

**mhs homes group ltd**

**Report to mhs homes Board – 25<sup>th</sup> September 2015**

**Value for Money Statement 2015**

---

**Value for money statement 2015**

---

## **Overview**

### **Why a value for money report?**

The Homes and Communities Agency, which regulates housing associations, requires a value for money self-assessment report to be produced annually. However it is also essential that both mhs homes and Heart of Medway can demonstrate that it meets its customer's expectations that they are well run and efficient organisations. The review should be across all areas of the Association's activities, including both operational matters and assets. It should reflect:-

- both the association's social mission and the interests of stakeholders
- how the standard is being met
- financial and social performance.

The report should also enable stakeholders:

- to understand the return on assets measured against objectives
- include absolute and comparative costs for specific services, and
- evidence value for money gains that have been made and how they will be realised over time.

This report will cover the whole of the mhs homes group ("the group") including Heart of Medway (HoM), our registered subsidiary. Where mhs homes limited (mhs homes) is considered separately this will be noted. It will consider:-

- our approach to value for money
- our track record in 2015
- how we understand our costs
- our social value return on assets
- our environmental return on assets
- future Value for Money works.

Where appropriate HoM will be considered separately but as its services and funding are provided by mhs homes in most areas these two organisations will be considered together.

Finally the report will conclude how successful we feel the group have been in achieving value for money.

### **Structure of mhs homes group**

The group supplies social housing to the Medway and surrounding areas through mhs homes (an unregistered housing association) and its subsidiary HoM (a registered housing association). During the year all new social housing properties have been acquired or developed in HoM, and this has been funded through support from mhs homes. Over the history of HoM this support has been delivered either by a inter company loan or gift aid payments from mhs homes. During 2014/15 the support for the 68 new social houses brought into management in the year in HoM, and the overall spend on development of £15m, came primarily from gift aid.

---

mhs homes funded this support, along with the £8m mhs spent on market rent properties, through surpluses generated from day to day activities and external borrowings.

### **Our Approach to Value for Money**

#### **What mhs homes group aims to do**

The group goal is to be “The best housing provider in Kent”. The objectives of the strategy that delivers this goal are to:-

- deliver great services
- provide quality homes
- help our customers achieve their potential
- be financially fit and lean
- to have exceptional and diverse talent.

#### **Our approach to value for money**

The 2015 – 2018 strategic plan includes challenging targets for efficiency, cost control and customer service. As part of the corporate plan process the Board considered detailed budget information and performance information along with customer satisfaction data. As a result of the information available the Board and Executive team are able to better understand and influence the costs and outcomes for each service area. This is used to guide a lean management programme (a process of improving efficiency, both in time and expenditure, whilst improving our service to the customer) that has been on-going for the last 24 months, and is being embedded in the culture so it becomes part of the organisation’s DNA. Reports provided to our board describe the projects identified for the year ahead and allow the Board to influence and direct these decisions.

There are established policies and arrangements at mhs homes for ensuring that value for money is being obtained.

- The Strategic Plan sets challenging targets on both cost reduction and operating margins. The Board has a keen interest in seeing Value for Money delivered and reviews an annual report.
- The Board agree and monitor our annual budget, with detailed work taking place in the Finance Risk and Audit Committee. Budgets are monitored monthly through management account meetings with all key variances being reported to the Board and Executive Team. mhs homes group checks annually the on-going viability of the actual and budgeted levels of spend together with any plans for future development into the next 30 years.
- There is an annual programme of investment in the housing stock which is based on a 30 year stock investment plan for replacing building components such as windows, roofs, kitchens, bathrooms etc. mhs homes group policy is that on-going and timely investment in the condition and quality of its housing is fundamental to maintaining the physical asset and the public investment in mhs homes ‘social housing. Our asset

---

management strategy explicitly confirms the aim to be at 100% decent homes standard by March 2016 at the latest, with the current position at 96%.

