# ARCON HOUSING ASSOCIATION

# VALUE FOR MONEY SELF-ASSESSMENT 2014

One of Arcon's strategic values and objectives is to ensure that we improve and enhance the quality of our service delivery whilst maintaining a strong financial position and delivering value for money (VFM). To demonstrate how this is achieved, the Board carries out an annual self assessment which is split into 4 sections:

- Section A – our approach to VFM including details of our stakeholders, use of benchmarks and analysis of cost and quality and an overview of funds generated and spent.
- Section B – our assets – stock condition and returns – including details of asset categories and returns, survey information and our asset management strategy.
- Section C – our past and future VFM gains in meeting our nine strategic values and objectives including performance information on cost and quality with peer comparatives.
- Section D – our overall opinion in respect of complying with the Homes and Communities Agency's VFM Standard and achieving our VFM objective.

## Section A - Arcon's approach to value for money

The Board recognises that a VFM ethos and culture in the Association is essential for ensuring that our values and objectives are achieved to optimal effect and that economy, efficiency and effectiveness combine to provide the highest standard of quality and generate social value.

Each year the Board agrees a Business Plan which sets out, over a 5 year period, how we plan to meet our strategic objectives and each year the Board carries out a VFM assessment, in conjunction with our Tenant Scrutiny Committee, to monitor our success in achieving these objectives.

Our VFM strategy has the key aims of ensuring that we are:

- Carrying out the right activities and using the right resources to deliver our values and objectives.
- Investing in the right housing and operational assets.
- Delivering the right outputs and effective business operations.
- Achieving the right outcomes and evaluating the effectiveness of achieving our values and objectives.

Through delivering VFM for Arcon, we also deliver VFM for our stakeholders, whether that be:

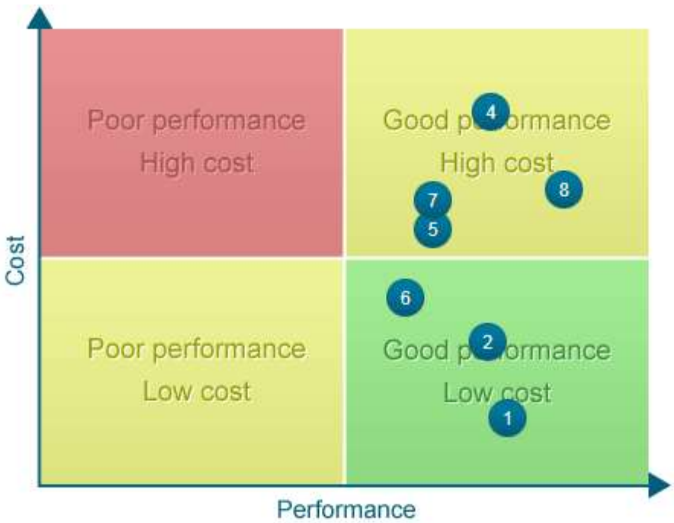
- our tenants by providing quality homes at an affordable rent
- the local authorities where we operate, by meeting the housing and other support needs of their residents
- our funders by maintaining a financially viable business that is able to service and repay loan funding
- the Social Housing Regulator by meeting our commitments to build new homes under the Affordable Homes Programme and by utilising our surpluses to build extra development capacity

- the taxpayer by providing housing at subsidised rent levels to reduce the cost of housing benefit
- our staff by being an employer that recognises and develops staff to provide the best service possible.

Arcon approaches VFM through its comprehensive performance monitoring framework. Our performance is assessed against key indicators, through HouseMark and other benchmarking exercises, and tenant involvement such as satisfaction surveys, scheme meetings and Tenant Scrutiny Committee reviews. Performance is regularly reported to key stakeholders including Board members and tenants via a range of methods including our annual report. The Board also receive assurance regarding the quality of the service provided by means of Arcon's accreditation under the ISO 9001:2008 quality standard as well as from internal and financial audits.

