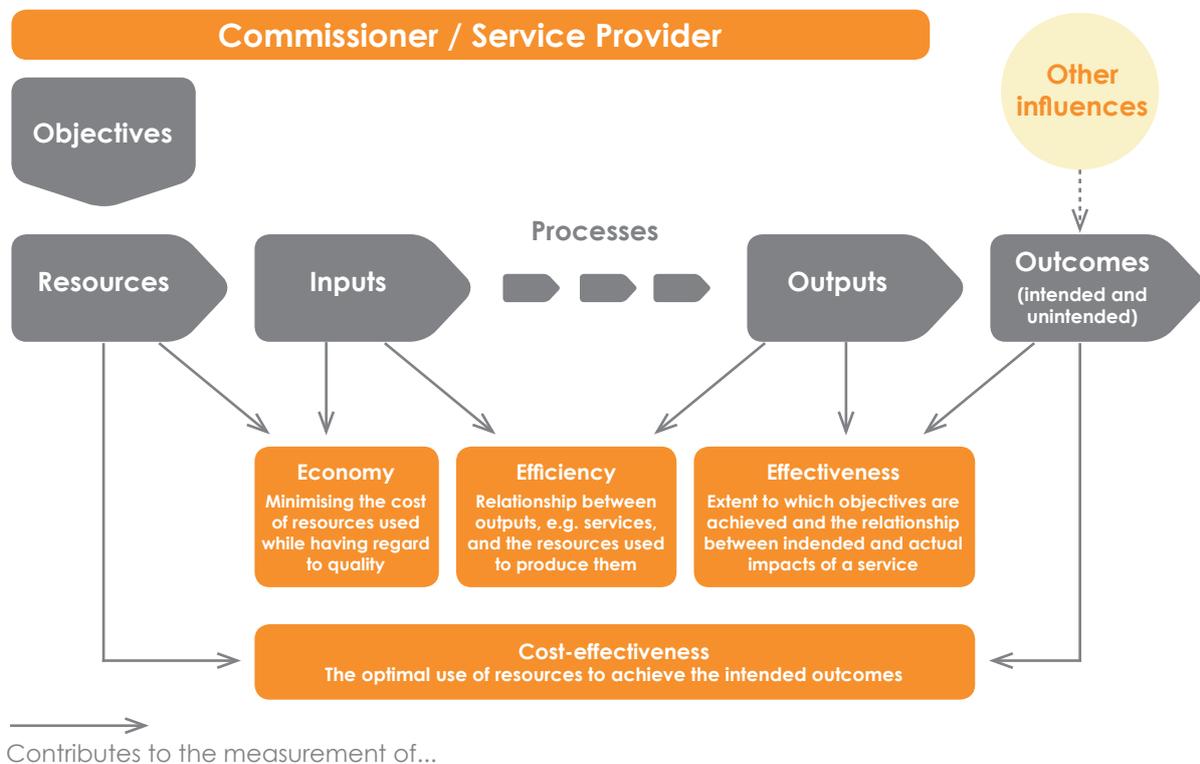


The Society's mission statement is "To provide quality affordable homes and services that provide value for money" with a clear vision to "Deliver more". This can only be done in the existing challenging environment that the housing sector finds itself by having a clear focus on providing the best possible services and homes to its customers at a cost that is appropriate to the outcomes required. Value for Money (VFM) is a process which links objectives with outcomes being delivered very much in line with the model below. (Figure 1) It isn't just about the cheapest solution but in assessing the relationship between economy, efficiency, and effectiveness of the processes.

Figure 1 – Source National Audit Office



Our approach to Value for Money is to:

- Consider value for money as part of our decision making process
- Have a performance management and scrutiny functions in place which drive and deliver improved value for money performance
- Understand the costs and outcomes of delivering specific services
- Understand the return on our assets

The Board expects VFM to be practised as standard operating procedure. Budgets are set by the Executive team once strategic objectives have been set and approved by the board. The budgets are set annually, approved by the board and form the basis of the Society's long term Business and Financial plan.

The VFM strategy states that in addition to cost and efficiency the Society will focus on the benefits we provide e.g. social, environmental, quality etc. Assessing the outcomes will help us refine our decision making processes in the future.

We benchmark our performance and costs with other smaller housing associations in the South West. We are part of a small but focussed benchmarking group which allows us to compare and identify the reasons for variances. It is important that benchmarking is not seen as an answer to good or bad performance but more of an analysis tool which when used effectively can help to explain how performance in terms of satisfaction and costs can be improved. It also acts as a catalyst for exploring opportunities for sharing services, joint procurement initiatives and potential for supplier recommendation.

