Value for Money Statement - Self Assessment 2017/18

INCLUSIONHOUSING

Value for Money - Self Assessment 2017/18

1. INTRODUCTION

The Regulator for Social Housing has published their response to the Value for Money (VfM) consultation that closed in December 2017. The new VfM standard came into effect from 1st April 2018 and will apply to all private registered providers from that date.

Both the previous and new standard set the expectation that VfM should be a key strategic objective for providers, and as before, the regulator will continue to seek assurance through In-Depth Assessments that this is the case.

The requirements of the new VfM Standard include reporting on a set of metrics defined by the regulator alongside any additional VfM performance targets identified by Inclusion Housing (IH). There is a requirement to include reporting on these new metrics in the 2017/18 financial statements alongside a board review of IH strategic objectives and targets in the light of the revised requirements.

Registered providers must ensure that they have sought to optimise the financial return from their assets and activities as far as that is consistent with achievement of the organisation's wider organisational purpose and strategic objectives.

2. VALUE FOR MONEY STANDARD

2.1 Required Outcomes

Registered providers must:

- Clearly articulate strategic objectives
- Agree an approach by the board to achieving value for money in meeting these objectives and demonstrate delivery of VfM to stakeholders
- Through strategic objectives, articulate strategy for delivering homes that meet a range of needs
- Ensure optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of strategic objectives

2.2 Specific Expectations

Registered providers must demonstrate:

- A robust approach to achieving value for money – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance
- Regular and appropriate consideration by the Board of potential value for money gains – this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures
- Consideration of VfM across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case
- The organisation has appropriate targets in place for measuring performance in achieving VfM in delivering our strategic objectives, and that we regularly monitor and report our performance against these targets.

Registered providers must annually publish evidence in the statutory accounts to enable stakeholders to understand the provider's:

a) Performance against our VfM targets and any metrics set out by the regulator, and how that performance compares to peers

b) measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.

2.3 Required Matrix

The RSH cannot change the required metrics, where it works for the majority of the sector. However, where a provider has reported data is affected by a factor particular to that organisation we are able to clarify this in the commentary accompanying the publication of their data.


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Metric 1 – Reinvestment %

This metric looks at the investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held.

Metric 2 – New supply delivered %

The New supply metric sets out the number of new social housing and non-social housing units that have been acquired or developed in the year as a proportion of total social housing units and non-social housing units owned at period end.

Metric 3 – Gearing %

This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance.

Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %

The EBITDA MRI interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable.

Metric 5 – Headline social housing cost per unit

The unit cost metric assesses the headline social housing cost per unit as defined by the regulator.

Metric 6 – Operating Margin %

The Operating Margin demonstrates the profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve the financial efficiency of a business.

Metric 7 – Return on Capital Employed (ROCE)

This metric compares the operating surplus to total assets less current liability is and is a common measure in the commercial sector to assess the efficient investment of capital resources. The ROCE metric would support registered providers with a wide range of capital investment programmes.

VFM Metrics	IH 2017/18	Supported Housing Acuity (Peer Group) Benchmarking Club 2017/18	T/L
Reinvestment %	10.16%	5.8%	
New Supply delivered %	16.9%	8.0%	
Gearing %	22.85%	22.85%	
EBITDA MRI	6003	162	
Headline Social housing cost per unit	£3,746	£8,659	
Operating Margin %	7.24%	4.74%	
Return on capital employed	26.31%	3.18%	

IH performance compares favourably to the supported housing Acuity benchmarking club 2017/18 results.

The EBITDA MRI matrix measures the level of surplus by comparison to the level of interest payable. This measure works well for the property-owning organisation who are borrowing monies to fund new developments rather than the lease module. This measure for IH has no value due to their being no requirement when operating the lease module to raise funds.

Social housing costs are considerably lower than our peer group, generally accepted the provision of supported housing costs are higher than general needs.

Return on Capital Employed 26% is higher than the sector due to the lease module.

The metrics set out by the Regulator are measured through the monthly performance scorecards.

3. STRATEGY

The VfM objective is to –

'Ensure robust business planning that delivers value for money'

The objectives support the medium to long-term future of IH, include measured targets all linked to the aims and purpose of the organisation.

The three classic components of 'VfM': - economy, efficiency, and effectiveness, are -

- **Economy** - minimising the cost of resources used while having regard to quality
- **Efficiency** - the relationship between the output from goods or services and the resources to produce them
- **Effectiveness** - the extent to which objectives are achieved (desired outcomes) and the relationship between intended and actual impacts

IH endeavors to achieve optimum economy, efficiency and effectiveness in delivery of our strategic objectives balancing the available resources, risks and legal requirements to ensure long-term financial viability.

4. AIMS

There are three VfM aims that make up this IH VfM statement: -

- **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.
- **Financial Viability** – Efficiency opportunities for procurement and collaborating 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.
- **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.