Arcon remains committed to delivering value for money in the provision of services to tenants and continuously strives to improve performance in terms of both cost and quality. Our aim is to be in the top quartile when compared with other Housing Associations (i.e. we are in the top 25% for having low costs or good performance) and our use of the HouseMark benchmarking service is critical in this process. The comparator group of Housing Associations we use is the Northern and Midlands Traditional Housing Association group which has 42 members. Although the majority of members of this group are larger organisations than Arcon, this benchmarking group affords us the most appropriate means of comparing the cost and quality of our service provision against organisations working in similar regions and from a similar operational background to ourselves.

The chart below has been provided by HouseMark and shows for 2013 how our costs compare to performance for key areas of activity when compared against other HouseMark members. The cost is based on the total costs per property of delivering the service (including overheads) and performance is based on an aggregate score of performance measures out of 100.




Business Activity:
1. Responsive repairs & void works
2. Rent arrears & collection
3. Anti-social behavior n/a
4. Major works & cyclical maintenance
5. Lettings
6. Tenancy management
7. Resident involvement
8. Estate services

In respect of this chart, Arcon aims to be in the "Good performance Low cost" quadrant for all activities whilst recognising that for the major works and cyclical maintenance indicator a position in the "Good performance High cost" quadrant is appropriate if it reflects a planned and efficient investment in improvements to our existing properties.

In addition to improving and enhancing our service delivery to tenants, the Board sees the other key outcome of an effective approach to VFM as being the maximisation of the amount of surplus we generate from our business so that this can be re-invested in to our existing properties as well as being used to invest in the building of new homes in conjunction with the proceeds from property sales, government grant and loan finance.

The table below summarises the surpluses/cash generated and spent on these activities during the last 3 years:

| Generated/Spent | 2014 £'000 | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| | | | |
| Operating activities | 1,629 | 1,528 | 1,257 |
| Property sales | 447 | 490 | 587 |
| Government Grant | 395 | 808 | 3,889 |
| Loan finance (net of repayments) | (374) | 4,535 | 3,885 |
| Total Generated | 2,097 | 7,361 | 9,618 |
| | | | |
| Reinvestment into existing properties | 789 | 907 | 874 |
| Investment into new homes | 2,431 | 3,977 | 8,347 |
| Total Spent | 3,220 | 4,884 | 9,221 |

Arcon adopts a variety of procurement methods to ensure that we achieve the right balance between cost and quality and employs companies and organisations that see the furtherance of Arcon's values and objectives as an important part of their own business. The Board ensures, through our Treasury Management strategy, that we have a strong relationship with our bankers and funders and have the necessary facilities in place to achieve our development objectives.

Arcon has continued to explore opportunities for business expansion and efficiencies through partnering with other organisations but remains firmly committed to retaining corporate independence as the best way of fulfilling all of its strategic objectives. However, during 2014, the Board will conduct a strategic options appraisal to assess the costs and benefits of alternative structures.

Arcon, as a relatively small Housing Association operating in a City Centre location with dispersed stock, has a relatively high overhead cost when compared to other larger or more localised Housing Associations. The Board has consequently agreed that one of our key VFM strategic aims is to reduce overhead cost as a percentage of turnover.

## Section B – Arcon's assets – stock condition and returns

Arcon classifies its assets into 7 categories for reporting and performance management purposes:

1. Social Housing – housing built by us as new, or bought by us already built and then refurbished, for rent at social housing rents – mainly acquired in the 1970's and 1980's and refurbished in 1990's and 2000's.
2. Intermediate Rent – housing bought by us already built and then refurbished as part of the government's mortgage rescue scheme for rent at 80% of market rents – acquired in 2011 to 2013
3. Affordable Rent - housing built by us as new for rent at 80% of market rents – acquired from 2012 and onwards
4. Shared Ownership - housing built by us as new for sale on a shared ownership basis and rented at 2.75% of unsold equity – acquired from 2006 and onwards
5. Specialist Housing – housing built by us as new or acquired already built and refurbished, for let by lease or management agreement to a care provider – acquired from 1990 and onwards
6. Market Rent – housing built by us as new or acquired already built and refurbished for let at a market rent – acquired from 1998 and onwards
7. Managed Properties – housing built/acquired by other organisations and let at subsidised rents and managed by us for a management fee