- Intrinsically linked to the Asset Management Strategy is our approach to active asset management in which every property has been reviewed for maintenance costs (both past and future), income, ease of relet and management considerations.
- An annual budget is available for estate improvements. This investment is often identified through local offers based on discussions with our customers. Together these programmes help to maintain the overall look of the housing stock and, we believe, that by investing in estate improvements residents are more likely to be proud of and respect their property and surroundings; we think this will result in more cohesive communities and better neighbourhoods.
- There is a comprehensive and regularly reviewed Procurement Strategy that sets out the rules on quotes, tenders and approval of new contracts. Where possible supply chains are consolidated to provide greater scope for efficiency and reducing costs.
- Distribution of detailed service charge accounts to all leaseholders.
- Value for money is discussed in 1-2-1's and all appraisals with staff.
- Our annual report to tenants, which includes performance and cost information.
- The customer scrutiny panel commission's Campbell Tickell to carry out service reviews and based on these reports recommendations will be made to the Board.
- A set of assumptions agreed by the Board is applied when appraising new development schemes. The financial impact of a new development scheme on the overall business plan is considered by the Board before it commences.
- The staff are, in many ways our most important asset. We pay at the median quartile level based on regular salary benchmarking reviews, the most recent of which took place in 2013/14. We monitor staff turnover and, though the use of exit interviews and staff surveys, review how best we can provide an excellent working environment to enable staff to deliver superb customer service. mhs homes successfully retained its IIP gold status in 2014/15.
- In order to achieve value for money the Board and Executive team must be focused on having the right people and the right level of human resource to provide the right level of service at the right cost. This involves ensuring staff are properly trained to do their work and providing staff with the right resources to enable them to carry out their roles.
- mhs homes group has an IT system which provides a cost effective way of providing many essential functions, including KPI reporting, rent accounting, financial accounting, and repairs. These systems allow us to report and monitor our performance.

### **Our track record over the year to 31 March 2015**

The group Strategic Plan sets a number of targets that include value for money, new units developed and improved customer satisfaction. The resources available to support the objectives are outlined in the organisation's business plan which has been scenario tested. By making the savings that have been

outlined below more resources can be allocated to services that customers consider to be priorities. The target for 2014/15 was to make £500,000 savings. The achieved savings for 2014/15 are detailed below, with the total comfortably above the target for the year. The strategic target for 2012 – 2018 of £1.5 million has also been exceeded.

### Efficiency & Procurement Savings

These savings are all cash based and reflect bottom line reductions, though the saving may have been utilised to fund another project or service.

Area	Saving £'000	Notes
Reduction in cost of rewires	137	Reduction in unit price compared to 2013/14
Reduction in Void Loss	125	Reduction in void loss compared to previous year
Savings in Recruitment	120	Reduced use of agency staff
Rental of 1 <sup>st</sup> floor at Broadside	115	Better utilisation of space in the Head Office meant that that the 1 <sup>st</sup> floor was not required and was rented out to an external organisation.
Reduction in Head Count	95	Posts deleted from Housing management
Reduction in void costs	28	Reduction in expenditure on void properties
Reduction in postage	32	Reduction in postage as external communications are reviewed and greater use of electronic communication takes place.
Procurement saving in cleaning for Broadside\REC	14	Re Tendering of contracts
Procurement saving in ICT	14	Re Tendering of contracts
Reduction in colour prints	10	The number of colour prints used throughout mhs homes was reduced
Reduction in follow on visits due to increase in 1 <sup>st</sup> time fix	10	Less traveling time for operatives meaning greater efficiency and less use of external subcontractors
Other	46	Small amounts spread across various departments
<b>Total</b>	<b>746</b>	

These savings represent almost 2% of turnover and all are on going savings year on year. Though some savings were identified through the lean reviews (noted below) others were identified through either procurement or a budget process that requires managers to find year on year savings. These savings have been used in a number of ways including:-

- 
- Reinvested back into our customers' services, for example 2014/15 has seen an upgrade of the on line services provided to customers.
  - Resourcing the customer investment strategy (explained in further detail later in the paper) where the Board has committed £1 million between 2014 and 2018.
  - The budget for Aids and Adaption has been increased from £150,000 to £200,000.
  - Additional housing stock – in 2014/15 mhs homes group acquired or developed 126 additional properties as compared to the 70 in the previous year.

## **Lean Reviews**

In late 2012 the group embarked on a lean (a review of process to drive out inefficiencies) implementation programme with sponsorship from the Group Board. Phase One concentrated on staff engagement and training with some short reviews. Phase Two had just commenced at the point of reporting on Value for Money last year, with Phase Three following from July 2014. Phases two and three included service reviews of relatively high corporate profiles and benefits that were relatively quick to release. We also introduced Lean Foundations to support change within the organisation and development of in-house Lean consultancy capacity through intensive training and coaching with the in house Service Improvement Team.

Phases Two and Three both started with a brief diagnostic review canvassing the views of the Executive Team and managers, combined with performance analysis. A priority was established and agreed with the Executive Team. Phase Two included two large 'end to end' reviews, Voids and Repairs and one small review, Recruitment.