5. PERFORMANCE MANAGEMENT

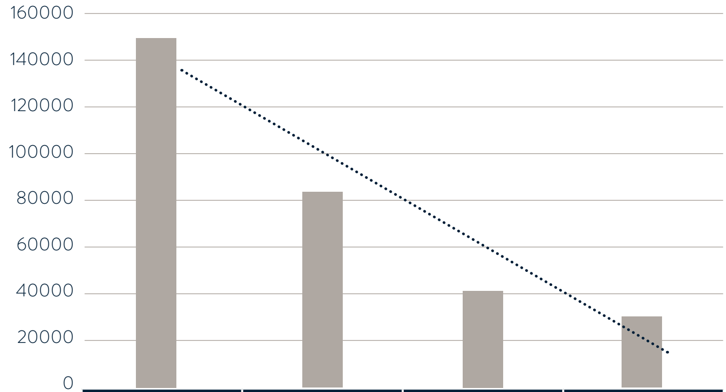
5.1 Analysis of Performance / Benchmarking

- In selecting a peer group for comparative purposes, we have regard to the size of business, location/ character of housing stock and supported housing provision. IH has retained its membership of the supported housing benchmarking group, contributed to the sector scorecard pilot and have continued to use benchmarking to help us 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 and takes information from published annual financial statements published in the HCA 2017 Global Accounts of private registered providers.
- The business analyst provides the Executive team with timely in-depth performance reporting including the analysis of voids & relets, arrears, repairs expenditure, compliance and corporate indicators. The balance scorecard introduced in 2015/16 derived from individual service scorecards from each of our four main services (Property, Finance, Business, and Operations) has been enhanced to include further themed scorecards for the customer, compliance, a perfect storm and VfM.
- An ongoing key priority for the business is to further reduce the percentage of lost income due to voids from 11.86% in 2015/16 to 7.73% 2016/17 and 5.2% in 2017/18 - now just below the SPBM medium quartile level of 5.3%. Further reductions in lost income will be dependent on initial lease agreements including agreements to invoice third party from day one or immediate occupancy of schemes.
- The tables below provide insight into our key performance management indicators compared to national benchmarking figures. This is the third year of such benchmarking and reflects the significant improvements, which have been made.
- Overall, most indicators reflect a positive improvement in performance with management of the voids process remaining a business priority. A business analyst voids has been employed to assist the operations team in marketing and finding new opportunities to progress hard to let properties.

5.2 Analysis of Arrears

- 2017/18 continued the previous two years of sustained low levels of tenant arrears through focused tenancy management from the managing agents supported by the credit controller. There has been an improvement in performance from 1.86% CTA net of HB at the end of 2016/17 to 1.31% at the end of 2017/18(Section 5.6).
- The VfM relating to arrears can be demonstrated through the low level of debt written off. Since 2014/15, there have been direct savings made by reducing the level of debt written off from £149,171 in 2014/15 to £29,834 in 2017/18, a continuously improving trend.

DEBTS WRITTEN OFF



	2014/15	2015/16	2016/17	2017/18
Bad Debt Write off	149171	83037	41897	29834
% of income	3.1	0.75	0.26	0.18

Bad Debt Write off   % of income   Linear (Bad Debt Write off)

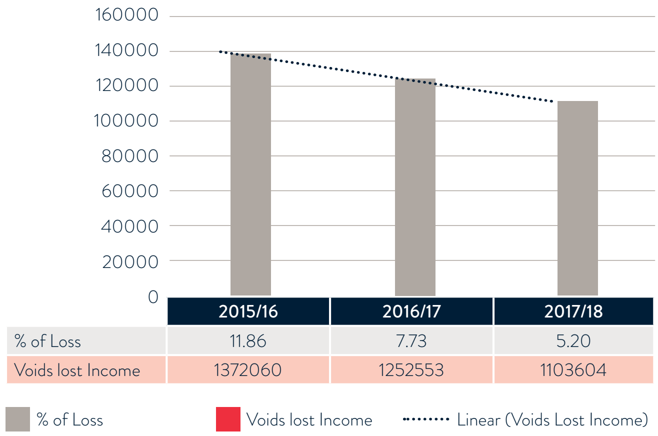
Source: Financial Statements

- The low levels of arrears has allowed the expansion of the credit controller's role to include liaison and negotiation with Housing Benefit departments to seek agreement on rent increases on the existing portfolio and rent levels associated with new developments. This has removed the requirement to incur professional fees from consultants, strengthened our in-house expertise and enabled us to work collaboratively with partners and local authorities. External professional fee expense incurred in the work involved in agreeing rent levels with HB departments has been removed (2017/18 £48K costs were incurred).

5.3 Analysis of Voids Lost Income

- IH works in partnership with care providers 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 has resulted in a rise from 39% of the lost income being invoiced to a third party in 2015/16 to 57% in 2016/17 and sustained at 57% in 2017/18.
- 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 change in working practices allowed £825K to be retained within the business rather than funding a voids assurance policy; offsetting the overall lost income due to voids.
- The 2017/18 void loss trend is shown below at section 5.6 / graph 2 and demonstrates an improvement in reducing void loss. Inclusion Housing mitigates its risk to void loss through void and nominations agreements, self-insurance and insurance cover. The reduction in void loss from 11.86% in 2015/16 down to 7.73% in 2016/17 & 5.2% in 2017/18 equated to £530K income realised.

