
Customer Service				72%	n/a
Development		78%	77%	86%	+10%
Average CI Score	45%	61%	72%	77%	71%

- The following section provide proof and demonstration of the progress made as well as the evidence base for the conclusions.
- We are developing and strengthening our resident engagement along with investment in the condition of their homes and as this develops during 2016/17 we would look to see positive increases in the levels of satisfaction from our customers.

(ii) Systems

- The primary evidence base for proof of system continuous improvement are the operational and activity reports presented to the Board across the year including compliance, property, facilities management, arrears, voids, customer and involvement etc.
- Further continuous improvement is required in regard to the operation of our property management and operations services as well as enhancement of our business administration/back off operation.
- Evidence of significant systems continuous improvement are detailed in the table below.

Continuous Improvement - Systems		
Ref	Description	Impact
I	Implementation of Complaints policy and monitoring	Low - Complaints now logged and monitored.
ii	Revised sickness absence policy and implementation	Medium - Reduced sickness rates to 2.3%
iii	Enhanced monitoring of Intensive Housing Management Visits	Medium - Better performance and evidence to mitigate challenge
iv	Schedule of Scheme Visits	Medium - Proactive addressing of facility and property issues

V	Compliance certification entered onto SDM IT system	Medium - Addressing risk and compliance requirement
vi	Safeguarding policy implementation	Medium - Awareness of safeguarding issues and notification requirement.
vii	Enhanced relationships with HB sections	Medium - Successful challenges to HB decisions leading to increased revenues
viii	Reactive maintenance reporting systems revised	High - Proactive consideration and monitoring - reducing demand and cost
ix	Staff briefings and one to ones introduced to enhance communication	Medium - Greater awareness amongst teams of business progress and priorities
X	Operational procedures devised and implemented across services	Low - Procedures implemented leading to greater consistency and transparency
xi	Purchase Ordering System implemented to aid financial administration	Medium - Automated invoice administration to reduce cost and effort

(ii) **Performance**

- The primary evidence base for the continuous improvement performance element is the Inclusion balanced and service scorecards, which are reported to the Board at every meeting.
- Overall, while there has been strong progress in putting in place the analytical and performance further improvement is required in regard to operational performance relating to operations and property services particularly during 2016/17.

Continuous Improvement - Performance		
Ref	Description	Impact
I	Intensive management of Gas servicing contract	High - 100% compliance with gas safety
ii	Greater priority to reduce void loss	Medium - Reduced void loss across year to budget level
iii	Implementation of Service and Balanced Scorecard	Medium - In depth analysis and tracking of performance across services.
iv	Operations league table implemented through Business Analyst	Medium - ability to identify individual performance of Managing Agents
V	Revised rent arrears process and line of responsibility to finance	High - Reduced arrears levels to 4.38% (underlying trend)

vi	Estate standards devised and monitored through scheme visits.	Medium - Performance approach for facility management to improve standards
vii	Increase in stock from 433 to 917	High - Improves cash flow and provides for greater scale to cover costs

(iii) Innovation

- Inclusion is a social enterprise and by its very nature and history seeks to innovate through its business model, services and partnerships. During 2015/16 the focus was on embedding the innovatory model that underpins the business. Going forward the aim is to achieve excellence across our services, raise our national profile, develop our HomeLife offer and to seek out new partnerships.

Continuous Improvement - Innovation		
Ref	Description	Impact
I	Increase in partnerships (see April 16 Partnership report)	Medium - Greater variety in portfolio and growth
ii	Board approval for in excess of 1000 homes growth	High - Continued growth utilising innovative partnership framework.
iii	UK Housing award finalist shortlist	Low - Increased profile for business and market awareness.