## **Phase Two**

### **Voids**

The voids review realised significant savings through reducing the 'key to key' period from 29 days to 12 days, with ambitions to reduce further. More control was introduced within the process, prioritising works to minimise rent loss period and increasing income along with improved insight on future voids through the development of automated reporting. Publications including the 'Letting Standard' and 'Moving Home Standard' were reviewed in conjunction with the customer Reader e-panel and Corporate Communications. A new, more cost effective decoration scheme for customers in most need was introduced following customer consultation. Opportunities for access and choice were improved along with a gifting scheme for customers wishing to leave good quality items such as laminate flooring and garden sheds. The benefit can be seen in the significant savings in void loss under efficiency and procurement.

### **Repairs**

A number of improvements were made to the service in the year including a review of the emergency 'out of hours' service and a focus on first time fix. These changes resulted in additional capacity in our internal repairs team, which

---

resulted in use of external sub contractors falling by 1/3. As this report was being produced the savings were being verified, hence they are not included in the efficiency table above, but they are estimated to be in the region of £130,000.

### **Recruitment**

These savings, as noted in the efficiency table above, were achieved through significant reduction in the use of recruitment agencies to provide temporary staff cover, making our application form more user-friendly and automating data collection and analysis through automated reporting. The introduction of e-recruitment is underway to streamline the process further whilst providing a swifter recruitment process for applicants.

### **Phase Three**

Following the success of phase two, phase three was approved to continue the momentum with the larger projects described below.

### **Invoicing**

We estimate that this review will save £6000. The emphasis for this review was to increase the percentage of invoices paid on time. At March 2015, this had increased from 35% to 83%, with work on-going to support further improvement. A key emphasis was communication to ensure people were aware of invoices needing review and authorisation, whilst making the process clear and easy to follow. Contract payment terms were reviewed in some cases to ensure they were appropriate. Authorised personnel and authorisation levels were checked. Getting the workflow working becomes the precursor to an electronic document record management system planned for 2015/16.

### **Investment**

We estimate that this review will save £118,000. This review streamlined workflow and provided visibility of all planned and cyclical works in mhs stock via the Keystone Asset Management database. A new active asset management process was established to review stock to minimise rent loss or costly avoidable work costs. Change is still at the implementation stage with data accuracy and removal of duplication of data entry underway through the implementation of tablets to capture on site updates and variations.

### **Income**

We estimate that this review will save £160,000. A pilot has commenced, introducing two work streams focussing on intervention for customers who can't pay and enforcement for customers who won't pay. Unnecessary and unproductive administration is being removed to channel staff focus more appropriately.

## Electronic 5S

A business wide review of our electronic document management resulted in a 33% reduction in files in shared drives and 21% reduction in staff personal drives. We currently estimate a staff time saving of just under 1000 hours across the first year, equivalent to £14,000 in efficiency savings through having clearer file structures and reduced duplicate documents.

## Sheltered

We estimate that this review will save £16,000 through focusing on remote working.

## Understanding our Costs

In this section the costs of mhs homes group will be looked at in a number of ways to confirm value for money. Firstly the return on each asset group will be considered, then evidence of how efficiency has improved and finally compared to the sector to demonstrate that costs are lower than average.

## Financial Return on Assets

The table below shows all business streams where assets are involved and compares the revenue stream to the costs (including overheads but excluding depreciation). Hence the amount of cash surplus that is generated to fund both capital investment and interest payments are noted. The quality of the asset, and hence the need for capital investment is considered later however the below demonstrates that the return on all assets groups is sufficient to cover the interest payments on the group. (The average cost of funds as at March 15 is 5.1%)

### mhs homes limited

<b>Asset Group</b>	<b>Net Cost of Asset £'m</b>	<b>Income £'000</b>	<b>Costs Excluding deprec'n £'000</b>	<b>Surplus £'000</b>	<b>Return on investment</b>
General Needs and other social housing	103	36,853	16,591	20,262	20%
Sheltered	6	3,147	1,617	1,528	25%
Market Rented	19	1,209	308	901	5%
Garages	0.4	523	353	170	43%
Commercial Lets	3	280	114	166	6%

### Heart of Medway

General Needs	21	1,378	346	1,032	5%
Shared Ownership	6	154	48	106	2%

There are only two areas where the return is less than our cost of capital; market rented and shared ownership in HoM. In both areas there are a relatively low number of units and, in proportion to the size of the portfolio, a large number of additions during the year. Therefore the cost included units where a full years rent has not been received, artificially lowering the cost of capital. The relatively low return on investment in general needs properties in HoM is for a similar reason.

Additionally the market rent properties are held in anticipation of capital appreciation as well as the revenue return. The current estimate of open market value is £30 million and as such no impairment is considered necessary.