LOST INCOME TREND DUE TO VOIDS



Source: Financial Statements

- Section 5.6 shows the performance improvements over the past three years. With a focus on improving performance across the business; improvement is being sought and achieved about voids and lettings.

5.4 Customer Indicators

Overall, the customer service indicators reflect a generally positive picture of performance by comparison to the last two years but with less complaints being resolved within time scales. Benchmarked against other supported housing organisations Inclusion Housing is demonstrating favorable comparison and achieving high levels of customer satisfaction.

Customer Indicators	Benchmarking [Supported Housing median] 2017/18	2015/16 Inclusion Housing	2016/17 Inclusion Housing	2017/18 Inclusion Housing	T/L
Customer Satisfaction	89%	72%	89%	89%	
Complaints resolved within timescale	95%	n/a	100%	80%	
Listen to Customer Views	84%	70%	84%	90%	
Satisfied with managing agent	86%	68%	94%	93%	

5.5 Cost Indicators

Overall, as Inclusion Housing grows it is reducing its costs in all areas of the business and will continue to do so whilst retaining excellent levels of service. The table below highlights that our management and property costs are significantly lower than other operators in this market.

Cost Indicators	Benchmarking [Supported Housing median] 2017/18	2015/16 Inclusion Housing	2016/17 Inclusion Housing	2017/18 Inclusion Housing	T/L
Weekly maintenance investment per unit	£23.44	£23.04	£21.43	£20.00	
Weekly management cost per dwelling	£30.39		£11.95	£7.44	
Overhead cost per property % of turnover	12.07%		6.23%	6.21%	
Supporting people block income % of turnover	7.25%	0%	0%	0%	
Agency staff costs as % of payroll	2.68%	16.9%	2.8%	0.30%	

5.6 Operations Indicators

Overall operation indicators reflect a year-on-year improvement in performance during 2017/18 especially in regard to reducing current and former rent arrears. Re-let days and workdays lost to sickness remain challenging and we aim to improve further.

Operation Indicators	Benchmarking [Supported Housing median] 2017/18	2015/16 Inclusion Housing	2016/17 Inclusion Housing	2017/18 Inclusion Housing	T/L
Current rent arrears %	1.54%	5.51%	1.86%	1.31%	
Former tenant arrears %	1.07%	0.47%	0.25%	0.24%	
Arrears written off	0.73%	0.75%	0.26%	0.18%	
Rent collection %	97.33%	95.5%	95.9%	100.15%	
Re-let days	90	183	156	219	
Net void loss %	5.34%	11.8%	7.7%	5.24%	
Work days lost to sickness	7.03 days	5.46 days	4.2 days	5.95 days	

5.7 Property Indicators

Completion of repairs within target time remains a challenging area for the organisation. We continue to review and refine our maintenance services working towards future improvements in performance.

Cost Indicators	Benchmarking [Supported Housing median] 2017/18	2015/16 Inclusion Housing	2016/17 Inclusion Housing	2017/18 Inclusion Housing	T/L
Satisfaction with home condition	85%	67%	79%	78%	
Gas servicing	100%	100%	100%	100%	
% repairs completed on first visit	95%	85%	96%	95%	
Routine repairs completed in target time	97%	41%	97%	91%	

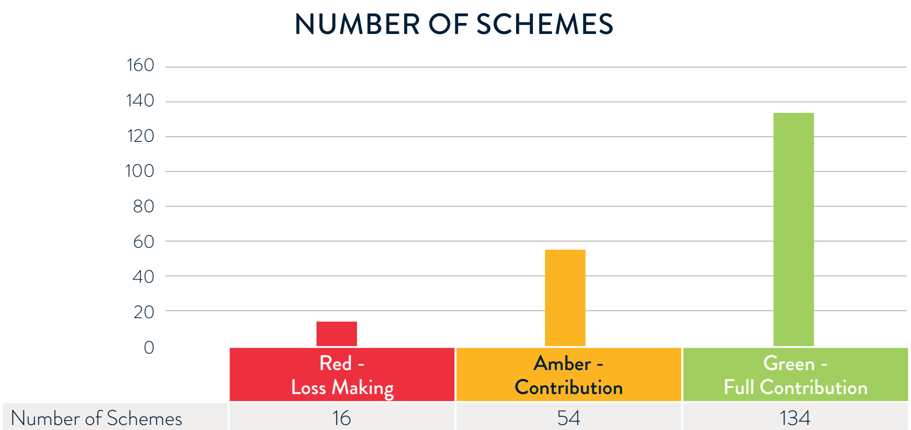
5.8 Return on Assets

IH undertakes twice ever year an analysis of the return on assets across the entire stock to ensure the returns are consistent with our overall financial strategy and business plan assumptions.