Key Performance Indicators comparison

The benefit for our customers provides the focus and basis for all of our decision making. Below are the levels of satisfaction achieved from our customers in general needs properties.

Satisfaction Indicators

Service	Year 2015	Year 2016	Year 2017	SWBM Benchmark Quartile 2017 Quartile Year 2017
Overall services	93	90	92	3
Quality Of Home	94	93	94	1
Neighbourhood	93	94	95	1
VFM - Rent	87	92	93	2
VFM- Service Charges	76	72	77	3
Repairs and Maintenance	88	86	88	2
Listens and acts upon views	80	78	79	3

A quartile is each of four equal groups into which a population can be divided according to the distribution of values of a particular variable. The Society is in a population of twelve similar organisations and therefore each quartile represents four ranges.

The collection of rent is always a challenge, particularly as the Society deals with 12 local authority areas for the collection of Housing Benefit / Universal Credit. During the course of the year the commencement of the roll out of the Welfare Reform Act had to be managed against a backdrop of a restructure within the Housing Management team.

The results and comparators for the Society's performance around rents are itemised below

Rent Collection

Performance Indicator	Year 2015	Year 2016	Year 2017	SWBM Benchmark Quartile 2017
% rent collected - GN	99.5	99.8	99.7	3
Rent arrears net of housing benefit - GN	1.8	1.11	1.24	4
Current tenant arrears - GN only	2.6	2.32	2.29	2
Annual increase in GN gross rents	3.8	1.7	-1	3
Former tenant arrears - GN only	0.2	0.07	0.01	1
Rent written off - GN only	0.2	0.15	0.23	3

The quality of service and the maintaining our stock is always vitally important and historically provides the biggest level of contact for a customer with the society. From a business perspective it is very important that the Society maintains its stock to a high standard to ensure customers are happy, that properties are easy to let after they become vacant and thereby maximising the utilisation of the asset for the social purpose it was built.

Repairs and Maintenance

Performance Indicator	Year 2015	Year 2016	Year 2017	SWBM Benchmark Quartile 2017
Repairs fixed on first visit	99	99	95	2
% tenants satisfied with repairs and maintenance	98	98	94.5	3
% emergency repairs completed within target	100	100	98	3
% urgent repairs completed within target	99	100	98	1
% routine repairs completed in target	99	100	98	2

Over the past 5 years the Society has invested over £2.4 million in refurbishing 87 of our older properties with rain cladding. This will enhance the quality of the living conditions of our customers as well as prolonging the longevity and fitness for habitation of our assets.

The Society also spent £273k on fixtures and fitting replacements during the course of the year. The level of investment on the infrastructure of the assets has been a factor in the reduction of repairs in the past two years from 919 to 835 last year.

Return on Assets and Cash Utilisation

Our housing assets are valued at £53.4m in the Society's accounts. They have a market value significantly higher. The Society increased its profit to £1.30m for the year on its core business of letting operations, (2016: £1.26m). This is a positive performance, in particular in light of the imposition of the 1% rent reduction helped by a reduction in management costs for the year of £67k, service charge costs of £11k, and a year on year reduction in expenditure of £32k on planned maintenance and responsive repairs. A one off impact on profit as the result of an impairment review on some new build property offset some of the savings made by £67k.

Although the table below shows a decrease on the return on housing assets as a percentage against prior year, over £5.6m of investment in new homes was accounted for in the year. These new assets did not produce any new revenue stream in the year but will be fully operational in the new financial year which will enhance the return on assets for the future years but also provide 31 much needed new homes in Devon and Somerset. It will also facilitate growing economies of scale for the Society by facilitating reductions in future costs per property.

	31 March 2016 £000s	31 March 2017 £000
Housing Assets (net of depreciation)	47,573	53,446
Surplus after managing and maintaining our homes	1,264	1,303
Return on Assets	2.7%	2.4%

The table below shows how the Society applied the use of cash surpluses and new investment finance in the year.

	31 March 2016 £000s	31 March 2017 £000
Cash surplus from assets	2,095	1,622
Cash utilisation:		
Receipt of Grant	828	174
Net cash to purchase new assets	(3,228)	(6,628)
Cost of financing activities	(933)	(965)
New loans	1,500	6,000
Cash balance utilisation	262	203
Total cash used in financing activities	2,095	1,297

The table clearly shows the Society continues to utilise the strong asset base at its disposal to create new capacity for investment in existing and new properties. It has capacity to continue to develop new homes as and when new opportunities arise.