The table below shows for each class of asset (as at 31/03/14), the total number of properties, the total cost of investment, the total grant received, the net operating surplus generated (before interest and property sales) and the net operating surplus before interest as a percentage of relevant turnover. For managed properties the surplus figure represents the management fee receivable by Arcon.

| | No. | Cost £'000 | Grant £'000 | Surplus £'000 | Return 2014 | Return 2013 |
|---|---|---|---|---|---|---|
| | | | | | | |
| Social Housing | 946 | 40,805 | 20,980 | 1,207 | 30.7% | 22.5% |
| Intermediate Rent | 72 | 9,559 | 5,377 | 165 | 42.0% | 66.8% |
| Affordable rent | 24 | 3,034 | 783 | 73 | 38.4% | 72.0% |
| Shared Ownership | 35 | 3,544 | 608 | 57 | 24.9% | 26.9% |
| Specialist Housing | 48 | 3,046 | 177 | (16) | -8.6% | 0.8% |
| Market Rent | 28 | 2,678 | 0 | 62 | 36.0% | 17.2% |
| Managed Properties | 34 | n/a | n/a | 23 | n/a | n/a |
| Total | 1,187 | 62,666 | 27,894 | | | |

We have a comprehensive Asset Management Strategy which covers all categories of housing and which seeks to ensure that we are making the best use of our assets and whether there are alternative options that would generate better value for Arcon's business operations.

The basis of our Asset Management Strategy is the stock condition survey which currently holds data on 85% of the Association's properties. The stock condition surveys give details, amongst other things, of the property's original construction, condition and expected life of key building components, SAP & EPC ratings and environmental information, and whether it meets the Decent Homes standard. It forms the basis on which planned maintenance is programmed and allows the Association to forecast and manage its repairing liabilities, feeding this information through to the long-term business plan. The stock condition survey database is continuously updated with repairs and maintenance works carried out by the Association's appointed contractors as well as with surveys and other information by the Association's maintenance department.

In order to efficiently and actively manage its assets, the Association regularly carries out option appraisals in respect of individual properties and the different classes and types of property it owns. The options open to the Association in each case will normally consist of continuing to let the property with or without major repairs or refurbishment, selling it or transferring the property to another Housing Association. Option appraisals, whilst being undertaken in the overall context of the Association's long term viability, do not evaluate options purely from an economic standpoint but also take account of the need to fulfill social and community obligations. Option appraisals will consider the historic demand for the property involved and the sustainability of tenancies in the area as well as Local Authorities' and other Housing Associations' neighbourhood and stock rationalisation plans.

Social Housing properties make up 80% of our property portfolio and most of these were built by us and have been in our management now for over 25 years. The stock condition information on these properties is very detailed and comprehensive and a well established programme of major repairs is in place to ensure that repairing liabilities are identified and dealt with an efficient way. The intermediate rent properties are individual houses that were acquired piecemeal from 2011 to 2013 and detailed stock condition surveys have not yet been carried out on these properties but are planned to be completed in 2014/15. In respect of the affordable rent, shared ownership, specialist housing and market rent properties these have all been built or refurbished by us in the last 20 years and detailed stock condition information is held. In respect of the managed properties there are about 12 stock condition surveys to be completed in 2014/15.

Of the 946 social housing properties, 171 are terraced properties in Gorton and Levenshulme which are of a pre 1919 construction and were originally refurbished by ourselves in the 1970's and 1980's. For the last 10 years we have, in consultation with the Local Authority, been selling approximately 5 of these properties each year after carrying out option appraisals which showed higher than average repairing liabilities. We have identified a further 45 properties that fall into this category and plan to continue selling approximately 4 per year when they become void.

We also sold 2 intermediate rent properties in 2013/14 because of poor condition and anticipate making further limited sales of these properties in the future, either because of poor condition, or to take advantage of market conditions to realise a surplus and reinvest in new development schemes.

We also look to sell on a shared ownership basis social housing for rent flats on developments where there are a significant number of leaseholders because of previous right to buy sales and where open market values are typically higher than average.