The number of schemes analysed in 2015/16 was 141; 164 in 2016/17 and a rise to 204 in 2017/18. There is a significant **positive trend relating to a fall in the number of schemes making a loss** now down to 8% of the overall schemes in management. This position is assisted by self-insurance arrangements and initial support for new schemes coming into management including lease subsidies, project management fees and council tax pots.

Classification	2015/16	%	2016/17	%	2017/18	%	% Trend
Schemes Making a Loss	17	**12%**	19	**12%**	16	**8%**	▲
Total	**141**		**164**		**204**		

In 2017/18, 66% of the leased schemes were classed as green, 26% as amber and 8% as red.



6. FINANCIAL VIABILITY

6.1 Procurement

- In response to the growth in the number of units in management during 2017/18, the number of managing agents has increased over the year from twelve to sixteen. This has allowed economies of scale in reducing patch sizes with a corresponding reduction in the collective mileage incurred providing a saving in the region of **£2,000 in mileage costs**. These efficiencies will be enhanced further in 2018/19 with further increases in the units in management and the number of managing agents with corresponding reductions in patch sizes.
- Following the large savings made on the market testing and re-procurement of the property insurance in 2015/16, a **£9.3K rebate** was received in 2017/18, in recognition of the continued low claims experience.
- The voids assurance policy provided a positive return on premiums paid of £19K due in part to being in a group policy. **The overall net gain was £19K.**
- During renewal negotiations for the 2017/18 policy, it become apparent the level of commission charged by the broker was high at 25% and through negotiation; this has been reduced to 23% providing a small **saving of £1.5K.**
- Legionella risk assessments carried out in house using local teams through regular scheme visits currently being undertaken. Benefits realised include training undertaken resulting in up-skilling of staff and a saving of £25 per risk assessment, providing a **saving of £32K**.
- Agreements negotiated with care providers to pay a portion of the utility costs at schemes **- £24K recovered**
- In 2017/18, we made savings in the following areas: -

Title	Description	Saving
Voids assurance policy	Returns on the policy exceeded costs, plus reduced broker commission	£21K
Property insurance costs	Market Tested – Second year of Market tested terms and realization of low claims rebate	£9K
Bad debt	Focused debt collection reduced year on year bad debt provision, 2016/17 £42 – 2017/18 £29K	£13K
Travel costs	Reduced managing agents patch sizes – reduced travel costs	£2K
Asbestos reports	Procurement exercise reducing cost of survey from £420 to £102; 76% saving	£19K
Legionella risk assessments	Risk Assessments carried out in house	£32K
Care provider	Contribution towards utility costs at scheme	£24K
Interest receivable	Change in treasury arrangements – day to day cash in interest bearing accounts	£12K
Loan repayment	Loans repaid - interest cost savings	£17K
TOTAL SAVINGS		**£149K**

As a percentage of the overall operating costs (excluding property lease costs & salaries), £4.7M the £149K saving represents an approximate **3.2% efficiency on an annual basis.**