(iv) Knowledge

- The primary evidence related to knowledge continuous improvement is the adoption by Board of a comprehensive set of strategies, frameworks and policies during 2016. This includes the strengthening of the Business Governance arrangement with the review of the terms of reference and appointments to Board.
- In addition, the Delivery Plan demonstrates the achievement of a significant number of projects to enhance the business including compliance.
- Improvement is required in regard to the development and establishment of an Inclusion website, extranet and customer site - all of which are currently in development.
- Evidence of significant knowledge continuous improvement include: -

Continuous Improvement - Knowledge		
Ref	Description	Impact
I	Adoption of a comprehensive suite of business policies and frameworks.	High - Regulatory Compliance and better business planning
ii	Adoption and assessment against Governance Excellence Framework	High - Improved governance and regulatory compliance

iii	Formulation and adoption of primary business strategies	High - Clarity of business mission and objectives
iv	Approval of a new Business Plan 2016-2021	High - Demonstrates business viability and provides for future growth and investment
V	Delivery Plan implementation and monitoring	High - 94% compliance and significant business/operational improvement
vi	Customer satisfaction survey implemented	Medium - Baseline position established; identification of priorities
vii	Adoption of a Risk Plan and Framework	Medium - Enhanced risk and compliance analysis; leading to lower risk
viii	Board Recruitment undertaken	High - Board up to strength and specialist co-optees recruited
ix	Revised Organisational Structure implemented	High - Increased capability and capacity within the business for future growth
X	Health & Safety arrangements revised and strengthened	High - Recording, monitoring and review introduced.

(v) **Efficiency**

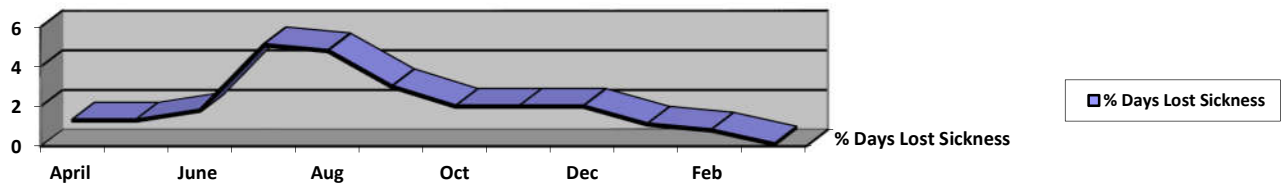
- The primary sources of evidence pertaining to efficiency are the management accounts, the value for money framework and partnership framework. Our Business Plan highlights that through growth over the next 5 years Inclusion Housing will substantially reduce its average operational costs, improve productivity and increase profitability.
- Evidence of significant efficiency continuous improvement include: -

Continuous Improvement - Efficiency		
Ref	Description	Impact
I	Increased annual surplus from £80k to £800k	High - Demonstration financial viability and profitability
ii	Cash reserves attaining £1M by year end	High - Addresses key risk of cash flow and headroom
iii	Direct Debits introduced to reduce workload and aid operations	Medium - Reducing arrears, increasing collection and reducing administration cost
iv	£300k+ provision for delegated reserves	High - Strengthening of balance sheet and provision for future major repair
V	Reduced salary cost as a % of turnover	Medium - Increasing productivity and lower operational costs.

vi	Saving of £77k in utility costs through procurement	Medium- reducing costs to be passed on to customers through lower service charge
vii	Betterment of lease terms for new developments	High - Shorter lease (30 yrs); longer void cover (10 yrs); shorter void period (9 mths)
viii	Reduced management cost per unit	High - Reduce management cost to under £1500; better value for money.
ix	Reduced Void Insurance costs - moving to self-insurance	Medium - £146k saving
X	Permanent recruitment undertaken to reduce expense of agency requirement	Medium - Savings made as we move to direct staffing
xi	Inclusion signed up to two procurement club(s) to reduce costs	Medium - NHC and Fusion 2 Procurement clubs utilised for property related tenders
X	Saving on property insurance across stock following procurement exercise.	Medium - £67k saved on annual premium to be passed on through reduced charges
xi	Revised lease payment terms negotiated to 20 days following month end	High - Beneficial cash flow impact reflected in larger cash reserve