An active asset management programme was also launched during the year. In this properties are reviewed for unusually high maintenance costs or void loss. Once a property is identified a thorough review takes place, and the options that deliver the best outcome for the group and our customers considered. From this, the decision is made to either keep or dispose of the property. During 2014/15 two such properties were identified and sold, raising over £200,000. These funds are reinvested back into new developments. mhs homes group is targeting to raise over £1.5 million between 2015 and 2018 through this process, allowing us to develop and acquire even more social housing than otherwise would be possible. A summary of all the properties and their scoring is given in appendix 3.

It is expected the properties all identified for disposal will be from mhs homes limited as the properties in HoM have all been constructed recently and are of high quality, though they will of course be reviewed.

In March 2015 the group completed a review of the sheltered stock. This work will lead to a planned approach to the future use which will include the decommissioning of some schemes, investment in others and a review of the service offer to older people.

### Improving Efficiency

Evidence of how seriously value for money is taken is the margin of the group over its recent past as it demonstrates a trend of improving efficiency.

	2011	2012	2013	2014	2015
Operating Margin %	28%	35%	32%	26%	43%
Operating Surplus £'m	11.4	14.9	15.4	12.4	20.2

This is more noticeable if the core margin from day to day activities, calculated by adjusting for depreciation, major and planned repair, is analysed. The margin improves year on year until 2014 when a number of one off costs (including a stock condition survey and staff reorganisations) led to a fall in the margin. This year the margin increased back to and beyond that achieved in 2013. The strategic plan for 2015 – 2018 sets a target of 60%.

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Core Margin %	52%	54%	57%	50%	59%

The total cost per unit across mhs homes group has remained constant over the last couple of years, with the exception of the increase referred to above in 2013/14, showing inflationary increases have been offset by savings. The strategic plan for 2015 – 2018 sets the target of no increases from 2015 onwards.

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Cost per unit	2,105	2,111	2,114	2,277	2,074

Our void loss key indicators continue to show year on year improvements, whilst despite the changes in welfare benefits and the difficult economic climate the level of bad debt stays steady.

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Void Loss - General Housing	1.1%	1.0%	0.9%	0.8%	0.4%
Void Loss - Sheltered Housing	10.7%	6.6%	4.3%	2.3%	1.9%
Bad Debt - overall	1.1%	0.7%	1.0%	1.1%	0.8%

This increased efficiency has allowed us to invest more in new developments, as shown below with both a record amount of investment in 2015 and a record delivery pipeline forecast in 2015/16 of 151 properties.

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Units Developed	122	131	148	70	126
Expenditure on new properties	£16.5m	£13.7m	£11.9m	£11.7m	£24.6m

### Comparing with others

We use two methods of comparing mhs homes group performance with others. Firstly Housemark and secondly, use of the sector's global accounts summary as produced by the Homes and Community Agency.

## Housemark

mhs homes limited regularly benchmarks its operating costs against other social housing providers. Benchmark data is obtained via Housemark, a national club of housing associations. These results are issued in the autumn of the following year so the comparison below are all for the year 2013/14. Where mhs homes costs appear to be significantly different from similar organisations then further investigations are undertaken to identify the underlying reasons and if savings can be obtained as a result of delivering the service more efficiently then actions are taken to reduce operating costs either through a lean or team review. Some of the other key results for 2013/14 have been summarised below and the comparison as are against a group of 28 other similar organisations. The organisations we are benchmarked against are shown in appendix 2.

Area	Description	mhs homes results			
		Result 13/14	Ranking 2013/14	Ranking 2012/13	
Financial Strength	Operating Margin excluding gift aid	30.5%	Q3	Q2	
Repairs	Major Repairs total cost per property	£1,093	Q2	Q1	
	Responsive Repairs total cost per property	£463	Q1	Q1	
	Cyclical Repairs total cost per property	£515	Q4	Q3	
Housing management	Total cost per property	£427	Q3	Q3	
	Total arrears as a % of rent due	3.99%	Q3	Q2	
	Rent Loss due to voids	0.82%	Q2	Q3	
	Average relet times	28 days	Q3	Q4	
Overheads	Overhead costs as a % of turnover	11.38%	Q3	Q3	
		<b>Q1: Top quartile</b>	<b>Q2 2<sup>nd</sup> Quartile</b>	<b>Q3 3<sup>rd</sup> Quartile</b>	<b>Q4 Bottom Quartile</b>

### Financial Strength

The operating margin fell during the year, though this was expected with a number of additional budgeted costs such as a stock condition survey. The current years results were significantly better than in 2013/14 therefore we would expect this to increase to Q2 in 2014/15 at a minimum.

---

## **Maintenance**

Responsive repairs continue to measure well against peer group costs, though lower costs are not necessarily an indication of a good service. Our method of measuring customer satisfaction differs from the others in the peer group and therefore cannot be benchmarked. However in the current year mhs homes group regularly sought feedback from customers, through an independent company, to ensure that the services met and exceeded customer's expectations and to learn what areas could be improved. When measured against other organisation the customer satisfaction results for our repairs service was consistently above average during the latter part of the year.