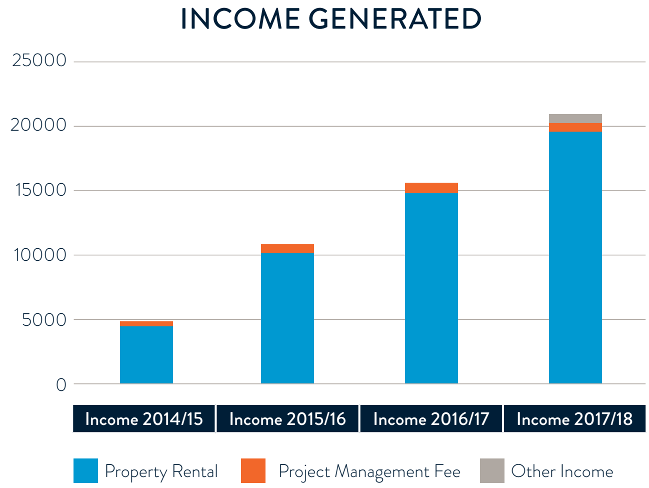
6.2 Treasury

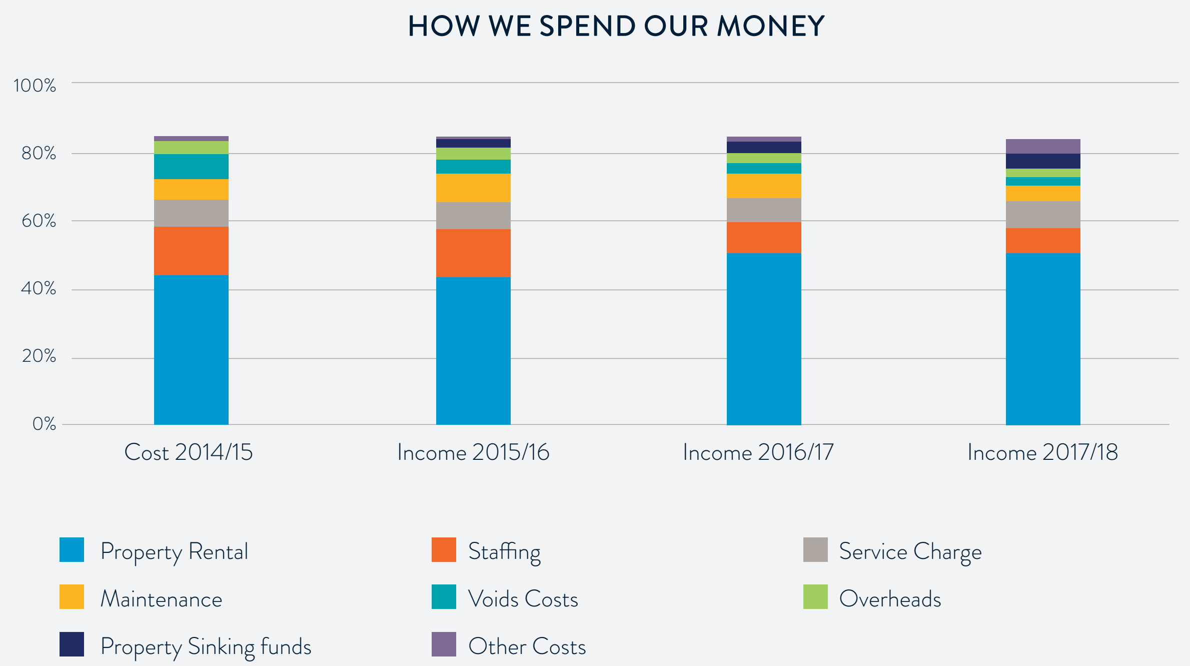
- Cash generated from operating activities (£2,262K) matched the surplus after tax generated in 2017/18, £1,592K plus property sinking fund transfer to reserve £744K; a total £2,336K. This reflects the efficient management of the organisations working capital.
- The healthy cash position achieved, enabled the repayment of all historic loans (£541K), with a **saving of £12K in interest costs** in 2017/18 with future yearly savings in the region of £12K.
- New in 2017/18, Interest maximisation on surplus cash arrangements:
  - Day to day cash balances are now swept to an instant access deposit account – interest paid 0.25%
  - Property sinking funds moved from 3-month notice account to 6-month notice account – increased interest earned 0.15%

Additional interest generated in 2017/18 by comparison to 2016/17 was **£12K.**

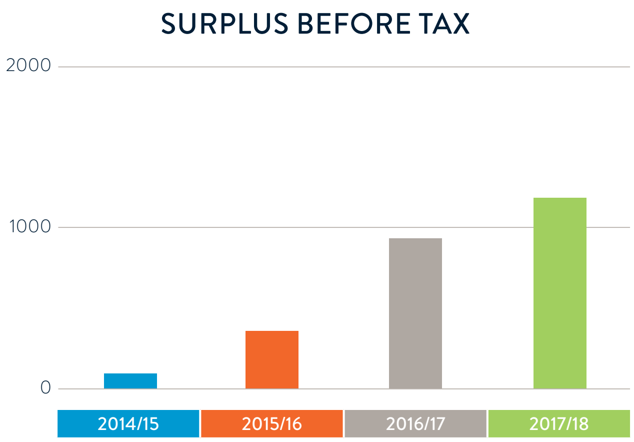
6.3 Financial statements

- 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 bringing new units either into management or into improving services for our tenants.
- Since 2014/15, significant yearly growth in the number of units in management from 433 to 1546 and consequently income has grown significantly from £4 million to just under £20 million; 400% increase.
- The reliance on project management income has reduced from 7% of total income in 2014/15 to 3% in 2017/18.





- IH leases the majority of 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), £9.4 million in 2016/17 (60% of income) and £13.1 million in 2017/18 (62% of income). The agreement to stepped rent arrangements contributed significantly to the short-term fall in costs in 2016/17 and continued to dampen lease cost % in 2017/18.
- Economies of scale and efficiencies are being realised on staffing costs; 13% of income in 2014/15 reduced to 7% of income in 2017/18.
- Surplus before tax increased from £88K in 2014/15 to £1573K in 2017/18 due to the significant period of growth, reduced income loss from empty properties, 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 costs.

6.4 Financial Ratios

Indicator	2014/15	2015/16	2016/17	2017/18
Operating margin	1.4%	5.3%	8.7%	7.24%
Net margin (after tax)	1.4%	3.9%	6.3%	5.9%
EBITDA	1.8%	7.8%	11.9%	10.68%
Liquidity ratio	1.15	1.25	1.46	2.07
Gearing ratio	1.09	0.95	0.23	0.12

- The financial ratios support the improved financial position of the organisation from achieving very small margins in 2014/15 through to sustainable operating margins at 7% in 2017/18 to support the delivery of services for the long term.
- The improved Liquidity ratio supports the future cash requirements, to cover the risks associated with long-term lease commitments, excellent service delivery and investment in additional units in management.
- Leasing the majority of the properties in management means IH has no debt requirement. In 2016/17, IH repaid all historic loans relating to properties to rent. The only loans now in place relate to the purchase of the head office building at the beginning of 2017/18. There are no plans to increase the current level of borrowing.

