

ARCON HOUSING ASSOCIATION

VALUE FOR MONEY SELF-ASSESSMENT 2017

During 2016/2017, Arcon's Board approved a new Corporate Plan for 2016/2021 which established the vision for Arcon:

“To create a new dynamic, highly distinctive and independent regional housing group, that provides a variety of high quality services and offers different tenures to suit individual needs and aspirations.”

In delivering this vision, it is essential that we maintain a strong financial position and deliver 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.

The Corporate 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 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 was reviewed during 2014/2016, and a group containing 38 members has been chosen. Although the majority of the 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. We have also benchmarked our costs using the HCA's 2016 Global Accounts. At the time of completing this version of the self-assessment, the HouseMark Core Benchmarking submission for 2016/2017 had not been completed hence for these benchmarks, the previous year's figures have been used on the basis that it can be seen by our Cost per Unit calculations, costs have reduced when compared to 2015/2016. The self-assessment will be updated with validated benchmarking information as soon as it becomes available.

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 grants and loan finance.

The table below summarises the surpluses/cash generated and spent on these activities during the last 5 years:

| Generated/Spent | 2017 £'000 | 2016 £'000 | 2015 £'000 | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|---------------|---------------|---------------|
| Operating activities | 1,947 | 1,789 | 1,703 | 1,629 | 1,528 |
| Property sales | 354 | 100 | 170 | 447 | 490 |
| Government Grant | 315 | 334 | 624 | 395 | 808 |
| Loan finance (net of repayments) | (417) | 1,089 | (414) | (374) | 4,535 |
| Total Generated | 2,199 | 3,312 | 2,083 | 2,097 | 7,361 |
| Reinvestment into existing properties | 445 | 844 | 1,153 | 789 | 907 |
| Investment into new homes | 1,205 | 2,187 | 2,297 | 2,431 | 3,977 |
| Total Spent | 1,650 | 3,031 | 3,450 | 3,220 | 4,884 |
| Current Return on Public Capital Invested (rolling 3 year average) | 8.78% | 9.0% | 9.0% | 9.9% | 9.2% |
| Historic Return on Public Capital Invested (rolling 3 year average) | 90.35% | 73.9% | 60.9% | 51.4% | 54.8% |

The Return on Public Capital Invested (RPCI) can be used to demonstrate the return Arcon provides on the Social Housing Grant it receives. The Current RPCI effectively measures the level of self-financed additions in the year and the Historic RPCI provides an indicator of the total return on public investment in the organisation. Our Current RPCI of 8.78% compares favourably to the average 5.3% return found by Savills when they analysed the accounts of 88 housing associations.

In June 2016, the HCA started publishing data on cost variations across the social housing sector. Their analysis of our 2014/2015 and 2015/2016 accounts has allowed us to calculate the equivalent comparative figures for 2016/2017:

| | Cost per social housing unit in management | | | | | |
|--------------------------------------|--|------------|----------------|-------------|---------------|----------------------------|
| | Headline social housing cost | Management | Service charge | Maintenance | Major repairs | Other social housing costs |
| Arcon | | | | | | |
| 2016/2017 | £2,955 | £870 | £184 | £847 | £951 | £104 |
| 2015/2016 | £3,114 | £980 | £169 | £874 | £978 | £112 |
| 2014/2015 | £3,240 | £820 | £180 | £860 | £1,300 | £80 |
| Sector level data (2015/2016) | | | | | | |
| Upper quartile | £4,350 | £1,320 | £600 | £1,180 | £1,080 | £450 |
| Median | £3,570 | £1,020 | £360 | £970 | £810 | £210 |
| Lower quartile | £3,120 | £740 | £240 | £790 | £540 | £80 |

As can be seen, overall the cost per unit has been reduced from the previous year where we already compared favourably with the sector. Our overall costs are lower quartile based on the latest benchmarking results available. Our major repairs programme has reduced again over the last twelve months, but remains towards the upper quartile. Our stock condition survey forms the basis of our major repairs programme, which ensure our properties meet decent homes standard, and helps to reduce the running costs for our tenants with more energy efficient boilers and new upvc double glazing.

