



Board Meeting

Date	12 th December 2017
Item	13
Subject	Value for Money Statement
Prepared by	Howard Cartwright – Company Secretary
Purpose	To provide the Society with a VFM statement that can be monitored and subsequently reviewed by September 2018.
Recommendations	
1. The Board is asked to approve the statement, which will be monitored and subsequently reviewed by September 2018	

Value for Money Statement

1. As benchmarked in the HCA global accounts, in a variety of measures, the Society has always been an above average performer compared to the sector median. This is witnessed in the Annual Accounts and leads Dains, our Auditors, to confirm that:

‘after considering the Society’s approach to value for money, its use of assets, cost or service delivery and development plans, we believe the Society meets the requirements of the Homes and Communities Agency’s value for money standard’

However, this endorsement was not sufficient for the Board to be complacent as to its future strategic direction.
2. Whilst retaining an independent Board, for some 30 years, the Society employed none of its own staff and instead, engaged local Housing Associations to provide a comprehensive management service. For over 25 years this was with Beth Johnson/Sanctuary and then with Aspire for 6 years. After considerable investigation into costs, benefits and risks, a new management model was adopted from April 2017. The Society employed its own staff to deliver front line services but when it was not considered cost effective to undertake certain functions in-house, back office agency services were procured from other local Housing Associations. Hopefully achieving the best of both worlds, with focussed management of the unusual stock profile whilst benefitting from expertise and capacity within the sector.
3. A competitive exercise was undertaken to determine which local Associations would offer the best overall package of back office functions. Subsequently, in order to maximise efficiency and expertise, partnership working has been established with:-
 - Staffordshire for Finance, ICT, market awareness, training and HCA returns
 - Aspire for Development, gas servicing and sales
 - Sanctuary as part of their development consortium for the HCA programme
4. As a result of this new approach to management, whereby rather than appointing one Housing Association to undertake a comprehensive service, the Society itself delivers front line services and back office support is procured externally, a reduction has been predicted in annual running costs.
5. A comparison of budgets was undertaken this April between the new approach and what it would have been if Aspire had continued to provide the full service. This suggested that whilst income remains unchanged at £2496k, expenditure would reduce from £1258k to £1182k, resulting in an increase in the projected annual surplus from £1238k up to £1314k – an increase of £76k.
6. Already there is evidence that improved performance figures are being achieved in respect of lettings and the cumulative arrears of rent and heating:

The average re-let time for the last quarter of 2016/17 (under the comprehensive service from Aspire) was 59 days but for the second quarter of 2017/18, this had reduced to 28 days.

Similarly for the same time period, rent and heating arrears had fallen from £52k to £38k.

7. For the last ten years, the Society has been actively using its financial capacity in order to develop additional units of affordable housing in Stoke-on-Trent. During that period, most other housing associations have ceased developing in the City due to poor ground conditions and low values/rents. Whilst still arguing for higher HCA grant rates in order to improve viability, the Society has chosen to use its own funds to subsidise new housing, with the total stock increasing from 402 in 2008 up to 551 currently and with a further 30 in the pipeline. Within the five year Business Plan and financial forecasting, it is the intention to continue to develop between 10 and 20 new properties each year.
8. The Business Plan also assumes a minimum annual capital investment in existing stock of around £250k.
9. Given the high proportion of apartments and high rise blocks owned by the Society, its housing stock is somewhat specialist in nature. This can be demonstrated by:-
 - Out of a total stock ownership of 561 properties, 434 are apartments, which equates to 77% of the total.
 - Of the 434 apartments, 259 are in high rise blocks. This is 46% of the total SOTHS stock.
Subsequently management of the stock requires additional resources such as a concierge facility and estate officer services. These have all been reorganised in order to ensure that the shifts and opening hours offer maximised usable person hours. In addition, the out of hours concierge is manned by external security, rather than the more expensive in-house staff.
10. In order to increase employment, training and business opportunities in North Staffordshire, the Society has a clear commitment to use local suppliers, contractors and consultants – as long as they can offer services that are cost effective.
11. The Society is committed to Increasing accessibility for residents by:-
 - improved payment methods with direct debits and Allpay
 - Location of the new office within the Park Vista complex
 - Increased services accessed via the new dedicated website
 - Increased commitment and resources for the Customer Panel with their minutes reported to the Board
 - 100% consultation regarding the change in management and subsequent confirmation of the outcome
 - Names and contact details circulated to all residents at the at the launch

12. Procedures have been reviewed in order to ensure that they are fit for purpose and audit trails have been implemented in respect of compliance measures including Fire Risk Assessments (FRAs), gas servicing, asbestos and legionella.
13. A review has been undertaken regarding the use of various sub-contractor and including service specifications, qualifications, insurances and value for money.
14. Increased the proportion of repairs and services undertaken by in-house staff rather than external contractors.
15. A review of Board governance is to be undertaken in order to ensure compatibility with good practice.
16. Sought legal advice as to actions required to minimise vexatious claims (e.g. disrepair).