4.4.2 People

- At IH we live by our values of being inclusive, trusted, working in collaboration, entrepreneurial and delivering excellence to our customers. Following an organisational review, the structure implemented provides increased capability and capacity whilst reducing the staff costs as a percentage of income down from 13% in 2014/15 to 10% in 2015/16.
- Table 8 below shows a relatively high average salary cost per employee due to the investment in the staffing structure following the organisational review, providing capability and capacity in the leadership structure to support the future growth of IH.
- 2013 Office of National Statistics reported the average days lost due to sickness was 2.1% for employed individuals.' IH concluded the year with a sickness record cumulatively in line with the national average and recorded an improving trend. Table 8 further shows top quartile performance when comparing to the supported housing benchmarking group.



- Staff turnover was particularly challenging in 2015/16 with the embedding of the new organisational structure and new ways of working implemented. The recent trend reflects a significant reduction in staff turnover with no leavers during the last three months.

Table 8 People Indicators

Indicator	2015/16	2015/16 Benchmarking [Supported Housing]	Quartile
Staff Sickness	2.10%	3.07%	Upper Quartile
Turnover	49%	24%	Lower Quartile
Ave. Salary Cost per Employee	£35,143	Not available	Not available

5.0 Looking to the Future

5.1 Financial Plan

- During 2016/17 we intend to measure and compare the financial performance of all our schemes. This will allow us to decide whether to surrender the lease where possible, or to work with the owner of the scheme to convert to accommodation better suited to the needs of our tenants.
- We are streamlining back office processes with the development of information and communications technology (ICT) platforms across the organization.
- Exploring new ways of working including setting up of a handy man service pilot which we anticipate will not only reduce repairs costs but also increase customer service.
- With the planned launch of a new Web site this will enable an improved level of communication with partners and stakeholders, enabling tenant online interaction.
- Our five-year financial plan has been revised and the following financial profiling has been approved by the management Board to deliver enhanced value for money.

- The main value for money highlights from 2016/17 to 2020/21 are: -

Staffing overhead costs per unit reduce from £1,071 to 669 per unit.

Routine Maintenance costs fall from £391 per unit to £349 per unit

Productivity per employee increases from £464,000 per annum to £798,000

Surplus before sinking fund & tax per employee increases from £42,000 per employee to £69,000.

Properties per employee increases from 40 to 61

5 Year Financial Plan Business Plan Income & Expenditure	2015/16 Forecast £000	2016/17 Forecast £000	2017/18 Forecast £000	2018/19 Forecast £000	2019/20 Forecast £000	2020/21 Forecast £000
Number of units in management close of year	936	1334	1734	2134	2534	3000
Yearly Cost per unit- Routine Maintenance Costs	487	391	389	389	386	349
Yearly Cost per unit - Planned Maintenance Costs	269	314	256	256	263	247
Yearly Cost per unit - Property Sinking Fund Reserve	339	319	382	382	394	369
Yearly Cost per unit - Staffing Overhead	1231	1071	896	822	742	669
Yearly Cost per unit - Office Overhead	220	190	219	218	219	204
Yearly Cost per unit - Professional Fees	150	169	179	142	143	134
Yearly Cost per unit - All Costs (excluding Lease rent)	4	3	3	3	3	3
Productivity per employee (000)	354	465	642	690	766	798
Surplus per employee (000)	27	42	57	62	67	69
Properties per employee	30	40	47	51	55	61
Overhead per employee (000)	48	58	61	60	61	62
Salary cost per unit (000)	1.2	1.1	0.9	0.8	0.7	0.7
Number of Employees	31	33	37	42	46	49

The estimated savings to be derived over the next five years in total summarized below.