Arcon is participating in the Sector Scorecard pilot. The Sector Scorecard is the name for a set of 15 indicators that Registered Providers are proposing to use to benchmark efficiency across the sector. The aim is for these indicators to become the mainstream way that efficiency and effectiveness are measured. These indicators will allow us to compare like with like, while at the same time recognising that ours is a diverse sector encompassing a wide range of legitimate social missions. Whilst benchmark data is currently not available, our scorecard results for 2015 to 2017 are provided below:

| Indicator | 2017 | 2016 | 2015 |
|--|-------------|-------------|-------------|
| Business Health | | | |
| Operating margin (overall) | 30.08% | 27.13% | 28.43% |
| Operating margin (social housing lettings) | 27.71% | 24.92% | 30.52% |
| EBITDA MRI (as a % of interest) | 288.38% | 209.28% | 146.88% |
| Development - capacity and supply | | | |
| Units developed | | | |
| - Social rent | | | |
| - Affordable/intermediate rent | 17 | 13 | 29 |
| - Affordable home ownership | 3 | 0 | 4 |
| Total | 20 | 13 | 33 |
| Units developed (as a % of units owned) | 1.69% | 1.11% | 2.85% |
| Gearing | 32.33% | 32.80% | 31.42% |
| Outcomes delivered | | | |
| Customers satisfied with the service provided by their social housing provider | 82% | 90% | 90% |
| £s invested for every £ generated from operations: | | | |
| - in new housing supply | £0.65 | £1.04 | £1.50 |
| - in communities | £0.00 | £0.00 | £0.00 |
| Effective asset management | | | |
| Return on capital employed (ROCE) | 4.09% | 3.33% | 3.21% |
| Occupancy | 99.79% | 99.68% | 98.20% |
| Ratio of responsive repairs to planned maintenance spend | 85.06% | 59.94% | 53.32% |
| Operating efficiencies | | | |
| Headline social housing cost per unit | £2,955 | £3,114 | £3,240 |
| Rents collected | 99.89% | 99.80% | 100.03% |
| Overheads as a percentage of adjusted turnover | 17.16% | 17.16% | 17.82% |

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. During 2015, the Board conducted a strategic options appraisal which reaffirmed this position. To support this decision, Arcon adopted its own Merger Code establishing criteria for considering potential mergers in the future.

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 costs 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 31/03/17), 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 2017 | Return 2016 | Return 2015 | Return 2014 |
|-------------------|-----|---------------|----------------|------------------|----------------|----------------|----------------|----------------|
| Social Housing | 940 | 41,182 | 19,828 | 1,246 | 27.88% | 25.03% | 31.03% | 30.70% |
| Intermediate Rent | 72 | 9,393 | 5,309 | 36 | 15.58% | 38.00% | 41.02% | 42.00% |
| Affordable rent | 83 | 10,699 | 2,639 | 204 | 37.93% | 46.67% | 47.27% | 38.40% |

| | | | | | | | | |
|--------------------|-------|--------|--------|-----|--------|--------|---------|--------|
| | | | | | | | | |
| Shared Ownership | 45 | 4,224 | 791 | 104 | 62.18% | 33.16% | 23.60% | 24.90% |
| Specialist Housing | 44 | 2,999 | 177 | 261 | 54.15% | 9.57% | -72.19% | -8.60% |
| Market Rent | 21 | 2,591 | 0 | 78 | 51.38% | 60.00% | 37.20% | 36.00% |
| Managed Properties | 34 | n/a | n/a | 27 | n/a | n/a | n/a | n/a |
| Total | 1,239 | 71,088 | 28,745 | | | | | |

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 100% 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 was updated in March 2017 following inspections of around 300 properties by an external company. We have also up dated properties which have benefitted from major repairs in the last twelve months. Going forward we will inspect 20% of our stock each year to ensure that the information held on the data base is up to date, and we can target our resources at the properties that need major components to be replaced.