The return on our specialist housing activities has historically been at just under 10% but over the last 2 years has dropped to 0.8% and recorded a loss in 2013/14 of -8.6%. This was caused by a reduction in income from our mother and baby hostel at Marillac House where the Board agreed to lease the property to a provider who tried to carry on the provision of care to this client group when the original lessee ceased their lease after the withdrawal of Supporting People funding in March 2012. The Board recognised the risk associated with this course of action but agreed that the short term financial implications were outweighed by the continuing social need. Unfortunately however the scheme did not prove to be viable on a sustainable basis and we regained vacant possession in April 2014 and are currently investigating an alternative use for the building with other care providers.

One of our values and objectives is to ensure that we keep the rents and other housing costs of our tenants at affordable levels and, as part of this, we are working on developing a strategic approach to reducing energy costs. We have to date mainly prioritised these works on houses that we own with lower than average SAP ratings after taking advantage of government funding initiatives. These included installing photo voltaics to 50 of our properties before Feed in Tariffs were reduced and carrying out solid wall insulation to 35 properties under Energy Company Obligation (ECO) funding before that was also substantially reduced. In 2014/15 we plan to carry out further solid wall insulation improvements and are piloting other energy efficiency measures such as LED lighting and voltage optimisers as well as analyzing feedback from energy audits of our tenant's homes. From analyzing the costs and benefits of these works and feedback from tenants, we aim to establish a programme of works that we can implement across all of the properties we manage.

Whilst we hold both detailed stock condition survey and financial information on our properties, we decided in 2013/14 to invest in an asset modelling programme (PAVE) that will provide us with a net present value for all our properties on an individual basis. Further work will be done in 2014/15 to refine this database which will allow us to better understand the comparative returns made by all of our assets at a granular level and provide a better link between stock condition survey information and financial forecasts.

## Section C - Past and future VFM gains in meeting Arcon's Values and Objectives

The information provided in the tables below are extracted from Arcon's data submitted to HouseMark for 2014, 2013 and 2012. The Benchmark figures in the tables represents the Quartile 1 figure that we aim to achieve to be in the top 25% of Housing Associations and the Quartile figure represents Arcon's position in 2013 (CPP = Cost per property). The STAR survey results refer to an independent survey of all our tenants undertaken by Kwest in April 2013 and which uses quartile positions from HouseMark's STAR benchmarking service report. Comparatives for 2012 relate to an independent STATUS survey carried out by Kwest in 2010.

1. Housing people in housing need in liaison with local authorities, care providers and other agencies.

The year under review:

| Indicator | 2014 | 2013 | 2012 | Benchmark | Quartile |
|---|---|---|---|---|---|
| Tenancy turnover | 11.2 | 8.8 | 9.6 | 8.3 | 2 |
| Direct CPP of lettings | 70.45 | 56.81 | 59.50 | 39.65 | 4 |

- We have assisted our tenants to move through Homeswapper and the local choice based lettings schemes. We have registered 66 of our tenants on Homeswapper to help them seek a mutual exchange with 4 exchanges taking place. There have been 3 internal transfers of tenants who have downsized their property, whilst 2 tenants have moved to a smaller property with another landlord.
- We closed our supported housing scheme at Marillac House in April 2014 as the scheme was not sustainable.
- Our specialist housing scheme at Heathside Road is now fully let and providing accommodation for 4 adults with learning difficulties.
- We have introduced the Deeplake texting system to over 70% of our tenants and text messages have been incorporated into our rent arrears procedures with 435 messages being sent out. We have also used text messages to review our housing waiting list with 155 texts messages sent out. The estimated saving of sending text messages rather than letters is £3 producing an overall saving of £1,770 in the last year.

The year ahead:

- We will continue to provide additional resources to assist our tenants who need to move, especially where they need to downsize due to welfare reform changes. We will utilise local choice based lettings schemes to provide access to our stock to people in housing need.
- We have budgeted for reduced income for 2014/15 from Marillac House as we seek another supported housing provider that will provide a viable and sustainable future for the building.
- We will closely monitor tenancy turnover data to see if the increase in 2013/14 continues and whether this is as a result of any defect in our service provision.