6.5 Costs

- Homes England published its 2017 global accounts of private registered providers. This has been utilised to compare Inclusion Housing benchmarked costs to national averages. Please note, the lease costs and sinking fund provision have been excluded.
- Average (mean) headline social housing costs were £3,298 per unit in 2016/17 compares very well to IH at £3,373 (2016/17).
- An annual consistent 10% fall in management costs over the last four years reflects the economy of scale being achieved through continued growth and a flat management structure.

Costs per Property per annum	Inclusion 2014/15	Inclusion 2015/16	Inclusion 2016/17	Inclusion 2017/18	Median HCA global Accounts 2016/17	T/L
Management costs	£1,646	£1,457	£1,320	£1,207	£941	
Service charge costs	£935	£1,176	£973	£974	£371	
Maintenance costs per unit	£635	£881	£629	£387	£925	
Major repair costs	£0	£353	£214	£395	£682	
Other social housing costs	£939	£571	£237	£69	£241	
Headline social housing costs	£4,155	£4,438	£3,373	£3,746	£3,298	

Source: Inclusion Management Accounts 2015/16. 2017 Global Accounts (HCA)

6.5.1 Management Costs Per unit

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

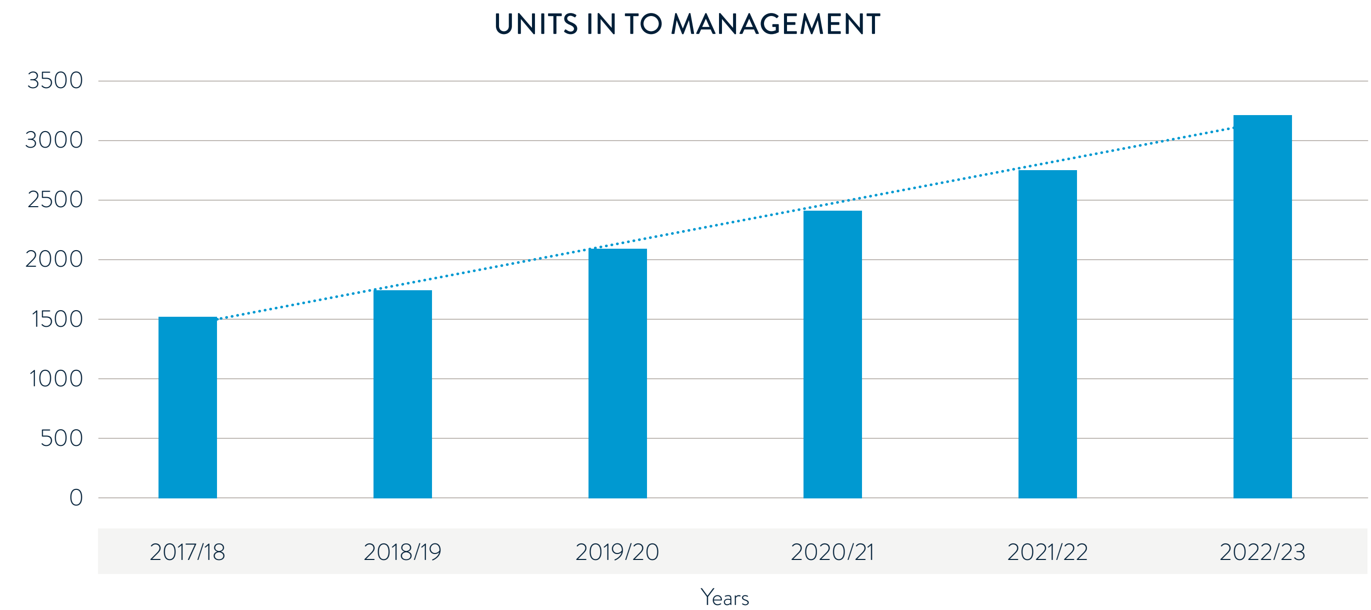
- The 30-year business plan looks to contain overhead costs with increases at a lower percentage than the growth in income; reducing the overall management costs per unit, aligning with the current industry level of management costs per unit towards the end of the plan.

6.5.2 Maintenance costs per unit (excluding property sinking fund)

- Full property portfolio surveys are undertaken, providing the opportunity to produce a 30-year investment plan identifying required investment in the units in management, for the benefit of our partners and tenants reducing future day-to-day repair needs and costs.
- In 2017/18, there was a change in emphasis away from responsive repairs to a more planned service with an overall reduction in costs of approximately 8%. IH continues to show maintenance repairs expenditure at a less than half the sector average.

6.6 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. Growth continued at a rate of 22% in 2017/18 by comparison to 2016/17. The percentage of growth in future years will be around 20%, providing capacity to achieve economies of scale. In line with the 30-year business and growth plan the number of units in management is envisaged to reach 3,000 by 2022/23.