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 76% 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. 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 and is up to date.

Of the 940 social housing properties, 164 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 3

of these properties each year after carrying out option appraisals which showed higher than average repairing liabilities and low demand. We have identified a further 38 properties that fall into this category and plan to continue selling approximately 3 per year when they become void.

We 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.

Manchester Council gave notice to terminate the lease on one of our supported housing schemes at 228 Ryebank Road. The lease ended at the end of March 2016 and the property was sold on the open market for £416K. The receipts are being used to fund our modernisation programme which includes the purchase of a new IT system and review of our current website.

An external stock condition survey was completed in March 2017 and we will now use that data to update our asset modelling programme (PAVE) that provides us with a Net Present Value for all our properties on an individual basis to allow us to better understand the comparative returns made by all of our assets at a granular level. We will also link the results of this to our Assets and Liabilities Register as part of our active Asset Management Strategy.

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

The information provided in the tables below is extracted from Arcon's data submitted to HouseMark for 2017 back to 2013. 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 2016 (CPP = Cost Per Property). The STAR survey results refer to an independent survey of all our tenants undertaken by TLF in April 2017 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.

Areas of operation – Arcon Housing Association seeks to create its heartland in the Greater Manchester conurbation

The year under review:

- A new Corporate Plan was approved by the Board providing a more focussed approach to areas of operation
- Stock rationalisation discussions were held with other Registered Providers. Whilst not followed through, this provided greater understanding on how we would want to enter into such arrangements

The year ahead:

- The Board are considering refinancing which would allow for further developments and enhance opportunities within Arcon Developments to seek opportunities across the North West

Growth and diversification – Our housing offer provides a multi-tenure approach to suit the individual needs and aspirations of our customers

The year under review:

- We built and let our new build scheme at Bradburn Road, with 12 properties for Affordable Rent and 2 for sale on a shared ownership basis.
- Our Board reviewed the current AHP2 development programme, and agreed to complete the sites identified for development, but did not bid for any further sites under the SOAHP 16-21 programme.
- We completed the construction of a site at Arbroath & Bailey Street building 5 x 2 bed homes at a cost of £551,604 (before grant) for Affordable Rent.
- We have started the construction of a site at Humphrey Road building 4 x 2 bed homes for sale on a shared ownership basis. The cost before grant will be £457,468. The properties will be ready for handover by December 2017.
- We held discussions with a supported housing registered provider investigating the possibility of a merger into the Arcon group. Whilst the Board decided not to pursue this option, it proved to be an invaluable lesson on issues that need to be considered when looking at potential mergers

The year ahead:

- Indicative bids have been submitted for two section 106 sites and another market rent site is also being considered. If successful in these bids could result in delivery of a further 73 units across a range of tenures.
- An Investment Policy is being considered by Board which will allow for greater diversification whilst meeting our charitable objectives.
- Our Humphrey Road scheme is due to complete in the year providing 4 shared ownership properties which have already been sold.
- We will work with local authority partners to identify land for development and the type of new housing that is required to meet the need identified in their housing strategy.

| Scheme | Contract sum | Actual £/m ² | BCIS TPI data £/m ² |
|--------------------------|--------------|----------------------------|---|
| Bradburn Road | £1,251,644 | £814 | Lower quartile- £918 Mean- £1073 Median £1047 |
| Arbroath & Bailey Street | £551,604 | £962 | Lower quartile- £918 Mean- £1073 Median £1047 |

Transformational change – We need to move from being a traditional to a more dynamic and progressive organisation if we are to survive and remain independent

The year under review:

- We consulted with various partners but we have not been able to identify opportunities for joint procurement.