2. <u>Maintaining and investing in properties to achieve the highest standards</u>

The year under review:

| Indicator | 2014 | 2013 | 2012 | Benchmark | Quartile |
|---|---|---|---|---|---|
| Total CPP of major works/cyclical maintenance | 1,448 | 1,392 | 1,510 | 925 | 4 |
| Total CPP of responsive repairs and void works | 609 | 587 | 673 | 678 | 1 |
| Percentage of repairs completed on time | 98.9 | 99.6 | 98.8 | 98.7 | 1 |
| Percentage satisfied with repairs and maintenance – STAR | 87 | 87 | 89 | 84 | 1 |
| Percentage satisfied with overall quality of home – STAR | 89 | 89 | 91 | 86 | 1 |

- Of the £1m we reinvested into improvements to our existing properties, £327k was procured by means of a competitive tendering processes that were won by 7 different contractors who scored an average of 4.5 on our tenant satisfaction surveys against a desired outcome of 4.0 (out of 5).
- We spent £342k against an original budget of £100k (3 properties) to carry out full house refurbishments at 7 of our properties in Patricroft because of increased tenant demand. The contract was originally won on competitive tender in 2012 but we have negotiated the further works on the basis of the original tendered prices with no uplift.

- We carried out a procurement review and found no evidence that we would achieve better VFM for our response and void repairs service by moving to one contract rather than using our current approach of having several nominated contractors operating in specific geographical patches. In respect of planned maintenance, it was agreed that competitive tendering should continue to form the basis of our procurement and that we should ensure that we have as wide a range as possible of approved contractors on the tender list and that we clearly specify and monitor any additional social value that we require to be produced from contracts.
- We have received 1,248 responses via the Deeplake texting service saving approximately 52 hours of staff time and £925 in postage over the 12 month period.
- We have, in cooperation with our gas servicing contractor, helped to secure 2 apprenticeships as part of our agreeing to enter into a three year contract.

The year ahead:

- We will be reinvesting £1.1m into improvements to our existing properties of which 90% will be tendered and 10% negotiated.
- We will seek to increase the number of contractors on our approved list and maximise the opportunities to build in social value when negotiating contracts.
- We will complete the 168 outstanding stock condition surveys so that 100% of our stock is surveyed.

3. <u>Keeping rents and other housing costs for those in housing need at affordable levels</u>

The year under review:

| Indicator | 2014 | 2013 | 2012 | Benchmark | Quartile |
|---|---|---|---|---|---|
| Percentage satisfied with value for money of rent - STAR | 89 | 89 | 90 | 86 | 1 |
| Percentage satisfied with value for money of service charge - STAR | 81 | 81 | n/a | 73 | 1 |
| Average SAP rating | 71.5 | 71.4 | 71.5 | 73 | 2 |

- We reinvested £61k into solid wall insulation works that attracted an additional £101k of ECO funding so as to improve the energy efficiency of 35 of our houses in Gorton and Levenshulme and reduce the energy bills of our tenants.
- We reinvested £92k into renewing door entry systems so as to improve access and reduce the service charge payable by our tenants.
- Our social housing rent charge for the year was £3.6m as opposed to the full market rent of £6.0m which would have been charged had we not received government grant of £20.9m. This equates to an annual saving of £2.4m which is 11.5% notional return on the grant received. The equivalent figures for intermediate and affordable rent are – Actual rent £553k, full market rent £691k and Government Grant of £6.2m giving an annual saving of £138k and a notional return of 2.2%.
- We have re- tendered 16 cleaning contracts and awarded 6 new contracts with a saving of £1,244 whilst 2 contracts were retained by the tenants even though they were not the lowest tender.