7.0 STRATEGIC IMPROVEMENT

7.1 Continuous Improvement

7.1.1 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.

Board has approved the frameworks previously and the scoring represents the manifestation of their active implementation including the balanced scorecard, delivery plan, risk, board reporting, and property compliance and governance frameworks.

The table below satisfies two objectives of the framework about measurement and links to business frameworks. Overall the Continuous Improvement Approach has resulted in a positive trend with the average **Continuous Improvement Score** for the for the business improving from 45% to 86%: -

YEAR	2014/15	2015/16	2016/17	2017/18	TREND
CI SCORE	45% (est)	77%	86%	86%	91%

This represents a **91% positive trend** improvement since 2014/15 and reflects the progress made during the last two financial years. During 2017/18, the improvement trend increased or was maintained across most frameworks except for performance; more demanding targets impacted this.

FRAMEWORK	2015/16	2016/17	2017/18	TREND
Risk	64%	67%	68%	+ 1%
Performance	46%	71%	58%	-13%
Delivery	94%	92%	97%	+5%
Governance	93%	97%	98%	+1%
Facilities	81%	89%	95%	+6%
Customer Service	72%	89%	89%	0%
Development	86%	85%	85%	0%
Compliance	n/a	97%	100%	0%
Average CI Score	**77%**	**86%**	**86%**	**0%**

7.1.2 2017/18 Delivery Plan Successes

The following section provides proof and demonstration of the progress made as well as the evidence base for the conclusions.

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. Significant improvement is evidenced in regard to the business effectively enhancing its approach to compliance; which is now added to the continuous improvement-scoring framework.

Further improvement is required in regard to reducing voids and void loss further; however, it should be noted that void loss did fall by approximately 33% during the last financial year.

Evidence of significant systems continuous improvement are detailed in the table below.

Continuous Improvement – Systems		
Ref	**Description**	**Impact**
i	Establish 24 hour, 365 days a year out of hours' telephone service to provide convenient access and reassurance to IH customers	**High** – Ensures sufficient out of hours response to customer issues
ii	Develop mystery shopping programme aligned to service standards	**Medium** – Programme identifying issues that require improvement
iii	Implement a comprehensive organisational development programme to develop and establish a customer centred approach in delivering services to all our customers	**High** – Developing staff skills and knowledge to enable compliance, better service and personal development
iv	Embed the introduction and successful administration of Auto enrolment	**High** – Compliance with government legislation and provision of pension for staff
v	Roll out of Handyperson service	**High** – Increased responsiveness, higher productivity and increased satisfaction from customers.

Continuous Improvement – Performance		
Ref	**Description**	**Impact**
i	Establish a Community Fund & Panel to support local projects proposed by residents	**Low** – Promoting independence and promoting HomeLife initiative
ii	Undertake comprehensive re-engineering of property compliance across stock to ensure 100% compliance	**High** – Ensuring full legal compliance
iii	Proactively approach existing supported housing providers to explore transfer of lease/management arrangements for their portfolio	**Medium** – Links being made and some low-level opportunities coming forward; long term project
iv	Participation and adoption of the sector score card	**Low** – Enables benchmarking against sector averages
v	Implement joint marketing plan with Lifeways to reduce void numbers, letting time and void loss	**Medium** – Enhanced focus and joint working; further progress required

Continuous Improvement – Innovation		
Ref	**Description**	**Impact**
i	Sponsor community days where these enhance the quality of life and provide an opportunity for IH to consult with residents and involve ourselves in community - HomeLife	**Low** – Opportunities coming forward however care providers are generally implementing local initiatives themselves
ii	Update Treasury Management Policy to inform investment of 'excess' cash with options	**High** – Enables use of reserves to invest in new freehold properties providing a greater return

Continuous Improvement – Knowledge		
Ref	**Description**	**Impact**
i	Achieve Customer Service Excellence for Inclusion Housing. Address recommendations made following assessment	**High** – Promotes customer excellence and high standards of delivery
ii	Develop Resident Involvement database by Managing Agent patch	**Low** – Low take up of resident involvement
iii	Make significant progress against IiE action plan	**Medium** – promoting equality across the business
iv	Devise and implement a Scenario Plan for Inclusion Housing	**Medium** – Demonstrates regulatory compliance; best practice

Continuous Improvement – Efficiency		
Ref	**Description**	**Impact**
i	Consider charitable donations to those organisations offering support in community that impact considerably upon IH residents	**Low** – Low level of activity as local provision and funding from other sources
ii	Identify and secure alternative office accommodation with capacity for the business to grow	**High** – New accommodation means lower accommodation costs with room to expand
iii	Scope the ability to provide Housing Benefit Advice through IH directly	**High** – Internal expertise secured to enable maximisation of HB payment and income collection
iv	Stress Testing enhancement – develop further complex scenarios	**High** – Meeting regulatory expectation and informs business planning

8.0 PEOPLE

- At IH, we live by our values of being inclusive, trusted, working in collaboration, entrepreneurial and delivering excellence to our customers. 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, 8% in 2016/17 to 7% in 2017/18.
- The level of sickness absence at IH during 2017/18 rose to 6 days much in line with the benchmarking participants but lower that the house mark median of just under 10 days.
- Staff turnover was particularly challenging in 2015/16 & 2016/17 with the embedding of the new organisational structure and new ways of working implemented. The current level of staff turnover is lower than the benchmarking participants but a lower quartile level by comparison to Housemark participants.
- Significant reduction in the use of agency staff in 2017/18 provided savings on premium hourly rates and an established workforce able to provide continuity of service delivery.