- We re-tendered our Gas Service contract and issued a five year contract to Liberty gas, which will provide a saving of £10k per annum.
- We have reviewed the role of our housing management and maintenance teams, creating a single Operations Directorate in August 2016, resulting in more efficient working practices and improved communications between staff. The position of Housing Director and Property Director have been replaced by a single Operations Director.
- We recognised that our IT systems restricted our ability to improve reporting across a range of areas and that investment in IT would be needed. Following robust market testing, approval was gained for the acquisition of new IT systems which will allow for improved remote working and greater control of performance information
- We completed the review of our vision, values and objectives with an updated Corporate Plan agreed by the Board in August 2016

The year ahead:

- The Castleton IT system will “go live” in November 2017, resulting in a major shift in working methodologies and delivery of services to our customers
- We will rebrand and launch a new website providing a more customer focussed portal, allowing easier self-service
- Reporting systems will be greatly enhanced by the Castleton system, allowing for improved management and control of costs by budget holders
- We will complete a procurement exercise and move to a single contractor to provide our response repairs, repair of void properties, and replacement of kitchens and bathrooms as part of our major repairs programme.

Asset management – It is imperative that the organisation “sweats its assets” in order to grow and diversify but also invest in its stock so customers enjoy excellent well maintained accommodation

The year under review:

| Indicator | 2017 | 2016 | 2015 | 2014 | 2013 | Benchmark | Quartile |
|--|--------|--------|--------|--------|--------|-----------|----------|
| Total CPP of major works/cyclical maintenance | 1,352 | 1,352 | 1,388 | 1,448 | 1,392 | 798 | 4 |
| Total CPP of responsive repairs and void works | 660 | 660 | 655 | 609 | 587 | 676 | 1 |
| Percentage of repairs completed on time | 99.1 | 99.9 | 99.8 | 98.9 | 99.6 | N/A | N/A |
| Percentage satisfied with repairs and maintenance – STAR | 70 | 87 | 87 | 87 | 87 | 85.5 | 4 |
| Percentage satisfied with overall quality of home – STAR | 82 | 89 | 89 | 89 | 89 | 88.5 | 3 |
| Total CPP of estate service | 216.16 | 216.16 | 229.79 | 218.72 | 226.00 | 147 | 3 |
| Percentage satisfied with area as a place to live – STAR | 82 | 89 | 89 | 89 | 89 | 89.1 | 4 |

- We sold our supported housing scheme at 228 Ryebank Road for £416k, and will use the proceeds to further our objectives in the corporate plan.

- We have helped our tenants who need to move or downsize. We have promoted Homeswapper for mutual exchanges and also moves via the various Choice Based letting schemes to provide access to our stock to people in housing need.
- We have improved our properties by spending £121k on cyclical maintenance which included painting , an electrical testing programme up grading appliances if required, asbestos inspections and £9k on adaptations to allow our tenants to remain in their properties.
- We improved our properties through our major repairs programme of £567k which will included the replacement of, boilers, kitchens, bathrooms, roof renewal, front door replacement and a lift replacement. We have set budgets to invest in our existing stock to ensure that they remain in good condition, but this means that we are in quartile 4 for cost of major repairs
- We have provided information and signposted our tenants to external agencies for advice on reducing energy consumption.

The year ahead:

- We will continue to ensure our properties are maintained to a good standard. We have set a cyclical maintenance budget of £272k which will include a painting programme, electrical tests and up grade of consumer units, asbestos inspections of properties that require major repairs and an adaptations budget.
- We have set a budget of £641k for major repairs to improve our properties. The main components to be replaced will be kitchens, bathrooms, boilers, radiators, front doors, roof repairs and rewiring work. Within this budget £136k has been set aside for other improvements which could include roof replacements on schemes of flats, provision of a sprinkler system at our only multi storey block of flats or other work identified in the stock condition survey to ensure works are carried out to those properties in most need.
- We will provide advice to tenants who may need to move or downsize due to welfare reform changes that are being introduced.
- We will implement an action plan by November 2017 to address the areas of concern highlighted in the STAR survey. The satisfaction with our repairs and maintenance service has dropped into quartile 4 in the HouseMark benchmarking system. We will introduce a single contractor for all day to day repairs, which will allow a more consistent service to be provided to all of our customers. This will include better call handling, ensuring appointments are made and kept, fixing the repair on the first visit, evening and weekend appointments for routine repairs, and a follow up satisfaction surveys to identify areas for improvement. Improvement in these areas should see and overall improvement in customer satisfaction with our repairs and maintenance service.