- We reinvested £24k into replacing communal lighting with more energy efficient LED lighting to reduce by 38% the service charge payable by our tenants. See table below for savings to date

| Address | Current Consumption (kWh) | Previous Consumption (kWh) | Current Cost (£) | Previous Cost (£) |
|---|---|---|---|---|
| Thornlea Court | 1,072 | 3,176 | 158 | 377 |
| Thornlea Court | 1,485 | 2,620 | 206 | 320 |
| Balmoral Court | 1,214 | 1,508 | 184 | 214 |
| Windsor Court | 820 | 1,062 | 135 | 163 |
| Mill Court | 751 | 3,446 | 103 | 407 |
| Harewood Court | 2,028 | 2,209 | 369 | 383 |

The year ahead:

- We will reinvest £87k into solid wall insulation works that will attract an additional £120k of Green Deal Cash Back funding so as to improve the energy efficiency of 30 of our houses in Gorton and Levenshulme and reduce the energy bills of our tenants.
- We will reinvest £60k into other energy efficiency products such as LED lighting and voltage optimisation units that will be installed in approximately 80 homes in Gorton and Levenshulme so as to reduce the energy bills of our tenants.
- We will invest £55k on installing LED lighting to communal areas across 24 schemes so as to reduce the service charge costs payable by residents.
- We will carry out energy audits at 50 homes and obtain data and feedback from tenants so as to quantify the savings achieved to date from the energy efficiency works we have carried out and piloted over the last 2 years.
- We will seek to develop an energy efficiency strategy to maximise the benefit to tenants from our reinvestment of resources into energy efficiency works, products or advice.
- We will retender our gardening contracts to ensure continued value for money.

4. <u>Maximising rent collection and minimising rent losses through properties being void</u>

The year under review:

| Indicator | 2014 | 2013 | 2012 | Benchmark | Quartile |
|---|---|---|---|---|---|
| Direct CPP of rent arrears and collection | 65.86 | 59.07 | 64.63 | 65.76 | 2 |
| Current tenant arrears as percentage of rent due | 3.06 | 2.88 | 2.84 | 2.70 | 2 |
| Gross arrears written off as percentage of rent due | 0.20 | 0.58 | 0.22 | 0.17 | 2 |
| Average time in days to relet empty properties | 15.6 | 19.7 | 17.6 | 20.5 | 1 |
| Average cost of a void repair | 1,329 | 1,667 | 1,594 | 1,351 | 1 |

- We have improved our average relet time by 4.1 days and achieved our target for gross rent arrears of 2.85% which both represent top quartile performance.
- We referred 18 tenants to People First for money, budgeting and debt advice at a cost of £2k. All of these tenants have maintained their tenancies which has saved us the cost of legal action of £250 per case and void costs at an average of £1,177 per property.
- We have helped 15 tenants claim Discretionary Housing Payments where their housing benefit had been reduced because they have a spare bedroom. The average payment received is £12 per week for 52 weeks and this has saved each tenant on average £624 pa and has brought in an extra £9k of rental income. Although we cannot provide financial support direct to tenants because of the effect this would have on their benefit entitlement, we have been able to help with associated costs such as van hire to help tenants when they are downsizing.
- We have invested £800 in new portable IT equipment to allow staff to more efficiently help tenants make benefits claims electronically in their home or by appointment at our office.

The year ahead:

- We will seek to keep void relet times, rent arrears and bad debt levels at top quartile level without incurring additional resource costs.
- We will monitor closely what the effect on our arrears is following the roll out of universal credit to other Local Authorities in 2014/15 and assess its impact on our allocation of resources for the future.
- We will work with external agencies and other partners to provide a wide variety of support to our tenants to help them to pay their rent and maintain their tenancies.

5. <u>Investing in new sustainable developments and business opportunities</u>

The year under review:

- We have invested £692k in 2013/14 in building 12no 3 bed houses at 2 sites at St Georges Church and Lees Street in Gorton for affordable rent. Building contracts for these 2 sites had been entered into with CSC Construction in 2012/13 after a competitive tendering process that resulted in a price that was £75k less than the next tenderer. Unfortunately CSC Construction went into administration part way through the contract and a negotiated contract was then successfully entered into with the Strategic Group at short notice which ensured that no damage was incurred to the partially built properties. This has involved us in additional costs of approximately £100k which after receipt of our insurance claim should result in us being in the same position as if we had accepted the second lowest price from the original tender. The scheme is due to complete in July 2014 in line with the original building contract.
- We have invested £505k in 2013/14 in building 6no 3 bed houses at Chapel Street Levenshulme for affordable rent. This contract was won on competitive tender in 2012/13 by Wiggett Construction and was completed on time at contract price in April 2014 with the assistance of grant funding of £130k.
- We have competitively tendered 2 building contracts during the year as detailed in the table below. The data shows the actual cost per m2 of the build and that of the current day levels based on the BCIS Indices. The scheme at Edge Lane was won by Strategic Group against 4 other tenderers and in 2013/14 we have invested £632k on these houses. The contract

completed on time at contract price in April 2014 with the assistance of grant funding of £154k. The scheme at Boarshaw Hotel was also won by Strategic Group against 2 other tenderers and in 2013/14 we have invested £336k on these houses. The contract is on schedule and due to be completed on time at contract price in October 2014.