Major repair costs are determined by the asset management strategy, which in turn is informed through a stock condition survey that took place in 2013. At present the housing stock is 96% compliant with decent homes standard, therefore giving confidence that the investment into our current properties is both costs effective and of sufficient to properly maintain the stock.

Cyclical maintenance costs take place in line with a programme of works, however the current contract completed in December 2014 and is currently being retendered which will confirm if the costs being incurred are competitive.

## **Housing Management**

It is disappointing that there has been a fall in overall total rent arrears, both in percentage and quartile. This area had previously been identified as one where improvement can take place and a lean review has taken place in this area during the year. This has resulted in year end at March 15 arrears standing at 3.27%, placing mhs homes into Q2. Both relet times and rent loss due to voids has improved significantly, and these improvements were carried through into 2014/15. We would expect the total cost per property to improve in 2014/15 as salary costs were reduced by c£100,000 during the year, along with savings on overheads as noted below.

## **Overheads**

Our performance on overheads remains in line with last year. The office costs are particularly expensive, being 4<sup>th</sup> quartile, and this masks good results in other areas, for example the finance department is comfortably top quartile. Office costs will fall substantially in 2014/15 with the letting out of 1/3 of the head office, and, when combined with substantial savings noted earlier, an improvement in the 2014/15 result is anticipated. This can be evidenced in the fall in operating margin in 2015 as described under "improving efficiency".

## **Global Accounts**

The Home and Community Agency publishes a review of global accounts for 2013/14 that gives an indication of where mhs homes stands in relation to the sector as a whole. The results are compared to the 2014/15 costs for the group, mhs homes and HoM. The group 2013/14 results are also shown for comparison.

The overall results show an organisation comfortably better than the average and showing substantial improvements year on year.

	<b>Sector Average 13/14</b>	<b>Group 13/14</b>	<b>Group 14/15</b>	<b>mhs homes 14/15</b>	<b>Heart of Medway</b>
Management Cost per unit	£ 990	730	682	699	221
Maintenance Cost per unit*	£ 1,928	2,620	1,508	1,548	439
Gross Operating Margin	26%	26%	43%	44%	35%
Effective Interest Rate	5.1%	4.8%	5.1%	4.8%	2.9%
Voids for The year	1.8%	1.0%	0.5%	0.5%	0.2%
Bad Debt for the year	1.0%	1.1%	0.8%	0.8%	1.0%
Debt per unit	£ 22,474	22,017	25,019	26,171	40,636

- Management costs are below the sector average and are expected to stay lower as new developments, not matched by increasing head count, add to the economies of scale. Management costs reduced in mhs homes group by c6% over the year.
- It is difficult to compare repair costs because of where organisations sit in the repair cycle, for example a recent stock transfer might have a large cost due to significant catch up work. However our properties are at approx. 96% decent homes standard are due to be 100% by March 2016. This combined with a recent 100% external stock condition survey which is used to inform our long term financial plans, gives the confidence that our stock is being maintained to a high standard in a financially efficient environment. The significant fall in maintenance costs reflect a number of factors
  - Our direct labour force completing more work and thereby using external sub contractors less
  - A fall in the number of properties becoming empty in the year, thereby reducing void costs
  - A smaller major repair programme than in the previous year (c£350 per unit)
- The overall group margin is significantly higher than the sector and is forecast to improve due to cost and efficiency targets in the business plan, combined with new units being added without adding to head count or overheads. (Please note that the definition of operating margin differs to that used in "Increasing efficiency"). For the purposes of this exercise the gift aid payment from mhs homes to HoM has been excluded.
- Our average interest costs is forecast to fall as new borrowings takes advantage of the historical low rates available at present and historical fixes fall away.
- The debt per units shows the historical legacy of the borrowings required in the early life of the association for investment in the transfer stock. This figure is increasing as new units are developed. This figure is increasing as new units are developed. Our development plans over the next 4 years will require an average debt of £50,000 per unit.

## Social value return on assets

In early 2014 mhs homes group pledged to deliver a £1million, four year Community Investment (CI) programme to support our customers through the welfare reforms (principally the introduction of Universal Credit).

The objective of the strategy is by 2018 to:

- Support 224 customers into employment
- supporting our customers to improve their financial literacy
- Ensure >90% of customers are able to access the internet

To date we estimate that the social return on our investment at just under £300,000 as calculated below. This is based on the HACT Social return on investment calculator and follows an investment of £139,000 in the charity.