Service excellence – In recognising our limited resources, we need to be creative and work in collaboration with others to provide service excellence

The year under review:

| Indicator | 2017 | 2016 | 2015 | 2014 | 2013 | Benchmark | Quartile |
|---|-------|-------|-------|-------|-------|-----------|----------|
| Tenancy turnover | 6.86% | 8.6% | 10.8% | 11.2% | 8.8% | 5.8% | 2 |
| Direct CPP of lettings | 54.85 | 54.85 | 46.53 | 70.45 | 56.81 | 32.74 | 4 |
| Percentage satisfied with value for money of rent - | 88 | 89 | 89 | 89 | 89 | 86.95 | 1 |

| | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|---|
| STAR | | | | | | | |
| Percentage satisfied with value for money of service charge - STAR | 82 | 81 | 81 | 81 | 81 | 82 | 1 |
| Average SAP rating | 72.6 | 72.6 | 72.6 | 71.5 | 71.4 | 74.6 | 2 |
| Direct CPP of rent arrears and collection | 70.92 | 70.92 | 59.19 | 65.86 | 59.07 | 75.28 | 1 |
| Current tenant arrears as percentage of rent due | 2.19% | 2.85% | 2.78% | 3.06% | 2.88% | 2.51% | 1 |
| Gross arrears written off as percentage of rent due | 0.75% | 0.49% | 0.17% | 0.20% | 0.58% | 0.19% | 3 |
| Average time in days to relet empty properties | 19 | 16.6 | 17.4 | 20.0 | 19.7 | 17.95 | 1 |
| Average cost of a void repair | 1,528 | 1,528 | 1,314 | 1,329 | 1,667 | 1,592 | 1 |
| Direct CPP of resident involvement | 47.32 | 47.32 | 48.42 | 53.75 | 53.68 | 39.40 | 2 |
| Percentage satisfied that Arcon listens to tenants views and acts on them - STAR | 68 | 75 | 75 | 75 | 75 | 75.92 | 2 |

- We have 36 tenants that we know about who are in receipt of universal credit. The cash collection for these tenants is 97%. The percentage of rent arrears is 7.75% with an average debt of £338.
- We have remained in the upper quartile for average void relet times and rent arrears without incurring any extra additional costs.
- We have continued to promote the uptake of direct debit payments, including contacting tenants who pay by standing order to advise them of the advantages of changing payment methods.
- We introduced a Customer Hub which provides a one stop service for our customers, improving how we handle in coming calls. This was implemented without any extra resources.
- The Tenant Scrutiny Committee have undertaken a number of reviews:
 - They have reviewed the written communication that is sent out to our tenants such as the newsletters and the annual report, and decided that this did not represent value for money. In the future one newsletter and the annual report will be produced, and they will be posted onto our website.
 - After reviewing our offer of estate walkabouts it has been agreed that they are poorly attended and do not represent value for money. They will be withdrawn unless there are specific requests to meet on site.
 - They reviewed the way that we complete the satisfaction surveys for cleaning, gardening and the caretaker and will stop sending out paper surveys and use texting, e-mail and the website in future.
- We reviewed the estate services officer service, and decided not to implement a handy man service, as this would not be VFM. The cost of delivering and managing the service was not proportionate to the value.