Table 9

Cost	Total
Routine maintenance	£ 250K
Planned maintenance	£ 70K
Staffing overhead	£1,096K

Office Overhead	£ 34K
Professional Costs	£ 60K
Total VFM savings	£1,510

- In line with our business plan projections Inclusion Housing expects to make real cost efficiencies over the next five years of £1.5m. This is possible because as we grow in unit numbers our business model is able to absorb and manage these units effectively without significant increase in staffing and operational costs. This demonstrates our value from money approach is aligned to our strategy and business plan.
- The majority of these savings realised are in staffing costs that nearly halve (£1,231 salary cost per unit falls to £669 per unit by 2020/21) in the 5-year period as we only increase staffing levels incrementally on the ‘front line’ while our central ‘back office’ function does not grow significantly.

6.0 Delivery

- The Executive team is charged with delivering VFM through business planning, forecasting and the budget process through day to day scrutiny of performance management. Delivery plans are focused on driving efficiency through ensuring the value for money concept is embedded within the everyday management of IH’s activities. Throughout the year the Executive team monitor financial performance through monthly review of management accounts and rolling forecasts.
- Our Board play a Key role in the delivery of Value for money by setting the strategy and scrutinising the annual assessment and ensuring that VFM becomes a key part of all Board decisions. The five-year Business & Growth plan demonstrates the commitment to drive improved financial performance year on year.

7.0 Governance

- The Board has gained assurance that IH has complied with the Regulators VfM Standard through its integrated approach to;
 - Annual review of VfM aims and objectives, and VfM strategy to ensure reflects regulatory updates and any changes within the organisation;*
 - Reviewed annual self-assessment and provided direct scrutiny where required;*
 - Approval of five-year business & growth plan ensuring consistency with the corporate priorities and VfM aims.*
 - VfM is fully embedded within culture of the organisation and part of everyday activities.*
- It is our assessment that Inclusion has in place an effective foundation (and track record) that enables us to confirm that we have a robust and comprehensive approach to achieving, demonstrating and comparing performance in relation to VfM. Not only is the approach comprehensive, it also tangibly shows that Inclusion Housing is generating real VfM outcomes and positive benefits for the business its residents and stakeholders.

- It is therefore the Board's assessment that IH meets the requirements of the VfM standard. It has a robust and comprehensive approach whilst demonstrating real VfM outcomes and tangible benefits for its residents, and stakeholders.
- The Board will continue to review progress against the business plan and assesses progress against the delivery of agreed priorities and targets including those which are VfM related. It will also continue to review this VfM self-assessment process in the context of its wider role of monitoring and ensuring compliance and helping to drive further improvements across the business.

8.0 Regulation

- The regulator considers value for money as an integral part of providers' compliance with the economic standards via its In-Depth Assessments (IDA). The regulator will seek assurance that providers and their boards are challenging themselves to make the best possible use of their resources to deliver their social purpose and objectives.
- Where the regulator does not have sufficient assurance that this is the case, it will reflect this conclusion in the provider's published governance grade.

9.0 Conclusion

- This statement has been designed to demonstrate and highlight Inclusions' holistic approach to achieving value for money. It should never be assumed that this is our sole document where we demonstrate our commitment to this topic. From our Strategic Vision document through to our Annual Report, and Financial Statements, we continually highlight different ways we embrace the continuum that is VfM.
- We have not yet achieved all our aspirations in this area and the Board and executive team are focused on meeting the challenging targets included in the five-year business & growth plan.
- As at the end of 2015/16 our overall 'headline social housing costs' are very competitive when compared to other supported housing providers and near the average for 'mainstream providers.' With continued growth we expect to be able to reduce operating costs further in order to deliver even greater value for money.
- The Board of Management through its governance and oversight has satisfactory control of its finances and through the business plan has identified reasonable value for money improvements that are both sustainable and achievable.
- Performance Management within the business has been significantly improved through the introduction of a balanced and service scorecard approach and resourced through the employment of a dedicated analyst to enhance the use of data to inform service and performance improvement.
- Our value for money approach is aligned to our continuous improvement framework ensuring that efficiencies and outcomes are aligned to our strategic objectives.
- Overall this first Inclusion Housing Value for Money statement will be enhance and improved upon in subsequent years as we build up a track and trend analysis whilst enhancing our benchmarking comparison with other similar businesses.