## Social Return on Investment

Activity	Average person value	Year 1 Target	Out Turn	SROI
Full-time employment	£10,767	50	14	150,738
Apprenticeships	£2,353		10	23,530
Employment training	£807	50	26	20,982
Financial Literacy (Debt Free)	£1,593	240	8	12,744
Access to internet	£1,875	300	48	90,000
<b>Total</b>				<b>297,994</b>

## Investment Activity by the Charity

In addition the community charity made a number of investments in external projects. As the majority were made at the end of the financial year we will not start to realise the project related outcomes from these until 2015-16.

Activity	Partner	Cost	Detail	Outcomes (projected)
IT training at sheltered schemes	Strood Community Project	£2,500	Sheltered schemes IT training	Employ = 0 Digital = 30 Financial = 5
Hoo Peninsular Customer Support	Strood Community Project	£5,000	Employment, Financial and Digital advice and guidance	Employ = 5 Digital = 25 Financial = 50

IT Equipment Library and training	Moore Skills	£6,000	1:1 IT training and induction	Employ = 0 Digital = 20 Financial = 5
New Customer Induction	Medway Adult Education (MACLS)	£5,000	New customer tenancy induction	Employ = 5 Digital = 50 Financial = 25
Pop-up business school	PUBS	£3,500	A three day pop up business school to support customers into self employment	Employ = 5 Digital = 10 Financial = 2
IT training	Compaid	£2,000	IT training for disabled customers	Employ = 0 Digital = 10 Financial = 10
Bill Busters	Groundwork	£10,000	Financial Literacy project providing bespoke budget and energy saving advice to customers	Employ = 0 Digital = 40 Financial = 85
Green Teams	Groundwork	£10,000	Grounds maintenance training project	Employ = 5 Digital = 20 Financial = 20
<b>Total</b>		<b>£44,000</b>		

### Day for Medway

The Day for Medway project encourages all employees to volunteer one day of their time to support a local organisation. This years target was to deliver a minimum 200 volunteer days, by the end of the year 228 days had been delivered supporting over 30 different organisations.

### Community Centres

mhs has a number of community buildings which we lease out on pepper corn rents to local groups and organisations. During 2014-15 a number of these centres have renegotiated new leases and some have changed occupier. A summary is provided in the table below.

Centre	Organisations	Activity	Lease Duration
The Net (Weedswood)	The NET	IT training, Food Bank and community projects	Sept 2017

Melville Court	Brompton Amateur Boxing Club	Boxing and community projects	April 2018
Cross Street	Brompton Amateur Boxing Club	Closed for development into housing	N/A
Melville Court (Fruit Loops)	Brompton Sure Start	Family support	Waiting to be signed
Bryant Street	Bryant Street Residents Association	Following the departure resident group the centre was turned back into accommodation	N/A
Borstal Community Centre	Action for Borstal	Nursery provision and family support	May 2017

### **Environmental Return on Assets**

A key element of our strategic plan is improved sustainability through a higher SAP rating for our housing stock and a comprehensive Fuel Poverty plan to assist our resident's access to affordable warmth.

Though our average SAP rating remained static during the year at 68 substantial levels of investment took place to make properties more energy efficient including.

- 469 new energy efficient boilers were added during the year
- 31 properties had their windows upgraded from single to double glazing

Our asset management strategy includes the target to upgrade our average SAP rating to 70 by 2018. In 2015/16 we will apply for funding for central heating, loft and cavity wall insulation in order to progress this target.

### **Future Plans**

The strategic plan for 2015 – 2018 sets the target of £900,000 savings over the life of the plan, which will ensure that we meet an operating margin (as defined under improving efficiency) of 60%. This will allow us to meet the challenging development goal of a minimum of 600 new properties by 2018, along with preparing mhs homes for welfare reform and the inevitable increase in interest rates. Our lean management reviews will play a vital role in identifying these savings.

This paper demonstrates that much progress has been made however we will work harder to embed value for money in to the culture of mhs homes, through challenging budgets, on-going lean reviews and revised procurement procedures.

A design and build company has been set up through which new development will be channelled, allowing for a more efficient way of delivering development,

---

with savings on our development of over £100,000 forecast for the up coming year.

## **Conclusion**

A review against the specific expectation of the Value for Money Standard is contained in Appendix 1 and demonstrates how mhs homes group believes it complies with it.

Value for money is never complete, but always a work in progress. It is clear that good progress has been made in the year but more is to be achieved, especially in areas such as overhead costs and rent arrears. However there is robust evidence that a culture of value for money is present, with targets, monitoring and business planning all incorporating these values.