VFM Cost Comparisons

Below are the comparative costs from inputs from our Benchmarking Club for the past two years. Apart from ensuring that we monitor and compare our costs, seeking the best deals and reviewing the way we operate, one of our objectives which will help to reduce costs per property is by growth. Different organisations place differing weight on strategic objectives. It is to be noted that the Society chooses to invest for the future in planned maintenance, which significantly reduces spend on reactive repairs.

Only two years of comparators are available from the benchmarking club for the trend of these comparators.

Cost Comparator	Year 2016	Year 2017	SWBM
Cost per property of Housing Management	357	455	3
Cost per property of responsive repairs and void works	564	682	3
Cost per property - Major and cyclical works	520	1270	4
Reactive spend per property per week	4.61	4.83	1
Cyclical maintenance spend per property per week	6.64	4.61	3
Major works spend per property per week	18.62	19.82	4
Overheads (repairs) spend per property per week	7.03	6.04	4
Void works spend per property per week	1.06	1.21	2

* Not all data is gathered on a like for like basis

Value for Money and Corporate Objectives

During the course of the year the Society completed and had work in progress on 55 new homes which will meet the social requirement for much needed new homes drawing over £5m from funders to do so.

It has also set aside funding of circa £450k for the replacement of walls to protect and enhance properties as well as the usual component replacements. The new staff structure is now in place and should start to pay back and improve performance over the coming months as the new staff familiarise themselves with the requirements of their roles.

It is a requirement of the HCA Value for Money Standard that the Society assesses Value for Money in line with the Society's objectives and the table below summarises the major successes from the previous financial year.

Objective	Value for Money Outcome
<ul style="list-style-type: none"> We will invest in and maintain our existing assets to support our aspirations 	<ul style="list-style-type: none"> £191,000 invested in component replacement with contracts for work competitively tendered £191,000 invested in component replacement with contracts for work competitively tendered £411,000 invested in rain cladding works to complete the refurbishment of 87 properties. Carried out 835 responsive repairs with 98% being completed on first visit. Average number of repairs per property was 1.50 repairs which was the best performance within our peer group.
<ul style="list-style-type: none"> We will achieve sustainable growth 	<ul style="list-style-type: none"> The Society completed 31 properties for rent in Okehampton and Cotford St Luke Near completion on 16 rented and 8 shared ownership properties in Cullompton. Started on site in Othery to provide 6 properties to rent. Sufficient funding is in place for other developments and the Society has capacity for further funding. With the exception of Section 106 schemes all development contracts are subject to competitive tender or negotiated partner agreements
<ul style="list-style-type: none"> We will invest in our people and the organisation to secure positive outcomes for residents 	<ul style="list-style-type: none"> Our two apprentices have been retained by the Society on a full time basis and we have created another apprentice post. New full time Asset Manager recruited to ensure the Society's housing properties are maintained to a high standard. Investing in technology to ensure that our services are accessible for all. Processes are in place for tenants who do not embrace technology.
<ul style="list-style-type: none"> We will put value for money at the heart of what we do 	<ul style="list-style-type: none"> Maintain a Value for Money log to record our savings and non -cashable savings. Reinforce the importance of value for money at staff briefings

Future prospects

The Financial Business Plan for the Society demonstrates that its development aspirations and its sustainability are affordable into the future. There has been a greater emphasis on home ownership and a reduction in grant for the development of affordable rented homes.

As a result the Society will consider developing homes for sale and shared ownership alongside building homes for rent. This brings new challenges and skill requirements to the Society and as in all new business streams this will change the risk profile of the Society. However the Society will manage those potential risks and new sensitivities around its plans for the future growth of the Society and any investment in new revenue streams will be considered carefully before being undertaken.

The rent reduction imposed by the Government for the next three years will have an impact on the capacity of the Society to develop new homes. In addition it is still too early in its life cycle to fully assess the full implications of the Welfare Reform Act. However the Society will endeavour to ensure that any losses are kept to a minimum.

There still remains the possibility that rent increases in line with any inflation index may not return following the end of the existing rent reduction programme imposed by the Government. As a result there is no room for complacency and the society has to ensure it continues to look to improve on its cost base and service delivery for its customers.

The Society retains capacity to raise additional finance where appropriate and with an embedded Value for Money culture it should be in a position to continue to expand its housing stock into the foreseeable future to and to provide much needed homes in the South West.