- We offered free IT training to another 8 tenants across our stock to help improve computer literacy
- The neighbourhood warden service provided in East Manchester has been withdrawn. We have provided a mobile warden service to provide extra security and support to our tenants in Gorton and Denton.
- We tendered our insurance services resulting in an annual saving of £20k on our premiums as budgeted for the year.
- We completed a STAR survey in April 2017 which has provided an up to date position on how our tenants rate the service provided by Arcon. This was a more in depth telephone survey that was able to gather a lot more information from our tenants. It has resulted in a drop in satisfaction across some areas in particular with repairs and maintenance and communication. An action plan will be drawn up to address the main areas of concerns and implemented by November 2017.

The year ahead:

- Our Tenant Scrutiny Committee are working with staff on the redesign of our website and rebranding of Arcon.
- We will launch a new version of our website with a customer focussed portal which will be easier to use and allow our tenants opportunities for self service especially around reporting repairs, making rent payments, checking their rent account balance and signposting to useful information such as advice on welfare reform.
- We will launch a tenant app as part of our new IT system, which will provide another opportunity for our tenants to engage with Arcon.
- We will implement an action plan by November 2017 to address the areas of dis-satisfaction highlighted in the STAR Survey. We will focus on improving communication with tenants and ensuring that their enquiries are dealt with first time and reduce the need for a second follow up call. Our new IT system will enable us to track calls and put them into staff worktrays which will allow us to monitor staff response times, and improve communication with our tenants.
- We have reviewed our working practices on managing and reletting void properties. Housing officers now manage the whole process which include pre termination inspections to identify void works before a tenancy ends. This has resulted in an improvement in the average void re-let times with some already being let on the same day.

Capacity and capability – To modernise, transform and rebrand for the 21st century as well as growing and diversifying the organisation will require inward investment, both financial and human

The year under review:

| Indicator | 2017 | 2016 | 2015 | 2014 | 2013 | Benchmark | Quartile |
|--|-------|-------|-------|-------|-------|-----------|----------|
| Overheads costs as percentage of adjusted turnover | 17.16 | 17.16 | 17.82 | 17.45 | 17.55 | 12.12 | 4 |
| Overall satisfaction with services provided – STAR | 82 | 90 | 90 | 90 | 90 | 89.9 | 3 |

- Following our staff survey results, we have introduced a monthly team briefing meeting to keep staff fully informed and up to date with news and changes at Arcon

- We carried out a full independent Governance review to ensure compliance with latest good practice standards and carried out a full skills analysis of our Board to aid future recruitment of Board members. All recommendations within the Review were approved by the Board in March 2017
- We identified alternative office accommodation at a more affordable rent with the aim of moving there in August 2017 before the option to end the lease for our Lloyd Street office in late 2017
- All members of the housing and maintenance team completed asbestos awareness training.

The year ahead:

- A staff survey will be carried out in late 2017 which will allow us to better understand the impact of the transformational change within Arcon is having on our staff
- All recommendations made within the Governance Review will be implemented, including the recruitment of two additional members from within the sector
- We will move to our new office which offers a saving of approximately 40% against our current premises. Whilst the relocation will result in one-off additional costs, the office move will generate significant long term savings in the business plan
- We will implement an action by November 2017 to address the areas of concern identified in the STAR Survey. This will include better communication with tenants and the introduction of a single contractor for a more consistent repairs and maintenance service.

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.

Following the announcements in the July 2015 Budget regarding the 1% rent cut for four years, it has been recognised that we need to continue to achieve further 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. The business plan has been updated to reflect achievable savings plus now includes the latest information from the stock condition survey which has also been subject to scrutiny. As a result, Arcon has been able to offset much of the impact of the reduction in rental income. However it is recognised that as the impact of the rent cut on the long term business plan has a significant cumulative effect, the Association needs to ensure VFM remains a priority and that we also identify new ways of working to improve efficiencies plus provide additional income to the business.