| Scheme | Contract sum | Actual £/m2 | BCIS TPI data £/m2 |
|---|---|---|---|
| Edge Lane – 6no 3 bed houses | 556,309 | 1,070 | 1,151 |
| Boarshaw Hotel – 10no 3 bed houses | 927,311 | 1,091 | 1,105 |

The year ahead:

- We will complete our commitment under the Affordable Homes Programme 2011/15 and Affordable Guarantee Programme 2013/17 to complete the sites at St Georges Church, Lees Street and Boarshaw Hotel on time and within contract price.
- We will bid as part of the Accent Development Consortium for grant from the Affordable Homes Programme 2015/18 to assist us in investing £7.5m in building 60 new homes.
- We will seek to maximise the opportunities to build in social value when negotiating building contracts.

6. <u>Improving and enhancing the quality of service delivery whilst maintaining a strong financial position and delivering value for money</u>

The year under review:

| Indicator | 2014 | 2013 | 2012 | Benchmark | Quartile |
|---|---|---|---|---|---|
| Overheads costs as percentage of adjusted turnover | 17.45 | 17.55 | 18.25 | 10.80 | 4 |
| Overall satisfaction with services provided – STAR | 90 | 90 | 89 | 88 | 1 |

- Our operating margin increased from 22.4% to 26.9% and our overall return on assets (based on operating surplus as a percentage of net book value of housing assets) increased from 4.6% to 5.4%.
- Our overheads as a percentage of adjusted turnover has continued to decrease.
- We analysed the results of the 2013 STAR survey which showed high levels of tenant satisfaction across all areas of service delivery and reaffirmed that the priority for tenants was improvements to their homes.
- We have reviewed procedures in light of the introduction of our texting system to better communicate with tenants, improve performance monitoring and survey tenant satisfaction.
- We have completed the implementation of the allpay payment services which provides tenants with greater choice and flexibility in available payment methods. As a result, the number of tenants paying by direct debit has increased by 63% from 134 to 219.
- We reviewed with HouseMark our first annual VFM self-assessment in light of regulatory and other feedback and have revised the report in light of the issues raised.

The year ahead:

- We will continue to promote the uptake of direct debits for rent payments in preparation for the introduction of Universal Credit.
- We will improve reporting systems to better monitor and control costs and seek to continue to reduce overheads as a percentage of adjusted turnover.
- We will carry out a strategic options appraisal to identify potential opportunities for improving and enhancing our service delivery to our tenants and growing the business.

7. <u>Ensuring effective resident scrutiny and resident involvement in decisions that affect their homes</u>

The year under review:

| Indicator | 2014 | 2013 | 2012 | Benchmark | Quartile |
|---|---|---|---|---|---|
| Direct CPP of resident involvement | 53.75 | 53.68 | 54.67 | 45.49 | 2 |
| Percentage satisfied that Arcon listens to tenants views and acts on them - STAR | 75 | 75 | 80 | 73 | 1 |

- The Tenant Scrutiny Committee (TSC) completed a review of our website providing collectively over 50 hours of free advice. The website was redesigned to take account of their recommendations and is now more accessible and user friendly to tenants, applicants and other users. Since the redesign was completed in October 2013, there has been a 58% increase in page views (up from 73,099 to 115,505) with a 49% increase in unique page views (up from 49,482 to 73,757).
- The TSC reviewed our Resident Involvement Policy making 8 recommendations for improvement which have been approved by the Board.
- The TSC reviewed the results of the Star survey and identified major repairs and property improvements as the main priority for tenants.
- We completed 34 scheme meetings/estate walkabouts during the year and implemented the majority of the resultant recommendations that arose.
- We surveyed all of our new tenants with a 65% return rate that showed a 100% satisfaction rate with both their property and the lettings process.
- We surveyed all of our tenants that pay a service charge and found that 92% were satisfied with gardening service, 88% were satisfied with the cleaning service, 87% were satisfied with the window cleaning service and 85% were satisfied with the Estate Services Officer.