When HoM is considered on its own then the cost of both financing and managing properties is substantially less than if it had been a stand alone organisation, and therefore it benefits from its relationship with mhs homes group. The efficiencies across the group have allowed both more to be invested in new properties, with a record number of new properties forecast to come into management in 2015/16, and our Community investment strategy of a £1 million between 2014 and 2018.

All staff are eligible for a performance bonus, the amount of which depends on meeting a number of targets as set by the Board. No performance bonus will be paid unless the 2015/16 budget is met. There can be no clearer statement of the importance that the Board places on financial discipline than this.

---

**Appendix 1**

<b>The specific expectation of the VFM standard</b>	<b>Summary of how mhs homes believes it demonstrates compliance for 2014/15</b>
<p>Have a robust approach to making decisions on the use of resources to deliver the provider's objectives, including an understanding of the trade-offs and opportunity costs of its decisions.</p>	<ul style="list-style-type: none"> <li>• Reports to the Board on the long term financial business model including stress tests.</li> <li>• The annual budget process includes cost reduction targets for all managers.</li> <li>• The 2015 – 2018 strategic plan agreed by the Board included <ul style="list-style-type: none"> <li>◦ targets on increasing efficiency and cost savings</li> <li>◦ targets on active asset management and this approach is embedded with the Asset Management Strategy</li> </ul> </li> <li>• A review of the Sheltered schemes took place during 2014/15 and was reported to the Board</li> </ul>
<p>Understand the return on its assets, and have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving VFM including the potential benefits in alternative delivery models - measured against the organisation's purpose and objectives.</p>	<ul style="list-style-type: none"> <li>• Our stock condition information is based on a 100% external stock condition survey from 2013. This data is updated on an on-going basis by our own surveyors.</li> <li>• The active asset management process included a full review of all properties and identified 118 properties at "red" warranting further examination. Of these:- <ul style="list-style-type: none"> <li>◦ Dispose of 12 properties ( 2 have taken place in 2014/15)</li> <li>◦ The other properties are in areas of regeneration and will be redeveloped other the next few years</li> </ul> </li> <li>• The "Amber" properties (2547) will be reviewed in the immediate future.</li> <li>• This document considers the overall return on its assets along with social and environmental issues.</li> <li>• The information on which properties are charged to lenders and the amount of available security is regularly reviewed at Board level.</li> <li>• The approval process on new development schemes is linked to the amount of subsidy involved, along with costs, to ensure Board approval is required if it determined that non financial considerations offset a lower return on investment.</li> </ul>
<p>Have performance management and scrutiny functions which are effective at driving and delivering improved VFM performance.</p>	<ul style="list-style-type: none"> <li>• The performance bond payment to employees can only be a made if the budget is met or exceeded.</li> <li>• The calculation of the performance bond payment to employees is linked to efficiency savings (such as savings identified, increased attendance levels,</li> </ul>

	<p>reduced relet times amongst other along with other targets such as customer satisfaction and repairs KPI's.</p> <ul style="list-style-type: none"> <li>• The lean management process is reported to and approved by the Board. This process can be shown to have successfully reduced void costs, relet times and repair costs.</li> <li>• The budget, and variances from this, is considered in detail at both Finance Risk and Audit Committee and the Board. This process can be shown to have reduced costs through an improving cost per unit and operating margins.</li> <li>• Key Performance Reports are considered in detail by the Board.</li> <li>• Benchmarking is considered through both the Global Accounts published by the HCA and the Housemark report, using the peer group selected by Housemark to avoid mhs choosing favourable comparators.</li> <li>• During the year efficiencies of over £700,000 were identified, amounting to 2% of the turnover of the mhs group.</li> </ul>
<p>Understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so</p>	<ul style="list-style-type: none"> <li>• This report shows clear direction of travel in most areas where specific areas are considered. Where there are areas of concern, such as rent arrears, these are being addressed.</li> <li>• The lean process allows the organisation to make in-depth, detailed reviews that allow us to understand how costs are built up and how efficiencies can be achieved.</li> </ul>
<p>Annually publish a robust self-assessment which sets out in a way that is transparent and accessible to stakeholders how they are achieving VFM in delivering their purpose and objectives.</p>	<ul style="list-style-type: none"> <li>• This statement will be published on the website</li> </ul>