Ref.	Metric	Inclusion Housing 2015/16	Inclusion Housing 2016/17	Inclusion Housing 2017/18	Median SPBM 2017/18	Median HouseMark 2017/18	Median HouseMark 2017/18	SPBM Quartile 2017/18	HouseMark Quartile 2017/18
B1	Sickness absence	5.46 Days	4.22 Days	6.00 Days	6.00 Days	5.90 Days	9.90 Days	Medium	Upper
B2	Staff turnover %	48.57%	26.32%	19.60%	22.90%	21.10%	13.80%	Medium	Lower
B3	% of BME staff	8.57%	12.77%	13.00%	17.90%	18.50%	N/A	Lower	N/A
B4	Agency staff costs % of payroll	17%	2.84%	0.30%	2.70%	2.70%	N/A	Upper	N/A
B5	% staff members with a disability	N/A	10.03%	8.90%	8.60%	5.80%	N/A	Upper	N/A

9.0 REPORTING

Transparency and accountability help drive improvement in VfM. A monthly balanced score card is produced and shared with the Executive team and Board on a bi-monthly basis. This includes departmental performance, compliance, VfM and the perfect storm matrix. The Board review and challenge expected levels of delivery and challenge executives to ensure robust plans are in place for improvement.

The standard requires reporting of the metrics defined by the regulator in the financial statements and monitored through the VfM balanced score card.

10 LOOKING TO THE FUTURE

- IH ability to measure and compare the financial performance of all our schemes. This has allowed us to decide whether to surrender the lease where possible, or to work with the owner of the scheme to convert the accommodation to better suit to the needs of our tenants.
- We continue streamlining back office processes with the development of information and communications technology (ICT) platforms across the business including electronic processing of invoices reducing the number of paper-based processes.
- Exploring new ways of working including expanding the handyperson service, which is helping to reduce repairs costs but also increase customer service.
- With the launch of the self-service customer web site, this will enable an improved level of communication with customers enabling online interaction.

11 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 VfM by setting the strategy and scrutinising the annual assessment and ensuring that VfM becomes a key part of all Board decisions. The 30-year business plan demonstrates the commitment to drive improved financial performance year on year.

12 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 30-year business plan ensuring consistency with the corporate priorities and VfM aims;
- VfM is fully embedded within culture of the organisation and part of everyday activities (VfM report); and
- Return on Assets Annual report.

It is our assessment that Inclusion Housing 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 IH 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.

13 REGULATION

The regulator considers VfM 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 has published governance grade.

In order to provide sufficient assurance, it is proposed that Inclusion Housing will implement the following to ensure compliance: -

- Update the Controls Assurance Matrix that is reported annually to the Risk & Audit Committee to ensure compliance against the VfM Standard
- Continue to devise and publish an Annual VfM statement incorporating the new performance metrics, subject to Board approval
- Continue to incorporate VfM into the Annual Report and Financial Statements to ensure compliance with the regulatory standard
- Devise a VfM scorecard for reporting to Board at every Board meeting.

14 CONCLUSION

- This statement has been designed to demonstrate and highlight Inclusions Housing's holistic approach to achieving VfM. 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 30-year business plan.
- As at the end of 2017/18, our overall 'headline social housing costs' are moving closer to the average for 'mainstream providers.' With continued growth, we expect to be able to reduce operating costs further in order to deliver even greater VfM.
- The Board of Management through its governance and oversight, has satisfactory control of its finances and through the business plan has identified reasonable VfM improvements that are both sustainable and achievable.
- Performance Management within the business continues to be a key focus through the 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 Inclusion Housing Value for Money statement will be enhanced and improved upon in subsequent years as we build up a track and trend analysis whilst enhancing our benchmarking comparison with other similar businesses. Value for money is an Inclusion Housing (IH) 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 further supported and general needs housing accommodation to be brought into management.
- Our VfM Self-Assessment is written to demonstrate our progress in delivering business effectiveness and VfM for our residents, stakeholders, Board members and staff. VfM 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.
- 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 30-year business plan containing an overarching intent to reduce yearly costs per unit.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INCLUSIONHOUSING

INCLUSION HOUSING
106 HEWORTH GREEN
HEWORTH
YORK
YO31 7TQ

EMAIL: HELLO@INCLUSIONHOUSING.ORG.UK
TEL: 01904 675207