The year ahead:

- The Tenant Scrutiny Committee (TSC) will review how Arcon can reduce the household running costs of tenants and will undertake a pilot scheme in respect of energy efficiency measures. They will also produce an information leaflet on tenant scrutiny and complete a training day on scrutiny activities.
- We will continue to offer scheme meetings/estate walkabouts during the year to all of our tenants and survey them on all new lets, response and planned repairs and service charges. Our aim is to improve satisfaction levels with all of our services year on year.

8. Investing in communities , neighbourhoods and people and promoting good relations with suppliers, contractors, agents, local authorities and other partners

The year under review:

| Indicator | 2013 | 2012 | 2011 | Benchmark | Quartile |
|---|---|---|---|---|---|
| Total CPP of estate service | 218.72 | 226.00 | 253.72 | 126.05 | 4 |
| Percentage satisfied with area as a place to live – STAR | 89 | 89 | 87 | 86 | 1 |

- We have spent £10kpa to support the East Manchester Warden scheme in Gorton and provide the mobile warden scheme to our elderly tenants in Denton which has helped 66 of our more elderly tenants to remain independent and live in their own home. The support provided has included help obtaining minor adaptations such as grab rails and toilet raisers, and occupational therapist assessments for showers, plus help with benefits advice.
- We appointed a consultant who specialises in setting up and obtaining funds for community initiatives to assist us in this area of our business.

The year ahead:

- We will spend £4k on a pilot scheme to provide computer training to 12 tenants across our stock to help improve computer literacy amongst out tenants.
- We will continue to spend £10K to support the East Manchester Warden scheme in Gorton, and provide a mobile warden scheme to our elderly tenants in Denton.
- We will work with a group of tenants on our Blackley estate and our appointed consultant to investigate making a bid for grant funding to construct a community building to be used by tenants for a wide range of activities.
- We will investigate the possibility of setting up a designated fund that tenants and staff can access to fund community initiatives.

9. Ensuring the continued committed involvement of well trained, skilled and experienced Board and Committee members and staff

The year under review:

- We employed a housing management apprentice on a 2 year contract at a cost of £10kpa so as to provide training and work experience for a young person and an additional resource to deal with the implications of welfare reform.
- We have appointed 4 new Board and Committee members who, coming from private sector, charitable and Local Authority backgrounds, complement and enhance the skills, experience and expertise of our existing Board members.

The year ahead:

- We will carry out a full remuneration review to ensure that the pay and other benefits for our employees reflect their roles and are competitive with the wider market.

**Section D – Overall opinion**

The VFM Standard, as published by the Homes and Communities Agency, requires Arcon as a Registered Provider to:

- Have a robust approach to making decisions on the use of resources to deliver our objectives, including an understanding of the trade offs and opportunity costs of our decisions
- Understand the return on our assets, and have a strategy for optimising the future return on assets – including rigorous appraisal of all potential options for improving VFM including the potential benefit in alternative delivery models – measured against the organisation's purpose and objectives
- Have performance management and scrutiny functions which are effective at driving and delivering improved VFM performance
- Understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so.

To demonstrate how we are meeting this standard, this self assessment should:

- Enable stakeholders to understand the return on assets measured against our objectives
- Set out the absolute and comparative costs of delivering specific services
- Evidence the VFM gains that have been and will be made and how these have and will be realised over time.

The Board is of the opinion that Arcon has achieved the requirements of the VFM standard and has firmly established a true VFM ethos within the Association.

We recognise that, especially in the light of the Welfare Reform changes, we need to continue to achieve VFM improvements if we are to maximise the impact of all the resources available to us for the building of new homes, the improvement of existing ones and the enhancement of the services that we provide.