---

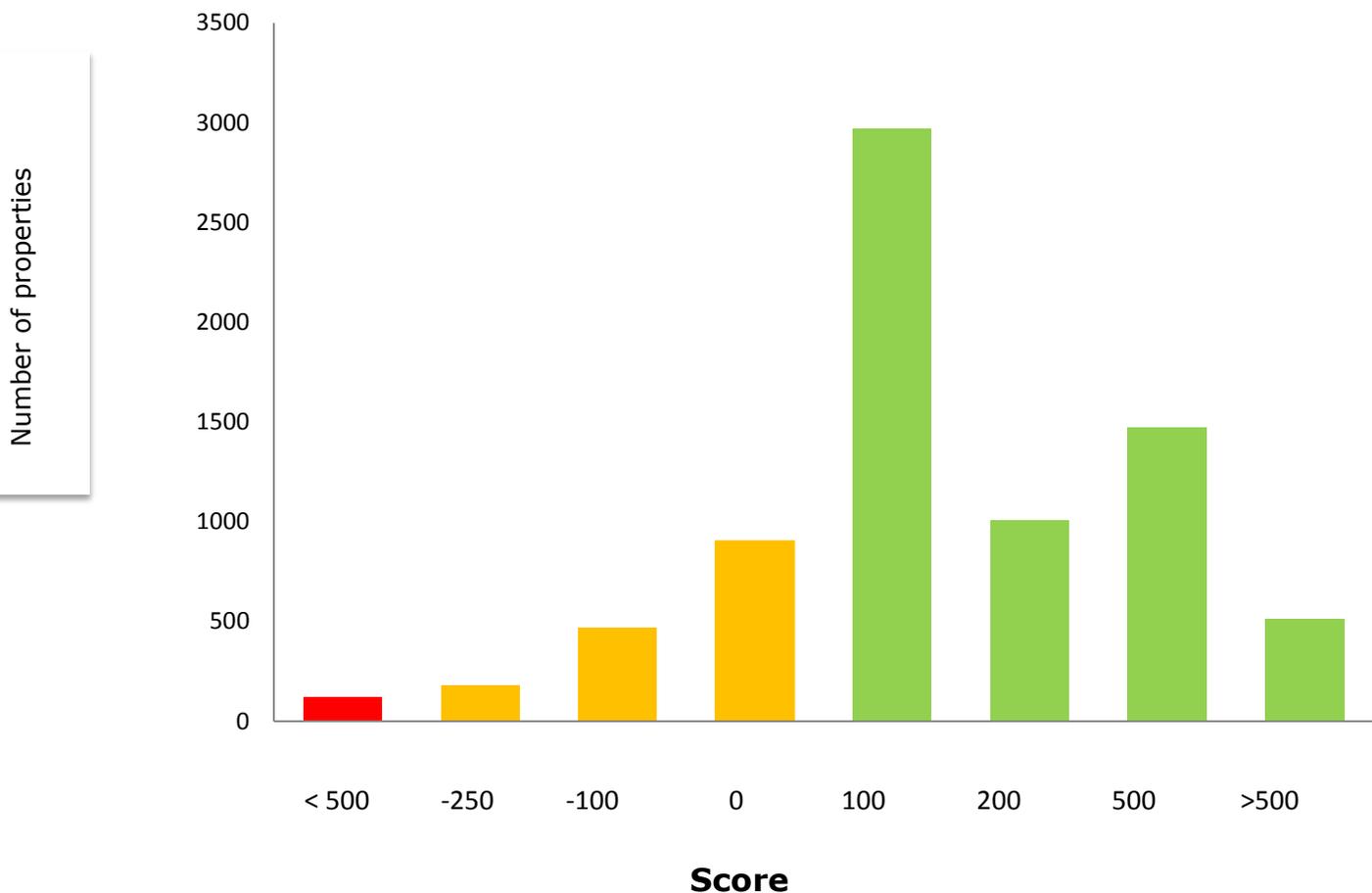
**Appendix 2: Comparators for Housemark benchmarking**

Alliance Homes  
Bracknell Forest Homes  
Coastline Housing  
Cottsway Housing Association  
Housing Solutions  
Magna Housing Association  
Magna West Somerset Housing Association  
Merton Priory Homes  
Mole Valley Housing Association  
North Devon Homes  
Ocean Housing  
Old Ford Housing Association  
Phoenix Community Housing  
Raven Housing Trust  
Red Kite Community Housing  
Richmond Housing Partnership  
Russet Homes  
Saxon Weald  
Selwood Housing  
Sentinel Housing Association  
Severn Vale Housing Society  
Soha Housing  
Teign Housing  
Town and Country Housing Group  
Two Rivers Housing  
Vale of Aylesbury Housing Trust  
Worthing Homes

---

**Appendix 3**

## No of Properties reviewed for category of active asset management



All properties in the mhs homes group stock were reviewed and based on 30 year maintenance costs, future income and development potential a score calculated. Properties below 500 were noted a "Red" and reviewed immediately. Based on the review 12 properties have been allocated for disposal and the balance earmarked for redevelopment. There is an on-going process of reviewing the "Ambers" (scores between -500 and 0).